EESTI TELEKOM

21 October 2005

AS EESTI TELEKOM
FINANCIAL RESULTS FOR THE 3ND QUARTER OF 2005

AS Eesti Telekom, the leading provider of telecommunications services in Estonia, hereby announces its results for the second quarter ending 30 September 2005.

	Q3 2005	Q3 2004	Change, %	Q3 2004, Eltel Group excl.	Change, %
Total revenues, million EEK	**1,296**	1,323	-2.0%	1,276	1.6%
EBITDA, million EEK	**570**	562	1.4%	555	2.7%
EBITDA margin, %	**44.0%**	42.5%		43.5%	
EBIT, million EEK	**391**	364	7.3%	357	9.3%
EBIT margin, %	**30.1%**	27.5%		28.0%	
Profit before taxes, million EEK	**398**	369	7.8%	362	10.0%
Net profit for period, million EEK	**398**	369	7.8%	362	10.0%
EPS, EEK	**2.88**	2.65	8.8%		
CAPEX, million EEK	**156**	104	50.5%	98	58.9%
Net gearing, %	**-36.2%**	29.7%			
ROA, %	**25.3%**	20.2%			
ROE, %	**37.9%**	32.9%			

	9M 2005	9M 2004	Change, %	9M 2004, Eltel Group excl.	Change, %
Total revenues, million EEK	**3,766**	3,828	-1.6%	3,712	1.4%
EBITDA, million EEK	**1,642**	1,636	0.4%	1,629	0.8%
EBITDA margin, %	**43.6%**	42.7%		43.9%	
EBIT, million EEK	**1,087**	1,021	6.5%	1,017	6.9%
EBIT margin, %	**28.8%**	26.7%		27.4%	
Profit before taxes, million EEK	**1,122**	1,045	7.4%	1,041	7.9%
Net profit for period, million EEK	**774**	663	16.8%	658	17.7%
EPS, EEK	**5.61**	4.79	17.2%		
CAPEX, million EEK	**343**	294	16.4%	285	18.7%

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CHAIRMAN'S STATEMENT

Financial results

I would like to begin my commentary on the results for the third quarter of 2005 by mentioning two positive facts. First, the quarter that has just ended was successful for the revenue of the companies of the group. The small contraction in the second quarter was followed by renewed growth (the Eltel Group, which was sold in December 2004, eliminated). Second, profit margins in both mobile and fixed-line communications improved in comparison with the same period in 2004.

Revenues increased 1.6% in comparison with the same period in 2004, reaching 1296 million kroons. The increase in revenue came primarily from the mobile sector. The majority of the growth in the mobile sector continued to come from growth in customer base, and the increase in the volume of incoming and outgoing call minutes that is connected therewith. One positive trend that should be noted is the growth in the number of users of mobile data communications and the growth in user activity in recent quarters. In the area of fixed communications, it was able to balance the continuing decrease in voice communication revenues with increasing revenues from new areas of operation – Internet connections, data communication and IT, but also the retail sale of telecommunications and IT devices.

The operating costs of the Eesti Telekom Group in the third quarter were 726 million kroons, which was an increase of 0.8% in comparison with the same quarter of 2004 (not including the Eltel Group). The most important factor that influenced operating costs continued to be the growth in the number of call minutes out of the EMT network, and the resulting higher expenditures on interconnection charges. The operating costs of both AS EMT and Elion Ettevõtted AS have been positively influenced by the fall in mobile telephone operators' termination rates from 2.75 kroons to 2.50 kroons in March-April 2005.

The Eesti Telekom Group's EBITDA was 570 million kroons, having risen 2.7% in comparison with the third quarter of 2004. EBITDA margin was 44.0% (in the third quarter of 2004 it had been 43.5%, not including the Eltel Group).

Third quarter depreciation fell 9.8% in comparison with the same period in 2004. The Eesti Telekom Group's EBIT increased 9.6% in the third quarter of 2005 in comparison with the same period in 2004 (not including Eltel Group).

Thanks to this strong financial position, third quarter net financial item increased to 9 million kroons. In the third quarter of 2005, the Eesti Telekom Group earned a net profit of 398 million kroons, which is 10.0% more than in the same period in 2004. The company earned a profit per share of 2.88 kroons in the quarter.

The Eesti Telekom Group's total revenues for the first nine months of the year reached 3766 million kroons, having increased 1.4% in comparison with the same period in 2004 (not including the Eltel Group). The cumulative increase in operating costs was somewhat more rapid than the growth in total revenues, reaching 1.9%. EBITDA increased 0.8% in comparison with the first nine months of 2004, reaching 1642 million kroons. Thanks to the fact that depreciation was 9.5% lower than in the same period in 2004, EBIT increased 7.0%, reaching 1087 million kroons. A net income of 34 million kroons has been earned in the first nine months. By decision of the general meeting of shareholders, in June AS Eesti Telekom paid its shareholders dividends of 8.00 kroons per share for the year of 2004. Although the amount of dividends per share remained the same, the total amount of dividends increased thanks to the increase in share capital that took place in June 2004. Whereas 1101 million kroons in dividends were paid out in 2004, this year that amount was 1104 million kroons. At the same time, the rate of income tax payable on the dividends has decreased – in 2004 it was 26/74 of the sum of the dividends, but in 2005 it was 24/76 of the sum of the dividends. AS Eesti Telekom's income tax expenditure on dividends was 34 million kroons less this year than last year, reaching 349 million kroons. The Eesti Telekom Group earned a net profit of 774 million kroons in the first nine months of this year, which is 17.7% more than the result for the same period in 2004. The company earned 5.61 kroons of revenue per share.

As of the end of September 2005, the Eesti Telekom Group's balance sheet total was 4195 million kroons (4524 million kroons in December 2004). In nine months, the group's fixed assets decreased by 208 million kroons, and current assets by 121 million kroons. The fall in fixed assets was due to the relatively small amount of investments. As concerns current assets, the net balance of cash and cash equivalents fell (as a result of the 1104 million kroon dividend payment and the 349 million kroons in income tax on the dividends, paid in July).

The equity capital of the Eesti Telekom Group has fallen by 330 million kroons. The reason for this fall is the above-mentioned dividend payment, while at the same time, equity capital was increased by the none-month net profit in the amount of 774 million kroons. As of the end of September 2005, the Group had long-term interest bearing liabilities worth 6 million kroons and short-term interest bearing liabilities amounting to 3 million kroons (as of the end of December 2004 these figures were 1 million and 19 million kroons respectively). At the end of September 2005, the group's net debt was -1348 million kroons, and net gearing was -36.2%.

The Eesti Telekom Group's cash flow from operating activities was 1322 million kroons in the first nine months of 2005 (1108 million kroons in the first nine months of 2004). Due to this year's larger investments, cash outflow into investment activities grew – 239 million kroons in the first nine months of 2004, and 368 million kroons in the first nine months of 2005. Cash outflow into financing activities was 1122 million (1087 million kroons in the first 9 months of 2004). In the first nine months of 2005, the total cash flow of the Eesti Telekom Group was -169 million kroons (-219 million kroons in the first nine months of 2004).

