



***Consolidated  
Interim Report of  
AS Eesti Telekom  
III Quarter and  
the first nine months 2009  
(Translation of the Estonian original)***

***22 October 2009***

*This version of interim report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of interim report takes precedence over this translation.*

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<i>Beginning of the financial year</i>	1 January 2009
<i>End of the reporting period</i>	30 September 2009
<i>Name of the company</i>	<b>AS Eesti Telekom</b>
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<i>Web-page</i>	<a href="http://www.telekom.ee">www.telekom.ee</a>
<i>Field of activity</i>	Activities of holding company
<i>Auditor</i>	AS PricewaterhouseCoopers

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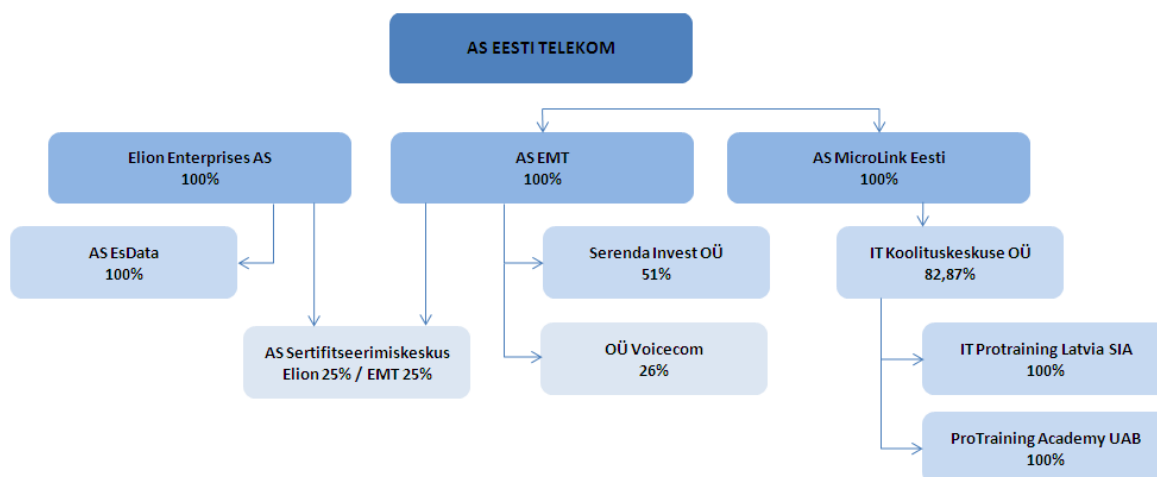
**MANAGEMENT REPORT**

**GENERAL INFORMATION**

The principal activity of Eesti Telekom Group, the parent company of which is AS Eesti Telekom (registration number 10234957; address: Valge 16, 19095 Tallinn), is the provision of telecommunications services.

Since 1999, the shares of AS Eesti Telekom have been listed on the Tallinn and London securities markets (OMX: ETLAT / LSE: EETD).

The structure of the Eesti Telekom Group as of 30.09.2009:



**Changes in the Eesti Telekom Group structure**

On August 31, 2009, with merger entries of Äriregister (Estonian Business Register) the merger came into effect, merging 100% subsidiaries EMT Esindused AS and AS Mobile Wholesale with AS EMT, and 100% subsidiary AS Elion Esindus with Elion Ettevõtte AS. The aim of mergers is to achieve greater efficiency in business processes. The mergers will not cause any changes in information disclosed to stock exchange as the results of EMT Group and Elion Group are already consolidated.

**Ownership structure of AS Eesti Telekom**

As of the third quarter of 2009, the TeliaSonera Group owned 60.98% of the AS Eesti Telekom shares. The percentage of freely traded shares is 11.85% of the total number of shares. 1.07% of these have been converted into GDRs traded on the London Stock Exchange.

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As of 30 September 2009, the 10 largest AS Eesti Telekom shareholders were:

	30 September 2009		Changes since 30 June 2009
	No of shares	Participation	
TeliaSonera group	84,119,239	60.98%	1,182,940
Ministry of Finance	37,485,100	27.17%	4,138,636
SEB clients	2,412,819	1.75%	63,614
ING Luxembourg S.A.	2,137,813	1.55%	0
State Street Bank and Trust Omnibus Account	623,145	0.45%	242,100
Mellon Treaty Omnibus	609,406	0.44%	112,933
UniCredit Bank Austria AG	494,398	0.36%	54,480
Clearstream Banking Luxembourg S.A. clients	472,201	0.34%	(150,957)
Nordea Bank Finland PLC	427,020	0.31%	49,130
Evli Bank PLC customers	381,303	0.28%	310,686

On August 24, 2009, TeliaSonera announced a cash offer for the shares of Eesti Telekom. The acceptance period of the cash offer ended on October 9, 2009. TeliaSonera was offering 93 EEK for each share of Eesti Telekom. Following the acquisition of shares in the cash offer, Teliasonera will own, directly and indirectly, a total of 134,614,949 shares, constituting 97.58% of all shares of Eesti Telekom.

Taking into consideration the results of the cash offer, TeliaSonera's Group Management has decided to initiate actions for the squeeze-out of remaining minority shareholders in accordance with Article 182-1 of the Securities Market Act of Estonia.

**Shareholders' extraordinary general meeting**

The extraordinary AS Eesti Telekom general shareholders' meeting took place on 1 October 2009. The general meeting approved a supplementary proposal for the distribution of profits. The AS Eesti Telekom shareholders will be paid supplementary dividends of 6.99 EEK per share or a total of 964 million EEK. The dividends will be paid on 30 October 2009, based on the list of shareholders that was fixed as of 15 October 2009 at 11.59 pm.

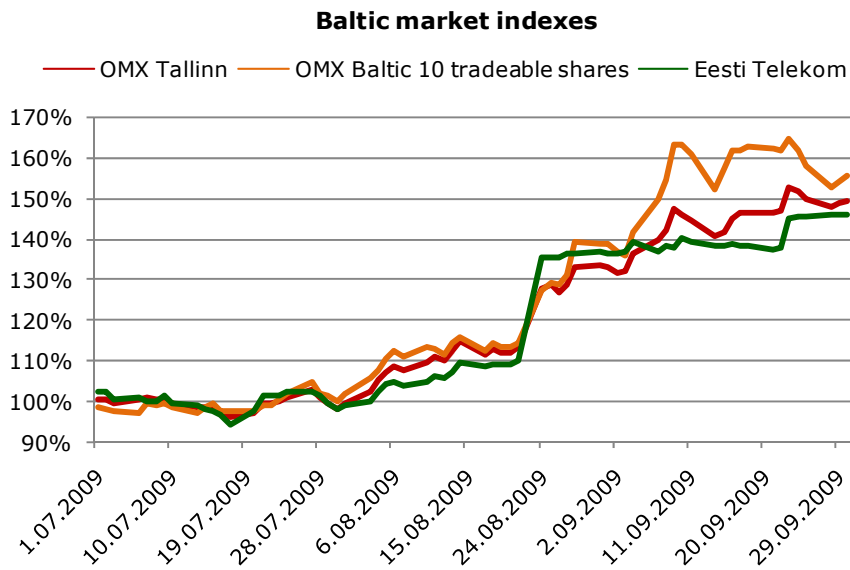
The general meeting confirmed a dividend policy for the financial years of 2009, 2010 and 2011 that conforms to current AS Eesti Telekom practices, whereby dividends that are paid out in 2010, 2011, and 2012 according to the law, will comprise 100 percent of the net profits accumulated by the end of the financial year.

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**AS Eesti Telekom shares**

In the third quarter of 2009, the price of AS Eesti Telekom shares increased by 42.24%. The share price at the beginning of the quarter was 69.63 EEK and 99.04 EEK at the end of the quarter. The highest and lowest share prices during the reporting period were 100.14 EEK and 63.06 EEK respectively. The turnover for the reporting period was 521 million EEK.



Source: NASDAQ OMX Tallinn

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**BUSINESS ACTIVITIES**

*Management commentary: The Group's sales revenues in the second quarter were primarily impacted by regulations (European Union regulations applied on the mobile sector) and the economic downturn (reduction of sales of goods and changes in consumer behavior). Due to the efficiency plans in all subsidiaries the decrease in EBITDA is smaller than in Sales and EBITDA margin has increased year-to-year.*

**Significant financial indicators**

**Eesti Telekom Group**

	<b>Q3 2009</b>	<b>Q3 2008</b>	<b>Change, %</b>	<b>9 mos. 2009</b>	<b>9 mos. 2008</b>	<b>Change, %</b>
Total revenues, million EEK	<b>1,342</b>	1,566	(14.3)	<b>4,027</b>	4,617	(12.8)
EBITDA, million EEK	<b>542</b>	628	(13.7)	<b>1,595</b>	1,818	(12.3)
Margin, %	<b>40.4</b>	40.1		<b>39.6</b>	39.4	
EBIT, million EEK	<b>392</b>	481	(18.6)	<b>1,137</b>	1,386	(18.0)
Margin, %	<b>29.2</b>	30.7		<b>28.2</b>	30.0	
EBT, million EEK	<b>392</b>	485	(19.3)	<b>1,173</b>	1,424	(17.6)
Profit for the period, million EEK	<b>392</b>	485	(19.3)	<b>774</b>	1,039	(25.5)
Basic earnings per share, EEK	<b>2.84</b>	3.51	(19.1)	<b>5.61</b>	7.51	(25.3)
Comprehensive income for the period, million EEK	<b>392</b>	485	(19.3)	<b>774</b>	1,039	(25.5)
CAPEX, million EEK	<b>112</b>	171	(34.4)	<b>359</b>	474	(24.1)
Net gearing, %	<b>(8.4)</b>	(13.1)		<b>(8.4)</b>	(13.1)	
ROA, %	<b>9.5</b>	10.8		<b>17.1</b>	21.8	
ROE, %	<b>11.5</b>	13.3		<b>29.7</b>	34.7	

