

TeliaSonera

Cash Offer by

Baltic Tele AB

a company incorporated pursuant to the laws of Sweden,
all shares of which are owned by TeliaSonera AB (publ)

for the acquisition of all shares of

AS Eesti Telekom

a company incorporated pursuant to the laws of Estonia

Tallinn, 30 April 2004

This document is an English language translation of the prospectus (the "Prospectus") for the cash offer being made by Baltic Tele AB for the acquisition of all shares of AS Eesti Telekom. The cash offer is being made in accordance with the laws of the Republic of Estonia. In the event of any inconsistency between the contents of the Prospectus and this document, the provisions of the Prospectus shall prevail.

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This document does not constitute an offer to buy or the solicitation of an offer to sell Shares (as defined on page 3 of this document) in the United States, Canada, Japan, Australia or any other jurisdiction in which such offer or solicitation is unlawful or in which any registration, approval or filing with any regulatory authority would be required.

The communication of this document is not being made and the document has not been approved by an authorised person for the purposes of section 21 of the United Kingdom Financial Services and Markets Act 2000 (the "FSMA"). Accordingly, this document is not being distributed to, and must not be passed on to, the general public in the United Kingdom. Rather the communication of this document as a financial promotion is only being made by Baltic Tele AB and must only be passed on to persons outside the United Kingdom or those persons in the United Kingdom falling within the definition of "Investment Professionals" (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001); or to any person to whom it may otherwise lawfully be made (all such persons being "relevant persons").

The Offer (as defined on page 3 of this document) is not being made in the Republic of Italy and has not been cleared by CONSOB pursuant to Italian laws and regulations. Accordingly, persons resident in Italy may not participate in the Offer and neither this document nor any other offering material relating to the Offer may be distributed or made available in the Republic of Italy.

Neither this document, the Prospectus nor any other information supplied in connection with the Offer should be considered as a recommendation by Baltic Tele AB, TeliaSonera AB (publ) or any other company belonging to the TeliaSonera group of companies that any recipient of this document or any other information supplied in connection with the Offer should sell any Shares. Each person contemplating selling any Shares should make its own independent investigation of the financial condition and affairs of AS Eesti Telekom and its subsidiaries, and its own appraisal of the merits of the Offer.

All information contained in this document is presented as at 14 April 2004, the date of submission of the Prospectus and notice of the Offer to Financial Supervision Authority (*Finantsinspeksioon*) for approval.



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CASH OFFER

In accordance with the Rules of Takeover Bids and other laws effective in the Republic of Estonia, **Baltic Tele AB**, registration number 556454-0085, address c/o TeliaSonera AB, Ekonomi, Box 7754, SE-103 96, Stockholm, Sweden is offering to acquire all shares of **AS Eesti Telekom**, registry code 10234957, address Roosikrantsi 2, 10119 Tallinn not already owned by Baltic Tele AB from shareholders of AS Eesti Telekom ("**Shareholders**") on the following terms and conditions (the "**Offer**"):

1. Baltic Tele AB and persons acting in concert with Baltic Tele AB:

Baltic Tele AB is a company belonging to the TeliaSonera group of companies ("**TeliaSonera**" or "**TeliaSonera Group**"). All shares of Baltic Tele AB are owned by TeliaSonera AB (publ), a company incorporated pursuant to the laws of Sweden with registration number 556103-4249 ("**TeliaSonera AB**") which is the ultimate parent company of the TeliaSonera Group. The persons acting in concert with Baltic Tele AB within the meaning of the Securities Market Act of Estonia are the companies controlled by TeliaSonera AB.

2. Number of shares of AS Eesti Telekom owned by Baltic Tele AB and persons acting in concert:

Baltic Tele AB owns **67,317,756 A-shares** of AS Eesti Telekom, representing **48.91%** of the total number of shares of AS Eesti Telekom. None of the persons acting in concert with Baltic Tele AB owns any shares of AS Eesti Telekom or any securities convertible into or rights to subscribe for any shares of AS Eesti Telekom.

3. Description of shares in respect of which the Offer is made:

The total number of shares issued by AS Eesti Telekom is **137,644,429**, which is divided into 137,644,428 A-shares (the "**A-Shares**") and 1 B-share (the "**B-Share**").

The Offer is made in respect of all shares of AS Eesti Telekom not already owned by Baltic Tele AB, being **70,326,672 A-Shares** and **one B-Share** representing **51.09%** of all shares of AS Eesti Telekom (the "**Shares**").