Elion Group

	Q3 2005	Q3 2004	Change, %	Q3 2004, Eltel Group excl.	Change, %
Total revenues, million EEK	**615**	678	-9.3%	627	-1.9%
EBITDA, million EEK	**215**	221	-2.9%	214	0.5%
EBITDA margin, %	**34.9%**	32.6%		34.1%	
EBIT, million EEK	**121**	110	10.5%	103	18.3%
EBIT margin, %	**19.8%**	16.2%		16.4%	
Profit before taxes, million EEK	**125**	111	11.8%	104	20.1%
Net profit for period, million EEK	**125**	111	11.8%	104	20.1%
CAPEX, million EEK	**85**	57	49.2%	49	71.9%
ROA, %	**18.9%**	12.0%			
ROE, %	**28.9%**	19.9%			

	9M 2005	9M 2004	Change, %	9M 2004, Eltel Group excl.	Change, %
Total revenues, million EEK	**1,861**	1,995	-6.7%	1,872	-0.6%
EBITDA, million EEK	**660**	657	0.4%	650	1.6%
EBITDA margin, %	**35.5%**	33.0%		34.7%	
EBIT, million EEK	**366**	302	21.3%	296	23.5%
EBIT margin, %	**19.7%**	15.1%		15.8%	
Profit before taxes, million EEK	**385**	308	24.7%	303	27.1%
Net profit for period, million EEK	**258**	207	24.8%	201	28.4%
CAPEX, million EEK	**223**	151	47.6%	142	57.1%

The total revenues of the Elion Group in the third quarter were 9.3% smaller than the result for the third quarter of 2004. The majority of the decreased in revenues was, however, caused by the sale of the Eltel group in December 2004. The Eltel Group's total revenues outside the Elion Group reached 51 million kroons in the third quarter of 2004. If one eliminates the results of the Eltel Group, total revenues are at the same level as in the previous year.

In the Elion Group's main revenue areas, the revenues from the Internet grew 17.2% in the third quarter. This growth is mostly due to the increase in the number of permanent Internet connections. By the end of September 2005, the number of Elion permanent connections had increased to 97.5 thousand (76.8 thousand in December 2004; 65.0 thousand in September 2004). Thus the annual increase in the number of permanent connections was 50%. 7.6 thousand new connections were added during the third quarter of 2005. September and the beginning of the school year have traditionally been a time when many families find that they need a quick and secure Internet connection. From the 13th of August to the 30th of September, Elion offered a discount that consisted of offering a half-price monthly rate until the end of 2005 to those who subscribed during the above-mentioned period. In addition to regular customers, the offer also extended to those living in apartment buildings, to whom a special solution called *Korrusmaja* was offered until the end of the year, also at half price. In the third quarter the Digi TV service, which was launched on the market in April 2005, expanded from Tallinn into several new residential areas in Harju County and to Estonia's second largest city, Tartu.

The Group's revenues from data communications and IT increased 13.1% in comparison with the third quarter of 2004. From one quarter to another, the growth in revenues in this category has accelerated.

In order to acquire more customers who are interested in complex services, at the end of September Elion brought onto the market a new offer for beginning companies. In co-operation with Estonia's largest commercial bank, Hansabank, Elion offered companies that were just starting their business a start-up package, including banking services, training and reasonably priced IT and communications solutions. Companies that were entered in the Commercial Register during the last 12 months can use a telephone connection, high-speed Internet connection, e-mail, home page hosting, virus protection, personal firewall and voice and fax mailbox at a 50% discount, with free subscription and setup, and the option of buying a computer for up to 1000 kroons below the regular price. The start-up package also contains a special offer from EMT.

The fall in voice communication revenues continued also in the third quarter of 2005. The Group's revenues from voice communications fell 9.5% in comparison with the third quarter of 2004. The acceleration of the downward trend in voice communication revenues in comparison with previous quarters is due to the discount campaign that targets elderly customers and those who may be liable to give up their fixed-line telephones, which temporarily offers customers voice communications connections for half of the regular monthly rate. As a result of this, the Elion Group's revenues from monthly fees for voice communications fell 8.2% in the third quarter of 2005 in comparison with the same period in 2004. This is considerably more than the 3-4% decrease that has been characteristic of previous quarters. During the third quarter of 2005, the number of main lines used by Elion fell by 7 thousand, reaching 411 thousand lines as of 30 September (428 thousand lines on 30 September 2004).

Elion estimates its market share of call minutes initiated from the fixed-line network to be 85% (87% in September 2004). The market share of local call minutes is 86% (87% in September 2004), of international calls 67% (70% in September 2004), of calls to mobile phones 72% (75% in September 2004) and of dial-up minutes 96% (96% in September 2004).

Revenues from network services fell 4.4% during the third quarter of 2005 in comparison with the same period in 2004. This decrease was caused by the fall in interconnection charges, reducing termination and initiation costs.

The other revenues earned by the Elion Group in the third quarter increased 3.5% in comparison with 2004. The growth in this category comes from the increase in the retail sales of telecommunications and IT devices.

The Elion Group's operating costs decreased 12.4% in the third quarter of 2005 in comparison with the same period in 2004. The main circumstance that caused the decrease in operating costs was, once again, the sale of the Eltel Group. If one subtracts the Eltel group from the results for the third quarter of 2004, the fall in operating costs this year would be 3.1%. The main cost components that fell were domestic and international interconnection charges. As a result of the increase in the volume of the retail sale of goods, expenditures for the purchase of goods have also increased. There has been also certain increase in personnel expenditures.

The Elion Group's EBITDA in the third quarter remained at the same level as in 2004, reaching 215 million kroons (not including the Eltel Group). The EBITDA margin rose – in the third quarter of 2004 it was 34.1% (not including the Eltel Group), and 34.9% in the third quarter of 2005.

The group's depreciation decreased 16.9% in comparison with the same period in 2004. The Elion Group's EBIT amounted to 121 million kroons, an increase of 19.2% during the year. The EBIT margin increased to 19.8%, from 16.4% in the third quarter of 2004 (not including the Eltel Group). In the quarter that just ended, the Elion Group earned a net profit of 125 million kroons, which is 20.1% more than in the third quarter of 2004.

The Elion Group invested 85 million kroons in the third quarter of 2005 (57 million kroons in the third quarter of 2004). Most of the investment has gone towards the development of the DSL network.

The Elion Group's total revenues for the first nine months of 2005 were 1861 million kroons, which was at the level of the same period in 2004 (not including the Eltel Group). The nine-month summary also points out that growth has come from Internet connections, data communication and IT and retail trade. The Elion Group's operating costs decreased 1.8% over the nine months, and EBITDA increased 1.6%. The EBITDA margin has also improved – during the first nine months of 2004, it was 34.7% (not including the Eltel Group), and 35.5% during the first nine months of 2005. The depreciation during the first nine months of 2005 was 16.7% less than that of the previous year. The group's EBIT increased 23.58%, and the net profit for the nine months was up by 28.4%. Net profit increased despite the 25-million-kroon higher income tax expenditure on dividends, which resulted from the payment of 400 million kroons in dividends made by Elion Ettevõtted AS to its parent company, AS Eesti Telekom (in 2004 the company paid 300 million kroons in dividends).

As of the end of September 2005, the Elion Group employed 1515 people (2041 people in September 2004, including 592 people in the Eltel Group; 1454 people in December 2004).

EMT Group

	Q3 2005	Q3 2004	Change, %	**9M 2005**	9M1 2004	Change, %
Total revenues, million EEK	**809**	789	2.5%	**2,279**	2,233	2.1%
EBITDA, million EEK	**360**	348	3.7%	**996**	1,000	-0.4%
EBITDA margin, %	**44.5%**	44.0%		**43.7%**	44.8%	
EBIT, million EEK	**274**	260	5.2%	**735**	740	-0.7%
EBIT margin, %	**33.8%**	33.0%		**32.2%**	33.1%	
Profit before taxes, million EEK	**275**	260	5.6%	**741**	747	-0.8%
Net profit for period, million EEK	**275**	260	5.6%	**520**	466	11.5%
CAPEX, million EEK	**71**	47	51.5%	**120**	144	-16.7%
ROA, %	**40.5%**	36.7%		**38.3%**	34.0%	
ROE, %	**66.2%**	62.8%		**68.7%**	66.4%	

The total revenues of the EMT Group reached 809 million kroons in the third quarter of 2005. The fall in total revenues (in comparison with the same period in 2004) that characterised the second quarter was followed by a renewed increase in the third quarter. In comparison with the third quarter of 2004, total revenues increased 2.5%.

