

EestiTelekom

*Consolidated
Interim Report of
AS Eesti Telekom
for the IV Quarter and
whole 2007 year*

6 February 2008

**AS EESTI TELEKOM CONSOLIDATED INTERIM REPORT
FOR THE IV QUARTER AND WHOLE 2007 YEAR**

<i>Beginning of the financial year</i>	1 January 2007
<i>End of the reporting period</i>	31 December 2007
<i>Name of the company</i>	AS Eesti Telekom
<i>Registration number</i>	10234957
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<i>Web-page</i>	www.telekom.ee
<i>Field of activity</i>	Primarily, the provision of telecommunications and IT services to private and business clients, as well as other telecommunications operators, in the Estonian domestic market. The operation of a mobile and fixed-line communications network.
<i>Auditor</i>	AS PricewaterhouseCoopers

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SIGNIFICANT FINANCIAL INDICATORS

Eesti Telekom Group

	Q4 2007	Q4 2006	Change, %	12 mos. 2007	12 mos. 2006	Change, %
Total revenues, million EUR	100.3	99.3	1.0	400.2	368.6	8.6
EBITDA, million EUR	36.8	32.4	13.9	149.3	140.3	6.4
Margin, %	36.7	32.6		37.3	38.1	
EBIT, million EUR	28.4	24.5	16.1	117.6	105.2	11.8
Margin, %	28.3	24.6		29.4	28.5	
EBT, million EUR	29.1	25.1	16.0	120.3	107.8	11.6
Net profit for the period, million EUR	29.1	25.1	16.0	96.6	84.0	15.0
EPS, EUR	0.21	0.18	16.4	0.70	0.61	14.9
CAPEX, million EUR	22.4	14.0	60.3	55.1	49.3	11.9
Net gearing, %	-25.2	-33.6				
ROA, %	31.6	28.6				
ROE, %	46.5	43.1				

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

Mobile communications segment

	Q4 2007	Q4 2006	Change, %	12 mos. 2007	12 mos. 2006	Change, %
Total revenues, million EUR	63.3	60.2	5.1	249.5	223.8	11.5
EBITDA, million EUR	18.7	21.8	-14.0	88.7	86.0	3.1
Margin, %	29.6	36.1		35.5	38.4	
EBIT, million EUR	15.0	18.6	-19.0	74.7	70.4	6.1
Margin, %	23.7	30.8		30.0	31.5	
EBT, million EUR	15.3	18.8	-18.6	75.7	71.3	6.3
Net profit for the period, million EUR	15.3	18.8	-18.6	59.8	55.0	8.6
CAPEX, million EUR	8.5	7.3	15.7	21.1	17.5	20.4
ROA, %	46.9	46.9				
ROE, %	79.6	78.2				

Broadband services segment

	Q4 2007	Q4 2006	Change, %	12 mos. 2007	12 mos. 2006	Change, %
Total revenues, million EUR	49.9	49.8	0.2	190.7	175.7	8.6
EBITDA, million EUR	13.9	11.0	25.8	56.6	54.8	3.2
Margin, %	27.8	22.1		29.7	31.2	
EBIT, million EUR	9.3	6.8	37.7	40.2	36.7	9.7
Margin, %	18.6	13.6		21.1	20.9	
EBT, million EUR	9.3	6.7	40.1	46.0	36.6	25.9
Net profit for the period, million EUR	9.3	6.7	40.1	38.3	28.9	32.4
CAPEX, million EUR	13.7	5.8	138.3	32.8	29.8	9.8
ROA, %	23.4	19.8				
ROE, %	38.3	30.9				

