AS STARMAN

Interim Report of the Group for the First 9 Months of 2008

Beginning of financial year: 01.01.2008

End of financial year: 31.12.2008

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Main activities: cable television and data communication services

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General

Success of Starman continued for the first nine months of the year. The company maintained its strong position in the spheres of cable-TV and the internet and further strengthened its position in the telephony market. Starman is currently offering the best bundled triple play service in the home user sector. The triple play service is now available to the majority of the company's customers. Through its cable network, Starman is currently represented in most of Estonia's major cities, predominantly in densely populated areas. In December 2006, the product portfolio of Starman was supplemented with a DTT (digital terrestrial television) service. ZUUMtv, which was positioned separately, is transmitted through air and Starman's cable network is not used for delivering this product. ZUUMtv is expected to attract a considerable number of new customers in the near future, especially in those regions of Estonia where Starman was not present thus far.

A consortium of financial investors led by Bancroft Private Equity LLP acquired a majority holding in Starman at the end of 2007. At the moment, Baltic Moontech Investments Holding AS representing the above financial investors holds a total of 9,361,627 shares in Starman, i.e. 71.72% of the company's share capital. Given the current structure of shareholders, delisting of the company from the Tallinn Stock Exchange will probably be applied for in the near future.

Starman Group's total revenue for the first nine months of 2008 amounted to 259.3 million EEK, representing a 25% increase compared to the same period a year ago. EBITDA for the first nine months of 2008 amounted to 84.1 million EEK and net profit attributable to shareholders from ordinary business operations to 38.4 million EEK – respectively an 18% and a 30% increase compared to the same figures last year. The good performance is built on the company's successful long-term activities relating to traditional services, where the best-ever results were achieved both in terms of volume and profitability. As expected, the starting ZUUMtv had a negative impact on Starman's profit figures. A drop of 21.0 million EEK in EBITDA – Starman's main performance indicator – is directly attributable to ZUUMtv, plus certain indirect costs whose amount cannot be determined precisely as they were allocated to a number of different products. The negative impact of ZUUMtv on the financial results of the Group is anticipated to continue also in the near future. However, in the long run the new product is expected to strengthen the company's market position and profitability.

Financial ratios

A selection of ratios for evaluating the economic activities in the first nine months of 2008:

	2006	2007	9 months 2008
Sales increase	25%	19%	25%
EBITDA margin	40%	33%	32%
Gross margin	21%	13%	13%
Net margin	19%	13%	10%
Revenue/average assets	0.72	0.73	0.81
Equity ratio	58%	57%	55%
Debt to equity	0.56	0.57	0.59
Debt/EBITDA	1.19	1.41	1.28
Investments/EBITDA	0.83	1.15	0.97
Current ratio	1.09	0.91	1.15*
Invoice turnover rate (annual)	20.0	21.5	22.2

Definitions:
Sales increase = increase compared to the same period last year
EBITDA = operating profit + depreciation and amortisation
EBITDA margin = EBITDA / total revenue
Gross margin = operating profit / total revenue
Net margin = net profit attributable to shareholders / total revenue
Revenue / average assets – for comparison purposes, the revenue for the first nine months of 2008 has been multiplied by 4/3
Equity ratio = equity / total assets
Debt = borrowings + long-term borrowings
Debt / EBITDA – for comparison purposes, EBITDA for the first nine months of 2008 has been multiplied by 4/3
Current ratio = current assets / current liabilities
Invoice turnover rate = revenue for the period / accounts receivable at the end of the period; for comparison purposes, revenue for the first nine months of 2008 has been multiplied by 4/3

* As to this ratio, it should be borne in mind that because of the special nature of the accounting principles applied in preparing this report, only loans repayable within the current financial year are recognised as short-term borrowings under current liabilities (i.e. in the case of nine months, loan payments due within the following three months) unlike the year-end figures where all loans repayable within the following year are recognised as short-term borrowings. Consequently, the current ratio for nine months is somewhat overestimated vis-à-vis the year-end figures. Upon eliminating this difference from the figures of the first nine months of 2008, the current ratio amounts to 0.80.

Group structure

Starman Group consists of AS Starman being the parent company and, starting from October 2006, Eesti Digitaaltelevisiooni AS being a subsidiary company. 66% of shares in Eesti Digitaaltelevisiooni AS are held by Starman and 34% of the shares by AS Levira. The financial results of Eesti Digitaaltelevisiooni AS have been consolidated into the Group report on a line-by-line basis, separately indicating the minority share.

Revenue and expenses

Traditionally, cable television and internet services contributed the majority of Starman's total revenue for the first nine months of 2008, accounting for 43% and 30% of total revenue, respectively. The share of telephony service was 16% and that of the DTT service, growing much faster than the others services, was 6%.