**Mobile communications segment**

	<b>Q3 2009</b>	<b>Q3 2008</b>	<b>Change, %</b>	<b>9 mos. 2009</b>	<b>9 mos. 2008</b>	<b>Change, %</b>
Total revenues, million EEK	<b>806</b>	966	(16.5)	<b>2,314</b>	2,778	(16.7)
EBITDA, million EEK	<b>292</b>	383	(23.6)	<b>865</b>	1,076	(19.7)
Margin, %	<b>36.2</b>	39.6		<b>37.4</b>	38.7	
EBIT, million EEK	<b>227</b>	316	(28.3)	<b>664</b>	881	(24.6)
Margin, %	<b>28.1</b>	32.7		<b>28.7</b>	31.7	
EBT, million EEK	<b>228</b>	318	(28.4)	<b>689</b>	900	(23.4)
Profit for the period, million EEK	<b>228</b>	318	(28.4)	<b>454</b>	678	(33.0)
Comprehensive income for the period, million EEK	<b>228</b>	318	(28.4)	<b>454</b>	678	(33.0)
CAPEX, million EEK	<b>27</b>	70	(61.9)	<b>160</b>	198	(19.2)
ROA, %	<b>13.5</b>	6.7		<b>23.6</b>	33.2	
ROE, %	<b>18.9</b>	9.2		<b>44.9</b>	58.4	

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**Broadband services segment**

	<b>Q3 2009</b>	Q3 2008	Change, %	9 mos. 2009	9 mos. 2008	Change, %
Total revenues, million EEK	<b>781</b>	886	(11.9)	<b>2,245</b>	2,454	(8.5)
EBITDA, million EEK	<b>240</b>	247	(2.8)	<b>722</b>	740	(2.5)
Margin, %	<b>30.8</b>	27.9		<b>32.1</b>	30.1	
EBIT, million EEK	<b>162</b>	173	(6.5)	<b>490</b>	523	(6.3)
Margin, %	<b>20.8</b>	19.6		<b>21.8</b>	21.3	
EBT, million EEK	<b>156</b>	170	(8.5)	<b>486</b>	523	(7.2)
Profit for the period, million EEK	<b>156</b>	170	(8.5)	<b>321</b>	390	(17.8)
Comprehensive income for the period, million EEK	<b>156</b>	170	(8.5)	<b>321</b>	390	(17.8)
CAPEX, million EEK	<b>85</b>	97	(13.1)	<b>194</b>	262	(26.1)
ROA, %	<b>6.4</b>	6.7		<b>12.4</b>	14.6	
ROE, %	<b>9.3</b>	9.2		<b>25.5</b>	26.2	

**IT services segment**

	<b>Q3 2009</b>	Q3 2008	Change, %	9 mos. 2009	9 mos. 2008	Change, %
Total revenues, million EEK	<b>56</b>	73	(22.7)	<b>188</b>	239	(21.6)
EBITDA, million EEK	<b>12</b>	2	534.7	<b>17</b>	13	29.6
Margin, %	<b>20.8</b>	2.5		<b>8.8</b>	5.3	
EBIT, million EEK	<b>6</b>	(4)	N/A	<b>(8)</b>	(5)	(44.6)
Margin, %	<b>9.8</b>	(5.9)		<b>(4.2)</b>	(2.3)	
EBT, million EEK	<b>6</b>	(5)	N/A	<b>(8)</b>	(6)	(26.5)
Profit for the period, million EEK	<b>6</b>	(5)	N/A	<b>(8)</b>	(6)	(26.5)
Comprehensive income for the period, million EEK	<b>6</b>	(5)	N/A	<b>(8)</b>	(6)	(26.5)
CAPEX, million EEK	<b>1</b>	4	(76.9)	<b>6</b>	14	(57.2)
ROA, %	<b>3.6</b>	(3.2)		<b>(4.6)</b>	(4.0)	
ROE, %	<b>5.1</b>	(6.2)		<b>(7.0)</b>	(6.4)	

**Sales revenues, operating costs, and profit**

The Group's sales revenues in the third quarter of 2009 reached 1,342 million EEK (3rd quarter 2008: 1,566 million EEK). The decrease in sales revenues resulted primarily from the reduction in the sales volumes of telecommunications and IT merchandise and a drop in revenues from call services and international interconnection services.

The **mobile communications segment's** consolidated turnover for the third quarter was 806 million EEK, decreasing 16% compared to the third quarter of 2008 (3rd quarter 2008: 966 million EEK). The reason for the decrease in total revenues was basically a reduction in revenues from call services caused by a drop in retail prices, which was partially compensated by the growth of volumes for mobile data communications and subcontracting services. During the third quarter, a decrease was also experienced in revenues received from the retailing and wholesaling of telecommunications merchandise compared to a year ago, which was caused by changes in consumer behavior. In addition, the call minutes initiated by the customers and the number of call minutes entering the EMT network decreased by 4% compared to the third quarter of 2008, which resulted from the customers' wish to limit consumption.



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By the end of the third quarter of 2009, the following applied to the EMT client base: the number of contractual clients had not decreased and remained at 484 thousand; since the entire market had contracted, the number of pre-paid card users decreased by 33 thousand, declining to 260 thousand. EMT assesses its market share of active SIM cards to be 47%. The estimated penetration of active cards in Estonia is 119%.

EMT successfully continued to offer its new MinuEMT (MyEMT) mobile and Internet package, whereby customers can choose the volumes of the three basic mobile communications – calls, text messages, and Internet – that he or she wishes to use. The MinuEMT package includes very favorable prices and personalized discounts based on the customers' history with EMT. The sale of MinuEMT services has progressed well and a total of 45 thousand private and business clients have subscribed.

Based on a 26 March 2009 decision by the Competition Board, as of 1 July 2009, a maximum interconnection tariff of 1.36 EEK per minute, instead of 1.37 EEK per minute, came into force for AS EMT, Elisa Eesti AS and Tele2 Eesti AS, as well as ProGroup Holding OÜ. The maximum rate for interconnection fees to be established for the periods 1 July 2010 to 30 June 2011 and 1 July 2011 to 30 June 2012 will be announced by the Competition Board at least 2 months before the beginning of the corresponding period, but pursuant to the decision, the decrease or increase in the interconnection fees to be applied shall not be more than 10%.

As of 1 July 2009, the following price obligations, which apply to the Community's internal roaming services (euro tariffs), came into force for mobile communications operators in the European member states based on Regulation no. 544/2009 of the European Parliament and Council dated 18 June 2009 (which amended EU Regulation no. 717/2007 that deals with roaming in public mobile phone networks within the borders of the Community): the call minute prices decreased at both the wholesale (0.26 EUR per minute) and retail level (outgoing calls 0.43 EUR per minute, incoming calls 0.19 EUR per minute); maximum fees were implemented for SMS texting (wholesale 0.04 EUR and retail 0.11 EUR), as well as wholesale prices for data communications services (1 EUR/1MB). In addition, as of 1 July 2009, the fees for roaming calls will be calculated by the second (except during the first 30 seconds of the call initiation fee).

**The broadband services segment's** consolidated turnover reached 781 million EEK in the third quarter. Compared to the same period of the previous year, the decrease of revenues in the broadband services segment totaled 12%. The decrease in turnover was related primarily to a reduction in the sales volumes of telecommunications and IT goods as well as a reduction in minute volumes of call services and international interconnections services. As a result of the drop in volumes, retail sales revenues decreased by 36%, and the revenues earned from end consumers for domestic call services decreased by 15%, due to the general drop in minute volumes in the Estonian market. The turnover for international call services decreased by 24%, which is primarily related to a reduction in the minute volumes for international calls initiated from mobile networks. Due to the drop in the minute volumes for international call transit, the turnover for international interconnection services decreased in the third quarter by 24% compared to the previous year. At the same time, the revenues earned from the monthly fees for triple-play and data communications solutions increased by 8% compared to the previous year.

As the result of successful marketing campaigns, the number of Elion IP and cable-TV customers increased by 6,000 in the third quarter reaching 94.4 thousand as of 30 September (30 September 2008: 75.4 thousand). Elion assesses that the company's market share in the cable broadcast market increased by 1% in the third quarter to 30% at the end of September (30 September 2008: 26%).

As of 1 October, Elion digital TV's basic Estonian and Slavic packages were supplemented by 20 channels, of which four are totally new channels (Discovery Investigation, Nat Geo Music, Life TV, and RTV). The other 16 channels that were added to the basic packages are popular channels transferred from theme packages, which were previously available for an additional fee.

At the end of September, Elion introduced a hyper-fast Internet service, which has quickly become popular among the customers. During the first week, more than 200 users subscribed to the service and 25,000 people checked on the availability of the service in their homes. Elion's hyper-fast Internet, with a monthly fee of 99 EEK, provides download speeds of up to 100 Mbit/s and upload speeds of up to 20 Mbit/s. This additional service is available to Kodulahenduse customers, whose current Internet download speeds are up to 12 Mbit/s,

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and in whose apartment buildings a fiber-optic network has been installed. Currently, there are 100,000 households in apartment buildings with the technical requirements for Elion's hyper-fast Internet in all of Estonia's largest cities.

The total number of Elion's customers with permanent Internet connection increased by 1,700 connections during the quarter, reaching 176.8 thousand by the end of September (30 September 2008: 171.9 thousand). The company's assessment is that Elion's market share of the permanent Internet connection market in Estonia has not changed, and continues to be 54%.

By the end of the third quarter, the number of Elion's total means of communication totaled 460 thousand (30 September 2008: 471 thousand interfaces). The reduction in the number of total means on communication resulted from an expected reduction in the number of telephone connections in the private and business segments, as well as a reduction in the number of pay phones throughout Estonia.

Elion assesses its market share for call minutes initiated in the fixed network to be 79% (September 2008: 80%). The market share for local call minutes is 81% (September 2008: 82%), 68% for international calls (September 2008: 67%) and 70% for call minutes made to mobile phones (September 2008: 71%).

In the telecommunications and IT goods market, Elion increased its market share in the third quarter in the field of audio-video goods from 12.5% to 16.8%. Despite very competitive prices, Elion was able to maintain its position as the market leader in the field of IT goods (a market share along with AS EMT, its affiliated company, of 29%).

In August, the Competition Board completed its proceeding regarding the fees established for Elion's fixed line services and rental of copper pairs, by acknowledging their legality.