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IT services segment

	Q4 2007	Q4 2006	Change, %	12 mos. 2007	12 mos. 2006	Change, %
Total revenues, million EUR	5.9	4.7	26.5	23.4	17.9	30.4
EBITDA, million EUR	0.6	0.8	-20.2	1.5	1.7	-13.0
Margin, %	11.0	17.4		6.5	9.7	
EBIT, million EUR	0.2	0.5	-49.0	0.1	0.8	-86.8
Margin, %	4.0	10.0		0.4	4.4	
EBT, million EUR	0.2	0.6	-61.5	0.5	1.5	-67.2
Net profit for the period, million EUR	0.2	0.6	-61.5	0.5	1.5	-67.2
CAPEX, million EUR	0.2	0.9	-79.3	2.1	1.9	7.9
ROA, %	2.6	5.0				
ROE, %	3.6	5.9				

CHAIRMAN'S STATEMENT

Sales revenues, operating costs, and profit

The 2007 fourth quarter results of Eesti Telekom Group corresponded to the expectations of the Management Board. **The Group's sales revenues** in the last quarter of 2007 reached 100.3 million EUR (4th quarter 2006: 99.3 million EUR).

The following circumstances affected the fourth quarter results:

- 1) 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.

Based on the above-mentioned circumstances EMT made one-time provision in the sum of 4 million EUR to cover the possible retroactive claims. The impact of possible retroactive claims on consolidated profit of Eesti Telekom Group has been eliminated since Elion Enterprises has submitted the corresponding claims to three mobile operators in the sum that exceeds the EMT's provision.

- 2) At the recommendation of the auditors, during the preparation of the 2006 annual report part of the transactions of the broadband services segment were reclassified from operational leasing to financial leasing. The aforementioned reclassification was recognized retrospectively in the fourth quarter of 2006, as a result of which sales revenues increased by 9%, costs increased by 20%, and investments decreased 56%.

The consolidated turnover of the **mobile communications services segment** reached 63.3 million EUR, increasing 5% compared to the fourth quarter of 2006 (4th quarter 2006: 60.2 million EUR). The main portion of the supplemental revenues was earned from the Group's principal fields of activity. The revenue of the parent Group's parent company, AS EMT, increased by 5% compared to the fourth quarter of 2006 reaching 50 million EUR. The increase of revenues in the principal activities was caused primarily by an increase in the number of call minutes initiated from and completed in the EMT network and the growth of mobile data communications.

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The AS EMT client base at the end of 2007 included 6 thousand more client than at the end of 2006, reaching 765 thousand active SIM cards (December 2006: 759 thousand cards). Compared to a year ago, the number of contractual clients has increased by 36 thousand, reaching 469 thousand at the end of 2007, while the number of active users of pre-paid cards decreased during the year by 30 thousand to 296 thousand at the end of the year. The customer acquisition campaign conducted at the end of 2007 to find new users of pre-paid cards was not as aggressive as last year. EMT assesses its market share of active SIM cards as 48%. The estimated penetration of active cards in Estonia is 119%.

The number of call minutes initiated by EMT clients in the fourth quarter of 2007, which had the greatest effect on the increase of revenues, grew by 4% compared to the same period of 2006. The modest increase in initiated call minutes is caused by the free calls offered to the users of the Rate.Mobiil service at the end of 2006. A similar campaign offer of free calls did not take place in the last quarter of 2007. Interconnection fees were affected by a drop in interconnection prices in the fourth quarter.

Very rapid growth continued to be demonstrated by AS EMT mobile Internet revenues. In the fourth quarter of this year, the revenues for mobile data communications exceeded the revenues for the same period in 2006 by more than 50%. At the same time, the volume of data transmitted increased almost nine-fold. The number of AS EMT mobile data communications users in December 2007 was 161 thousand, which is 51 thousand more than the year before. The increase in popularity of mobile data communications is caused, on the one hand, by the introduction of new data communication packages based on monthly fees in the summer of 2007, and on the other hand, by the dynamic expansion of 3G coverage area, which provide clients with quality and high-speed data communications at conveniently controllable prices. By the end of 2007, 3G coverage existed in all the county seats of Estonia, and many other towns and their environs. The rapid development, especially in the private segment, has been generated by the EMT Internet start-up package, which includes a free high-speed 3.5G modem for loyal customers who signed up for the EMT Internet 399 package. This provides the client with an opportunity to use the 3G network with the largest coverage area in Estonia 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. In the fourth quarter, EMT doubled the downloading speed to 7.2 Mbits per second, which increases the volume of the network as well as the speeds provided to users. EMT also introduced faster uploading of data in the 3.5G network (so-called HSUPA), which increases speeds for senders of heavy e-mails threefold to 1.4 Mbits per second.