Revenue from cable television services increased 18% compared to the first nine months of 2007. Organic growth in the market has mostly been achieved at the expense of price increase in recent years. In the first quarter of 2008 the prices of Starman's cable television services further approached those of countries with a similar living standard. In addition to the regular price increase, the ARPU (average revenue per user) is also supported by structural changes. As regards structural changes, the triple packages that do not contain smaller programme ranges and the new possibilities such as digital television should be mentioned. At the end of September 2008, the company had a total of 137 thousand cable television customers, 6.9% of which were digital television users. The number of cable television customers at the end of September exceeded the last year's relevant figure by 3.4%, quite a good result given the saturated market and tightened competition. The increase in customer numbers in the second quarter of 2008 resulted primarily from the expansion of the cable network. In the first quarter of 2008 Starman launched its own television channel called Neljas. During its short time of operation the channel has achieved the targets set, the most important of them being enhancement of the range of products offered to customers. Regardless of that, Starman decided to focus on its core activities and the channel was sold to a local media group, Kalev Meedia, in October 2008. The change in the channel's ownership does not affect the customers.

Revenue from the internet services increased 13% in comparison with the first nine months of 2007. At the end of September 2008, the company had 52 thousand internet customers – a 17% increase compared with the same period a year ago. Starman maintained its position as the market leader of broadband internet for private customers in its footprint. In line with the general impacts of the market, the ARPU continued to show a downward trend. However, lately there has been a certain deceleration of the decline rate – the average figure for the first nine months of 2008 dropped 6% compared to the same figure a year ago. Starman's popular triple packages in which the internet services are cheaper have a major impact on the internet ARPU. However, the supporting influence of the triple packages on other services and, hence, also on the average aggregate revenue per user cannot be disregarded.

As expected, the period of accelerated growth of the telephony service has ended; however, the revenue for the first nine months of 2008 has still increased 16% in comparison with the same period a year ago. As at the end of September 2008 the company had 49 thousand telephony clients, i.e. 27% more than at the same time last year. The ARPU of the telephony service, which has been quite stable in the past, has been declining significantly from the beginning of 2007. A similar trend continued in the first nine months of 2008 – the period's average figure decreased 13% compared to the last year's relevant figure.

Starman views its cable television, internet and telephony services as a single integrated service. Since the provision of the integrated service has remained a part of the corporate strategy for a long period of time, and the services are designed to support each other, a separate analysis of the respective segments might not give the most accurate picture. In the first nine months of 2008, the average aggregate revenue from the given services per client was 14% higher in comparison with the same period a year ago.

Important positive developments regarding ZUUMtv occurred at the beginning of 2008. By now, eight Estonian-language TV channels, including the three main local channels, are available on the digital platform. The fact that not all of the main local channels were available on the digital platform affected the whole of the first year of operation of ZUUMtv, constituting a major divergence from the initial business plan. Given also the positive developments relating to the fact that the switchover to digital broadcasting will take place two years earlier, not in 2012 as first planned, Eesti Digitaaltelevisiooni AS has much better chances of making up for the initial setback. Revenue from the DTT service was up 5.1 times on the first nine months of the previous year, with growth in the third quarter being 29% compared to the second quarter. In September 2008 the DTT service already constituted 8.2% of the company's total revenue, and this share is expected to increase significantly in the near future. At the end of September 2008, Eesti Digitaaltelevisiooni AS had 21 thousand customers and ZUUMtv covered 97% of Estonian households.

In comparison with previous years, the relative importance of the sale of goods and materials has significantly increased. The threefold increase in the first nine months of 2008, compared to the same period a year ago, is attributable to the substantial growth of the DTT market. It should be borne in mind, however, that the sale of goods and materials is merely an ancillary activity for the company, which is meant to support its principal activity, and therefore it cannot be regarded as a separate source of revenue.

Starman's operating expenses amounted to 175.2 million EEK in the first nine months of 2008, having grown 29% in comparison with the same period in 2007. The fact that the growth in operating expenses was somewhat faster than the growth in revenue is clearly attributable to ZUUMtv – when eliminating the direct costs relating to this newly launched product, the increase in operating expenses would amount to 12%. The impact of ZUUMtv is most notable among expenses reported under "Services purchased" which include the transmission charge payable to Levira as a major expense item. The amount of the transmission charge depends primarily on coverage, and therefore its impact on profit figures after the product has just been introduced and customer figures are far from the company's long-term targets is quite substantial. Due to the operation of Starman's own TV channel, the growth in programme costs has been much greater than the growth in revenue. Of major expense items, transportation expenses (increases in the price of fuel and insurance, and new vehicles added to the fleet), office expenses (a need for more office space due to an increase in the number of employees), and personnel expenses have also shown fast growth compared to the same period a year ago. However, in respect of certain expense items growth figures have been quite modest and in some cases even negative. A decrease in expenses related to the rental of communication ducts should also be mentioned. These expenses have a further potential from previous periods (see Note 14 for more details).