A-Shares are freely transferable shares with a nominal value of EEK 10 each. A-Shares are listed on the Tallinn Stock Exchange (HEX Tallinn) and global depository receipts ("**GDRs**") representing the A-Shares (each GDR represents 3 A-Shares) are admitted to the official list of the United Kingdom Financial Services Authority in its capacity as competent authority under the FSMA (the "**UK Listing Authority**") and to trading on the market for listed securities of the London Stock Exchange plc (the "**London Stock Exchange**"). Each A-Share gives the Shareholder one vote at the general meeting of shareholders of AS Eesti Telekom.

The B-Share is a preferred share having a nominal value of EEK 1,000. The B-Share grants the Shareholder the preferential right to a dividend as a fixed sum in the amount of EEK 10,000 and gives the Shareholder one vote at the general meeting of shareholders to vote only on the following issues (a limited right to vote) (i) amendment of the articles of association; (ii) increase and reduction of the share capital; (iii) issuance of convertible bonds; and (iv) merger, division, transformation and/or dissolution of the company. The B-Share is not admitted to trading in any stock exchange or other regulated market. Pursuant to the shareholders' agreement relating to AS Eesti Telekom dated 21 December 1998 (the "**Shareholders' Agreement**") the B-Share shall be converted into A-Shares and all rights attaching to the B-Share will cease to have any application on 10 May 2004. In the event the B-Share will be converted into A-Shares during the Offer Period (as defined below), the Offer shall also apply to all A-Shares issued in replacement of the B-Share.

In the event any convertible bonds issued by AS Eesti Telekom will be converted into A-Shares and the increase of the share capital of AS Eesti Telekom necessary to effect such conversion will be registered with the Commercial Registry during the Offer Period, the Offer shall also apply to all A-Shares issued in exchange of the convertible bonds in the course of such share capital increase. In the event any convertible bonds issued by AS Eesti Telekom will be converted into A-Shares after the expiry of the Offer Period (i.e. if the increase of the share capital of AS Eesti Telekom necessary to effect such conversion will be registered with the Commercial Registry after the expiry of the Offer Period), then, within six months after the expiry of the Offer Period, Baltic Tele AB shall purchase, upon the respective demand of the Shareholder, all such A-Shares issued in exchange of the convertible bonds for the A-Share Price (as defined below), provided that the Conditions Precedent (as defined in subsection 6 below) will be fulfilled during the Offer Period.

4. Purchase price:

EEK 111.30 per A-Share (the "**A-Share Price**")
EEK 11,130.00 per B-Share (the "**B-Share Price**")

In case the B-Share will be converted into 100 A-Shares during the Offer Period, then the purchase price for each A-Share issued in replacement of the B-Share shall be the A-Share Price.

5. Offer period

The period of acceptance of the Offer (the "**Offer Period**") begins on **30 April 2004** and ends on **10 June 2004** (the "**Closing Date**"). The transaction instructions of the Shareholders wishing to accept the Offer must be registered with the Estonian Central Register of Securities (the "**ECRS**") by 5.00 p.m. Estonian time on the Closing Date.

6. Conditions for the completion of the Offer

The rights and obligations determined by the Offer shall arise in case both of the following conditions ("**Conditions Precedent**") are fulfilled:

- (i) Baltic Tele AB obtains, during the Offer Period, the approval of the Estonian Competition Board for the acquisition of control over AS Eesti Telekom (permission for concentration);
- (ii) Shareholders give acceptances to the Offer in such extent which will result in Baltic Tele AB holding, together with the shares of AS Eesti Telekom held by Baltic Tele AB on 14 April 2004, at least eighty five per cent (85%) of all shares of AS Eesti Telekom (the "**Threshold Condition**").

Baltic Tele AB shall have the right to waive the Threshold Condition not later than on the 10th calendar day before the expiry of the Offer Period.

7. Method of payment of the purchase price and transfer of Shares

Baltic Tele AB shall pay the purchase price to each Shareholder who has accepted to sell the Shares to Baltic Tele AB on **22 June 2004** (the "**Value Date**") to such accepting Shareholder's cash account connected to his/her/its securities account. Baltic Tele AB shall pay the purchase price to each accepting Shareholder against the delivery of Shares by such accepting Shareholder to Baltic Tele AB (delivery versus payment). The Shares to be acquired by Baltic Tele AB shall be transferred from each accepting Shareholder to Baltic Tele AB on the Value Date simultaneously with the transfer of the purchase price for the Shares to the cash account of such accepting Shareholder (delivery versus payment). For the purposes of this document, "trading day" shall mean the day when the trading system of the Tallinn Stock Exchange (Hex Tallinn) is open for trading.

8. Procedure for accepting the Offer

Each Shareholder wishing to accept the Offer should contact the relevant financial institution operating the securities account on which the Shares belonging to such Shareholder are held (ECRS account operator) and register a transaction instruction, in accordance with the terms of the Offer, containing the data specified on page 4 of this document.

