EESTI TELEKOM

14 October 2004

AS EESTI TELEKOM
FINANCIAL RESULTS FOR FIRST NINE MONTHS OF 2004

Eesti Telekom, the leading provider of telecommunication services in Estonia, hereby announces its results for the nine-month period ending 30 September 2004.

Financial highlights

	Q3 2004	Q3 2003	Change, %	**9 months 2004**	9 months 2003	Change, %
Total revenues, million EUR	**85**	79	6,6	**245**	226	8,3
EBITDA, million EUR	**36**	36	-0,7	**105**	107	-2,0
EBITDA margin, %	**42,5**	45,6		**42,7**	47,2	
EBIT, million EUR	**23**	22	3,7	**65**	64	1,7
EBIT margin, %	**27,5**	28,3		**26,7**	28,4	
Profit before taxes, million EUR	**24**	23	3,6	**67**	69	-3,7
Net profit for period, million EUR	**23**	23	3,6	**42**	51	-17,2
EPS, EUR	**0,17**	0,16		**0,31**	0,37	
CAPEX, million EUR	**7**	11	-41,9	**19**	20	-4,0
Net gearing, %	**-29,7**	-30,2		**-29,7**	-30,2	
ROA, %	**34,6**	32,5		**19,6**	23,9	
ROE, %	**41,7**	38,3		**35,6**	37,9	

In commenting on the results of the Eesti Telekom Group, Jaan Männik, Chairman of the Management Board, emphasised: “The defining points of the 3rd quarter are the strong sales growth and high profitability together with kept market shares and success in new areas.”

For further information, please contact:

Jaan Männik, CEO +372 6311 212

Hille Võrk, CFO +372 6272 460

Address	Phone	E-post	Homepage
Roosikrantsi 2	+372 6311212	mailbox@telekom.ee	www.telekom.ee
10119 Tallinn	Fax		
Estonia	+372 6311224		

CHAIRMAN'S STATEMENT

Financial results

The rapid growth of the Eesti Telekom Group's total revenues continued in the third quarter. The group's consolidated revenues reached 85 million euros, which is an increase of 7% in comparison to the third quarter of 2003. The mobile communications sector continues to be the engine for this growth. The summer brought heightened competition, discount packages and a rapid increase in the company's customer base in this area. Whereas mobile penetration in Estonia was 85% at the end of June, by the end of September that figure had already reached 89%. Over three months, AS EMT's customer base increased by 26.6 thousand, and the operator maintained its roughly 47% market share. Positive developments also took place in the customer base of the group's fixed communications operator, Elion Enterprises Ltd. The company's offer of subscription to fixed telephone services without having to pay subscription fees, earned the company 6,900 new customers. In the third quarter, the growth in the number of permanent Internet connections accelerated once again, and by the end of September the operator had 65 thousand permanent connection customers. In addition to its principal activity, growth has also continued in the areas of retail sales and network construction. The diversification of the offers made to customers in the area of data communications led to record growth in computer sales in September.

Increased operating volumes have led to higher operating expenses. Operating expenses for the third quarter of 2004 exceeded the corresponding indicator for 2003 by 13%, reaching 49 million euros. The majority of the increase in expenses was caused by rising interconnection charges associated with the growth in interconnected transactions. The expansion of our activities in the construction and the wholesale and retail trade sectors has been accompanied by an increase in the expenses connected with these sectors. The EBITDA of the Eesti Telekom Group was 36 million euros in the third quarter, which is 0.2 million euros below the result for the corresponding period of 2003. The EBITDA margin was 43% in the third quarter of this year, which is lower than the corresponding result for 2003 (46%), but at the same level as during the first and second quarters of 2004.

In the third quarter of 2004, depreciation and amortisation decreased 8% in comparison with the same period in 2003, and most of that change took place as a result of the lower amortisation costs of the Elion Group. The Eesti Telekom Group's profits from operations reached 23 million euros in the third quarter, and thus increased 4% over the year. The group earned 23 million euros in net profits, which also exceeds the third quarter results for 2003 by 4%.

The Eesti Telekom Group's total revenues for the first nine months of 2004 reached 245 million euros, which is an increase of 8% over the first nine months of 2003, or a numerical increase of 19 million euros. The majority of the increased revenue came from the mobile communications sector. The group's operating expenses increased 18% over the nine months, reaching 140 million euros. The net profit for the nine month period was 42 million euros, which is 9 million euros less than in the same period in 2003. The results for the first nine months of 2003, however, includes the 3.8 million euros in capital gain earned from the sale of the minority interest in Eltel networks (the former AS Connecto). In addition, 18 million euros more in dividends were paid to shareholders in 2004 than was the case in 2003, which led to an increase of 6 million euros in income tax on the dividends in comparison with 2003.

As of the end of September 2004, the total assets of the Eesti Telekom Group amounted to 268 million euros (294 million euros in December 2003). Non-current assets fell 19 million euros from the beginning of the year, and current assets fell 7 million euros. Majority of the decline in current assets is in connection with lower balance of cash and cash equivalents by 14 million euros which is related to the payment of the dividends and the payment of income tax on the dividends. The balance of trade receivables has increased by 5 million euros as a result of the increased operating volume of AS EMT Esindused, and AS EMT's balance with other operators. Accrued income has increased by 5 million euros as a result of the increased volume of international calls at Elion Ettevõtted, which has also resulted in an increase in international payments with longer payment deadlines. As of the end of September, the group had long-term interest bearing liabilities of 0.2 million euros and short-term interest bearing liabilities amounting to 1.3 million euros (at the end of 2003 these figures were 0.3 million and 0.5 million euros respectively). At the end of

September, net debt was –71 million euros, and net gearing was -30%. The group's other short-term liabilities decreased by 0.6 million euros, including a reduction of 3 million euros in trade payables.

The Eesti Telekom Group's cash flow from operating activities was 71 million euros in the first nine months of 2004 (81 million euros in the first nine months of 2003). The most important factor to influence the decrease in cash flow from operating activities was the increased income tax on dividends. Cash outflow into investment activities grew in comparison with 2003 – 11 million euros in the first 9 months of 2003 (including the 4 million euros earned from the sale of the minority holding in AS Connecto), 15 million euros in the first 9 months of 2004. Cash outflow into financing activities was 69 million, including 70 million euros paid as dividends (53 million euros in the first 9 months of 2003, including 53 million euros paid as dividends).

Elion Group

	Q3 2004	Q3 2003	Change, %	**9 months 2004**	9 months 2003	Change, %
Total revenues, million EUR	**43**	42	2.6	**128**	121	5.2
EBITDA, million EUR	**14**	14	0.3	**42**	44	-3.6
EBITDA margin, %	**32.6**	33.4		**32.9**	35.9	
EBIT, million EUR	**7**	6	21.4	**19**	18	9.1
EBIT margin, %	**16.2**	13.7		**15.1**	14.6	
Profit before taxes, million EUR	**7**	6	22.6	**20**	21	-8.3
Net profit for the period, million EUR	**7**	6	23.5	**13**	17	-23.4
CAPEX, million EUR	**4**	4	-9.9	**10**	8	20.8
ROA, %	**21.0**	16.6		**12.7**	16.1	
ROE, %	**26.1**	20.6		**22.7**	26.2	

The Elion Group's total revenues in the third quarter of 2004 reached 43 million euros, surpassing the corresponding indicator for the third quarter of 2003 by 1 million euros. The decrease in EBITDA has also stabilised. EBITDA for the third quarter of 2004 was at the same level as for the third quarter of 2003. The EBITDA margin has fallen in comparison with the same period in 2003. In comparison with the second quarter of 2004, the margin has risen by about one percentage point.

The Elion Group's amortisation costs in the third quarter of 2004 were 1 million euros less than expenses in the third quarter of 2003. The group's EBIT reached 7 million euros, having grown 1 million euros or 21% in one year. In the third quarter the Elion Group earned 7 million euros in net profit, which is 1 million euros more than in the third quarter of 2003.

The Elion Group's revenues from the internet grew by 14% in comparison with the same period in 2003. The growth in the number of permanent connections, which slowed somewhat during the first quarters of 2004, accelerated once again in the third quarter. As of the end of September, Elion Ettevõtted AS had 65 thousand permanent connection subscriptions, which is an increase of 23 thousand in a period of one year.

The group's revenues from IT and data communications decreased 27% in comparison with the third quarter of 2003. In 2003 Elion Enterprises Ltd was awarded the public procurement for providing the computer classrooms of Tallinn schools with computing equipment and high-speed data communications connections. Under the agreement, 2 million euros worth of computers were sold to the Tallinn Education Authority in July 2003, which explains the high level of data communications and IT revenue in 2003. If that 2-million-euros transaction is removed from revenues from IT and data communications in 2003, the increase in IT and data communications revenues in the third quarter of 2004 would be 32%. There were also extensive data communications and IT projects in the third quarter of 2004. The construction of an extensive private network for AS Eesti Post, which connected 42 larger post offices across Estonia, ended in August. In September Elion signed an agreement to provide nearly 500 computer worksites to Tartu schools, the city library and city government on the basis of operating lease. In this category, however, Elion did not reach the level of 2003.

The Elion Group's revenue from voice communications were only 1% lower than the figure for the third quarter of 2003. In the third quarter of 2004, several positive developments took place in the area of voice communication customers. In July Elion began a campaign that will last until 31 October, during which time customers will be able to obtain a telephone connection without having to pay a subscription fee. Over three months, the offer has been used by over 6,900 customers, 85% of whom were private individuals. About 20% of subscribers wished to have a permanent Internet connection in addition to a telephone connection. At the same time, the intensity of movement of numbers from one operator to another is decreasing. Whereas in the first and second quarters of 2004, the number of Elion Ettevõtted customers who took advantage of the opportunity to switch to another operator's network was 333 and 703 respectively, in the third quarter that figure was 240, most of whom were private individuals. As of the end of September 2004, Elion possessed 428,188 main lines (31.7 lines per 100 inhabitants).

