

EestiTelekom

*Consolidated
Interim Report of
AS Eesti Telekom
III Quarter and
the first nine months 2007*

19 October 2007

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

<i>Beginning of the financial year</i>	1 January 2007
<i>End of the reporting period</i>	30 September 2007
<i>Name of the company</i>	AS Eesti Telekom
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<i>Web-page</i>	www.telekom.ee
<i>Field of activity</i>	Primarily, the provision of tele-communications and IT services to private and business clients, as well as other telecommunications operators, in the Estonian domestic market. The operation of a mobile and fixed-line communications network.
<i>Auditor</i>	AS PricewaterhouseCoopers

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SIGNIFICANT FINANCIAL INDICATORS

Eesti Telekom Group

	Q3 2007	Q3 2006	Change, %	9 mos. 2007	9 mos. 2006	Change, %
Total revenues, million EUR	103.1	93.4	10.4	299.8	269.3	11.3
EBITDA, million EUR	40.1	37.4	6.9	112.5	107.9	4.2
Margin, %	38.9	40.2		37.5	40.1	
EBIT, million EUR	32.2	29.6	8.6	89.2	80.8	10.4
Margin, %	31.2	31.8		29.8	30.0	
EBT, million EUR	32.5	30.2	7.8	91.2	82.8	10.2
Net profit for the period, million EUR	32.5	30.2	7.8	67.5	58.9	14.6
EPS, EUR	0.23	0.22	7.9	0.49	0.43	14.3
CAPEX, million EUR	13.4	12.4	6.3	32.7	35.3	-7.3
Net gearing, %	-20.1	-27.8				
ROA, %	31.1	27.6				
ROE, %	46.3	42.0				

In connection with changes in the structure of the Eesti Telekom Group, as of 1 July 2007, the significant financial indicators of the Telekom Group are recognized by the following business spheres: the mobile communications service segment (EMT brand), broadband services segment (Elion brand) and IT services segment (MicroLink brand).

Mobile communications segment

	Q3 2007	Q3 2006	Change, %	9 mos. 2007	9 mos. 2006	Change, %
Total revenues, million EUR	67.1	59.0	13.8	186.2	163.6	13.8
EBITDA, million EUR	24.9	23.3	6.6	70.0	64.2	8.9
Margin, %	37.0	39.5		37.6	39.3	
EBIT, million EUR	21.4	20.0	6.9	59.7	51.9	15.2
Margin, %	31.8	33.9		32.1	31.7	
EBT, million EUR	21.3	20.1	6.2	60.4	52.5	15.2
Net profit for the period, million EUR	21.3	20.1	6.2	44.5	36.2	22.8
CAPEX, million EUR	4.4	3.4	31.2	23.3	27.1	23.8
ROA, %	52.2	42.5				
ROE, %	87.3	72.9				

Broadband services segment

	Q3 2007	Q3 2006	Change, %	9 mos. 2007	9 mos. 2006	Change, %
Total revenues, million EUR	49.3	42.4	16.5	140.8	125.9	11.9
EBITDA, million EUR	14.9	13.9	7.3	42.7	43.8	-2.5
Margin, %	30.3	32.9		30.3	34.8	
EBIT, million EUR	11.0	9.8	11.7	30.9	29.9	-3.4
Margin, %	22.2	23.2		22.0	23.8	
EBT, million EUR	16.9	9.7	74.5	36.7	29.9	-3.4
Net profit for the period, million EUR	16.9	9.7	74.5	28.9	22.3	30.1
CAPEX, million EUR	8.7	8.8	-0.7	11.8	13.9	-20.8
ROA, %	34.0	21.7				
ROE, %	31.7	32.7				

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IT services segment

	Q3 2007	Q3 2006	Change, %	9 mos. 2007	9 mos. 2006	Change, %
Total revenues, million EUR	5.8	5.0	15.5	17.5	13.3	31.8
EBITDA, million EUR	0.6	0.5	20.4	0.9	0.9	-6.7
Margin, %	10.1	9.7		5.0	7.0	
EBIT, million EUR	0.2	0.2	14.2	-0.1	0.3	-141.9
Margin, %	4.3	4.3		-0.8	2.4	
EBT, million EUR	0.2	0.4	-48.3	0.3	0.9	-71.2
Net profit for the period, million EUR	0.2	0.4	-48.3	0.3	0.9	-71.2
CAPEX, million EUR	1.1	0.2	350.0	1.9	1.0	7.2
ROA, %	4.2	10				
ROE, %	18.2	45.1				

CHAIRMAN'S STATEMENT

Sales revenues, operating costs, and profit

The positive trends of the first quarters of 2007 continued in the third quarter. The sales revenues of the Eesti Telekom Group increased by 10% compared to the same period in 2006, reaching 103.1 million EUR (3rd quarter 2006: 93.4 million EUR). A positive contribution to the sales revenues was made by all the Group's principal fields of activity.

The consolidated **turnover of the mobile communications services segment** reached 67.1 million EUR, increasing by 14% compared to the same period in 2006 (3rd quarter 2006: 59.0 million EUR). The main portion of the supplemental revenues was earned from the Group's principal fields of activity. The revenue of the Group's parent company, AS EMT, increased by 11% compared to the third quarter of 2006 reaching 54.8 million EUR. The increase of revenues in the principal activities was caused primarily by an increase in the number of call minutes initiated from and completed in the EMT network and the growth of mobile data communications.

The increase of the call minutes initiated from the EMT network results from the client base that increased during the year, as well as the more active mobile call use by the clients. Compared to the end of the third quarter 2006, the client base of AS EMT was 5% larger at the end of September this year, reaching 759 thousand active SIM cards (September 2006: 721 thousand cards). During the year, the number of both contractual as well as pre-paid card users increased. The number of active contractual SIM cards at the end of September was 465 thousand, which is 39 thousand more than at the end of September 2006. At the end of the quarter, the number of active pre-paid SIM cards was 294 thousand, which is exactly as many as a year ago. EMT assesses its market share of active SIM cards as 48%. The penetration of active cards in Estonia is 116%.

The increase in the number of call minutes initiated by EMT clients exceeded the increase in the client base, reaching 11% in the third quarter of 2007 compared to the same period in 2006. In the third quarter of this year, the average number of call minutes initiated per client was 3% more than at the same time last year. The call minutes completed in the EMT network showed an 11% increase. In accordance with the declaration of the Estonian National Communications Board of 23 March 2006, entitled "Regarding the determination of undertakings with significant power in the wholesale market of voice call termination on mobile networks", a successive reduction in the termination fees of mobile operators was to have taken effect on 1 July 2007. Since Tele2 Eesti AS and Elisa Eesti AS have disputed the resolution of the Communications Board, the termination fees of all three mobile operators remained at 0.16 EUR per minute, and in the EMT network, the increase in terminated minutes was accompanied by a similar rate of increase for interconnection revenues.