**The IT services segment's** sales revenues in the third quarter of 2009 reached 56 million EEK (3rd quarter 2008: 73 million EEK). Compared to the same period in the previous year, the sales revenues decreased by 23%, whereas the sales revenues for IT merchandise decreased by 58%; the sales revenues for project-based services increased by 48%; and the sales revenues for permanent services decreased by 6%. The increase in revenues from project sales compared to last year was affected by the IT Koolituskeskuse OÜ Group's data being recognized in the consolidated sales revenues of the IT services segment in 2009, while on the other hand, project sales revenues decreased in connection with the sale of the software development and financial software business to AS Helmes at the end of June 2009. If we examine this field of activity separately, the sales revenues for services in the field of document management and archiving increased by 8% and the sales revenues for IT training and consultation decreased by 21% compared to the third quarter of last year.

In the third quarter, the general downward trend continued in the IT market. Numerous procurements have been postponed and the results of completed procurements have been cancelled. A certain positive impact can be felt from the activation of EU Structural Fund financing. At the same time, the wave of company bankruptcies and liquidations is gathering speed. Yet, the volume of doubtful receivables in the IT services segment has remained at the same level compared to the end of the second quarter of this year.

The turnover of merchandise sales for infrastructure solutions was significantly lower for the third quarter than for the same period of the previous year (11 million EEK vs. 28 million EEK). The reason is the general decline in the IT market. Currently, all companies in the IT sector that deal with the sale of merchandise are noticing the same downward trend. The summer period, which was accompanied by a decrease in turnover (23%) compared to the second quarter, also had an impact.

In the project business, several important contracts were signed in the third quarter with the ITIL (Information Technology Infrastructure Library) and ISKE (a three-level baseline protection system for information systems) fields of activity, including projects to introduce IncidentMonitor software. Continuing work on document management projects is progressing with several customers. Several important service contracts were concluded in the field of document management (ERGO Insurance, Border Guard Administration, etc.).

In the field of permanent services, the company has focused on export to Russia in the third quarter, which resulted in several new contracts for permanent services being signed. In the third quarter, an equipment

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hosting contact was also concluded with Telefonica Wholesale Services. In addition AS MicroLink Eesti applied for export supports from Enterprise Estonia and received a positive answer.

**The operating costs of the Eesti Telekom Group** decreased by 15% in the third quarter of 2009 compared to the same period in 2008, reaching 803 million EEK (3rd quarter 2008: 941 million EEK).

The operating costs in the **mobile communications segment** decreased by 12% compared to the third quarter of 2008, reaching 516 million EEK (3rd quarter 2008: 586 million EEK). The greatest decrease was in operating costs related to retailing and wholesaling, which corresponds to the drop in the turnover from merchandise sales. A decrease was also experienced in interconnection costs based on a slight drop in call volumes and a small price decrease and also in operating costs resulted from the efficiency projects.

The operating costs in the **broadband services segment** decreased during the last quarter by 15% compared to the same period in 2008, reaching 542 million EEK (3rd quarter 2008: 639 million EEK). Most of the reduction in operating costs resulted from a drop in direct sales costs, which was related to decreases in retail sales volumes, international interconnection services, and call minute volumes. A significant impact on the decrease in operating costs also resulted from the efficiency projects initiated last year, which are related to reductions in personnel costs, maintenance costs of buildings and network resources, transport costs, office costs and marketing costs.

The operating costs in the **IT services segment** decreased in the third quarter by 37% reaching 45 million EEK (3rd quarter 2008: 72 million EEK). The operating costs for the quarter were affected on the one hand by almost 4 million EEK of increased costs that accompanied the consolidation of the IT Koolituskeskus (Training Center), and on the other hand, by the fact that the costs related to the software development and financial software business that was sold at the end of June are not included in this year's third quarter. Also, the lower sales turnovers were accompanied by significantly lower purchasing costs for merchandise and both of the Group's companies have succeeded in reducing other operating costs (including a reduction of 37% in the other operating costs of MicroLink Eesti as an independent company and 61% by the IT Koolituskeskus).

**The Eesti Telekom Group EBITDA** decreased in the third quarter of 2009 by 14% compared to the same period in the previous year, reaching 542 million EEK (3rd quarter 2008: 628 million EEK). The EBITDA in the mobile communications services segment decreased by 24% in the third quarter compared to the same period of last year. In the third quarter, the EBITDA for the broadband segment has decreased by 3% compared to the same period of last year, reaching 240 million EEK (3rd quarter 2008: 247 million EEK). The EBITDA for the IT services segment in the third quarter of 2009 was 12 million EEK (3rd quarter 2008: 2 million EEK). The Group's EBITDA margin in the third quarter of 2009 was 40.4%, which was slightly higher from the corresponding margin for the same period of the previous year.

**The Group's depreciation costs** reached 150 million EEK in the third quarter of 2008, increasing 2% compared to the same period in 2008 (3rd quarter 2008: 147 million EEK).

In the third quarter, the **Eesti Telekom Group** earned **EBIT** of 392 million EEK, which was a decrease of 19% compared to the same period in the previous year (3rd quarter 2008: 481 million EEK) and **pre-tax profits** of 392 million EEK (3rd quarter 2008: 485 million EEK).

**The profit for the Eesti Telekom Group** for the third quarter of 2009 totaled 392 million EEK (3rd quarter 2008: 485 million EEK). The earnings per share were 2.84 EEK (3rd quarter 2008: 3.51 EEK). The comprehensive income of the Group for the third quarter of 2009 was 392 million EEK (3rd quarter 2008: 485 million EEK).

**Statement of financial position and cash flows**

As of 30 September 2009, the Eesti Telekom Group balance sheet totaled 4,062 million EEK (31 December 2008: 4,999 million EEK). Compared to the beginning of the year, the non-current assets have decreased by 121 million EEK, the balance of which reached 2,804 million EEK by the end of the quarter. The Group's current assets decreased by 816 million EEK during the first nine months, reaching 1,259 million EEK by the

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end of September (31 December 2008: 2,075 million EEK). Cash and cash equivalents, as well as the balance of short-term financial investments, decreased by 553 million EEK in connection with the dividends paid out in June and the income tax paid in July.

As of 30 September 2009, the Eesti Telekom Group equity was 3,615 million EEK, which is 681 million EEK less than at the end of 2008 (31 December 2008: 4,295 million EEK). The reduction in equity is related to the payment of dividends.

As of the end of September non-current liabilities totaled 30 million EEK (31 December 2008: 33 million EEK) and current liabilities totaled 417 million EEK (31 December 2008: 671 million EEK).

The net debt of the Eesti Telekom Group at the end of the third quarter was -303 million EEK and the net gearing ratio was -8% (31 December 2008: -853 million EEK and -20%).

The Eesti Telekom Group cash flow from operating activities during the first nine months of 2009 was 1,192 million EEK (9 months of 2008: 1,338 million EEK). The Group's cash flow from investing activities was 211 million EEK (9 months of 2008: -67 million EEK). The cash flow into the acquisition of tangible and intangible fixed assets during the first nine months was 359 million EEK (9 months of 2008: 474 million EEK). During the first nine months of 2009, the mobile communications segment invested 160 million EEK (9 months of 2008: 198 million EEK). In mobile communications, in addition to the constant development of the GSM network, a developmental priority was the implementation of technologies to support high-speed mobile data communications. The majority of data communications usage by EMT customers occurs in the 3G network, which enables the use of high-quality and rapid Internet connections at speeds approaching those of ADSL at conveniently manageable prices. Since EMT is the only operator in Estonia that provides EDGE data communications throughout its GSM coverage area, then investments in new base stations is primarily directed at expanding external and internal 3G coverage in cities and towns. At the same time, the constant improvement of the GSM network continued. Investments into fixed assets in the broadband services segment totaled 194 million EEK (9 months of 2008: 262 million EEK). The principal part of the capital investments was related to the development of network resources (core and fiber-optic cable networks), the improvement and expansion of the availability of the triple-service packages, and the fulfillment of regulation-based requirements. In the first nine months of 2009, the IT services segment invested 6 million EEK into fixed assets (9 months of 2008: 14 million EEK).

Under the leadership of the Estonian Association of Information Technology and Telecommunications Companies (ITL), the Ministry of Economic Affairs and Communication and the telecommunications companies have agreed to develop a 100 Mbit/s capacity Internet network by 2015. The name of the project for the development of a new generation Internet network is EstWin. During the first stage of the EstWin project, a basic communications network comprising 6,640 kilometers of fiber-optic cable and 1,400 network connection locations will be installed. In the second stage of the project, the operators will connect an access network for consumers to the basic network. The estimated cost of the entire project is up to 6 billion EEK, with the government planning to use 1.5 billion EEK from various European structural funds to cover the government's obligations for the development of the basic network. In order to realize the EstWin project, the largest companies in the information technology and telecommunications sector founded the Estonian Broadband Development Foundation or ELA Foundation in the third quarter, for the purpose of developing the basic infrastructure required for the installation of a new generation broadband network in Estonia's rural areas by end of 2015. The founders of the ELA Foundation include Elion, EMT, Elisa, Tele2, Televõrk, Levira, Eltel, and Ericsson. Kalev Reiljan, Elion's Technology Director, was elected Chairman of the ELA Foundation Supervisory Board.

The Eesti Telekom Group cash flow used in financing activities totaled 1,457 million EEK in the first nine months, of which 1,449 million EEK was used to pay dividends to the AS Eesti Telekom shareholders (9 months of 2008: 1,450 million EEK and 1,449 million EEK respectively) and 6 million EEK was paid to minority shareholders (Serenda Invest OÜ minority shareholders) (9 months of 2008: 8 million EEK).

