EESTI TELEKOM

5 February 2004

THE PRELIMINARY FINANCIAL RESULTS OF 2003

Eesti Telekom, the leading provider of telecommunications services in Estonia, hereby announces its preliminary results for the fourth quarter, and for the financial year, which ended 31 December 2003.

Financial highlights

	Q4 2003	Q4 2002	Change %	**FY 2003**	FY 2002	Change %
Total revenues, mEUR	**81.1**	74.9	8	**307.1**	291.4	5
EBITDA, mEUR	**28.7**	30.7	-6	**135.4**	136.2	-1
EBITDA margin, %	**35**	41		**44**	47	
EBIT, mEUR	**14.9**	15.2	79	**79.1**	72.2	9
EBIT margin, %	**18**	20		**26**	25	
Profit before taxes, mEUR	**15.3**	15.5	-1	**84.7**	72.3	17
Net profit for the period, mEUR	**15.3**	15.5	-2	**66.2**	66.5	0
EPS, EUR	**0.111**	0.113	-2	**0.481**	0.484	0
CAPEX, mEUR	**16.4**	18.8	-13	**36.0**	40.0	-10
Net gearing, %	**-33**	-23		**-33**	-23	
ROA (annualised), %	**21**	23		**23**	24	
ROE (annualised), %	**24**	26		**33**	30	

Commenting on these financial results, Chairman Jaan Männik stresses:

“Continues revenue growth in mobile and data communication businesses. Decline in the mobile market share stopped.”

For further information, please contact:

Krister Björkqvist +372 6272 465
CFO

Hille Võrk +372 6272 460
Financial Manager

CHAIRMAN'S STATEMENT

Financial results

The consolidated revenues of the Eesti Telekom Group for the fourth quarter of 2003 amounted to 81.1 mln EUR, up by 8%, compared to the fourth quarter of 2002. The fourth quarter 2002 consolidated revenues included a non-recurring item, a 0.6 mln EUR capital gain from the sale of real estate. The elimination of this gain from the revenues of the base-period would make the revenue growth to be 9%. Operating expenses of the fourth quarter were up by 19%, amounting to 52.4 mln EUR. The EBITDA of the Group for the fourth quarter amounted to 28.7 mln EUR and the EBITDA margin was 35%.

Non-core activities – construction and trade – gave the largest contribution to the growth of the consolidated revenues. In the construction area, revenues of both AS Connecto (the parent company of the Connecto Group) and SIA Connecto Latvia (a subsidiary of the Connecto Group) were up. Also, the Connecto Group expanded, in 2003, with the addition of two new subsidiaries - AS Reveko Telekom and AS Eltel Networks. In the trade area, both the sale of computers, and the wholesale and retail sale of mobile handsets showed very good results.

The growth of mobile communications was strong in the fourth quarter of 2003. Enlargement of the customer base accelerated, as is customary, at the end of the year. Mobile customers made more active use of both voice and data communication services. The fourth quarter was also successful for fixed data communications. An increase in the Internet and data communication revenues did not fully compensate for a decrease in voice communications, and the total revenue from fixed communications was slightly down.

Non-core activities of the Eesti Telekom Group have lower margins than traditional telecommunication services. Revenue growth in the areas of construction and trade brought with it the growth of operating expenses and lower profit margins of the Eesti Telekom Group. Marketing costs of the core business areas have always been up during the last quarter. Higher voice and data communication volumes at the end of the year were accompanied by higher interconnection costs for the operators.

The net profit of the Eesti Telekom Group in the fourth quarter of 2003 was 15.3 mln EUR or 0.111 EUR per share (the fourth quarter of 2002: 15.5 mln EUR and 0.113 EUR respectively).