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 revenue from roaming clients has decreased by a third.

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

In the fourth quarter, **the sales revenues of the broadband services segment** reached 49.9 million EUR (4th quarter 2006: 49.8 million EUR). Integrated solutions and the rental of connections showed the greatest revenue increase, 44% and 69% respectively. As opposed to previous quarters, the revenues from call connections increased by 4.5% in the last quarter of the year, primarily as a result of the growth of domestic call transit and international calls initiated from the mobile network. The tempo of growth for the retail sales of Elion Group telecommunications and IT merchandise slowed in the fourth quarter to 3% as result of the general cooling of the Estonian economy. In November, Elion Enterprises realized 0.5 million EUR from real estate, which resulted in a 41% increase of other revenues.

Similarly to previous quarters, the trend in connection fees for broadband services is continuing, whereby the clients are replacing individual services with service packages. In the last quarter, the number of Elion triple

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package users increased by 8,750, reaching 53.5 thousand as of 31 December (31 December 2006: 25.5 thousand). By the end of the year, the total number of Elion IP and cable television clients reached 58 thousand.

The popularity of the triple package has been significantly enhanced by the offering of supplemental services. The remote video rental service that was introduced to the market in the first half of 2007 has proved to be very popular among clients due to the convenience and simplicity of its use. As a result of a successful remote video rental campaign the number of rental increased to a record-breaking 4,700 times per 24 hours in November. As of October, in cooperation with the Estonian Conference Center and SEB Eesti Ühispank, Elion is providing free lectures from Estonia's top conferences via DigiTV remote video rental. The goal of the service is make educational subject services available to as many people as possible.

In the fourth quarter, the total number of Elion clients with permanent connections increased by 6,300 connections to 163 thousand by the end of 2007 (31 December 2006: 141 thousand). The company assesses its market share of private clients with permanent connections to be 56%.

Based on the significant increase in the volume and ratio of revenues of integrated solutions, the revenues from monthly fees for call connections and Internet connections fell by 11% and 13% respectively.

In the fourth quarter, the call revenues in the broadband services segment increased by 4.5% compared to the same period in 2006. The growth of revenues resulted primarily from the growth of domestic call transit and the volume of international calls initiated from the mobile network. At the same time, the revenues received from end consumers for domestic call services continued to increase in the last quarter. Compared with the same period in 2006, the revenues earned from domestic call services decreased by 10% due to a reduction in minute volumes.

Elion Enterprises assesses its market share for call minutes initiated in the fixed network to be 81% (December 2006: 83%). The market share for local call minutes is 83% (December 2006: 85%), 64% for international call minutes (December 2006: 65%) and 72% for call minutes made to mobile phones (December 2006: 70%).

By the end of 2007, the number of Elion call interfaces reached 487 thousand interfaces (31 December 2006: 463 thousand interfaces). The number of call interfaces has increased as result of active campaigning to keep clients and find new ones. Significant impact on the number of interfaces was manifested by the additional users of integrated solutions, since phone connections are a component of double and triple packages.

The company also introduced new added-value services to the market in the fourth quarter. On October 29th, Elion and EMT opened the first legal sales environment for digital music in Estonia, which comprises about 4 million foreign and Estonian artists from 12,000 record companies around the world. The music store is available on the Internet portal hot.ee and SurfPort, EMT's mobile portal. The provision of the Picture Album service was started in November. This is an added-value service provided by hot.ee and Elion IP-based television, which can be used to load photos onto the web in order to share them with friends through TV.

