



*Consolidated
Interim Report of
AS Eesti Telekom
I Quarter 2007*

19 April 2007

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2007 INTERIM REPORT

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

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INTERIM REPORT**

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MOST SIGNIFICANT FINANCIAL INDICATORS
Eesti Telekom Group

	Q1 2007	Q1 2006	Change %
Total revenues, million EEK	1,497	1,327	12.8
EBITDA, million EEK	542	521	4.1
Margin, %	36.2	39.2	
EBIT, million EEK	424	351	21.0
Margin, %	28.4	26.4	
EBT, million EEK	440	361	21.7
Net profit for the period, million EEK	440	361	21.7
EPS, EEK	3.18	2.62	21.7
CAPEX, million EEK	117	131	-10.3
Net gearing, %	-35.4	-44.2	
ROA, %	29.6	24.3	
ROE, %	43.9	36.5	

Elion Group (fixed-line communications)

	Q1 2007	Q1 2006	Change %
Total revenues, million EEK	779	685	13.7
EBITDA, million EEK	217	218	-0.7
Margin, %	27.9	31.9	
EBIT, million EEK	151	127	18.1
Margin, %	19.3	18.6	
EBT, million EEK	152	131	16.3
Net profit for the period, million EEK	152	131	16.3
CAPEX, million EEK	69	69	-0.6
ROA, %	19.7	17.8	
ROE, %	31.1	27.5	

EMT Group (mobile communications)

	Q1 2007	Q1 2006	Change %
Total revenues, million EEK	863	754	14.5
EBITDA, million EEK	330	308	7.0
Margin, %	38.2	40.9	
EBIT, million EEK	279	230	21.4
Margin, %	32.3	30.5	
EBT, million EEK	286	233	23.1
Net profit for the period, million EEK	286	233	23.1
CAPEX, million EEK	49	62	-21.2
ROA, %	47.7	39.0	
ROE, %	78.7	62.7	

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CHAIRMAN'S STATEMENT

Sales revenues, operating costs, and profit

The first quarter of 2007 was successful for the Eesti Telekom Group—the numbers for turnover and profits both increased.

The **sales revenues** for the first quarter of 2007 exceeded the results for the same period in 2006 by 13% reaching 1,497 million EEK. The principal part of the supplemental sales revenues were generated in the field of mobile communications. The rapid growth of EMT Group sales revenues continued, and in the first quarter of 2007, exceeded the indicators for the same period in 2006 by 15%, reaching 863 million EEK.

The growth of **EMT Group** sales revenues came primarily from the group's primary activity. The sales revenues of the Group's parent company increased by 14% compared to the same period in 2006. During the year, the client base of AS EMT increased significantly. As of 31 March 2007, the operator has 763 thousand customers (measured by the number of active SIM cards), which is 88 thousand more than a year ago (31 March 2006: 675 thousand). At the same time, the beginning of the year has traditionally been a slow period for the growth of the customer base. Thus, in the first quarter of this year, AS EMT added 4 thousand customers (net growth).

The number of AS EMT contractual clients at the end of the first quarter was 437 thousand. In a year, the number of clients has increased by 22 thousand (31 March 2006: 415 thousand). The rate of growth of contractual clients had already remained stable for several quarters. In the first quarter of 2007, the operator added 4 thousand new contractual customers (net growth).

In a year, 66 thousand pre-paid call cards were added. At the end of the first quarter of 2007, the number of active pre-paid cards reached 326 thousand cards (31 March 260 thousand). The client base of pre-paid cards is strongly influenced by seasonal factors, as well as the level of marketing activity. The beginning of the year is a period of low activity for pre-paid cards; in addition, many of the cards acquired during the previous summer lose their validity. Thus, the net growth of pre-paid cards in the first quarter was zero, or the number of cards remained at the level achieved at the end of 2006.

AS EMT assesses its market share based on active SIM cards to be approximately 48%.

The customer base that has increased in a year has been raised through the use of various mobile communications services. The greatest positive influence on the growth of first quarter turnover was the increase in the number of call minutes. Compared to the same period in 2006, the number of call minutes initiated by EMT customers has increased by almost 25%. In addition to the increase in call volumes related to the addition of new customers, the number of average call minutes used per customer has also showed strong growth.

The number of call minutes terminated in the EMT network also demonstrated strong growth, although somewhat more slowly than the increase of initiated call minutes. Since the dispute between the Communications Board and Tele2 Eesti AS and Elisa Eesti AS regarding the declaration of the given operators as undertakings with significant market power in the market of terminating voice calls in their own mobile telephone networks continues, then the termination fees of all three mobile operators remained at the same level during the first quarter (2.50 EEK per minute), and in the EMT network, the increase in terminated minutes was accompanied by a similar rate of increase for interconnection revenues.

The fastest increase in AS EMT basic services continues to be demonstrated by message services and mobile Internet. The number of SMSs and MMSs sent during the first quarter of 2007 increased by almost 12% compared to the same period in 2006. However, the volume of mobile data communications has increased by more than 80% during the year. Mobile data communications is a very rapidly developing field. On the one hand, the expanding EDGE, 3G and 3.5G coverage areas are constantly improving the quality of the service. On the other hand, new communication services are continually being introduced. In the given situation, it is

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EMT's goal to primarily increase the number of mobile data communications users and to popularize various services. Therefore, several discount packages have been designed for mobile data communications and the increase in revenues earned from mobile data communications was markedly slower than the increase in data volumes.

Strong growth was also shown in the first quarter by revenues from monthly fees – the level of the first quarter of 2006 was exceeded by 21%, whereby the increase is not related so much to monthly fees from traditional call packages but increasingly to fees for specified additional services. As a new service in this field, AS EMT introduced a mobile version of Microsoft Windows Live Messenger (MSN) with a monthly fee in March. The service is based on a JAVA application that the customers can download to their phones from the EMT Surfport similarly to games or rings. Messenger enables text-based conversations and the use of emoticons. The Messenger service was designed in cooperation with companies in the TeliaSonera Group and Microsoft, and the project, which was managed from Estonia, will also be implemented in the companies of the entire TeliaSonera Group.

The only field of basic activity, for which the revenues were lower in the first quarter of this year than last year was roaming. In the first quarter of 2007, the roaming revenues were 11% lower than for the same period in 2006.