The consolidated revenues of the Eesti Telekom Group for the year 2003 amounted to 307.1 mln EUR, up by 5% compared to 2002. The 2002 consolidated revenues included a non-recurring item, a 4.0 mln EUR capital gain from the sale of real estate. The elimination of this gain from the revenues of the base-period would make the revenue growth to be 7%. The operating expenses of 2003 were 171.7 mln EUR, up by 11%. The EBITDA of the Eesti Telekom Group was 135.4 mln EUR, down by 1% compared to 2002. The EBITDA margin was 44%. The elimination of the abovementioned non-recurring item from the revenues of 2002 would make the EBITDA growth to be 2%. The circumstances described when commenting the EBITDA of the fourth quarter (growth in the non-core business areas; higher ratio of Internet, IT, and data communication revenues into the total revenues of fixed communications; wider customer base in the are of mobile communications) also had a strong impact on the EBITDA of the whole year.

The depreciation charge of the Eesti Telekom Group in 2003 amounted to 56.3 mln EUR, down by 7.7 mln EUR or by 12%, compared to 2002. This decrease is caused by revised depreciation rates applied by Elion Enterprises Ltd. at the beginning of 2003, and by the relatively low CAPEX that the Group has had during the past years, compared to earlier periods.

The net financial result of 2003 was 5.6 mln EUR. Financial revenues of the year include a 3.7 mln EUR capital gain from the sale of 49% of the shares of AS Connecto. The net interest revenue of the Group, in 2003, was 2.3 mln EUR (2002: 1.1 mln EUR).

The net profit of the Eesti Telekom Group in 2003 was 66.2 mln EUR or 0.481 EUR per share (2002: 66.5 mln EUR or 0.484 EUR per share). The net profit of 2003 had been affected by an amendment in the taxation regulations, which became effective in 2003. In 2002, the dividend tax applied only to dividend payments to private individuals and non-resident legal entities. But in 2003, the dividend tax became effective for all dividend payments. Thus, for the Eesti Telekom Group, this amendment, together with a higher dividend payout, brought with it a significant increase in the dividend tax that had to be paid. The dividend tax, in 2003, amounted to 18.3 mln EUR, up by 12.5 mln EUR, compared to 2002.

At the end of December 2003, the total assets of the Eesti Telekom Group amounted to 293.9 mln EUR (2002: 283.9 mln EUR). Non-current assets were reduced, from the beginning of the year, by 20.6 mln EUR. Current assets were increased by 30.6 mln EUR. This enlargement was mainly the result of an increase in cash and cash equivalents (bank accounts, units of money-market funds) by 27.9 mln EUR. By the end of 2003, the net debt of the Group amounted to –86.2 mln EUR and net gearing was –33% (2002: -58.0 mln EUR and –23%).

The net operating cash flow of the Eesti Telekom Group in 2003 was 109.3 mln EUR (2002: 121.3 mln EUR). Cash outflow into investments was 27.6 mln EUR (2002: 35.3 mln EUR). The investing cash flow was affected by a 4.3 mln EUR cash inflow from the sale of the minority ownership in AS Connecto, a 4.5 mln EUR payment for the UMTS licence, and by a large investment into improving the quality of the GSM-network that AS EMT made in the fourth quarter of 2003. The cash outflow into financing was 53.7 mln EUR, including 52.7 mln EUR paid as dividends (2002: 54.7 mln EUR, including 48.3 mln EUR paid as dividends).

The ROA and ROE continued to be very high. ROE increased from the previous year's 30% to 33%. The ROA decreased from 24% to 23%, mostly due to the large portion of cash and cash equivalents, and the low interest returns on those assets.

Elion Group

	Q4 2003	Q4 2002	Change %	**FY 2003**	FY 2002	Change %
Total revenues, mEUR	43,3	40,8	6	164,6	163,8	1
EBITDA, mEUR	11,8	13,0	-10	55,3	61,3	-10
EBITDA margin, %	27	32		34	37	
EBIT, mEUR	3,3	3,1	6	21,0	19,5	7
EBIT margin, %	8	8		13	12	
Profit before taxes, mEUR	3,4	3,0	11	24,8	18,3	36
Net profit for the period, mEUR	3,3	3,0	10	20,3	18,3	11
CAPEX, mln EUR	6,3	9,6	-35	14,3	21,3	-33
ROA, %	10	8		14	12	
ROE, %	11	11		22	18	

The increase of the consolidated revenues of the Elion Group continued in the fourth quarter of 2003. The consolidated revenues of the Elion Group amounted to 43.3 mln EUR, showing an increase of 6%, compared to the same period in 2002. The consolidated revenues of the fourth quarter of 2002 contain a capital gain from the sale of real estate in the amount of 0.6 mln EUR. The elimination of this capital gain would make the revenues of the fourth quarter of 2003 8% higher than the corresponding revenues of 2002.