Sales revenues for the **IT services segment** reached 5.9 million EUR in the fourth quarter of 2007 (4th quarter 2006: 4.7 million EUR). In the fourth quarter of 2007, the sales revenues of the IT services segment, without the network services sphere that was transferred to Elion Enterprises in 2006, increased by 27% compared to the same period last year. Whereas the sales turnover of IT services increased by 32% and of IT merchandise by 21%.

The significant events in the fourth quarter were the start up of cooperation with Symnatec in the field of data security and archiving solutions, the successful implementation of the Schengen information system (MicroLink Eesti executed the SIS infrastructure solution), and winning the tender for the hosting of the Tallinn Space Register. In addition, OpenText, the world's leading software corporation, chose MicroLink Eesti as its best partner in Central and Eastern Europe. In the fourth quarter, MicroLink's first LiveLink

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module was exported to Lithuania. MicroLink Eesti took over the representation of Progress software in Estonia from AS Andmevara. Since December 1, 2007, MicroLink has the right to sell OpenEdge, Sonic, Actional, Business Objects (Crystal Products) and Tugboat (Roundtable) products.

The **operating costs** of the Eesti Telekom Group decreased in the fourth quarter of 2007 by 4% compared to the same period in 2006, reaching 64.2 million EUR (4th quarter 2006: 66.8 million EUR).

The operating costs in the mobile communications services segment increased by 7% compared to the fourth quarter of 2006 reaching 40.8 million EUR (4th quarter 2006: 38.2 million EUR). The increase in operating costs is connected basically to the costs related to the retail and wholesale trade of the EMT Group, which increased in approximately the same volume as sales turnover. In addition, the rapid increase in salary costs compared to the same time last year continued in the fourth quarter, which was sustained by strong pressure on salaries in the economy as a whole.

The operating costs of the broadband services segment decreased in the fourth quarter by 6% reaching 36.5 million EUR (4th quarter 2006: 38.8 million EUR). A significant influence on the decrease was manifested by the aforementioned reclassification of operating leasing as financial leasing. After eliminating the effect of the reclassification, the operating costs increased by 11% compared to the same period in 2006. Forty-five percent of the increase in operating costs resulted from the growth of direct sales costs related to the increase of connection rental services, international call services and domestic interconnection services. The other primary growth factor for operating costs was personnel costs, which increased by 16% in the last quarter. The company's marketing costs increased 59% as a result of very dynamic marketing activities planned for the last quarter of the year.

The operating costs in the IT services segment increased in the fourth quarter by 17% compared to the same period last year, reaching 5.3 million EUR (4th quarter 2006: 4.5 million EUR).

The Eesti Telekom Group **EBITDA** reached 36.8 million EUR in the fourth quarter of 2007, which is 14% more than in the fourth quarter of 2006 (4th quarter 2006: 32.4 million EUR). The mobile communications services segment EBITDA decreased by 14% in the last quarter compared to the same period in 2006, which was essentially related to a one-time provision totaling 4 million EUR. The EBITDA of the broadband services segment was 13.9 million EUR in the fourth quarter of 2007 (4th quarter 2006: 11.0 million EUR). The 26% growth was significantly affected by the reclassification of operating leasing as capital leasing recognized in the fourth quarter of 2006.

The Group's EBITDA margin in the fourth quarter of 2007 was 37%, which was higher than the margin for the corresponding period in 2006 (4th quarter 2006: 33%).

In the fourth quarter of 2007, the Group's **depreciation cost** reached 8.4 million EUR, increasing by 7% compared to the same period in 2006. The depreciation costs for the mobile communications services segment increased by 0.5 million EUR in the fourth quarter of 2007 compared to the same period in 2006. In the last quarter of 2007, the depreciation costs for the broadband services segment increased by 7% during the year, reaching 4.6 million EUR (4th quarter 2006: 4 million EUR). The depreciation costs for the IT services segment reached 0.4 million EUR in the fourth quarter of 2007, increasing by 19% compared to the same period in 2006.