The fall in mobile phone call rates and the rapid growth in the number of users of mobile phones has led to a decrease in the number of minutes of domestic calls made from fixed-line telephones. As a result, revenue from domestic calls earned in the third quarter of this year fell 19% in comparison with the previous year. As concerns international calls and calls to mobile phones from the Elion network, we have managed to keep the number of call minutes at the 2003 level. Nevertheless, revenues from the said call types have fallen 1% and 3% respectively from the third quarter of 2003, as a result of several discount packages. Elion Enterprises Ltd estimates its market share of call minutes initiated in the fixed-line network to be still at 87% (87% in September 2003). Market share in domestic call minutes is 87% (87% last year also), whereas the market share of call minutes made using mobile phones has fallen a little to 75% this September (that figure was 76% in September 2003). At the same time, market share in international call minutes has been regained. In September of this year the company estimated its market share to be 70%, while the corresponding figure was 68% in September of 2003. The market share for dial-up minutes remains at 95% (95% in 2003 also).

In the third quarter, revenues from network services increased 19% in comparison with the third quarter of 2003. This growth is the result of the increased volume of international traffic and rental revenue from leased lines.

The greatest contribution to the growth of the Elion Group's total revenues was made by AS Elion Esindus, which is involved with the retail sale of telephones and computing equipment. Its revenues increased 58% in comparison with the third quarter of 2003. In September the company sold more than 1,000 computers, which is more than twice as much as in the previous best month for sales, and nearly four times as much as in September 2003. In the first nine months of this year, over 3,100 computers have been sold. The sustained efforts of AS Elion Ettevõtted in strengthening its position in the area of IT and the past months' new offers in the area of the Internet and data communications have certainly helped achieve such sales figures. Thus in August and September, customers were able to purchase the ADSL start-up package by instalment, and subscribers to the new Kodu-ADSL permanent connection were offered an up to 42% cheaper monthly rate until the end of November. In September, Elion became the first company in Estonia to introduce a service combining a personal computer and a permanent connection. For a 35-euros monthly fee, a customer can obtain a permanent Internet connection and a rental computer with software. As of mid-September, the company reduced the price of the ADSL start-up package aimed at home users by half, to 31 euros.

The revenues of the Eltel Group, the group of subsidiaries of the Elion Group that are involved with network construction, increased 7% in the third quarter. Elion Enterprises Ltd has decided to sell its present 51% share in the Eltel Group's parent company Eltel Networks to Eltel Networks Corporation by the first quarter of 2005 at the latest.

The operating expenses of the Elion Group were 4% or 1 million euros greater than the results for the third quarter of 2003. As a result of the low margins in retail, the increase in the revenues of AS Elion Esindus also led to an extensive increase in operating costs. The company's operating expenses in the third quarter of this year exceeded the corresponding indicator for 2003 by 58%. The operating expenses of the Eltel Group were 6% higher than in the third quarter of 2003. The operating expenses of the parent company of the Elion Group fell 4% in comparison with the 3rd quarter of 2003. The decrease in operating expenses is mainly the result of the fall in purchased goods and services costs (the corresponding indicator from the third quarter of 2003 was inflated by the above-mentioned transaction for the sale of computers to the Tallinn Education Authority). Because the introduction of the new "Elion" trademark took place in the third quarter of 2003, this year's marketing costs are significantly smaller in comparison with those of last year. The increase in the number of call minutes made to the networks of foreign operators has led to an increase in interconnection expenses.

In the third quarter of 2004, the Elion Group invested 4 million euros. In the first nine months of 2004, a total of 10 million euros has been invested. The majority of investments were made with the aim of satisfying customers' needs and developing the network. The most significant investment projects were the development of IT infrastructure, the expansion of the DSL network, the creation of a data warehouse for Hansabank.

The total revenues of the Elion Group for the first nine months of 2004 reached 128 million euros, having grown 5% or 6 million euros in comparison with the first nine months of 2003. The majority of the increase in revenue came from retail sales and network construction. The revenues of the group's parent company increased 0.3% or 0.3 million euros in comparison with the previous year. The group's nine month operating expenses increased 10%, reaching 86 million euros. The majority of the increase in operating expenses also arises from the expansion of subsidiaries' operations. The operating expenses of the group's parent company increased 2%. The main cause for this increase was the increase in interconnection charges that accompanied the increase in call minutes to the networks of foreign operators. The net profit of the Elion Group in the first nine months of 2004 was 13 million euros, which is 4 million euros less than for the corresponding period in 2003. The nine month result for 2003 did, however, include the 4 million euros in profit earned from the sale of the minority holding in Eltel Networks (formerly AS Connecto). In addition, Elion Ettevõtted AS paid AS Eesti Telekom 6 million euros more in dividends than in 2003, which led to an increase of 2 million euros in income tax from the dividends, in comparison with 2003.

EMT Group

	Q3 2004	Q3 2003	Change, %	**9 months 2004**	9 months 2003	Change, %
Total revenues, million EUR	**51**	45	12.5	**143**	127	12.0
EBITDA, million EUR	**22**	23	-1.6	**64**	64	-0.6
EBITDA margin, %	**44.0**	50.3		**44.7**	50.4	
EBIT, million EUR	**17**	17	-3.0	**47**	48	-0.8
EBIT margin, %	**33.0**	38.2		**33.1**	37.4	
Profit before taxes, million EUR	**17**	17	-3.3	**48**	48	-1.1
Net profit for the period, million EUR	**17**	17	-3.3	**30**	35	-14.3
CAPEX, million EUR	**3**	7	-59.3	**9**	12	-20.7
ROA, %	**63.2**	65.8		**34.0**	41.9	
ROE, %	**85.7**	79.7		**66.4**	77.4	

The total revenues of the EMT Group in the third quarter of 2004 reached 51 million euros, which is an increase of 6 million euros in comparison with the third quarter of 2003. The increase in the group's total revenues remained stable at 12% during 2004. The EMT Group's third quarter operating costs were 28 million euros, which is an increase of 27% over the third quarter of 2003. The increase in operating expenses has led to falling margins. The EMT Group's EBITDA margin was 44% in the third quarter of 2004. In comparison with the third quarter of 2003 EBITDA decreased 2%, to 22 million euros. The extensive investments made by the EMT Group in the second half of 2003 have led to a certain increase in depreciation costs. The depreciation and amortisation for the third quarter of this year exceeded the corresponding figure for the third quarter of 2003 by 3%. The group's EBIT reached 17 million euros, which is 0.5 million euros less than the result for the third quarter of 2003.

In the third quarter of 2004 the total revenues of AS EMT, the parent company of the EMT Group, increased 9% in comparison with the third quarter of 2003, to 44 million euros. The growth in total revenues is the result of the expansion of the customer base. As of the end of September 2004, the operator had 557.3 thousand customers (463.8 thousand in September 2003). The customer base had increased by 93.5 thousand during the year. The net increase during the third quarter was 26.6 thousand. The number of both contractual customers and pre-paid customers increased. As of the end of September, AS EMT had 349.6 thousand contractual customers (295.1 thousand in September 2003). During the quarter, the number of contractual customers increased by 13.9 thousand. The additional of customers was facilitated by the many discount offers made by the operator. Those who subscribed between July and mid-August were relieved from the monthly fee until May 2005. Customers who recommended a new contractual customer were also offered the same exemption from the monthly fee. Customers who joined in September obtained 128 euros of free call time. From mid-August, elderly people have been offered a Seniors' Package that has no monthly fee and favourable call rates. In September AS EMT introduced the Student Package, which is intended for students and has a favourable monthly fee and call rates between friends. The monthly fee and call rates of the Professional Package which targets business customers, were reduced.

There were 207.7 thousand pre-paid card customers as of the end of September 2004 (168.7 thousand as of September 2003). During the third quarter, the number of pre-paid cards in use increased by 12.8 thousand. The increase in the number of pre-paid cards was partly the result of the change in the conditions for the use of the pre-paid Simpel call card, which entered into effect on 21 September 2004. Until September 2004, users of the card were able to use their call time for making calls within a maximum of five months from the last loading, which was supplemented with the possibility of receiving calls for 1 more month. As of September, loaded calling time can be used to make calls for up to six months, and calls can be received for up to one month, as before. The purpose of this change was to harmonise the conditions of use of AS EMT's call cards with those of call cards offered by other operators. Most of the increase in the number of call cards, however, was caused by the addition of new customers. During the quarter, several attractive offers were also made in the area of pre-paid cards. Thus in summer months, start-up packages for pre-paid call cards were offered at half the ordinary price, and in September customers could purchase two Simpel start-up packages for the price of one. As of 1 July, per-minute calling rates for users of the Simpel card were reduced. The expansion of the customer base has been accompanied by increases in both the number of call minutes made by AS EMT and incoming call minutes. The growth in AS EMT's total revenues in the third quarter was largely the result of revenues earned from calls made by customers, and revenues from interconnection services. The third important component of that growth was revenue from roaming. In September 2004, an average of 24.2 euros in revenue was earned per customer (June 2004: 25.1 euros; December 2003: 26.2 euros; September 2003: 27.0 euros).