This revenue growth was the result of various circumstances. The Elion Group acquired several new subsidiaries in 2003 – AS Reveko Telekom, AS Eltel Networks, and AS EsData (an associated company of the Group until December 2003). Revenues from non-core activities, construction (the Connecto Group) and retail sales (AS Elion Esindus) were substantially up. The revenues of Elion Enterprises Ltd., the parent company of the Elion Group, were down by 4%, compared to the fourth quarter of 2002. The main factor behind the decline was the revenue from voice communications. The revenue from domestic calls decreased by 14%, compared to the same period in 2002. The revenue from international calls was down by 10% and the revenue from calls into mobile networks was down by 8%. The revenues from phone installations and monthly fees were down by 3%. The Internet revenue of the Elion Group for the fourth quarter of 2003 was up by 26%. This increase was the result of the new DSL connections made during 2003. Wireless Internet expansion continues. In the fourth quarter of 2003, Elion rolled out wireless hotspots in all Neste A24 gas stations. The total number of Elion's wireless hotspots more than doubled. At the end of the year a new Internet content service – ITV - was lunched. ITV makes it possible to watch one's favourite TV-programs via Internet at any time. It is a digital media archive consisting of the best programs and movies made in Estonia, plus the latest news and sports. The revenues from IT and data communications were up by 33%. Elion Enterprises' successful participation in state tenders has contributed to this increase. In the fourth quarter of 2003, Elion Enterprises Ltd. won the tender of the Tallinn Education Authority for the procurement of 139 lap-top computers for Tallinn's schools. The company also signed a procurement agreement with the Tallinn Education Authority for the installation of 170 PC's at Tallinn's schools and kindergartens.

The operating expenses of the fourth quarter of 2003 were up by 14%, amounting to 31.5 mln EUR. This increase of the operating expenses was the result of the acquisition of new subsidiaries, and the higher volumes of construction and trading activities. The operating expenses of the parent company, Elion Enterprises Ltd., were up by 1%.

The EBITDA of the Elion Group, in the fourth quarter of 2003, was 11.8 mln EUR, down by 10%, compared to 2002. The EBITDA margin for the quarter was 27%. The lowering of the margin during the last quarters is the result of a higher share of low-margin activities.

The net profit of the Elion Group, in the fourth quarter of 2003, was 3.3 mln EUR, up by 10%, compared to the fourth quarter of 2002. This growth is largely the result of the implementation of the revised depreciation rates from the beginning of 2003. The new rates are more differentiated than the previous ones. The useful lifetime of the various categories of tangible assets is determined more accurately. In addition to that, the losses due to depreciation have started to decrease as a result of the relatively low CAPEX that the Group has had during the last years, compared to earlier periods.

The consolidated revenues of the Elion Group, in 2003, amounted to 164.6 mln EUR, up by 1%, compared to the first nine months of 2002. However, the consolidated revenues of 2002 contain a capital gain from the sale of real estate in the amount of 4.0 mln EUR. The elimination of this capital gain would make the revenues of 2003 3% higher than the revenues of 2002. Operating expenses of the year were up by 7%, amounting to 109.2 mln EUR. The EBITDA of the Group was 55.3 mln EUR and the EBITDA margin was 34%. The net financing item of the Group was 3.8 mln EUR (2002: -1.2 mln EUR). The financial revenues of the year include a 3.7 mln EUR capital gain from the sale of 49% of the shares of AS Connecto. The interest expenses of the Group were down by 1.2 mln EUR. As a result of amendments in the regulations concerning income taxation, the Group declares a dividend income tax expense of 4.3 mln EUR in its income statement. The net profit of the Elion Group, for 2003, was 20.3 mln EUR, up by 11%, compared to 2002.