In the fourth quarter, the Eesti Telekom Group earned **EBIT** of 28.4 million EUR, which is 16% more than in the fourth quarter of 2006 (4th quarter 2006: 24.5 million EUR). The Group's (net) financial revenues in the fourth quarter were 0.8 million EUR, increasing by 11% compared to the same period last year.

In the fourth quarter of 2007, the Eesti Telekom Group earned a **net profit** of 29.1 million EUR (4th quarter 2006: 25.1 million EUR). The profit per share was 0.21 EUR (4th quarter 2006: 0.18 EUR).

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The **consolidated sales revenues of the Eesti Telekom Group for 2007** reached 400.2 million EUR, increasing by 9% compared to 2006 (2006: 368.6 million EUR). More than half the additional sales revenues came from the mobile communications segment, although a significant contribution was made by both the broadband services segment, for which the revenues from outside the concern increased by almost 11.2 million EUR, and the IT services segment, for which the revenues from outside the concern increased by almost 3.7 million EUR.

The Group's operating costs in 2007 were 252.2 million EUR (2006: 231.4 million EUR). The majority of the operating costs were related to the greater volumes of trading activities. The operating costs in all fields of activity increased by more than ten percent.

The consolidated EBITDA for 2007 was 149.3 million EUR (2006: 140.3 million EUR). The EBITDA margin decreased slightly, reaching 37.3% in 2007 (2006: 38.1%). Depreciation in 2007 totaled 31.7 million EUR (2006: 35.0 million EUR).

In the last year, the Group earned EBIT of 117.6 million EUR (2006: 105.2 million EUR). (Net) financial revenues increased by 0.3 million EUR reaching 3.0 million EUR. On 1 July 2007, AS MicroLink sold its shares in AS MicroLink Eesti to AS Eesti Telekom. The Group's internal unrealized profit from the sale of the shares was 6.0 million EUR.

In 2007, the Eesti Telekom Group earned a net profit of 96.6 million EUR or 0.70 EUR per share (2006: 84.0 million EUR or 0.61 EUR per share).

Balance sheet and cash flows

As of 31 December 2007, the Eesti Telekom Group balance sheet was 321.0 million EUR (31 December 2006: 307.5 million EUR). The fixed assets of the Group have increased by 22.7 million EUR during the year. The increase in fixed assets resulted primarily from the investments made by the Group's companies. Current assets have decreased by 9.2 million EUR during the year, whereas cash and cash equivalents, as well as short-term financial investments, have decreased by 19.1 million EUR. The reason for the reduction in cash and short-term investments is a larger dividend payment by 4.4 million EUR, income taxed paid on dividends, and investments.

As of 31 December 2007, the Group's equity totaled 275.7 million EUR (31 December 2006: 262.9 million EUR). As of 31 December 2007, the Eesti Telekom Group has long-term obligations of 1.6 million EUR (31 December 2006: 2.4 million EUR) and short-term debt obligations of 43.7 million EUR (31 December 2006: 42.2 million EUR). The Group's net debt at the end of 2007 was -69.5 million EUR and the net debt to equity ratio was -25% (31 December 2006: -88.4 million EUR and -34%).

The 2007 cash flow from operations for the Eesti Telekom Group was 121.4 million EUR (2006: 121.3 million EUR). The Group's cash flow from investments was -32.9 million EUR (2006: -48.6 million EUR). Cash flow for the acquisition of tangible and intangible fixed assets increased during the year, reaching 55.1 million EUR in the last year (2006: 47.9 million EUR).

In 2007, the mobile communications segment has made investments of 21.1 million EUR (2006: 17.5 million EUR). In mobile communications, in addition to the continual development of the GSM network, a large development sphere was the application of technologies that support high-speed mobile data communications. By the end of the year, EDGE, which operates based on the GSM network, covered 94% of base stations.

A noteworthy result was achieved in the development of the 3G network - all of Estonia's county seats were covered. Since November 2007, it has been able to use data communications speeds of up to 7.2 Mbits per second for downloading and 1.4 Mbits per second for uploading in the 3G network. In addition, the reliability of the network increased significantly - all the exchanges of the network were put into operation as a single resource, so that a failure of one exchange will not cause the base station serving it to fail or cause a widespread disruption of service.