The operating costs of the EMT Group's parent company increased in the third quarter of 2004, rising 24% in comparison with the third quarter of 2003 and amounting to 22 million euros. The increase in expenditures resulted mainly from an increase in the customer base – interconnection payments on call minutes outside the EMT network and roaming costs. The increasingly tough competition in the Estonian mobile telephone market in the past year has led to a certain increase in marketing expenses.

AS EMT's EBITDA decreased 3% in comparison with the third quarter of 2003, amounting to 22 million euros.

In the third quarter of 2004 the total revenues of EMT Esindused AS, which is the EMT Group's subsidiary that is involved with retail business, continued to rise rapidly. The result for 2004 exceeded the total revenues for the third quarter of 2003 by 61%. The increase in total revenues was also accompanied by a 56% rise in the company's operating expenses. In comparison with the previous year, the margins of EMT Esindused AS have risen, and EBITDA for the third quarter of this year was 0.2 million euros greater than in the previous year.

In the third quarter of 2004, the EMT Group invested 3 million euros. The majority of the investments were made to ensure the quality of the company's technological infrastructure. EMT continued to expand the range of the EDGE service, which permits rapid data communications, and also increased the bandwidth of the EMT Go mobile Internet environment.

The EMT Group's total revenues for the first nine months of 2004 reached 143 million euros, which is a 12% or 15 million kroon increase over the first nine months of 2003. The majority of the increase in total revenues was the result of the parent company's operations. The group's operating expenses for the first nine months increased 25%, to 79 million euros. The majority of the increase in operating expenses resulted from the increased customer base and direct costs connected with the increase in the amount of call time. The EMT Group's EBITDA for the first nine months was 64 million euros, which was the same level as that of the 2003 result. The group earned a net profit of 30 million euros, which is 5 million euros less than in the first nine months of 2003. Whereas in 2003, AS EMT paid AS Eesti Telekom 38 million euros in dividends, in 2004 the dividends amounted to 51 million euros. As a result of the increased dividend volume, AS EMT's income tax expenditure on dividends was 4 million euros greater than in 2003.

Relations with state regulator

Precept of the Estonian National Communications Board to Elion Ettevõtted AS regarding the calculation of the domestic interconnection service charges

On 22 June 2004, the Estonian National Communications Board (ENCB) issued a precept to Elion Ettevõtted AS, whereby the firm has to decrease domestic interconnection service charges in its telephone network. Pursuant to the precept, Elion has to apply charges, which were determined by the ENCB on the basis Regulation no. 313 of the Government of the Republic of 11.12.2003, entitled "Cost Accounting Methodology for Leased Line and Interconnection Service Charges". The Estonian Government had approved this new regulation package, which prescribes the cost accounting methodology of SMP, on 11 December 2003. It was formulated in cooperation with the Danish consultation company Andersen Management International AS, the Association of Estonian IT and Telecommunication Companies, and the ENCB.

Elion filed a challenge regarding the ENCB's precept, as a result of which the ENCB changed its earlier precept. Pursuant to the ENCB's new precept, Elion was required to lower its domestic interconnection charges by an average of 17 percent by 1 October.

Elion Ettevõtted AS has performed the precept, and as a result the company's revenues from interconnection charges will decrease by an estimated 0.9 million euros per year.

Intention to declare Elion Ettevõtted AS an operator with significant market power (SMP)

The ENCB notified Elion Ettevõtted AS on 7 September 2004 of its intention to declare the company an operator with significant market power in the publicly available telephone services market, the publicly available leased line services market and the publicly available interconnection services market for the year 2005.

Elion Ettevõtted AS was declared an operator with significant market power in the publicly available telephone services market, the publicly available leased line services market and the publicly available interconnection services market for the years 2001, 2002, 2003 and 2004. The company is not surprised by the ENCB's intention to declare Elion Ettevõtted AS an SMP in the three above-mentioned markets also in 2005.

Intention to declare AS EMT an operator with significant market power

On 7 September 2004, the ENCB sent AS EMT a letter in which it announced its intention to declare AS EMT an operator with significant market power in the publicly available mobile telephone services market for the year 2005.

AS EMT was also declared an operator with significant market power in the publicly available mobile telephone services market for the years 2002, 2003 and 2004.

Disclosure of financial results in 2005

In 2005 the financial results of the Eesti Telekom Group will be disclosed on the following dates:

Preliminary, unaudited results for 2004	4 February
Audited results for 2004	10 March
3-month results for 2005	22 April
6-month results for 2005	15 July
9-month results for 2005	21 October

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

All trends, margins and growth rates have been calculated on bases of data in Estonian kroons with 1-kroon accuracy.

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
QUARTERLY DATA
mln EUR

	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004
Revenues	79.4	81.2	77.9	82.3	84.6
Operating expenses	-43.2	-52.5	-44.6	-47.0	-48.7
Profit from operations before depreciation	36.2	28.7	33.3	35.3	35.9
Depreciation and amortisation	-13.7	-13.8	-13.5	-13.1	-12.6
Profit from operations	22.5	14.9	19.8	22.2	23.3
Income / (expenses) from subsidiaries and associates	-0.1	-0.1	0.0	0.0	0.0
Other net financing items	0.4	0.5	0.6	0.6	0.3
Profit before tax	22.8	15.3	20.4	22.8	23.6
Income tax on dividends	0.0	0.0	0.0	-24.4	0.0
Minority interest	-0.2	0.0	0.0	0.0	-0.2
Net profit for the period	22.6	15.3	20.4	-1.6	23.4
EBITDA margin, %	45.6%	35.3%	42.7%	42.9%	42.4%
EBIT margin, %	28.3%	18.3%	25.4%	27.0%	27.5%
Net margin, %	28.5%	18.8%	26.2%	-1.9%	27.7%
Total assets	276.6	293.9	314.6	272.5	267.8
- Non-current assets	152.7	155.1	148.6	142.4	136.2
- Current assets	123.9	138.8	166.1	130.1	131.5
- Cash and cash equivalents	73.1	84.4	105.6	70.0	70.4
Equity and liabilities	276.6	293.9	314.6	272.5	267.7
- Equity	249.0	264.3	284.7	214.5	237.8
- Minority interest	0.9	0.8	0.8	0.8	1.1
- Non-current liabilities	0.8	0.8	0.7	0.7	0.7
- Interest-bearing borrowings	0.4	0.2	0.1	0.1	0.2
- Current liabilities	26.0	27.9	28.4	56.5	28.1
- Interest-bearing borrowings	0.5	0.5	0.5	2.0	1.3
Proceeds from operating activities	13.2	28.0	29.7	34.1	7.1
Net cash used in investing activities	-11.5	-16.4	-8.4	-0.9	-6.0
Net cash before dividends and net loans	1.7	11.6	21.3	33.2	1.1
Dividends paid	0.0	0.0	0.0	-70.4	0.0
Loan repayments (net)	-1.0	-0.3	-0.2	-0.2	-0.7
Share issue	0.0	0.0	0.0	1.7	0.0
Net increase (decrease) in cash and cash equivalents	0.7	11.3	21.2	-35.6	0.4

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

3rd QUARTER INCOME STATEMENT

Financial statements are prepared in thousands of euros (EUR)

	Notes	Q3 2004	Q3 2003
Revenues	10 (1)		
Net sales		84,123	79,038
Other revenues		507	351
Total revenues		**84,630**	**79,389**
Operating expenses	10 (1)		
Materials, consumables, supplies and services		(32,025)	(28,029)
Other operating expenses		(8,034)	(7,045)
Personnel expenses		(8,317)	(7,784)
Other expenses		(311)	(344)
Total operating expenses		**(48,687)**	**(43,202)**
Profit from operations before depreciation		**35,943**	**36,187**
Depreciation and amortisation	10 (1)	(12,664)	(13,736)
Profit from operations		**23,279**	**22,451**
Net financial income / (expenses) from associates	10 (1)	(30)	(70)
Other net financing items	10 (1)	342	397
Profit before minority interest		**23,591**	**22,778**
Minority interest	10 (1)	(220)	(223)
Net profit for the period	10 (1)	**23,371**	**22,555**
Earnings per share	6 (e)		
Basic earnings per share (in euros)		0.17	0.16
Diluted earnings per share (in euros)		0.17	0.16

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
THE FIRST NINE MONTHS INCOME STATEMENT

Financial statements are prepared in thousands of euros (EUR)

	Notes	9 months to 30 September 2004	9 months to 30 September 2003 Restated	2003
Revenues				
Net sales	10 (2, c)	243,493	224,613	305,360
Other revenues	10 (2)	1,318	1,448	1,942
Total revenues		**244,811**	**226,061**	**307,302**
Operating expenses	10 (2)			
Materials, consumables, supplies and services		(88,061)	(73,323)	(106,226)
Other operating expenses		(23,628)	(20,817)	(29,224)
Personnel expenses		(27,524)	(24,171)	(34,010)
Other expenses		(1,055)	(1,098)	(2,503)
Total operating expenses		**(140,268)**	**(119,409)**	**(171,963)**
Profit from operations before depreciation		**104,543**	**106,652**	**135,339**
Depreciation and amortisation	2, 10 (2)	(39,278)	(42,482)	(56,302)
Profit from operations		**65,265**	**64,170**	**79,037**
Net financial income / (expenses) from associates	10 (2)	(54)	3,612	3,545
Other net financing items	10 (2)	1,606	1,593	2,140
Profit before tax		**66,817**	**69,375**	**84,722**
Income tax on dividends	10 (2)	(24,473)	(18,280)	(18,280)
Profit after tax		**42,344**	**51,095**	**66,442**
Minority interest	10 (2)	(201)	(223)	(259)
Net profit for the period	10 (2)	**42,143**	**50,872**	**66,183**
Earnings per share	6 (e)			
Basic earnings per share (in euros)		0.31	0.37	0.48
Diluted earnings per share (in euros)		0.31	0.37	0.48