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Very rapid growth continued to be shown by AS EMT mobile Internet revenues. In the third quarter of this year, the revenues for mobile data communications exceeded the revenues for the same period in 2006 by more than 50%. At the same time, the volume of data transmitted increased sixfold. The number of AS EMT mobile data communications users in September 2007 was 119 thousand, 20 thousand more regular users than a year ago. The increase in popularity of mobile data communications is caused, on the one hand, by the introduction in June of new data communication packages based on monthly fees, which provided clients with quality and high-speed data communications at conveniently controllable prices. Clients can choose between packages costing 6.33 EUR, 12.72 EUR and 25.5 EUR, which provide 30MB, 500MB or 3GB of data per month respectively. The mobile Internet start-up package included a free 3.5G modem for loyal customers signing up for the EMT Internet 399 package that provides high-speed mobile Internet access. This provides the client with an opportunity to use Estonia's 3G network with the largest coverage area and provides Internet connections with speeds approaching those of ADSL. Secondly, the number of mobile Internet users has been positively affected by the establishment of a price ceiling of 0.58 EUR per day for the use of EMT SurfPort. This has made using the Internet on their mobile phones affordable for many customers.

The increase in the ratio of services with fixed monthly fees has caused an increase in the revenues earned from monthly fees. The monthly fees earned in the third quarter of this year exceeded the results in the same period of 2006 by 23%.

A regulation applies to AS EMT, as it does to other mobile operators in the European Community, which specifies that as of September 2007 the rate per minute for outgoing calls made within the borders of the European Community cannot exceed the maximum price established by the European Community. AS EMT assesses that the effect of this regulation on its third quarter profit is insignificant.

The revenues for the mobile communications services segment from retailing and wholesaling telecommunications merchandise increased in the third quarter of 2007 compared to the same period of 2006 by almost 28%, due primarily to larger mobile phone sales volumes.

The sales revenues for the broadband services segment increased by 17% compared to the same period last year, reaching 49.3 million EUR (3rd quarter 2006: 42.4 million EUR). Domestic interconnection services and international call services showed the greatest increase in revenues, 58% and 34% respectively. Revenues from telecommunications and IT merchandise retailing increased by 25%. In the third quarter of 2007, revenues from broadband business lines increased by 13% compared to the same period in 2006. By the end of the third quarter the number of Elion television clients had increased to 48.4 thousand.

Similarly to earlier quarters, the trend in connection fees for broadband services is continuing, whereby the clients are replacing individual services with service packages. In the last quarter, the number of Elion triple package users increased by 8,360, reaching 44.8 thousand as of 30 September (30 September 2006: 16.7 thousand). As of the end of August, the Elion triple package is also available to residents of multi-story buildings.

The popularity of the triple package has been significantly enhanced by the offering of supplemental services. The remote video rental service that was introduced to the market in the second quarter of this year has proved to be very popular among clients due to the convenience and simplicity of its use. During the third quarter, the number of rental reached 900 per day. The selection of rental films, karaoke videos, and programs has also constantly improved. Thanks to the development of the remote video rental system, Elion was chosen as the winner in the Innovator 2007 category of the enterprise competition organized by Enterprise Estonia.

The total number of Elion clients with permanent connections increased to 157 thousand by the end of September 2007 (30 September 2006: 125 thousand) and the company assesses its market share based on clients with permanent connections to be 56%. The revenues in the broadband services segment from monthly fees for service packages increased this year by 66% compared to the third quarter of 2006. Based on the

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increase in the volume and revenues of service packages, the revenues from monthly fees for call connections and Internet connections fell by 11% and 8% respectively.

In the third quarter, Elion introduced a computer protection service targeting business clients, which includes a firewall, Internet traffic control, as well as virus, spyware, and spam protection.

The call revenues in the broadband services segment increased in the third quarter by 11% compared to the same period in 2006. The increase in revenues resulted primarily from international call services and domestic interconnection fees. At the same time, the revenues received from end consumers for domestic call services decreased by 8%.

Elion assesses its market share for call minutes initiated in the fixed network to be 82.1% (September 2006: 83%). The market share for local call minutes is 84.2% (September 2006: 84.4%), 65.3% for international call minutes (September 2006: 65.3%) and 69.5% for call minutes made to mobile phones (September 2006: 70.6%).

In the third quarter, the Communications Board completed the latest analysis of market segments, which for Elion Enterprises, as the company with the largest market share in the fixed market, again meant several designations as an undertaking with significant market power.

The Communications Board declared Elion Enterprises an undertaking with significant market power in the market for the final segments of permanent lines and the market for trunk segments of permanent lines. As of 1 December 2007, Elion has an access, non-discrimination, and transparency obligation in these markets and an obligation for accounting separation, price controls, and cost accounting. Elion does not anticipate that the given resolution will have a negative impact on the company's financial results.

In addition, the Communications Board declared Elion Enterprises an undertaking with significant market power in the markets for the access of private and business clients at specific locations to telephone networks. Elion undertakes to enable end consumers to access the services of the providers of telephone services related to its network by dialing an operator code and by pre-selection of a telephone service provider. Elion anticipates that this resolution will entail approximately 0.2 million EUR of additional investments for its analog stations.

Sales revenues for the IT services segment increased by 16% in the third quarter compared to the same period last year, reaching 5.8 million EUR (3rd quarter 2006: 5.0 million EUR). The greatest increase was in revenues from the sale of IT merchandise.

The operating costs of the Eesti Telekom Group increased by 13% in the third quarter of 2007 compared to the same period in 2006, reaching 63.4 million EUR (3rd quarter 2006: 56.0 million EUR).

The operating costs in the mobile communications services segment increased by 18% in the third quarter of 2006, reaching 42.4 million EUR (3rd quarter 2006: 35.8 million EUR). The principal part of the supplemental operating costs is related to principal activities, in which the operating costs were 13% higher than in the third quarter of 2006. The increase of the principal activity costs are related to two basic cost categories—interconnection costs, the increase of which resulted from an increase in the number of call minutes made by clients to other networks and costs for roaming services, which are related to active travel by customers and their use of their mobile phones outside of Estonia. In the third quarter, the rapid increase in salary costs continued compared to the same time last year, which was sustained by strong pressure on salaries in the economy as a whole. The operating costs related to retail and wholesale trade of the EMT Group increased approximately as much as the sales turnover.

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The operating costs in the broadband services segment increased by 12% in the third quarter compared to the same period last year, reaching 35.9 million EUR (3rd quarter 2006: 32.1 million EUR). The principal part of the increase in operating costs is related to the rapid growth of retail trade turnover as well as to an increase

in the direct sale costs of call services and domestic interconnection services. The third primary growth factor was the personnel costs in the last quarter.