The EMT Group revenues for the retailing and wholesaling of telecommunications merchandise increased in the first quarter of 2007 compared to the same period in 2006 due to an expanded range of merchandise.

In the first quarter of 2007, strong growth was also demonstrated by the sales revenues of the companies of the **Elion Group** that are active in the field of fixed communications. The sales revenues of the first quarter of this year exceeded the results for the same period of 2006 by 14%, reaching 779 million EEK.

The greatest contribution to the increase of revenues from the field of fixed communications was provided by **MicroLink Eesti**, the Group's subsidiary that provides IT services, and the non-group revenues of which increased by 74%. The company that underwent restructuring at the beginning of 2006 has consolidated its market position in the provision of project-based solutions as well as mass solutions for business clients. Thus, an information system produced by MicroLink guaranteed the data processing related to the preparation and implementation of the recent parliamentary elections. MicroLink Eesti won the state procurement organized by the Tax and Customs Board for the purchase and introduction of an electronic document management system. A contract was signed with the Ministry of Social Affairs, based on which MicroLink Eesti will start to develop a national IT solution for digital pictures (the digital picture project will enable x-ray pictures and results of radiological analyses to be transmitted between hospitals). In the first quarter, in cooperation with ML Arvutid, the Arvuti Varukoopia package, which helps clients preserve and administer the most active and vulnerable data by preventing data losses in case of viruses, thefts, data deterioration or errors made by users, was developed as the first mass solution for business clients.

In the first quarter of 2007 the fastest growth in the field of fixed telecommunications services was demonstrated by revenues from connection fees, which increased by 11% compared to last year. The principal engine for the growth of connection fees was the provision of integrated solutions—double and triple packages. During the year, the revenues from monthly fees for integrated solutions have increased by 45%. Of the integrated services, the one with the fastest growing number of users continues to be the *Kodulahenduse* triple package, which provides the customers with quality, digital television reception in addition to telephone calls and Internet connection. By the end of the first quarter of 2007, the number of Elion DigiTV customers had increased to 32.4 thousand (31 December 2006: 28 thousand). In February 2007, Elion was the first in Estonia to start transmitting new-generation high-resolution television (HDTV). In the last quarter, the possibility of listening to Estonian-language radio stations was added to the basic package for DigiTV clients. This spring, a remote video rental service should arrive on the market. Shortly, customers should have the opportunity to watch DigiTV on two TV sets from one connection and to record TV shows.

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During the first quarter of 2007, the growth of permanent Internet connections continued to increase. As of 31 March 2007, Elion had 148 thousand permanent connection customers (31 December 2006: 142 thousand; 31 March 2006: 115 thousand). Since increasingly more clients prefer to secure Internet connections as part of integrated solutions, the revenues earned from Internet connections provided as separate services decreased..

The number of Elion call connection at the end of March 2007 was 465 thousand (31 December 2006: 463 thousand; 31 March 2006: 457 thousand). The same trend is occurring in call connections as in Internet connections, or increasingly connections are part of double or triple packages and the revenues earned from monthly fees of separate call connections are decreasing. In the case of call connections, in addition to integrated solutions, discount packages continue to be popular, and therefore, monthly fees are lower than usual.

The revenues earned from Elion Group call minutes decreased by 1% during the first quarter compared to the first quarter of 2006. There was an increase in revenues from interconnection fees, while the revenues earned from end consumers decreased by 9%.

Elion assesses its market share for call minutes initiated in the fixed network to be 83% (December 2006: 83%). The market share of local call minutes is 84% (December 2006: 85%), 65% of international call minutes (December 2006: 65%), 69% of call minutes made to mobile phones (December 2006: 70%), and 97% of internal calling minutes (December 2005: 96%).

Elion Group retail sales chain's revenues from sale of telecommunications and IT merchandise increased by 16% in the first quarter of 2007 compared to 2006.

In the first quarter of 2007, Eesti Telekom Group **operating costs** increased by 18% compared to the same period on 2006, reaching 957 million EEK.

The EMT Group operating costs increased by 19%, reaching 535 million EEK. The principal part of the supplemental operating costs is related to the Group's primary activity. Costs related to interconnection fees and roaming have increased by 20%. The given costs are caused primarily by greater volumes of inter-network traffic. Personnel costs have increased by 23%. The increase in personnel costs has been caused both by an increase in employees' salaries as well as an increase in the number of employees from 510 to 567 during the year. The operating costs of AS MWS, the wholesaler that supplies both the EMT and Elion Groups' retail sales chains has increased by 30%.

The Elion Group operating costs increased by 20% in the first quarter, reaching 562 million EEK. Over half the additional operating costs are related to MicroLink Eesti, the operating costs of which have almost doubled in comparison to the first quarter of 2006. The second factor in the growth of Elion Group operating costs was the increase in costs for sales-related merchandise. As in the case of the EMT Group, an increase in personnel costs also influenced the growth of Elion Group operating costs. The Elion Group personnel costs increased 19% during the year. The number of employees at the Group has increased from 1,692 people at the end of March 2006 to 1,799 people at the end of March this year.

The Eesti Telekom Group **EBITDA** was 542 million EEK in the first quarter of 2007, which is 4% more than the first quarter of 2006. The increase in EBITDA came from the mobile communications field. The EMT Group EBITDA grew by 7% compared to the first quarter of 2006 while the Elion Group EBITDA dropped by 1%. The EBITDA margin has decreased during the year, reaching 36% in the first quarter of this year (1st quarter 2006: 39%). The decrease in margin is caused by an increase in the percentage of lower margin activities in the Group's sales revenues. Thus the percentage of the IT segment in the consolidated sales turnover increased from 4% last year to 6% in the first quarter of this year.

The Group's **depreciation cost** reached 118 million EEK in the first quarter of 2007, which is 31% less than in the first quarter of 2006. The past quarter was the last quarter in which the changes in the useful life span of fixed assets applied in May of 2006 still exerted an influence. Based on the data specified during the course

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of compiling the 2006 annual report, the influence of the implementation the new useful life spans on the Group's depreciation costs was approximately 14 million EEK per month.

