

Eesti**Telekom**

*Consolidated
Interim Report of
AS Eesti Telekom
I Quarter 2008*

23 April 2008

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT

<i>Beginning of the financial year</i>	1 January 2008
<i>End of the reporting period</i>	31 March 2008
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<i>Field of activity</i>	Activities of holding company
<i>Auditor</i>	AS PricewaterhouseCoopers

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MANAGEMENT REPORT

In the given economic situation, 2008 first quarter results for Eesti Telekom Group were gladdening for the strong increase in EBITDA and EBIT. Despite the significant reduction in interconnection fees between mobile operators at the end of 2007, the mobile communications services segment was able to maintain its sales revenues compared to the same period last year. Both mobile data revenues and number of users showed strong growth. The broadband services segment has seen continued growth in the number of permanent Internet connections and the users of triple packages. Several important tenders were won by the IT services segment.

Significant financial indicators

Eesti Telekom Group			
	Q1 2008	Q1 2007	Change, %
Total revenues, million EUR	94.9	95.6	-0.8
EBITDA, million EUR	36.8	34.6	6.3
Margin, %	38.8	36.2	
EBIT, million EUR	27.9	27.1	2.8
Margin, %	29.4	28.4	
EBT, million EUR	28.9	28.1	2.8
Net profit for the period, million EUR	28.9	28.1	2.8
EPS, EUR	0.21	0.20	2.9
CAPEX, million EUR	7.6	7.5	1.5
Net gearing, %	-29.5	-35.6	
ROA, %	31.2	29.6	
ROE, %	43.0	44.0	

Mobile communications segment			
	Q1 2008	Q1 2007	Change, %
Total revenues, million EUR	55.9	55.2	1.3
EBITDA, million EUR	21.0	21.1	-0.2
Margin, %	37.6	38.2	
EBIT, million EUR	17.0	17.8	-4.5
Margin, %	30.4	32.3	
EBT, million EUR	17.4	18.3	-4.7
Net profit for the period, million EUR	17.4	18.3	-4.7
CAPEX, million EUR	3.7	3.1	17.9
ROA, %	44.5	47.7	
ROE, %	75.4	78.7	

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	Q1 2008	Q1 2007	Change, %
Total revenues, million EUR	48.8	44.6	9.5
EBITDA, million EUR	15.8	13.7	14.7
Margin, %	32.3	30.8	
EBIT, million EUR	11.3	9.9	13.9
Margin, %	23.1	22.2	
EBT, million EUR	11.3	9.8	15.7
Net profit for the period, million EUR	11.3	9.8	15.7
CAPEX, million EUR	3.6	4.1	-12.3
ROA, %	24.3	20.2	
ROE, %	39.1	31.4	

IT services segment

	Q1 2008	Q1 2007	Change, %
Total revenues, million EUR	5.1	6.9	-26.6
EBITDA, million EUR	0.2	0.1	100.9
Margin, %	4.9	1.8	
EBIT, million EUR	-0.1	-0.2	-19.5
Margin, %	-2.9	-2.6	
EBT, million EUR	-0.2	0.0	N/A
Net profit for the period, million EUR	-0.2	0.0	N/A
CAPEX, million EUR	0.4	0.3	19.8
ROA, %	2.5	5.6	
ROE, %	4.0	6.6	

Sales revenues, operating costs, and profit

The results of the Eesti Telekom Group for the first quarter of 2008 corresponded to the expectations of the management board. The sales revenues of the Group in the first quarter of 2008 reached 94.9 million EUR (1st quarter 2007: 95.6 million EUR), and is primarily affected by the reduction in interconnection fees (as of 5th of November 2007 the state regulator fixed the interconnection fee in mobile phone networks at 0.11 EUR instead of the former 0.16 EUR).

In the mobile communications services segment, the consolidated **turnover** reached 55.9 million EUR, increasing by 1% compared to the same period on 2007 (1st quarter 2007: 55.2 million EUR). The modest growth was caused by the reduction in interconnection revenues resulting from the decrease in interconnection prices, which was compensated on the principal activity side by the growth of the number call minutes for calls initiated from and completed in the network, the growth of mobile data communications and the growth of the volume of subcontracting services.

Compared to a year ago, the number of contractual clients had increased by 36 thousand, reaching 473 thousand by the first quarter of 2008, while, at the same time, the number of active users of pre-paid cards decreased by 47 thousand to 278 thousand users by the end of the first quarter. As opposed to the previous year, an aggressive client recruitment campaign did not take place in the first quarter of 2008 to find new card users. EMT assesses its market share of active SIM cards as 47%. The estimated penetration of active cards in Estonia is 118%.

The increase in revenues was most affected by the increase in the number of call minutes initiated by EMT clients, which, in the first quarter of 2008, increased by 3% compared to the same period in 2007.