The operating costs in the IT services segment increased in the third quarter by 15%, reaching 5.2 million EUR (3rd quarter 2006: 4.5 million EUR).

The Eesti Telekom Group EBITDA in the third quarter of 2007 reached 40.1 million EUR, which was 7% more than in the third quarter of 2006 (3rd quarter 2006: 37.4 million EUR). EBITDA in the mobile communications services segment exceeded the same period of 2006 by 6%, while the EBITDA in the broadband services segment increased by 7%. The EBITDA margin in the third quarter of 2007 was 30%, which is slightly lower than the margin for the corresponding period in 2006.

In the third quarter of 2007, the Group's **depreciation cost** reached 7.9 million EUR, increasing by 1% compared to the same period in 2006.

In the third quarter, the Eesti Telekom Group earned an **EBIT** of 32.2 million EUR, which is 8% more than in the third quarter of 2006 (3rd quarter 2006: 29.6 million EUR). The Group's **(net) financial revenues** in the third quarter were 0.4 million EUR, similarly to the same period of last year. On 1 July 2007, Elion Enterprises sold its shares in AS MicroLink Eesti to AS Eesti Telekom. The Group's internal unrealized profit from the sale of the shares was 93.7 million EUR.

In the third quarter of 2007, the Eesti Telekom Group earned a **net profit** of 32.5 million EUR (3rd quarter 2006: 30.2 million EUR). The profit per share was 0.23 EUR (3rd quarter 2007: 0.22 EUR).

Balance sheet and cash flows

As of 30 September 2007, the Eesti Telekom Group balance sheet was 288.1 million EUR (31 December 2006: 307.5 million EUR). Compared to the beginning of the year, fixed assets of 9.0 million EUR were accrued, thereby bringing the depreciated value by the end of the third quarter to 162.1 million EUR. The accrual of the fixed assets was based primarily on the investments of the Group's companies. In nine months, the Group's current assets have decreased by 28.4 million EUR, reaching 126.0 million EUR (31 December 2006: 154.4 million EUR). The cash and cash equivalents as well as short-term financial investments have decreased by 609 million EUR in connection with the dividends paid out in June and income tax on the dividends paid out in July.

As of 30 September 2007, Eesti Telekom Group equity totaled 246.7 million EUR, which is 16.2 million EUR less than at the end of 2006 (31 December 2006: 4,113 million EUR). The equity has decreased in connection with the payment of dividends.

At the end of the third quarter, the Group had long-term obligations of 1.6 million EUR (31 December 2006: 2.4 million EUR) and short-term debt obligations of 623 million EUR (31 December 2006: 660 million EUR).

The net debt of the Eesti Telekom Group at the end of the third quarter was -49.6 million EUR and the net debt to equity ratio was -20% (31 December 2006: -88.4 million EUR and -34%).

The Eesti Telekom Group nine-month cash flow from operations was 78.8 million EUR (9 months of 2006: 79.1 million EUR). The Group's cash flow from investments was 9.7 million EUR (9 months of 2006: -11.5 million EUR). The cash flow into tangible and intangible fixed assets in the first nine months was

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32.7 million EUR (9 months of 2006: 35.2 million EUR). This year, the mobile communications services segment has invested 12.6 million EUR in 9 months (9 months of 2006: 10.2 million EUR). The primary investment field was mobile data communications—the expansion of the EDGE network, to cover the entire territory of Estonia by the end of the year and the expansion of 3.5G into new areas of Estonia. During the last quarter, super-high-speed mobile Internet (3.5G) reached four new towns: Jõgeva, Otepää, Jõhvi and Rapla. Previously, 3G and 3.5G had covered Tallinn, Tartu, Pärnu, Kuressaare, Narva, Haapsalu, Rakvere and Viljandi and their immediate vicinities. The investments in the broadband services segment in 9 months of 2007 reached 19.0 million EUR (9 months of 2006: 24.1 million EUR). The principal part of the investments is for improving permanent Internet connections and the availability of DigiTV, as well as for developing network resources.

The Eesti Telekom Group cash flow from financing activities in the first 9 months was 83.8 million EUR (9 months of 2006: 79.4 million EUR), of which 83.8 million EUR was used to pay dividends (9 months of 2006: 79.4 million EUR).

Ownership structure of AS Eesti Telekom

In the third quarter of 2007, the majority shareholder, TeliaSonera AB (through its subsidiary Baltic Tele AB) increased its share in AS Eesti Telekom. TeliaSonera acquired an additional 1,275,000 AS Eesti Telekom shares, thereby increasing its participation to 59.25%.

The increase in the participation of TeliaSonera reduced the ratio of freely traded shares (shares that do not belong to TeliaSonera AB, the Estonian state, or the Development Fund). As of the end of the third quarter, the ratio of freely traded shares was 13.5% of the total number of shares. Since the beginning of the year, the number of shares traded on the London Stock Exchange has decreased by almost 9 million. The ratio of freely traded shares converted to GDRs was 19% by the end of the third quarter.

As of 3 October 2007, the 10 largest shareholders in AS Eesti Telekom were:

	Number of securities	Participation
Baltic Tele AB	81,738,899	59.2506%
Ministry of Finance / State Treasury	33,346,464	24.1721%
Estonian Development Fund	4,138,636	3.0000%
Deutsche Bank Trust Company (GDR accounts)	3,542,898	2.5682%
Skandinaviska Enskilda Banken AB clients	1,425,140	1.0330%
Danske Bank clients	1,417,453	1.0275%
ING Luxembourg S.A.	1,335,330	0.9679%
Bank Austria Creditanstalt AG clients	1,207,410	0.8752%
Morgan Stanley Co International Equity clients	947,400	0.6867%
Clearstream Banking Luxembourg clients	556,012	0.4030%

Shareholders' extraordinary general meeting

An extraordinary general meeting of the AS Eesti Telekom shareholders took place on 6 September 2007. The general meeting recalled Terje Christoffersen, a current member of the AS Eesti Telekom Supervisory Board and elected Lars Klasson as a new member of the Supervisory Board.

New structure of the Eesti Telekom Group

As of 1 July 2007, the Management Board of AS Eesti Telekom expanded to include the following people: Leho Tamm, Financial Director and Member of the Board, who also continues in his current position as Financial Director of AS EMT; Valdur Laid, Member of the Board, who also continues in his current position as Chairman of Elion Enterprises; and Enn Saar, Member of the Board, who also continues in his current position as Chairman of AS MicroLink Eesti.

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In connection with the changes in the Supervisory Board of AS Eesti Telekom, Mats Salomonsson was elected Chairman of the Supervisory Board at the last meeting.

As of 1 July 2007, AS MicroLink Eesti AS is a direct 100% subsidiary of Eesti Telekom. AS Eesti Telekom bought AS MicroLink Eesti from AS Microlink, a 100% subsidiary of Elion Enterprises. From 1 July 2007 AS MicroLink, a holding company, merged with Elion Enterprises AS. The entry to Commercial Register was made on 28 September 2007.