In the first quarter of 2007, the Eesti Telekom Group earned an **operating profit** of 424 million EEK, which is 21% more than in the first quarter of 2006. The Group's financial revenues (net) reached 15 million EEK (1st quarter 2006: 11 million EEK). The Eesti Telekom Group earned a net profit of 440 million EEK (1st quarter 2006: 361 million EEK) in the first quarter of 2007. The **EPS** reached 3.18 EEK (1st quarter 2006: 2.62 EEK).

Balance sheet and cash flows

As of 31 March 2007, the Eesti Telekom Group balance sheet was 5,175 million EEK (31 December 2006: 4,812 million EEK). The tangible fixed assets have decreased by 5 million EEK during the quarter reaching 2,390 million EEK (31 December 2006: 2,395 million EEK) by the end of March. Compared to the end of 2006, the current assets have increased by 368 million EEK. The remainder of cash, cash equivalents, and short-term financial investments has increased by 238 million EEK reaching 1,627 million EEK by the end of the period. The increase is caused by a strongly positive cash flow from operations in the first quarter. Trade receivables and other short-term receivables have increased by 137 million EEK. The growth resulted from the expansion of MicroLink Eesti activities and the more active provision of financial services by Elion Enterprises.

As of 31 March 2007, Eesti Telekom Group equity totaled 4,553 million EEK (31 December 2006: 4,113 million EEK). The increase in equity resulted from the first quarter profit. The Group's long-term liabilities remained at the same level as the end of the year, reaching 36 million EEK (31 December 2006: 38 million EEK). Short-term liabilities decreased by 74 million EEK, reaching 586 million EEK (31 December 2006: 660 million EEK). The reduction resulted from a decrease in Elion Group indebtedness to suppliers. As of 31 March 2007, the Group's net debt was -1622 million EEK and the net gearing was -36% (31 December 2006: -1383 million EEK and -34%).

The Eesti Telekom Group cash flow from operations in the first quarter of 2007 was 358 million EEK (1st quarter 2006: 487 million EEK). The reduction in cash flow from operations resulted primarily from an increase in short-term receivables.

In the first quarter, the Group's cash flow from investment activities reached 782 million EEK (1st quarter 2006: 488 million EEK). This year, as well as in the first quarter of 2006, the principal part of the cash flow from investment activities resulted from short-term financial investments. In the first quarter, cash flow for the acquisition of tangible and intangible fixed assets totaled 117 million EEK (1st quarter 2006: 128 million EEK). In the first quarter of this year, the EMT Group invested 48 million EEK (1st quarter 2006: 60 million EEK). The investments were primarily made in the network, foremost for the development of a network that enables quality data communications. Important investments were also made in the development of mobile applications. The Elion Group investments totaled 69 million EEK (1st quarter 2006: 69 million EEK). In the case of the Elion Group, the primary field of investment continues to be the expansion of the coverage area for permanent connections and digital TV reception, but also the creation of special solutions for business clients.

In the first quarter of 2007, cash flow into financing activities was less than 1 million EEK (1st quarter 2006: 1 million EEK).

Ownership structure of AS Eesti Telekom

In the first quarter of 2007, there were no significant changes in the ownership structure of AS Eesti Telekom. TeliaSonera AB (through Baltic Tele AB), the majority owner of Eesti Telekom, continues to own 54% of the company's shares.

The Estonian government continues to own 27% of AS Eesti Telekom shares. In February, the Government of the Republic decided to transfer 3% of its shares (4,138,636 shares) to the Estonian Development Fund.

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The goal of the Development Fund founded in November 2006 is to stimulate and support changes in the Estonian economy that should help to update the economy, guarantee the growth of exports, and create new jobs that require high qualifications. The Development Fund will be financed from earmarked investment capital, the main part of which will comprise AS Eesti Telekom shares. The Development Fund may use the resources received from dividends or from the sale of the shares for investment activities. As of 31 March 2007, the AS Eesti Telekom shares had not been transferred to the Development Fund.

As of 31 March 2007, 19.1% of the AS Eesti Telekom shares could be freely traded. As of the end of the first quarter, 42% of the freely traded shares had been converted to GDRs traded on the London Stock Exchange.

As of 31 March 2007, the 10 largest shareholders in AS Eesti Telekom were:

	Number of securities	Participation
Baltic Tele AB	74,110,079	53.7207%
Ministry of Finance / State Treasury	37,485,100	27.1721%
Deutsche Bank Trust Company (GDR accounts)	10,978,638	7.9582%
Skandinaviska Enskilda Banken AB clients	2,074,890	1.5040%
ING Luxembourg S.A.	1,526,330	1.1064%
Danske Bank clients	1,378,842	0.9995%
Bank Austria Creditanstalt AG clients	1,366,948	0.9909%
Morgan Stanley Co International Equity clients	1,018,400	0.7382%
The Northern Trust Company	470,000	0.3407%
ABN Amro Bank	430,550	0.3121%

Shareholders' general meeting

The regular general meeting of AS Eesti Telekom shareholders will take place on 22 May 2007 at 1 pm in Tallinn at the National Library. Starting on 23 April 2007, the 2006 annual report and draft resolutions for the general meeting will be available on the Internet at <http://www.telekom.ee> and at Eesti Telekom at Roosikrantsi 2, Tallinn on workdays from 10 am to 2 pm. Questions related to the general meeting can be submitted through the AS Eesti Telekom website, by telephone at 6 311 212, or by e-mail to mailbox@telekom.ee.

Dividends

The Management Board of AS Eesti Telekom will make a proposal at the shareholders' general meeting to distribute and pay out 1,311 million EEK or 9.50 EEK per share as dividends, based on the number of dividend-paying shares, or 137,954,528 shares.

In 2006, 1,241.6 million EEK was distributed as dividends among the shareholders, or 9.00 EEK per share.