The total revenues of the group's parent company, AS EMT, increased 3.6% in the third quarter, reaching 707 million kroons. Increase in customer base has traditionally been one of the sources of growth in revenues. On the basis of the number of active SIM cards, AS EMT had 650.5 thousand customers (595.4 thousand in December 2004, 557.3 thousand in September 2004). The company had 394.8 thousand contractual customers at the end of September 2005 (363.4 thousand in December 2004, 349.6 thousand in September 2004). The number of active pre-paid cards was 255.7 thousand at the end of September (232.0 thousand in December 2004; 207.7 thousand in September 2004). The mobile number portability requirement, which was initiated on 1 January 2005, is losing importance for customers, and the number of customers who changed operators in the third quarter was smaller than the number of transfers in the second quarter. In the case of AS EMT, the balance of customers leaving and joining the operator in the third quarter remained nearly even, but was still positive. In the third quarter, AS EMT with its subsidiary Elion Ettevõtted AS was able to win two state procurements – for the provision of communications services to the Ministry of Economic Affairs and Communications and the Ministry of Internal Affairs during the next 12 months. On the basis of active SIM cards, AS EMT estimated its market share to be 47% as of the end of September 2005.

The most rapid growth in the third quarter was demonstrated by AS EMT's revenues from interconnection fees. The number of SIM cards has rapidly increased in the Estonian market as a whole, and thus the number of call minutes dialled into the EMT network has also increased as a result, as well as the revenues earned therefrom. Revenues from SMSs and mobile data communications have also increased rapidly. The growth of this revenue category is increasingly fuelled by the number of users of WAP and GPRS, and the growth in their use. Mobile communication is increasingly used for data communication while working with a laptop computer. Devices guided using a mobile phone are also gathering popularity – gates, heating systems, etc. Revenues from local calls and pre-paid cards also rose in the third quarter. AS EMT's revenues from roaming services remained at the level they were at in 2004, although they rose compared to the previous quarters as a result of seasonal factors. Despite the increase in customer base, revenues from monthly fees fell, mostly as a result of discounts offered to both new and existing, loyal customers.

In September 2005, AS EMT earned an average revenue per mobile phone user (ARPU) of 338 kroons (356 kroons in December 2004; 378 kroons in September 2004). Whereas as of March 2005, ARPU was 12.8%, and 11.5% as of June 2005, ARPU for September 2005 had fallen 10.6% in comparison with the figure for September 2004.

In the third quarter, retail sales also contributed to the increase in the EMT Group's revenues. The group's retail chain, EMT Esindused AS, has expanded its selection of products, and thus achieved an increase in sales revenues despite continued discounts on mobile phones.

The EMT Group's operating costs increased during the first quarter of 2005, namely 1.6% in comparison with the same period in 2004, reaching 449 million kroons. AS EMT's operating costs increased 2.6% in the third quarter. During the past quarters, the rate of growth of the company's operating costs has slowed noticeably. The growth in operating costs mainly arises from domestic interconnection fees and roaming, and is connected with the growth in customer base and the volume of services. At the same time, the company's expenses related to bad debt (non-receipt of payments) were down as a result of more efficient credit control.

The EMT Group's third quarter EBITDA increased 3.7% in comparison with the same quarter in 2004, reaching 360 million kroons. The EBITDA margin has remained stable, and was 44.5% in the third quarter of 2005 (44.2% in the second quarter of 2005, 44.0% in the third quarter of 2004).

The EMT Group's third quarter depreciation was somewhat smaller than the figure for the third quarter of 2004, reaching 87 million kroons. The group's EBIT was 274 million kroons, and the EBIT margin 33.8%. In the third quarter of 2005, the EMT Group earned a net profit of 275 million kroons, which is 5.6% more than in the same period in 2004.

In the third quarter of 2005, the EMT Group invested 71 million kroons (47 million kroons in the third quarter of 2004). The majority of investments have gone towards ensuring the quality of technological infrastructure.

The total revenues of the EMT Group in the first nine months of 2005 were 2279 million kroons, which is an increase of 2.1% in comparison with the first nine months of 2004. The nine month summary identified the main growth factors to be the parent company's revenues from local calls and interconnection fees. The group's operating costs increased 4.0% in the first nine months. The group's EBITDA remained at the same level as in 2004, reaching 996 million kroons (1000 million kroons in the first nine months of 2004). The EMT Group's EBITDA margin for the first nine months of 2005 was 43.7%, which is lower than the

44.8% margin for the same period in 2004. At the same time, the margin has improved from quarter to quarter during 2005. In the first nine months of this year, the EMT Group's depreciation was 0.6% greater than that of the previous year. The group earned a net profit of 520 million kroons in the first nine months, which is 11.5% more than in the same period in 2004. The growth in net profit came from the 60 million kroons reduction in the income tax on the dividends as a result of the 100 million kroons less dividend payment, and also that the rate of taxation on the dividends had fallen from 26/74 to 24/76.

At the end of September 2005 there were 512 people employed in the EMT Group (498 in December 2004; 484 in September 2004).

Changes in group's structure (Intergate)
On 20 September, Elion Ettevõtted AS sold its 50% holding in associated company AS Intergate. Like Elion, SEB Eesti Ühispank also sold its holding in AS Intergate. AS Intergate was bought out by the company's management. By agreement between the parties, the price is not to be disclosed.

The sale of the holding in AS Intergate was caused by the change in Elion's strategic focus, as a result of which it was considered most expedient to sell the holding. The transition of the ownership of the shares has now taken place.

AS Intergate (www.intergate.ee) was established in 2000 with the objective of developing widely used Internet environments for both the private and business sectors. The best known projects developed by Intergate were the insurance broker E-insurance, the City24.ee real estate portal and the software development company Webmedia. AS Intergate's share capital is 30 million kroons, and its net profit in 2004 was 5.7 million kroons.

Relations with state regulator

Estonian National Communications Board precepts to Elion
In the opinion of the Communications Board, the price systems of the Elion *Sõbranumber* [Friend number] and *Kõneaja boonus* [Call time bonus] packages contained impermissible discounts. The Communications Board issued two precepts to Elion, and the date for complying with these was 9 May of this year. Elion challenged the precepts in court, as well as applying for the suspension of the deadline for the performance of the precepts, which Tallinn Administrative Court and Tallinn Circuit Court did not satisfy. Elion cannot appeal the decision of the Circuit Court any further, and thus Elion must comply with the precepts. In order to comply with the precepts, Elion partially lowered interconnection charges and reduced the amount of call time offered in the *Kõneaja boonus* price system by 25%. At the same time, Elion considers the Communications Board's precepts to be unjust and harmful to customers, and will thus continue the litigation, in order to restore the original situation.

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

All trends, margins and growth rates are calculated on the basis of the Estonian kroon, and using data that is rounded to the nearest kroon.

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AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
QUARTERLY DATA
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	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05
Revenues	1,323 .4	1,310 .3	1,219 .6	1,250.4	1,296.4
Operating expenses	-761 .0	-823 .7	-700 .1	-698.0	-726.1
Profit from operations before depreciation	562 .4	486 .6	519 .5	552.4	570.3
Depreciation and amortisation	-198 .2	-201 .9	-190 .2	-185.1	-179.6
Profit from operations	364 .2	284 .7	329 .3	367.3	390.7
Income / (expenses) from subsidiaries and associates	-0 .5	46 .0	3 .0	-0.9	-1.6
Other net financing items	5 .3	5 .2	11 .9	13.9	8.8
Profit before tax	369 .1	335 .9	344 .1	380.4	398.0
Income tax on dividends	0 .0	0 .0	0 .0	-348.5	0.0
Net profit for the period	369 .1	335 .9	344 .1	31.8	398.0
Minority interest	-3 .4	-1 .7	0 .0	0.0	0.0
EBITDA margin, %	42 .5%	37 .1%	42 .6%	44.2%	44.0%
EBIT margin, %	27 .5%	21 .7%	27 .0%	29.4%	30.1%
Net margin, %	27 .9%	25 .6%	28 .2%	2.5%	30.7%
Total assets	4,189.2	4,524.5	4,823.9	4,130.5	4,195.4
- Non-current assets	2,132.0	2,144.9	2,020.1	1,969.2	1,937.1
- Current assets	2,057.2	2,379.6	2,803.8	2,161.4	2,258.3
- Cash and cash equivalents	1,101.9	1,456.2	1,868.6	1,249.8	1,288.3
Equity and liabilities	4,189 .2	4,524 .5	4,823 .9	4,130.5	4,195.4
- Equity	3,738.1	4,055 .6	4,399 .7	3,327.9	3,725.9
- Non-current liabilities	11 .0	8 .6	8 .6	8.3	13.2
- Interest-bearing borrowings	2 .8	0 .6	1 .0	1.0	6.0
- Current liabilities	440 .2	460 .3	415 .6	794.3	456.3
- Interest-bearing borrowings	20 .8	19 .0	2 .7	2.8	2.8
Proceeds from operating activities	111 .0	537 .3	491 .1	607.0	223.6
Net cash used in investing activities	-93 .9	-181 .1	-62 .7	-122.5	-182.8
Net cash before dividends and net loans	17 .1	356 .1	428 .4	484.6	40.8
Dividends paid	0 .0	0 .0	0 .0	-1,103.7	0.0
Loan repayments (net)	-9 .9	-1 .3	-16 .6	0.0	-2.2
Share issue	0 .0	0 .0	0 .0	0.0	0.0
Net increase (decrease) in cash and cash equivalents	7 .2	354 .8	411 .8	-619.1	38.6