Definitions

Net debt – Long- and short-term interest-bearing borrowings, less cash and cash equivalents and short-term investments

ROA – Net profit for the last four quarters divided by the average total assets for the same period

ROE – Pre-tax profit for last four quarters divided by the average equity for the same period

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CONSOLIDATED QUARTERLY DATA

In million of EUR

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
Sales	93.4	99.3	95.6	101.1	103.1
OPEX	(56.1)	(66.8)	(61.1)	(63.5)	(63.5)
Other revenue/expenses, net	0.1	(0.2)	0.1	0.1	0.5
EBITDA	37.5	32.4	34.6	37.7	40.1
Depreciation and amortisation	(7.8)	(7.9)	(7.5)	(7.9)	(7.9)
EBIT	29.7	24.5	27.1	29.9	32.2
Income / expenses from associates	-	(0.1)	-	(0.1)	-
Other net financing items	0.4	0.7	1.0	0.9	0.3
Profit before tax	30.2	25.0	28.1	30.6	32.5
Income tax on dividends	-	-	-	(23.7)	-
Net profit for the period	30.2	25.0	28.1	6.9	32.5
Minority interest	0.1	0.2	0.1	0.1	0.1
EBITDA margin, %	40.13%	32.57%	36.22%	37.31%	38.91%
EBIT margin, %	31.79%	24.62%	28.36%	29.55%	31.24%
Net margin, %	32.27%	25.21%	29.38%	6.8%	31.55%
Total assets	275.7	307.5	330.7	280.7	288.1
- Non-current assets	143.0	153.1	152.7	156.8	162.1
- Current assets	132.7	154.5	178.0	123.9	126.0
- Cash and cash equivalents and short-term investments	66.6	88.8	104.0	50.2	49.9
Equity and liabilities	275.7	307.5	330.7	280.7	288.1
- Equity	237.7	262.9	291.0	214.2	246.7
- Provisions	0.7	2.3	2.2	1.4	2.0
- Non-current liabilities	0.6	0.5	0.5	0.7	0.1
- Interest-bearing borrowings	0.2	0.2	0.2	0.1	0.1
- Current liabilities	36.6	41.8	37.1	64.4	39.4
- Interest-bearing borrowings	0.2	0.2	0.2	0.2	0.2

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III QUARTER CONSOLIDATED INCOME STATEMENT

In thousand of EUR

	Notes	III Quarter 2007	III Quarter 2006
Net sales	2.1 (a)	103,054	93,357
Cost of production	2.1 (a)	(57,216)	(51,005)
Gross profit		45,838	42,352
Sales, administrative, and research & development expenses	2.1 (a)	(14,105)	(12,833)
Other operating revenues	2.1 (a)	548	221
Other operating expenses	2.1 (a)	(84)	(108)
Operating profit		32,197	29,632
Finance income		418	528
Finance costs		(67)	(9)
Finance income, net	2.1 (a)	351	519
Net income / (expenses) from associated companies	2.1 (a)	(39)	5
Net profit for the period	2.1 (a)	32,509	30,156
Attributable to:			
Equity holders of the parent	2.1 (a)	32,405	30,024
Minority interest	2.1 (a)	104	132
		32,509	30,156
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR)	7 (e)		
Basic earnings per share		0.23	0.22
Diluted earnings per share		0.23	0.22
EBITDA	2.1 (a)	40,096	37,422
Depreciation, amortization and write-downs	2.1 (a)	(7,899)	(7,790)

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THE FIRST NINE MONTHS CONSOLIDATED INCOME STATEMENT

In thousand of EUR

	Notes	9 months to 30 September 2007	9 months to 30 September 2006	2006
Net sales	2.1 (b), 2.3	299,835	269,291	368,626
Cost of production	2.1 (b)	(167,225)	(149,147)	(208,359)
Gross profit		132,610	120,144	160,267
Sales, administrative, and research & development expenses	2.1 (b)	(44,119)	(42,587)	(58,086)
Other operating revenues	2.1 (b)	948	3,679	3,387
Other operating expenses	2.1 (b)	(233)	(467)	(345)
Operating profit		89,206	80,769	105,223
Finance income		2,309	2,021	2,734
Finance costs	2.1 (b)	(116)	(99)	(125)
Finance income, net		2,193	1,922	2,609
Net income / (expenses) from associated companies	2.1 (b)	(155)	103	12
Profit before tax		91,244	82,794	107,844
Income tax on dividends		(23,705)	(23,863)	(23,863)
Net profit for the period	2.1 (b)	67,539	58,931	83,981
Attributable to:				
Equity holders of the parent	2.1 (b)	67,233	58,799	83,689
Minority interest	2.1 (b)	306	132	292
		67,539	58,931	83,981
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR)	7 (d)			
Basic earnings per share		0.49	0.43	0.61
Diluted earnings per share		0.49	0.43	0.61
EBITDA	2.1 (b)	112,478	107,917	140,268
Depreciation, amortization and write-downs	2.1 (b)	(23,272)	(27,148)	(35,045)

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

CONSOLIDATED BALANCE SHEET

In thousand of EUR

	Notes	30 September 2007	31 December 2006	30 September 2006
ASSETS				
Non-current assets				
Property, plant and equipment	3	141,283	130,673	125,708
Intangible fixed assets	3	12,386	13,681	12,661
Investments in associates	2.2, 5	947	1,102	1,106
Other financial fixed assets		7,477	7,615	3,549
Total non-current assets	2.2	162,093	153,071	143,024
Current assets				
Inventories	6	11,214	9,120	7,812
Trade and other receivables		64,868	56,511	57,395
Short-term investments		26,421	68,057	51,564
Cash and cash equivalents		23,440	20,733	15,062
Total		125,943	154,421	131,833
Assets classified as held-for-sale		98	49	859
Total current assets	2.2	126,041	154,470	132,692
TOTAL ASSETS	2.2	288,134	307,541	275,716
EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the parent				
Share capital	7	88,169	88,169	88,169
Share premium		22,753	22,753	22,753
Statutory legal reserve		8,817	8,817	8,817
Retained earnings		59,071	59,143	59,143
Net profit for the period		67,233	83,689	58,799
Total capital and reserves attributable to equity holders of the parent	2.2	246,043	262,571	237,681
Minority interest	2.2	627	321	162
Total equity		246,670	262,892	237,843
Non-current liabilities				
Interest bearing loans and borrowings	8	105	200	244
Retirement benefit obligations	9	224	506	407
Provisions	10	1,310	1,414	-
Non-interest bearing liabilities		1	329	330
Total non-current liabilities	2.2	1,640	2,449	981
Current liabilities				
Trade and other payables		39,238	41,631	36,394
Interest bearing loans and borrowings	8	146	175	180
Retirement benefit obligations		302	55	55
Provisions	10	138	339	263
Total current liabilities	2.2	39,824	42,200	36,892
Total liabilities		41,464	44,649	37,873
TOTAL EQUITY AND LIABILITIES	2.2	288,134	307,541	275,716

