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Tallinn, 30 October 2009

Independent auditor's report on the examination of the takeover report
(Translation from Estonian)

At the request of TeliaSonera AB (the "Majority Shareholder"), we have examined the accompanying takeover report dated 16 October 2009 (the "Takeover Report") prepared by the Majority Shareholder, which sets out the conditions governing the takeover of the minority shareholders' shares in AS Eesti Telekom ("Eesti Telekom") and the basis for determining the amount of compensation payable for those shares.

In the Takeover Report, the Majority Shareholder has determined 93.00 Estonian kroons as the fair value of the compensation payable for each share to be taken over from the minority shareholders. The determination of compensation and the completeness and accuracy of the Takeover Report are the responsibility of the Majority Shareholder. Our responsibility is to examine the Takeover Report in accordance with Section 363⁴(2) of the Commercial Code.

To express our opinion, we acquainted ourselves with the reasoning underlying the determination of compensation by the Majority Shareholder as presented in the Takeover Report, the regulations referred to in the Takeover Report (the Securities Market Act, Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, the communication of the Estonian Financial Supervision Authority concerning the legal framework for the activities of issuers) and the Commercial Code. We also performed other procedures that we deemed necessary for verifying the information presented in the Takeover Report and forming our opinion.

The method applied in determining the amount of compensation and its appropriateness

The Majority Shareholder has explained the terms and conditions of taking over the shares held by the minority shareholders and the basis for determining the compensation payable for the shares in the Takeover Report.

The Majority Shareholder set the amount of compensation at 93.00 Estonian kroons per share. This was the offer price in the voluntary takeover bid made by the Majority Shareholder on 9 September 2009 for acquiring all the shares in Eesti Telekom not owned by the Majority Shareholder's group. Through the takeover bid and additional market transactions, the Majority

Shareholder increased its shareholding in Eesti Telekom to 97.58% as at 16 October 2009. In the course of the takeover bid, the shareholders sold to the Majority Shareholder 93.79% of the shares and voting rights that were the object of the bid.

Eesti Telekom shares are publicly traded on the Tallinn Stock Exchange. Therefore, on making the bid for the shares held by the minority shareholders the Majority Shareholder relied, first and foremost, on the requirements of the Securities Market Act (SMA) and the underlying EU Directive on takeover bids¹. In determining the amount of compensation, the Majority Shareholder relied on Section 182¹ of the SMA, which provides that compensation has to be fair (SMA Section 182¹(1)) and may not be smaller than the offer price of the takeover bid (SMA Section 182¹(3)). As Eesti Telekom shares are publicly traded, the Majority Shareholder decided that the most appropriate method for determining fair compensation was to rely on the stock exchange prices of Eesti Telekom shares prior to the announcement of the takeover bid and the offer price in the takeover bid. The Takeover Report does not indicate that the Majority Shareholder applied any other methods in determining the amount of compensation.

According to the Takeover Report, in relying on the stock exchange prices of Eesti Telekom shares prior to the announcement of the takeover bid the Majority Shareholder has complied with Section 2 of the Rules of Takeover Bids established by the Minister of Finance with Regulation No 71 on 28 May 2002 ("Rules of Takeover Bids") that sets forth the criteria for determining fair price in a mandatory takeover bid.

In line with the above criteria, the following stock exchange prices had to be considered:

- The weighted average share price for the period from 22 February 2009 to 21 August 2009 (i.e. the six months preceding the date of submission of the notice and prospectus of the takeover bid to the Financial Supervision Authority) that was 72.36 Estonian kroons.
- The weighted average share price for the period from 7 August 2009 to 21 August 2009 (i.e. the ten trading days preceding the date of submission of the notice and prospectus of the takeover bid to the Financial Supervision Authority) that was 71.95 Estonian kroons. Reduced by 10% in accordance with Section 2(2)4) of the Rules of Takeover Bids, the share price was 64.75 Estonian kroons.

Since the offer price in the takeover bid was higher than the stock exchange prices prior to the announcement of the takeover bid calculated in accordance with the above criteria, the Majority Shareholder determined the offer price in the takeover bid as the amount of compensation payable.

