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 EUR	**82.9**	84.6	-2.0%	81.5	1.6%
EBITDA, million EUR	**36.4**	35.9	1.4%	35.5	2.7%
EBITDA margin, %	**44.0%**	42.5%		43.5%	
EBIT, million EUR	**25.0**	23.3	7.3%	22.8	9.3%
EBIT margin, %	**30.1%**	27.5%		28.0%	
Profit before taxes, million EUR	**25.4**	23.6	7.8%	23.1	10.0%
Net profit for period, million EUR	**25.4**	23.6	7.8%	23.1	10.0%
EPS, EUR	**0.18**	0.17	8.8%		
CAPEX, million EUR	**10.0**	6.6	50.5%	6.3	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 EUR	**240.7**	244.6	-1.6%	237.3	1.4%
EBITDA, million EUR	**105.0**	104.5	0.4%	104.1	0.8%
EBITDA margin, %	**43.6%**	42.7%		43.9%	
EBIT, million EUR	**69.5**	65.3	6.5%	65.0	6.9%
EBIT margin, %	**28.8%**	26.7%		27.4%	
Profit before taxes, million EUR	**71.7**	66.8	7.4%	66.5	7.9%
Net profit for period, million EUR	**49.5**	42.3	16.8%	42.0	17.7%
EPS, EUR	**0.36**	0.31	17.2%		
CAPEX, million EUR	**21.9**	18.8	16.4%	18.2	18.7%

For further information, please contact:

Jaan Männik, CEO +372 6311 212
Hille Võrk, CFO +372 6272 460

Address
Roosikrantsi 2
10119 Tallinn
Estonia

Phone
+372 6311212
Fax
+372 6311224

E-post
mailbox@telekom.ee

Homepage
www.telekom.ee

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 82.9 million euros. 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 46.4 million euros, 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 0.176 euros to 0.160 euros in March-April 2005.

The Eesti Telekom Group's EBITDA was 36.4 million euros, 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 0.6 million euros. In the third quarter of 2005, the Eesti Telekom Group earned a net profit of 25.4 million euros, which is 10.0% more than in the same period in 2004. The company earned a profit per share of 0.18 euros in the quarter.

The Eesti Telekom Group's total revenues for the first nine months of the year reached 240.7 million euros, 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 105.0 million euros. Thanks to the fact that depreciation was 9.5% lower than in the same period in 2004, EBIT increased 7.0%, reaching 69.5 million euros. A net income of 2.2 million euros 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 0.51 euros 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 70.4 million euros in dividends were paid out in 2004, this year that amount was 70.5 million euros. 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 2.2 million euros less this year than last year, reaching 22.3 million euros. The Eesti Telekom Group earned a net profit of 49.5 million euros 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 0.36 euros of revenue per share.

As of the end of September 2005, the Eesti Telekom Group's balance sheet total was 268.1 million euros (289.2 million euros in December 2004). In nine months, the group's fixed assets decreased by 13.3 million euros, and current assets by 7.8 million euros. 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 70.7 million euro dividend payment and the 22.3 million euros in income tax on the dividends, paid in July).

The equity capital of the Eesti Telekom Group has fallen by 21.1 million euros. 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 49.5 million euros. As of the end of September 2005, the Group had long-term interest bearing liabilities worth 0.4 million euros and short-term interest bearing liabilities amounting to 0.2 million euros (as of the end of December 2004 these figures were 0.04 million and 1.2 million euros respectively). At the end of September 2005, the group's net debt was –86.5 million euros, and net gearing was -36.2%.

The Eesti Telekom Group's cash flow from operating activities was 84.5 million euros in the first nine months of 2005 (70.8 million euros in the first nine months of 2004). Due to this year's larger investments, cash outflow into investment activities grew – 15.3 million euros in the first nine months of 2004, and 23.5 million euros in the first nine months of 2005. Cash outflow into financing activities was 71.7 million (69.5 million euros in the first 9 months of 2004). In the first nine months of 2005, the total cash flow of the Eesti Telekom Group was –10.8 million euros (-14.0 million euros in the first nine months of 2004).