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In the broadband services segment in 2007, the 12-month investments into fixed assets (excluding MicroLink Eesti) reached 32.8 million EUR (12 months of 2006: 29.8 million EUR). The main portion of the investments continued to go into improving permanent Internet connections and the availability of DigiTV, into the development of network resources, and several cooperation projects with local governments in various places in Estonia to improve communications possibilities. Compared to 2006, significantly more was invested into reconstruction space for the use of equipment hosting services.

In 2007, the IT services segment invested 2.1 million EUR, of which 39% comprise the acquisition of the AS MicroLink trademarks by the parent company during the course of the merger between AS MicroLink and Elion Enterprises that took place within the framework of structural changes made in the Eesti Telekom Group. The remaining investments were made predominantly for the expansion of infrastructure necessary for the provision of services.

The Eesti Telekom Group cash flow from financing activities in 2007 was 83.9 million EUR (2006: 79.5 million EUR), of which 83.8 million EUR was used to pay dividends (2006: 79.4 million EUR).

Ownership structure of AS Eesti Telekom

In the fourth quarter of 2007, no significant changes occurred in the shareholder structure of AS Eesti Telekom. TeliaSonera AB, the major shareholder of Eesti Telekom (through Baltic Tele AB), continues to own 59.25% of the company's shares. The Estonian state continues to own 24.17% and Estonian Development Fund 3.00% of AS Eesti Telekom shares.

At the end of 2007, 13.58% of AS Eesti Telekom shares are freely traded. Of these, 17.15% were converted into GDRs traded on the London Stock Exchange.

As of 31 December 2007, the largest shareholders of AS Eesti Telekom were:

	Number of securities	Participation
Baltic Tele AB	81,738,899	59.2506%
Ministry of Finance / State Treasury	33,346,464	24.1721%
Estonian Development Fund	4,138,636	3.0000%
Deutsche Bank Trust Company (GDR accounts)	3,212,238	2.3285%
ING Luxembourg S.A.	1,798,330	1.3036%
Danske Bank clients	1,417,453	1.0275%
Skandinaviska Enskilda Banken AB clients	1,402,350	1.0165%
Bank Austria Creditanstalt AG clients	1,202,410	0.8716%
Morgan Stanley Co International Equity clients	1,023,500	0.7419%
Clearstream Banking Luxembourg clients	633,240	0.4590%

Definitions

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

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

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

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CONSOLIDATED QUARTERLY DATA

In million of EUR

	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
Sales	99.3	95.6	101.1	103.1	100.3
OPEX	(66.8)	(61.1)	(63.5)	(63.4)	(64.2)
Other revenue/expenses, net	(0.2)	0.1	0.1	0.5	0.7
EBITDA	32.4	34.6	37.7	40.2	36.8
Depreciation and amortisation	(7.9)	(7.5)	(7.9)	(7.9)	(8.4)
EBIT	24.5	27.1	30.8	33.3	28.4
Income / expenses from associates	(0.1)	0.0	(0.1)	0.0	(0.1)
Other net financing items	0.7	1.0	0.9	0.4	0.8
Profit before tax	25.0	28.1	30.6	32.7	29.1
Income tax on dividends	0.0	0.0	(23.7)	0.0	0.0
Net profit for the period	25.0	28.1	6.9	32.7	29.1
Minority interest	0.2	0.1	0.1	0.1	0.1
EBITDA margin, %	32.57%	36.22%	37.31%	38.91%	36.72%
EBIT margin, %	24.62%	28.36%	29.55%	31.24%	28.26%
Net margin, %	25.21%	29.38%	6.83%	31.55%	28.98%
Total assets	307.5	330.7	280.7	288.1	321.0
- Non-current assets	153.1	152.7	156.8	162.1	175.8
- Current assets	154.5	178.0	123.9	126.0	145.2
- Cash and cash equivalents and short-term investments	88.8	104.0	50.2	49.9	69.7
Equity and liabilities	307.5	330.7	280.7	288.1	321.0
- Equity	262.9	291.0	214.2	246.7	275.7
- Provisions	2.3	2.2	1.4	1.4	2.0
- Non-current liabilities	0.5	0.5	0.7	0.3	0.1
- Interest-bearing borrowings	0.2	0.2	0.1	0.1	0.1
- Current liabilities	41.8	37.1	64.4	39.7	43.1
- Interest-bearing borrowings	0.2	0.2	0.1	0.1	0.2

