



***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.

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**(Translation of the Estonian original)

<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>	AS Eesti Telekom
<i>Registration number</i>	10234957
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<i>Field of activity</i>	Activities of holding company
<i>Auditor</i>	AS PricewaterhouseCoopers

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

CONTENTS

MANAGEMENT REPORT	4
CONSOLIDATED QUARTERLY DATA	14
CONSOLIDATED FINANCIAL STATEMENTS	
III QUARTER CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME...	15
THE FIRST NINE MONTHS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	16
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	17
CONSOLIDATED CASH FLOW STATEMENT	18
STATEMENT OF CHANGES IN OWNERS' EQUITY	19
1. Accounting policies and measurement basis used in preparation of interim financial statements	20
2. Segment information	21
3. Tangible and intangible assets.....	28
4. Investments in subsidiaries.....	30
5. Investments in associates.....	31
6. Inventories	31
7. Equity	31
8. Borrowings	33
9. Retirement benefit obligations	33
10. Provisions	33
11. Related party transactions	34
12. Contingencies	36
13. Events after the reporting period	36
14. Members of the Management Board and the Supervisory Council of AS Eesti Telekom.....	37
MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS.....	38

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

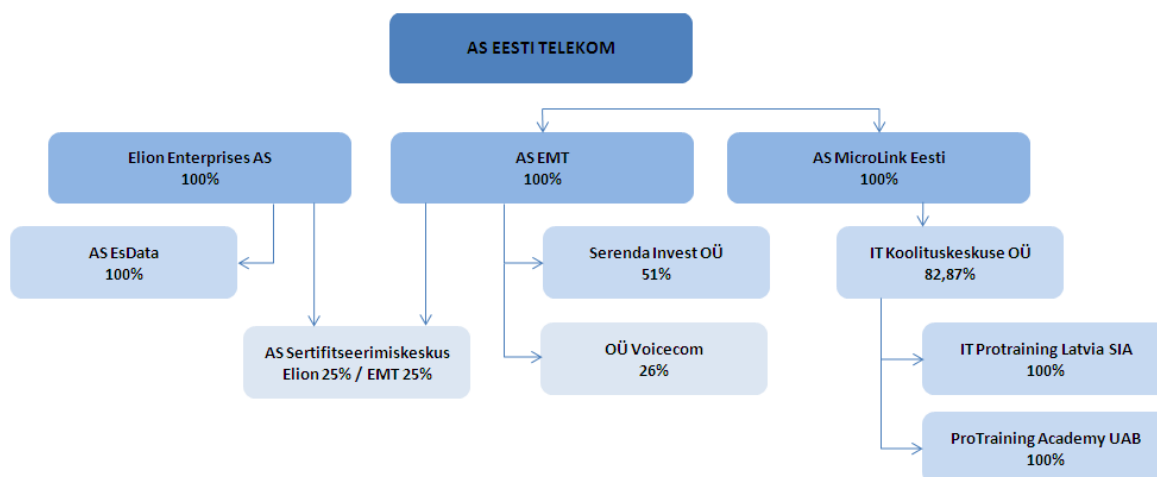
MANAGEMENT REPORT

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.

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

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 5.94 EUR 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 0.45 EUR per share or a total of 61.6 million EUR. 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.

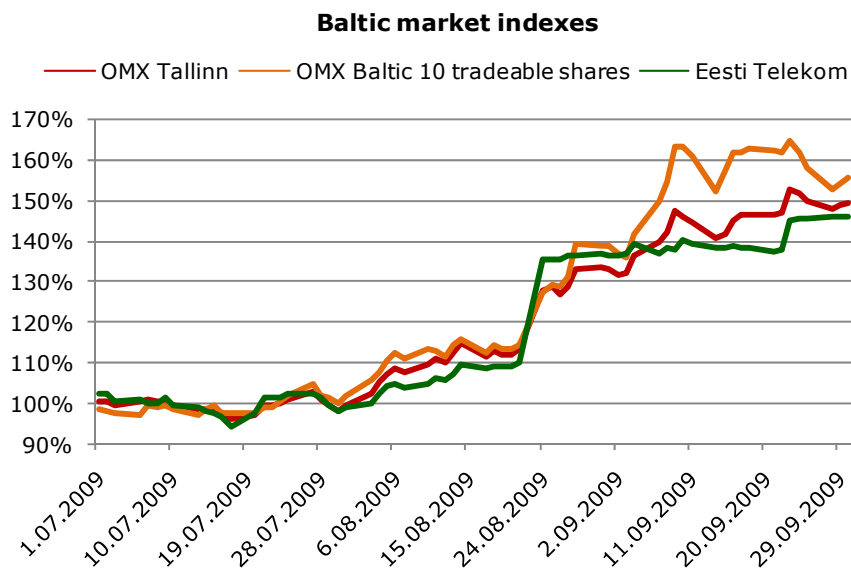
The general meeting confirmed a dividend policy for the financial years of 2009, 2010 and 2011 that conforms to current AS Eesti Telekom practices, whereby dividends that are paid out in 2010, 2011, and 2012 according to the law, will comprise 100 percent of the net profits accumulated by the end of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

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

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 4.45 EUR and 6.33 EUR at the end of the quarter. The highest and lowest share prices during the reporting period were 6.40 EUR and 4.03 EUR respectively. The turnover for the reporting period was 33.3 million EUR.