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Pursuant to the resolution of the Communications Board dated 21 March 2006, the termination fee for voice calls in the mobile phone networks (interconnection fee) for AS EMT, Elisa Eesti AS and Tele2 Eesti AS for the period 1 July 2006 to 30 June 2007 was fixed at 0.13 EUR per minute, and pursuant to the resolutions of the Communications Board dated 20 June and 22 June 2007, was fixed at 0.11 EUR for the period 1 July 2007 to 30 June 2008. Since Elisa Eesti AS and Tele2 Eesti AS disputed the decisions in court, and in the course of provisional legal protection, the validity of the aforementioned administrative act was suspended, the interconnection fees of all three mobile operators remained at 0.16 EUR until 5 November 2007. On 5 November 2007, the ruling of the Tallinn Circuit Court came into force, whereby the provisional legal protection was cancelled and all three mobile operators were obligated to apply interconnection fees of 0.11 EUR. Litigation by Elisa Eesti AS and Tele2 with the Communications Board are continuing, and EMT is participating in the litigation as a third party.

With its resolution of 25 March 2008, the Competition Board, which is the legal successor to the Communications Board, established a fee of 0.09 EUR per minute for the termination of voice calls in mobile phone networks for the period 1 July 2008 - 30 June 2009.

The revenues received from mobile Internet continued to show very rapid growth. In the first quarter of this year, EMT revenues from mobile data communications exceeded the revenues for the same period in 2007 by more than 60%. At the same time, the transmitted data volumes increased tenfold. In March 2008, the number of EMT mobile data communications users was 160 thousand, or 55 thousand more users than a year ago. The increase in the popularity of mobile data communications is caused, on the one hand, by the introduction of new data communications packages based on monthly fees in the summer of 2007, and on the other hand, by the dynamic expansion of the 3G coverage area, which allows the clients to use high-quality and high-speed data communications at conveniently controllable prices. The rapid development, especially in the private segment, has been accompanied by an EMT Internet startup package, which includes a free high-speed 3.5G modem for loyal customers signing up for the EMT Internet 399 package. 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.

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. Therefore, the revenues received from roaming clients have decreased by 20%.

The revenues for the mobile communications services segment from retailing and wholesaling telecommunications merchandise increased in the first quarter of 2008 compared to the same period in 2007 thanks primarily to a wider range of available merchandise.

The sales revenues for the broadband services segment increased by 10% compared to the same period last year, reaching 48.8 million EUR (1st quarter 2007: 44.6 million EUR). The greatest increase was demonstrated by domestic interconnection services, which increased by 73% during the year. The growth was primarily based on the increases in call transit volumes from the networks of fixed network. Revenues from international call services increased by 27% compared to 2007, primarily as a result of an increase in the number of calls initiated from mobile networks.

Similarly to previous quarters, the trend in broadband services, whereby clients are replacing individual services with packages of integrated services, continued in the last quarter. Compared to last year, the broadband services segment revenues from connection fees for integrated services grew by 35%. The number of triple package users increased by 5,100, reaching 58.6 thousand as of 31 March (31 March 2007: 29.8 thousand). At the end of the first quarter, Elion had 63.2 thousand IP and cable TV clients (31 March 2007: 32.4 thousand). The popularity of the triple package has been significantly enhanced by the offering of supplemental services. Since the introduction of the remote video rental service last year, the selection of available films, TV series and programs has constantly expanded.

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In the first quarter, the total number of Elion clients with permanent Internet connections increased by 4,400 connections, reaching 167.5 thousand by the end of March (31 March 2007: 148 thousand). The company assesses its market share based on clients with permanent connections to be 55%. In addition to the sale of integrated solutions, the growth of permanent connections is based on the WiMax base stations that were completed in Võru, Pärnu and Rapla Counties in February in the course of the Külatee 3 continuation project.

Based on the significant ratio of the increase in the volume and revenues from integrated solutions, the revenues from monthly fees for call connections and Internet connections fell by 10% and 14% respectively.

In the first quarter, the call revenues of the broadband services segment increased by 10% compared to the same period in 2007. As mentioned above, the growth resulted primarily from an increase in the volume of domestic call transit and international calls initiated from mobile networks. At the same time, the call revenues earned from end consumers in the last quarter continued to decrease. Compared to the same period in 2007, the revenues earned from domestic call services decreased by 10.5% due to a reduction in minute volumes.

Elion assesses its market share for call minutes initiated in the fixed network to be 81% (March 2007: 83%). The market share for local call minutes is 82.9 % (March 2007: 84%), 66.4 % for international call minutes (March 2007: 65%) and 71.2% for call minutes made to mobile phones (March 2007: 69%).

By the end of the first quarter, the number of Elion's active call interfaces reached 470 thousand (31 March 2007: 465 thousand interfaces). The increase in call interfaces is primarily based on the constant energetic activities directed at keeping existing clients and finding new ones. In March, Elion started providing Private Client VoIP call services, which are based on WiMax wireless Internet connections. In order to use VoIP call services, clients must acquire IP-telephones or IP-adapters to connect an ordinary phones.

As a result of the general cooling of the Estonian economy, the retail sales of broadband services segment telecommunications and IT merchandise decreased in the first quarter by 4% compared to last year.

Sales revenues for the IT services segment reached 5.1 million EUR in the first quarter of 2008 (1st quarter 2007: 6.9 million EUR). Whereas the sales revenues of the IT services segment increased by 17% and the sales revenues for IT merchandise was 52% less than for the same period last year. The latter is caused by the fact that in the 1st quarter of 2007, MicroLink Eesti ordered and installed the base infrastructure solution necessary for the Schengen information system, which comprised a noteworthy part of the hardware and software sales revenues for the given period.