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

	Notes	30 September 2004	31 December 2003	30 September 2003 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	2, 10 (b)	127,335	145,454	143,833
Goodwill	2, 10 (b)	614	657	262
Licenses, patents and trademarks	2, 10 (b)	6,433	7,274	6,930
Investments in subsidiaries and associates	3, 4, 10 (b)	1,010	1,063	1,314
Other investments	10 (b)	173	173	185
Other non-current assets	10 (b)	693	438	169
Total non-current assets		**136,258**	**155,059**	**152,693**
Current assets				
Inventories	5	7,016	6,226	6,290
Trade receivables		35,824	31,063	29,964
Other receivables		16,389	14,053	11,431
Investments held for trading		1,825	3,113	3,101
Cash and cash equivalents		70,425	84,414	73,076
Total current assets	10 (b)	**131,479**	**138,869**	**123,862**
TOTAL ASSETS	10 (b)	**267,737**	**293,928**	**276,555**
EQUITY AND LIABILITIES				
Equity	6			
Share capital		88,169	87,971	87,971
Reserves		31,550	29,937	29,937
Translation reserve		-	(1)	(2)
Retained earnings		75,977	80,187	80,187
Net profit for the period		42,143	66,183	50,872
Total equity		**237,839**	**264,277**	**248,965**
Minority interest	10 (b)	**1,066**	**865**	**829**
Non-current liabilities				
Interest-bearing loans and borrowings – due after one year	7	177	236	358
Retirement benefit obligation	8 (a)	524	561	459
Total non-current liabilities	10 (b)	**701**	**797**	**817**
Current liabilities				
Trade payables		11,117	14,447	9,523
Other current liabilities		11,378	10,343	11,398
Tax liabilities		4,021	2,281	3,713
Interest-bearing loans and borrowings – due within one year	7	1,330	533	547
Provisions	8 (b)	285	385	763
Total current liabilities	10 (b)	**28,131**	**27,989**	**25,944**
TOTAL EQUITY AND LIABILITIES	10 (b)	**267,737**	**293,928**	**276,555**

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

CASH FLOW STATEMENT

Financial statements are prepared in thousands of euros (EUR)

	Notes	9 months to 30 September 2004	9 months to 30 September 2004
Operating activities			
Profit from operations		65,265	64,170
Adjustments for:			
Depreciation and amortisation	2	39,278	42,482
Profit from sales and write-off of fixed assets		(522)	(852)
Operating cash flow before movements in working capital		104,021	105,800
Change in current receivables		(7,133)	218
Change in inventories		(636)	(377)
Change in current liabilities		(1,009)	(6,207)
Cash generated by operations		95,243	99,434
Interest paid		57	(29)
Income tax on dividends paid		(24,473)	(18,280)
Net cash from operating activities	10 (b)	**70,827**	**81,125**
Investing activities			
Purchases of property, plant and equipment	2	(18,207)	(14,647)
Purchases of licenses	2	(612)	(4,951)
Proceeds from sales of property, plant and equipment		928	1,311
Acquisition of subsidiaries		(247)	(853)
Proceeds from sales subsidiaries		-	4,355
Purchases of other long-term investments		-	(12)
Purchases of trading investments		(1,876)	(3,101)
Proceeds on disposal of trading investments		3,164	5,055
Loans granted		(762)	(89)
Cash receipt from repayment of loans		4	3
Dividends received		-	1
Interest received		2,308	1,687
Net cash used in investing activities	10 (b)	**(15,300)**	**(11,241)**
Financing activities			
Repayment of long-term convertible debt	7	(3)	(11)
Proceeds from nonconvertible long-term debt	7	32	23
Repayment of nonconvertible long-term debt	7	(354)	(547)
Repayment of long-term borrowings		-	(1,487)
Repayment of obligations under finance lease	7	(560)	(68)
Repayment of short-term borrowings	7	(11)	-
Shares issuance (Rights Offering)		1,776	1,496
Dividends paid	6 (d)	(70,377)	(52,683)
Net cash used in financing activities	10 (b)	**(69,497)**	**(53,277)**
Net increase / (decrease) in cash and cash equivalents		**(13,970)**	**16,607**
Cash and cash equivalents at beginning of year		**84,414**	**56,497**
Effect of foreign exchange rate changes	10 (b)	(19)	(28)
Cash and cash equivalents at end of period		**70,425**	**73,076**

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

	Notes	Share capital	Reserves		Translation reserve	Retained earnings	Net profit for the period	TOTAL
			Share premium	Statutory legal reserve				
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)	-
Share issuance	6 (a)	167	1,346	-	-	-	-	1,513
Dividends paid	6 (d)	-	-	-	-	(52,683)	-	(52,683)
Net profit for the period		-	-	-	-	-	50,872	50,872
30 September 2003		**87,971**	**21,156**	**8,781**	**(2)**	**80,187**	**50,872**	**248,965**
31 December 2003		**87,971**	**21,156**	**8,781**	**(1)**	**80,187**	**66,183**	**264,277**
Net profit for the 2003 transferred to retained earnings		-	-	-	-	66,183	(66,183)	-
Exchange differences arising from translation of foreign operations		-	-	-	1	-	-	1
Share issuance	6 (a)	198	1,597	-	-	-	-	1,795
Amounts transferred to reserves	6 (c)	-	-	16	-	(16)	-	-
Dividends paid	6 (d)	-	-	-	-	(70,377)	-	(70,377)
Net profit for the period		-	-	-	-	-	42,143	42,143
30 September 2004		**88,169**	**22,753**	**8,797**	**-**	**75,977**	**42,143**	**237,839**

1. Accounting policies and measurement basis used in preparation of interim financial statements

The consolidated interim financial statements for the nine months period ending 30 September 2004 are prepared in accordance with the International Financial Accounting Standards (IAS 34). In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2003.

The consolidated financial statements are presented in thousands of euros, unless indicated otherwise. AS Eesti Telekom measurement currency is Estonian kroon. Estonian kroon's exchange rate is fixed at 15.64660 EEK per euro.

The consolidated financial statements include all subsidiaries that are controlled by the parent company. When an entity began, or ceased to be controlled during the year, the results are included only from the date control commenced, or up to the date control ceased. Control is presumed to exist where more than one half of a subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the financial and operation policies of a subsidiary, or control the removal or appointment of a majority of a subsidiary's supervisory board.

All inter-company transactions and balances have been eliminated.

Minority interests in the balance sheet and results of the entities that are controlled by the parent company are shown as a separate line item in the consolidated financial statements.

Transactions in foreign currencies are recorded, using the rate of exchange quoted by the Bank of Estonia on the transaction date. On the balance sheet date, monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange quoted by the Bank of Estonia on that date. Respective exchange differences are recognised in the income statement for the year.

The financial statements of foreign subsidiaries are recorded at the Bank of Estonia (*Eesti Pank*) effective exchange rates. Upon the acquisition of a foreign subsidiary, the parent company's share of the net assets of the subsidiary is fixed and recorded, using the exchange rate prevailing on the date of acquisition. These equity items of the subsidiary will maintain their acquisition value even when the rest of the balance sheet of the subsidiary is retranslated. If a foreign subsidiary issues shares, these shares are recorded, using the exchange rate on the date of the issuance. Concerning the future consolidation of the balance sheet of a foreign subsidiary, the assets and liabilities are recorded, using the exchange rates prevailing on the balance sheet date. Income and expense items are recorded, using the average exchange rates for the period. Exchange differences, which arise, are charged to equity and transferred to the Group's recorded reserve. Such recording differences are recognised as income from, or as expenses of, subsidiaries in the period in which the operation has taken place. A recorded reserve in consolidated equity is considered in the calculation of the results of sales of shares of a subsidiary.

The exchange rates used in the financial statements were the following:

Currency	Exchange rate		
	30 September 2004	**30 September 2003**	**31 December 2003**
EUR	15.64660	15.64664	15.64664
USD	12.70270	13.41275	12.40960
SEK	1.72697	1.75044	1.72205
LTL	4.53157	4.53158	4.53158
LVL	23.53230	24.13885	23.26510

Hedging. The Group uses derivative financial instruments (forward, SWAP, currency option contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such derivatives are initially recorded at cost, if any, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise. Gain or loss arising from the settlement of the contracts will be recognised as income or expense when the transaction being hedged is realised.

Assets with a useful life of over one year and a minimum value of 639 EUR are considered to be ***fixed assets***. Fixed assets are recorded at acquisition cost, which consists of the purchase price, non-refundable taxes, and other expenditures directly related to taking the fixed asset object into use. The acquisition price of property, plant and equipment constructed by the company includes the cost of materials and direct labour.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the assets are presented at their estimated value in use. Recoverable value is equivalent to the higher of a particular asset's sale price or value in use. The anticipated cash flows for the coming year are used as the basis for determining value in use. Impairment losses in property, plant and equipment are expressed as an increase in accumulated depreciation, are recognised as an expense in the income statement, and are entered as "Depreciation". A reversal of an impairment loss is recognised as decrease of write-down expenses in the statement.

Depreciation is calculated on the straight-line method. Depreciation rates are set separately to each asset depending on its estimated useful life as follows:

- Buildings 3-8% per annum;
- Telecommunication network equipment 10-20% per annum;
- Plant and equipment 15-40% per annum;
- Furniture, fixtures, and fittings 10-50% per annum.

Land is not depreciated.

Assets are depreciated from the date of acquisition or, in the case of internally constructed assets, from the time an asset is completed and ready for use.