The Elion Group invested 14.3 mln EUR during 2003 (2002: 21.3 mln EUR).

The number of main lines in use at the end of December was 444,661 (a penetration of 32.8 lines per 100 people). The net decrease in the number of main lines, since the beginning of 2003, was 15,600. This decrease was caused mainly by private individuals. The number of main lines used by business customers increased during 2003. The total number of Internet permanent connections was 50,841 at the end of December 2003. The total number of ADSL connections was 49,448 (3.7 connections per 100 people. The net increase in the number of ADSL connections since the beginning of 2003 was 19,000.

The market shares of Elion Enterprises Ltd. have been stable. The company estimates its share of total call minutes to be 87% (2002: 89%). The estimated market share of domestic call minutes, international call minutes, and fixed to mobile call minutes are 87% (88%), 67% (70%), and 76% (75%) respectively. The estimated market share of dial-up minutes is 95% (95%).

The number of employees of the Elion Group, at the end of December 2003, was 2,014 (December 2002: 1,999). This increase was caused by the Connecto Group, where the number of employees increased by 57.

EMT Group

	Q4 2003	Q4 2002	Change %	FY 2003	FY 2002	Change %
Total revenues, mEUR	47,0	42,1	12	174,5	157,0	11
EBITDA, mEUR	17,5	18,4	-5	81,8	76,5	7
EBITDA margin, %	37	44		47	49	
EBIT, mEUR	12,1	12,8	-6	59,8	54,4	10
EBIT margin, %	26	31		34	35	
Profit before taxes, mEUR	12,3	13,0	-5	60,6	54,8	11
Net profit for the period, mEUR	12,3	13,0	-5	47,1	54,8	-14
CAPEX, mln EUR	10,1	9,3	9	21,7	18,8	16
ROA, %	43	50		41	51	
ROE, %	49	56		59	57	

The growth of the consolidated revenues of the EMT Group continued in the fourth quarter of 2003. The revenues of the fourth quarter amounted to 47.0 mln EUR, up by 12%, compared to the fourth quarter of 2002. The revenues of AS EMT Esindused, a subsidiary of the EMT Group, were up significantly. In the area of mobile communications, the revenues from SMS and data communications continued to have the highest growth rate, showing an increase of 27%. The revenues from domestic and international call charges were up by 11%. The revenue from prepaid cards showed a moderate growth as a result of several promotional campaigns at the end of 2003. Prepaid revenue of the fourth quarter was up by only 2%, compared to the same period in 2002. There was some decrease in the revenue from monthly fees, compared to the fourth quarter of 2002. In December 2003, the ARPU was 26.2 EUR (December 2002: 27.0 EUR). The lower ARPU was mainly caused by an increase in the usage time of prepaid call-cards. Prepaid customers now form 38% of the customer total, compared to 34% at the end of 2002.

The operating expenses of the EMT Group, in the fourth quarter of 2003, amounted to 29.5 mln EUR, up by 25%, compared to the same period in 2002. The additional operating expenses were partly the result of the higher volume of the Group's trade activities. In the mobile field, the higher number of call minutes used by customers was accompanied by an increase in interconnection costs. Marketing costs of the Group have customarily been high at the end of the year. In the fourth quarter of 2003, AS EMT launched a new image promotion campaign for "Simpel", its prepaid card. At the same time, the company prepared a marketing campaign for the new, children-oriented brand, "pop", that came out in January 2004. The operating expenses of the fourth quarter of 2003 were also influenced by a devaluation of assets at AS EMT.

The EBITDA of the fourth quarter of the EMT Group amounted to 17.5 mln EUR, down by 5%, compared to the same period in 2002. The EBITDA margin was 37%. The net profit of the EMT Group was 12.3 mln EUR, down by 5%.