The greatest impact on the sales results for infrastructure solutions in the first quarter of this year was caused by a significant reduction in announced public procurements compared to the first quarter of 2007, and the postponement of the order of workstation computers for the Ministry of Justice into the second half of the year.

The most important procurements won in the first quarter included servers for the Health Insurance Fund and the Ministry of Defense, the disk array for the e-health project, and the expansion of Eesti Energia's existing disk array.

In the IT services segment, the growth of sales revenues took place as anticipated based on the increase of ongoing services. The most important contracts concluded during the first quarter included the maintenance of Empower Eesti's central system and workstation computers, the hosting of the URRAM information system of the Ministry of Culture, and the hosting of the information system of the Estonian Private Forest Union.

The most important keyword during the first quarter in project business was continuation of the work on the e-health project. The project will be completed in June of this year.

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MicroLink Eesti also won two important document management procurements - Estonian Post and the Tallinn City Government - the results of which will be reflected in subsequent periods.

The operating costs of the Eesti Telekom Group decreased by 5% in the first quarter of 2008 compared to the same period in 2007, reaching 58.3 million EUR (1st quarter 2007: 61.1 million EUR).

The operating costs in the mobile communications services segment increased by 2% compared to the first quarter of 2007 reaching 34.9 million EUR (1st quarter 2007: 34.2 million EUR). The largest increases are in the operating costs related to retailing and wholesaling, which have increased in connection with the growth of trade sales turnovers.

The operating costs in the broadband services segment increased by 8% compared to the same period last year, reaching 33.2 million EUR (1st quarter 2007: 30.8 million EUR). More than half the increase in operating costs resulted from the growth of direct sales costs based on increased volumes of international call services and domestic interconnection services. The second principal growth factor that is related to operating costs was personnel costs, which increased by 13.1% compared to the previous year. At the same time, the direct sales costs related to domestic call services fell by 38% due to the reduction in call volumes.

The operating costs in the IT services segment decreased in the first quarter by 29%, reaching 4.8 million EUR (1st quarter 2007: 6.8 million EUR).

The Eesti Telekom Group EBITDA in the first quarter of 2008 reached 36.8 million EUR, which is 6% more than in the first quarter of 2007 (1st quarter 2007: 34.6 million EUR). EBITDA in the mobile communications services segment remained in the first quarter at the same level as at the same period in 2007. EBITDA in the broadband services segment increased by 15% and the corresponding indicator in the IT services segment increased approximately twice. The Group's EBITDA margin in the first quarter of 2007 was 39%, which is slightly higher than the corresponding period in 2007.

The Group's depreciation cost reached 8.9 million EUR in the first quarter of 2008, increasing by 19% compared to the same period in 2007 (1st quarter 2007: 7.5 million EUR).

In the first quarter, the **Eesti Telekom Group** earned an **EBIT** of 27.9 million EUR, which is 3% more than in the first quarter of 2007 (1st quarter 2007: 27.1 million EUR). The Group's **(net) financial revenues** increased by 14% in the first quarter and reached 1.1 million EUR (1st quarter 2007: 1.0 million EUR).

In the first quarter of 2008, the **Eesti Telekom Group net profit** was 28.9 million EUR (1st quarter 2007: 28.1 million EUR). The profit per share was 0.21 EUR (1st quarter 2007: 0.20 EUR).

Balance sheet and cash flows

As of 31 March 2008, the Eesti Telekom Group balance sheet totaled 341.4 million EUR (31 December 2007: 321.0 million EUR). Compared to the beginning of the year, fixed assets have decreased by 1.5 million EUR, thereby bringing the depreciated value at the end of the first quarter to 174.2 million EUR. In three months, the Group's current assets have increased by 21.9 million EUR, reaching 167.2 million EUR by the end of March (31 December 2007: 145.3 million EUR). The depreciated value of cash and cash equivalents as well as short-term financial investments has increased by 20.5 million EUR, reaching 90.2 million EUR by the end of the period. The increase is caused by a strong positive cash flow from operations in the first quarter.

As of 31 March 2008, the Eesti Telekom Group equity was 304.6 million EUR, which is 28.9 million EUR more than at the end of 2007 (31 December 2007: 275.7 million EUR). The increase in equity is based on first quarter profit. The Group's long-term obligations of 1.6 million EUR remained at the same level as at the end of the year (31 December 2007: 1.6 million EUR). The short-term obligations decreased by 8.4 million EUR to 35.2 million EUR (31 December 2007: 43.7 million EUR). The decrease is caused by a reduction of indebtedness to suppliers in the mobile communications and broadband services segments. The net debt of

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the Eesti Telekom Group at the end of the first quarter was -90.0 million EUR and the net debt to equity ratio was -30% (31 December 2007: -69.5 million EUR and -25%).