The improvements to fixed assets are capitalized if the asset is improved to a qualitatively new level, or if it is possible to prove that the revenue resulting from the expenditure made will be generated to a significant extent in future periods. Maintenance and repairs are recognised as period expenses.

Leased assets. Leases of plant and equipment under which the Group assumes substantially all risks and rewards incidental to ownership are classified as finance leases. Other leases are classified as operating leases.

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Goodwill is recognised as an intangible asset in the Group's consolidated financial statements and is amortised on a straight-line basis. Amortisation of goodwill is recorded in the income statement line "Depreciation and amortisation". The period of amortisation is the period of time during which benefits are expected to flow into the Group and does not exceed five years.

Licenses, patents, and trademarks are stated at the lower of the historical cost or recoverable amount, and are amortised on the straight-line method, over their estimated useful lives (five years, as a rule).

Amortisation of the third generation mobile communications license acquired by AS EMT started in August 2003 and will continue for ten years.

Development costs are charged as an expense in the income statement for the period during which they incurred.

Financial assets and financial liabilities. Cash, shares and other securities, trade receivables, accrued income, other short and long-term receivables and derivatives with positive market value are considered to be financial assets. Supplier payables, accrued expenses, other short and long-term payables, bonds issued and derivatives with negative market value are considered to be financial liabilities.

Financial assets and liabilities are initially measured at cost, which is the fair value of consideration given or received to acquire the financial asset or liability. All costs directly connected with the financial asset or obligations are included in the acquisition price.

Financial assets and liabilities are recognised on the balance sheet when the ownership title is transferred to the Group in accordance with the terms of the contract for the financial asset or liability.

Investments in associates are accounted for according to the equity method. An associate is an enterprise in which the Group holds, directly or indirectly, 20% - 50% of the voting power of the enterprise, or where the Group exercises significant influence over the enterprise, but is not subject to control by the Group.

Portfolio investments. Shares and securities are recognised on the balance sheet using the trade date accounting method and are initially recognised at cost, which is the fair value of consideration given to acquire the financial assets. All costs directly connected with the given financial asset are included in the initial acquisition price.

The following principles are applied to the recording of shares and securities:

- Shares and securities, whose value can be reliably measured, are recorded on the balance sheet at fair value. The change in the fair value of short-term shares and other securities is recorded in the income statement as “Other financial income and expenses”. The change in the fair value of long-term shares and other securities is recorded in the income statement as “Financial income and expenses from other long-term financial investments”.
- Bonds that the Company does not intend to hold to maturity are recorded on the balance sheet using the fair value method. The change in the fair value of short-term bonds is recorded in the income statement as “Other financial income and expenses”. The change in fair value of long-term bonds is recorded in the income statement as “Financial income and expenses from other long-term financial investments”.
- Shares and securities whose fair value cannot be reliably measured are recorded on the balance sheet at amortised cost, which consists of its initial recognition cost minus any write-down for impairment or uncollectibility. Write-down is recorded in the income statement as “Other financial income and expenses”. Write-down of long-term shares and other securities is recorded in the income statement as “Financial income and expenses from other long-term financial investments”.
- Bonds that the Company intends to hold to maturity are recorded on the balance sheet at amortised cost, applying the effective interest rate method minus any write-down for impairment or uncollectibility. The change in the carrying value of short-term bonds is recorded in the income statement as “Other financial income and expenses”. In calculating the write-down, the net present value of the future cash receipts of the financial instrument is considered, applying the internal rate of return as the discount rate. The interest income and write-down of held-to-maturity securities are recorded in the income statement as “Other financial income and expenses”. The interest income and write-down of long-term securities is recorded in the income statement as “Financial income and expenses from other long-term financial investments”.

Shares and securities that are intended to be disposed of during the following financial year and the maturity date of which is one year or less from the balance sheet date are recorded on the balance sheet as “Shares and other securities”. Long-term shares and securities are recorded on the balance sheet as “Other investments”.

On disposal of an in investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to income for the financial year.

Inventories. Raw materials and goods for resale are recorded at cost, which comprises of purchase price, non-refundable taxes as well as transportation and other direct acquisition expenditures, less discounts and subsidies received. Inventories are carried at the lower of acquisition cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Cost is based on the first-in, first-out (Eelion Ettevõtted AS) or on the weighted average cost principle (AS EMT).

Taxation. The Income Tax Law that became effective in Estonia on 1 January 2000 replaces the taxation of earnings with the taxation of dividend distributions and other payments that have the characteristics of profit distribution. Because of the principles of taxation, the term *tax base of assets and liabilities* does not meet the criteria of recognition and deferred income tax assets and liabilities as defined in IAS 12 (Income Taxes) do not arise.

Trade receivables are recorded at amortised cost. Receivables that are considered to be either partially or completely unlikely to be collected are expensed and reported on the balance sheet as “Allowance for doubtful receivables” and correspondingly in the income statement as “Other operating expenses”. Receivables whose collection is not feasible or economically justified are considered to be non-collectible, and are written-off from the balance sheet. Previously expensed receivables collected during the financial year are recorded on the same expense account as a reverse entry.

Long-term receivables and ***long-term loans granted*** are recognised at their net present value, from which doubtful accounts are deducted. The difference between the nominal value and the net present value of the receivable until the due date is reported in the income statement as “Other financial income and expenses” by applying the internal interest rate upon return of the receivable.

Liabilities with payment terms over one year from the balance sheet date are considered to be ***long-term liabilities***. Other liabilities are reported as ***short-term***.

Liabilities that have arisen during the financial year or prior periods, which have a legal or contractual basis, which are expected to result in the outflow of resources, and which can be reliably measured, but for which the actual payment amount and payment date has not been definitely determined, are recorded as ***provisions*** on the Balance Sheet. Provisions are measured according to the Management Board’s estimates and previous experience, and when necessary also the assessments of independent experts.

The calculation of ***retirement benefit provisions*** is based on the corresponding agreements that have been concluded. These provisions are recorded at their present value as they committed. The interest rates of bonds issued by long-term high quality companies are used as the discount rate. The difference between the nominal value and the net present value of the liability is amortised over the period remaining until the maturity date. Initial revaluation into the net present value and the subsequent amortisation of the difference between the nominal value and the net present value of the liability is recorded in the income statement as “Other financial income and expenses”.

Termination (redundancy) compensations are recognised as liabilities and as expenses when, and only when, the company has clearly and unequivocally expressed its intention to terminate the employment relationship in the ordinary manner, in accordance with an accord between employer and employee, or before the employee’s legally stipulated retirement date. An enterprise is demonstrably committed to a termination only when the enterprise has a detailed formal plan for the termination, and has no other realistic option for solving the situation.

Interest bearing bank loans, credit lines, other loans and bonds issued are initially recognised at the consideration received, less paid transaction costs. These financial liabilities are subsequently measured at amortised cost, in accordance to which the liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount (only for bonds). The amortised cost is determined by applying the internal rate of return, which is calculated by discounting the future net cash flows to the balance sheet value. Amortisation of the transaction costs is recorded in the income statement together with the interest expense. The interest expense is recorded as "Other financial income and expenses" in the income statement in the period in which they arise.

Financial statements are prepared in thousands of euros (EUR)

Sales revenue is recorded on the accrual basis of accounting, in accordance with the revenue principle.

In relation to ***the rendering of services***, revenue is recognised when no significant uncertainties remain concerning the derivation of consideration or associated costs.

In relation to ***the sale of goods***, revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding the derivation of that consideration, associated costs, or the possible return of goods.

Construction contracts are accounted for at percentage of completion method: revenue and profits obtained from construction contracts are recorded proportionally in the same periods as respective expenses incurred. In order to ensure the accuracy of the year-end financial results, an assessment of all unfinished contracts is made of the expenses to be incurred until the completion of the project, and the assessment is compared to the project's total budgetary costs. In the event of significant differences, the project's anticipated profit margin is adjusted, and correspondingly, the revenue calculation. If, on the balance sheet date, the sum of the interim invoices presented to the client exceeds the project's total expenditures and the corresponding income share, the difference is recorded on the balance sheet under short-term liabilities, as "Accrued expenses". In the event the sum of the interim invoices presented to the client is less than the project's total expenditures and the corresponding income share, the difference is recorded on the balance sheet as "Accrued income".

Interest, royalties, and dividends are recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Interest income is recognised as it accrues, unless collectibility is in doubt. Royalty income is recognised on the accrual basis in accordance with the substance of the relevant agreement. Dividend income is recognised when the shareholder's right to receive payment is established.

The balance sheet line "***Cash and cash equivalents***" and the same line listed in the cash flow statement consist of cash in hand, bank accounts, short-term bank deposits and shares of money-market funds.

Cash flows from operating activities are reported under the indirect method. ***Cash flows from investing and financing activities*** are reported based on gross receipts and disbursements made during the accounting period.