OFFER PERIOD																					VALUE DATE					
28	29	30	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22		
APRIL										MAY											JUNE					

The authorised arranger of the Offer is AS Hansapank, registry code 10060701, address Liivalaia 8, Tallinn 15040. AS Hansapank's main field of activity is banking. As at 14 April 2004, AS Hansapank held 193,122 A-Shares of AS Eesti Telekom, representing 0.14 % of the total number of shares of AS Eesti Telekom.

1.1. PROCEDURE FOR ACCEPTING THE OFFER

Each Shareholder wishing to accept the Offer should contact the relevant financial institution operating the securities account on which the Shares belonging to such Shareholder are held (ECRS account operator) and register, by the deadline given by each respective account operator to its clients, a transaction instruction containing the following data:

Transaction instruction for A-Shares

Security:	Eesti Telekom share
ISIN code:	EE3100007220
Transaction price per security:	EEK 111.30
Number of shares:	(to be determined by the Shareholder)
Transaction counterparty:	Baltic Tele AB
Securities' account operator of the counterparty:	Hansapank
Securities account number of the counterparty:	99011176594
Value Date of the transaction:	22 June 2004
Type of transaction:	sale, against payment

Transaction instruction for B-Share

Security:	Eesti Telekom preferred share
ISIN code:	EE3200007229
Transaction price per security:	EEK 11,130.00
Number of shares:	1
Transaction counterparty:	Baltic Tele AB
Securities' account operator of the counterparty:	Hansapank
Securities account number of the counterparty:	99011176594
Value Date of the transaction:	22 June 2004
Type of transaction:	sale, against payment

The ECRS account operators are Hansabank (Hansapank), Union Bank of Estonia (Eesti Ühispank), Estonian Credit Bank (Eesti Krediidipank), Sampo Bank (Sampo Pank), Preatoni Bank (Preatoni Pank), Lõhmus, Haavel and Viisemann, Tallinn Business Bank (Tallinna Äripank), HEX Back Office and Custody Services, Nordea Bank Estonia (Nordea Panga Eesti filiaal).

By registering the above-specified transaction instruction with the ECRS account operator each Shareholder shall be deemed to have duly authorised and instructed the account operator to forward such instructions to the registrar of ECRS.

The acceptance by the Shareholder to sell the Shares specified in the transaction instruction to Baltic Tele AB pursuant to the terms of the Offer shall be deemed to have been given and taken effect from the moment the registrar of ECRS has received the transaction instruction of the respective Shareholder (“Accepting Shareholder”) from his/her/its respective ECRS account operator.

From that moment an agreement for the sale of Shares specified in the transaction instruction shall be deemed to have been entered into between Baltic Tele AB and the Accepting Shareholder on the terms and subject to the conditions specified in the Offer (“Transfer Agreement”). The rights and obligations of the Accepting Shareholder and of

Baltic Tele AB under the Transfer Agreement shall arise upon the fulfilment, during the Offer Period, of those Conditions Precedent specified in this document which have not been waived by Baltic Tele AB.

By registering the above-specified instructions in accordance with the initial terms of the Offer (i.e. terms of the Offer effective on the moment of publishing of the Prospectus and notice of the Offer) in the format required by each respective ECRS account operator each Accepting Shareholder shall be deemed to have accepted any new Value Date announced by Baltic Tele AB as a result of extension of the Offer Period in accordance with Section 1.2.2 below as well as any increase of the A-Share Price and/or the B-Share Price announced by Baltic Tele AB. The above-said does not exclude or restrict in any way the right of any Accepting Shareholder to withdraw from the Transfer Agreement in accordance with the terms of the Offer.

Each Shareholder who wishes to accept the Offer but who does not hold the Shares directly on a securities account operated by an ECRS account operator should contact the respective international custodian bank operating the securities account on which the Shares belonging to such Shareholder are held.

Each holder of GDRs (representing the A-Shares) wishing to take any action in connection with the Offer (and lawfully able to do so) should contact Deutsche Bank Trust Company Americas (at the contact information specified below) being the international depository for the respective GDRs or the account operator operating the securities account on which the GDRs belonging to such GDR holder are held.

**Deutsche Bank AG
Winchester House
1 Great Winchester Street
London EC2N 2DB**

Tel: (44) 207 547 6500

1.2. OTHER PROVISIONS AND CONDITIONS

1.2.1. The Shares to be acquired by Baltic Tele AB pursuant to the Transfer Agreements entered into in the course of the Offer shall be transferred from each Accepting Shareholder to Baltic Tele AB on the Value Date simultaneously with the transfer of the purchase price for the Shares to the cash account of such Accepting Shareholder (delivery versus payment). In accordance with the Rules of Takeover Bids, the Shares to be acquired by Baltic Tele AB shall be transferred to the securities account of Baltic Tele AB not before the purchase price has been paid for the Shares.