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

CONSOLIDATED CASH FLOW STATEMENT

In thousand of EUR

	Notes	9 months to 30 September 2007	9 months to 30 September 2006
Operating activities			
Net profit for the period		67,539	58,931
Adjustments for:			
Depreciation, amortisation and impairment of fixed and intangible assets	3	23,272	27,148
(Profit) / loss from sales and discards of fixed assets		(964)	(2,842)
Net (income) / expenses from associated companies		155	(103)
Provisions		(328)	(237)
Financial items		585	988
Miscellaneous non-cash items		582	8
Cash flow before change in working capital		90,841	83,893
Change in current receivables		(7,092)	(839)
Change in inventories		(2,097)	(2,257)
Change in current liabilities		(2,884)	(1,722)
Change in working capital		(12,073)	(4,818)
Cash flow from operating activities	2.2	78,768	79,075
Investing activities			
Intangible and tangible fixed assets acquired	3	(32,684)	(35,200)
Intangible and tangible fixed assets divested		399	3,127
Shares, participations and operations acquired		-	(5,861)
Net change in interest-receivables short maturities		43,474	30,005
Net cash changes of other long-term receivables		(1,494)	(3,585)
Cash flow from investing activities	2.2	9,695	(11,514)
Cash flow before financing activities		88,463	67,561
Financing activities			
Proceeds from non-convertible debts	8	12	6
Repayment of finance lease liabilities	8	(87)	(99)
Dividends paid	7 (d)	(83,761)	(79,352)
Cash flow used in financing activities	2.2	(83,836)	(79,445)
Cash flow for the year	2.2	4,627	(11,884)
Cash and cash equivalents at beginning of year	2.2	20,733	27,507
Cash flow for the year	2.2	4,627	(11,884)
Effect of foreign exchange rate changes	2.2	(13)	(38)
Cash and cash equivalents at end of period	2.2	25,347	15,585

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousand of EUR

	Attributable to equity holders of the Company					Total	Minority interest	Total equity
	Issued capital	Share premium	Statutory legal reserve	Retained earnings	Net profit for the period			
31 December 2005	88,169	22,753	8,817	68,922	69,499	258,160	74	258,234
Net profit for the 2005 transferred to retained earnings	-	-	-	69,499	(69,499)	-	-	-
Minority interest arising on business combinations	-	-	-	74	-	74	(44)	30
Dividends paid	-	-	-	(79,352)	-	(79,352)	-	(79,352)
Net profit for the period	-	-	-	-	58,799	58,799	132	58,931
30 September 2006	88,169	22,753	8,817	59,143	58,799	237,681	162	237,843
31 December 2006	88,169	22,753	8,817	59,143	83,689	262,571	321	262,892
Net profit for the 2006 transferred to retained earnings	-	-	-	83,689	(83,689)	-	-	-
Dividends paid	-	-	-	(83,761)	-	(83,761)	-	(83,761)
Net profit for the period	-	-	-	-	67,233	67,233	306	67,539
30 September 2007	88,169	22,753	8,817	59,071	67,233	246,043	627	246,670

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

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

The consolidated interim financial statements for the third quarter and the first nine months period ending 30 September 2007 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2006.

The functional currency of AS Eesti Telekom is Estonian kroon (EEK). The presentation currency is Euro (EUR). The financial statements are presented in thousand of euros (EUR), unless indicated otherwise.

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

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.

This consolidated statement is signed by the management board for public disclosure on 18 October 2007.

2. Segment information

Four major segments, mobile telecommunication, broadband, managed IT-services and other activities, are distinguished in the consolidated financial statements.

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

Broadband – this segment operates the national telecommunications network, with providing broadband and data communications services and related value-added-services as well as provision of production, marketing and sales related services and goods. The companies belonging to this business segment are Elion Enterprises AS, AS Elion Esindus, AS EsData and Viru Net OÜ.

Managed IT-services – this segment operates IT services: system integration and infrastructure solutions; software development; ERP and business solutions; data communications and networking; central systems and data centre solutions; systems management and maintenance; end-user PC services and support; full IT outsourcing, with providing IT services and related value-added-services as well as provision of production, marketing and sales related services and goods. The companies belonging to this business segment are AS MicroLink Eesti and up to 30 June 2007 AS MicroLink. From 1 July AS MicroLink AS merged with Elion Enterprises AS.

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

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

All assets of AS Eesti Telekom Group are located in Estonia.

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

2.1 Primary reporting format – business segments

a) III Quarter income statement

In thousands of EUR

	Mobile telecommunications		Broadband services		Managed IT-services		Other activities		Eliminations		Consolidated	
	III Q 2007	III Q 2006	III Q 2007	III Q 2006	III Q 2007	III Q 2006	III Q 2007	III Q 2006	III Q 2007	III Q 2006	III Q 2007	III Q 2006
Net sales	55,771	50,798	44,082	38,719	3,201	3,840	-	-	-	-	103,054	93,357
Inter-segment net sales	11,338	8,170	5,249	3,642	2,562	1,148	136	-	(19,285)	(12,960)	-	-
Cost of production	(35,915)	(31,916)	(18,254)	(16,325)	(3,047)	(2,764)	-	-	-	-	(57,216)	(51,005)
Inter-segment cost of production	(5,547)	(3,113)	(12,417)	(9,026)	(248)	(172)	-	-	18,212	12,311	-	-
Gross profit	25,647	23,939	18,660	17,010	2,468	2,052	136	-	(1,073)	(649)	45,838	42,352
Sales, administrative and research & development	(4,062)	(3,645)	(7,447)	(7,029)	(2,097)	(1,783)	(415)	(292)	(84)	(84)	(14,105)	(12,833)
Inter-segment sales, administrative and research & development	(348)	(461)	(575)	(154)	(143)	(55)	(6)	(8)	1,072	678	-	-
Other operating revenues	193	234	335	(7)	20	(6)	-	-	-	-	548	221
Inter-segment other operating revenues	-	27	-	-	-	-	-	-	-	(27)	-	-
Other operating expenses	(77)	(114)	(6)	(1)	(1)	7	-	-	-	-	(84)	(108)
Operating profit / (loss)	21,353	19,980	10,967	9,819	247	215	(285)	(300)	(85)	(82)	32,197	29,632
Other finance income, net	9	119	2	(112)	(43)	175	383	337	-	-	351	519
Income / (expenses) from subsidiaries and associated	(21)	8	5,970	(3)	-	-	-	-	(5,988)	-	(39)	5
Net profit for the period	21,341	20,107	16,939	9,704	204	390	98	37	(6,073)	(82)	32,509	30,156
Attributable to:												
Equity holders of the parent	21,237	19,975	16,939	9,704	204	390	98	37	(6,073)	(82)	32,405	30,024
Minority interest	104	132	-	-	-	-	-	-	-	-	104	132
	21,341	20,107	16,939	9,704	204	390	98	37	(6,073)	(82)	32,509	30,156
EBITDA	24,850	23,307	14,947	13,929	584	484	(284)	(300)	(1)	2	40,096	37,422
Depreciation, amortization and write-downs	(3,497)	(3,327)	(3,980)	(4,110)	(337)	(269)	(1)	-	(84)	(84)	(7,899)	(7,790)