Setting the amount of compensation equal to the offer price in the takeover bid is supported by the EU Directive on takeover bids and the position of the Financial Supervision Authority that the Majority Shareholder has referred to in the Takeover Report. According to Article 15(5) of the Directive, the price offered in a voluntary takeover bid is presumed to be fair also for a squeeze-out executed after a takeover bid where, following the acceptance of the bid, the offeror

¹ Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004

has acquired securities representing at least 90% of the capital carrying voting rights that was the object of the bid. In Article 7 of its communication, the Financial Supervision Authority² states that the terms and conditions (including the price) of a squeeze-out executed under Section 182¹ of the SMA after a voluntary takeover by which more than 90% of the share capital was acquired are to be the same as those of the preceding voluntary takeover bid.

Accordingly, in our opinion the method applied in determining the compensation payable to the minority shareholders for the takeover of their shares was appropriate.

Difficulties related to the determination of compensation

In accordance with Section 363² of the Commercial Code, the value of the shares to be taken over is the value of those shares ten days prior to the date on which the notice calling the general meeting was sent out. The method applied by the Majority Shareholder in determining the amount of compensation on the basis of the SMA and the EU Directive on takeover bids, which have been described in *The method applied in determining the amount of compensation and the appropriateness of that method* section of our report, inherently preclude the application of the timeframe stipulated in Section 363² of the Commercial Code (ten days prior to the date on which the notice calling the general meeting was sent out) for determining fair compensation. Therefore, the Majority Shareholder did not determine the value of Eesti Telekom shares ten days prior to the date on which the notice calling the general meeting was sent out. However, this does not mean that the method applied by the Majority Shareholder was not appropriate or the amount of compensation determined was not fair within the meaning of Section 182¹(1) of the SMA. In determining the amount of compensation, the Majority Shareholder took into account the fact that in the case of listed shares takeover bids have to be conducted in accordance with the regulation of the SMA. Effective legislation does not regulate unequivocally the relationship between the SMA and Section 363² of the Commercial Code. It may be assumed that the timeframe provided in Section 363² of the Commercial Code is appropriate, first and foremost, for determining the value of unlisted shares whose value cannot be determined by reference to stock exchange prices. If value is determined by reference to the stock exchange price, application of the timeframe provided in Section 363² of the Commercial Code may produce inaccurate results because the stock exchange price quoted on a specific day may be influenced by non-recurring transactions and other circumstances with short-term impact. For example, the criteria provided in the Rules of Takeover Bids for determining fair compensation do not foresee relying on the stock exchange prices quoted on specific days but the weighted average prices for longer periods (six months, ten trading days).

In the light of the above, we are unable to express an opinion on whether the amount of compensation determined by the Majority Shareholder complies with the time criterion provided in Section 363² of the Commercial Code.

Nevertheless, we would like to state that the closing price of Eesti Telekom shares on the Tallinn Stock Exchange ten days prior to the date on which the notice calling the general meeting was sent out was 97.79 Estonian kroons per share. The price included an extra dividend (6.99 Estonian kroons per share). After the set of persons entitled to the dividend had been

² Finantsinspektsiooni märgukiri „Börsiemitentide tegevuse õiguslik raamistik. Küsimused ja vastused 31.12.2008“

identified, the share price dropped to 92.94 Estonian kroons. Thus, excluding the extra dividend the closing price of an Eesti Telekom share on the Tallinn Stock Exchange ten days prior to the date on which the notice calling the general meeting was sent out would probably have been lower than the compensation determined by the Majority Shareholder.

Other methods for determining compensation

Other common methods for determining the value of shares include the discounted cash flow method and comparative analysis of the sector. Those methods are generally applied in the case of shares that are not publicly traded and in principle do not have a fair quoted price. Those methods do not require further discussion in this report because due to the reasons specified in *The method applied in determining the amount of compensation and the appropriateness of that method* section of our report, we believe that the method applied by the Majority Shareholder was appropriate and according to the spirit of Section 363⁴(2¹) of the Commercial Code, other methods should be discussed in detail only if we as auditors believed that those other methods were appropriate.

The report has been prepared for presentation only to the general meeting of the shareholders of Eesti Telekom and to the parties stipulated in the law in connection with the takeover of the minority shareholders' shares by the Majority Shareholder. This report may not be used for any other purpose and it is valid only in conjunction with the Takeover Report.

This report supersedes our earlier report dated 16 October 2009.

/signature/

Taivo Epner
Authorised Public Accountant