In the first nine months of 2008, personnel expenses increased 30% year on year. As regards personnel expenses, it should be noted that this indicator includes 81% of the total wage fund, since the remainder is capitalised in accordance with the corporate accounting rules. The average number of employees was 273 in the first nine months of 2008 (225 in the first nine months of 2007). As at 30 September 2008, the company employed 285 people. Part-time employees accounted for 24% of the staff. The average number of employees translated to the full employment equivalent was 234 in the first nine months of 2008, up 18% compared to the same figure a year ago. The latter figure grew mainly in the second quarter of 2008 in connection with the expansion of the cable network and a continuing decrease in some outsourced services.

As to expenses related to asset valuation, the provision for bad debts amounted to 1,675 thousand EEK, i.e. 0.7% of the turnover for the period (0.4% in the first nine months of 2007). Loss of inventories and discounts totalled 1,104 thousand EEK in the first nine months of 2008 (462 thousand EEK in the first nine months of 2007). Both figures are still rather modest, their notable growth being a result of the overall economic downturn.

EBITDA for the first nine months of 2008 amounted to 84.1 million EEK. When eliminating the direct influence of ZUUMtv, the EBITDA margin would amount to an excellent 45%. Hence, the first nine months of 2008 were record-breaking in terms of profitability of traditional services, compared to similar periods in previous years.

Depreciation costs increased 20% in comparison with the first nine months of 2007. Owing to the extensive investing activities carried out in recent years, the depreciation costs continued to have a considerable impact on the profit figures. However, a deceleration of the growth of depreciation costs can be noted for the first time in recent years. Considering the fact that traditional services have reached a mature stage, the continuation of this trend could only be hindered by an successful growth in the sphere of the DTT service.

The net profit attributable to shareholders for the first nine months of 2008 amounted to 25.4 million EEK. The result for minority shareholders – their share in the loss of Eesti Digitaaltelevisiooni AS – was 11.4 million EEK negative. The net profit was adversely influenced by expenses not related to ordinary business operations, which amounted to 13.0 million EEK (see Notes 3, 8 and 11 for more details).

Balance sheet, investments and financing

In the first nine months of 2008, Starman's investments in non-current assets amounted to 81.3 million EEK, being equal to the relevant figure in the same period a year ago. The company made the following investments: 41.9 million EEK in cable network renovation and construction, 20.6 million EEK in STBs (incl. 19.1 million EEK for provision of ZUUMtv), 7.8 million EEK in internet equipment (incl. 7.1 million in Head-Ends), 4.3 million EEK in telephone modems, and 6.7 million EEK in other spheres.

Among investments in the cable network, projects aiming at network expansion are even more notable than last year. While a few years ago work aimed at the modernisation and enhancement of the data communication capability of the existing network constituted a major part of network investments, the relative share of that particular type of network investments has diminished, given the high level already achieved. As at 30 September 2008, Starman's network covered 278 thousand households with 265 thousand – i.e. 95% – of the households being served by a network with the data communication facility (as at 30 September 2007 the comparable figures were 261 thousand, 242 thousand and 93%, respectively). The most significant network investment in the first nine months of 2008 was the acquisition of cable networks from AS NOM. As a result, the coverage of Starman's network now includes Paldiski and Kohila; in addition, the market position was strengthened in Kristiine district in Tallinn, and in Kadrina. The acquisition of these out-of-date networks temporarily reduced the share of Starman's network with data communication capacity. However, the company started upgrading the networks right away. Part of the work has already been completed and all customers connected to this network will be able to use all the major telecommunication services offered by Starman already in the near future. As regards other major network investments, network expansion projects in Tallinn, particularly in the Kalamaja district, in Haapsalu and Võru as well as projects aimed at enhancement of the network's data communication capability and expansion of the state-of-the-art network in Kuressaare, Paide and Valga should be mentioned.

Investments in telephone modems and STBs are directly related to the growth in the number of customers. Investments in internet equipment primarily enhanced quality in the environment of ever growing data communication volumes.

Starman's balance sheet structure continues to be characterised by high capitalisation, a relatively low debt level and a sufficient liquidity. In the first nine months of 2008 mainly the company's own resources were used for financing. External funding increased by 12.7 million EEK, accounting for about 16% of the company's investments in non-current assets in the period. The high level of inventories as at 30 September 2008 is mainly due to the network investment projects to be launched in the near future and the STBs designated for the ZUUMtv offer included in the balance sheet of Eesti Digitaaltelevisiooni AS. Considering the delivery schedule of the STBs designated for the ZUUMtv offer and the anticipated market capacities for the new product, the level of these inventories will probably remain high also in the future.

Management's confirmation

The Group's management board confirms that the management report gives a true and fair view of the development, performance and financial position of the company and the Group and provides an overview of the main risks and uncertainties.