Elion Group

	Q3 2005	Q3 2004	Change, %	Q3 2004, Eltel Group excl.	Change, %
Total revenues, million EUR	**39.3**	43.3	-9.3%	40.1	-1.9%
EBITDA, million EUR	**13.7**	14.1	-2.9%	13.7	0.5%
EBITDA margin, %	**34.9%**	32.6%		34.1%	
EBIT, million EUR	**7.8**	7.0	10.5%	6.6	18.3%
EBIT margin, %	**19.8%**	16.2%		16.4%	
Profit before taxes, million EUR	**8.0**	7.1	11.8%	6.6	20.1%
Net profit for period, million EUR	**8.0**	7.1	11.8%	6.6	20.1%
CAPEX, million EUR	**5.4**	3.6	49.2%	3.1	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 EUR	**119.0**	127.5	-6.7%	119.7	-0.6%
EBITDA, million EUR	**42.2**	42.0	0.4%	41.5	1.6%
EBITDA margin, %	**35.5%**	33.0%		34.7%	
EBIT, million EUR	**23.4**	19.3	21.3%	18.9	23.5%
EBIT margin, %	**19.7%**	15.1%		15.8%	
Profit before taxes, million EUR	**24.6**	19.7	24.7%	19.3	25.3%
Net profit for period, million EUR	**16.5**	13.2	24.8%	12.9	25.6%
CAPEX, million EUR	**14.3**	9.7	47.6%	9.1	51.6%

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 3.3 million euros 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 64 euros 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 13.7 million euros (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 7.7 million euros, 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 8.0 million euros, which is 20.1% more than in the third quarter of 2004.

The Elion Group invested 5.4 million euros in the third quarter of 2005 (3.1 million euros 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 119.0 million euros, 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 1.6-million-euro higher income tax expenditure on dividends, which resulted from the payment of 25.6 million euros in dividends made by Elion Ettevõtted AS to its parent company, AS Eesti Telekom (in 2004 the company paid 19.2 million euros 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 EUR	**51.7**	50.5	2.5%	**145.7**	142.7	2.1%
EBITDA, million EUR	**23.0**	22.2	3.7%	**63.6**	63.9	-0.4%
EBITDA margin, %	**44.5%**	44.0%		**43.7%**	44.8%	
EBIT, million EUR	**17.5**	16.6	5.2%	**47.0**	47.3	-0.7%
EBIT margin, %	**33.8%**	33.0%		**32.2%**	33.1%	
Profit before taxes, million EUR	**17.6**	16.6	5.6%	**47.4**	47.8	-0.8%
Net profit for period, million EUR	**17.6**	16.6	5.6%	**33.2**	29.8	11.5%
CAPEX, million EUR	**4.5**	3.0	51.5%	**7.7**	9.2	-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 51.7 million euros 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 45.2 million euros. 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 21.60 euros (22.75 euros in December 2004; 24.16 euros 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 28.7 million euros. 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 23.0 million euros. 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 5.5 million euros. The group's EBIT was 17.5 million euros, and the EBIT margin 33.8%. In the third quarter of 2005, the EMT Group earned a net profit of 17.6 million euros, which is 5.6% more than in the same period in 2004.

In the third quarter of 2005, the EMT Group invested 4.5 million euros (3.0 million euros 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 145.7 million euros, 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 63.6 million euros (63.9 million euros 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 33.2 million euros 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 3.8 million euros reduction in the income tax on the dividends as a result of the 6.4 million euros 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 1.9 million euros, and its net profit in 2004 was 0.4 million euros.

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.