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

3rd QUARTER INCOME STATEMENT

Financial statements are prepared in thousands of EEK

	Notes	Q3 2005	Q3 2004 Restated
Revenues	2.1 (a)		
Net sales		1,294,040	1,316,235
Other operating income		2,348	7,167
Total revenues		**1,296,388**	**1,323,402**
Operating expenses	2.1 (a)		
Materials, consumables, supplies and services		(483,199)	(501,074)
Other operating expenses		(121,780)	(125,712)
Personnel expenses		(117,954)	(130,132)
Other expenses		(3,141)	(4,100)
Total operating expenses		**(726,074)**	**(761,018)**
Profit from operations before depreciation		**570,314**	**562,384**
Depreciation, amortisation and impairment of fixed and intangible assets	2.1 (a)	(179,633)	(198,158)
Profit from operations		**390,681**	**364,226**
Net income / (expenses) from associates	2.1 (a)	(1,563)	(457)
Other net financing items	2.1 (a)	8,841	5,347
Profit before tax		**397,959**	**369,116**
Net profit / (loss) for the period	2.1 (a)	**397,959**	**369,116**
Attributable to:			
Equity holders of the parent	2.1 (a)	397,959	365,672
Minority interest	2.1 (a)	-	3,444
		397,959	**369,116**
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EEK per share)	6 (e)		
Basic earnings per share		2.88	2.65
Diluted earnings per share		2.88	2.65

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

THE FIRST NINE MONTHS INCOME STATEMENT

Financial statements are prepared in thousands of EEK

	Notes	9 months to 30 September 2005	9 months to 30 September 2004 Restated	2004 Restated
Revenues				
Net sales	2.1 (b), 2.3	3,755,855	3,809,836	5,116,109
Other operating income	2.1 (b)	10,566	18,107	22,134
Total revenues		**3,766,421**	**3,827,943**	**5,138,243**
Operating expenses	2.1 (b)			
Materials, consumables, supplies and services		(1,357,932)	(1,377,856)	(1,896,398)
Other operating expenses		(377,993)	(369,697)	(520,166)
Personnel expenses		(376,803)	(430,663)	(579,316)
Other expenses		(11,468)	(13,989)	(20,011)
Total operating expenses		**(2,124,196)**	**(2,192,205)**	**(3,015,891)**
Profit from operations before depreciation		**1,642,225**	**1,635,738**	**2,122,352**
Depreciation, amortisation and impairment of fixed and intangible assets	2.1 (b), 3	(554,972)	(614,571)	(816,472)
Profit from operations		**1,087,253**	**1,021,167**	**1,305,880**
Net income / (expenses) from associates	2.1 (b)	554	(840)	45,183
Other net financing items	2.1 (b)	34,656	25,124	30,315
Profit before tax		**1,122,463**	**1,045,451**	**1,381,378**
Income tax on dividends		(348,517)	(382,918)	(382,918)
Net profit for the period	2.1 (b)	**773,946**	**662,533**	**998,460**
Attributable to:				
Equity holders of the parent	2.1 (b)	773,946	659,388	993,568
Minority interest	2.1 (b)	-	3,145	4,892
		773,946	**662,533**	**998,460**
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EEK per share)	6 (e)			
Basic earnings per share		5.61	4.79	7.21
Diluted earnings per share		5.61	4.79	7.21

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

BALANCE SHEET

Financial statements are prepared in thousands of EEK

	Notes	30 September 2005	31 December 2004	30 September 2004
ASSETS				
Non-current assets				
Fixed assets	2.2, 3	1,819,063	2,014,908	1,992,363
Goodwill	2.2, 3, 5	5,452	-	9,606
Licenses, patents and trademarks	2.2, 3	80,319	91,190	100,647
Investments in subsidiaries and associates	2.2, 4 - 6	3,053	18,804	15,798
Non-current securities	2.2	-	-	2,700
Other non-current receivables	2.2	29,171	19,985	10,866
Total non-current assets		**1,937,058**	**2,144,887**	**2,131,980**
Current assets				
Inventories	7	88,501	124,382	109,775
Trade receivables		594,752	577,481	560,529
Other receivables		218,145	192,648	256,470
Current securities		68,598	28,874	28,554
Cash and cash equivalents		1,288,312	1,456,225	1,101,907
Total current assets	2.2	**2,258,308**	**2,379,610**	**2,057,235**
TOTAL ASSETS	2.2	**4,195,366**	**4,524,497**	**4,189,215**
EQUITY AND LIABILITIES				
Equity	8			
Equity attributable to equity holders of the parent				
Issued capital		1,379,545	1,379,545	1,379,545
Reserves		493,973	493,663	493,663
Translation reserve		-	-	12
Retained earnings		1,078,402	1,188,781	1,188,792
Net profit for the period		773,946	993,568	659,388
Total equity attributable to equity holders of the parent	2.2	**3,725,866**	**4,055,557**	**3,721,400**
Minority interest	2.2	-	-	16,685
Total equity		**3,725,866**	**4,055,557**	**3,738,085**
Non-current liabilities				
Interest-bearing loans and borrowings	9	6,020	604	2,779
Provisions	10 (a)	7,145	8,006	8,194
Total non-current liabilities	2.2	**13,165**	**8,610**	**10,973**
Current liabilities				
Trade payables		231,804	264,702	173,950
Other current liabilities		162,585	139,181	178,025
Tax liabilities		54,696	33,023	62,914
Interest-bearing loans and borrowings	9	2,819	18,968	20,808
Provisions	10 (b)	4,431	4,456	4,460
Total current liabilities	2.2	**456,335**	**460,330**	**440,157**
TOTAL EQUITY AND LIABILITIES	2.2	**4,195,366**	**4,524,497**	**4,189,215**