1.2.2. In the event during the Offer Period another offeror discloses a takeover bid with respect to all Shares in accordance with the laws and regulations (“**Competing Bid**”), the Shareholders shall have the right to choose between the bids and, in order to do so, the Shareholders shall have the right to withdraw, until the expiry of the Offer Period, from the Transfer Agreement entered into in the course of this Offer. In the event of a Competing Bid, the Offer Period shall be automatically extended until the expiry of

the offer period for the Competing Bid and, if necessary, Baltic Tele AB shall disclose a new Value Date.

- 1.2.3. If between 14 April 2004 (i.e. the date of submission of the prospectus and notice of the Offer to the Financial Supervision Authority for approval) and the Closing Date Baltic Tele AB acquires Shares under conditions more favourable for the Shareholders than those specified in the Offer (e.g. for a higher price), the respective conditions shall be retroactively incorporated into this Offer. In such case Baltic Tele AB shall amend the terms of the Offer and disclose such amendments immediately.
- 1.2.4. Any increase of the A-Share Price and/or the B-Share Price and the waiver of the Threshold Condition by Baltic Tele AB shall apply retroactively also to all Shareholders who have given their acceptance and entered into the Transfer Agreements.
- 1.2.5. In the event Baltic Tele AB acquires any Shares on more favourable conditions, as set out in Section 1.2.3 above, or waives the Threshold Condition or increases the A-Share Price or the B-Share Price, then each Accepting Shareholder has the right to withdraw, until the expiry of the Offer Period, from the Transfer Agreement entered into in the course of this Offer.
- 1.2.6. Baltic Tele AB has agreed to pay the A-Share Price and the B-Share Price for the Shares to be acquired on the terms of this Offer assuming that the Shares will be transferred to Baltic Tele AB free and clear of encumbrances (including pledges) and third persons' rights or claims of any nature whatsoever which rights could be exercised with respect to Baltic Tele AB or which claims could be submitted to Baltic Tele AB.
- 1.2.7. All rights to the Shares transferred by each Accepting Shareholder to Baltic Tele AB in the course of the Offer shall be transferred from such Accepting Shareholder to Baltic Tele AB from the moment of payment of the purchase price for the respective Shares by Baltic Tele AB to such Accepting Shareholder in accordance with the terms of the Offer.
- 1.2.8. The Offer and all acceptances given and/or transactions entered into in the course thereof shall be governed by the laws of the Republic of Estonia. Any disputes arising in connection with the Offer and/or the acceptances given and/or transactions entered into in the course thereof shall be settled in the Tallinn City Court.
- 1.2.9. Pursuant to the Competition Act of Estonia, the acquisition of control by Baltic Tele AB over AS Eesti Telekom constitutes a concentration subject to control by the Estonian Competition Board. On 16 April 2004, Baltic Tele AB submitted a notice of concentration to the Estonian Competition Board. So far as Baltic Tele AB is aware, all documents and information required to be submitted in connection with the concentration notice pursuant to the Competition Act have been submitted to the Estonian Competition Board. Baltic Tele AB confirms that, in the course of the concentration proceedings, it shall not perform any act or omit to perform any act, if the only purpose of performing such act or omitting to perform such act is to impede or exclude the arise of the rights and obligations determined by the Offer.

- 1.2.10. Each Accepting Shareholder wishing to withdraw from the Transfer Agreement in accordance with the terms of this Offer should revoke, during the Offer Period, the transaction instruction registered pursuant to the terms of this Offer. The withdrawal by the Accepting Shareholder from the Transfer Agreement shall be deemed to have taken effect from the moment the registrar of ECRS has annulled the transaction instruction of the respective Accepting Shareholder based on the annulment instruction received from such Shareholder's account operator.
- 1.2.11. In case the Conditions Precedent (which have not been waived by Baltic Tele AB) are not fulfilled during the Offer Period, the respective account operators and the ECRS will annul the transaction instructions of the Accepting Shareholders.
- 1.2.12. The prospectus and the terms of the Offer have been approved by *Finantsinspeksioon* on 28 April 2004.
- 1.2.13. This document does not constitute an extension of the Offer into the United States and the Offer is not being made, directly or indirectly, in the United States by use of the mail, by any means of communication or other means or instrumentality of commerce (including, but not restricted to, transmissions by fax, telex, telephone and email) of the United States or of any facility of a United States securities exchange. Consequently, copies of this document and other documents relating to this document or to the Offer may not be mailed, communicated, or otherwise distributed in the United States by an intermediary or any other person in any manner whatsoever. Other restrictions with regard to the Offer are specified on the cover page of this document.