Definitions

Net debt—Long- and short-term debt, less cash and cash equivalents and short-term investments

ROA – Return on Assets—Net profit for the rolling four quarters, expressed as percentage of average total assets

ROE – Return on Equity—Pre-tax profit for rolling four quarters, expressed as percentage of average equity

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CONSOLIDATED QUARTERLY DATA
In million of Estonian kroons (EEK)

	Q1 06	Q2 06	Q3 06	Q4 06	Q1 07
Sales	1,327	1,425	1,462	1,554	1,497
OPEX	(810)	(888)	(877)	(1,045)	(957)
Other revenue/expenses, net	4	45	2	(3)	2
EBITDA	521	581	587	506	542
Depreciation and amortisation	(170)	(133)	(122)	(124)	(118)
EBIT	351	448	465	383	424
Income / expenses from associates	-	2	-	(1)	-
Other net financing items	11	13	7	11	15
Profit before tax	361	462	472	392	440
Income tax on dividends	-	(373)	-	-	-
Net profit for the period	361	89	472	392	440
Minority interest	-	-	2	3	2
EBITDA margin, %	39.23%	40.80%	40.13%	32.57%	36.22%
EBIT margin, %	26.44%	31.45%	31.79%	24.62%	28.36%
Net margin, %	27.23%	6.23%	32.27%	25.21%	29.38%
Total assets	4,893	4,252	4,314	4,812	5,175
- Non-current assets	2,014	2,148	2,238	2,395	2,390
- Current assets	2,878	2,104	2,076	2,417	2,785
- Cash and cash equivalents and short-term investments	1,956	1,086	1,043	1,389	1,627
Equity and liabilities	4,893	4,252	4,314	4,812	5,175
- Equity	4,402	3,250	3,719	4,113	4,553
- Provisions	13	13	11	36	34
- Non-current liabilities	5	15	9	8	8
- Interest-bearing borrowings	4	5	4	3	3
- Current liabilities	473	975	572	654	580
- Interest-bearing borrowings	2	3	3	3	3

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CONSOLIDATED INCOME STATEMENT

In thousand of Estonian kroons (EEK)

	Notes	I Quarter 2007	I Quarter 2006	2006
Net sales	2.1 , 2.3	1,496,518	1,326,975	5,767,734
Cost of production	2.1	(851,181)	(755,120)	(3,260,113)
Gross profit		645,337	571,855	2,507,621
Sales, administrative, and research & development expenses	2.1	(222,964)	(224,771)	(908,854)
Other operating revenues	2.1	3,127	5,823	53,011
Other operating expenses	2.1	(1,056)	(2,038)	(5,405)
Operating profit		424,444	350,869	1,646,373
Finance income		15,653	11,509	42,768
Finance costs	2.1	(550)	(888)	(1,950)
Finance income, net		15,103	10,621	40,818
Net income / (expenses) from associated companies	2.1	203	(90)	193
Profit before tax		439,750	361,400	1,687,384
Income tax on dividends		-	-	(373,377)
Net profit for the period	2.1	439,750	361,400	1,314,007
Attributable to:				
Equity holders of the parent	2.1	438,069	361,400	1,309,443
Minority interest	2.1	1,681	-	4,564
		439,750	361,400	1,314,007
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EEK)	7 (d)			
Basic earnings per share		3.18	2.62	9.49
Diluted earnings per share		3.18	2.62	9.49
EBITDA	2.1	542,082	520,634	2,194,709
Depreciation, amortization and write-downs	2.1	(117,638)	(169,765)	(548,336)

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CONSOLIDATED BALANCE SHEET

In thousand of Estonian kroons (EEK)

	Notes	31 March 2007	31 December 2006	31 March 2006
ASSETS				
Non-current assets				
Property, plant and equipment	3	2,051,109	2,044,595	1,792,803
Intangible fixed assets	3	206,536	214,046	168,683
Investments in associates	2.2, 5	17,450	17,247	1,485
Other financial fixed assets		114,783	119,139	51,462
Total non-current assets	2.2	2,389,878	2,395,027	2,014,433
Current assets				
Inventories	6	135,973	142,692	89,158
Trade and other receivables		1,020,814	884,212	815,183
Short-term investments		163,171	1,064,859	549,845
Cash and cash equivalents		1,464,010	324,405	1,406,227
Total		2,783,968	2,416,168	2,860,413
Assets classified as held-for-sale		1,076	771	17,662
Total current assets	2.2	2,785,044	2,416,939	2,878,075
TOTAL ASSETS	2.2	5,174,922	4,811,966	4,892,508
EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the parent				
	7			
Share capital		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
Retained earnings		2,234,831	925,388	2,166,979
Net profit for the period		438,069	1,309,443	361,400
Total capital and reserves attributable to equity holders of the parent	2.2	4,546,418	4,108,349	4,401,897
Minority interest	2.2	6,711	5,030	-
Total equity		4,553,129	4,113,379	4,401,897
Non-current liabilities				
Interest bearing loans and borrowings	8	2,568	3,124	3,948
Retirement benefit obligations	9	7,738	7,912	6,731
Provisions	10	20,047	22,124	-
Non-interest bearing liabilities		5,150	5,152	1,030
Total non-current liabilities	2.2	35,503	38,312	11,709
Current liabilities				
Trade and other payables		577,497	651,365	470,703
Interest bearing loans and borrowings	8	2,571	2,742	1,814
Retirement benefit obligations		865	865	865
Provisions	10	5,357	5,303	5,520
Total current liabilities	2.2	586,290	660,275	478,902
Total liabilities		621,793	698,587	490,611
TOTAL EQUITY AND LIABILITIES	2.2	5,174,922	4,811,966	4,892,508

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CONSOLIDATED CASH FLOW STATEMENT

In thousand of Estonian kroons (EEK)

	Notes	I Quarter 2007	I Quarter 2006
Operating activities			
Net profit for the period		439,750	361,400
Adjustments for:			
Depreciation, amortisation and impairment of fixed and intangible assets	3	117,638	169,765
(Profit) / loss from sales and discards of fixed assets		(8)	(493)
Net (income) / expenses from associated companies		(203)	(90)
Provisions		(1,926)	(2,301)
Financial items		(5,856)	(21,392)
Miscellaneous non-cash items		(317)	2,267
Cash flow before change in working capital		549,078	509,156
Change in current receivables		(122,869)	73,300
Change in inventories		6,679	(2,248)
Change in current liabilities		(74,508)	(93,402)
Change in working capital		(190,698)	(22,350)
Cash flow from operating activities	2.2	358,380	486,806
Investing activities			
Intangible and tangible fixed assets acquired	3	(117,063)	(127,682)
Intangible and tangible fixed assets divested		126	147
Shares, participations and operations acquired		-	(59,134)
Net change in interest-receivables short maturities		901,622	693,159
Net cash changes of other long-term receivables		(2,984)	(18,883)
Cash flow from investing activities	2.2	781,701	487,607
Cash flow before financing activities		1,140,081	974,413
Financing activities			
Repayment of borrowings		-	(34)
Repayment of finance lease liabilities	8	(454)	(1,370)
Cash flow used in financing activities	2.2	(454)	(1,404)
Cash flow for the year	2.2	1,139,627	973,009
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at beginning of year	2.2	324,405	430,393
Cash flow for the year	2.2	1,139,627	973,009
Effect of foreign exchange rate changes	2.2	(22)	2,825
Cash and cash equivalents at end of period	2.2	1,464,010	1,406,227