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

CASH FLOW STATEMENT

Financial statements are prepared in thousands of EEK

	Notes	9 months to 30 September 2005	9 months to 30 September 2004
Operating activities			
Profit from operations		1,087,253	1,021,167
Adjustments for:			
Depreciation, amortisation and impairment of fixed and intangible assets	3	554,972	614,571
(Profit) / loss from sales and write-off of fixed assets		(4,735)	(8,173)
Operating cash flow before changes in working capital		1,637,490	1,627,565
Change in current receivables		(11,447)	(111,603)
Change in inventories		35,881	(9,950)
Change in current liabilities		7,920	(15,784)
Cash generated by operations		1,669,844	1,490,228
Interest paid		419	891
Income tax on dividends paid		(348,555)	(382,918)
Net cash from operating activities	2.2	**1,321,708**	**1,108,201**
Investing activities			
Purchases of property, plant and equipment	3	(334,465)	(284,885)
Purchases of licenses	3	(8,387)	(9,583)
Proceeds from sales of fixed assets		9,542	14,522
Net cash outflow from acquisition of subsidiaries	5	(4,944)	(3,872)
Net cash outflow from purchases of associates		16,305	-
Purchases of current securities		(60,452)	(29,356)
Proceeds on disposal of current securities		20,794	49,510
Loans granted		(47,013)	(11,919)
Repayment of loans granted		1,291	67
Interest received		39,353	36,115
Net cash used in investing activities	2.2	**(367,976)**	**(239,401)**
Financing activities			
Repayment of convertible debt		-	(48)
Proceeds from non-convertible debt	9	1,188	507
Repayment of nonconvertible debt	9	(4,301)	(5,533)
Repayment of long-term borrowings	9	(333)	-
Repayment of finance lease liabilities	9	(15,241)	(8,765)
Repayment of short-term borrowings		-	(176)
Shares issuance		-	27,782
Dividends paid	8 (d)	(1,103,771)	(1,101,165)
Net cash used in financing activities	2.2	**(1,122,458)**	**(1,087,398)**
Net change in cash and cash equivalents	2.2	**(168,726)**	**(218,598)**
Cash and cash equivalents at beginning of year	2.2	**1,456,225**	**1,320,802**
Effect of foreign exchange rate changes	2.2	813	(297)
Cash and cash equivalents at end of period	2.2	**1,288,312**	**1,101,907**

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

STATEMENT OF CHANGES IN OWNERS' EQUITY

Financial statements are prepared in thousands of EEK

	Notes	Attributable to equity holders of the parent						Minority interest	Total equity
		Issued capital	Reserves		Translation reserve	Retained earnings	Net profit for the period		
			Share premium	Statutory legal reserve					
31 December 2003		**1,376,445**	**331,026**	**137,384**	**(11)**	**1,254,670**	**1,035,548**	**13,540**	**4,148,602**
Net profit for the 2003 transferred to retained earnings		-	-	-	-	1,035,548	(1,035,548)	-	-
Exchange differences arising from translation of foreign operations		-	-	-	23	-	-	-	23
Share issuance		3,100	24,992	-	-	-	-	-	28,092
Amounts transferred to reserves	8 (c)	-	-	261	-	(261)	-	-	-
Dividends paid	8 (d)	-	-	-	-	(1,101,165)	-	-	(1,101,165)
Net profit for the period		-	-	-	-	-	659,388	3,145	662,533
30 September 2004		**1,379,545**	**356,018**	**137,645**	**12**	**1,188,792**	**659,388**	**16,685**	**3,738,085**
31 December 2004		**1,379,545**	**356,018**	**137,645**	**-**	**1,188,781**	**993,568**	**-**	**4,055,557**
Net profit for the 2004 transferred to retained earnings		-	-	-	-	993,568	(993,568)	-	-
Amounts transferred to reserves	8 (c)	-	-	310	-	(310)	-	-	-
Dividends paid	8 (d)	-	-	-	-	(1,103,637)	-	-	(1,103,637)
Net profit for the period		-	-	-	-	-	773,946	-	773,946
30 September 2005		**1,379,545**	**356,018**	**137,955**	**-**	**1,078,402**	**773,946**	**-**	**3,725,866**

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 2005 are prepared in accordance with the International Financial Accounting Standards includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2004, except changes became effective from 1 January 2005.

Changes in accounting principles in 2005. New IFRS standards and several changes in existing standard texts were implemented from 1 January 2005. The following standards have been adopted for the preparation of the financial statements of the Group:

- IAS 1 Presentation of Financial Statements
- IAS 2 Inventories
- IAS 8 Accounting polices, Changes in Accounting Estimates and Errors
- IAS 10 Events After Balance Sheet Date
- IAS 16 Property, Plant and Equipment
- IAS 17 Leases
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 24 Related arty Disclosures
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 32 Financial Instruments: Disclosure and Presentation
- IAS 33 Earnings per Share
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 3 Business Combinations
- IFRS 5 Non-current assets Held for Sale and Discontinued Operations

The adoption of all abovementioned standards becomes obligatory for the Group from the financial year begun from 1 January 2005. The adoption of the standards caused no significant changes to the existing recognition an measurement policies and had no impact to the profit of the Group. However, the adoption of the above standards has resulted in certain changes in presentation of the financial information.

The financial statements are presented in thousands of Estonian kroons (EEK), unless indicated otherwise.

The financial statements are prepared on the historical cost basis except certain category of financial instruments that are stated at their fair value.

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.

Group companies use in all material aspects the same accounting principles. In case the accounting principles are changed, the comparative data from previous periods is also changed retrospectively.

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.

Financial statements are prepared in thousands of EEK

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. 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 2005	**31 December 2004**	**30 September 2004**
EUR	15.64660	15.64660	15.64664
USD	13.01440	11.47110	12.70270
SEK	1.68054	1.73450	1.72697
LTL	4.53157	4.53157	4.53157
LVL	22.47740	22.42200	23.53230

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. The quotations of credit institutions are used for the determination of the fair value of the derivatives as of the balance sheet date.

Assets with a useful life of over one year and a minimum value of 10,000 EEK are considered to be ***fixed assets***. Fixed assets are recorded at acquisition cost, which consists of the purchase price, non-refundable taxes, and other direct costs necessary to keep the asset in working order or for the replacement of its parts, as well as estimates of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item.. 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 line "Depreciation, amortisation and impairment of fixed and intangible assets". A recovery in value in use is recognised as a reversal of impairment loss.

Depreciation is calculated on the straight-line method. Depreciation rates are set separately to each asset or the individual parts of an item 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.

The Group as lessor. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease, irrespectively from collection of relevant receivables.

Assets leased under operating lease are recorded on the balance sheet in conventional rules similarly to that for other Group's assets.

The Group as lessee. Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded in income statement on accrual basis of accounting, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Finance assets are depreciated in accordance with the depreciation policy described above, with the depreciation period being the estimated useful life of the asset.

Rentals payable under operating leases are charged to expense on straight-line basis over the term of the relevant lease, irrespectively from disbursements for relevant payables. Assets leased under operating lease are not recorded on the balance sheet.

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. Goodwill shall not be amortised. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses in goodwill are recognised as an expense in the income statement. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

Non-current assets (including fixed and intangible assets and long-term financial investments) that have been earmarked for sale or abandonment shall be classified as **"held for sale"**; they shall not be depreciated, and shall be presented on a separate line on the balance sheet, at the lower of its carrying amount and fair value less costs to sell.

***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 financial liabilities with realisation terms over one year from the balance sheet date are considered to be long-term items. Other assets and liabilities are reported as short-term.

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.

Financial investments *(s*hares 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.
- 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.
- 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.
- 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. 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.

Shares and securities that are held for disposal 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 “Current securities”. Long-term shares and securities are recorded on the balance sheet as “Non-current securities”.

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.

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 weighted average cost principle in AS EMT and on the first-in, first-out principle in Elion Enterprises AS, and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

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 disbursements that have the characteristics of profit distribution. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid for.

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 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 in the balance sheet 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 retirement benefit charges have been included in the income statement as “Personnel expenses” at their nominal value as they committed. The difference between the nominal value and the net present value of the liability is amortized 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 recognized 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 amortization of any difference between the initial amount and the maturity amount (only for bonds). The amortized 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. Amortization of the transaction costs is recorded in the income statement together with the interest expense. The interest expense and borrowing costs are recorded as “Other financial income and expenses” in the income statement in the period in which they arise.

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.

Segment reporting. The report provides information about the Group’s segments, and this information is organised by both business segments (the main format for segment reporting) and geographic segments (an additional format for segment reporting).

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.

Geographic segment is a part of the Group that provides services in a specific economic environment whereof risks and profitability differ from its other parts that act in other different economic environments. The majority of the Group’s revenues are generated in Estonia.

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

Segment expense is expense resulting from the operating activities and is directly attributable to the segment.