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
QUARTERLY DATA
mln EUR

	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05
Revenues	84.6	83.7	77.9	79.9	82.9
Operating expenses	-48.6	-52.6	-44.7	-44.6	-46.4
Profit from operations before depreciation	35.9	31.1	33.2	35.3	36.4
Depreciation and amortisation	-12.7	-12.9	-12.2	-11.8	-11.5
Profit from operations	23.3	18.2	21.0	23.5	25.0
Income / (expenses) from subsidiaries and associates	0.0	2.9	0.2	-0.1	-0.1
Other net financing items	0.3	0.3	0.8	0.9	0.6
Profit before tax	23.6	21.5	22.0	24.3	25.4
Income tax on dividends	0.0	0.0	0.0	-22.3	0.0
Net profit for the period	23.6	21.5	22.0	2.0	25.4
Minority interest	-0.2	-0.1	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	267.7	289.2	308.3	264.0	268.1
- Non-current assets	136.3	137.1	129.1	125.9	123.8
- Current assets	131.5	152.1	179.2	138.1	144.3
- Cash and cash equivalents	70.4	93.1	119.4	79.9	82.3
Equity and liabilities	267.7	289.2	308.3	264.0	268.1
- Equity	238.9	259.2	281.2	212.7	238.1
- Non-current liabilities	0.7	0.6	0.5	0.5	0.8
- Interest-bearing borrowings	0.2	0.0	0.1	0.1	0.4
- Current liabilities	28.1	29.4	26.6	50.8	29.2
- Interest-bearing borrowings	1.3	1.2	0.2	0.2	0.2
Proceeds from operating activities	7.1	34.3	31.4	38.8	14.3
Net cash used in investing activities	-6.0	-11.6	-4.0	-7.8	-11.7
Net cash before dividends and net loans	1.1	22.8	27.4	31.0	2.6
Dividends paid	0.0	0.0	0.0	-70.5	0.0
Loan repayments (net)	-0.6	-0.1	-1.1	0.0	-0.1
Share issue	0.0	0.0	0.0	0.0	0.0
Net increase (decrease) in cash and cash equivalents	0.5	22.7	26.3	-39.6	2.5

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

3rd QUARTER INCOME STATEMENT

Financial statements are prepared in thousands of EUR

	Notes	Q3 2005	Q3 2004 Restated
Revenues	2.1 (a)		
Net sales		82,703	84,123
Other operating income		150	458
Total revenues		**82,853**	**84,581**
Operating expenses	2.1 (a)		
Materials, consumables, supplies and services		(30,882)	(32,025)
Other operating expenses		(7,783)	(8,034)
Personnel expenses		(7,538)	(8,317)
Other expenses		(201)	(262)
Total operating expenses		**(46,404)**	**(48,638)**
Profit from operations before depreciation		**36,449**	**35,943**
Depreciation, amortisation and impairment of fixed and intangible assets	2.1 (a)	(11,480)	(12,664)
Profit from operations		**24,969**	**23,279**
Net income / (expenses) from associates	2.1 (a)	(100)	(30)
Other net financing items	2.1 (a)	565	342
Profit before tax		**25,434**	**23,591**
Net profit / (loss) for the period	2.1 (a)	**25,434**	**23,591**
Attributable to:			
Equity holders of the parent	2.1 (a)	25,434	23,371
Minority interest	2.1 (a)	-	220
		25,434	**23,591**
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR per share)	6 (e)		
Basic earnings per share		0.18	0.17
Diluted earnings per share		0.18	0.17

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

THE FIRST NINE MONTHS INCOME STATEMENT

Financial statements are prepared in thousands of EUR

	Notes	9 months to 30 September 2005	9 months to 30 September 2004 Restated	2004 Restated
Revenues				
Net sales	2.1 (b), 2.3	240,043	243,493	326,980
Other operating income	2.1 (b)	675	1,157	1,415
Total revenues		**240,718**	**244,650**	**328,395**
Operating expenses	2.1 (b)			
Materials, consumables, supplies and services		(86,788)	(88,061)	(121,202)
Other operating expenses		(24,158)	(23,628)	(33,245)
Personnel expenses		(24,082)	(27,524)	(37,025)
Other expenses		(733)	(894)	(1,278)
Total operating expenses		**(135,761)**	**(140,107)**	**(192,750)**
Profit from operations before depreciation		**104,957**	**104,543**	**135,645**
Depreciation, amortisation and impairment of fixed and intangible assets	2.1 (b), 3	(35,469)	(39,278)	(52,182)
Profit from operations		**69,488**	**65,265**	**83,463**
Net income / (expenses) from associates	2.1 (b)	35	(54)	2,888
Other net financing items	2.1 (b)	2,215	1,606	1,937
Profit before tax		**71,738**	**66,817**	**88,288**
Income tax on dividends		(22,274)	(24,473)	(24,473)
Net profit for the period	2.1 (b)	**49,464**	**42,344**	**63,815**
Attributable to:				
Equity holders of the parent	2.1 (b)	49,464	42,143	63,502
Minority interest	2.1 (b)	-	201	313
		49,464	**42,344**	**63,815**
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR per share)	6 (e)			
Basic earnings per share		0.36	0.31	0.46
Diluted earnings per share		0.36	0.31	0.46