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IV QUARTER CONSOLIDATED INCOME STATEMENT

In thousand of EUR

	IV Quarter 2007	IV Quarter 2006 Restated
Net sales	100,316	99,335
Cost of production	(59,201)	(59,212)
Gross profit	41,115	40,123
Sales, administrative, and research & development expenses	(13,402)	(15,499)
Other operating revenues	849	(292)
Other operating expenses	(171)	122
Operating profit	28,391	24,454
Finance income	799	713
Finance costs	(34)	(26)
Finance income, net	765	687
Net income / (expenses) from associated companies	(89)	(91)
Net profit for the period	29,067	25,050
Attributable to:		
Equity holders of the parent	28,960	24,890
Minority interest	107	160
	29,067	25,050
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR)		
Basic earnings per share	0.21	0.18
Diluted earnings per share	0.21	0.18
	28,960	24,890
EBITDA	36,837	32,351
Depreciation, amortization and write-downs	(8,446)	(7,897)

**AS EESTI TELEKOM CONSOLIDATED INTERIM REPORT
FOR THE IV QUARTER AND WHOLE 2007 YEAR**

YEAR CONSOLIDATED INCOME STATEMENT

In thousand of EUR

	2007	2006
Net sales	400,151	368,626
Cost of production	(226,426)	(208,359)
Gross profit	173,725	160,267
Sales, administrative, and research & development expenses	(57,521)	(58,086)
Other operating revenues	1,797	3,387
Other operating expenses	(404)	(345)
Operating profit	117,597	105,223
Finance income	3,108	2,734
Finance costs	(150)	(125)
Finance income, net	2,958	2,609
Net income / (expenses) from associated companies	(244)	12
Profit before tax	120,311	107,844
Income tax on dividends	(23,705)	(23,863)
Net profit for the period	96,606	83,981
Attributable to:		
Equity holders of the parent	96,193	83,689
Minority interest	413	292
	96,606	83,981
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR)		
Basic earnings per share	0.70	0.61
Diluted earnings per share	0.70	0.61
EBITDA	149,315	140,268
Depreciation, amortization and write-downs	(31,718)	(35,045)

**AS EESTI TELEKOM CONSOLIDATED INTERIM REPORT
FOR THE IV QUARTER AND WHOLE 2007 YEAR**

CONSOLIDATED BALANCE SHEET

In thousand of EUR

	31 December 2007	31 December 2006
ASSETS		
Non-current assets		
Property, plant and equipment	153,715	130,673
Intangible fixed assets	13,805	13,681
Investments in associates	858	1,102
Other financial fixed assets	7,389	7,615
Total non-current assets	175,767	153,071
Current assets		
Inventories	11,549	9,120
Trade and other receivables	63,864	56,511
Short-term investments	44,357	68,057
Cash and cash equivalents	25,359	20,733
Total	145,129	154,421
Assets classified as held-for-sale	111	49
Total current assets	145,240	154,470
TOTAL ASSETS	321,007	307,541
EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the parent		
Share capital	88,169	88,169
Share premium	22,753	22,753
Statutory legal reserve	8,817	8,817
Retained earnings	59,071	59,143
Net profit for the period	96,193	83,689
Total capital and reserves attributable to equity holders of the parent	275,003	262,571
Minority interest	734	321
Total equity	275,737	262,892
Non-current liabilities		
Interest bearing loans and borrowings	85	200
Retirement benefit obligations	207	506
Provisions	1,321	1,414
Non-interest bearing liabilities	-	329
Total non-current liabilities	1,613	2,449
Current liabilities		
Trade and other payables	42,885	41,631
Interest bearing loans and borrowings	178	175
Retirement benefit obligations	308	55
Provisions	286	339
Total current liabilities	43,657	42,200
Total liabilities	45,270	44,649
TOTAL EQUITY AND LIABILITIES	321,007	307,541