Reclassification of balances

During 2004, the following comparative balances of first nine months 2003 were reclassified:

	Initial opening balance 30 September 2003	Reclassification	Comparative balance 30 September 2003
Reclassification of income statement [1)]			
Revenues			
Sales revenue	224,551	62	224,613
Operating expenses			
Change in work-in-progress	62	(62)	-
Capitalised self-construction assets	1,499	(1,499)	-
Materials, consumables, supplies and services	(74,385)	1,062	(73,323)
Other operating costs	(21,001)	184	(20,817)
Personnel expenses	(24,421)	250	(24,171)
Other expenses	(1,101)	3	(1,098)

Financial statements are prepared in thousands of euros (EUR)

	Initial opening balance 30 September 2003	Reclassification	Comparative balance 30 September 2003
Reclassification of balance sheet [2]			
Assets			
Current assets			
Inventories	6,573	(283)	6,290
Trade receivables	29,411	553	29,964
Other receivables	11,701	(270)	11,431
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings – due after one year	817	(459)	358
Retirement benefit obligation	-	459	459
Current liabilities			
Trade payables	10,359	(836)	9,523
Other current liabilities	10,164	1,234	11,398
Interest bearing loans and borrowings – due within year	589	(42)	547
Provisions	1,119	(356)	763

1) Explanations for reclassification of income statement entries:
   - Pursuant to *IAS* 16: *Property, Plant and Equipment*, the cost of property, plant and equipment constructed by the company is recognised in the same manner as acquired property, plant and equipment, i.e. the expenditures incurred for the acquisition are described on an accrual basis.
   - Profits and losses connected with uncompleted construction projects shall be entered in the income statement as "Revenue".

2) Explanations for reclassification of balance sheet entries:
   - Balances connected with uncompleted construction projects and recorded in the balance sheet in net amounts under "Inventories" are reclassified into receivables and liabilities gross amounts.
   - Balance sheet entries concerning pension liabilities have been reorganised. Both non-current and current pension liabilities are recorded as provisions.
   - Employee-related accounting benefits (bonuses), which were recorded in the balance sheet entry "Provisions", are shown as "Other current liabilities".

In the opinion of the Company's Management Board, the financial statements give a true and fair view of the financial position of the Company.

Financial statements are prepared in thousands of euros (EUR)

2. Tangible and intangible assets

	Tangible assets	Goodwill	Licenses, patents and trademarks
At cost			
31 December 2002	**485,667**	**2,804**	**8,698**
Additions	14,647	190	4,951
Acquired on acquisition of a subsidiary	243	-	520
Disposals and retirements (-)	(6,709)	(2,306)	(187)
30 September 2003	**493,848**	**688**	**13,982**
31 December 2003	**501,445**	**1,147**	**14,376**
Additions	18,207	115	612
Acquired by finance leases	1,651	-	-
Acquired on acquisition of a subsidiary	134	-	11
Disposals and retirements (-)	(6,525)	(381)	(283)
30 September 2004	**514,912**	**881**	**14,716**
Accumulated depreciation			
31 December 2002	**314,788**	**2,568**	**6,215**
Charge for the period	41,323	164	995
Acquired on acquisition of a subsidiary	98	-	6
Disposals and retirements (-)	(6,194)	(2,306)	(164)
30 September 2003	**350,015**	**426**	**7,052**
31 December 2003	**355,991**	**490**	**7,101**
Charge for the period	37,660	158	1,460
Acquired on acquisition of a subsidiary	56	-	5
Disposals and retirements (-)	(6,130)	(381)	(283)
30 September 2004	**387,577**	**267**	**8,283**
Carrying amount			
At 30 September 2003	**143,833**	**262**	**6,930**
At 30 September 2004	**127,335**	**614**	**6,433**

Financial statements are prepared in thousands of euros (EUR)

3. Investments in subsidiaries

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 September 2004	**31 December 2003**		
Elion Ettevõtted AS	Estonia	100%	100%	Network services for operators, data communication and Internet products, voice communication solutions and Internet content services for business and residential customers	AS Eesti Telekom
AS Elion Esindus	Estonia	100%	100%	Retail sales of telecommunication products and services	Elion Ettevõtted AS
AS EsData	Estonia	100%	100%	Internet and data communication services, VoiP long distance calls and equipment hosting services	Elion Ettevõtted AS
AS Eltel Networks (previously AS Connecto)[1)]	Estonia	51%	51%	Construction and maintenance of telecommunication and electrical networks	Elion Ettevõtted AS
SIA Connecto Latvia	Latvia	100%	100%	Construction and maintenance of telecommunication networks	AS Eltel Networks
UAB Lidivos Technologijos	Lithuania	100%	-	Construction and maintenance of telecommunication networks	AS Eltel Networks
AS Reveko Telekom	Estonia	100%	100%	Installation of telephone exchanges and communications systems	AS Eltel Networks
AS Eltel Networks[1)]	Estonia	-	100%	Construction of electrical and mobile communications networks	AS Connecto
AS EMT	Estonia	100%	100%	Construction and operating of mobile networks, providing mobile communication services	AS Eesti Telekom
EMT Esindused AS	Estonia	100%	100%	Retail sales of telecommunication products and services	AS EMT
AS Mobile Wholesale	Estonia	100%	100%	Wholesale of mobile phones	AS EMT

1) On 8 June 2004, the registry department of the Tallinn City Government registered the merger of AS Connecto and AS Eltel Networks. The merged companies continue operations under business name AS Eltel Networks.

Financial statements are prepared in thousands of euros (EUR)

4. Investments in associates

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 September 2004	**31 December 2003**		
AS Intergate	Estonia	50%	50%	Venture capital investments into companies with innovative technologies	Elion Ettevõtted AS
AS Sertifitseerimiskeskus	Estonia	50%	50%	Providing certification and related services	Elion Ettevõtted AS – 25% AS EMT – 25%
OÜ Voicecom	Estonia	26%	26%	Designing and providing software for mobile related services	AS EMT

5. Inventories

In the first nine months 2004, the value of the inventories was decreased by the total amount of 158 thousand EUR (first nine months 2003: 123 thousand EUR) based on the estimated decline of the realisation value below their acquisition cost.

6. Equity

a) Issued capital

	30 September 2004	2003
Share issued		
Ordinary shares par value 0.64 EUR per share, fully paid		
At beginning of year	137,644,428	137,383,178
Share issuance	310,000	261,250
Converted preference share	100	-
At ending of period	137,954,528	137,644,428
Preference share par value 63.91 EUR per share, fully paid	-	1

The extraordinary general meeting of shareholders of AS Eesti Telekom held on 15 December 2000 approved the issuing of up to 85,000 convertible bonds, including the issuing of up to 42,500 A-series and 42,500 B-series bonds within the framework of the Eesti Telekom Group's employee incentive system. A resolution passed at the same meeting ruled out AS Eesti Telekom shareholders' pre-emptive right to subscribe the convertible bonds to be issued.

During the subscription period of 2.05.2003 – 2.06.2003 26,125 A-series bonds were converted into 261,250 AS Eesti Telekom A-shares.

The total numbers of bonds outstanding as of 1 May 2004 were 34,125 B-series bonds.

Financial statements are prepared in thousands of euros (EUR)

In accordance with the "AS Eesti Telekom terms for the issue of convertible bonds", an owner of B-series bond was entitled to

(i) redeem a bond and exchange it for 10 Eesti Telekom ordinary shares, which have a nominal value of 0.64 EUR each and a subscription price of 5.79 EUR, or

(ii) redeem a bond and exchange it for a sum of money (the bond's nominal value (0.64 EUR) plus accumulated interest of 7% per annum.

On 4 June 2004 the Management Board of AS Eesti Telekom approved the results of the subscription period that lasted from 2 May to 2 June 2004. During the said period, applications were received for the exchange of 31,000 bonds for 310,000 AS Eesti Telekom ordinary shares. The management Board of AS Eesti Telekom approved the subscription list, and submit an application to the registry department of the Tallinn City Government for the registration of 310,000 ordinary shares with a nominal value of 0.64 EUR and an issue price of 5.79 EUR, i.e. an issue premium of 5.15 EUR. The shares issued are in all respects equivalent to the existing AS Eesti Telekom A-series shares. The new shares entitle shareholders to dividends as of the 2004 financial year.

Pursuant to the Shareholders' Agreement and accordance with the decision of the Shareholders' Annual General Meeting one preference share was converted into one hundred ordinary shares, which have a nominal value of 0.64 EUR each, on 18 May 2004.

The total number of AS Eesti Telekom ordinary shares after the share issuance of the new shares is 137,954,528 and share capital 88,169,013 EUR.

A-shares are distributed between the main groups of shareholders as follows:

Republic of Estonia	37,485,100 shares	(27.17%)
Public investors	32,508,479 shares	(23.57%)
TeliaSonera AB:		
Baltic Tele AB	67,960,949 shares	(49.26%)

The holders of ordinary shares are entitled to receive dividends as declared by the general meeting, and are entitled to one vote per share at general meetings of the shareholders of the parent company.

Non-monetary contribution has been made for 63,883,178 shares in the total value of 56,923 thousand EUR.

b) Re-acquiring of shares

The Annual General Meeting of Shareholders, on 18 May 2004, authorized AS Eesti Telekom to acquire within one year from the adoption of this resolution (i.e. until 18 May 2005; the same authority, which was obtained from last Annual General Meeting on 22 May 2003, terminated on 22 May 2004) AS Eesti Telekom ordinary shares so that the total of nominal values of own shares held by AS Eesti Telekom would not exceed the limit set by statutory regulations, and that the price payable per share would not exceed the highest price paid for the ordinary shares of AS Eesti Telekom on the Tallinn Stock Exchange on the day of acquiring the shares. AS Eesti Telekom has to pay for the shares from the company's assets in excess of its share capital, capital reserves, and share premium. The amount of shares to be acquired each time shall be determined on each occasion separately by a resolution of AS Eesti Telekom's Supervisory Council. As of 30 September 2004, no shares have been re-acquired by AS Eesti Telekom.

c) Reserves

Reserves include:

- Obligatory legal reserve required by the Commercial Code. Subject to the approval of the general meeting, the reserve may be used for covering cumulated losses, if the latter cannot be covered with other unrestricted equity, and for increasing share capital.

Financial statements are prepared in thousands of euros (EUR)

- Share premium – the positive difference between the issue price and nominal value of issued shares (issue premium).