The Eesti Telekom Group three-month cash flow from operations was 28.6 million EUR (3 months of 2007: 22.9 million EUR). The Group's cash flow from investments was 35.2 million EUR (3 months of 2007: 50.0 million EUR). The cash flow into tangible and intangible fixed assets in the first three months was 7.6 million EUR (3 months of 2007: 7.5 million EUR). This year, the mobile communications services segment has invested 3.7 million EUR in three months (3 months of 2007: 3.1 million EUR). In mobile communications, in addition to the constant development of the GSM network, a large development field was the implementation of technologies supporting high-speed data communications. In the first quarter, the project for implementing EDGE data communications in all GSM base stations was completed. Therefore, EDGE with speeds of up to 200 kbit per second can currently be used in all EMT GSM coverage areas. During the three months of 2008, the investments in the broadband services segment reached 3.6 million EUR (3 months of 2007: 4.1 million EUR). The principal part of the investments continued to be directed at improving the quality of services, developing network resources, and improving the availability of permanent Internet connections and DigiTV. At the beginning of March, Elion's international network node in Amsterdam was completed, which was created based on a need to increase the reliability of connections with London and Frankfurt. The establishment of the Amsterdam network node allows Elion to better distribute network traffic among various foreign connections and to provide clients with increasingly rapid access to various Internet networks. The new network node enables an Elion call communications network to be developed. Elion already had international network nodes in London, Frankfurt, Helsinki (two), Riga (two), Vilnius, St. Petersburg, and Moscow. In the first quarter of 2008, similarly to the same period of last year, the IT services segment invested 0.4 million EUR primarily for the expansion of the infrastructure necessary for the provision of services.

The Eesti Telekom Group cash flow from financing activities in the first three months was 0.04 million EUR (1st quarter 2007: 0.03 million EUR).

Ownership structure of AS Eesti Telekom

In the first quarter of 2008, the majority shareholder, TeliaSonera AB (through its subsidiary Baltic Tele AB) increased its share in AS Eesti Telekom. TeliaSonera acquired an additional 1,197,400 AS Eesti Telekom shares, thereby increasing its participation to 60.12%.

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 first quarter, the ratio of freely traded shares was 12.7% of the total number of shares. Of these, 19.81% were converted into GDRs trades on the London Stock Exchange.

As of 31 March 2008, the 10 largest shareholders in AS Eesti Telekom were:

	Number of securities	Participation
Baltic Tele AB	82,936,299	60.12%
Ministry of Finance / State Treasury	33,346,464	24.17%
Estonian Development Fund	4,138,636	3.00%
Deutsche Bank Trust Company (GDR accounts)	3,472,509	2.52%
ING Luxembourg S.A.	1,818,330	1.32%
Danske Bank clients	1,367,436	0.99%
Skandinaviska Enskilda Banken AB clients	1,311,850	0.95%
Bank Austria Creditanstalt AG clients	1,028,730	0.75%
Clearstream Banking Luxembourg clients	601,149	0.44%
Skandinaviska Enskilda Banken finnish clients	352,956	0.26%

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Shareholders' general meeting

The regular general meeting of AS Eesti Telekom shareholders will take place on 22 May 2008 at 12 pm in Tallinn at Valge 16. Starting on 28 April 2008, the 2007 annual report and draft resolutions for the general meeting will be available on the Internet at <http://www.telekom.ee> and at Eesti Telekom at Valge 16, Tallinn on workdays from 10 am to 2 pm. Questions related to the general meeting can be submitted through the AS Eesti Telekom website, by telephone at 6 311 212, or by e-mail to mailbox@telekom.ee.

Dividends

The Management Board of AS Eesti Telekom will make a proposal at the shareholders' general meeting to distribute and pay out 92.6 million EUR or 0.67 EUR per share as dividends, based on the number of dividend-paying shares, or 137,954,528 shares.

In 2007, 83.8 million EUR was distributed as dividends among the shareholders, or 0.61 EUR per share.

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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In million of EUR

	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08
Sales	95.6	101.1	103.1	100.3	94.9
OPEX	(61.1)	(63.5)	(63.4)	(64.2)	(58.3)
Other revenue/expenses, net	0.1	0.1	0.5	0.7	0.3
EBITDA	34.6	37.7	40.2	36.8	36.8
Depreciation and amortisation	(7.5)	(7.9)	(7.9)	(8.4)	(8.9)
EBIT	27.1	30.8	33.3	28.4	27.9
Income / expenses from associates	0.0	(0.1)	0.0	(0.1)	(0.1)
Other net financing items	1.0	0.9	0.4	0.8	1.1
Profit before tax	28.1	30.6	32.7	29.1	28.9
Income tax on dividends	0.0	(23.7)	0.0	0.0	0.0
Net profit for the period	28.1	6.9	32.7	29.1	28.9
Minority interest	0.1	0.1	0.1	0.1	0.1
EBITDA margin, %	36.22%	37.31%	38.91%	36.72%	38.83%
EBIT margin, %	28.36%	29.55%	31.24%	28.26%	29.37%
Net margin, %	29.38%	6.83%	31.55%	28.98%	30.45%
Total assets	330.7	280.7	288.1	321.0	341.4
- Non-current assets	152.7	156.8	162.1	175.7	174.2
- Current assets	178.0	123.9	126.0	145.3	167.2
- Cash and cash equivalents and short-term investments	104.0	50.2	49.9	69.7	90.2
Equity and liabilities	330.7	280.7	288.1	321.0	341.4
- Equity	291.0	214.2	246.7	275.7	304.6
- Provisions	2.2	1.4	1.4	2.1	2.0
- Non-current liabilities	0.5	0.7	0.3	0.1	0.1
- Interest-bearing borrowings	0.2	0.1	0.1	0.1	0.1
- Current liabilities	37.1	64.4	39.7	43.1	34.7
- Interest-bearing borrowings	0.2	0.1	0.1	0.2	0.2