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2007 INTERIM REPORT
STATEMENT OF CHANGES IN OWNERS' EQUITY

In thousand of Estonian kroons (EEK)

	Attributable to equity holders of the Company						Minority interest	Total equity
	Issued capital	Share premium	Statutory legal reserve	Retained earnings	Net profit for the period	Total		
31 December 2005	1,379,545	356,018	137,955	1,078,403	1,087,416	4,039,337	1,160	4,040,497
Net profit for the 2005 transferred to retained earnings	-	-	-	1,087,416	(1,087,416)	-	-	-
Minority interest arising on business combinations	-	-	-	1,160	-	1,160	(1,160)	-
Net profit for the period	-	-	-	-	361,400	361,400	-	361,400
31 March 2006	1,379,545	356,018	137,955	2,166,979	361,400	4,401,897	-	4,401,897
31 December 2006	1,379,545	356,018	137,955	925,388	1,309,443	4,108,349	5,030	4,113,379
Net profit for the 2006 transferred to retained earnings	-	-	-	1,309,443	(1,1309,443)	-	-	-
Net profit for the period	-	-	-	-	438,069	438,069	1,681	439,750
31 March 2007	1,379,545	356,018	137,955	2,234,831	438,069	4,546,418	6,711	4,553,129

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2007 INTERIM REPORT NOTES TO THE FINANCIAL STATEMENTS

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

The consolidated interim financial statements for the first quarter period ending 31 Marc 2007 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2006.

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.

The financial statements are prepared on the historical cost basis except for certain financial instruments that are stated at their fair value.

This consolidated statement is signed by the management board for public disclosure on 18 April 2007.

Reclassification of balances

In the third quarter of 2006, revenues from financing purchases of IT and TV equipment were reclassified. In the income statement for the first quarter 2006, these revenues, in total 4,522 thousand EEK, are recognized under sales revenues and not under other financial revenues, as they were in the reports for previous, until the third quarter periods.

In the third quarter of 2006, three companies of the Eesti Telekom group reclassified their operating expenses. Costs of production increased, marketing, administrative and R&D expenses were reduced by the same amount. The impact of the reclassification on the first quarter expenses was 138,803 thousand EEK.

In the opinion of the Company's Management Board, the financial statements give a true and fair view of the financial position of the Company.

These financial statements are not audited.

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2007 INTERIM REPORT NOTES TO THE FINANCIAL STATEMENTS

2. Segment information

Four major segments, mobile telecommunication, fixed line, managed IT-services and other activities, are distinguished in the consolidated financial statements.

Mobile telecommunications – this segment operates mobile networks and systems, and deals with the producing, marketing, and selling of services related thereto. The companies belonging to this business segment are AS EMT, AS EMT Esindused, AS Mobile Wholesale and Serenda Investment OÜ.

Fixed network telecommunications – this segment operates the national telecommunications network, with providing fixed telecommunication and data communications services and related value-added-services as well as provision of production, marketing and sales related services. The companies belonging to this business segment are Elion Enterprises AS, AS Elion Esindus, AS EsData and Viru Net OÜ.

Managed IT-services – this segment operates IT services: system integration and infrastructure solutions; software development; ERP and business solutions; data communications and networking; central systems and data centre solutions; systems management and maintenance; end-user PC services and support; full IT outsourcing, with providing IT services and related value-added-services as well as provision of production, marketing and sales related services. The companies belonging to this business segment are AS MicroLink and AS MicroLink Eesti.

Other activities – this segment covers the activities of the parent company AS Eesti Telekom.

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

All assets of AS Eesti Telekom Group are located in Estonia.

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2007 INTERIM REPORT
NOTES TO THE FINANCIAL STATEMENTS
2.1 Primary reporting format – business segments

In thousands of Estonian kroons (EEK)

	Mobile telecommunications		Fixed network telecommunications		Managed IT-services		Other activities		Eliminations		Consolidated	
	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006
Net sales	769,384	682,432	644,786	597,301	82,348	47,242	-	-	-	-	1 496,518	1,326,975
Inter-segment net sales	93,582	71,566	52,652	43,379	25,527	4,815	-	-	(171,761)	(119,760)	-	-
Cost of production	(476,823)	(436,761)	(304,914)	(289,639)	(69,444)	(28,720)	-	-	-	-	(851,181)	(755,120)
Inter-segment cost of production	(49,647)	(36,895)	(109,800)	(73,240)	(4,206)	(4,168)	-	-	163,653	114,303	-	-
Gross profit	336,496	280,342	282,724	277,801	34,225	19,169	-	-	(8,108)	(5,457)	645,337	571,855
Sales, administrative and research & development	(57,411)	(49,686)	(123,261)	(141,837)	(36,366)	(25,939)	(4,617)	(6,000)	(1,309)	(1,309)	(222,964)	(224,771)
Inter-segment sales, administrative and research & development	(2,350)	(3,632)	(4,829)	(1,818)	(835)	(369)	(94)	(114)	8,108	5,933	-	-
Other operating revenues	2,907	4,134	48	891	172	798	-	-	-	-	3,127	5,823
Inter-segment other operating revenues	-	422	-	-	-	54	-	-	-	(476)	-	-
Other operating expenses	(983)	(2,001)	(62)	-	(9)	(37)	(2)	-	-	-	(1,056)	(2,038)
Operating profit / (loss)	278,659	229,579	154,620	135,037	(2,813)	(6,324)	(4,713)	(6,114)	(1,309)	(1,309)	424,444	350,869
Other finance items, net	7,354	3,813	(1,303)	488	3,063	2,209	5,989	4,111	-	-	15,103	10,621
Income / (expenses) from subsidiaries and associated companies, net	241	(901)	(38)	(566)	-	1,377	-	-	-	-	203	(90)
Net profit for the period	286,254	232,491	153,279	134,959	250	(2,738)	1,276	(2,003)	(1,309)	(1,309)	439,750	361,400
Attributable to:												
Equity holders of the parent	284,573	232,491	153,279	134,959	250	(2,738)	1,276	(2,003)	(1,309)	(1,309)	438,069	361,400
Minority interest	1,681	-	-	-	-	-	-	-	-	-	1,681	-
	286 254	232,491	153,279	134,959	250	(2,738)	1,276	(2,003)	(1,309)	(1,309)	439,750	361,400
EBITDA	329,804	308,343	215,037	222,857	1,942	(4,464)	(4,701)	(6,102)	-	-	542,082	520,634
Depreciation, amortization and write-downs	(51,145)	(78,764)	(60,417)	(87,820)	(4,755)	(1,860)	(12)	(12)	(1,309)	(1,309)	(117,638)	(169,765)