The total number of EMT customers grew by 28 thousand during the fourth quarter of 2003 (2002: 14 thousand). The number of contractual customers was up by 12 thousand and the number of prepaid customers was up by 16 thousand (2002: 11 thousand and 3 thousand respectively). This growth in the number of prepaid customers was partly caused by changes in the terms of the Simpel call-cards, which became effective 1 May 2003. Until that date, customers could use the calling time stored on their cards in the course of two months for calling out, plus, for one more month, they could receive incoming calls. In accordance with the new terms, the calling time stored on the card can be used for calling out in the course of five months, plus, incoming calls can be received for an additional month. Due to the change in terms, EMT did not close any prepaid cards between August 2 and the end of October. The total number of AS EMT customers reached 491 thousand by the end of December, up by 15% compared to 2002. The number of contractual customers was 307 thousand, and the number of prepaid customers was 185 thousand (2002: total number of customers was 427 thousand, the number of contractual customers was 280 thousand, the number of prepaid customers was 147 thousand). EMT estimated its market share to be around 47%. In the fourth quarter, EMT was able to stop its market share slide, but at the expense of reduced margins. Mobile penetration in Estonia reached 77% (2002: 65%).

The consolidated revenues of the EMT Group, for 2003, amounted to 174.5 mln EUR, up by 11%, compared to 2002. Operating expenses of the year amounted to 92.7 mln EUR, up by 15%. The EBITDA of the Group was 81.8 mln EUR, and the EBITDA margin was 47%. Profit before tax was up by 11% amounting to 60.6 mln EUR. As a result of amendments, which were made to the regulations concerning the calculating of income tax on dividends, the Group declared a dividend income tax expense of 13.5 mln EUR in its income statement. The net profit of the EMT Group in 2003 was 47.1 mln EUR.

The EMT Group invested 21.7 mln EUR during 2003 (2002: 18.8 mln EUR). 4.5 mln EUR were invested into acquiring a UMTS licence. A large investment was made into improving the quality of the GSM-network in the fourth quarter of 2003.

The number of employees of the EMT Group at the end of December 2003 was 430 (in December 2002: 406).

Changes in the corporate structure of the Eesti Telekom Group

In October 2003, AS Connecto bought 100% of the shares of the Estonian company Eltel Networks AS from the Finnish company Eltel Networks Corporation. The price of the transaction was 0.7 mln EUR. Eltel Networks AS was founded in 1999, and its main area of business is the construction of electrical and telecommunication networks.

In November 2003, AS Esmofon changed its name to AS EMT Esindused.

In December 2003, a merger agreement between AS Eltel Networks and AS Connecto was signed. The merger supports the company's development plans that foresee combining the resources and know-how in the field of electrical and telecommunication networks, which provides an opportunity to offer integrated network solutions for customers. After the merger, the company's name will be Eltel Networks AS. The merger shall be completed by the spring of 2004, when the corresponding entry will be made into the Commercial Register.

In December 2003, Elion Enterprises Ltd. acquired all of the shares of the associated company EsData Ltd., which offers data communication and Internet services. In accordance with the purchase and sale agreement, Elion Enterprises purchased 70% of the shares of EsData from TeliaSonera for 0.4 mln EUR. Prior to the deal, Elion Enterprises owned 30% of the shares of EsData. The aim of the acquisition was to consolidate the Elion Group's data communication and Internet services, and to increase the synergy between the two companies in both the network management and customer service spheres.

On 12 January 2004, an agreement was signed for the purchase of 100% of the shares of the Lithuanian company UAB Lidivos Technologijos by AS Connecto. The volume of the transaction concluded is 300 thousand EUR. The primary activity of the company being purchased is the installation and maintenance of low-current and security systems. The concluded transaction will support the expansion of the activities of Connecto in the Baltic region.