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CONSOLIDATED INCOME STATEMENT

In thousand of EUR

	Notes	I Quarter 2008	I Quarter 2007	2007
Net sales	2.1, 2.3	94,857	95,645	400,151
Cost of production	2.1	(53,078)	(54,400)	(226,426)
Gross profit		41,779	41,245	173,725
Sales, administrative, and research & development expenses	2.1	(14,187)	(14,250)	(57,521)
Other operating revenues	2.1	402	200	1,797
Other operating expenses	2.1	(99)	(67)	(404)
Operating profit		27,895	27,128	117,597
Finance income		1,134	1,001	3,108
Finance costs	2.1	(37)	(35)	(150)
Finance income, net		1,097	966	2,958
Net income / (expenses) from associated companies	2.1	(107)	13	(244)
Profit before tax		28,885	28,107	120,311
Income tax on dividends		-	-	(23,705)
Net profit for the period	2.1	28,885	28,107	96,606
Attributable to:				
Equity holders of the parent	2.1	28,803	27,999	96,194
Minority interest	2.1	82	108	412
		28,885	28,107	96,606
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		0.21	0.20	0.70
Diluted earnings per share		0.21	0.20	0.70
EBITDA	2.1	36,837	34,646	149,315
Depreciation, amortization and write-downs	2.1	(8,942)	(7,518)	(31,718)

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CONSOLIDATED BALANCE SHEET

In thousand of EUR

	Notes	31 March 2008	31 December 2007	31 March 2007
ASSETS				
Non-current assets				
Property, plant and equipment	3	152,879	153,715	131,090
Intangible fixed assets	3	13,179	13,807	13,201
Investments in associates	2.2, 5	750	858	1,115
Other financial fixed assets		7,418	7,352	7,336
Total non-current assets	2.2	174,226	175,732	152,742
Current assets				
Assets classified as held-for-sale		208	111	68
Inventories	6	11,811	11,989	8,690
Trade and other receivables		64,983	63,460	65,243
Short-term investments		1,101	44,357	10,429
Cash and cash equivalents		89,085	25,359	93,567
Total current assets	2.2	167,188	145,276	177,997
TOTAL ASSETS	2.2	341,414	321,008	330,739
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		155,265	59,071	142,832
Net profit for the period		28,803	96,194	27,999
Total capital and reserves attributable to equity holders of the parent	2.2	303,807	275,004	290,570
Minority interest	2.2	815	733	429
Total equity		304,622	275,737	290,999
Non-current liabilities				
Interest bearing loans and borrowings	8	48	85	164
Retirement benefit obligations	9	192	208	495
Provisions	10	1,338	1,321	1,281
Non-interest bearing liabilities		-	-	330
Total non-current liabilities	2.2	1,578	1,614	2,270
Current liabilities				
Trade and other payables		34,571	42,885	36,907
Interest bearing loans and borrowings	8	164	178	165
Retirement benefit obligations		310	308	55
Provisions	10	169	286	343
Total current liabilities	2.2	35,214	43,657	37,470
Total liabilities		36,792	45,271	39,740
TOTAL EQUITY AND LIABILITIES	2.2	341,414	321,008	330,739

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CONSOLIDATED CASH FLOW STATEMENT

In thousand of EUR

	Notes	I Quarter 2008	I Quarter 2007
Operating activities			
Net profit for the period		28,885	28,107
Adjustments for:			
Depreciation, amortisation and impairment of fixed and intangible assets	3	8,942	7,518
(Profit) / loss from sales and discards of fixed assets		(189)	(1)
Net (income) / expenses from associated companies		107	(13)
Provisions		(117)	(123)
Financial items		(1,633)	(1,363)
Miscellaneous non-cash items		4	(20)
Cash flow before change in working capital		35,999	34,105
Change in current receivables		297	(7,854)
Change in inventories		(262)	427
Change in current liabilities		(8,406)	(4,762)
Change in working capital		(8,371)	(12,189)
Cash flow after changes in working capital		27,628	21,916
Interest received		1,052	1,010
Interest paid		(94)	(21)
Cash flow from operating activities	2.2	28,586	22,905
Investing activities			
Intangible and tangible fixed assets acquired	3	(7,593)	(7,482)
Intangible and tangible fixed assets divested		207	8
Net change in interest-receivables short maturities		43,257	57,623
Net cash changes of other long-term receivables		(703)	(190)
Cash flow from investing activities	2.2	35,168	49,959
Cash flow before financing activities		63,754	72,864
Financing activities			
Repayment of finance lease liabilities	8	(38)	(29)
Cash flow used in financing activities	2.2	(38)	(29)
Cash flow for the year	2.2	63,716	72,835
Cash and cash equivalents at beginning of year	2.2	25,359	20,733
Cash flow for the year	2.2	63,716	72,835
Effect of foreign exchange rate changes	2.2	10	(1)
Cash and cash equivalents at end of period	2.2	89,085	93,567

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 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 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)	-	-	-
Net profit for the period	-	-	-	-	27,999	27,999	108	28,107
31 March 2007	88,169	22,753	8,817	142,832	27,999	290,570	429	290,999
31 December 2007	88,169	22,753	8,817	59,071	96,194	275,004	733	275,737
Net profit for the 2007 transferred to retained earnings	-	-	-	96,194	(96,194)	-	-	-
Net profit for the period	-	-	-	-	28,803	28,803	82	28,885
31 March 2008	88,169	22,753	8,817	155,265	28,803	303,807	815	304,622

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT**NOTES TO FINANCIAL STATEMENTS**

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

The consolidated interim financial statements for the first quarter period ending 31 March 2008 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 2007.