Peeter Kern	*Rändy Hütsi*	*Henri Treude*
Chairman of the Board	Member of the Board	Member of the Board

DECLARATION OF THE MANAGEMENT BOARD TO THE INTERIM REPORT OF THE GROUP FOR THE FIRST 9 MONTHS OF 2008

The management board hereby declares its responsibility for the preparation of the interim accounts as presented on pages 7 to 19 hereof and assures the following:

1. the accounting principles applied in the preparation of the consolidated interim accounts comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union;
2. the consolidated interim accounts give a true and fair view of the financial position of the company, as well as of the results of its operations and cash flows;
3. the Group and its parent company are a going concern.

Peeter Kern	*Randy Hütsi*	*Henri Treude*
Chairman of the Board	Member of the Board	Member of the Board

CONSOLIDATED INCOME STATEMENT

(in thousands of EEK)

	2008 9 months	2007 9 months	2008 Q3	2007 Q3	Notes
Revenue	257,419	205,543	91,176	69,635	2
Other income	1,931	1,437	673	483	3
Goods, raw materials and services	-98,900	-71,230	-36,013	-25,306	3
Other operating expenses	-31,998	-30,225	-11,459	-11,328	3
Personnel expenses	-44,037	-33,777	-15,389	-11,463	3
Depreciation, amortisation and impairments	-50,490	-42,032	-17,888	-14,740	
Other expenses	-286	-339	-69	-73	3
Operating profit	**33,639**	**29,377**	**11,031**	**7,208**	
Net financial items	-19,647	-4,165	-3,075	-1,521	4
Profit before income tax	**13,992**	**25,212**	**7,956**	**5,687**	
Income tax	0	-2,577	0	0	10
Net profit	**13,992**	**22,635**	**7,956**	**5,687**	
Minority interest	-11,426	-6,782	-3,824	-2,844	
Parent company's share of net profit	**25,418**	**29,417**	**11,780**	**8,531**	
Basic EPS (EEK)	1.95	2.25	0.90	0.65	13
Diluted EPS (EEK)	1.95	2.24	0.90	0.65	13

CONSOLIDATED BALANCE SHEET

(in thousands of EEK)

	30.09.2008	31.12.2007	Notes
ASSETS			
Current assets			
Cash	17,556	14,943	
Receivables	16,094	13,734	5
Prepayments	4,776	1,558	6
Inventories	27,805	28,685	
Total current assets	**66,231**	**58,920**	
Non-current assets			
Property, plant and equipment	377,286	347,333	
Intangible assets	1,195	975	
Total non-current assets	**378,481**	**348,308**	
TOTAL ASSETS	**444,712**	**407,228**	
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Current liabilities			
Borrowings	7,608	25,049	7
Payables	47,684	37,184	8
Prepayments	2,517	2,498	
Total current liabilities	**57,809**	**64,731**	
Non-current liabilities			
Long-term borrowings	136,492	106,388	7
Other long-term liabilities	4,616	4,305	9
Total non-current liabilities	**141,108**	**110,693**	
Total liabilities	**198,917**	**175,424**	
OWNERS' EQUITY			
Minority interest	**-6,780**	**4,647**	
Share capital	130,536	130,536	
Legal reserve	6,678	4,805	
Retained earnings	115,361	91,816	
Total owners' equity held by the shareholders of the parent company	**252,575**	**227,157**	
Total owners' equity	**245,795**	**231,804**	10
TOTAL LIABILITIES AND OWNERS' EQUITY	**444,712**	**407,228**	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of EEK)

	Owners' equity held by the shareholders of the parent company					
	Share capital	Legal reserve	Retained earnings	**Total**	**Minority interest**	**Total owners' equity**
31.12.2006	**130,536**	**2,607**	**65,684**	**198,827**	**3,252**	**202,079**
Contributions by minority shareholders	0	0	0	0	11,560	11,560
Dividends announced	0	0	-9,137	-9,137	0	-9,137
Transfers to legal reserve	0	2,198	-2,198	0	0	0
Net profit for the financial year	0	0	37,467	37,467	-10,165	27,302
31.12.2007	**130,536**	**4,805**	**91,816**	**227,157**	**4,647**	**231,804**
Transfers to legal reserve		1,873	-1,873	0	0	0
Profit for the accounting period	0	0	25,418	25,418	-11,426	13,992
30.09.2008	**130,536**	**6,678**	**115,361**	**252,575**	**-6,780**	**245,795**

For additional information on transfers to owners' equity, please see Note 10.