1.3. CONVERTIBLE BONDS

The extraordinary general meeting of shareholders of AS Eesti Telekom held on 15 December 2000 approved the issuance of up to 85,000 convertible bonds, including the issuance of up to 42,500 A-series and 42,500 B-series bonds within the framework of the Eesti Telekom Group's employee incentive system.

As at 31 March 2004, 35,000 B-series bonds were outstanding, which can be exchanged for 350,000 A-Shares during the period from 2 May 2004 until 2 June 2004 (each bond can be exchanged for 10 A-Shares) (the "**Convertible Bonds**").

In the event any Convertible Bond will be converted into A-Shares and the increase of the share capital of AS Eesti Telekom necessary to effect such conversion will be registered with the Estonian Commercial Registry during the Offer Period, the Offer shall also apply to all A-Shares issued in exchange of the Convertible Bonds in the course of such share capital increase.

In the event any Convertible Bonds will be converted into A-Shares after the expiry of the Offer Period (i.e. if the increase of share capital of AS Eesti Telekom necessary to effect such conversion will be registered with the Commercial Registry after the expiry of the Offer Period), then, within six months after the expiry of the Offer Period, Baltic Tele AB shall purchase, upon the respective demand of the Shareholder, all such A-Shares issued in exchange of the Convertible Bonds for the A-Share Price specified in this Offer, provided that the Conditions Precedent specified on page 3 will be fulfilled during the Offer Period. All such Shareholders wishing to sell their A-Shares (received upon conversion of Convertible

Bonds) to Baltic Tele AB should, prior to the registration of the transaction instructions to sell the Shares to Baltic Tele AB, contact the following person:

Iris Koristin
Tel. +372 6131 778
Securities and Correspondent Banking Department
AS Hansapank

2. BACKGROUND TO AND DESCRIPTION OF THE OFFER

2.1. OFFEROR AND PERSONS ACTING IN CONCERT WITH THE OFFEROR

Baltic Tele AB

Baltic Tele AB is a company established in 1992 by Posti- ja TeleLaitos in Finland (Post and Telecommunications of Finland) and Swedish Telecom International AB¹. According to its articles of association, the main areas of activity of Baltic Tele AB are the purchase, sale and administration of shares and other holdings in companies within the area of telecommunications and other similar businesses.

All shares of Baltic Tele AB are held by TeliaSonera AB (publ).

More detailed information about Baltic Tele AB and the TeliaSonera Group and the history of involvement of TeliaSonera Group with AS Eesti Telekom is provided in Sections 3 and 4 below. Further information about TeliaSonera Group and its services can be also obtained from the Internet website www.teliasonera.com.

Persons acting in concert with Baltic Tele AB

The persons acting in concert with Baltic Tele AB within the meaning of Article 168 of the Securities Markets Act of Estonia are the companies controlled by TeliaSonera AB (“**TeliaSonera Group Companies**”). The list of TeliaSonera Group Companies as at 14 April 2004 is set forth in Annex 1.

The main area of activities of TeliaSonera Group Companies is telecommunications or activities related thereto. The list of TeliaSonera Group Companies also include companies within the area of insurance, banking, real estate etc for the provision of such services primarily to other companies within the TeliaSonera Group.

2.2. CURRENT HOLDINGS OF BALTIC TELE AB AND PERSONS ACTING IN CONCERT WITH BALTIC TELE AB IN AS EESTI TELEKOM

As at 14 April 2004, the date of initial disclosure of information regarding the Offer, Baltic Tele AB held 67,317,756 A-Shares of AS Eesti Telekom, representing 48.91 per cent of the total number of shares of AS Eesti Telekom.

As at 14 April 2004, Baltic Tele AB did not hold any securities convertible into or rights to subscribe for any shares of AS Eesti Telekom and no person acting in concert with Baltic Tele AB held any shares of AS Eesti Telekom or any securities convertible into or rights to subscribe for any shares of AS Eesti Telekom.

Baltic Tele AB and persons acting in concert with Baltic Tele AB have not entered into any agreements between themselves or with any third person for the purpose of acquiring any shares of AS Eesti Telekom or securities convertible into or rights to subscribe for any shares of AS Eesti Telekom.

¹ Swedish Telecom International AB was the subsidiary of Teleinvest AB (subsequently named Telia AB).

The Shareholders' Agreement has, *inter alia*, prohibited Baltic Tele AB and other TeliaSonera Group Companies to acquire in the aggregate more than 49% of the shares of AS Eesti Telekom. However, the Shareholders' Agreement expires on 10 May 2004. As of this date, Baltic Tele AB and/or other TeliaSonera Group Companies may acquire any number of additional shares of AS Eesti Telekom.