Source: NASDAQ OMX Tallinn

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

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

	Q3 2009	Q3 2008	Change, %	9 mos. 2009	9 mos. 2008	Change, %
Total revenues, million EUR	85.7	100.1	(14.3)	257.4	295.1	(12.8)
EBITDA, million EUR	34.6	40.2	(13.7)	101.9	116.2	(12.3)
Margin, %	40.4	40.1		39.6	39.4	
EBIT, million EUR	25.0	30.8	(18.6)	72.6	88.6	(18.0)
Margin, %	29.2	30.7		28.2	30.0	
EBT, million EUR	25.0	31.0	(19.3)	75.0	91.0	(17.6)
Profit for the period, million EUR	25.0	31.0	(19.3)	49.5	66.4	(25.5)
Basic earnings per share, EUR	0.18	0.22	(19.1)	0.36	0.48	(25.3)
Comprehensive income for the period, million EUR	25.0	31.0	(19.3)	49.5	66.4	(25.5)
CAPEX, million EUR	7.2	10.9	(34.4)	23.0	30.3	(24.1)
Net gearing, %	(8.4)	(13.1)		(8.4)	(13.1)	
ROA, %	9.5	10.8		17.1	21.8	
ROE, %	11.5	13.3		29.7	34.7	

Mobile communications segment

	Q3 2009	Q3 2008	Change, %	9 mos. 2009	9 mos. 2008	Change, %
Total revenues, million EUR	51.5	61.7	(16.5)	147.9	177.6	(16.7)
EBITDA, million EUR	18.7	24.5	(23.6)	55.3	68.8	(19.7)
Margin, %	36.2	39.6		37.4	38.7	
EBIT, million EUR	14.5	20.2	(28.3)	42.5	56.3	(24.6)
Margin, %	28.1	32.7		28.7	31.7	
EBT, million EUR	14.6	20.3	(28.4)	44.0	57.5	(23.4)
Profit for the period, million EUR	14.6	20.3	(28.4)	29.0	43.3	(33.0)
Comprehensive income for the period, million EUR	14.6	20.3	(28.4)	29.0	43.3	(33.0)
CAPEX, million EUR	1.7	4.5	(61.9)	10.2	12.7	(19.2)
ROA, %	13.5	6.7		23.6	33.2	
ROE, %	18.9	9.2		44.9	58.4	

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

Broadband services segment

	Q3 2009	Q3 2008	Change, %	9 mos. 2009	9 mos. 2008	Change, %
Total revenues, million EUR	49.9	56.6	(11.9)	143.5	156.9	(8.5)
EBITDA, million EUR	15.4	15.8	(2.8)	46.1	47.3	(2.5)
Margin, %	30.8	27.9		32.1	30.1	
EBIT, million EUR	10.4	11.1	(6.5)	31.3	33.4	(6.3)
Margin, %	20.8	19.6		21.8	21.3	
EBT, million EUR	10.0	10.9	(8.5)	31.0	33.4	(7.2)
Profit for the period, million EUR	10.0	10.9	(8.5)	20.5	25.0	(17.8)
Comprehensive income for the period, million EUR	10.0	10.9	(8.5)	20.5	25.0	(17.8)
CAPEX, million EUR	5.4	6.2	(13.1)	12.4	16.7	(26.1)
ROA, %	6.4	6.7		12.4	14.6	
ROE, %	9.3	9.2		25.5	26.2	

IT services segment

	Q3 2009	Q3 2008	Change, %	9 mos. 2009	9 mos. 2008	Change, %
Total revenues, million EUR	3.6	4.7	(22.7)	12.0	15.3	(21.6)
EBITDA, million EUR	0.8	0.1	534.7	1.1	0.8	29.6
Margin, %	20.8	2.5		8.8	5.3	
EBIT, million EUR	0.4	(0.3)	N/A	(0.5)	(0.4)	(44.6)
Margin, %	9.8	(5.9)		(4.2)	(2.3)	
EBT, million EUR	0.4	(0.3)	N/A	(0.5)	(0.4)	(26.5)
Profit for the period, million EUR	0.4	(0.3)	N/A	(0.5)	(0.4)	(26.5)
Comprehensive income for the period, million EUR	0.4	(0.3)	N/A	(0.5)	(0.4)	(26.5)
CAPEX, million EUR	0.1	0.2	(76.9)	0.4	0.9	(57.2)
ROA, %	3.6	(3.2)		(4.6)	(4.0)	
ROE, %	5.1	(6.2)		(7.0)	(6.4)	

Sales revenues, operating costs, and profit

The Group's sales revenues in the third quarter of 2009 reached 85.7 million EUR (3rd quarter 2008: 100.1 million EUR). 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 51.5 million EUR, decreasing 16% compared to the third quarter of 2008 (3rd quarter 2008: 61.7 million EUR). 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.