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of EEK)

	2008 9 months	2007 9 months
Cash flow from operating activities		
Net profit	13,992	22,635
Adjustments of net profit:		
Depreciation, amortisation and impairments	50,490	42,032
Gains on disposals and write-offs of non-current assets	-262	-177
Losses on disposals and write-offs of non-current assets	25	3
Interest income	-643	-343
Interest expenses	7,561	4,622
Allowance for doubtful receivables	1,675	832
Income tax on dividends	0	2,577
Change in current assets related to operating activities:		
Short-term receivables other than loans and interest	-7,253	-210
Change in inventories	1,109	-9,454
Change in liabilities and prepayments related to operating activities:		
Payables	10,499	3,663
Prepayments	331	502
Total cash flow from operating activities	**77,524**	**66,682**
Cash flow from investing activities		
Purchase of tangible and intangible assets	-73,673	-72,196
Proceeds from disposals of tangible and intangible assets	1,111	591
Interest received	643	343
Total cash flow from investing activities	**-71,919**	**-71,262**
Cash flow from financing activities		
Loan repayments	-563	-563
Repayment of finance lease principal	-22,026	-15,108
Interest paid	-7,561	-4,622
Proceeds from sale and leaseback transactions	27,158	23,059
Dividends paid	0	-9,137
Income tax on dividends paid	0	-2,577
Contributions by minority shareholders to owners’ equity	0	10,573
Total cash flow from financing activities	**-2,992**	**1,625**
TOTAL CASH FLOW	**2,613**	**-2,955**
Cash and cash equivalents at the beginning of the period	14,943	11,716
Change in cash and cash equivalents	2,613	-2,955
Cash and cash equivalents at the end of the period	**17,556**	**8,761**
Non-monetary transactions		
Non-current assets acquired under finance lease	**8,094**	**9,058**

NOTES TO THE INTERIM REPORT

Note 1 Accounting principles and bases of estimation used in the preparation of the interim report

This interim report has been prepared in accordance with the requirements for abbreviated interim reports, set forth in the International Accounting Standards (IAS 34: "Interim Financial Reporting"), and in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting principles used in the preparation of the interim report are the same as applied in the preparation of the Annual Report for the year ended on 31 December 2007.

According to the company's management, the interim report of AS Starman Group for the first nine months of 2008 gives a true and fair view of the results of the company's operations. This interim report has not been audited or otherwise reviewed by auditors. This interim report has been prepared in thousands of EEK.

Note 2 Revenue

AS Starman Group's revenue was fully generated on the Estonian market, and divided into the following fields of activity:

Fields of activity	2008 9 months	2007 9 months	2008 Q3	2007 Q3
Cable television services	112,330	95,505	37,808	31,974
Internet services	76,655	67,935	26,172	22,981
Telephony service	40,649	35,091	13,394	11,818
DTT service*	16,603	3,276	7,242	1,555
Sales of goods and materials	11,182	3,736	6,560	1,307
Total	**257,419**	**205,543**	**91,176**	**69,635**

* DTT – Digital Terrestrial Television

Note 3 Other income and expenses

	2008 9 months	2007 9 months	2008 Q3	2007 Q3
Other income				
Gains on disposals of non-current assets	262	177	74	25
Revenue from fines for delay	1,193	823	441	260
Revenue from revaluation of liabilities	298	300	92	154
Other	178	137	66	44
Total other income	**1,931**	**1,437**	**673**	**483**
Goods, raw materials and services				
Services purchased	-82,680	-64,800	-27,120	-23,265
Materials	-1,046	-1,245	-430	-367
Goods purchased for resale	-10,547	-2,958	-6,016	-1,105
Maintenance expenses	-3,300	-1,765	-1,983	-537
Other	-1,327	-462	-464	-32
Total goods, raw materials and services	**-98,900**	**-71,230**	**-36,013**	**-25,305**
Other operating expenses				
Consulting and advisory expenses	-722	-1,115	-205	-261
Marketing expenses	-13,781	-15,627	-5,166	-6,115
Customer information expenses	-4,817	-4,032	-1,689	-1,408
Office expenses	-3,933	-3,034	-1,389	-1,079
Allowance for doubtful receivables	-1,675	-832	-625	-334
Transportation expenses	-3,589	-2,508	-1,234	-852
Other	-3,481	-3,077	-1,151	-1,279
Total other operating expenses	**-31,998**	**-30,225**	**-11,459**	**-11,328**
Personnel expenses				
Wages and salaries	-32,967	-25,275	-11,526	-8,590
Social tax	-11,070	-8,502	-3,863	-2,873
Total personnel expenses	**-44,037**	**-33,777**	**-15,389**	**-11,463**
Other expenses				
Losses on disposals and write-offs of non-current assets	-25	-3	0	-3
Other	-261	-336	-69	-70
Total other expenses	**-286**	**-339**	**-69**	***-73***

Note 4 Net financial items

	2008 9 months	2007 9 months	2008 Q3	2007 Q3
Interest income and expenses	-6,918	-4,279	-3,159	-1,622
Foreign exchange gains/losses	288	174	90	108
Other financial income and expenses	-13,017	-60	-6	-7
Total net financial items	**-19,647**	**-4,165**	**-3,075**	**-1,521**

* "Other financial expenses" in the first nine months of 2008 include expenses in the amount of 12,970 thousand EEK incurred as a result of agreements signed on 19 June 2008 on the acquisition and cancellation of stock options of members of the management board.