Relations with state regulators

On November 18, the Communications Board declared Elion Enterprises Ltd. to be an operator with significant market power (SMP), in 2004, in the public telephone service market, public leased line service market, and public interconnection service market. AS EMT was declared to have SMP, in 2004, in the public mobile telephone service market. Elion Enterprises Ltd. was also declared to have SMP in 2001, 2002, and 2003. AS EMT was also declared to have SMP in 2002 and 2003. The Communications Board based the determination of operators with significant market power in 2004 upon the market share percentages of 2002. The market share of Elion Enterprises Ltd. amounted to 87.32% of the telephone services market, 73.22% of the leased line service market, and 43.78% of the interconnection service market. The market share of AS EMT amounted to 63.22% of the public mobile telephone service market. Elion Enterprises Ltd. and AS EMT have assumed in their prognoses that the Communications Board will declare the firms to be operators with significant market power in 2004.

The court case between Elion Enterprises Ltd. and the Competition Board over the justification of rates, which became effective 1 April 2001, for calls inside the network, has been concluded. On 19 January Tallinn City Court approved the agreement reached by the Estonian Competition Board and Elion Enterprises Ltd. to end litigation over the minute rates charged in Elion's fixed telephone network. On 15

January the Competition Board and Elion Enterprises Ltd. filed an application with Tallinn Administrative Court to approve their Agreement on ending the lawsuit litigated by all instances of court because over the years the case has ceased to be an issue. In the Agreement Elion concedes that the unified intra-network minute rates introduced on 1 April 2001 would have been too high at that time if speech packages and volume discount had not been introduced. In its turn the Competition Board acknowledges that Elion has been complying with the requirements of the precept by introducing price packages and volume discount, thus reducing the average minute rates below the price level established on 1 April 2001.

The Competition Board is explicit in the Agreement that its decision and the issued precept were fully justified at that time and it does not wish to annul them. It concedes, however, that since then the telecommunications market has changed irreversibly and it does not insist on any changes in Elion's intra-network voice tariffs. Besides, the legislation on responsibility for malpractice of companies with significant market power has been amended and therefore it is impossible to impose any penalty.

For the above-mentioned reasons, including the fact that Elion has taken the necessary measures and that the dispute has lost its topicality, the Competition Board and Elion have both lost interest in pursuing the case. Under the Agreement Elion is to indemnify the Competition Board in the amount of 28,121 EUR that covers partly the expenses incurred.

The Communications Board issued a precept on 5 September 2003 where it obligated Elion Enterprises Ltd. to provide AS Uninet a special access to Elion's network at location and manner determined by Uninet at its application. Elion Enterprises Ltd. contested the precept at Tallinn Administrative Court and applies for cancelling the obligation. The next session of the Administrative Court is scheduled on 23 March 2004. In case of an adverse solution of the case, Elion Enterprise Ltd. must provide AS Uninet an access to its ATM-ADSL equipment. That would have an impact on competition in the area. However, it would have no essential effect on financial results of the company.

Definitions

Net debt – long term and short term debt, less cash and cash equivalents, and short term investments
ROA – Net profit for the period, expressed as a percentage of average total assets
ROE – Pre-tax profit for the period, expressed as a percentage of average equity