Financial statements are prepared in thousands of EEK

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 to be used during more than one period (property, plant and equipment, and intangible assets).

Reclassification of balances

During 2005, the following comparative balances of the first nine months 2004 and whole year 2004 were reclassified:

	Other operating income	Other expenses
First nine months 2004		
Initial opening balance 30 September 2004	20,629	(16,511)
Reclassification	(2,522)	2,522
Comparative balance 30 September 2004	18,107	(13,989)
2004		
Initial opening balance 31 December 2004	26,733	(24,610)
Reclassification	(4,599)	4,599
Comparative balance 31 December 2004	22,134	(20,011)

According to IAS 1 Presentation of Financial Statements clauses 34 -35, gains and losses arising from a group of similar transactions are reported on a net basis. On the assumption of cited above, the first nine months 2004 and year 2004 financial statements are presented by netting gains / losses on the disposal and writ-offs of non-current assets and foreign exchange gains / losses arising from accounts receivables and accounts payables.

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.

These financial statements are not audited.

2. Segment information

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 Enterprises AS, AS Elion Esindus, AS EsData and Viru Net OÜ.

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 (discontinued from 1 December 2004) – these segment activities were 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 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 EEK

2.1 Main format – business segments

a) Results of the 3rd Quarter 2005 / 2004

	Fixed network telecommunications		Mobile telecommunications		Construction		Other operations		Eliminations		Consolidated	
	Q3 2005	**Q3 2004 Restated**	**Q3 2005**	**Q3 2004 Restated**	**Q3 2005**	**Q3 2004 Restated**	**Q3 2005**	**Q3 2004 Restated**	**Q3 2005**	**QII 2004 Restated**	**Q3 2005**	**Q3 2004 Restated**
Revenue												
Revenue	566,702	572,534	727,338	692,723	-	50,978	-	-	-	-	1,294,040	1,316,235
Other operating income	614	3,831	1,489	2,991	-	177	-	-	-	-	2,103	6,999
Inter-segment revenue	47,686	50,188	80,608	93,730	-	44,924	-	15	(128,294)	(188,857)	-	-
Total revenue	**615,002**	**626,553**	**809,435**	**789,444**	**-**	**96,079**	**-**	**15**	**(128,294)**	**(188,857)**	**1,296,143**	**1,323,234**
Operating expenses												
Materials, consumables, supplies and services	(142,274)	(146,273)	(340,925)	(319,944)	-	(34,857)	-	-	-	-	(483,199)	(501,074)
Other operating expenses	(93,381)	(70,644)	(26,408)	(42,089)	-	(11,042)	(1,991)	(1,937)	-	-	(121,780)	(125,712)
Personnel expenses	(81,835)	(76,573)	(33,412)	(31,004)	-	(18,489)	(2,707)	(4,066)	-	-	(117,954)	(130,132)
Other expenses	(2,227)	(2,539)	(659)	(684)	-	(696)	(10)	(13)	-	-	(2,896)	(3,932)
Inter-segment expenses	(80,592)	(117,977)	(47,609)	(48,137)	-	(20,151)	(94)	(123)	128,295	186,388	-	-
Total expenses	**(400,309)**	**(414,006)**	**(449,013)**	**(441,858)**	**-**	**(85,235)**	**(4,802)**	**(6,139)**	**128,295**	**186,388**	**(725,829)**	**(760,850)**
EBITDA	**214,693**	**212,547**	**360,422**	**347,586**	**-**	**10,844**	**(4,802)**	**(6,124)**	**1**	**(2,469)**	**570,314**	**562,384**
Depreciation, amortisation and impairment of fixed and intangible assets	(93,155)	(109,804)	(86,491)	(87,207)	-	(2,413)	(29)	(152)	42	1,418	(179,633)	(198,158)
EBIT	**121,538**	**102,743**	**273,931**	**260,379**	**-**	**8,431**	**(4,831)**	**(6,276)**	**43**	**(1,051)**	**390,681**	**364,226**
Income / (expenses) from subsidiaries and associated companies, net	(1,676)	(232)	113	(225)	-	-	-	-	-	-	(1,563)	(457)
Other net financing items	4,860	1,820	702	81	-	(47)	3,279	3,493	-	-	8,841	5,347
Net profit / (loss) for the period	**124,722**	**104,331**	**274,746**	**260,235**	**-**	**8,384**	**(1, 552)**	**(2,783)**	**43**	**(1,051)**	**397,959**	**369,116**
Attributable to:												
Equity holders of the parent	124,722	104,331	274,746	260,235	-	4,940	(1,552)	(2,783)	43	(1,051)	397,959	365,672
Minority interest	-	-	-	-	-	3,444	-	-	-	-	-	3,444
	124,722	**104,331**	**274,746**	**260,235**	**-**	**8,384**	**(1,552)**	**(2,783)**	**43**	**(1,051)**	**397,959**	**369,116**

Financial statements are prepared in thousands of EEK

b) Result of the first nine months 2005 / 2004

	Fixed network telecommunications		Mobile telecommunications		Construction		Other operations		Eliminations		Consolidated	
	9 months 30 Sept. 2005	**9 months 30 Sept. 2004 Restated**	**9 months 30 Sept. 2005**	**9 months 30 Sept. 2004 Restated**	**9 months 30 Sept. 2005**	**9 months 30 Sept. 2004 Restated**	**9 months 30 Sept. 2005**	**9 months 30 Sept. 2004 Restated**	**9 months 30 Sept. 2005**	**9 months 30 Sept. 2004 Restated**	**9 months 30 Sept. 2005**	**9 months 30 Sept. 2004 Restated**
Revenue												
Revenue	1,718,784	1,726,099	2,037,071	1,959,750	-	123,987	-	-	-	-	3,755,855	3,809,836
Other operating income	6,883	7,185	4,062	10,227	-	776	-	2	-	-	10,945	18,190
Inter-segment revenue	135,610	138,258	238,166	263,472	-	105,757	-	45	(373,776)	(507,532)	-	-
Total revenue	**1,861,277**	**1,871,542**	**2,279,299**	**2,233,449**	**-**	**230,520**	**-**	**47**	**(373,776)**	**(507,532)**	**3,766,800**	**3,828,026**
Operating expenses												
Materials, consumables, supplies and services	(410,862)	(405,715)	(947,070)	(891,871)	-	(80,270)	-	-	-	-	(1,357,932)	(1,377,856)
Other operating expenses	(283,379)	(220,396)	(89,811)	(106,310)	-	(34,042)	(4,803)	(8,949)	-	-	(377,993)	(369,697)
Personnel expenses	(262,159)	(255,543)	(106,816)	(99,524)	-	(64,716)	(7,828)	(10,880)	-	-	(376,803)	(430,663)
Other expenses	(6,486)	(7,519)	(4,467)	(3,788)	-	(2,067)	(894)	(698)	-	-	(11,847)	(14,072)
Inter-segment expenses	(238,128)	(333,757)	(135,368)	(132,427)	-	(37,123)	(281)	(376)	373,777	503,683	-	-
Total expenses	**(1,201,014)**	**(1,222,930)**	**(1,283,532)**	**(1,233,920)**	**-**	**(218,218)**	**(13,806)**	**(20,903)**	**373,777**	**503,683**	**(2,124,575)**	**(2,192,288)**
EBITDA	**660,263**	**648,612**	**995,767**	**999,529**	**-**	**12,302**	**(13,806)**	**(20,856)**	**1**	**(3,849)**	**1,642,225**	**1,635,738**
Depreciation, amortisation and impairment of fixed and intangible assets	(294,127)	(352,104)	(260,859)	(259,259)	-	(6,826)	(113)	(554)	127	4,172	(554,972)	(614,571)
EBIT	**366,136**	**296,508**	**734,908**	**740,270**	**-**	**5,476**	**(13,919)**	**(21,410)**	**128**	**323**	**1,087,253**	**1,021,167**
Income / (expenses) from subsidiaries and associated companies, net	1,167	(214)	(613)	(626)	-	-	1,100,000	1,100,000	(1,100,000)	(1,100,000)	554	(840)
Other net financing items	17,249	6,732	6,923	7,789	-	(7)	10,484	10,610	-	-	34,656	25,124
Income tax on dividends	(126,316)	(101,428)	(221,053)	(281,081)	-	-	(1,148)	(409)	-	-	(348,517)	(382,918)
Net profit / (loss) for the period	**258,236**	**201,598**	**520,165**	**466,352**	**-**	**5,469**	**1,095,417**	**1,088,791**	**(1,099,872)**	**(1,099,677)**	**773,946**	**662,533**
Attributable to:												
Equity holders of the parent	258,236	201,598	520,165	466,352	-	2,324	1,095,417	1,088,791	(1,099,872)	(1,099,677)	773,946	659,388
Minority interest	-	-	-	-	-	3,145	-	-	-	-	-	3,145
	258,236	**201,598**	**520,165**	**466,352**	**-**	**5,469**	**1,095,417**	**1,088,791**	**(1,099,872)**	**(1,099,677)**	**773,946**	**662,533**