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND  
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(Translation of the Estonian original)

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**Definitions**

**EBITDA margin** = EBITDA / Net sales x 100%

**EBIT margin** = EBIT / Net sales x 100%

**Net debt** = Interest bearing liabilities - cash and cash equivalents - short term investments

**Net gearing** = Net debt / Owner's equity x 100%

**ROA** = Profit for the period / Average total assets x 100%

**ROE** = Profit before tax / Average equity x 100%

**Basic earnings per share** = Profit for the period / Average number of shares

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**CONSOLIDATED QUARTERLY DATA**

In millions of Estonian kroons (EEK)

	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09
Net sales	1,566	1,573	1,336	1,349	1,342
OPEX	(941)	(1,050)	(825)	(820)	(803)
Other revenues/expenses, net	3	8	5	7	4
EBITDA	628	531	517	536	542
Depreciation and amortisation	(147)	(144)	(157)	(151)	(150)
EBIT	481	387	360	385	392
Income / expenses from associates	-	-	(1)	1	-
Other net financing items	4	13	17	19	-
EBT	485	400	376	406	392
Income tax on dividends	-	-	-	(400)	-
Profit for the period	485	400	376	6	392
Minority interest	1	1	-	(1)	-
EBITDA margin, %	40.12%	33.75%	38.66%	39.73%	40.39%
EBIT margin, %	30.74%	24.61%	26.91%	28.55%	29.20%
Net margin, %	30.98%	25.42%	28.12%	0.46%	29.19%
Total assets	4,500	4,999	5,207	4,159	4,062
- Non-current assets	2,768	2,925	2,905	2,836	2,804
- Current assets	1,732	2,075	2,302	1,323	1,259
- Cash and cash equivalents and short-term investments	511	863	1,221	249	310
Equity and liabilities	4,500	4,999	5,207	4,159	4,062
- Equity	3,897	4,295	4,671	3,223	3,615
- Provisions	31	29	26	25	25
- Non-current liabilities	2	8	8	6	6
- Interest-bearing borrowings	-	6	6	4	4
- Current liabilities	571	667	502	904	416
- Interest-bearing borrowings	2	4	3	3	3

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**III QUARTER CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	III Quarter 2009	III Quarter 2008
Net sales	2.1 (a)	1,341,620	1,566,042
Cost of production	2.1 (a)	(768,235)	(876,653)
<b>Gross profit</b>	2.1 (a)	<b>573,385</b>	<b>689,389</b>
Sales, administrative, and research & development expenses	2.1 (a)	(185,416)	(211,328)
Other operating revenues	2.1 (a)	4,186	5,389
Other operating expenses	2.1 (a)	(467)	(2,084)
<b>Operating profit</b>	2.1 (a)	<b>391,688</b>	<b>481,366</b>
Finance income		2,090	4,435
Finance costs		(2,449)	(384)
<b>Finance income, net</b>	2.1 (a)	<b>(359)</b>	<b>4,051</b>
Net income / (expenses) from associated companies	2.1 (a)	321	(273)
<b>Profit before tax</b>	2.1 (a)	<b>391,650</b>	<b>485,144</b>
Income tax on dividends	2.1 (a)	-	(1)
<b>Profit for the period</b>	2.1 (a)	<b>391,650</b>	<b>485,143</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign subsidiaries	2.1 (a)	(18)	-
<b>Other comprehensive income for the period</b>	2.1 (a)	<b>(18)</b>	<b>-</b>
<b>Total comprehensive income</b>	2.1 (a)	<b>391,632</b>	<b>485,143</b>
<b>Profit attributable to:</b>			
Equity holders of the parent	2.1 (a)	391,518	483,791
Minority interest	2.1 (a)	132	1,352
		<b>391,650</b>	<b>485,143</b>
<b>Comprehensive income attributable to:</b>			
Equity holders of the parent	2.1 (a)	391,503	483,791
Minority interest	2.1 (a)	129	1,352
		<b>391,632</b>	<b>485,143</b>
<b>Earnings per share for profit attributable to the equity holders of the parent during the reporting period</b> (expressed in EEK)	7 (f)		
Basic earnings per share		2.84	3.51
Diluted earnings per share		2.84	3.51
<b>EBITDA</b>	2.1 (a)	<b>541,903</b>	<b>628,225</b>
Depreciation, amortization and write-downs	2.1 (a)	(150,215)	(146,859)



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**THE FIRST NINE MONTHS CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

	Notes	9 months to 30 September 2009	9 months to 30 September 2008	2008
Net sales	2.1 (b), 2.3	4,027,259	4,616,931	6,189,597
Cost of production	2.1 (b)	(2,275,061)	(2,588,390)	(3,532,648)
<b>Gross profit</b>	2.1 (b)	<b>1,752,198</b>	<b>2,028,541</b>	<b>2,656,949</b>
Sales, administrative, and research & development expenses	2.1 (b)	(630,936)	(657,575)	(907,058)
Other operating revenues	2.1 (b)	18,988	19,674	31,317
Other operating expenses	2.1 (b)	(3,731)	(4,905)	(8,498)
<b>Operating profit</b>	2.1 (b)	<b>1,136,519</b>	<b>1,385,735</b>	<b>1,772,710</b>
Finance income		39,089	42,813	55,185
Finance costs		(3,096)	(1,556)	(871)
<b>Finance income, net</b>	2.1 (b)	<b>35,993</b>	<b>41,257</b>	<b>54,314</b>
Net income / (expenses) from associated companies	2.1 (b)	947	(2,753)	(2,847)
<b>Profit before tax</b>	2.1 (b)	<b>1,173,459</b>	<b>1,424,239</b>	<b>1,824,177</b>
Income tax on dividends	2.1 (b)	(399,746)	(385,722)	(385,912)
<b>Profit for the period</b>	2.1 (b)	<b>773,713</b>	<b>1,038,517</b>	<b>1,438,265</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign subsidiaries	2.1 (b)	7	-	17
<b>Other comprehensive income for the period</b>	2.1 (b)	<b>7</b>	<b>-</b>	<b>17</b>
<b>Total comprehensive income</b>	2.1 (b)	<b>773,720</b>	<b>1,038,517</b>	<b>1,438,282</b>
<b>Profit attributable to:</b>				
Equity holders of the parent	2.1 (b)	774,093	1,035,757	1,434,835
Minority interest	2.1 (b)	(380)	2,760	3,430
		<b>773,713</b>	<b>1,038,517</b>	<b>1,438,265</b>
<b>Comprehensive income attributable to:</b>				
Equity holders of the parent	2.1 (b)	774,099	1,035,757	1,434,849
Minority interest	2.1 (b)	(379)	2,760	3,433
		<b>773,720</b>	<b>1,038,517</b>	<b>1,438,282</b>
<b>Earnings per share for profit attributable to the equity holders of the parent during the reporting period</b> (expressed in EEK)	7 (f)			
Basic earnings per share		5.61	7.51	10.40
Diluted earnings per share		5.61	7.51	10.40
<b>EBITDA</b>	2.1 (b)	<b>1,594,664</b>	<b>1,817,655</b>	<b>2,348,360</b>
Depreciation, amortization and write-downs	2.1 (b), 3	(458,145)	(431,920)	(575,650)



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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	30 September 2009	31 December 2008	30 September 2008
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	3	2,516,026	2,590,170	2,464,966
Intangible fixed assets	3	201,971	228,312	196,671
Investments in associates	2.2, 5	11,522	10,575	10,669
Other financial fixed assets		74,166	95,680	95,834
<b>Total non-current assets</b>	2.2	<b>2,803,685</b>	<b>2,924,737</b>	<b>2,768,140</b>
<b>Current assets</b>				
Inventories	6	146,383	169,943	195,986
Trade and other receivables		802,579	1,041,685	1,025,389
Short-term investments		-	500,000	300,000
Cash and cash equivalents		309,708	363,099	210,533
<b>Total current assets</b>	2.2	<b>1,258,670</b>	<b>2,074,727</b>	<b>1,731,908</b>
<b>TOTAL ASSETS</b>	2.2	<b>4,062,355</b>	<b>4,999,464</b>	<b>4,500,048</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Capital and reserves attributable to equity holders of the parent</b>				
Share capital	7	1,379,545	1,379,545	1,379,545
Share premium		356,018	356,018	356,018
Statutory legal reserve		137,955	137,955	137,955
Translation reserve		20	14	-
Retained earnings		1,739,413	2,413,843	2,016,595
<b>Total capital and reserves attributable to equity holders of the parent</b>		<b>3,612,951</b>	<b>4,287,375</b>	<b>3,890,113</b>
Minority interest	2.2, 7	1,949	8,035	6,709
<b>Total equity</b>		<b>3,614,900</b>	<b>4,295,410</b>	<b>3,896,822</b>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	8	4,020	5,872	37
Retirement benefit obligations	9	1,386	2,158	2,445
Provisions	10	22,571	22,571	22,472
Non-interest bearing liabilities		2,283	1,989	1,921
<b>Total non-current liabilities</b>	2.2	<b>30,260</b>	<b>32,590</b>	<b>26,875</b>
<b>Current liabilities</b>				
Trade and other payables		413,021	663,396	568,732
Interest bearing loans and borrowings	8	3,098	4,061	1,828
Retirement benefit obligations	9	1,032	1,032	1,001
Provisions	10	44	2,975	4,790
<b>Total current liabilities</b>	2.2	<b>417,195</b>	<b>671,464</b>	<b>576,351</b>
<b>Total liabilities</b>		<b>447,455</b>	<b>704,054</b>	<b>603,226</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	2.2	<b>4,062,355</b>	<b>4,999,464</b>	<b>4,500,048</b>

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**CONSOLIDATED CASH FLOW STATEMENT**