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 22 April 2008.

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, EMT Esindused AS, 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 company belonging to this business segment is AS MicroLink Eesti. Also AS MicroLink belonged up to 30 June 2007 to this business segment. From 1st of July 2007 AS MicroLink 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 I QUARTER 2008 INTERIM REPORT

NOTES TO FINANCIAL STATEMENTS

2.1 Primary reporting format – business segments

In thousand of EUR

	Mobile telecommunications		Broadband services		Managed IT-services		Other activities		Eliminations		Consolidated	
	I Quarter 2008	I Quarter 2007	I Quarter 2008	I Quarter 2007	I Quarter 2008	I Quarter 2007	I Quarter 2008	I Quarter 2007	I Quarter 2008	I Quarter 2007	I Quarter 2008	I Quarter 2007
Net sales	47,080	49,173	44,217	41,209	3,560	5,263	-	-	-	-	94,857	95,645
Inter-segment net sales	8,793	5,981	4,600	3,365	1,498	1,631	291	-	(15,182)	(10,977)	-	-
Cost of production	(29,685)	(30,474)	(21,228)	(19,488)	(2,225)	(4,438)	-	-	60	-	(53,078)	(54,400)
Inter-segment cost of production	(4,303)	(3,173)	(9,278)	(7,017)	(337)	(269)	-	-	13,918	10,459	-	-
Gross profit	21,885	21,507	18,311	18,069	2,496	2,187	291	-	(1,204)	(518)	41,779	41,245
Sales, administrative and research & development	(4,643)	(3,669)	(6,406)	(7,878)	(2,563)	(2,324)	(491)	(295)	(84)	(84)	(14,187)	(14,250)
Inter-segment sales, administrative and research & development	(336)	(150)	(824)	(309)	(98)	(53)	(6)	(6)	1 264	518	-	-
Other operating revenues	191	186	191	3	20	11	-	-	-	-	402	200
Other operating expenses	(86)	(63)	(12)	(3)	-	(1)	(1)	-	-	-	(99)	(67)
Operating profit / (loss)	17,011	17,811	11,260	9,882	(145)	(180)	(207)	(301)	(24)	(84)	27,895	27,128
Other finance income, net	474	470	123	(83)	(20)	196	520	383	-	-	1,097	966
Income / (expenses) from subsidiaries and associated	(56)	15	(51)	(2)	-	-	-	-	-	-	(107)	13
Net profit / (loss) for the period	17,429	18,296	11,332	9,797	(165)	16	313	82	(24)	(84)	28,885	28,107
Attributable to:												
Equity holders of the parent	17,347	18,188	11,332	9,797	(165)	16	313	82	(24)	(84)	28,803	27,999
Minority interest	82	108	-	-	-	-	-	-	-	-	82	108
	17,429	18,296	11,332	9,797	(165)	16	313	82	(24)	(84)	28,885	28,107
EBITDA	21,030	21,080	15,765	13,742	249	124	(207)	(300)	-	-	36,837	34,646
Depreciation, amortization and write-downs	(4,019)	(3,269)	(4,505)	(3,860)	(394)	(304)	-	(1)	(24)	(84)	(8,942)	(7,518)

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

2.2 Other information by business segments

In thousand of EUR

	Mobile telecommunications		Broadband services		Managed IT-services		Other activities		Eliminations		Consolidated	
	31 March, IQ 2008	31 March, IQ 2007	31 March, IQ 2008	31 March, IQ 2007	31 March, IQ 2008	31 March, IQ 2007	31 March, IQ 2008	31 March, IQ 2007	31 March, IQ 2008	31 March, IQ 2007	31 March, IQ 2008	31 March, IQ 2007
Non-current assets (except investments in subsidiaries & associates)	63,085	56,212	103,582	88,518	3,230	2,652	10	15	3,569	4,230	173,476	151,627
Investments in subsidiaries and associates	419	605	331	29,874	-	-	91,290	84,196	(91,290)	(113,560)	750	1,115
Current assets	87,185	88,030	81,013	45,528	3,069	30,082	33,021	39,298	(37,100)	(24,941)	167,188	177,997
Total assets	150,689	144,847	184,926	163,920	6,299	32,734	124,321	123,509	(124,821)	(134,271)	341,414	330,739
Equity attributable to equity shareholders of the parent	119,788	117,835	142,461	133,751	1,797	25,648	123,534	122,667	(83,773)	(109,331)	303,807	290,570
Minority interest	815	429	-	-	-	-	-	-	-	-	815	429
Non-current liabilities	1,531	1,969	10	20	37	41	-	240	-	-	1,578	2,270
Current liabilities	28,555	24,614	42,455	30,149	4,465	7,045	787	602	(41,048)	(24,940)	35,214	37,470
Total shareholders' equity and liabilities	150,689	144,847	184,926	163,920	6,299	32,734	124,321	123,509	(124,821)	(134,271)	341,414	330,739
Net cash from/ (used in) operating activities	20,420	17,995	8,532	7,527	13	(2,243)	(379)	(374)	-	-	28,586	22,905
Net cash from/ (used in) investing activities	(3,655)	(3,097)	(4,083)	(4,296)	(350)	(272)	42,162	57,223	1,094	401	35,168	49,959
Net cash from/ (used in) financing activities	(208)	248	1,046	(2,391)	218	2,515	-	-	(1,094)	(401)	(38)	(29)
Exchange rate differences in cash and cash equivalents	-	-	10	(2)	-	-	-	1	-	-	10	(1)
Net increase/ (decrease) in cash and cash equivalents	16,557	15,146	5,505	838	(119)	-	41,783	56,850	-	-	63,726	72,834
CAPEX	3,652	3,098	3,591	4,092	350	292	-	-	-	-	7,593	7,482