Financial statements are prepared in thousands of EEK

2.2 Other information by business segments

	Fixed network telecommunications		Mobile telecommunications		Construction		Other operations		Eliminations		Consolidated	
	9 months 30 Sept 2005	**9 months 30 Sept 2004**	**9 months 30 Sept 2005**	**9 months 30 Sept 2004**	**9 months 30 Sept 2005**	**9 months 30 Sept 2004**	**9 months 30 Sept 2005**	**9 months 30 Sept 2004**	**9 months 30 Sept 2005**	**9 months 30 Sept 2004**	**9 months 30 Sept 2005**	**9 months 30 Sept 2004**
Non-current assets (except investments in subsidiaries and associates)	1,074,736	1,144,084	855,207	954,559	-	30,237	4,359	6,009	(297)	(18,707)	1,934,005	2,116,182
Investments in subsidiaries and associates	1,010	21,370	2,043	2,623	-	-	1,263,763	1,263,763	(1,263,763)	(1,271,958)	3,053	15,798
Current assets	911,593	844,997	849,350	668,646	-	58,390	604,555	615,608	(107,190)	(130,406)	2,258,308	2,057,235
Total assets	**1,987,339**	**2,010,451**	**1,706,600**	**1,625,828**	-	**88,627**	**1,872,677**	**1,885,380**	**(1,371,250)**	**(1,421,071)**	**4,195,366**	**4,189,215**
Equity attributable to equity holders of the parent	**1,760,485**	**1,756,038**	**1,363,496**	**1,344,623**	-	**33,698**	**1,865,945**	**1,877,707**	**(1,264,060)**	**(1,290,666)**	**3,725,866**	**3,721,400**
Minority interest	-	-	-	-	-	**16,685**	-	-	-	-	-	**16,685**
Non-current liabilities	1,034	161	10,273	6,366	-	2,618	1,858	1,828	-	-	13,165	10,973
Current liabilities	225,820	254,252	332,831	274,839	-	35,626	4,874	5,845	(107,190)	(130,405)	456,335	440,157
Total equity and liabilities	**1,987,339**	**2,010,451**	**1,706,600**	**1,625,828**	-	**88,627**	**1,872,677**	**1,885,380**	**(1,371,250)**	**(1,421,071)**	**4,195,366**	**4,189,215**
Net cash from/ (used in) operating activities	567,893	457,411	769,034	675,505	-	914	(19,215)	(24,918)	3,996	(711)	1,321,708	1,108,201
Net cash from / (used in) investing activities	(9,779)	8,902	10,461	11,108	-	(3,099)	1,138,407	1,105,744	(1,164,213)	(1,067,588)	(25,124)	55,067
CAPEX	(223,085)	(145,675)	(119,705)	(143,691)	-	(9,194)	(62)	-	-	4,092	(342,852)	(294,468)
Net cash from / (used in) financing activities	(420,068)	(286,547)	(758,970)	(790,632)	-	(995)	(1,103,637)	(1,073,431)	1,160,217	1,064,207	(1,122,458)	(1,087,398)
Foreign exchange rate differences	850	(207)	(126)	(40)	-	(24)	89	(26)	-	-	813	(297)
Net increase / (decrease) in cash and cash equivalents	**(84,189)**	**33,884**	**(99,306)**	**(247,750)**	-	**(12,398)**	**15,582**	**7,369**	-	-	**(167,913)**	**(218,895)**

2.3 Additional format - geographic segments

The components of revenues by geographic segments are as follows:

	Fixed network telecommunications		Mobile telecommunications		Construction		Consolidated	
	9 months 30 Sept 2005	**9 months 30 Sept 2004**	**9 months 30 Sept 2005**	**9 months 30 Sept 2004**	**9 months 30 Sept 2005**	**9 months 30 Sept 2004**	**9 months 30 Sept 2005**	**9 months 30 Sept 2004**
Revenue from customers in Estonia	1,518,846	1,507,448	1,920,310	1,854,535	-	96,643	3,439,156	3,458,626
Revenue from customers outside Estonia	199,938	218,651	116,761	105,215	-	27,344	316,699	351,210
	1,718,784	1,726,099	2,037,071	1,959,750	-	123,987	3,755,855	3,809,836

Financial statements are prepared in thousands of EEK

3. Tangible and intangible assets

	Tangible assets	Intangible assets
At cost		
31 December 2003	**7,845,954**	**242,867**
Additions	284,885	11,381
Acquired by finance leases	25,834	-
Acquired on acquisition of a subsidiary	2,110	176
Disposals and write-offs (-)	(102,140)	(10,385)
30 September 2004	**8,056,643**	**244,039**
31 December 2004	**8,083,393**	**231,298**
Additions	334,465	13,839
Acquired by finance leases	7,240	-
Acquired on acquisition of a subsidiary	3,242	97
Disposals and write-offs (-)	(101,857)	(778)
Reclassification	(3,870)	(978)
30 September 2005	**8,322,613**	**243,478**
Accumulated depreciation		
31 December 2003	**5,570,086**	**118,772**
Charge for the period	589,254	25,317
Acquired on acquisition of a subsidiary	889	82
Disposals and write-offs (-)	(95,949)	(10,385)
30 September 2004	**6,064,280**	**133,786**
31 December 2004	**6,068,485**	**140,108**
Charge for the period	536,322	18,650
Acquired on acquisition of a subsidiary	1,155	18
Disposals and write-offs (-)	(102,412)	(1,069)
30 September 2005	**6,503,550**	**157,707**
Carrying amount		
At 30 September 2004	**1,992,363**	**110,253**
At 30 September 2005	**1,819,063**	**85,771**

Financial statements are prepared in thousands of EEK

4. Investments in subsidiaries

	Note	Country of incorporation	Ownership interest		Principal activity	Owner
			30 September 2005	**31 December 2004**		
Elion Enterprises AS		Estonia	100%	100%	Network services for operators, data communication and Internet products, voice communication solutions and Internet content services for business and residential	AS Eesti Telekom
AS Elion Esindus		Estonia	100%	100%	Retail sales of telecommunication products and services	Elion Enterprises AS
AS EsData		Estonia	100%	100%	Internet and data communication services, VoiP long distance calls and equipment hosting	Elion Enterprises AS
Viru Net OÜ	5	Estonia	100%	100%	Internet services	Elion Enterprises AS
AS EMT		Estonia	100%	100%	Construction and operating of mobile networks, providing mobile communication	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

5. Acquisition of subsidiaries

Elion Enterprises AS purchased 100% of the shares of Viru Net OÜ on 30 December 2004. The acquisition cost was 6.5 million EEK. Viru Net OÜ is one of the leading Internet service providers to business in the county of Ida-Virumaa. The enterprise was established in 1997. The turnover of Viru Net OÜ in 2004 was 4.3 million EEK with a net profit of 0.35 million EEK. The company currently has 17 employees. The financial results of Viru Net OÜ are consolidated from 1 January 2005.