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

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 0.087 EUR per minute, instead of 0.088 EUR 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 49.9 million EUR 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 6.33 EUR, 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,

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

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 3.6 million EUR (3rd quarter 2008: 4.7 million EUR). 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 (0.7 million EUR vs. 1.8 million EUR). 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

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

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 51.3 million EUR (3rd quarter 2008: 60.1 million EUR).

The operating costs in the **mobile communications segment** decreased by 12% compared to the third quarter of 2008, reaching 33.0 million EUR (3rd quarter 2008: 37.4 million EUR). 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 34.7 million EUR (3rd quarter 2008: 40.8 million EUR). 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 2.9 million EUR (3rd quarter 2008: 4.6 million EUR). The operating costs for the quarter were affected on the one hand by almost 0.3 million EUR 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 34.6 million EUR (3rd quarter 2008: 40.2 million EUR). 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 15.4 million EUR (3rd quarter 2008: 15.8 million EUR). The EBITDA for the IT services segment in the third quarter of 2009 was 0.8 million EUR (3rd quarter 2008: 0.1 million EUR). 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 9.6 million EUR in the third quarter of 2008, increasing 2% compared to the same period in 2008 (3rd quarter 2008: 9.4 million EUR).

In the third quarter, the **Eesti Telekom Group** earned **EBIT** of 25.0 million EUR, which was a decrease of 19% compared to the same period in the previous year (3rd quarter 2008: 30.8 million EUR) and **pre-tax profits** of 25.0 million EUR (3rd quarter 2008: 31.0 million EUR).

The profit for the Eesti Telekom Group for the third quarter of 2009 totaled 25.0 million EUR (3rd quarter 2008: 31.0 million EUR). The earnings per share were 0.18 EUR (3rd quarter 2008: 0.22 EUR). The comprehensive income of the Group for the third quarter of 2009 was 25.0 million EUR (3rd quarter 2008: 31.0 million EUR).

Statement of financial position and cash flows

As of 30 September 2009, the Eesti Telekom Group balance sheet totaled 259.6 million EUR (31 December 2008: 319.5 million EUR). Compared to the beginning of the year, the non-current assets have decreased by 7.7 million EUR, the balance of which reached 179.2 million EUR by the end of the quarter. The Group's current assets decreased by 52.2 million EUR during the first nine months, reaching 80.4 million EUR by the

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

end of September (31 December 2008: 132.6 million EUR). Cash and cash equivalents, as well as the balance of short-term financial investments, decreased by 35.4 million EUR 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 231.0 million EUR, which is 43.5 million EUR less than at the end of 2008 (31 December 2008: 274.5 million EUR). The reduction in equity is related to the payment of dividends.

As of the end of September non-current liabilities totaled 1.9 million EUR (31 December 2008: 2.1 million EUR) and current liabilities totaled 26.7 million EUR (31 December 2008: 42.9 million EUR).

The net debt of the Eesti Telekom Group at the end of the third quarter was -19.3 million EUR and the net gearing ratio was -8% (31 December 2008: -54.5 million EUR and -20%).

The Eesti Telekom Group cash flow from operating activities during the first nine months of 2009 was 76.2 million EUR (9 months of 2008: 85.5 million EUR). The Group's cash flow from investing activities was 13.5 million EUR (9 months of 2008: -4.3 million EUR). The cash flow into the acquisition of tangible and intangible fixed assets during the first nine months was 23.0 million EUR (9 months of 2008: 30.3 million EUR). During the first nine months of 2009, the mobile communications segment invested 10.2 million EUR (9 months of 2008: 12.7 million EUR). 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 12.4 million EUR (9 months of 2008: 16.7 million EUR). 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 0.4 million EUR into fixed assets (9 months of 2008: 0.9 million EUR).

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 383.5 million EUR, with the government planning to use 95.9 million EUR 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 93.1 million EUR in the first nine months, of which 92.6 million EUR was used to pay dividends to the AS Eesti Telekom shareholders (9 months of 2008: 93.1 million EUR and 92.6 million EUR respectively) and 0.4 million EUR was paid to minority shareholders (Serenda Invest OÜ minority shareholders) (9 months of 2008: 0.5 million EUR).

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

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

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

(Translation of the Estonian original)