	Notes	9 months to 30 September 2009	9 months to 30 September 2008
<b>Operating activities</b>			
Profit for the period		773,713	1,038,517
Adjustments for:			
Depreciation, amortisation and impairment of fixed and intangible assets	2.1, 3	458,145	431,920
(Profit) / loss from sales and discards of fixed assets		(4,166)	(6,107)
Net (income) / expenses from associated companies		(947)	2,753
Provisions		(2,924)	(2,511)
Financial items		(38,958)	(38,182)
Miscellaneous non-cash items		1,413	(289)
<b>Cash flow before change in working capital</b>		<b>1,186,276</b>	<b>1,426,101</b>
Change in current receivables		186,179	(21,265)
Change in inventories		23,561	(15,291)
Change in current liabilities		(247,799)	(100,650)
<b>Change in working capital</b>		<b>(38,059)</b>	<b>(137,206)</b>
<b>Cash flow after changes in working capital</b>		<b>1,148,217</b>	<b>1,288,895</b>
Interest received		47,007	52,764
Interest paid		(2,758)	(3,845)
<b>Cash flow from operating activities</b>	2.2	<b>1,192,466</b>	<b>1,337,814</b>
<b>Investing activities</b>			
Intangible and tangible fixed assets acquired	2.2, 3	(358,592)	(473,740)
Intangible and tangible fixed assets divested		6,492	9,612
Other financial investments acquired		(1,600)	-
Net change in interest-receivables short maturities		500,000	394,040
Net cash changes of other long-term receivables		64,651	3,189
<b>Cash flow from investing activities</b>	2.2	<b>210,951</b>	<b>(66,899)</b>
<b>Cash flow before financing activities</b>		<b>1,403,417</b>	<b>1,270,915</b>
<b>Financing activities</b>			
Dividends paid	7 (e)	(1,454,230)	(1,456,054)
Proceeds from finance lease	8	751	-
Repayment of finance lease liabilities	8	(3,285)	(1,325)
<b>Cash flow used in financing activities</b>	2.2	<b>(1,456,764)</b>	<b>(1,457,379)</b>
<b>Cash flow for the year</b>	2.2	<b>(53,347)</b>	<b>(186,464)</b>
<b>Cash and cash equivalents at beginning of year</b>	2.2	<b>363,099</b>	<b>396,778</b>
Cash flow for the year	2.2	(53,347)	(186,464)
Effect of foreign exchange rate changes	2.2	(44)	219
<b>Cash and cash equivalents at end of period</b>	2.2	<b>309,708</b>	<b>210,533</b>

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**STATEMENT OF CHANGES IN OWNERS' EQUITY**

	Attributable to equity holders of the Company						Minority interest	Total equity
	Issued capital	Share premium	Statutory legal reserve	Translation reserve	Retained earnings	Total		
<b>31 December 2007</b>	<b>1,379,545</b>	<b>356,018</b>	<b>137,955</b>	-	<b>2,429,361</b>	<b>4,302,879</b>	<b>11,480</b>	<b>4,314,359</b>
Dividends paid and declared (Note 7 e)	-	-	-	-	(1,448,523)	(1,448,523)	(7,531)	(1,456,054)
Comprehensive income for the period	-	-	-	-	1,035,757	1,035,757	2,760	1,038,517
<b>30 September 2008</b>	<b>1,379,545</b>	<b>356,018</b>	<b>137,955</b>	-	<b>2,016,595</b>	<b>3,890,113</b>	<b>6,709</b>	<b>3,896,822</b>
<b>31 December 2008</b>	<b>1,379,545</b>	<b>356,018</b>	<b>137,955</b>	<b>14</b>	<b>2,413,843</b>	<b>4,287,375</b>	<b>8,035</b>	<b>4,295,410</b>
Dividends paid (Note 7 e)	-	-	-	-	(1,448,523)	(1,448,523)	(5,707)	(1,454,230)
Comprehensive income for the period	-	-	-	6	774,093	774,099	(379)	773,720
<b>30 September 2009</b>	<b>1,379,545</b>	<b>356,018</b>	<b>137,955</b>	<b>20</b>	<b>1,739,413</b>	<b>3,612,951</b>	<b>1,949</b>	<b>3,614,900</b>

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In thousands of Estonian kroons (EEK)

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

AS Eesti Telekom (registration number: 10234957; address: Valge 16, 19095 Tallinn, Estonia) is a holding company registered and operating in the Republic of Estonia, with subsidiaries providing services in the field of telecommunications. Starting from 1999, the shares of AS Eesti Telekom are listed on the Tallinn and London Stock Exchanges (OMX: ETLAT / LSE: EETD).

AS Eesti Telekom and its subsidiaries comprise the Eesti Telekom Group (hereinafter also the Group). AS Eesti Telekom is a parent company of Eesti Telekom Group.

The immediate parent company of AS Eesti Telekom is Baltic Tele AB, which is the holding company. Company post address is Box 7754, SE-103 96 Stockholm, Sweden. Baltic Tele AB is a 100%-owned subsidiary of TeliaSonera AB and is the ultimate controlling party of AS Eesti Telekom. The largest shareholder of TeliaSonera AB is Swedish State with 37.3%. TeliaSonera AB is situated at Sturegatan 1, SE-106 63 Stockholm, Sweden.

The III Quarter and the first 9 months 2009 consolidated interim financial statements for the AS Eesti Telekom include the financial results for the following companies:

- parent company: AS Eesti Telekom;
- subsidiaries: AS EMT, Elion Enterprises AS, MicroLink Eesti AS, EMT Esindused AS, AS Mobile Wholesale, Serenda Invest OÜ, AS Elion Esindus, AS EsData, IT Koolituskeskuse OÜ, ProTraining Academy UAB, SIA IT Protraining Latvia and BiTa Service Management OÜ (see also note 4);
- associates: AS Sertifitseerimiskeskus ja OÜ Voicecom (see also note 5).

The consolidated interim financial statements for the III Quarter and the first 9 months period ending 30 September 2009 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 the consolidated financial statements for 2008.

***Changes in the presentation of information in 2009***

In connection with changes in IAS I "Presentation of Financial Statements", which will come into force as of 1 January 2009, the Group's interim reports 2009 was replaced of the consolidated income statement by a consolidated statement of comprehensive income. The comprehensive income statement also includes all non-owner changes previously recognized in equity. In connection with the compilation of the consolidated comprehensive income statement, the presentation of the report on changes in equity also changed. The report on changes in equity does not recognize statement of comprehensive income elements as separate changes. Pursuant to IAS I, the term "balance sheet" used previously is replaced by the term "statement of financial position". The presentation of basic reports and the new terms do not affect the recognition of transactions and balances or the accounting principles.

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

These consolidated financial statements are not audited and only include consolidated statements of the Group.

This consolidated statement is signed by the management board for public disclosure on 21 October 2009.

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## **2. Segment information**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The report provides information about the Group's segments, and this information is organised by both business segments (the primary format for segment reporting) and geographic segments (the secondary format for segment reporting).

A business segment is a distinguishable component of the Group that is engaged in providing a group of related services or products and that is subject to risks and returns that are different from those of other business segments.

Geographic segment is a part of the Group that provides services in a specific economic environment whereof risks and profitability differ from its other parts that act in other different economic environments.

Three segments, mobile telecommunications, broadband and managed IT services are distinguished in the consolidated financial statements.

**Mobile telecommunications** – this segment operates mobile networks and systems, and deals with the provision, marketing and selling of services and goods related thereto. The entities in this business segment are AS EMT, Serenda Invest OÜ and up to 31 August 2009 EMT Esindused AS and AS Mobile Wholesale. From 1 September 2009 EMT Esindused AS and AS Mobile Wholesale merged with AS EMT.

**Broadband** – this segment operates the national telecommunications network, with providing broadband and data communications services and related value-added services as well as provision, marketing and sales of other related services and goods. The entities in this business segment are Elion Enterprises AS, AS EsData, up to 31 August 2009 AS Elion Esindus and up to 31 May 2008 Viru Net OÜ. From 1 June 2008 Viru Net OÜ and from 1 September 2009 AS Elion Esindus merged with Elion Enterprises AS.

**Managed IT-services** – this segment operates IT services: system integration and infrastructure solutions; software development; ERP and business solutions; IT training; 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, marketing and sales of related services and goods. The entities in this business segment are AS MicroLink Eesti and from 1 November 2008 the Group's new members: IT Koolituskeskus OÜ, IT Protraining Latvia SIA, ProTraining Academy UAB and up to 11 February 2009 BiTA Service Management OÜ. From 11 February 2009 BiTA Service Management OÜ merged with AS MicroLink Eesti.

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

Unallocated revenue and expenses are related to the use or disposal of unallocated assets and liabilities and also include the administrative costs of the Group's parent company.

Unallocated assets and liabilities are assets and liabilities, the allocation of which into segments is not possible or justified due to the structure of the Group's business activities (e.g. corporate income tax, interest receivables or liabilities, dividend receivables or liabilities). Unallocated assets and liabilities also include assets and liabilities of the Group's parent company.

Inter-company transactions were conducted on an arms-length basis.

The majority of the Eesti Telekom Group assets are located in Estonia, with an insignificant part in Latvia and Lithuania.

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**2.1 Primary reporting format – business segments**

*a) III Quarter statement of comprehensive income*

	Mobile telecommunications		Broadband services		Managed IT services		Unallocated / Eliminations		Consolidated	
	III Q 2009	III Q 2008	III Q 2009	III Q 2008	III Q 2009	III Q 2008	III Q 2009	III Q 2008	III Q 2009	III Q 2008
External net sales	635,330	746,347	666,273	773,992	40,017	45,703	-	-	1,341,620	1,566,042
Inter-segment net sales	171,026	219,278	114,589	112,195	16,455	27,365	(302,070)	(358,838)	-	-
<b>Total net sales</b>	<b>806,356</b>	<b>965,625</b>	<b>780,862</b>	<b>886,187</b>	<b>56,472</b>	<b>73,068</b>	<b>(302,070)</b>	<b>(358,838)</b>	<b>1,341,620</b>	<b>1,566,042</b>
External cost of production	(395,898)	(465,703)	(355,535)	(380,234)	(17,750)	(31,654)	948	938	(768,235)	(876,653)
Inter-segment cost of production	(111,253)	(110,018)	(175,858)	(226,077)	(3,273)	(6,225)	290,384	342,320	-	-
<b>Gross profit</b>	<b>299,205</b>	<b>389,904</b>	<b>249,469</b>	<b>279,876</b>	<b>35,449</b>	<b>35,189</b>	<b>(10,738)</b>	<b>(15,580)</b>	<b>573,385</b>	<b>689,389</b>
External sales, administrative and research & development	(70,710)	(69,287)	(79,301)	(95,065)	(28,931)	(38,516)	(6,474)	(8,460)	(185,416)	(211,328)
Inter-segment sales, administrative and research & development	(3,396)	(7,287)	(9,879)	(11,496)	(1,202)	(1,404)	14,477	20,187	-	-
External other operating revenues	2,066	4,750	1,843	186	277	453	-	-	4,186	5,389
Inter-segment other operating revenues	-	-	-	-	-	2	-	(2)	-	-
External other operating expenses	(434)	(2,016)	-	(35)	(31)	(32)	(2)	(1)	(467)	(2,084)
<b>Operating profit/(loss)</b>	<b>226,731</b>	<b>316,064</b>	<b>162,132</b>	<b>173,466</b>	<b>5,562</b>	<b>(4,308)</b>	<b>(2,737)</b>	<b>(3,856)</b>	<b>391,688</b>	<b>481,366</b>
Financial revenues and expenses, net	972	2,094	(6,331)	(2,970)	(46)	(273)	5,046	5,200	(359)	4,051
Income/(expenses) from associated, net	82	(220)	239	(53)	-	-	-	-	321	(273)
<b>Profit/(loss) after financial items</b>	<b>227,785</b>	<b>317,938</b>	<b>156,040</b>	<b>170,443</b>	<b>5,516</b>	<b>(4,581)</b>	<b>2,309</b>	<b>1,344</b>	<b>391,650</b>	<b>485,144</b>
Income tax on dividends	-	(1)	-	-	-	-	-	-	-	(1)
<b>Profit/(loss) for the period</b>	<b>227,785</b>	<b>317,937</b>	<b>156,040</b>	<b>170,443</b>	<b>5,516</b>	<b>(4,581)</b>	<b>2,309</b>	<b>1,344</b>	<b>391,650</b>	<b>485,143</b>