It were transferred 16 thousand EUR to the legal reserve in May 2004.

d) Dividends

The Annual General Meeting of the shareholders of AS Eesti Telekom took place on 18 May 2004. It was decided to pay dividends in the total amount 70,377 thousand EUR: 0.51 EUR per ordinary share (2003 year: 0.38 EUR) as dividends to the holders of ordinary shares and 639.11 EUR (2003 year: 639.11 EUR) to the holder of preference share. The list of shareholders on bases of which dividends were distributed was fixed on 8 June 2004 at 8.00 and dividends were paid on 17 June 2004.

e) Earnings per share

Basic earnings per share have been calculated as follows:

<u>3 quarter 2004</u>: EUR 0.17 = 23,371,000: 137,954,528
<u>9 months 2004</u>: EUR 0.31 = 42,143,000: ((137,644,428 x 5/9) + (137,954,528 x 4/9))

<u>3 quarter 2003</u>: EUR 0.16 = (22,555,000 – 639.11): 137,644,428
<u>9 months 2003</u>: EUR 0.37 = (50,872,000 – 639.11): ((137,383,178 x 5/9) + (137,644,428 x 4/9))

The calculation of **diluted earnings per share** is the following:

<u>3 quarter and 9 months 2004</u>: in view of the fact that Group has not any dealings with a dilutive effect of earnings per share, diluted earnings per share equal basic earnings per share.

<u>3 quarter 2003</u>: EUR 0.16 = (22,555,000 – 639.11): (137,644,428 + (416,250 – (416,250 x 5.79/7.15)))
<u>9 months 2003</u>: EUR 0.37 = (50,872,000 – 639.11): ((137,383,178 x 5/9) + (137,644,428 x 4/9) + ((261,250 – (261,250 x 5.79/6.33)) x 5/9) + (416,250 – (416,250 x 5.79/6.33)) x 9/9))

The following data have been used in the ascertainment of earnings per share at the time of calculation of the indicator:

	2004	2003
Consolidated profit for the 3 quarter (in euros)	23,371,000	22,555,000
Consolidated profit for the 9 months (in euros)	42,143,000	50,872,000
Dividends on preferred share (in euros)	-	639.11
The number of ordinary shares before issuance (up to 31 May)	137,644,428	137,383,178
The number of ordinary shares after the issuance of the shares	137,954,528	137,644,428
The number of A-series shares covered by options, until the moment of conversion (up to 31 May)	-	261,250
The number of B-series shares covered by options, as of 30 September	-	416,250
The subscription price of shares, as stated in the option agreement (in euros)	-	5.79
The 3 quarter average market value of shares (in euros)	-	7.15
The 9 months average market value of shares (in euros)	-	6.33

Financial statements are prepared in thousands of euros (EUR)

f) Share information

AS Eesti Telekom shares are quoted in the main list of the HEX Tallinn Stock Exchange and in the main list of GDR-s on the London Stock Exchange. Each GDR (Global Depositary Receipt) represents three ordinary shares.

The highest price of an AS Eesti Telekom share on the Tallinn Stock Exchange, during the reporting period, was 8.09 EUR; the lowest price was 6.50 EUR, and the average price was 7.22 EUR per share.

7. Borrowings

	30 September 2004	31 December 2003
Non-current	177	236
Current	1,330	533
	1,507	**769**

The movements in the borrowings can be analyzed as follows:

Opening balance 31 December 2003	**769**
Proceeds from borrowings	32
Proceeds from finance lease	1,651
Repayments of borrowings	(368)
Repayments of obligations under finance lease	(560)
Other movements	(17)
Closing balance 30 September 2004	**1,507**

8. Provisions

a) Non-current retirement benefit provisions

31 December 2003	**561**
Additional provision in the reporting period	8
Decrease of provision in the reporting period	(45)
30 September 2004	**524**

b) Current provisions

	Termination benefits provision	Current portion of retirement benefit provision	Other provisions	**Total**
31 December 2003	**342**	**42**	**1**	**385**
Additional provision in the reporting period	302	41	-	343
Decrease of provision in the reporting period	(85)	-	-	(85)
Utilisation of provision in the reporting period	(317)	(41)	-	(358)
30 September 2004	**242**	**42**	**1**	**285**

Financial statements are prepared in thousands of euros (EUR)

9. Related party transactions

Transactions with related parties are transactions with associates, shareholders, members of the Supervisory Council and the Management Board, employees, their relatives and the companies in which they hold majority interest.

a) Directors' and executives' remuneration

The remuneration of directors and other members of key management during the first nine months 2004 and 2003 were as follows:

	9 months to 30 September 2004	9 months to 30 September 2003
Salaries	1,237	945

b) Trading transactions

Transactions with related parties were conducted under market terms.

During the first nine months 2004 and 2003, group companies entered into the following transactions with related parties:

	9 months to 30 September 2004	9 months to 30 September 2003
Telecommunication services provided		
Associates:		
AS Esdata (up to 30.11.03)	-	231
AS Sertifitseerimiskeskus	30	6
AS Intergate	-	6
OÜ Voicecom	4	4
Owners:		
TeliaSonera AB	8,181	6,344
Companies where Supervisory Council members of the Group have significant influence:		
Tark & Co Law Office (up to 31.05.04)	20	11
	8,235	**6,602**
Other sales		
Associates:		
AS Esdata (up to 30.11.03)	-	1
AS Sertifitseerimiskeskus	88	2
AS Intergate	-	1
OÜ Voicecom	1	-
Owners:		
Eltel Networks Corporation (since 01.07.03)	145	6
Companies where Supervisory Council members of the Group have significant influence:		
Tark & Co Law Office (up to 31.05.04)	1	-
	235	**10**
Telecommunication services purchased		
Associates:		
AS Sertifitseerimiskeskus	1	-
OÜ Voicecom	25	66
Owners:		
TeliaSonera AB	4,376	3,360
	4,402	**3,426**

Financial statements are prepared in thousands of euros (EUR)

	9 months to 30 September 2004	**9 months to 30 September 2003**
Other services purchased		
Associates:		
OÜ Voicecom	12	-
Owners:		
TeliaSonera AB	185	80
Eltel Networks Corporation (since 01.07.03)	5	-
Companies where Supervisory Council members of the Group have significant influence:		
Tark & Co Law Office (up to 31.05.04)	22	125
	224	**205**
Financial income		
Associates:		
AS Sertifitseerimiskeskus	**21**	**13**
Financial expenses		
Owners:		
TeliaSonera AB	**25**	**48**
Amounts owed by related parties		
Associates:		
AS Esdata (up to 30.11.03)	-	31
AS Sertifitseerimiskeskus	382	266
AS Intergate	-	1
OÜ Voicecom	-	1
Owners:		
TeliaSonera AB	4,239	3,786
Eltel Networks Corporation (since 01.07.03)	42	6
Companies where Supervisory Council members of the Group have significant influence:		
Tark & Co Law Office (up to 31.05.04)	-	1
	4,663	**4,092**
Amount owed to related parties		
Associates:		
OÜ Voicecom	-	8
Owners:		
TeliaSonera AB	1,662	2,742
Companies where Supervisory Council members of the Group have significant influence:		
Tark & Co Law Office (up to 31.05.04)	1	-
	1,663	**2,750**

10. Segment information

A business segment is a distinguishable component of the Group that is engaged in providing a group of related services or products and that is subject to risks and returns that are different from those of other business segments.

Four major segments, fixed line, mobile telecommunication, construction services and other activities, are distinguished in the consolidated financial statements.

Fixed network telecommunications – this segment operates the national telecommunications network, with providing fixed telecommunication services and related value-added-services as well as provision of production, marketing and sales related services. The companies belonging to this business segment are Elion Ettevõtted AS, AS Elion Esindus and AS EsData.

Mobile telecommunications – this segment operates mobile networks and systems, and deals with the producing, marketing, and selling of services related thereto. The companies belonging to this business segment are AS EMT, AS EMT Esindused and AS Mobile Wholesale.

Construction services – these segment activities are construction and maintenance of telecommunication networks. The companies belonging to this business segment are AS Eltel Networks, AS Reveko Telekom, SIA Connecto Latvia and UAB Lidivos Technologijos.

Other activities – this segment covers the activities of the parent company AS Eesti Telekom.

Segment expense is expense resulting from the operating activities and is directly attributable to the segment. Segment expense does not include extraordinary items, interest, or income tax expense.

Segment gross profit is segment revenue less segment expense. Segment gross profit is determined before any adjustments for minority interest.

Segment assets are those operating assets that are operatively employed and that are directly attributable to the segment.

Segment liabilities are those directly attributable to the segment.

Capital expenditure represents total cost incurred during the period to acquire segment assets that are expected be used during more than one period (property, plant, and equipment, and intangible assets).

Segment turnover represent inter-company income and expenses of the four above-mentioned segments. The inter-company turnovers between the companies belonging to the same segment are eliminated in this report.

Inter-company transactions were conducted on an arms-length basis.