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

BALANCE SHEET

Financial statements are prepared in thousands of EUR

	Notes	30 September 2005	31 December 2004	30 September 2004
ASSETS				
Non-current assets				
Fixed assets	2.2, 3	116,259	128,776	127,335
Goodwill	2.2, 3, 5	348	-	614
Licenses, patents and trademarks	2.2, 3	5,133	5,828	6,433
Investments in subsidiaries and associates	2.2, 4 - 6	195	1,202	1,010
Non-current securities	2.2	-	-	173
Other non-current receivables	2.2	1,866	1,277	693
Total non-current assets		**123,801**	**137,083**	**136,258**
Current assets				
Inventories	7	5,656	7,949	7,016
Trade receivables		38,012	36,908	35,824
Other receivables		13,941	12,313	16,389
Current securities		4,384	1,845	1,825
Cash and cash equivalents		82,338	93,070	70,425
Total current assets	2.2	**144,331**	**152,085**	**131,479**
TOTAL ASSETS	2.2	**268,132**	**289,168**	**267,737**
EQUITY AND LIABILITIES				
Equity	8			
Equity attributable to equity holders of the parent				
Issued capital		88,169	88,169	88,169
Reserves		31,571	31,550	31,550
Translation reserve		-	-	-
Retained earnings		68,922	75,976	75,977
Net profit for the period		49,464	63,502	42,143
Total equity attributable to equity holders of the parent	2.2	**238,126**	**259,197**	**237,839**
Minority interest	2.2	-	-	1,066
Total equity		**238,126**	**259,197**	**238,905**
Non-current liabilities				
Interest-bearing loans and borrowings	9	384	38	177
Provisions	10 (a)	457	512	524
Total non-current liabilities	2.2	**841**	**550**	**701**
Current liabilities				
Trade payables		14,815	16,918	11,117
Other current liabilities		10,391	8,895	11,378
Tax liabilities		3,496	2,111	4,021
Interest-bearing loans and borrowings	9	180	1,212	1,330
Provisions	10 (b)	283	285	285
Total current liabilities	2.2	**29,165**	**29,421**	**28,131**
TOTAL EQUITY AND LIABILITIES	2.2	**268,132**	**289,168**	**267,737**

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

CASH FLOW STATEMENT

Financial statements are prepared in thousands of EUR

	Notes	9 months to 30 September 2005	9 months to 30 September 2004
Operating activities			
Profit from operations		69,488	65,265
Adjustments for:			
Depreciation, amortisation and impairment of fixed and intangible assets	3	35,469	39,278
(Profit) / loss from sales and write-off of fixed assets		(303)	(522)
Operating cash flow before changes in working capital		104,654	104,021
Change in current receivables		(731)	(7,133)
Change in inventories		2,293	(636)
Change in current liabilities		506	(1,009)
Cash generated by operations		106,722	95,243
Interest paid		27	57
Income tax on dividends paid		(22,277)	(24,473)
Net cash from operating activities	2.2	**84,472**	**70,827**
Investing activities			
Purchases of property, plant and equipment	3	(21,376)	(18,207)
Purchases of licenses	3	(536)	(612)
Proceeds from sales of fixed assets		610	928
Net cash outflow from acquisition of subsidiaries	5	(316)	(247)
Net cash outflow from purchases of associates		1,042	-
Purchases of current securities		(3,864)	(1,876)
Proceeds on disposal of current securities		1,329	3,164
Loans granted		(3,005)	(762)
Repayment of loans granted		83	4
Interest received		2,515	2,308
Net cash used in investing activities	2.2	**(23,518)**	**(15,300)**
Financing activities			
Repayment of convertible debt		-	(3)
Proceeds from non-convertible debt	9	76	32
Repayment of nonconvertible debt	9	(275)	(354)
Repayment of long-term borrowings	9	(21)	-
Repayment of finance lease liabilities	9	(974)	(560)
Repayment of short-term borrowings		-	(11)
Shares issuance		-	1,776
Dividends paid	8 (d)	(70,544)	(70,377)
Net cash used in financing activities	2.2	**(71,738)**	**(69,497)**
Net change in cash and cash equivalents	2.2	**(10,784)**	**(13,970)**
Cash and cash equivalents at beginning of year	2.2	**93,070**	**84,414**
Effect of foreign exchange rate changes	2.2	52	(19)
Cash and cash equivalents at end of period	2.2	**82,338**	**70,425**