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2007 INTERIM REPORT

NOTES TO THE FINANCIAL STATEMENTS

2.2 Other information by business segments

In thousands of Estonian kroons (EEK)

	Mobile telecommunications		Fixed network telecommunications		Managed IT-services		Other activities		Eliminations		Consolidated	
	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006
Non-current assets (except investments in subsidiaries & associates)	879,523	792,163	1,385,006	1,110,252	41,489	29,284	242	284	66,168	80,965	2,372,428	2,012,948
Investments in subsidiaries and associates	9,459	1,122	467,437	460,016	-	-	1,317,383	1,317,383	(1,776,829)	(1,777,036)	17,450	1,485
Current assets	1,377,378	1,284,292	712,355	678,564	470,684	390,134	614,854	605,867	(390,227)	(80,782)	2,785,044	2,878,075
Total assets	2,266,360	2,077,577	2,564,798	2,248,832	512,173	419,418	1,932,479	1,923,534	(2,100,888)	(1,776,853)	5,174,922	4,892,508
Equity attributable to equity shareholders of the parent	1,843,716	1,785,255	2,092,746	2,017,134	401,303	373,788	1,919,316	1,915,353	(1,710,663)	(1,689,633)	4,546,418	4,401,897
Minority interest	6,711	-	-	-	-	-	-	-	-	-	6,711	-
Non-current liabilities	30,802	8,688	316	1,144	636	-	3,749	1,877	-	-	35,503	11,709
Current liabilities	385,131	283,634	471,736	230,554	110,234	45,630	9,414	6,304	(390,225)	(87,220)	586,290	478,902
Total shareholders' equity and liabilities	2,266,360	2,077,577	2,564,798	2,248,832	512,173	419,418	1,932,479	1,923,534	(2,100,888)	(1,776,853)	5,174,922	4,892,508
Net cash from/ (used in) operating activities	281,566	291,768	117,768	185,842	(35,103)	15,385	(5,851)	(5,798)	-	(391)	358,380	486,806
Net cash from/ (used in) investing activities	(48,456)	(58,686)	(67,211)	(116,178)	(4,254)	(30,188)	895,342	694,218	6,280	(1,559)	781,701	487,607
Net cash from/ (used in) financing activities	3,876	(10,803)	(37,412)	(1,034)	39,362	8,483	-	-	(6,280)	1,950	(454)	(1,404)
Exchange rate differences in cash and cash equivalents	-	3,281	(33)	(465)	-	-	11	9	-	-	(22)	2,825
Net increase/ (decrease) in cash and cash equivalents	236,986	225,560	13,112	68,165	5	(6,320)	889,502	688,429	-	-	1,139,605	975,834
CAPEX	48,469	61,426	64,025	63,758	4,569	5,238	-	-	-	-	117,063	130,422

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2007 INTERIM REPORT
NOTES TO THE FINANCIAL STATEMENTS

2.3 Secondary reporting format - geographic segments

In thousands of Estonian kroons (EEK)

The components of revenues by geographic segments are as follows:

	Mobile telecommunications		Fixed network telecommunications		Managed IT-services		Consolidated	
	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006	I Quarter 2007	I Quarter 2006
Revenue from customers in Estonia	742,447	652,823	585,341	530,489	80,670	45,571	1,408,458	1,228,883
Revenue from customers outside Estonia	26,937	29,609	59,445	66,812	1,678	1,671	88,060	98,092
	769,384	682,432	644,786	597,301	82,348	47,242	1,496,518	1,326,975

3. Tangible and intangible assets

In thousand of Estonian kroons (EEK)

	Tangible assets	Intangible assets
At 31 December 2005		
Cost	8,561,655	333,230
Accumulated depreciation	(6,727,739)	(166,542)
Net book value	1,833,916	166,688
Changes in I Quarter 2006		
Opening net book amount	1,833,916	166,688
Additions	125,331	8,089
Reclassification	426	(426)
Reclassification to assets classified as held-for-sale	(4,004)	-
Disposals	(1,475)	2,706
Depreciation charge	(161,391)	(8,374)
Closing net book amount	1,792,803	168,683
At 31 March 2006		
Cost	8,560,525	340,689
Accumulated depreciation	(6,767,722)	(172,006)
Net book value	1,792,803	168,683
At 31 December 2006		
Cost	8,859,076	403,974
Accumulated depreciation	(6,814,481)	(189,928)
Net book value	2,044,595	214,046
Changes in I Quarter 2007		
Opening net book amount	2,044,595	214,046
Additions	116,345	718
Reclassification	(1,346)	1,346
Reclassification to assets classified as held-for-sale	(305)	-
Disposals	(116)	-
Depreciation charge	(108,064)	(9,574)
Closing net book amount	2,051,109	206,536
At 31 March 2007		
Cost	8,917,432	406,038
Accumulated depreciation	(6,866,323)	(199,502)
Net book value	2,051,109	206,536