2.3. TELIASONERA'S STRATEGY AND REASONS FOR THE OFFER

Strategic Focus

Pursue profitable growth. TeliaSonera is the leading telecommunications provider in the Nordic and Baltic region as well as the leading mobile operator in Turkey and Russia and certain other Eurasian markets. TeliaSonera's main focus is on further developing its position in these markets, where TeliaSonera remains committed to pursuing profitable growth.

Seek Majority Control of Associated Companies. As an important part of its strategy, TeliaSonera will seek, to the greatest extent practicable in light of the realities of the local market, to increase its percentage ownership in its associated companies. TeliaSonera believes that obtaining a controlling interest in its operating companies is important, particularly in the Baltic region, to fully extract economies of scale, and to continue to develop TeliaSonera's position in these markets in parallel with its position in the Nordic markets.

Fortify Its Position in Its Home Markets. TeliaSonera continues to view its home market as the Nordic and Baltic countries. In Sweden, Finland and in the three Baltic countries, TeliaSonera will continue to develop its offering of a full range of telecommunications services. In Norway and Denmark, TeliaSonera will continue to offer its customers a focused product portfolio. TeliaSonera's intention is to fortify its position in its home market by continuing to simplify its services and improving customer service. TeliaSonera's wide range of products and services, in combination with its broad customer base, lays the foundation for effective bundling and increased cross-selling of services. Through its strong local presence, TeliaSonera also aims at enhancing its pan-Nordic communications services.

Continue to Develop Innovative and Practical Services. TeliaSonera seeks to continue to develop innovative service and product offerings in order to satisfy its customers' need for easy-to-use, practical services and to involve customers early on in the development process. TeliaSonera aims to make all of its products and services easy to understand, easy to buy and easy to use. In order to hone its competitive edge without endangering profitability, TeliaSonera will continue to adapt its cost structures to market conditions in various customer segments.

Participate in the Consolidation of the European Telecommunications Service Industry. TeliaSonera's strong financial position, together with its experience in implementing a successful cross-border merger, provides a strong platform from which TeliaSonera aims to take an active role in the consolidation of the European telecommunications services industry. TeliaSonera's starting point is to build on or increase its strength in the Nordic and Baltic home market, if and when the right opportunity occurs. TeliaSonera will only pursue acquisitions that are value enhancing and fulfil its financial return requirements and which do not jeopardize its solid financial position.

Reasons for the Offer

TeliaSonera offers a strong and coherent telecommunications concept while at the same time recognising the importance, as well as the potential, of cultural diversity. Since the merger between Finnish Sonera and Swedish Telia in December 2002, TeliaSonera has pursued its aim of strengthening TeliaSonera as the leading telecom operator in the Nordic and Baltic region. This Offer is consistent with the strategy of taking advantage of opportunities for creating enhanced shareholder value.

TeliaSonera is of the opinion that AS Eesti Telekom's future prospects will improve if AS Eesti Telekom becomes a wholly owned subsidiary of TeliaSonera. As part of a larger group, AS Eesti Telekom and its subsidiaries will benefit from economies of scale. AS Eesti Telekom and its subsidiaries will gain access to TeliaSonera's research and technology which will enable them to develop and implement enhanced and new services to customers at a lower cost.

2.4. INTENTIONS OF BALTIC TELE AB CONCERNING AS EESTI TELEKOM

Baltic Tele AB will, after the acquisition of Shares, review the composition of the supervisory council of AS Eesti Telekom and consider changing the composition of the supervisory council as a result of the new situation in the division of shares of AS Eesti Telekom. At present, Baltic Tele AB does not intend to change the management board of AS Eesti Telekom following the acquisition of Shares. With regard to AS Eesti Telekom's other employees, no immediate structural changes are foreseen but Baltic Tele AB will seek to optimally utilise the human resource capacity in AS Eesti Telekom.

Following the acquisition of Shares, Baltic Tele AB will, depending on the number of Shares acquired, seek to delist the A-Shares from the main list of the Tallinn Stock Exchange and the GDRs from the official list of UK Listing Authority and trading on the market for listed securities of the London Stock Exchange.

Following the acquisition of Shares, Baltic Tele AB will, depending on the number of Shares acquired, seek to exercise the takeover of shares belonging to the remaining minority shareholders in return for fair monetary compensation pursuant to Chapter 29¹ of the Commercial Code of Estonia ("squeeze out").

2.5. DESCRIPTION OF THE SHARES SUBJECT TO THE OFFER

As at 14 April 2004, the date of initial disclosure of information regarding the Offer, the share capital of AS Eesti Telekom (as registered with the Commercial Registry) was EEK 1,376,445,280.