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

b) The first nine months income statement

In thousands of EUR

	Mobile telecommunications		Broadband services		Managed IT-services		Other activities		Eliminations		Consolidated	
	9 months 30 Sept. 2007	9 months 30 Sept. 2006	9 months 30 Sept. 2007	9 months 30 Sept. 2006	9 months 30 Sept. 2007	9 months 30 Sept. 2006	9 months 30 Sept. 2007	9 months 30 Sept. 2006	9 months 30 Sept. 2007	9 months 30 Sept. 2006	9 months 30 Sept. 2007	9 months 30 Sept. 2006
Net sales	160,315	143,524	127,691	115,591	11,829	10,176	-	-	-	-	299,835	269,291
Inter-segment net sales	25,923	20,115	13,123	10,283	5,640	3,077	155	-	(44,841)	(33,475)	-	-
Cost of production	(101,134)	(91,292)	(56,343)	(51,220)	(9,748)	(6,635)	-	-	-	-	(167,225)	(149,147)
Inter-segment cost of production	(12,701)	(8,873)	(28,940)	(22,469)	(865)	(652)	-	-	42,506	31,994	-	-
Gross profit	72,403	63,474	55,531	52,185	6,856	5,966	155	-	(2,335)	(1,481)	132,610	120,144
Sales, administrative and research & development	(12,232)	(11,000)	(23,628)	(24,685)	(6,790)	(5,594)	(1,218)	(1,057)	(251)	(251)	(44,119)	(42,587)
Inter-segment sales, administrative and research & development	(773)	(1,016)	(1,289)	(416)	(254)	(113)	(19)	(22)	2 335	1,567	-	-
Other operating revenues	530	782	343	2 838	59	59	16	-	-	-	948	3,679
Inter-segment other operating revenues	-	81	-	-	-	3	-	-	-	(84)	-	-
Other operating expenses	(217)	(464)	(11)	(1)	(4)	(2)	(1)	-	-	-	(233)	(467)
Operating profit / (loss)	59,711	51,857	30,946	29,921	(133)	319	(1,067)	(1,079)	(251)	(249)	89,206	80,769
Other finance income, net	797	590	(129)	(15)	386	465	1,139	882	-	-	2,193	1,922
Income / (expenses) from subsidiaries and associated	(73)	18	5,906	(3)	-	88	84,044	79,890	(90,032)	(79,890)	(155)	103
Profit before taxation	60,435	52,465	36,723	29,903	253	872	84,116	79,693	(90,283)	(80,139)	91,244	82,794
Income tax on dividends	(15,953)	(16,227)	(7,752)	(7,636)	-	-	-	-	-	-	(23,705)	(23,863)
Net profit for the period	44,482	36,238	28,971	22,267	253	872	84,116	79,693	(90,283)	(80,139)	67,539	58,931
Attributable to:												
Equity holders of the parent	44,176	36,106	28,971	22,267	253	872	84,116	79,693	(90,283)	(80,139)	67,233	58,799
Minority interest	306	132	-	-	-	-	-	-	-	-	306	132
	44,482	36,238	28,971	22,267	253	872	84,116	79,693	(90,283)	(80,139)	67,539	58,931
EBITDA	69,963	64,248	42,709	43,813	871	931	(1,065)	(1,077)	-	2	112,478	107,917
Depreciation, amortization and write-downs	(10,252)	(12,391)	(11,763)	(13,892)	(1,004)	(612)	(2)	(2)	(251)	(251)	(23,272)	(27,148)

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

2.2 Other information by business segments

In thousands of EUR

	Mobile telecommunications		Broadband services		Managed IT-services		Other activities		Eliminations		Consolidated	
	30 Sept., 9 months 2007	30 Sept., 9 months 2006	30 Sept., 9 months 2007	30 Sept., 9 months 2006	30 Sept., 9 months 2007	30 Sept., 9 months 2006	30 Sept., 9 months 2007	30 Sept., 9 months 2006	30 Sept., 9 months 2007	30 Sept., 9 months 2006	30 Sept., 9 months 2007	30 Sept., 9 months 2006
Non-current assets (except investments in subsidiaries & associates)	58,669	52,073	95,278	82,940	3,554	2,127	12	17	3,633	4,761	161,146	141,918
Investments in subsidiaries and associates	516	599	431	29,912	-	-	91,307	84,196	(91,307)	(113,601)	947	1,106
Current assets	57,523	53,052	78,293	31,375	4,153	27,384	32,360	39,102	(46,288)	(18,221)	126,041	132,692
Total assets	116,708	105,724	174,002	144,227	7,707	29,511	123,679	123,315	(133,962)	(127,061)	288,134	275,716
Equity attributable to equity shareholders of the parent	87,262	81,020	121,793	117,016	1,723	24,938	122,940	122,882	(87,675)	(108,175)	246,043	237,681
Minority interest	627	162	-	-	-	-	-	-	-	-	627	162
Non-current liabilities	1,580	811	19	46	41	-	-	124	-	-	1,640	981
Current liabilities	27,239	23,731	52,190	27,165	5,943	4,573	739	309	(46,287)	(18,886)	39,824	36,892
Total shareholders' equity and liabilities	116,708	105,724	174,002	144,227	7,707	29,511	123,679	123,315	(133,962)	(127,061)	288,134	275,716
Net cash from/ (used in) operating activities	49,156	47,101	30,110	30,974	(175)	870	84,541	80,019	(84,864)	(79,889)	78,768	79,075
Net cash from/ (used in) investing activities	(12,567)	(12,365)	(13,022)	(25,547)	(1,933)	(1,932)	18,050	16,889	19,167	11,441	9,695	(11,514)
Net cash from/ (used in) financing activities	(56,492)	(54,372)	(11,146)	(15,217)	1,866	1,048	(83,761)	(79,352)	65,697	68,448	(83,836)	(79,445)
Exchange rate differences in cash and cash equivalents	-	-	(16)	(41)	-	-	3	3	-	-	(13)	(38)
Net increase/ (decrease) in cash and cash equivalents	(19,903)	(19,636)	5,926	(9,831)	(242)	(14)	18,833	17,559	-	-	4,614	(11,922)
CAPEX	12,578	10,162	19,023	24,059	1,903	1,036	-	-	(820)	-	32,684	35,257