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

2.3 Secondary reporting format - geographic segments

In thousand of EUR

The Group operates in one geographical segment, Estonia, only. All Groups' customers are located in Estonia. Revenues from abroad are related to roaming revenues.

	Mobile telecommunications		Broadband services		Managed IT-services		Consolidated									
	I Quarter 2008	I Quarter 2007	I Quarter 2008	I Quarter 2007	I Quarter 2008	I Quarter 2007	I Quarter 2008	I Quarter 2007								
Revenue from customers in Estonia	45,671	97.0%	47,451	96.5%	40,235	91.0%	37,410	90.8%	3,538	99.4%	5,156	98.0%	89,444	94.3%	90,017	94.1%
Revenue from customers outside Estonia	1,409	3.0%	1,722	3.5%	3,982	9.0%	3,799	9.2%	22	0.6%	107	2.0%	5,413	5.7%	5,628	5.9%
Total revenue	47,080	100%	49,173	100%	44,217	100%	41,209	100%	3,560	100%	5,263	100%	94,857	100%	95,645	100%

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT
NOTES TO THE FINANCIAL STATEMENTS

3. Tangible and intangible assets

In thousand of EUR

	Tangible assets	Intangible assets
At 31 December 2006		
Cost	566,198	25,819
Accumulated depreciation	(435,525)	(12,138)
Net book value	130,673	13,681
Changes in the first Quarter 2007		
Opening net book amount	130,673	13,681
Additions	7,436	46
Reclassification	(86)	86
Reclassification to assets classified as held-for-sale	(19)	-
Disposals	(8)	-
Depreciation charge	(6,906)	(612)
Closing net book amount	131,090	13,201
At 31 March 2007		
Cost	569,928	25,951
Accumulated depreciation	(438,838)	(12,750)
Net book value	131,090	13,201
At 31 December 2007		
Cost	598,518	27,301
Accumulated depreciation	(444,803)	(13,494)
Net book value	153,715	13,807
Changes in the first Quarter 2008		
Opening net book amount	153,715	13,807
Additions	7,556	37
Reclassification to assets classified as held-for-sale	(97)	-
Disposals	(18)	-
Depreciation charge	(8,277)	(665)
Closing net book amount	152,879	13,179
At 31 March 2008		
Cost	604,940	27,061
Accumulated depreciation	(452,061)	(13,882)
Net book value	152,879	13,179

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT
NOTES TO THE FINANCIAL STATEMENTS

4. Investments in subsidiaries

	Country of incorporation	Ownership interest		Principal activity	Owner
		31 March 2008	31 December 2007		
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 Eesti	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

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT
NOTES TO THE FINANCIAL STATEMENTS

5. Investments in associates

	Country of incorporation	Ownership interest		Principal activity	Owner
		31 March 2008	31 December 2007		
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 Quarter 2008, impairment for the inventories were in the total amount of 146 thousand EUR (in the first Quarter 2007, the value of the inventories was not decreased) based on the estimated decline of the net realisation value below their acquisition cost.

7. Equity

a) Issued capital

	31 March 2008	31 December 2007
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.

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, AS Eesti Telekom ordinary shares so that the total of nominal values of own shares held by AS Eesti Telekom would not exceed the limit set by statutory regulations, and that the price payable per share would not exceed the highest price paid for the ordinary shares of AS Eesti Telekom on the Tallinn Stock Exchange on the day of acquiring the shares. AS Eesti Telekom has to pay for the shares from the company's assets in excess of its share capital, capital reserves, and share premium. The amount of shares to be acquired each time shall be determined on each occasion separately by a resolution of AS Eesti Telekom's Supervisory Council. As of 31 March 2008, 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).