CONSOLIDATED QUARTERLY DATA

In millions of EUR

	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09
Net sales	100.1	100.5	85.4	86.2	85.7
OPEX	(60.1)	(67.1)	(52.7)	(52.4)	(51.3)
Other revenues/expenses, net	0.2	0.5	0.3	0.4	0.2
EBITDA	40.2	33.9	33.0	34.3	34.6
Depreciation and amortisation	(9.4)	(9.2)	(10.0)	(9.6)	(9.6)
EBIT	30.8	24.7	23.0	24.6	25.0
Income / expenses from associates	-	-	(0.1)	0.1	-
Other net financing items	0.3	0.8	1.1	1.2	-
EBT	31.0	25.6	24.0	25.9	25.0
Income tax on dividends	-	-	-	(25.5)	-
Profit for the period	31.0	25.5	24.0	0.4	25.0
Minority interest	0.1	0.0	0.0	(0.1)	-
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	287.6	319.5	332.8	265.8	259.6
- Non-current assets	176.9	186.9	185.7	181.3	179.2
- Current assets	110.7	132.6	147.1	84.5	80.4
- Cash and cash equivalents and short-term investments	32.6	55.2	78.0	15.9	19.8
Equity and liabilities	287.6	319.5	332.8	265.8	259.6
- Equity	249.1	274.5	298.5	206.0	231.0
- Provisions	2.0	1.8	1.7	1.6	1.6
- Non-current liabilities	0.1	0.5	0.5	0.4	0.4
- Interest-bearing borrowings	0.0	0.4	0.4	0.3	0.3
- Current liabilities	36.5	42.7	32.1	57.8	26.6
- Interest-bearing borrowings	0.1	0.3	0.2	0.2	0.2

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

In thousands of EUR

(Translation of the Estonian original)

III QUARTER CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	III Quarter 2009	III Quarter 2008
Net sales	2.1 (a)	85,744	100,088
Cost of production	2.1 (a)	(49,099)	(56,028)
Gross profit	2.1 (a)	36,645	44,060
Sales, administrative, and research & development expenses	2.1 (a)	(11,850)	(13,508)
Other operating revenues	2.1 (a)	268	344
Other operating expenses	2.1 (a)	(29)	(133)
Operating profit	2.1 (a)	25,034	30,763
Finance income		135	284
Finance costs		(157)	(24)
Finance income, net	2.1 (a)	(22)	260
Net income / (expenses) from associated companies	2.1 (a)	21	(17)
Profit before tax	2.1 (a)	25,033	31,006
Profit for the period	2.1 (a)	25,033	31,006
Other comprehensive income			
Exchange differences on translating foreign subsidiaries	2.1 (a)	(1)	-
Other comprehensive income for the period	2.1 (a)	(1)	-
Total comprehensive income	2.1 (a)	25,032	31,006
Profit attributable to:			
Equity holders of the parent	2.1 (a)	25,026	30,920
Minority interest	2.1 (a)	7	86
		25,033	31,006
Comprehensive income attributable to:			
Equity holders of the parent	2.1 (a)	25,025	30,920
Minority interest	2.1 (a)	7	86
		25,032	31,006
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR)	7 (f)		
Basic earnings per share		0.18	0.22
Diluted earnings per share		0.18	0.22
EBITDA	2.1 (a)	34,635	40,150
Depreciation, amortization and write-downs	2.1 (a)	(9,601)	(9,387)

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

In thousands of EUR

(Translation of the Estonian original)

**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	257,388	295,076	395,588
Cost of production	2.1 (b)	(145,403)	(165,428)	(225,777)
Gross profit	2.1 (b)	111,985	129,648	169,811
Sales, administrative, and research & development expenses	2.1 (b)	(40,324)	(42,028)	(57,972)
Other operating revenues	2.1 (b)	1,214	1,257	2,001
Other operating expenses	2.1 (b)	(238)	(313)	(543)
Operating profit	2.1 (b)	72,637	88,564	113,297
Finance income		2,499	2,736	3,527
Finance costs		(198)	(99)	(56)
Finance income, net	2.1 (b)	2,301	2,637	3,471
Net income / (expenses) from associated companies	2.1 (b)	61	(176)	(182)
Profit before tax	2.1 (b)	74,999	91,025	116,586
Income tax on dividends	2.1 (b)	(25,548)	(24,652)	(24,664)
Profit for the period	2.1 (b)	49,451	66,373	91,922
Other comprehensive income				
Exchange differences on translating foreign subsidiaries	2.1 (b)	-	-	1
Other comprehensive income for the period	2.1 (b)	-	-	1
Total comprehensive income	2.1 (b)	49,451	66,373	91,923
Profit attributable to:				
Equity holders of the parent	2.1 (b)	49,476	66,197	91,703
Minority interest	2.1 (b)	(25)	176	219
		49,451	66,373	91,922
Comprehensive income attributable to:				
Equity holders of the parent	2.1 (b)	49,476	66,197	91,704
Minority interest	2.1 (b)	(25)	176	219
		49,451	66,373	91,923
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR)	7 (f)			
Basic earnings per share		0.36	0.48	0.66
Diluted earnings per share		0.36	0.48	0.66
EBITDA	2.1 (b)	101,918	116,170	150,088
Depreciation, amortization and write-downs	2.1 (b), 3	(29,281)	(27,606)	(36,791)