Note 5 Receivables

	30.09.2008	31.12.2007
Accounts receivable	18,443	14,594
Allowance for doubtful receivables	-2,971	-1,565
Other short-term receivables	622	705
Total receivables	**16,094**	**13,734**

Note 6 Prepayments

	30.09.2008	31.12.2007
Prepaid taxes	0	303
Other prepayments	4,776	1,255
Total prepayments	**4,776**	**1,558**

Note 7 Borrowings

Short-term borrowings	**30.09.2008**	**31.12.2007**
Current portion of long-term bank loans	188	751
Current portion of finance lease liabilities	7,420	24,298
Total short-term borrowings	**7,608**	**25,049**
Long-term borrowings		
Non-current portion of long-term bank loans	2,244	2,244
Non-current portion of finance lease liabilities	134,248	104,144
Total long-term borrowings	**136,492**	**106,388**

Outstanding loans raised by the company as at 30 September 2008

Creditor	Loan amount	Loan balance	Monthly payment	Repayment term	Average interest rate	Collateral
Nordea Finance	1,404	844	27	2009	4.5%	Leased assets
Nordea Bank Finland Plc	6,500	2,432	77	2009	7.0%	Mortgage + commercial pledge
Nordea Finance	755	621	14	2010	5.2%	Leased assets
SEB Liising	1,807	1,379	36	2010	5.0%	Leased assets
Nordea Finance	120	117	3	2011	5.8%	Leased assets
SEB Liising	49,306	28,224	926	2011	6.0%	Leased assets
SEB Liising	1,444	974	26	2012	5.3%	Leased assets
Hansa Liising	5,427	4,141	103	2012	6.3%	Leased assets
SEB Liising	158,924	105,368	2,035	2013	5.9%	Leased assets+ commercial pledge
TOTAL	**225,687**	**144,100**	**3,247**			

Note 8 Payables

	30.09.2008	31.12.2007
Accounts payable	17,561	20,394
Taxes payable	7,340	6,716
Employee-related liabilities	6,035	4,853
Other payables	16,748	5,221
Total payables	**47,684**	**37,184**

* "Other payables" as at 30 September 2008 include payables to the members of the management board in the amount of 10,664 thousand EEK in connection with agreements signed on 19 June 2008 on the acquisition and cancellation of stock options.

Note 9 Other long-term liabilities

Other long-term liabilities comprise deferred income consisting of subscription fees, which are to be charged to income over a term of seven years. The long-term portion of said income is reported in this subsection. The short-term portion, which amounted to 171 thousand EEK as at 30 September 2008 (718 thousand EEK as at 31 December 2007), is reported as "Prepayments" in the balance sheet.

Note 10 Owners' equity

The company's share capital amounts to 130,535,700 EEK, divided into 13,053,570 registered shares with a nominal value of 10 EEK per share. The shares have been paid for in full.

In accordance with a resolution of the annual general meeting of shareholders held on 15 June 2007, approximately 20% of the net profit for the year 2006, i.e. 0.70 EEK per share, was paid to shareholders as net dividends on 6 July 2007. Starman paid 9,137 thousand EEK in net dividends, transferred 2,198 thousand EEK into the legal reserve and retained the rest of the net profit for

2006. Therefore, the retained earnings of the company amount to 54,349 thousand EEK. The announcement of dividends entailed an income tax liability of 2,577 thousand EEK.

In accordance with a resolution of the general meeting of shareholders held on 19 June 2008, Starman transferred 1,873 thousand EEK into the legal reserve and retained the rest of the net profit for 2007. Therefore, the retained earnings of the company amount to 89,943 thousand EEK.

On 21 September 2007, a conditional agreement on the transfer of 54.04% of all shares in Starman for a price of 89.97 EEK (5.75 EUR) per share was signed. Under this agreement, Baltic Moontech Investments Holding AS acquired a 54.04% holding in the company on 12 October 2007. On 29 October 2007, Baltic Moontech Holding launched a takeover bid for all of the shares in Starman not held by it. The bid period lapsed on 27 November 2007 and the sale transactions executed in the bid process were settled on 30 November 2007. As a result of the bid, Baltic Moontech Investments Holding acquired altogether 572,292 shares of Starman, representing 4.38% of the issued share capital of the company. Further, since the initial purchase of 54.04% Moontech has acquired altogether 878,834 shares of Starman, representing 6.73% of the company's share capital, in market transactions at a price of 89.97 EEK (5.75 EUR) per share.