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES

STATEMENT OF CHANGES IN OWNERS' EQUITY

Financial statements are prepared in thousands of EUR

	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		**87,971**	**21,156**	**8,781**	**(1)**	**80,187**	**66,183**	**865**	**265,142**
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		198	1,597	-	-	-	-	-	1,795
Amounts transferred to reserves	8 (c)	-	-	16	-	(16)	-	-	-
Dividends paid	8 (d)	-	-	-	-	(70,377)	-	-	(70,377)
Net profit for the period		-	-	-	-	-	42,143	201	42,344
30 September 2004		**88,169**	**22,753**	**8,797**	**-**	**75,977**	**42,143**	**1,066**	**238,905**
31 December 2004		**88,169**	**22,753**	**8,797**	**-**	**75,976**	**63,502**	**-**	**259,197**
Net profit for the 2004 transferred to retained earnings		-	-	-	-	63,502	(63,502)	-	-
Amounts transferred to reserves	8 (c)	-	-	21	-	(21)	-	-	-
Dividends paid	8 (d)	-	-	-	-	(70,535)	-	-	(70,535)
Net profit for the period		-	-	-	-	-	49,464	-	49,464
30 September 2005		**88,169**	**22,753**	**8,818**	**-**	**68,922**	**49,464**	**-**	**238,126**

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 euros (EUR), 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 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 EUR

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**
EEK	0.06391	0.06391	0.06391
USD	0.83177	0.73314	0.81185
SEK	0.10741	0.11085	0.11037
LTL	0.28962	0.28962	0.28962
LVL	1.43657	1.43303	1.50399

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 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 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 EUR

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	1,318	(1,055)
Reclassification	(161)	161
Comparative balance 30 September 2004	1,157	(894)
2004		
Initial opening balance 31 December 2004	1,709	(1,572)
Reclassification	(294)	294
Comparative balance 31 December 2004	1,415	(1,278)

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 EUR

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	36,218	36,592	46,485	44,273	-	3,258	-	-	-	-	82,703	84,123
Other operating income	40	245	96	192	-	12	-	-	-	-	136	449
Inter-segment revenue	3,048	3,207	5,152	5,990	-	2,871	-	1	(8,200)	(12,069)	-	-
Total revenue	**39,306**	**40,044**	**51,733**	**50,455**	**-**	**6,141**	**-**	**1**	**(8,200)**	**(12,069)**	**82,839**	**84,572**
Operating expenses												
Materials, consumables, supplies and services	(9,093)	(9,349)	(21,789)	(20,448)	-	(2,228)	-	-	-	-	(30,882)	(32,025)
Other operating expenses	(5,968)	(4,514)	(1,688)	(2,690)	-	(706)	(127)	(124)	-	-	(7,783)	(8,034)
Personnel expenses	(5,230)	(4,893)	(2,135)	(1,982)	-	(1,182)	(173)	(260)	-	-	(7,538)	(8,317)
Other expenses	(144)	(164)	(42)	(44)	-	(44)	(1)	(1)	-	-	(187)	(253)
Inter-segment expenses	(5,151)	(7,540)	(3,043)	(3,077)	-	(1,288)	(6)	(8)	8,200	11,913	-	-
Total expenses	**(25,586)**	**(26,460)**	**(28,697)**	**(28,241)**	**-**	**(5,448)**	**(307)**	**(393)**	**8,200**	**11,913**	**(46,390)**	**(48,629)**
EBITDA	**13,720**	**13,584**	**23,036**	**22,214**	**-**	**693**	**(307)**	**(392)**	**-**	**(156)**	**36,449**	**35,943**
Depreciation, amortisation and impairment of fixed and intangible assets	(5,953)	(7,018)	(5,528)	(5,574)	-	(154)	(2)	(9)	3	91	(11,480)	(12,664)
EBIT	**7,767**	**6,566**	**17,508**	**16,640**	**-**	**539**	**(309)**	**(401)**	**3**	**(65)**	**24,969**	**23,279**
Income / (expenses) from subsidiaries and associated companies, net	(107)	(16)	7	(14)	-	-	-	-	-	-	(100)	(30)
Other net financing items	310	117	45	5	-	(3)	210	223	-	-	565	342
Net profit / (loss) for the period	**7,970**	**6,667**	**17,560**	**16,631**	**-**	**536**	**(99)**	**(178)**	3	(65)	**25,434**	**23,591**
Attributable to:												
Equity holders of the parent	7,970	6,667	17,560	16,631	-	316	(99)	(178)	3	(65)	25,434	23,371
Minority interest	-	-	-	-	-	220	-	-	-	-	-	220
	7,970	**6,667**	**17,560**	**16,631**	**-**	**536**	**(99)**	**(178)**	3	(65)	**25,434**	**23,591**