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
QUARTERLY DATA
mln EUR

	Q4-2002	Q1-2003	Q2-2003	Q3-2003	Q4-2003
Revenues	74.9	70.7	75.9	79.4	81.1
Operating expenses	44.2	36.2	39.9	43.2	52.4
Profit from operations before depreciation	30.7	34.5	36.0	36.2	28.7
Depreciation and amortisation	15.5	14.6	14.1	13.7	13.8
Profit from operations	15.2	19.9	21.8	22.5	14.9
Income / (expenses) from subsidiaries and associates	0.0	0.0	3.7	-0.1	-0.1
Other net financing items	0.4	0.5	0.7	0.4	0.5
Profit before tax	15.5	20.4	26.2	22.8	15.3
Income tax on dividends	0.0	17.9	0.4	0.0	0.0
Minority interest	0.0	0.0	0.0	0.2	0.0
Net profit for the period	15.5	2.5	25.8	22.6	15.3
EBITDA margin, %	40.9%	48.8%	47.4%	45.6%	35.4%
EBIT margin, %	20.3%	28.1%	28.8%	28.3%	18.4%
Net margin, %	20.8%	3.5%	34.0%	28.4%	18.9%
Total assets	283.9	296.6	278.4	276.6	293.9
- Non-current assets	175.4	163.4	154.6	152.7	154.8
- Current assets	108.5	133.3	123.8	123.9	139.1
- Cash and cash equivalents	61.5	87.7	75.5	76.2	87.5
Equity and liabilities	283.9	296.6	278.4	276.6	293.9
- Equity	249.3	251.8	226.4	249.0	264.3
- Minority interest	0.0	0.0	0.6	0.8	0.9
- Non-current liabilities	1.3	1.3	1.0	0.8	0.8
- Interest-bearing borrowings	1.3	1.3	1.0	0.8	0.8
- Current liabilities	33.3	43.6	50.4	25.9	28.0
- Interest-bearing borrowings	2.3	1.4	1.4	0.6	0.6
Proceeds from operating activities	31.4	29.1	38.9	13.2	28.0
Net cash used in investing activities	-15.8	2.4	-2.2	-11.5	-16.4
Net cash before dividends and net loans	15.7	31.4	36.7	1.7	11.6
Dividends paid	0.0	0.0	-52.7	0.0	0.0
Loan repayments (net)	-4.2	-0.9	-0.3	-1.0	-0.4
Share issue	0.0	0.0	1.5	0.0	0.0
Net increase (decrease) in cash and cash equivalents	11.5	30.6	-14.7	0.7	11.3

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
INCOME STATEMENT

Financial statements are prepared in thousands of euros kroons (EUR)

	2003	2002
Revenues		
Net sales	305,158	285,513
Other revenues	1,943	5,863
Total revenues	**307,101**	**291,376**
Operating expenses		
Change in work-in-progress	323	55
Materials, consumables, supplies and services	(106,347)	(93,033)
Other operating expenses	(29,224)	(27,307)
Personnel expenses	(33,978)	(32,171)
Other expenses	(2,503)	(2,731)
Total operating expenses	**(171,729)**	**(155,187)**
Profit from operations before depreciation	**135,372**	**136,189**
Depreciation and amortisation	(56,302)	(63,941)
Profit from operations	**79,070**	**72,248**
Net fnancial income / (-expenses) from associates	3,547	(329)
Other net financing items	2,108	411
Profit before tax	**84,725**	**72,330**
Income tax on dividends	(18,280)	(5,835)
Minority interest	(259)	-
Net profit for the period	**66,186**	**66,495**
Earning per share		
Basic earning per share (in euros)	0.48	0.48
Diluted earning per share (in euros)	0.48	0.48

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
BALANCE SHEET
Financial statements are prepared in thousands of euros (EUR)

	30 Dec 2003	31 Dec 2002
ASSETS		
Non-current assets		
Property, plant and equipment	145,454	170,879
Goodwill	657	236
Licenses, patents and trademarks	7,274	2,483
Investments in subsidiaries and associates	1,066	1,451
Other investments	173	173
Other non-current assets	176	130
Total non-current assets	**154,800**	**175,352**
Current assets		
Inventories	6,655	5,971
Trade receivables	31,072	27,504
Other receivables	13,850	13,483
Investments held for trading	3,113	5,052
Cash and cash equivalents	84,413	56,497
Total current assets	**139,103**	**108,507**
TOTAL ASSETS	**293,903**	**283,859**
EQUITY AND LIABILITIES		
Equity		
Issued capital	87,971	87,804
Reserves	29,937	28,591
Translation reserve	(1)	(2)
Retained earnings	80,187	66,375
Net profit for the period	66,186	66,495
Total equity	**264,280**	**249,263**
Minority interest	865	-
Non-current liabilities		
Interest-bearing loans and borrowings – due after one year	797	1,263
Current liabilities		
Trade payables	15,090	15,648
Other current liabilities	9,184	12,536
Tax liabilities	2,281	1,825
Interest-bearing loans and borrowings – due within one year	575	2,282
Provisions	831	1,042
Total current liabilities	**27,961**	**33,333**
TOTAL EQUITY AND LIABILITIES	**293,903**	**283,859**