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2007 INTERIM REPORT
NOTES TO THE FINANCIAL STATEMENTS

4. Investments in subsidiaries

	Country of incorporation	Ownership interest		Principal activity	Owner
		31 March 2007	31 December 2006		
Elion Enterprises AS	Estonia	100%	100%	Network services for operators, data communication and Internet products, voice communication solutions and Internet content services for business and residential customers	AS Eesti Telekom
AS Elion Esindus	Estonia	100%	100%	Retail sales of telecommunication products and services	Elion Enterprises AS
AS EsData	Estonia	100%	100%	Operating and development of data communication, Internet and cable networks, and providing related services; sale, installation and maintenance of equipment related with this activities	Elion Enterprises AS
Viru Net OÜ	Estonia	100%	100%	Internet services	Elion Enterprises AS
AS MicroLink	Estonia	100%	100%	Holding Company	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 MicroLink
AS EMT	Estonia	100%	100%	Construction and operating of mobile networks, providing mobile communication services	AS Eesti Telekom
EMT Esindused AS	Estonia	100%	100%	Retail sales of telecommunication products and services	AS EMT
AS Mobile Wholesale	Estonia	100%	100%	Wholesale of mobile phones	AS EMT
Serenda Investment OÜ	Estonia	51%	51%	Administration of communication portal based in Estonia internet	AS EMT

5. Investments in associates

	Country of incorporation	Ownership interest		Principal activity	Owner
		31 March 2007	31 December 2006		
AS Sertifitseerimiskeskus	Estonia	50%	50%	Providing certification and related services	Elion Enterprises AS – 25% AS EMT – 25%
OÜ Voicecom	Estonia	26%	26%	Designing and providing software for mobile related services	AS EMT

6. Inventories

In the first Quarter 2007, the value of the inventories was not decreased (the first quarter 2006: 381 thousand EEK).

7. Equity

a) Issued capital

	31 March 2007	31 December 2006
Ordinary shares issued 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.

Non-monetary contribution has been made for 63,883,178 shares in the total value of 944,271 thousand EEK. Non-monetary contributions have been made in the first quarter of 1999, in connection with the reconstruction of the AS Eesti Telekom Group. During the reconstruction, the strategic investors in the company, TeliaSonera AB and Sonera OY (presently TeliaSonera AB), exchanged the AS Eesti Telefon (presently Elion Enterprises AS) and AS EMT shares in their possession for AS Eesti Telekom shares. After the reconstruction of the group, all Elion Enterprises AS and AS EMT shares belong to AS Eesti Telekom.

b) Re-acquiring of shares

The Annual General Meeting of Shareholders, on 18 May 2006, authorized AS Eesti Telekom to acquire within one year from the adoption of this resolution, i.e. until 18 May 2007, AS Eesti Telekom ordinary shares so that the total of nominal values of own shares held by AS Eesti Telekom would not exceed the limit set by statutory regulations, and that the price payable per share would not exceed the highest price paid for the ordinary shares of AS Eesti Telekom on the Tallinn Stock Exchange on the day of acquiring the shares. AS Eesti Telekom has to pay for the shares from the company's assets in excess of its share capital, capital reserves, and share premium. The amount of shares to be acquired each time shall be determined on each occasion separately by a resolution of AS Eesti Telekom's Supervisory Council. As of 31 March 2007, no shares have been re-acquired by AS Eesti Telekom.

c) Reserves

Reserves include:

- Obligatory legal reserve required by the Commercial Code. Subject to the approval of the general meeting, the reserve may be used for covering cumulated losses, if the latter cannot be covered with other unrestricted equity, and for increasing share capital.

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2007 INTERIM REPORT
NOTES TO THE FINANCIAL STATEMENTS

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

d) Earnings per share

Basic earning per share is calculated by dividing the profit of the year attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earning per share is calculated based on profit or loss attributable to the ordinary equity holders of the parent company, and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares. As the Group has not issued any potential ordinary shares, the diluted earnings per share equals to the basic earnings per share.

The following data has been used in the ascertainment of basic and diluted earnings per share:

	I Quarter 2007	I Quarter 2006
Net profit attributable to equity holders of the Company (EEK)	438,069,000	361,400,000
The average number of ordinary shares	137,954,528	137,954,528
EPS	3.18	2.62

e) Share information

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

	I Quarter 2007	2006	I Quarter 2006
Ordinary share highest price	168.51	131.43	124.86
Ordinary share lowest price	121.26	108.74	118.44
Ordinary share average price	134.95	120.38	121.28

8. Borrowings

In thousand of Estonian kroons (EEK)

	31 March 2007	31 December 2006
Non-current	2,568	3,124
Current	2,571	2,742
	5,139	5,866

The movements in the borrowings can be analyzed as follows:

Opening balance 31 December 2006	5,866
Repayments of borrowings	(422)
Other movements	(305)
Closing balance 31 March 2007	5,139

9. Retirement benefit obligations

In thousand of Estonian kroons (EEK)

31 December 2006	8,777
Benefits paid in the reporting period	(216)
Interest accrued	42
31 March 2007	8,603
Current portion of retirement benefit obligations (-)	(865)
Non-current portion of retirement benefit obligations	7,738

10. Provisions

In thousand of Estonian kroons (EEK)

	Site restoration expense provision	Termination benefits provision	Disputed penalties provision	Compensation of the tolerance of technical infrastructure provision	Guarantee provision	Total
At 31 December 2006	19,183	3,171	2,132	1,980	961	27,427
Additional provision in the reporting period	228	-	-	-	237	465
Used provisions during the reporting period	-	-	(1,629)	-	(31)	(1,660)
Decrease of provision in the reporting period	-	-	(503)	-	(325)	(828)
At 31 March 2007	19,411	3,171	-	1,980	842	25,404
Current portion of provision (-)	-	(3,171)	-	(1,980)	(206)	(5,357)
Non-current portion of provision	19,411	-	-	-	636	20,047

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	

b) Key managements' and supervisory councils' remuneration

The remunerations of key management and supervisory council during the first Quarter 2007 and 2006 were as follows (in thousand of Estonian kroons (EEK)):

	I Quarter 2007	I Quarter 2006
Salaries and other short-term employee benefits	18,456	13,274
Other	106	73
	18,562	13,347

AS EESTI TELEKOM CONSOLIDATED I QUARTER 2007 INTERIM REPORT
NOTES TO THE FINANCIAL STATEMENTS

c) Trading transactions

No impairment has been made in the first Quarter of 2007 and 2006 for the receivables from related parties.