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

In thousands of EUR

(Translation of the Estonian original)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2009	31 December 2008	30 September 2008
ASSETS				
Non-current assets				
Property, plant and equipment	3	160,803	165,542	157,540
Intangible fixed assets	3	12,909	14,592	12,570
Investments in associates	2.2, 5	737	676	682
Other financial fixed assets		4,740	6,115	6,125
Total non-current assets	2.2	179,189	186,925	176,917
Current assets				
Inventories	6	9,356	10,861	12,526
Trade and other receivables		51,294	66,576	65,534
Short-term investments		-	31,956	19,173
Cash and cash equivalents		19,794	23,206	13,456
Total current assets	2.2	80,444	132,599	110,689
TOTAL ASSETS	2.2	259,633	319,524	287,606
EQUITY AND LIABILITIES				
Equity				
Capital and reserves attributable to equity holders of the parent				
Share capital	7	88,169	88,169	88,169
Share premium		22,753	22,753	22,753
Statutory legal reserve		8,817	8,817	8,817
Translation reserve		1	1	-
Retained earnings		111,173	154,274	128,885
Total capital and reserves attributable to equity holders of the parent		230,913	274,014	248,624
Minority interest	2.2, 7	123	513	428
Total equity		231,036	274,527	249,052
Non-current liabilities				
Interest bearing loans and borrowings	8	257	375	2
Retirement benefit obligations	9	89	138	156
Provisions	10	1,443	1,443	1,437
Non-interest bearing liabilities		145	127	123
Total non-current liabilities	2.2	1,934	2,083	1,718
Current liabilities				
Trade and other payables		26,396	42,399	36,349
Interest bearing loans and borrowings	8	198	259	117
Retirement benefit obligations	9	66	66	64
Provisions	10	3	190	306
Total current liabilities	2.2	26,663	42,914	36,836
Total liabilities		28,597	44,997	38,554
TOTAL EQUITY AND LIABILITIES	2.2	259,633	319,524	287,606

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT**

In thousands of EUR

(Translation of the Estonian original)

CONSOLIDATED CASH FLOW STATEMENT

	Notes	9 months to 30 September 2009	9 months to 30 September 2008
Operating activities			
Profit for the period		49,451	66,373
Adjustments for:			
Depreciation, amortisation and impairment of fixed and intangible assets	2.1, 3	29,281	27,606
(Profit) / loss from sales and discards of fixed assets		(266)	(390)
Net (income) / expenses from associated companies		(61)	176
Provisions		(187)	(160)
Financial items		(2,489)	(2,440)
Miscellaneous non-cash items		87	(19)
Cash flow before change in working capital		75,816	91,146
Change in current receivables		11,899	(1,359)
Change in inventories		1,506	(977)
Change in current liabilities		(15,837)	(6,434)
Change in working capital		(2,432)	(8,770)
Cash flow after changes in working capital		73,384	82,376
Interest received		3,004	3,372
Interest paid		(176)	(246)
Cash flow from operating activities	2.2	76,212	85,502
Investing activities			
Intangible and tangible fixed assets acquired	2.2, 3	(22,918)	(30,278)
Intangible and tangible fixed assets divested		415	614
Other financial investments acquired		(102)	-
Net change in interest-receivables short maturities		31,956	25,184
Net cash changes of other long-term receivables		4,132	203
Cash flow from investing activities	2.2	13,483	(4,277)
Cash flow before financing activities		89,695	81,225
Financing activities			
Dividends paid	7 (e)	(92,942)	(93,058)
Proceeds from finance lease	8	48	-
Repayment of finance lease liabilities	8	(210)	(84)
Cash flow used in financing activities	2.2	(93,104)	(93,142)
Cash flow for the year	2.2	(3,409)	(11,917)
Cash and cash equivalents at beginning of year	2.2	23,206	25,359
Cash flow for the year	2.2	(3,409)	(11,917)
Effect of foreign exchange rate changes	2.2	(3)	14
Cash and cash equivalents at end of period	2.2	19,794	13,456

AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2009 INTERIM REPORT

In thousands of EUR

(Translation of the Estonian original)

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		
31 December 2007	88,169	22,753	8,817	-	155,265	275,004	733	275,737
Dividends paid and declared (Note 7 e)	-	-	-	-	(92,577)	(92,577)	(481)	(93,058)
Comprehensive income for the period	-	-	-	-	66,197	66,197	176	66,373
30 September 2008	88,169	22,753	8,817	-	128,885	248,624	428	249,052
31 December 2008	88,169	22,753	8,817	1	154,274	274,014	513	274,527
Dividends paid (Note 7 e)	-	-	-	-	(92,577)	(92,577)	(365)	(92,942)
Comprehensive income for the period	-	-	-	-	49,476	49,476	(25)	49,451
30 September 2009	88,169	22,753	8,817	1	111,173	230,913	123	231,036

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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 presentation currency is Euro (EUR). The financial statements are presented in thousand of Euros (EUR), 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.

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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.