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**2.1 Primary reporting format – business segments (continued)**

*a) III Quarter statement of comprehensive income (continued)*

	Mobile telecommunications		Broadband services		Managed IT services		Unallocated / Eliminations		Consolidated	
	III Q 2009	III Q 2008	III Q 2009	III Q 2008	III Q 2009	III Q 2008	III Q 2009	III Q 2008	III Q 2009	III Q 2008
<b>Other comprehensive income</b>										
Exchange differences on translating foreign subsidiaries	-	-	-	-	(18)	-	-	-	(18)	-
<b>Other comprehensive income for the period</b>	-	-	-	-	(18)	-	-	-	(18)	-
<b>Total comprehensive income</b>	<b>227,785</b>	<b>317,937</b>	<b>156,040</b>	<b>170,443</b>	<b>5,498</b>	<b>(4,581)</b>	<b>2,309</b>	<b>1,344</b>	<b>391,632</b>	<b>485,143</b>
<b>Profit attributable to:</b>										
Equity shareholders of the parent	227,656	316,585	156,040	170,443	5,513	(4,581)	2,309	1,344	391,518	483,791
Minority interest	129	1,352	-	-	3	-	-	-	132	1,352
	<b>227,785</b>	<b>317,937</b>	<b>156,040</b>	<b>170,443</b>	<b>5,516</b>	<b>(4,581)</b>	<b>2,309</b>	<b>1,344</b>	<b>391,650</b>	<b>485,143</b>
<b>Comprehensive income attributable to:</b>										
Equity shareholders of the parent	227,656	316,585	156,040	170,443	5,498	(4,581)	2,309	1,344	391,503	483,791
Minority interest	129	1,352	-	-	-	-	-	-	129	1,352
	<b>227,785</b>	<b>317,937</b>	<b>156,040</b>	<b>170,443</b>	<b>5,498</b>	<b>(4,581)</b>	<b>2,309</b>	<b>1,344</b>	<b>391,632</b>	<b>485,143</b>
<b>EBITDA</b>	<b>292,233</b>	<b>382,582</b>	<b>240,303</b>	<b>247,274</b>	<b>11,730</b>	<b>1,848</b>	<b>(2,363)</b>	<b>(3,479)</b>	<b>541,903</b>	<b>628,225</b>
Depreciation, amortization and write-downs	(65,502)	(66,518)	(78,171)	(73,808)	(5,551)	(6,156)	(374)	(377)	(149,598)	(146,859)
Impairment charge	-	-	-	-	(617)	-	-	-	(617)	-

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**2.1 Primary reporting format – business segments**

*b) The first nine months statement of comprehensive income*

	Mobile telecommunications		Broadband services		Managed IT services		Unallocated / Eliminations		Consolidated	
	9 mos. to 30 Sept. 2009	9 mos. to 30 Sept. 2008	9 mos. to 30 Sept. 2009	9 mos. to 30 Sept. 2008	9 mos. to 30 Sept. 2009	9 mos. to 30 Sept. 2008	9 mos. to 30 Sept. 2009	9 mos. to 30 Sept. 2008	9 mos. to 30 Sept. 2009	9 mos. to 30 Sept. 2008
External net sales	1,918,174	2,272,406	1,970,381	2,179,284	138,704	165,241	-	-	4,027,259	4,616,931
Inter-segment net sales	396,156	505,715	274,737	275,099	48,943	73,966	(719,836)	(854,780)	-	-
<b>Total net sales</b>	<b>2,314,330</b>	<b>2,778,121</b>	<b>2,245,118</b>	<b>2,454,383</b>	<b>187,647</b>	<b>239,207</b>	<b>(719,836)</b>	<b>(854,780)</b>	<b>4,027,259</b>	<b>4,616,931</b>
External cost of production	(1,169,406)	(1,408,513)	(1,042,912)	(1,077,422)	(65,579)	(105,270)	2,836	2,815	(2,275,061)	(2,588,390)
Inter-segment cost of production	(264,242)	(260,219)	(410,566)	(528,070)	(11,372)	(16,888)	686,180	805,177	-	-
<b>Gross profit</b>	<b>880,682</b>	<b>1,109,389</b>	<b>791,640</b>	<b>848,891</b>	<b>110,696</b>	<b>117,049</b>	<b>(30,820)</b>	<b>(46,788)</b>	<b>1,752,198</b>	<b>2,028,541</b>
External sales, administrative and research & development	(211,092)	(215,651)	(280,049)	(295,855)	(119,785)	(119,026)	(20,010)	(27,043)	(630,936)	(657,575)
Inter-segment sales, administrative and research & development	(10,581)	(19,690)	(27,351)	(37,309)	(3,486)	(4,378)	41,418	61,377	-	-
External other operating revenues	8,871	11,625	5,445	7,144	4,672	905	-	-	18,988	19,674
Inter-segment other operating revenues	-	-	-	-	1	6	(1)	(6)	-	-
External other operating expenses	(3,682)	(4,707)	-	(116)	(43)	(52)	(6)	(30)	(3,731)	(4,905)
<b>Operating profit/(loss)</b>	<b>664,198</b>	<b>880,966</b>	<b>489,685</b>	<b>522,755</b>	<b>(7,945)</b>	<b>(5,496)</b>	<b>(9,419)</b>	<b>(12,490)</b>	<b>1,136,519</b>	<b>1,385,735</b>
Financial revenues and expenses, net	24,455	19,990	(4,383)	2,031	(178)	(924)	16,099	20,160	35,993	41,257
Income/(expenses) from associated, net	502	(1,301)	445	(1,452)	-	-	-	-	947	(2,753)
<b>Profit/(loss) after financial items</b>	<b>689,155</b>	<b>899,655</b>	<b>485,747</b>	<b>523,334</b>	<b>(8,123)</b>	<b>(6,420)</b>	<b>6,680</b>	<b>7,670</b>	<b>1,173,459</b>	<b>1,424,239</b>
Income tax on dividends	(234,936)	(222,060)	(164,810)	(132,911)	-	-	-	(30,751)	(399,746)	(385,722)
<b>Profit/(loss) for the period</b>	<b>454,219</b>	<b>677,595</b>	<b>320,937</b>	<b>390,423</b>	<b>(8,123)</b>	<b>(6,420)</b>	<b>6,680</b>	<b>(23,081)</b>	<b>773,713</b>	<b>1,038,517</b>



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**2.1 Primary reporting format – business segments (continued)**

*b) The first nine months statement of comprehensive income (continued)*

	Mobile telecommunications		Broadband services		Managed IT services		Unallocated / Eliminations		Consolidated	
	9 mos. to 30 Sept. 2009	9 mos. to 30 Sept. 2008	9 mos. to 30 Sept. 2009	9 mos. to 30 Sept. 2008	9 mos. to 30 Sept. 2009	9 mos. to 30 Sept. 2008	9 mos. to 30 Sept. 2009	9 mos. to 30 Sept. 2008	9 mos. to 30 Sept. 2009	9 mos. to 30 Sept. 2008
<b>Other comprehensive income</b>										
Exchange differences on translating foreign subsidiaries	-	-	-	-	7	-	-	-	7	-
<b>Other comprehensive income for the period</b>	-	-	-	-	7	-	-	-	7	-
<b>Total comprehensive income</b>	<b>454,219</b>	<b>677,595</b>	<b>320,937</b>	<b>390,423</b>	<b>(8,116)</b>	<b>(6,420)</b>	<b>6,680</b>	<b>(23,081)</b>	<b>773,720</b>	<b>1,038,517</b>
<b>Profit attributable to:</b>										
Equity shareholders of the parent	453,933	674,835	320,937	390,423	(7,457)	(6,420)	6,680	(23,081)	774,093	1,035,757
Minority interest	286	2,760	-	-	(666)	-	-	-	(380)	2,760
	<b>454,219</b>	<b>677,595</b>	<b>320,937</b>	<b>390,423</b>	<b>(8,123)</b>	<b>(6,420)</b>	<b>6,680</b>	<b>(23,081)</b>	<b>773,713</b>	<b>1,038,517</b>
<b>Comprehensive income attributable to:</b>										
Equity shareholders of the parent	453,933	674,835	320,937	390,423	(7,451)	(6,420)	6,680	(23,081)	774,099	1,035,757
Minority interest	286	2,760	-	-	(665)	-	-	-	(379)	2,760
	<b>454,219</b>	<b>677,595</b>	<b>320,937</b>	<b>390,423</b>	<b>(8,116)</b>	<b>(6,420)</b>	<b>6,680</b>	<b>(23,081)</b>	<b>773,720</b>	<b>1,038,517</b>
<b>EBITDA</b>	<b>864,645</b>	<b>1,076,354</b>	<b>721,737</b>	<b>739,867</b>	<b>16,579</b>	<b>12,791</b>	<b>(8,297)</b>	<b>(11,357)</b>	<b>1,594,664</b>	<b>1,817,655</b>
Depreciation, amortization and write-downs	(200,447)	(195,388)	(232,052)	(217,112)	(17,488)	(18,287)	(1,122)	(1,133)	(451,109)	(431,920)
Impairment charge	-	-	-	-	(7,036)	-	-	-	(7,036)	-