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT**NOTES TO THE FINANCIAL STATEMENTS****d) 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:

	I Quarter 2008	I Quarter 2007
Net profit attributable to equity holders of the Company (EUR)	28,803,000	27,999,000
The average number of ordinary shares	137,954,528	137,954,528
EPS (in EUR)	0.21	0.20

e) Share information

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

	I Quarter 2008	2007	I Quarter 2007
Ordinary share highest price	7.99	10.77	10.77
Ordinary share lowest price	6.95	6.57	7.75
Ordinary share average price	7.44	8.16	8.62

8. Borrowings

In thousand of EUR

	31 March 2008	31 December 2007
Non-current	48	85
Current	164	178
	212	263

The movements in the borrowings can be analyzed as follows:

Opening balance 31 December 2007	263
Repayments of borrowings	(38)
Other movements	(13)
Closing balance 31 March 2008	212

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT
NOTES TO THE FINANCIAL STATEMENTS

9. Retirement benefit obligations

In thousand of EUR

	31 March 2008	31 December 2007
Non-current portion of retirement benefit obligations	192	208
Current portion of retirement benefit obligations	310	308
Total retirement benefit obligations	502	516

31 December 2007	516
Benefits paid in the reporting period	(16)
Interest accrued	2
31 March 2008	502

10. Provisions

In thousand of EUR

	Site Termination restoration expense provision	Termination benefits provision	Compensation of the tolerance of technical infrastructure provision	Guarantee provision	Other provisions	Total
Non-current portion of provisions	1,301	-	-	37	-	1,338
Current portion of provisions	-	-	127	15	27	169
Total provisions	1,301	-	127	52	27	1,507
At 31 December 2007	1,284	124	127	52	20	1,607
Additional provisions in the reporting period	17	-	-	2	17	36
Used provisions during the reporting period	-	-	-	(2)	-	(2)
Decrease of provisions in the reporting period	-	(124)	-	-	(10)	(134)
At 31 March 2008	1,301	-	127	52	27	1,507

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 (State Chancellery and ministries)	Shareholder
5. Companies where Supervisory Council members of the Group have significant influence	

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

b) Key managements' and supervisory councils' remuneration

The remunerations of key management and supervisory council during the first Quarter 2008 and 2007 were as follows (in thousand of EUR):

	I Quarter 2008	I Quarter 2007
Salaries and other short-term employee benefits	1,093	1,180
Other	2	7
	1,095	1,187

c) Trading transactions

No impairment has been made in the first Quarter of 2008 and 2007 for the receivables from related parties.

During the first Quarter 2008 and 2007, group companies entered into the following transactions with related parties (in thousand of EUR):

	I Quarter, 31 March 2008	I Quarter, 31 March 2007
Telecommunication services provided		
Associated companies	55	168
TeliaSonera AB	2,016	1,905
State Government (State Chancellery and ministries)	358	329
Companies where Supervisory Council members of the Group have significant influence	9	7
	2,438	2,409
Other sales		
Associated companies	2	1
State Government (State Chancellery and ministries)	46	59
Companies where Supervisory Council members of the Group have significant influence	2	-
	50	60
Telecommunication services purchased		
Associated companies	6	5
TeliaSonera AB	2,242	2,919
	2,248	2,924
Other services purchased		
Associated companies	1	5
State Government (State Chancellery and ministries)	497	351
Companies where Supervisory Council members of the Group have significant influence	12	11
	510	367
Amount owed by related parties		
Associated companies	23	10
TeliaSonera AB	1,305	1,066
State Government (State Chancellery and ministries)	157	168
Companies where Supervisory Council members of the Group have significant influence	2	2
	1,487	1,246
Amount owed to related parties		
Associated companies	-	7
TeliaSonera AB	1,470	1,388
State Government (State Chancellery and ministries)	2	59
Companies where Supervisory Council members of the Group have significant influence	2	1
Key management and supervisory council	468	914
	1,942	2,369

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2008 INTERIM REPORT
NOTES TO THE FINANCIAL STATEMENTS

12. Contingencies

In thousand of EUR

	31 March 2008	31 December 2007
Key management termination benefits	1,541	1,256

Relations with the regulator

- Pursuant to the decision of the Communications Board dated 21 March 2006, the fee for voice call termination on mobile networks (interconnection fee) for AS EMT, Elisa Eesti AS and Tele2 Eesti AS for the period from 1 July 2006 to 30 June 2007 was fixed at 0.13 EUR per minute and, pursuant to the decisions of the Communications Board dated 20 June and 22 June 2007, was fixed at 0.11 EUR for the period from 1 July 2007 to 30 June 2008. Since Elisa Eesti AS and Tele2 Eesti AS disputed the decisions in court and the validity of the given legislative act was suspended in the course of initial legal protection, the interconnection fees remained at 0.16 EUR until 5 November 2007. On 5 November 2007, the ruling of the Tallinn Circuit Court came into force, whereby the initial legal protection was cancelled and all three mobile operators were obligated to apply interconnection fees of 0.11 EUR as of that date. The court disputes of Elisa Eesti AS and Tele2 with the Communications Board are continuing, and AS EMT is participating in the dispute as a third party.

With its resolution of 25 March 2008, the Competition Board, which is the legal successor to the Communications Board, established a fee of 0.09 EUR per minute for the termination of voice calls in mobile phone networks for the period 1 July 2008-30 June 2009.

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
Jüri Raatma	-	Member of the Supervisory Council
Aare Tark	-	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 Quarter 2008 as set out on pages 3 to 27.

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 the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements; and includes the description of major risks and doubts for the parent company and consolidate companies as a group
- 4 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, 22 April 2008