Financial statements are prepared in thousands of EUR

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	109,850	110,318	130,193	125,251	-	7,924	-	-	-	-	240,043	243,493
Other operating income	440	459	260	654	-	50	-	-	-	-	700	1,163
Inter-segment revenue	8,667	8,836	15,222	16,839	-	6,759	-	3	(23,889)	(32,437)	-	-
Total revenue	**118,957**	**119,613**	**145,675**	**142,744**	**-**	**14,733**	**-**	**3**	**(23,889)**	**(32,437)**	**240,743**	**244,656**
Operating expenses												
Materials, consumables, supplies and services	(26,259)	(25,930)	(60,529)	(57,001)	-	(5,130)	-	-	-	-	(86,788)	(88,061)
Other operating expenses	(18,111)	(14,086)	(5,740)	(6,794)	-	(2,176)	(307)	(572)	-	-	(24,158)	(23,628)
Personnel expenses	(16,755)	(16,332)	(6,827)	(6,361)	-	(4,136)	(500)	(695)	-	-	(24,082)	(27,524)
Other expenses	(416)	(481)	(285)	(242)	-	(132)	(57)	(45)	-	-	(758)	(900)
Inter-segment expenses	(15,219)	(21,331)	(8,652)	(8,464)	-	(2,373)	(18)	(24)	23,889	32,192	-	-
Total expenses	**(76,760)**	**(78,160)**	**(82,033)**	**(78,862)**	**-**	**(13,947)**	**(882)**	**(1,336)**	**23,889**	**32,192**	**(135,786)**	**(140,113)**
EBITDA	**42,197**	**41,453**	**63,642**	**63,882**	**-**	**786**	**(882)**	**(1,333)**	**-**	**(245)**	**104,957**	**104,543**
Depreciation, amortisation and impairment of fixed and intangible assets	(18,798)	(22,504)	(16,672)	(16,570)	-	(436)	(7)	(35)	8	267	(35,469)	(39,278)
EBIT	**23,399**	**18,949**	**46,970**	**47,312**	**-**	**350**	**(889)**	**(1,368)**	**8**	**22**	**69,488**	**65,265**
Income / (expenses) from subsidiaries and associated companies, net	74	(14)	(39)	(40)	-	-	70,303	70,303	(70,303)	(70,303)	35	(54)
Other net financing items	1,103	431	442	497	-	-	670	678	-	-	2,215	1,606
Income tax on dividends	(8,073)	(6,483)	(14,128)	(17,964)	-	-	(73)	(26)	-	-	(22,274)	(24,473)
Net profit / (loss) for the period	**16,503**	**12,883**	**33,245**	**29,805**	**-**	**350**	**70,011**	**69,587**	**(70,295)**	**(70,281)**	**49,464**	**42,344**
Attributable to:												
Equity holders of the parent	16,503	12,883	33,245	29,805	-	149	70,011	69,587	(70,295)	(70,281)	49,464	42,143
Minority interest	-	-	-	-	-	201	-	-	-	-	-	201
	16,503	**12,883**	**33,245**	**29,805**	**-**	**350**	**70,011**	**69,587**	**(70,295)**	**(70,281)**	**49,464**	**42,344**