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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	40,604	47,700	42,582	49,467	2,558	2,921	-	-	85,744	100,088
Inter-segment net sales	10,931	14,014	7,324	7,171	1,052	1,749	(19,307)	(22,934)	-	-
Total net sales	51,535	61,714	49,906	56,638	3,610	4,670	(19,307)	(22,934)	85,744	100,088
External cost of production	(25,303)	(29,763)	(22,722)	(24,302)	(1,134)	(2,023)	60	60	(49,099)	(56,028)
Inter-segment cost of production	(7,110)	(7,031)	(11,239)	(14,449)	(209)	(398)	18,558	21,878	-	-
Gross profit	19,122	24,920	15,945	17,887	2,267	2,249	(689)	(996)	36,645	44,060
External sales, administrative and research & development	(4,518)	(4,429)	(5,068)	(6,077)	(1,850)	(2,461)	(414)	(541)	(11,850)	(13,508)
Inter-segment sales, administrative and research & development	(217)	(465)	(631)	(734)	(77)	(90)	925	1,289	-	-
External other operating revenues	132	303	118	12	18	29	-	-	268	344
External other operating expenses	(27)	(129)	-	(2)	(2)	(2)	-	-	(29)	(133)
Operating profit/(loss)	14,492	20,200	10,364	11,086	356	(275)	(178)	(248)	25,034	30,763
Financial revenues and expenses, net	62	135	(405)	(190)	(2)	(17)	323	332	(22)	260
Income/(expenses) from associated, net	5	(14)	16	(3)	-	-	-	-	21	(17)
Profit/(loss) after financial items	14,559	20,321	9,975	10,893	354	(292)	145	84	25,033	31,006
Profit/(loss) for the period	14,559	20,321	9,975	10,893	354	(292)	145	84	25,033	31,006

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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
Other comprehensive income										
Exchange differences on translating foreign subsidiaries	-	-	-	-	(1)	-	-	-	(1)	-
Other comprehensive income for the period	-	-	-	-	(1)	-	-	-	(1)	-
Total comprehensive income	14,559	20,321	9,975	10,893	353	(292)	145	84	25,032	31,006
Profit attributable to:										
Equity shareholders of the parent	14,551	20,235	9,975	10,893	355	(292)	145	84	25,026	30,920
Minority interest	8	86	-	-	(1)	-	-	-	7	86
	14,559	20,321	9,975	10,893	354	(292)	145	84	25,033	31,006
Comprehensive income attributable to:										
Equity shareholders of the parent	14,551	20,235	9,975	10,893	354	(292)	145	84	25,025	30,920
Minority interest	8	86	-	-	(1)	-	-	-	7	86
	14,559	20,321	9,975	10,893	353	(292)	145	84	25,032	31,006
EBITDA	18,678	24,451	15,360	15,803	750	119	(153)	(223)	34,635	40,150
Depreciation, amortization and write-downs	(4,186)	(4,251)	(4,996)	(4,717)	(354)	(394)	(25)	(25)	(9,561)	(9,387)
Impairment charge	-	-	-	-	(40)	-	-	-	(40)	-

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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	122,593	145,233	125,930	139,282	8,865	10,561	-	-	257,388	295,076
Inter-segment net sales	25,319	32,321	17,559	17,582	3,128	4,727	(46,006)	(54,630)	-	-
Total net sales	147,912	177,554	143,489	156,864	11,993	15,288	(46,006)	(54,630)	257,388	295,076
External cost of production	(74,739)	(90,020)	(66,654)	(68,860)	(4,191)	(6,728)	181	180	(145,403)	(165,428)
Inter-segment cost of production	(16,888)	(16,631)	(26,240)	(33,750)	(727)	(1,079)	43,855	51,460	-	-
Gross profit	56,285	70,903	50,595	54,254	7,075	7,481	(1,970)	(2,990)	111,985	129,648
External sales, administrative and research & development	(13,491)	(13,783)	(17,898)	(18,910)	(7,656)	(7,607)	(1,279)	(1,728)	(40,324)	(42,028)
Inter-segment sales, administrative and research & development	(676)	(1,258)	(1,748)	(2,384)	(223)	(280)	2,647	3,922	-	-
External other operating revenues	567	742	348	457	299	58	-	-	1,214	1,257
External other operating expenses	(235)	(301)	-	(7)	(3)	(3)	-	(2)	(238)	(313)
Operating profit/(loss)	42,450	56,303	31,297	33,410	(508)	(351)	(602)	(798)	72,637	88,564
Financial revenues and expenses, net	1,563	1,279	(280)	129	(11)	(59)	1,029	1,288	2,301	2,637
Income/(expenses) from associated, net	32	(83)	29	(93)	-	-	-	-	61	(176)
Profit/(loss) after financial items	44,045	57,499	31,046	33,446	(519)	(410)	427	490	74,999	91,025
Income tax on dividends	(15,015)	(14,192)	(10,533)	(8,495)	-	-	-	(1,965)	(25,548)	(24,652)
Profit/(loss) for the period	29,030	43,307	20,513	24,951	(519)	(410)	427	(1,475)	49,451	66,373

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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
Other comprehensive income										
Exchange differences on translating foreign subsidiaries	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	29,030	43,307	20,513	24,951	(519)	(410)	427	(1,475)	49,451	66,373
Profit attributable to:										
Equity shareholders of the parent	29,012	43,131	20,513	24,951	(476)	(410)	427	(1,475)	49,476	66,197
Minority interest	18	176	-	-	(43)	-	-	-	(25)	176
	29,030	43,307	20,513	24,951	(519)	(410)	427	(1,475)	49,451	66,373
Comprehensive income attributable to:										
Equity shareholders of the parent	29,012	43,131	20,513	24,951	(476)	(410)	427	(1,475)	49,476	66,197
Minority interest	18	176	-	-	(43)	-	-	-	(25)	176
	29,030	43,307	20,513	24,951	(519)	(410)	427	(1,475)	49,451	66,373
EBITDA	55,261	68,790	46,128	47,287	1 059	818	(530)	(725)	101,918	116,170
Depreciation, amortization and write-downs	(12,811)	(12,487)	(14,831)	(13,877)	(1,117)	(1,169)	(72)	(73)	(28,831)	(27,606)
Impairment charge	-	-	-	-	(450)	-	-	-	(450)	-