Financial statements are prepared in thousands of euros (EUR)

a) Business segments

(1) Results of the 3 Quarter 2004 / 2003

	Fixed network telecommunications		Mobile telecommunications		Construction		Other operations		Eliminations		Consolidated	
	Q3 2004	**Q3 2003**	**Q3 2004**	**Q3 2003**	**Q3 2004**	**Q3 2003**	**Q3 2004**	**Q3 2003**	**Q3 2004**	**Q3 2003**	**Q3 2004**	**Q3 2003**
Revenue												
Revenue	36,592	36,333	44,273	39,873	3,258	2,832	-	-	-	-	84,123	79,038
Other operating income	256	331	238	18	13	2	-	-	-	-	507	351
Inter-segment revenue	3,207	2,831	5,990	4,982	2,871	2,914	1	1	(12,069)	(10,728)	-	-
Total revenue	**40,055**	**39,495**	**50,501**	**44,873**	**6,142**	**5,748**	**1**	**1**	**(12,069)**	**(10,728)**	**84,630**	**79,389**
Operating expenses												
Materials, consumables, supplies and services	(9,349)	(9,297)	(20,448)	(16,290)	(2,228)	(2,442)	-	-	-	-	(32,025)	(28,029)
Other operating expenses	(4,514)	(4,941)	(2,690)	(1,398)	(706)	(472)	(124)	(234)	-	-	(8,034)	(7,045)
Personnel expenses	(4,894)	(4,655)	(1,982)	(1,821)	(1,181)	(1,090)	(260)	(218)	-	-	(8,317)	(7,784)
Other expenses	(174)	(149)	(90)	(125)	(46)	(33)	(1)	(37)	-	-	(311)	(344)
Inter-segment expenses	(7,540)	(6,831)	(3,077)	(2,652)	(1,288)	(1,117)	(8)	(8)	11,913	10,608	-	-
Total expenses	**(26,471)**	**(25,873)**	**(28,287)**	**(22,286)**	**(5,449)**	**(5,154)**	**(393)**	**(497)**	**11,913**	**10,608**	**(48,687)**	**(43,202)**
EBITDA	**13,584**	**13,622**	**22,214**	**22,587**	**693**	**594**	**(392)**	**(496)**	**(156)**	**(120)**	**35,943**	**36,187**
Depreciation and amortisation	(7,018)	(8,261)	(5,574)	(5,429)	(154)	(87)	(9)	(19)	91	60	(12,664)	(13,736)
EBIT	**6,566**	**5,361**	**16,640**	**17,158**	**539**	**507**	**(401)**	**(515)**	**(65)**	**(60)**	**23,279**	**22,451**
Income/ (expenses) from subsidiaries and associated companies, net	220	190	(14)	(27)	-	-	23,548	22,843	(23,784)	(23,076)	(30)	(70)
Other net financing items	116	60	5	80	(3)	8	224	249	-	-	342	397
Minority interest	-	-	-	-	-	-	-	-	(220)	(223)	(220)	(223)
Net profit for the period	**6,902**	**5,611**	**16,631**	**17,211**	**536**	**515**	**23,371**	**22,577**	**(24,069)**	**(23,359)**	**23,371**	**22,555**

Financial statements are prepared in thousands of euros (EUR)

(2) Results of the first nine months 2004 / 2003

	Fixed network telecommunications		Mobile telecommunications		Construction		Other operations		Eliminations		Consolidated	
	9 months 30 Sept 2004	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003 Restated**
Revenue												
Revenue	110,318	107,118	125,251	112,123	7,924	5,372	-	-	-	-	243,493	224,613
Other operating income	535	1,064	731	366	52	17	-	1	-	-	1,318	1,448
Inter-segment revenue	8,836	8,060	16,839	14,998	6,759	6,834	3	2	(32,437)	(29,894)	-	-
Total revenue	**119,689**	**116,242**	**142,821**	**127,487**	**14,735**	**12,223**	**3**	**3**	**(32,437)**	**(29,894)**	**244,811**	**226,061**
Operating expenses												
Materials, consumables, supplies and services	(25,930)	(23,108)	(57,001)	(45,771)	(5,130)	(4,444)	-	-	-	-	(88,061)	(73,323)
Other operating expenses	(14,086)	(14,491)	(6,794)	(4,221)	(2,176)	(1,541)	(572)	(564)	-	-	(23,628)	(20,817)
Personnel expenses	(16,332)	(15,304)	(6,361)	(5,233)	(4,136)	(3,124)	(695)	(510)	-	-	(27,524)	(24,171)
Other expenses	(557)	(465)	(319)	(421)	(134)	(99)	(45)	(113)	-	-	(1,055)	(1,098)
Inter-segment expenses	(21,331)	(20,007)	(8,464)	(7,551)	(2,373)	(2,117)	(24)	(16)	32,192	29,691	-	-
Total expenses	**(78,236)**	**(73,375)**	**(78,939)**	**(63,197)**	**(13,949)**	**(11,325)**	**(1,336)**	**(1,203)**	**32,192**	**29,691**	**(140,268)**	**(119,409)**
EBITDA	**41,453**	**42,867**	**63,882**	**64,290**	**786**	**898**	**(1,333)**	**(1,200)**	**(245)**	**(203)**	**104,543**	**106,652**
Depreciation and amortisation	(22,504)	(25,810)	(16,570)	(16,583)	(436)	(204)	(35)	(59)	267	174	(39,278)	(42,482)
EBIT	**18,949**	**17,057**	**47,312**	**47,707**	**350**	**694**	**(1,368)**	**(1,259)**	**22**	**(29)**	**65,265**	**64,170**
Income/ (expenses) from subsidiaries and associated companies, net	205	4,127	(40)	(60)	-	-	42,951	51,856	(43,170)	(52,311)	(54)	3,612
Other net financing items	430	94	497	621	-	28	679	850	-	-	1,606	1,593
Income tax on dividends	(6,483)	(4,261)	(17,964)	(13,473)	-	-	(26)	(546)	-	-	(24,473)	(18,280)
Minority interest	-	-	-	-	-	-	-	-	(201)	(223)	(201)	(223)
Net profit for the period	**13,101**	**17,017**	**29,805**	**34,795**	**350**	**722**	**42,236**	**50,901**	**(43,349)**	**(52,563)**	**42,143**	**50,872**

Financial statements are prepared in thousands of euros (EUR)

b) Other information by segments

	Fixed network telecommunications		Mobile telecommunications		Construction		Other operations		Eliminations		Consolidated	
	9 months 30 Sept 2004	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003 Restated**
Non-current assets (except investments in subsidiaries and associates)	73,120	88,635	61,007	62,774	1,932	748	385	174	(1,196)	(952)	135,248	151,379
Investments in subsidiaries and associates	2,335	2,304	168	223	-	-	198,718	210,427	(200,211)	(211,640)	1,010	1,314
Current assets	54,005	41,421	42,734	43,043	3,732	4,093	39,344	38,709	(8,336)	(3,404)	131,479	123,862
Total assets	**129,460**	**132,360**	**103,909**	**106,040**	**5,664**	**4,841**	**238,447**	**249,310**	**(209,743)**	**(215,996)**	**267,737**	**276,555**
Owners' equity	**113,200**	**115,935**	**85,937**	**94,941**	**3,220**	**2,516**	**237,956**	**248,994**	**(202,474)**	**(213,421)**	**237,839**	**248,965**
Minority interest	-	-	-	-	-	-	-	-	1,066	829	1,066	829
Non-current liabilities	10	358	407	459	167	-	117	-	-	-	701	817
Current liabilities	16,250	16,067	17,565	10,640	2,277	2,325	374	316	(8,335)	(3,404)	28,131	25,944
Total equity and liabilities	**129,460**	**132,360**	**103,909**	**106,040**	**5,664**	**4,841**	**238,447**	**249,310**	**(209,743)**	**(215,996)**	**267,737**	**276,555**
Net cash from/ (used in) operating activities	29,234	32,470	43,173	49,343	58	442	(1,593)	(1,970)	(45)	840	70,827	81,125
Net cash from / (used in) investing activities	570	5,829	710	763	(198)	(297)	70,670	75,281	(68,233)	(73,219)	3,519	8,357
CAPEX	(9,311)	(8,558)	(9,184)	(11,580)	(588)	(146)	-	(29)	264	715	(18,819)	(19,598)
Net cash (used in) financing activities	(18,313)	(35,573)	(50,530)	(38,317)	(64)	146	(68,604)	(51,197)	68,014	71,664	(69,497)	(53,277)
Foreign exchange rate differences	(12)	(21)	(3)	(2)	(2)	(1)	(2)	(4)	-	-	(19)	(28)
Net increase / (decrease) in cash and cash equivalents	**2,168**	**(5,853)**	**(15,834)**	**207**	**(794)**	**144**	**471**	**22,081**	**-**	**-**	**(13,989)**	**16,579**

c) Revenue by geographic area

	Fixed network telecommunications		Mobile telecommunications		Construction		Consolidated	
	9 months 30 Sept 2004	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**	**9 months 30 Sept 2004**	**9 months 30 Sept 2003**
Revenue from customers in Estonia	96,344	96,188	118,527	107,090	6,176	4,160	221,047	207,438
Revenue from customers outside Estonia	13,974	10,930	6,724	5,033	1,748	1,212	22,446	17,175
	110,318	**107,118**	**125,251**	**112,123**	**7,924**	**5,372**	**243,493**	**224,613**

Deloitte.

AS Deloitte & Touche Audit
Roosikrantsi 2
10119 Tallinn
Estonia

Tel: +372 640 6500
Fax: +372 640 6503
www.deloitte.com

Reg. kood 10687819

REVIEW REPORT

To the Management Board and shareholders of AS Eesti Telekom:

We have reviewed the accompanying consolidated balance sheet of AS Eesti Telekom and its subsidiaries ("the Group") as at 30 September 2004, and the related consolidated statement of income, cash flows and changes in shareholders' equity for the period then ended. These consolidated financial statements are the responsibility of the AS Eesti Telekom management board. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement.

A review is limited primarily to inquiries of Group's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements of the Group are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

Deloitte & Touche

Villu Vaino
Certified auditor
12 October 2004

AS Deloitte & Touche Audit