During the first Quarter 2007 and 2006, group companies entered into the following transactions with related parties (in thousand of Estonian kroons (EEK)):

	I Quarter 2007	I Quarter 2006
<i>Telecommunication services provided</i>		
Associated companies	2,623	439
Shareholders	34,949	44,858
Companies where Supervisory Council members of the Group have significant influence	113	-
	37,685	45,297
<i>Other sales</i>		
Associated companies	20	8
Shareholders	927	1,261
Companies where Supervisory Council members of the Group have significant influence	6	-
	953	1,269
<i>Telecommunication services purchased</i>		
Associated companies	74	127
Shareholders	45,673	30,317
	45,747	30,444
<i>Other services purchased</i>		
Associated companies	72	10
Shareholders	5,497	1,177
Companies where Supervisory Council members of the Group have significant influence	166	-
	5,735	1,187
<i>Financial income</i>		
Associated companies	-	66
Shareholders	5	-
	5	66
<i>Amount owed by related parties</i>		
Associated companies	150	4,260
Shareholders	19,309	30,074
Companies where Supervisory Council members of the Group have significant influence	24	-
	19,483	34,334
<i>Amount owed to related parties</i>		
Associated companies	109	51
Shareholders	22,635	22,781
Companies where Supervisory Council members of the Group have significant influence	19	-
Key management and supervisory council	14,304	4,570
	37,067	27,402

12. Contingencies

In thousand of Estonian kroons (EEK)

	31 March 2007	31 December 2006
Key management termination benefits	18,588	17,736

Court Actions

- **Making operator pre-selection possible**

On 22 April 2004, the National Communications Board issued a precept to Elion which obligated Elion Enterprises AS to guarantee the possibility of pre-selecting the use of the telephone services of other companies, incl. the transmission of accounting data for free, to the users of its telephone network analogue exchange.

On 20 May 2004, Elion Enterprises filed an action in the Tallinn Administrative Court to suspend the fulfilment of the order. On 17 April 2006, the court satisfied the company's complaint and annulled the order of the Communications Board. The court found that the obligation imposed by the order would require Elion Enterprises to make an approximately 200-million-kroon investment in connection with the exchange of analog exchanges for digital exchanges.

The Communications Board, in turn, filed an appeal on 15 May 2006, in which it asked for the nullification of the court judgment.

On 10 January 2007, the Tallinn District Court partially satisfied the appeal by the Communications Board, by changing the motive of the Tallinn Administrative Court. The Tallinn District Court considered the judgment of the Tallinn Administrative Court to be correct and justified.

It is important to note that today the legal situation has changed—the Electronic Communications Act that came into force on 1 January 2005 obligates undertakings with significant market power to enable pre-selection. Therefore, Elion must count on the corresponding investments in the future.

- **Dispute over the fees for Kodulahenduse and Kõneaja boonus**

On 8 May 2005, the Communications Board issued a precept to Elion Enterprises, according to which undertakings with significant market power do not have the right to include discounts in the fees for services. Also an execution proceeding was initiated in respect to Elion for the collection of the penalty payment.

On 22 August 2005, Elion filed a complaint with the Tallinn Administrative Court to have the execution proceeding of the Communications Board nullified and to have the illegality of the coercive measure ascertained. With a judgment on 12 December 2005, the Tallinn Administrative Court dismissed the complaint by Elion Enterprises. Elion Enterprises filed an appeal with the Tallinn District Court, which also dismissed it.

On 28 December 2006, the Elion filed an appeal in cassation with the District Court. The District Court has not made a judgment regarding accepting the appeal in cassation.

The court dispute has a practical meaning for Elion Enterprises – this is a question of pricing strategy.

Relations with the regulator

- **AS EMT was declared an undertaking with significant market power**

On 23 March 2006, the Estonian National Communications Board notified AS EMT of its decision to declare it an undertaking with significant power in the market of voice call termination on mobile networks. The Communications Board also declared the remaining two communications companies operating mobile communications networks—Elisa Mobiilsideteenus AS and Tele2 Eesti AS—as undertakings with significant power in the market of voice call termination on mobile networks. In addition, the Communications Board established a transparency obligation, non-discrimination obligation, accessibility obligation, and an obligation for price controls and cost accounting.

According to the decision, the companies that have been declared undertakings with significant market power were to perform these obligations starting on July 1, 2006.

On April 21, both Tele2 and Elisa filed a complaint in the Tallinn Administrative Court, in which they applied to have the aforementioned decision related to undertaking with significant market power partially (Tele2) or entirely (Elisa) annulled, along with a preliminary application for legal

protection. On May 8, the Tallinn Administrative Court suspended the validity of the decision in the part relevant to Elisa and the part relevant to the obligations established for Tele2.

Pursuant to EMT's application, the Communications Board also suspended the validity of the obligation for price controls and cost accounting for EMT, because the enforcement of the Communications Board decision only on the part of EMT would cause discriminatory treatment and the distortion of competition. In connection with the partial suspension of the Communications Board decision, the obligation to reduce termination fees to a maximum of 2.05 kroons by July 1 does not apply to any mobile operator.

The partial and temporary suspension of the Communications Board's declaration of EMT as undertaking with significant market power will continue while the validity of the Communications Board decision is suspended by the application of preliminary legal protection for Elisa and/or Tele2. AS of 18 April 2007, the Communications Board's declaration of all three operators as undertaking with significant market power continued to be suspended.

13. Members of the Management Board and the Supervisory Council of AS Eesti Telekom

Management Board:

Jaan Männik	-	Chairman of the Management Board
Valdo Kalm	-	Member of the Management Board
Hille Vörk	-	Member of the Management Board

Supervisory Council:




Terje Christoffersen	-	Chairman of the Supervisory Council
Andres Gylder	-	Member of the Supervisory Council
Jörgen Latte	-	Member of the Supervisory Council
Tarmo Porgand	-	Member of the Supervisory Council
Mats Salomonsson	-	Member of the Supervisory Council
Aare Tark	-	Member of the Supervisory Council
Heido Vitsur	-	Member of the Supervisory Council

MANAGEMENT BOARD'S CONFIRMATION OF THE FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of the consolidated financial statements of AS Eesti Telekom Group for the first quarter 2007 as set out on pages 3 to 28.

The Management Board confirms that:

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

<i>Name</i>	<i>Position</i>	<i>Signature</i>
Jaan Männik	<i>Chairman of the Board</i>	
Valdo Kalm	<i>Member of the Board</i>	
Hille Võrk	<i>Member of the Board</i>	

Tallinn, 18 April 2007