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## 2.2 Other information by business segments

	Mobile telecommunications		Broadband services		Managed IT-services		Eliminations		Consolidated	
	30 Sept., 9 mos. 2009	30 Sept., 9 mos. 2008	30 Sept., 9 mos. 2009	30 Sept., 9 mos. 2008	30 Sept., 9 mos. 2009	30 Sept., 9 mos. 2008	30 Sept., 9 mos. 2009	30 Sept., 9 mos. 2008	30 Sept., 9 mos. 2009	30 Sept., 9 mos. 2008
Non-current assets (except investments in subsidiaries & associates)	996,166	995,767	1,691,167	1,660,322	99,740	96,162	5,090	5,220	2,792,163	2,757,471
Investments in subsidiaries and associates	6,650	6,149	4,872	4,520	-	-	-	-	11,522	10,669
Current assets	615,769	939,170	741,006	899,795	55,901	74,114	(154,006)	(181,171)	1,258,670	1,731,908
<b>Total assets</b>	<b>1,618,585</b>	<b>1,941,086</b>	<b>2,437,045</b>	<b>2,564,637</b>	<b>155,641</b>	<b>170,276</b>	<b>(148,916)</b>	<b>(175,951)</b>	<b>4,062,355</b>	<b>4,500,048</b>
Equity attributable to equity shareholders of the parent	1,318,009	1,457,661	1,751,993	1,942,152	111,294	119,887	431,655	370,413	3,612,951	3,890,113
Minority interest	1,949	6,709	-	-	-	-	-	-	1,949	6,709
Non-current liabilities	23,888	24,339	5,520	1,957	852	579	-	-	30,260	26,875
Current liabilities	274,739	452,377	679,532	620,528	43,495	49,810	(580,571)	(546,364)	417,195	576,351
<b>Total shareholders' equity and liabilities</b>	<b>1,618,585</b>	<b>1,941,086</b>	<b>2,437,045</b>	<b>2,564,637</b>	<b>155,641</b>	<b>170,276</b>	<b>(148,916)</b>	<b>(175,951)</b>	<b>4,062,355</b>	<b>4,500,048</b>
Net cash from/ (used in) operating activities	665,188	855,251	498,584	495,957	21,180	3,125	7,514	(16,519)	1,192,466	1,337,814
Net cash from/ (used in) investing activities	(160,647)	(198,432)	(122,966)	(249,337)	(5,433)	(13,164)	499,997	394,034	210,951	(66,899)
Net cash from/ (used in) financing activities	(966,530)	(834,110)	(541,216)	(581,818)	(4,648)	29,614	55,630	(71,065)	(1,456,764)	(1,457,379)
Exchange rate differences in cash and cash equivalents	-	-	(115)	169	(3)	-	74	50	(44)	219
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(461,989)</b>	<b>(177,291)</b>	<b>(165,713)</b>	<b>(335,029)</b>	<b>11,096</b>	<b>19,575</b>	<b>563,215</b>	<b>306,500</b>	<b>(53,391)</b>	<b>(186,245)</b>
CAPEX	159,939	198,041	193,533	261,953	5,871	13,727	-	19	359,343	473,740

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**2.3 Secondary reporting format - geographic segments (external net sales)**

The Group's activities mainly take place in one geographical segment, in Estonia. The majority of the Group's customers are from Estonia. An insignificant part of the customers are located in Latvia and Lithuania. The revenues outside of Estonia are primarily related to "roaming" revenues.

	Mobile telecommunications		Broadband services		Managed IT-services		Consolidated									
	9 months to 30 Sept. 2009	9 months to 30 Sept. 2008	9 months to 30 Sept. 2009	9 months to 30 Sept. 2008	9 months to 30 Sept. 2009	9 months to 30 Sept. 2008	9 months to 30 Sept. 2009	9 months to 30 Sept. 2008								
Customers in Estonia	1,866,387	97.3%	2,185,753	96.2%	1,732,539	87.9%	1,880,577	86.3%	135,717	97.8%	163,190	98.8%	3,734,643	92.7%	4,229,520	91.6%
Customers outside Estonia	51,787	2.7%	86,653	3.8%	237,842	12.1%	298,707	13.7%	2,987	2.2%	2,051	1.2%	292,616	7.3%	387,411	8.4%
<b>Total revenue</b>	<b>1,918,174</b>	<b>100%</b>	<b>2,272,406</b>	<b>100%</b>	<b>1,970,381</b>	<b>100%</b>	<b>2,179,284</b>	<b>100%</b>	<b>138,704</b>	<b>100%</b>	<b>165,241</b>	<b>100%</b>	<b>4,027,259</b>	<b>100%</b>	<b>4,616,931</b>	<b>100%</b>

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**3. Tangible and intangible assets**

	Notes	Tangible assets	Intangible assets
<b>At 31 December 2007</b>			
Cost		9,364,755	427,159
Accumulated depreciation		(6,959,641)	(211,148)
<b>Net book value</b>		<b>2,405,114</b>	<b>216,011</b>
<b>Changes in the first nine months 2008</b>			
Opening net book amount		2,405,114	216,011
Additions	2.2	466,635	7,105
Reclassification		(8,847)	8,847
Reclassification to assets classified as held-for-sale		1,732	-
Disposals		(2,943)	(97)
Depreciation charge	2.1 (b)	(396,725)	(35,195)
<b>Closing net book amount</b>		<b>2,464,966</b>	<b>196,671</b>
<b>At 30 September 2008</b>			
Cost		9,756,118	437,162
Accumulated depreciation		(7,291,152)	(240,491)
<b>Net book value</b>		<b>2,464,966</b>	<b>196,671</b>
<b>At 31 December 2008</b>			
Cost		9,702,137	453,456
Accumulated depreciation		(7,111,967)	(225,144)
<b>Net book value</b>		<b>2,590,170</b>	<b>228,312</b>
<b>Changes in the first nine months 2009</b>			
Opening net book amount		2,590,170	228,312
Additions	2.2	350,955	7,637
Acquired by finance leases	2.2	751	-
Reclassification		(8,817)	8,817
Disposals		(1,677)	(5)
Depreciation charge	2.1 (b)	(415,356)	(35,753)
Impairment charge	2.1 (b)	-	(7,036)
Effect of movements in exchange rate		-	(1)
<b>Closing net book amount</b>		<b>2,516,026</b>	<b>201,971</b>
<b>At 30 September 2009</b>			
Cost		9,959,084	458,021
Accumulated depreciation		(7,443,058)	(256,050)
<b>Net book value</b>		<b>2,516,026</b>	<b>201,971</b>

**Impairment tests for goodwill**

The carrying amount of goodwill was tested as of 30 September 2009. The recoverable amount of a Cash Generating Unit (CGU) is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Management

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determined the budgeted gross margin based on past performance and its expectations for market development.

The discount rates used reflect specific risks relating to the relevant CGUs.

The key assumptions used for goodwill impairment tests are as follows:

	<b>Mobile telecommunications CGU's</b>	<b>Managed IT services CGU's</b>
WACC <sup>1)</sup>	14.0%	14.0%
Growth rate <sup>2)</sup>	2.5%	2.5%
Discount rate <sup>3)</sup>	14.0%	14.0%
Net book amount of goodwill relating to CGU's	38,848	61,347

- 1) Weighted average cost of capital.
- 2) Weighted average growth rate used to extrapolate cash flows beyond the budget period.
- 3) Discount rate applied to the cash flow projections.

As a result of testing the goodwill that was allocated to Managed IT services' CGU's an impairment loss in amount of 7,036 thousand EEK was identified.

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#### 4. Investments in subsidiaries

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 Sept. 2009	31 Dec. 2008		
AS EMT	Estonia	100%	100%	Construction and operating of mobile networks, providing mobile communication services	AS Eesti Telekom
EMT Esindused AS <sup>1)</sup>	Estonia	-	100%	Retail sales of telecommunication products and services	AS EMT
AS Mobile Wholesale <sup>1)</sup>	Estonia	-	100%	Wholesale of mobile phones	AS EMT
Serenda Investment OÜ	Estonia	51%	51%	Administration of communication portal based in Estonia internet	AS EMT
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 <sup>1)</sup>	Estonia	-	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
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
IT Koolituskeskuse OÜ	Estonia	82,87%	82,87%	Information and communication technology and IT project control training services provider	AS MicroLink Eesti
ProTraining Academy UAB	Lithuania	100%	100%	IT training services	IT Koolituskeskuse OÜ
SIA IT Protraining Latvia	Latvia	100%	100%	IT training services	IT Koolituskeskuse OÜ
BiTA Service management OÜ <sup>2)</sup>	Estonia	-	100%	IT Service Management (methodology of ITIL) consultations and training services	IT Koolituskeskuse OÜ

1) On August 31, 2009, with merger entries of Äriregister (Estonian Business Register) the merger came into effect, merging 100% subsidiaries EMT Esindused AS and AS Mobile Wholesale with

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AS EMT, and 100% subsidiary AS Elion Esindus with Elion Ettevõtte AS. The aim of mergers is to achieve greater efficiency in business processes.

AS EMT and Elion Ettevõtte AS are wholly owned subsidiaries of AS Eesti Telekom. The mergers will not cause any changes in information disclosed to stock exchange as the results of EMT Group and Elion Group are already consolidated.

- 2) From the 11 of February 2009 BiTA Service Management OÜ merged with AS MicroLink Eesti.

## 5. Investments in associates

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 September 2009	31 December 2008		
AS Sertifitseerimiskeskus	Estonia	50%	50%	Providing certification and related services	Elion Enterprises AS – 25% AS EMT – 25%
OÜ Voicecom	Estonia	26%	26%	Designing and providing software for mobile related services	AS EMT

## 6. Inventories

In the first nine months 2009, impairment for the inventories was in the total amount of 147 thousand EEK (in the first nine months 2008: 3,346 thousand EEK) based on the estimated decline of the net realisation value below their acquisition cost.