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT
 NOTES TO THE FINANCIAL STATEMENTS

2.3 Secondary reporting format - geographic segments

In thousands of EUR

The components of revenues by geographic segments are as follows:

	Mobile telecommunications		Broadband services		Managed IT-services		Consolidated	
	9 months to 30 Sept. 2007	9 months to 30 Sept. 2006	9 months to 30 Sept. 2007	9 months to 30 Sept. 2006	9 months to 30 Sept. 2007	9 months to 30 Sept. 2006	9 months to 30 Sept. 2007	9 months to 30 Sept. 2006
Revenue from customers in Estonia	153,678	135,817	115,580	102,389	11,475	9,837	280,733	248,043
Revenue from customers outside Estonia	6,637	7,707	12,111	13,202	354	339	19,102	21,248
	160,315	143,524	127,691	115,591	11,829	10,176	299,835	269,291

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

3. Tangible and intangible assets

In thousand of EUR

	Tangible assets	Intangible assets
<i>At 31 December 2005</i>		
Cost	547,190	21,298
Accumulated depreciation	(429,981)	(10,644)
Net book value	117,209	10,654
Changes in the first nine months 2006		
Opening net book amount	117,209	10,654
Additions	34,822	3,005
Acquired on business combination	58	-
Reclassification	(592)	592
Reclassification to assets classified as held-for-sale	(175)	-
Disposals	(56)	-
Depreciation charge	(25,558)	(1,590)
Closing net book amount	125,708	12,661
<i>At 30 September 2006</i>		
Cost	572,121	24,865
Accumulated depreciation	(446,413)	(12,204)
Net book value	125,708	12,661
<i>At 31 December 2006</i>		
Cost	566,198	25,819
Accumulated depreciation	(435,525)	(12,138)
Net book value	130,673	13,681
Changes in the first nine months 2007		
Opening net book amount	130,673	13,681
Additions	32,369	315
Reclassification	(102)	102
Reclassification to assets classified as held-for-sale	(49)	-
Disposals	(48)	-
Depreciation charge	(21,560)	(1,712)
Closing net book amount	141,283	12,386
<i>At 30 September 2007</i>		
Cost	593,247	26,247
Accumulated depreciation	(451,964)	(13,861)
Net book value	141,283	12,386

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

4. Investments in subsidiaries

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 September 2007	31 December 2006		
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%	Operating and development of data communication, Internet and cable networks, and providing related services; sale, installation and maintenance of equipment related with this activities	Elion Enterprises AS
Viru Net OÜ	Estonia	100%	100%	Internet services	Elion Enterprises AS
AS MicroLink ¹⁾	Estonia	-	100%	Holding Company	Elion Enterprises AS
AS MicroLink Eesti ¹⁾	Estonia	100%	100%	IT services: system integration and infrastructure solutions; software development; ERP and business solutions; data communications and networking; central systems and data centre solutions; systems management and maintenance; end-user PC services and support; full IT outsourcing.	AS Eesti Telekom
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
Serenda Investment OÜ	Estonia	51%	51%	Administration of communication portal based in Estonia internet	AS EMT

1) From 1 July 2007, decisions of AS Eesti Telekom Council from 18 April 2007 regarding, changes in the structure of the Eesti Telekom Group became effective.

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2007 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

From 1 July 2007, AS MicroLink Eesti is a 100% owned direct subsidiary of AS Eesti Telekom. AS Eesti Telekom purchased AS MicroLink Eesti from AS MicroLink, 100% subsidiary of Elion Enterprises AS. Purchase price of acquisition was 7.1 million EUR. As a result of the deal, financial positions of the ETL Group did not decline.

From 1 July 2007 AS MicroLink, a holding company, merged with Elion Enterprises AS.

5. Investments in associates

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 September 2007	31 December 2006		
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

6. Inventories

In the first nine months 2007, the value of the inventories was not decreased (the first nine months 2006: 40 thousand EUR).

7. Equity

a) Issued capital

	30 September 2007	31 December 2006
Ordinary shares issued par value 0.64 EUR per share, fully paid	137,954,528	137,954,528

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 60,350 thousand EUR. Non-monetary contributions have been made in the first quarter of 1999, in connection with the reconstruction of the AS Eesti Telekom Group. During the reconstruction, the strategic investors in the company, TeliaSonera AB and Sonera OY (presently TeliaSonera AB), exchanged the AS Eesti Telefon (presently Elion Enterprises AS) and AS EMT shares in their possession for AS Eesti Telekom shares. After the reconstruction of the group, all Elion Enterprises AS and AS EMT shares belong to AS Eesti Telekom.

b) Re-acquiring of shares

The Annual General Meeting of Shareholders, on 22 May 2007, authorized AS Eesti Telekom to acquire within one year from the adoption of this resolution, i.e. until 22 May 2008 (the same authority, which was obtained from last Annual General Meeting on 18 May 2006, terminated on 18 May 2007), 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

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each occasion separately by a resolution of AS Eesti Telekom's Supervisory Council. As of 30 September 2007, no shares have been re-acquired by AS Eesti Telekom.

c) Reserves

Reserves include:

- Obligatory legal reserve required by the Commercial Code. Subject to the approval of the general meeting, the reserve may be used for covering cumulated losses, if the latter cannot be covered with other unrestricted equity, and for increasing share capital.
- Share premium – the positive difference between the issue price and nominal value of issued shares (issue premium).

d) Dividends

Dividends in the total amount of 83,761 thousand EUR (2006: 79,352 thousand EUR) or 0.607 EUR per ordinary share were disbursed in the first half year 2007 (2006: 0.575 EUR).

e) Earnings per share

Basic earning per share is calculated by dividing the profit of the year attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earning per share is calculated based on profit or loss attributable to the ordinary equity holders of the parent company, and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares. As the Group has not issued any potential ordinary shares, the diluted earnings per share equals to the basic earnings per share.