Financial statements are prepared in thousands of EUR

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)	68,688	73,120	54,657	61,007	-	1,932	279	385	(18)	(1,196)	123,606	135,248
Investments in subsidiaries and associates	65	1,366	131	168	-	-	80,769	80,769	(80,770)	(81,293)	195	1,010
Current assets	58,261	54,005	54,283	42,734	-	3,732	38,638	39,344	(6,851)	(8,336)	144,331	131,479
Total assets	**127,014**	**128,491**	**109,071**	**103,909**	**-**	**5,664**	**119,686**	**120,498**	**(87,639)**	**(90,825)**	**268,132**	**267,737**
Equity attributable to equity holders of the parent	**112,515**	**112,231**	**87,142**	**85,937**	**-**	**2,154**	**119,256**	**120,007**	**(80,787)**	**(82,490)**	**238,126**	**237,839**
Minority interest	**-**	**-**	**-**	**-**	**-**	**1,066**	**-**	**-**	**-**	**-**	**-**	**1,066**
Non-current liabilities	66	10	657	407	-	167	119	117	(1)	-	841	701
Current liabilities	14,433	16,250	21,272	17,565	-	2,277	311	374	(6,851)	(8,335)	29,165	28,131
Total equity and liabilities	**127,014**	**128,491**	**109,071**	**103,909**	**-**	**5,664**	**119,686**	**120,498**	**(87,639)**	**(90,825)**	**268,132**	**267,737**
Net cash from/ (used in) operating activities	36,294	29,234	49,150	43,173	-	58	(1,228)	(1,593)	256	(45)	84,472	70,827
Net cash from / (used in) investing activities	(626)	570	669	710	-	(198)	72,758	70,670	(74,407)	(68,233)	(1,606)	3,519
CAPEX	(14,257)	(9,311)	(7,651)	(9,184)	-	(588)	(4)	-	-	264	(21,912)	(18,819)
Net cash from / (used in) financing activities	(26,847)	(18,313)	(48,507)	(50,530)	-	(64)	(70,535)	(68,604)	74,151	68,014	(71,738)	(69,497)
Foreign exchange rate differences	54	(12)	(8)	(3)	-	(2)	6	(2)	-	-	52	(19)
Net increase / (decrease) in cash and cash equivalents	**(5,382)**	**2,168**	**(6,347)**	**(15,834)**	**-**	**(794)**	**997**	**471**	**-**	**-**	**(10,732)**	**(13,989)**

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	97,072	96,344	122,731	118,527	-	6,176	219,803	221,047
Revenue from customers outside Estonia	12,778	13,974	7,462	6,724	-	1,748	20,240	22,446
	109,850	**110,318**	**130,193**	**125,251**	**-**	**7,924**	**240,043**	**243,493**

Financial statements are prepared in thousands of EUR

3. Tangible and intangible assets

	Tangible assets	Intangible assets
At cost		
31 December 2003	**501,445**	**15,523**
Additions	18,207	727
Acquired by finance leases	1,651	11
Acquired on acquisition of a subsidiary	134	(664)
Disposals and write-offs (-)	(6,525)	-
30 September 2004	**514,912**	**15,597**
31 December 2004	**516,620**	**14,783**
Additions	21,376	884
Acquired by finance leases	463	-
Acquired on acquisition of a subsidiary	207	6
Disposals and write-offs (-)	(6,508)	(48)
Reclassification	(248)	(63)
30 September 2005	**531,910**	**15,562**
Accumulated depreciation		
31 December 2003	**355,991**	**7,592**
Charge for the period	37,660	1,618
Acquired on acquisition of a subsidiary	56	5
Disposals and write-offs (-)	(6,130)	(665)
30 September 2004	**387,577**	**8,550**
31 December 2004	**387,844**	**8,955**
Charge for the period	34,277	1,192
Acquired on acquisition of a subsidiary	74	1
Disposals and write-offs (-)	(6,544)	(67)
30 September 2005	**415,651**	**10,081**
Carrying amount		
At 30 September 2004	**127,335**	**7,047**
At 30 September 2005	**116,259**	**5,481**

Financial statements are prepared in thousands of EUR

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 customers	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 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

5. Acquisition of subsidiaries

Elion Enterprises AS purchased 100% of the shares of Viru Net OÜ on 30 December 2004. The acquisition cost was 0.4 million EUR. 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 0.3 million EUR with a net profit of 0.02 million EUR. 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	190	190
Receivables	8	8
Cash and cash equivalents	4	4
Non-current liabilities	(26)	(26)
Current liabilities	(109)	(109)
Net identifiable assets and liabilities	**67**	**67**
Goodwill		348
Total consideration		**(415)**
Paid up to 30.06.2005		(320)
Cash and cash equivalents		4
Net cash in / (out) flow		**(316)**

Financial statements are prepared in thousands of EUR

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 1 million EUR.