## 7. Equity

### a) Issued capital

	30 September 2009	31 December 2008
<b>Ordinary shares issued</b> par value 10 EEK 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) Share premium

Share premium – the positive difference between the issue price and nominal value of issued shares (issue premium).

### c) Reserves

Reserve includes statutory 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.

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**d) Re-acquiring of shares**

The Annual General Meeting of Shareholders, on 22 May 2008, authorized AS Eesti Telekom to acquire within five years from the adoption of this resolution, i.e. until 22 May 2013, AS Eesti Telekom ordinary shares so that the total of nominal values of own shares held by AS Eesti Telekom would not exceed the limit set by statutory regulations, and that the price payable per share would not exceed the highest price paid for the ordinary shares of AS Eesti Telekom on the Tallinn Stock Exchange on the day of acquiring the shares. AS Eesti Telekom has to pay for the shares from the company's assets in excess of its share capital, capital reserves, and share premium. The amount of shares to be acquired each time shall be determined on each occasion separately by a resolution of AS Eesti Telekom's Supervisory Council. As of 30 September 2009, no shares have been re-acquired by AS Eesti Telekom.

**e) Dividends**

Dividends in the total amount of 1,448,523 thousand EEK (June 2008: 1,448,523 thousand EEK) or 10.50 EEK per ordinary share were disbursed to the equity holders of the parent in June 2009 (2008: 10.50 EEK).

Dividends totalling 5,707 thousand EEK were paid to minority shareholders (Serenda Invest OÜ minority shareholders) in June 2009 (in July 2008: 7,531 thousand EEK).

**f) Basic and diluted earnings per share**

**Basic earnings per share** have been calculated using the following data:

	2009	2008
<b><u>III Quarter</u></b>		
Profit attributable to equity holders of the Company (EEK)	391,518,000	483,791,000
The average number of ordinary shares	137,954,528	137,954,528
<b>Earnings per share (EEK)</b>	<b>2.84</b>	<b>3.51</b>
<b><u>The first 9 months</u></b>		
Profit attributable to equity holders of the Company (EEK)	774,093,000	1,035,757,000
The average number of ordinary shares	137,954,528	137,954,528
<b>Earnings per share (EEK)</b>	<b>5.61</b>	<b>7.51</b>

As the Group had not any instruments with a dilutive effect on earnings per share at the end of September 2009 and 2008, **diluted earning** per share equals basic earnings per share.

**g) 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 (EEK):

	9 months to 30 Sept. 2009	2008	9 months to 30 Sept. 2008
Ordinary share highest price	100.14	125.02	125.02
Ordinary share lowest price	63.06	59.61	95.44
Ordinary share average price	76.04	103.32	113.19



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## 8. Borrowings

	30 September 2009	31 December 2008
Current	3,098	4,061
Non-current	4,020	5,872
	<b>7,118</b>	<b>9,933</b>

### *The movements in the borrowings*

<b>At 31 December 2008</b>	<b>9,933</b>
	751
Repayments of borrowings	(3,285)
Other movements	(281)
<b>At 30 September 2009</b>	<b>7,118</b>

## 9. Retirement benefit obligations

	30 September 2009	31 December 2008
Current portion of retirement benefit obligations	1,032	1,032
Non-current portion of retirement benefit obligations	1,386	2,158
<b>Total retirement benefit obligations</b>	<b>2,418</b>	<b>3,190</b>

### *The movements in the borrowings*

<b>At 31 December 2008</b>	<b>3,190</b>
Benefits paid in the reporting period	(772)
<b>At 30 September 2009</b>	<b>2,418</b>

## 10. Provisions

	Site restoration expense provision	Termination benefits provision	Guarantee provision	<b>Total</b>
Current portion of provisions	-	13	31	44
Non-current portion of provisions	22,040	-	531	22,571
<b>Total provisions</b>	<b>22,040</b>	<b>13</b>	<b>562</b>	<b>22,615</b>

### *Changes in provisions*

<b>At 31 December 2008</b>	<b>22,040</b>	<b>2,827</b>	<b>679</b>	<b>25,546</b>
Recognition and change in provisions, net in the reporting period	-	(2,814)	(109)	(2,923)
Used provisions during the reporting period	-	-	(8)	(8)
<b>At 30 September 2009</b>	<b>22,040</b>	<b>13</b>	<b>562</b>	<b>22,615</b>

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### 11. Related party transactions

Transactions with related parties are transactions with associates, shareholders, key management, members of the Supervisory Council, their relatives and the companies in which they hold majority interest.

#### a) Name and relationship of related party

Name	Relationship with AS Eesti Telekom Group
1. Key management, Supervisory Council and their relatives	
2. List of associates is shown in Note 5	
3. Enterprises of TeliaSonera AB Group	Parent company, shareholder
4. State Government (State Chancellery and ministries)	Shareholder
5. Companies where supervisory council members of the Group have significant influence	

#### b) Key managements' and Supervisory Councils' remuneration

The remunerations of key management and Supervisory Council during the first nine months 2009 and 2008 were as follows:

	9 months to 30 September 2009	9 months to 30 September 2008
Salaries and other short-term employee benefits	36,365	42,657
Termination benefits	300	1,011
Other	282	470
	<b>36,947</b>	<b>44,138</b>

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**c) Trading transactions**

No impairment has been made in the first nine months of 2009 and 2008 for the receivables from related parties.

During the first nine months 2009 and 2008, group companies entered into the following transactions with related parties:

	<b>9 months, 30 September 2009</b>	<b>9 months, 30 September 2008</b>
<b><i>Telecommunication services provided</i></b>		
Associated companies	3,575	2,818
TeliaSonera AB	95,230	109,495
State Government (State Chancellery and ministries)	17,411	19,634
Companies where Supervisory Council members of the Group have significant influence	752	700
	<b>116,968</b>	<b>132,647</b>
<b><i>Other sales</i></b>		
Associated companies	-	2
State Government (State Chancellery and ministries)	1,425	2,118
Companies where Supervisory Council members of the Group have significant influence	3	-
	<b>1,428</b>	<b>2,120</b>
<b><i>Telecommunication services purchased</i></b>		
Associated companies	846	290
TeliaSonera AB	73,547	105,826
	<b>74,393</b>	<b>106,116</b>
<b><i>Other services purchased</i></b>		
Associated companies	46	42
State Government (State Chancellery and ministries)	11,205	21,823
Companies where Supervisory Council members of the Group have significant influence	804	1,392
	<b>12,055</b>	<b>23,257</b>
<b><i>Amount owed by related parties</i></b>		
Associated companies	422	308
TeliaSonera AB	19,970	25,937
State Government (State Chancellery and ministries)	7,426	2,421
Companies where Supervisory Council members of the Group have significant influence	59	83
	<b>27,877</b>	<b>28,749</b>
<b><i>Amount owed to related parties</i></b>		
Associated companies	70	21
TeliaSonera AB	11,529	16,840
State Government (State Chancellery and ministries)	4	8
Companies where Supervisory Council members of the Group have significant influence	37	-
Key management and Supervisory Council	8,547	14,314
	<b>20,187</b>	<b>31,183</b>

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## 12. Contingencies

	30 June 2009	31 December 2008
Key management termination benefits	25,721	25,452

### *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 2.05 EEK per minute and, pursuant to the decisions of the Communications Board dated 20 June and 22 June 2007, was fixed at 1.66 EEK 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 2.50 EEK 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 1.66 EEK as of that date. In 19 December 2008, the Supreme Court did not accept Tele2's appeal in cassation and with that the 20 June 2008 judgment of Tallinn Circuit Court came finally into force, dismissing Tele2's appeal and leaving corresponding decisions of the Communications Board in regards to Tele2 into effect. The court dispute of Elisa Eesti AS with the Estonian Competition Authority (legal successor of Communications Board) continues, and AS EMT and AS Elion Enterprises are 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 1.37 EEK per minute for the termination of voice calls in mobile phone networks for the period 1 July 2008-30 June 2009. As of 1 July 2009 the maximum tariff 1.36 EEK per minute will be applicable.

## 13. Events after the reporting period

- Extraordinary General Meeting of the shareholders of AS Eesti Telekom**  
Extraordinary General Meeting of the shareholders of AS Eesti Telekom, held on October 1, 2009 decided to distribute among the shareholders and pay to the shareholders as dividends 964,302 thousand EEK, i. e. 6.99 EEK per share, based on a total of 137,954,528 shares entitled to dividends. The dividends shall be paid out on October 30, 2009. Corresponding income tax on dividends will be amounted to 256,333 thousand EEK.
- Results of the cash offer for the shares of AS Eesti Telekom**  
On August 24, 2009 TeliaSonera AB announced a cash offer for the shares of AS Eesti Telekom. The acceptance period of the cash offer ended on October 9, 2009. Following the acquisition of shares in the cash offer, TeliaSonera owns, directly and indirectly (through the Baltic Tele AB), a total of 134,614,949 shares, constituting 97.58% of all shares of AS Eesti Telekom. Taking into consideration the results of the cash offer, TeliaSonera's Group Management has decided to initiate actions for the squeeze-out of remaining minority shareholders in accordance with Article 182-1 of the Securities Market Act of Estonia.

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**14. 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
Lars Gunnar Klasson	-	Member of the Supervisory Council
Freenasp Mobjedjina	-	Member of the Supervisory Council
Aare Tark	-	Member of the Supervisory Council
Juha-Pekka Weckström	-	Member of the Supervisory Council

## MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of the consolidated financial statements of AS Eesti Telekom and its subsidiaries (together Eesti Telekom Group) for the third quarter and the first nine months 2009 as set out on pages 3 to 38.

The Management Board confirms that:

- 1 the management report presents a true and fair view of the business developments and results, of the financial position, and includes the description of major risks and doubts for the parent company and consolidated companies as a group;
- 2 the accounting principles used in preparing the consolidated financial statements are in accordance with the International Financial Reporting Standards as adopted by the European Union;
- 3 the consolidated financial statements present a true and fair view of the financial position, the results of operations and the cash flows of the 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, 21 October 2009