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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)	63,667	63,641	108,085	106,114	6,375	6,146	325	334	178,452	176,235
Investments in subsidiaries and associates	426	393	311	289	-	-	-	-	737	682
Current assets	39,354	60,024	47,359	57,507	3,573	4,737	(9,842)	(11,579)	80,444	110,689
Total assets	103,447	124,058	155,755	163,910	9,948	10,883	(9,517)	(11,245)	259,633	287,606
Equity attributable to equity shareholders of the parent	84,237	93,162	111,972	124,126	7,114	7,662	27,590	23,674	230,913	248,624
Minority interest	123	428	-	-	-	-	-	-	123	428
Non-current liabilities	1,527	1,556	353	125	54	37	-	-	1,934	1,718
Current liabilities	17,560	28,912	43,430	39,659	2,780	3,184	(37,107)	(34,919)	26,663	36,836
Total shareholders' equity and liabilities	103,447	124,058	155,755	163,910	9,948	10,883	(9,517)	(11,245)	259,633	287,606
Net cash from/ (used in) operating activities	42,513	54,661	31,865	31,696	1,353	200	481	(1,055)	76,212	85,502
Net cash from/ (used in) investing activities	(10,267)	(12,682)	(7,859)	(15,936)	(347)	(841)	31,956	25,182	13,483	(4,277)
Net cash from/ (used in) financing activities	(61,773)	(53,309)	(34,589)	(37,185)	(297)	1,893	3,555	(4,541)	(93,104)	(93,142)
Exchange rate differences in cash and cash equivalents	-	-	(8)	11	-	-	5	3	(3)	14
Net increase/ (decrease) in cash and cash equivalents	(29,527)	(11,330)	(10,591)	(21,414)	709	1,252	35,997	19,589	(3,412)	(11,903)
CAPEX	10,222	12,657	12,369	16,742	375	877	-	2	22,966	30,278

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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	119,283	97.3%	139,695	96.2%	110,729	87.9%	120,191	86.3%	8,674	97.8%	10,430	98.8%	238,686	92.7%	270,316	91.6%
Customers outside Estonia	3,310	2.7%	5,538	3.8%	15,201	12.1%	19,091	13.7%	191	2.2%	131	1.2%	18,702	7.3%	24,760	8.4%
Total revenue	122,593	100%	145,233	100%	125,930	100%	139,282	100%	8,865	100%	10,561	100%	257,388	100%	295,076	100%

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

3. Tangible and intangible assets

	Notes	Tangible assets	Intangible assets
At 31 December 2007			
Cost		598,518	27,301
Accumulated depreciation		(444,803)	(13,494)
Net book value		153,715	13,807
Changes in the first nine months 2008			
Opening net book amount		153,715	13,807
Additions	2.2	29,824	454
Reclassification		(565)	565
Reclassification to assets classified as held-for-sale		111	-
Disposals		(189)	(6)
Depreciation charge	2.1 (b)	(25,356)	(2,250)
Closing net book amount		157,540	12,570
At 30 September 2008			
Cost		623,530	27,940
Accumulated depreciation		(465,990)	(15,370)
Net book value		157,540	12,570
At 31 December 2008			
Cost		620,079	28,981
Accumulated depreciation		(454,537)	(14,389)
Net book value		165,542	14,592
Changes in the first nine months 2009			
Opening net book amount		165,542	14,592
Additions	2.2	22,430	488
Acquired by finance leases	2.2	48	-
Reclassification		(564)	564
Disposals		(107)	-
Depreciation charge	2.1 (b)	(26,546)	(2,285)
Impairment charge	2.1 (b)	-	(450)
Closing net book amount		160,803	12,909
At 30 September 2009			
Cost		636,502	29,273
Accumulated depreciation		(475,699)	(16,364)
Net book value		160,803	12,909

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

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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:

	Mobile telecommunications CGU's	Managed IT services CGU's
WACC ¹⁾	14.0%	14.0%
Growth rate ²⁾	2.5%	2.5%
Discount rate ³⁾	14.0%	14.0%
Net book amount of goodwill relating to CGU's	2,483	3,920

- 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 450 thousand EUR was identified.

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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 ¹⁾	Estonia	-	100%	Retail sales of telecommunication products and services	AS EMT
AS Mobile Wholesale ¹⁾	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 ¹⁾	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 ²⁾	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

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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 9 thousand EUR (in the first nine months 2008: 214 thousand EUR) 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
Ordinary shares issued par value 0.64 EUR per share, fully paid	137,954,528	137,954,528

The holders of ordinary shares are entitled to receive dividends as declared by the general meeting, and are entitled to one vote per share at general meetings of the shareholders of the parent company.

b) 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.