7. Inventories

In the first nine months 2005, the value of the inventories was decreased by the total amount of 327 thousand EUR (first nine months 2004: 158 thousand EUR) 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 0.64 EUR 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 56,923 thousand EUR.

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.

Financial statements are prepared in thousands of EUR

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).

21 thousand EUR from 2004 net profit were transferred to the legal reserve in May 2005 (May 2004: 16 thousand EUR).

d) Dividends

Dividends in the total amount of 70,535 thousand EUR (2004: 70,377 thousand EUR) or 0.51 EUR per ordinary share were disbursed in the reporting period 2005 (2004: 0.51 EUR and 639.11 EUR per preference share). Viru Net OÜ paid dividends debt from year 2004 in the amount 9 thousand EUR.

e) Earnings per share

Basic earnings per share have been calculated as follows:

3 quarter 2005: EUR 0.18 = 25,434,000: 137,954,528
9 months 2005: EUR 0.36 = 49,464,000: 137,954,528

3 quarter 2004: EUR 0.17 = 23,371,000: 137,954,528
9 months 2004: EUR 0.31 = 42,143,000: 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 (EUR)	25,434,000	23,371,000
Net profit for the 9 months attributable to equity holders of the parent (EUR)	49,464,000	41,143,000
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 (EUR):

	9 months to 30 Sept. 2005	**2004**	**9 months to 30 Sept. 2005**
Ordinary share highest price for the reporting period	8.60	8.10	8.09
Ordinary share lowest price for the reporting period	7.10	6.50	6.50
Ordinary share average price for the reporting period	7.87	7.16	7.22

Financial statements are prepared in thousands of EUR

9. Borrowings

	30 September 2005	31 December 2004
Non-current	384	38
Current	180	1,212
	564	**1,250**

The movements in the borrowings can be analyzed as follows:

Opening balance 31 December 2004	**1,250**
Proceeds from borrowings	555
Repayments of borrowings	(1,270)
Other movements	29
Closing balance 30 September 2005	**564**

10. Provisions

a) Non-current retirement benefit provisions

31 December 2004	**512**
Additional provision in the reporting period	6
Decrease of provision in the reporting period	(61)
30 September 2005	**457**

b) Current provisions

	Termination benefits provision	Current portion of retirement benefit provision	**Total**
31 December 2004	**243**	**42**	**285**
Additional provision in the reporting period	201	54	255
Utilisation of provision in the reporting period	(216)	(41)	(257)
30 September 2005	**228**	**55**	**283**

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	1,082	1,237

Financial statements are prepared in thousands of EUR

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	64	34
Shareholders	9,531	8,181
Companies where Supervisory Council members of the Group have significant influence	-	20
	9,595	**8,235**
Other sales		
Associated companies	1	89
Shareholders	-	145
Companies where Supervisory Council members of the Group have significant influence	-	1
	1	**235**
Telecommunication services purchased		
Associated companies	71	26
Shareholders	7,168	4,376
	7,239	**4,402**
Other services purchased		
Associated companies	1	12
Shareholders	21	190
Companies where Supervisory Council members of the Group have significant influence	-	22
	22	**224**
Financial income		
Associated companies	**13**	**21**
Financial expenses		
Shareholders	**5**	**25**
Amount owed by related parties		
Associated companies	328	382
Shareholders	4,120	4,281
	4,448	**4,663**
Amount owed to related parties		
Associated companies	27	-
Shareholders	2,282	1,662
Companies where Supervisory Council members of the Group have significant influence	-	1
Members of the Management Board and the Supervisory Council	17	66
	2,326	**1,729**

12. Contingencies

	30 September 2005	**31 December 2004**
Guaranties to former employees	13	13
Guaranties to employees	2	-
Guaranties to companies	8	52

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