The following data has been used in the ascertainment of basic and diluted earnings per share:

	2007	2006
<i>III Quarter</i>		
Net profit attributable to equity holders of the Company (EUR)	32,405,000	30,024,000
The average number of ordinary shares	137,954,528	137,954,528
EPS	0.23	0.22
<i>The first 9 months</i>		
Net profit attributable to equity holders of the Company (EUR)	67,233,000	58,799,000
The average number of ordinary shares	137,954,528	137,954,528
EPS	0.49	0.43

f) Share information

AS Eesti Telekom shares are quoted in the main list of the OMX 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 OMX Tallinn Stock Exchange is following (EUR):

	9 months to 30 Sept. 2007	2006	9 months to 30 Sept. 2006
Ordinary share highest price	10.77	8.40	8.40
Ordinary share lowest price	6.57	6.95	6.95
Ordinary share average price	8.25	7.69	7.67

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8. Borrowings

In thousand of EUR

	30 September 2007	31 December 2006
Non-current	105	200
Current	146	175
	251	375

The movements in the borrowings can be analyzed as follows:

Opening balance 31 December 2006	375
Proceeds of borrowings	12
Repayments of borrowings	(87)
Other movements	(49)
Closing balance 30 September 2007	251

9. Retirement benefit obligations

In thousand of EUR

31 December 2006	561
Benefits paid in the reporting period	(43)
Interest accrued	8
30 September 2007	526
Current portion of retirement benefit obligations (-)	(302)
Non-current portion of retirement benefit obligations	224

10. Provisions

In thousand of EUR

	Site Termination restoration expense provision	Termination benefits provision	Disputed penalties provision	Compensation of the tolerance of technical infrastructure provision	Guarantee provision	Total
At 31 December 2006	1,226	203	136	127	61	1,753
Additional provision in the reporting period	44	-	-	-	21	65
Used provisions during the reporting period	-	(203)	(32)	-	(21)	(256)
Decrease of provision in the reporting period	-	-	(104)	-	(10)	(114)
At 30 September 2007	1,270	-	-	127	51	1,448
Current portion of provision (-)	-	-	-	(127)	(11)	(138)
Non-current portion of provision	1,270	-	-	-	40	1,310

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11. Related party transactions

Transactions with related parties are transactions with associates, shareholders, key management, members of the Supervisory Council, 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. Key management, supervisory council and their relatives	
2. List of associates is shown in Note 5	
3. Enterprises of TeliaSonera AB Group	Parent company, shareholder
4. State Government	Shareholder

b) Key managements' and supervisory councils' remuneration

The remunerations of key management and supervisory council during the first nine months 2007 and 2006 were as follows (in thousand of EUR):

	9 months to 30 September 2007	9 months to 30 September 2006
Salaries and other short-term employee benefits	2,595	2,678
Termination benefits	60	15
Other	23	30
	2,678	2,723

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c) Trading transactions

No impairment has been made in the first nine months of 2007 and 2006 for the receivables from related parties.

During the first nine months 2007 and 2006, group companies entered into the following transactions with related parties (in thousand of EUR):

	9 months to 30 September 2007	9 months to 30 September 2006
<i>Telecommunication services provided</i>		
Associated companies	101	83
Shareholders	8,103	10,268
Companies where Supervisory Council members of the Group have significant influence	24	8
	8,228	10,359
<i>Other sales</i>		
Associated companies	286	-
Shareholders	371	93
Companies where Supervisory Council members of the Group have significant influence	2	-
	659	93
<i>Telecommunication services purchased</i>		
Associated companies	16	21
Shareholders	8,545	8,499
	8,561	8,520
<i>Other services purchased</i>		
Associated companies	14	26
Shareholders	603	244
Companies where Supervisory Council members of the Group have significant influence	42	3
	659	273
<i>Financial income</i>		
Associated companies	-	13
Shareholders	1	-
	1	13
<i>Amount owed by related parties</i>		
Associated companies	16	272
Shareholders	1,553	2,554
Companies where Supervisory Council members of the Group have significant influence	3	-
	1,572	2,826
<i>Amount owed to related parties</i>		
Associated companies	2	451
Shareholders	1,400	2,005
Key management and supervisory council	838	350
	2,240	2,806

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12. Contingencies

In thousand of EUR

	30 September 2007	31 December 2006
Key management termination benefits	1,140	1,134

Court Actions

- **Dispute over the fees for Kodulahenduse and Kõneaja boonus**

On 8 May 2005, the Communications Board issued a precept to Elion Enterprises, according to which undertakings with significant market power do not have the right to include discounts in the fees for services. Also an execution proceeding was initiated in respect to Elion for the collection of the penalty payment.

On 22 August 2005, Elion filed a complaint with the Tallinn Administrative Court to have the execution proceeding of the Communications Board nullified and to have the illegality of the coercive measure ascertained. With a judgment on 12 December 2005, the Tallinn Administrative Court dismissed the complaint by Elion Enterprises. Elion Enterprises filed an appeal with the Tallinn District Court, which also dismissed it.

On 28 December 2006, the Elion filed an appeal in cassation with the District Court. On 22 September 2007 the Supreme Court of the Republic of Estonia satisfied the appeal of cassation of Elion Enterprises AS and annulled the previous judgements in full in favour of Elion Enterprises AS.

Relations with the regulator

- According to the Communications Board resolution of March 21, 2006 No J.1-50/0612 "Designation of Undertakings Having Significant Market Power in Voice Call Termination Wholesale Market on Individual Mobile Networks" there should have been taken place the reduction in mobile termination tariffs respectively as of July 1, 2006 and July 1, 2007 in order to approximate gradually the tariffs to the European countries with lowest mobile termination tariffs. As Tele2 Eesti AS and Elisa Eesti AS have appealed the resolution in administrative court and the court proceedings still continue, the mobile termination tariffs have remained in the previous level, i.e. EUR 0.16 per minute. AS EMT and Elion Ettevõtte AS are participating in both court proceedings as third parties. The enforced judgements in both referred court proceedings reflect directly also the termination tariffs implied by AS EMT.

13. Members of the Management Board and the Supervisory Council of AS Eesti Telekom

Management Board:

Valdo Kalm	-	Chairman of the Management Board
Leho Tamm	-	Member of the Management Board
Valdur Laid	-	Member of the Management Board
Enn Saar	-	Member of the Management Board

Supervisory Council:





Mats Salomonsson	-	Chairman of the Supervisory Council
Anders Gylder	-	Member of the Supervisory Council
Lars Gunnar Klasson	-	Member of the Supervisory Council
Jörgen Latte	-	Member of the Supervisory Council
Tarmo Porgand	-	Member of the Supervisory Council
Aare Tark	-	Member of the Supervisory Council
Heido Vitsur	-	Member of the Supervisory Council

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of the consolidated financial statements of AS Eesti Telekom Group for the third quarter and the first nine months 2007 as set out on pages 3 to 30.

The Management Board confirms that:

- 1 the accounting principles used in preparing the financial statements are in compliance with the International Financial Reporting Standards as adopted by the European Union;
- 2 the financial statements present a true and fair of the financial position, the results of operations and the cash flows of the Group;
- 3 Group companies are continuing their operations as a going concern.

<i>Name</i>	<i>Position</i>	<i>Signature</i>
Valdo Kalm	<i>Chairman of the Board</i>	
Leho Tamm	<i>Member of the Board</i>	
Valdur Laid	<i>Member of the Board</i>	
Enn Saar	<i>Member of the Board</i>	

Tallinn, 18 October 2007