The share capital of AS Eesti Telekom was divided into the following classes of shares:

- (i) 137,644,428 A-Shares, each with a nominal value of EEK 10;
- (ii) 1 B-Share (preferred share) having a nominal value of EEK 1,000.

The shares subject to this Offer are:

- (i) 70,326,672 A-Shares;
- (ii) 1 B-Share.

The shares subject to the Offer represent 51.09 per cent of the total number of shares of AS Eesti Telekom (as at 14 April 2004).

A-Shares

Pursuant to the articles of association of AS Eesti Telekom, each A-Share gives the Shareholder one vote at the General Meeting, the right to participate in the General Meeting and in the distribution of profit, and in the distribution of remaining assets upon dissolution.

A-Shares are listed on the Tallinn Stock Exchange (HEX Tallinn) and GDRs representing the A-Shares (each GDR represents 3 A-Shares) are admitted to the official list of the UK Listing Authority and to trading on the market for listed securities of the London Stock Exchange.

Pursuant to the share register of AS Eesti Telekom as at 14 April 2004 available on the web page of Hex Tallinn (www.hex.ee), the A-Shares were divided among the shareholders as follows:

Shareholder	Number of shares	Percentage of total share capital
Baltic Tele AB	67,317,756	48.91
Republic of Estonia	37,485,000	27.23
Other shareholders	32,841,672	23.86
Total	137,644,428	100

B-Share

Pursuant to the articles of association of AS Eesti Telekom, the B-Share gives the Shareholder the right to participate in the General Meeting and in the distribution of profit, and in the distribution of remaining assets upon dissolution. The B-Share also grants the Shareholder the preferential right to a dividend as a fixed sum in the amount of EEK 10,000 and gives the Shareholder one vote at the General Meeting to vote only on the following issues (a limited right to vote):

- (i) amendment of the articles of association;
- (ii) increase and reduction of the share capital;
- (iii) issuance of convertible bonds; and
- (iv) merger, division, transformation and/or dissolution of the company.

The B-Share is not admitted to trading in any stock exchange or other regulated market. The B-Share is currently owned by the Republic of Estonia.

Pursuant to the Shareholders' Agreement, the B-Share shall be converted into A-Shares and all rights attaching to the B-Share will cease to apply on the date of expiry of the Shareholders' Agreement, i.e. on 10 May 2004.

In the event the B-Share will be converted into A-Shares during the Offer Period, the Offer shall also apply to all A-Shares issued in replacement of the B-Share.

2.6. BASIS FOR DETERMINING THE PURCHASE PRICE

A-Share Price

A-Share Price offered by Baltic Tele AB to the Shareholders is EEK 111.30 in cash.

In addition, on 14 April 2004 the supervisory council of AS Eesti Telekom approved the proposal of the management board of AS Eesti Telekom to the 2004 annual general meeting of AS Eesti Telekom that a dividend of EEK 8.00 per A-Share will be paid out to the Shareholders. Considering that the Value Date will be 22 June 2004, Baltic Tele AB expects that the date of fixing the list of Shareholders entitled to the dividend will be earlier than the Value Date and, accordingly, in addition to the A-Share Price, all Accepting Shareholders will receive the dividend in the amount as proposed by the management board of AS Eesti Telekom and approved by the supervisory council of AS Eesti Telekom.

In determining the A-Share Price, Baltic Tele AB has taken several aspects into consideration.

From a historical perspective, the A-Share has had a positive development on the Tallinn Stock Exchange, both on an absolute and a relative basis. During the 24 month period from 14 April 2002 until 13 April 2004, the A-Share increased by approximately 45 per cent². Relative to an index comprising a number of listed Central and Eastern European telecommunications operators³ and relative to the MSCI Europe Telecommunication Services Index, the A-Share has, during the same time period, increased by approximately 54 per cent² and approximately 44 per cent², respectively.

Based on trading multiples (i.e. Enterprise Value / EBITDA 2003⁴), AS Eesti Telekom is valued at a premium of approximately 46 per cent in relation to the average multiple for the comparable listed companies Cesky Telecom and Telekomunikacja Polska.

The A-Share Price also reflects the assessed synergistic benefits that Baltic Tele AB/TeliaSonera expects to be able to extract as a result of the acquisition of the shares in AS Eesti Telekom not already owned by Baltic Tele AB.

In addition to the above-mentioned aspects, Baltic Tele AB has determined the A-Share Price by taking into account all circumstances relating to the Estonian securities market and trade involving the A-Share, including the following:

² Source: Datastream.