As at 30 September 2008, interests in the company were divided as follows: Baltic Moontech Holding – 65.16%, Com Holding – 17.82%, Polaris Invest – 15.47%, and the remaining 253 shareholders – 1.55%.

On 7 October 2008, there was a change in the owners of a qualifying holding in Starman, as a result whereof major shareholdings in the company are divided as follows: Baltic Moontech Holding – 71.72%, Com Holding – 15.86%, and Polaris Invest – 10.87%.

Baltic Moontech Holding AS is, through different companies, under the control of a consortium of financial investors led by Bancroft Private Equity LLP. Bancroft Private Equity LLP is an international private equity firm based in London investing in Central and Eastern Europe and Turkey. Using an indirect approach, the interests in Baltic Moontech Holding AS can be divided as follows: Bancroft II, LP (whose fund manager is Bancroft Private Equity LLP) – 70.78%, Askembla Growth Fund – 17.06%, and GE Capital Equity Holdings Inc. – 12.16%.

Note 11 Related party transactions

For the purposes of this report, the following are considered related parties:

a) shareholders with significant influence and companies controlled by them;
b) management board and higher management, their close relatives and companies controlled by them.

Services were purchased from the following related parties during the accounting period:

	2008 9 months	2007 9 months	2008 Q3	2007 Q3
Companies related to members of Supervisory Board	0	565	0	182

As at 30 September 2008 and 31 December 2007, the company did not have any liabilities to related parties on account of these transactions.

According to the management board of the company, the prices used for the above transactions do not differ from the market prices.

Non-capitalized wages and salaries (incl. bonuses) of management board members in the first nine months of 2008 amounted to 5,498 thousand EEK (4,870 thousand EEK in the first nine months of 2007). Wages and salaries of supervisory board members in the first nine months of 2008 amounted to 68 thousand EEK (270 thousand EEK in the first nine months of 2007).

In relation to the changes in Starman's ownership structure as a result of the takeover bid, on 19 June 2008 the company entered into agreements with management board members for the acquisition and later cancellation of the share options held by them. Under the option contracts signed on 2 June 2005, the management board member were, subject to certain conditions, entitled to acquire a total of 600,000 shares in the company. Starman paid fringe benefit tax on the options as required by Estonian tax laws. According to the agreements, all management board members will sell all their options to AS Starman for a total price of 12,970 thousand EEK. The transfer agreements can be performed in parts and on different dates. After the transfer of the options, AS Starman shall take the necessary action for their cancellation.

As at 30 September 2008, Starman's outstanding liabilities on account of the above transaction amounted to 10,664 thousand EEK. The company is bound to pay interest on the outstanding amount. Interest payable in relation to the transaction amounted to 292 thousand EEK in the first nine months of 2008, 288 thousand EEK whereof is still outstanding (included in the figure of outstanding liabilities specified above).

Note 12 Subsidiary company

On 20 September 2006, AS Starman and AS Levira founded Eesti Digitaaltelevisiooni AS, the principal activity of which is to supply digital terrestrial television services in Estonia. The services related to marketing and customer service are supplied to Eesti Digitaaltelevisiooni AS by AS Starman and the transmission service by AS Levira. The products are being sold under the ZUUM trademark held by Starman.

66% of the shares in Eesti Digitaaltelevisiooni AS are held by Starman and 34% by Levira. According to the agreement, the shareholders will contribute pro rata with their shareholdings up to 46 million EEK to the company's equity. In the case of a need for additional financing the funds are to be provided by Starman and the shareholders would retain their current interest in profits and votes.

On 1 July 2008, AS Levira used its right to exercise the put option under the shareholders' agreement signed between the parties. According to the share purchase agreement signed on 14 July 2008, Starman has agreed to pay 40,258 thousand EEK for the 34% shareholding. The purchase price may be paid in instalments, but Starman will become the owner of the shares after the entire purchase price has been paid. Interest will be calculated on the outstanding purchase price after 31 July 2008. The interest will have to be paid on a monthly basis or along with the total purchase price if the latter is paid before the date of payment of interest. As at 30 September 2008, AS Starman had not made any payments to Levira for the shares other than an interest payment in the sum of 848 thousand EEK. Starman's management board had expected that the option would be exercised much later. The management board considers the earlier exercise of the option to be a positive development, as Starman will have to pay less for the holding than expected.

As at 30 September 2008, the owners' contribution to the equity of the company amounted to 46 million EEK. In addition, Starman has made a loan to the company. As at 30 September 2008, the loan balance amounted to 56,391 thousand EEK, 36,800 thousand EEK whereof is, under the loan agreements concluded on 25 April 2008 and 15 August 2008, a convertible loan which will be converted to share capital at the company's first request. The loss of Eesti Digitaaltelevisiooni AS for the first nine months of 2008 amounted to 33,607 thousand EEK, the balance sheet total at the end of 30 September 2008 was 41,787 thousand EEK and owners' equity was -19,941 thousand EEK.