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
CASH FLOW STATEMENT
Financial statements are prepared in thousands of euros (EUR)

	2003	2002 Restated
Operating activities		
Profit operations	79,070	72,248
Adjustments for:		
Depreciation and amortisation	56,302	63,941
(Profit) from sales and write-off of fixed assets	(398)	(3,497)
Pension expenses	113	-
Operating cash flow before movements in working capital	135,087	132,692
Change in current receivables	(2,523)	(5,766)
Change in inventories	(515)	746
Change in current liabilities	(4,373)	(50)
Cash generated by operations	127,676	127,622
Interest paid	(119)	(490)
Income tax on dividends paid	(18,280)	(5,835)
Net cash from operating activities	**109,277**	**121,297**
Investing activities		
Purchase of property, plant and equipment	(30,213)	(37,887)
Purchase of licenses	(5,797)	(2,153)
Proceeds from sales of property, plant and equipment	1,961	5,459
Acquisition of subsidiaries	(1,572)	-
Proceeds from sales of subsidiaries	4,355	-
Acquisition of associates	-	(639)
Purchases of trading investments	(3,113)	(15,143)
Proceeds of disposal of trading investments	5,053	13,988
Loans granted	(144)	(28)
Cash receipt from repayment of loans	3	4
Dividends received	1	6
Interest received	1,850	1,070
Net cash used in investing activities	**(27,616)**	**(35,323)**
Financing activities		
Proceeds from long-term convertible debt	-	32
Repayment of long-term convertible debt	(14)	(1)
Proceeds from nonconvertible long-term debt	23	101
Repayment of nonconvertible long-term debt	(893)	(379)
Repayment of long-term borrowings	(1,488)	(5,064)
Repayment of obligations under finance lease	(68)	(1,136)
Repayment of short-term borrowings	(52)	-
Shares issues (Rights Offering)	1,496	-
Dividends paid	(52,683)	(48,293)
Net cash used in financing activities	**(53,679)**	**(54,740)**
Net increase in cash and cash equivalents	**27,982**	**31,234**
Cash and cash equivalents at beginning of year	**56,497**	**25,797**
Effect of foreign exchange rate changes	(66)	(534)
Cash and cash equivalents at end of period	**84,413**	**56,497**

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
STATEMENT OF CHANGES IN EQUITY
Financial statements are prepared in thousands of euros (EUR)

	Issued capital	Reserves		Translation reserve	Retained earnings	Net profit for the period	TOTAL
		Share premium	Statutory legal reserve				
31 December 2001	**87,804**	**19,810**	**8,781**	**-**	**64,885**	**49,783**	**231,063**
Net profit for the 2001 transferred to retained earnings	-	-	-	-	49,783	(49,783)	-
Exchange differences arising from translation of foreign operations	-	-	-	(2)	-	-	(2)
Dividends paid	-	-	-	-	(48,293)	-	(48,293)
Net profit for the period	-	-	-	-	-	66,495	66,495
31 December 2002	**87,804**	**19,810**	**8,781**	**(2)**	**66,375**	**66,495**	**249,263**
31 December 2002	**87,804**	**19,810**	**8,781**	**(2)**	**66,375**	**66,495**	**249,263**
Net profit for the 2002 transferred to retained earnings	-	-	-	-	66,495	(66,495)	-
Exchange differences arising from translation of foreign operations	-	-	-	1	-	-	1
Dividends paid	-	-	-	-	(52,683)	-	(52,683)
Share issuance	167	1,346	-	-	-	-	1,513
Net profit for the period	-	-	-	-	-	66,186	66,186
31 December 2003	**87,971**	**21,156**	**8,781**	**(1)**	**80,187**	**66,186**	**264,280**