The effect of the acquisition of subsidiary on goodwill and cash flows in the first nine months 2005 was the following:

	Acquirer's carrying amount at 31.12.2004	**Fair value**
Fixed assets	2,975	2,975
Receivables	123	123
Cash and cash equivalents	56	56
Non-current liabilities	(404)	(404)
Current liabilities	(1,711)	(1,702)
Net identifiable assets and liabilities	**1,039**	**1,048**
Goodwill		5,452
Total consideration		**(6,500)**
Paid up to 30.06.2005		(5,000)
Cash and cash equivalents		56
Net cash in / (out) flow		**(4,944)**

Financial statements are prepared in thousands of EEK

6. Investments in associates

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 September 2005	**31 December 2004**		
AS Sertifitseerimiskeskus	Estonia	50%	50%	Providing certification and related services	Elion Enterprises AS – 25% AS EMT – 25%
OÜ Voicecom	Estonia	26%	26%	Designing and providing software for mobile related services	AS EMT
AS Intergate	Estonia	50%	50%	Venture capital investments into companies with innovative technologies	Elion Enterprises AS

1) Elion Enterprises AS, a 100%-owned subsidiary of AS Eesti Telekom, sold on 20th September 2005 50% interest in an associated company AS Intergate. The acquisition cost was 16.3 million EEK.

7. Inventories

In the first nine months 2005, the value of the inventories was decreased by the total amount of 5,123 thousand EEK (first nine months 2004: 2,472 thousand EEK) based on the estimated decline of the realisation value below their acquisition cost.

8. Equity

a) Issued capital

	30 September 2005	31 December 2004
Ordinary shares issued par value 10 EEK per share, fully paid	137,954,528	137,954,528

The ordinary shares are distributed between the main groups of shareholders as follows:

	30 September 2005		31 December 2004	
	Number of shares	Ownership interest %	Number of shares	Ownership interest %
Republic of Estonia	37,485,100	27.17	37,485,100	27.17
Public investors	31,139,257	22.57	31,492,114	22.83
TeliaSonera AB (Baltic Tele AB)	69,330,171	50.26	68,977,314	50.00
	137,954,528	**100.00**	**137,954,528**	**100.00**

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 890,651 thousand EEK.

b) Re-acquiring of shares

The Annual General Meeting of Shareholders, on 18 May 2005, authorized AS Eesti Telekom to acquire within one year from the adoption of this resolution, i.e. until 18 May 2006 (the same authority, which was obtained from last Annual General Meeting on 18 May 2004, terminated on 18 May 2005) 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 2005, no shares have been re-acquired by AS Eesti Telekom.

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

310 thousand EEK from 2004 net profit were transferred to the legal reserve in May 2005 (May 2004: 261 thousand EEK).

d) Dividends

Dividends in the total amount of 1,103,637 thousand EEK (2004: 1,101,165 thousand EEK) or 8.00 EEK per ordinary share were disbursed in the reporting period 2005 (2004: 8.00 EEK and 10,000 EEK per preference share). Viru Net OÜ paid dividends debt from year 2004 in the amount 134 thousand EEK.

e) Earnings per share

Basic earnings per share have been calculated as follows:

3 quarter 2005: EEK 2.88 = 397,959,000: 137,954,528
9 months 2005: EEK 5.61 = 773,946,000: 137,954,528

3 quarter 2004: EEK 2.65 = 365,672,000: 137,954,528
9 months 2004: EEK 4.79 = 659,388,000: 137,782,250

In view of the fact that the Group had not any dealings with a dilutive effect of earnings per share at the end of the September 2005 and 2004, **diluted earnings per share** equal basic earnings per share.

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

	2005	2004
Net profit / (loss) for the 3 quarter attributable to equity holders of the parent (EEK)	397,959,000	365,672,000
Net profit for the 9 months attributable to equity holders of the parent (EEK)	773,946,000	659,388,000
The 3 quarter average number of ordinary shares	137,954,528	137,954,528
The 9 months average number of ordinary shares	137,954,528	137,782,250

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 information about the price of an AS Eesti Telekom ordinary share on the Tallinn Stock Exchange is following (EEK):

	9 months to 30 Sept. 2005	2004	9 months to 30 Sept. 2005
Ordinary share highest price for the reporting period	134.56	126.58	126.58
Ordinary share lowest price for the reporting period	111.09	101.70	101.70
Ordinary share average price for the reporting period	123.17	111.97	112.99

Financial statements are prepared in thousands of EEK

9. Borrowings

	30 September 2005	31 December 2004
Non-current	6,020	604
Current	2,819	18,968
	8,839	**19,572**

The movements in the borrowings can be analyzed as follows:

Opening balance 31 December 2004	**19,572**
Proceeds from borrowings	8,682
Repayments of borrowings	(19,875)
Other movements	460
Closing balance 30 September 2005	**8,839**

10. Provisions

a) Non-current retirement benefit provisions

31 December 2004	**8,006**
Additional provision in the reporting period	98
Decrease of provision in the reporting period	(959)
30 September 2005	**7,145**

b) Current provisions

	Termination benefits provision	Current portion of retirement benefit provision	**Total**
31 December 2004	**3,805**	**651**	**4,456**
Additional provision in the reporting period	3,133	862	3,995
Utilisation of provision in the reporting period	(3,372)	(648)	(4,020)
30 September 2005	**3,566**	**865**	**4,431**

11. 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) Name and relationship of related party

	Name	Relationship with AS Eesti Telekom Group
1.	Members of the Management Board and the Supervisory Council	
2.	List of associates is shown in Note 6	
3.	Enterprises of TeliaSonera AB Group	Parent company, shareholder
4.	Eltel Networks Corporation (up to 30 November 2004)	Minority shareholder of AS Eltel Networks

b) Directors’ and executives’ remuneration

The remuneration of directors and other members of key management during the first nine months 2005 and 2004 were as follows:

	9 months to 30 September 2005	**9 months to 30 September 2004**
Salaries	16,930	19,350

Financial statements are prepared in thousands of EEK

c) Trading transactions

Transactions with related parties were conducted under market terms.

During the first nine months 2005 and 2004, group companies entered into the following transactions with related parties:

	9 months to 30 September 2005	9 months to 30 September 2004
Telecommunication services provided		
Associated companies	994	528
Shareholders	149,130	128,001
Companies where Supervisory Council members of the Group have significant influence	-	307
	150,124	**128,836**
Other sales		
Associated companies	20	1,398
Shareholders	-	2,276
Companies where Supervisory Council members of the Group have significant influence	-	10
	20	**3,684**
Telecommunication services purchased		
Associated companies	1,114	407
Shareholders	112,151	68,476
	113,265	**68,883**
Other services purchased		
Associated companies	20	187
Shareholders	331	2,986
Companies where Supervisory Council members of the Group have significant influence	-	340
	351	**3,513**
Financial income		
Associated companies	**199**	**334**
Financial expenses		
Shareholders	**78**	**385**
Amount owed by related parties		
Associated companies	5,135	5,977
Shareholders	64,471	66,977
	69,606	**72,954**
Amount owed to related parties		
Associated companies	423	-
Shareholders	35,706	26,003
Companies where Supervisory Council members of the Group have significant influence	-	23
Members of the Management Board and the Supervisory Council	266	1,038
	36,395	**27,064**

12. Contingencies

	30 September 2005	31 December 2004
Guaranties to former employees	200	200
Guaranties to employees	25	-
Guaranties to companies	132	813

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

MANAGEMENT BOARD'S SIGNATURES FOR THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE 3RD QUARTER AND 9 MONTHS 2005

The Management Board has prepared the consolidated Interim financial report of AS Eesti Telekom for the 3rd Quarter and 9 months 2005 as presented on pages 1 – 29.

All the members of the Management Board have signed the consolidated Interim financial report for the 3rd Quarter and 9 months 2005.

Name	*Position*	*Signature*	*Date*
Jaan Männik	Chairman of the Board		20 October 2005
Hille Võrk	Member of the Board		20 October 2005