Note 13 Earnings per share

	2008 9 months	2007 9 months	2008 Q3	2007 Q3
Shareholders' share of net profit (thousand EEK)	25,418	29,417	11,780	8,531
Weighted average number of shares (thousands of units)	13,054	13,054	13,054	13,054
Basic EPS (EEK)	**1.95**	**2.25**	**0.90**	**0.65**
Shareholders' share of net profit (thousand EEK)	25,418	29,417	11,780	8,531
Weighted average number of shares (thousands of units)	13,054	13,054	13,054	13,054
Dilutive effect of options (thousands of units)*	0	104	0	104
Weighted average number of shares adjusted with options (thousands of units)	13,054	13,158	13,054	13,158
Diluted EPS (EEK)	**1.95**	**2.24**	**0.90**	**0.65**

* The dilutive effect of options in the first nine months of 2007 and in the third quarter has been calculated as follows: 200,040 * (89.97 – 65.56) / 89.97 + 199,980 * (89.97 – 67.59) / 89.97 = 104,006 shares; incl. 200,040 = number of contingently issuable shares of A series having dilutive effect, 199,980 = number of contingently issuable shares of B series having dilutive effect, 89.97 = market value of shares as at 30 September 2007, 65.56 = share price upon exercise of option in case of A series, 67.59 = share price upon exercise of option in case of B series. All conditions necessary for the exercise of the options of A and B series were met during the period under review.

* As a result of the agreement signed on 19 June 2008 and the inclusion of the purchase of options in the results of the first nine months and the third quarter of 2008, the option shares had no dilutive effect in these periods.

Note 14 Pending disputes and legal actions

On 16 January 2006, AS Starman lodged a complaint with the Competition Board and the Communications Board by which it contested the plan of Elion Ettevõtted AS to raise, from 1 February 2006, rental charges payable for the use of communication ducts. The planned price increase for objects already leased out amounted to 32%. In the case of network expansion and renovation, however, the planned price increase was as much as 400%, plus subscription fee that has not been charged before. Starman's position is that the activity of Elion Ettevõtted AS is unlawful and incompatible with the Telecommunications Act, Competition Act, and several other legal acts. Starman's expenses on the rental of communication ducts amounted to nearly 7.4 million EEK in 2005. As from February 2006, the company's expenses include the price increase proposed by Elion for the existing sites; in addition, the proposed price increase for the existing sites has been applied to network renovation and expansion on several occasions. The company has carried out expansion or renovation of the cable network on the basis of the proposed new charges only where inevitable and to a marginal extent. In January 2008, Elion Ettevõtted AS reduced the rental charges payable for the use of communication ducts. The rental charges were reduced to a level which is even lower than that effective before the price increase on 1 February 2006; the subscription fee was abolished, as well. The consequences of the dispute for the company's financial results are still unclear. Starman has raised a claim against Elion Ettevõtted AS concerning the rental charges unlawfully collected from 1 February 2006 until 31 December 2007. As at 30 September 2008, the amount of the claim was 7,036 thousand EEK (incl. the principal claim of 5,974 thousand EEK and 1,062 thousand EEK in accruing interest). Starman was forced to pay these charges as otherwise the continuity of services offered to customers would have been jeopardised. The advanced prices were earlier recorded as expenses based on the prudence concept.

On 7 April 2006, AS Starman filed a statement of claim with Harju County Court against AS Telset for recognition of the right of ownership and reclamation of things from illegal possession. The action for 1,534 thousand EEK relates to the assets which should have been included in the assets of AS Telset Telecommunications Group, a subsidiary acquired by Starman from Tele 2 OÜ in June 2004. The assets being reclaimed should have been transferred from AS Telset to Tele 2 Group when Tallinna Kaabeltelevisiooni AS, which was a subsidiary of Tele 2 Group at that time, acquired 100% of the shares in Telset Telecommunications Group. By its ruling of 10 April 2006, Harju County Court prohibited all transactions of AS Telset with these assets. In March 2007 Telset transferred to Starman a part of the assets being claimed, reducing the initial value of the action by 294 thousand EEK. During the period from October 2006 to October 2008 five court sessions have been held, but the merits of the matter have been considered only to a minimum extent. While in the past court sessions have been postponed on a number of occasions due to different objections raised by the defendant and changing positions of the defendant, now the sessions have been held as planned; the sixth session, which could result in an actual judgment given by the court, is scheduled for November this year. Expenses relating to the action amount to less than 200 thousand EEK at the moment.

SIGNATURES OF THE MANAGEMENT BOARD TO THE INTERIM REPORT OF THE GROUP FOR THE FIRST 9 MONTHS OF 2008

Peeter Kern	*Randy Hütsi*	*Henri Treude*
Chairman of the Board	Member of the Board	Member of the Board