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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 92,577 thousand EUR (June 2008: 92,577 thousand EUR) or 0.67 EUR per ordinary share were disbursed to the equity holders of the parent in June 2009 (2008: 0.67 EUR).

Dividends totalling 365 thousand EUR were paid to minority shareholders (Serenda Invest OÜ minority shareholders) in June 2009 (in July 2008: 481 thousand EUR).

f) Basic and diluted earnings per share

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

	2009	2008
<u>III Quarter</u>		
Profit attributable to equity holders of the Company (EUR)	25,026,000	30,920,000
The average number of ordinary shares	137,954,528	137,954,528
Earnings per share (EUR)	0.18	0.22
<u>The first 9 months</u>		
Profit attributable to equity holders of the Company (EUR)	49,476,000	66,197,000
The average number of ordinary shares	137,954,528	137,954,528
Earnings per share (EUR)	0.36	0.48

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 (EUR):

	9 months to 30 Sept. 2009	2008	9 months to 30 Sept. 2008
Ordinary share highest price	6.40	7.99	7.99
Ordinary share lowest price	4.03	3.81	6.10
Ordinary share average price	4.86	6.60	7.23

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

8. Borrowings

	30 September 2009	31 December 2008
Current	198	259
Non-current	257	375
	455	634

The movements in the borrowings

At 31 December 2008	634
Proceeds from borrowings	48
Repayments of borrowings	(210)
Other movements	(17)
At 30 September 2009	455

9. Retirement benefit obligations

	30 September 2009	31 December 2008
Current portion of retirement benefit obligations	66	66
Non-current portion of retirement benefit obligations	89	138
Total retirement benefit obligations	155	204

The movements in the borrowings

At 31 December 2008	204
Benefits paid in the reporting period	(49)
At 30 September 2009	155

10. Provisions

	Site restoration expense provision	Termination benefits provision	Guarantee provision	Total
Current portion of provisions	-	1	2	3
Non-current portion of provisions	1,409	-	34	1,443
Total provisions	1,409	1	36	1,446

Changes in provisions

At 31 December 2008	1,409	181	43	1,633
Recognition and change in provisions, net in the reporting period	-	(180)	(6)	(186)
Used provisions during the reporting period	-	-	(1)	(1)
At 30 September 2009	1,409	1	36	1,446

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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	2,324	2,726
Termination benefits	19	65
Other	18	30
	2,361	2,821

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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:

	9 months, 30 September 2009	9 months, 30 September 2008
<i>Telecommunication services provided</i>		
Associated companies	229	180
TeliaSonera AB	6,086	6,998
State Government (State Chancellery and ministries)	1,113	1,255
Companies where Supervisory Council members of the Group have significant influence	48	45
	7,476	8,478
<i>Other sales</i>		
State Government (State Chancellery and ministries)	91	135
<i>Telecommunication services purchased</i>		
Associated companies	54	18
TeliaSonera AB	4,701	6,764
	4,755	6,782
<i>Other services purchased</i>		
Associated companies	3	3
State Government (State Chancellery and ministries)	716	1,395
Companies where Supervisory Council members of the Group have significant influence	51	89
	770	1,487
<i>Amount owed by related parties</i>		
Associated companies	27	20
TeliaSonera AB	1,276	1,658
State Government (State Chancellery and ministries)	475	155
Companies where Supervisory Council members of the Group have significant influence	4	5
	1,782	1,838
<i>Amount owed to related parties</i>		
Associated companies	4	1
TeliaSonera AB	737	1,076
State Government (State Chancellery and ministries)	-	1
Companies where Supervisory Council members of the Group have significant influence	2	-
Key management and Supervisory Council	546	915
	1,289	1,993

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

12. Contingencies

	30 June 2009	31 December 2008
Key management termination benefits	1,644	1,627

Relations with the regulator

- Pursuant to the decision of the Communications Board dated 21 March 2006, the fee for voice call termination on mobile networks (interconnection fee) for AS EMT, Elisa Eesti AS and Tele2 Eesti AS for the period from 1 July 2006 to 30 June 2007 was fixed at 0.13 EUR per minute and, pursuant to the decisions of the Communications Board dated 20 June and 22 June 2007, was fixed at 0.11 EUR for the period from 1 July 2007 to 30 June 2008. Since Elisa Eesti AS and Tele2 Eesti AS disputed the decisions in court and the validity of the given legislative act was suspended in the course of initial legal protection, the interconnection fees remained at 0.16 EUR until 5 November 2007. On 5 November 2007, the ruling of the Tallinn Circuit Court came into force, whereby the initial legal protection was cancelled and all three mobile operators were obligated to apply interconnection fees of 0.11 EUR as of that date. 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 0.09 EUR 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 0.09 EUR 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 61,630 thousand EUR, i. e. 0.45 EUR 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 16,383 thousand EUR.
- **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.

**AS EESTI TELEKOM CONSOLIDATED III QUARTER AND
THE FIRST NINE MONTHS 2009 INTERIM REPORT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In thousands of EUR

(Translation of the Estonian original)

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