**AS EESTI TELEKOM CONSOLIDATED INTERIM REPORT
FOR THE IV QUARTER AND WHOLE 2007 YEAR**

CONSOLIDATED CASH FLOW STATEMENT

In thousand of EUR

	2007	2006
Operating activities		
Net profit for the period	96,606	83,981
Adjustments for:		
Depreciation, amortisation and impairment of fixed and intangible assets	31,718	35,045
(Profit) / loss from sales and discards of fixed assets	(201)	(2,207)
Net (income) / expenses from associated companies	244	(12)
Provisions	(180)	1,288
Financial items	402	1,118
Miscellaneous non-cash items	(571)	(433)
Cash flow before change in working capital	128,018	118,780
Change in current receivables	(5,100)	2,783
Change in inventories	(2,431)	(3,565)
Change in current liabilities	876	3,338
Change in working capital	(6,655)	2,556
Cash flow from operating activities	121,363	121,336
Investing activities		
Intangible and tangible fixed assets acquired	(55,124)	(47,925)
Intangible and tangible fixed assets divested	944	3,170
Shares, participations and operations acquired	-	(7,139)
Net change in interest-receivables short maturities	23,631	11,363
Net cash changes of other long-term receivables	(2,305)	(8,343)
Repayments of loans granted to associates	-	262
Cash flow from investing activities	(32,854)	(48,612)
Cash flow before financing activities	88,509	72,724
Financing activities		
Proceeds from non-convertible debts	12	-
Repayment of finance lease liabilities	(116)	(109)
Dividends paid	(83,761)	(79,352)
Cash flow used in financing activities	(83,865)	(79,461)
Cash flow for the year	4,644	(6,737)
Cash and cash equivalents at beginning of year	20,733	27,507
Cash flow for the year	4,644	(6,737)
Effect of foreign exchange rate changes	(18)	(37)
Cash and cash equivalents at end of period	25,359	20,733

AS EESTI TELEKOM CONSOLIDATED INTERIM REPORT FOR THE IV QUARTER AND WHOLE 2007 YEAR

STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousand of EUR





	Attributable to equity holders of the Company					Total	Minority interest	Total equity
	Issued capital	Share premium	Statutory legal reserve	Retained earnings	Net profit for the period			
31 December 2005	88,169	22,753	8,817	68,922	69,499	258,160	74	258,234
Net profit for the 2005 transferred to retained earnings	-	-	-	69,499	(69,499)	-	-	-
Minority interest arising on business combinations	-	-	-	74	-	74	(45)	29
Dividends paid	-	-	-	(79,352)	-	(79,352)	-	(79,352)
<i>Total changes</i>	-	-	-	(9,779)	(69,499)	(79,278)	(45)	(79,323)
Net profit for the period	-	-	-	-	83,689	83,689	292	83,981
31 December 2006	88,169	22,753	8,817	59,143	83,689	262,571	321	262,892
Net profit for the 2006 transferred to retained earnings	-	-	-	83,689	(83,689)	-	-	-
Dividends paid	-	-	-	(83,761)	-	(83,761)	-	(83,761)
<i>Total changes</i>	-	-	-	(72)	(83,689)	(83,761)	-	(83,761)
Net profit for the period	-	-	-	-	96,193	96,193	413	96,606
31 December 2007	88,169	22,753	8,817	59,071	96,193	275,003	734	275,737

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 IV quarter and the whole 2007 year as set out on pages 3 to 17.

The Management Board confirms that:

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

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

Tallinn, 5 February 2008