³ The index comprise Cesky Telecom, Telekomunikacja Polska, Matav and Lietuvos Telekomas.

⁴ Calculated based on market capitalisation as of 13 April 2004 plus net debt as of 31 December 2003 divided by EBITDA for 2003. For Cesky Telecom, pro forma EBITDA 2003 has been used, as if Eurotel Praha was fully consolidated from the beginning of the year.

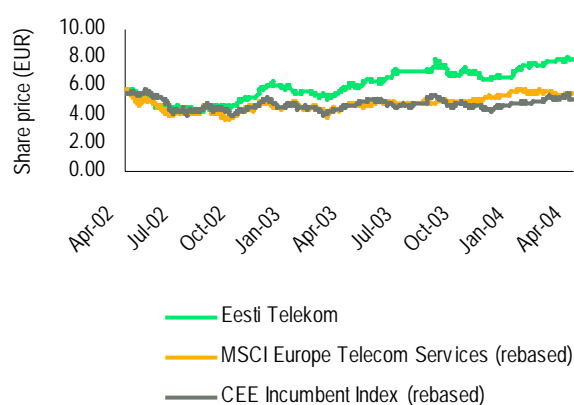
- 1) The weighted average of the prices paid for the A-Share in transactions concluded with A-Shares on Tallinn Stock Exchange during the period from 14 October 2003 until 13 April 2004 (i.e. six months preceding the date of initial disclosure of information regarding the Offer) is EEK 111.29;
- 2) The weighted average of the prices paid for the A-Share in transactions concluded with A-Shares on Tallinn Stock Exchange during the period from 30 March 2004 until 13 April 2004 (i.e. ten (10) trading days immediately preceding the date of initial disclosure of information regarding the Offer) is EEK 123.05.
- 3) The book value of the A-Share as of 31 December 2003 was EEK 30.04.

During six months preceding the date of initial disclosure of information regarding the Offer neither Baltic Tele AB nor any persons acting in concert with Baltic Tele AB (TeliaSonera Group Companies) have acquired any shares of AS Eesti Telekom from persons outside the TeliaSonera Group. In connection with the restructuring of shareholdings within the TeliaSonera Group, two in-group transactions were made on 22 December 2003:

- (i) Baltic Tele AB acquired 16,142,523 A-Shares from TeliaSonera AB for the total price of SEK 973,995,174;
- (ii) Baltic Tele AB acquired 16,142,523 A-Shares from Sonera Holding B.V. for the total price of EUR 107,386,458.

Baltic Tele AB's overall assessment, taking all of the above aspects into consideration, is that the A-Share Price of EEK 111.30 is fair. As stated above, Baltic Tele AB expects that, in addition to the A-Share Price offered, all Accepting Shareholders will receive the dividend of EEK 8.00 as proposed by the management board of AS Eesti Telekom. The A-Share Price together with the proposed dividend represents a premium of 12.3 per cent over the volume-weighted average price for A-Shares of AS Eesti Telekom during the last 12 months.

The A-Share Price of EEK 111.30 values the total equity of AS Eesti Telekom at approximately EEK 15,320 million (EUR 979 million), calculated based on all A-Shares of AS Eesti Telekom.



Source: Datastream

B-Share Price

B-Share Price offered by Baltic Tele AB to the Shareholders is EEK 11,130.00 in cash.

Pursuant to the Shareholders' Agreement, the B-Share shall be converted into A-Shares and all rights attaching to the B-Share will cease to have any application on 10 May 2004. The B-Share Price has been determined on the assumption that the B-Share (with the nominal value of EEK 1,000) shall be converted into 100 A-Shares (with the nominal value of EEK 10 each share).

B-Share Price will be payable for the B-Share only in case the conversion of the B-Share into any other class of shares has not been completed during the Offer Period and B-Share will be transferred to Baltic Tele AB and thereafter converted into 100 A-Shares.

In case the B-Share is converted into 100 A-Shares during the Offer Period, then this Offer shall apply to all A-Shares issued in replacement of B-Share and the purchase price for each A-Share issued in replacement of the B-Share shall be the A-Share Price specified in this Offer.

2.7. PRINCIPLES AND PROCEDURE FOR PAYING THE PURCHASE PRICE

Baltic Tele AB shall pay the purchase price to each Accepting Shareholder on the Value Date against the delivery of Shares by such Accepting Shareholder (delivery versus payment).

2.8. INFORMATION ON FINANCING THE OFFER

All Shares acquired by Baltic Tele AB in the course of the Offer will be paid for in cash by utilising Baltic Tele AB's and TeliaSonera's own funds as well as credit facilities available to Baltic Tele AB and TeliaSonera (borrowed funds).

3. INFORMATION ABOUT BALTIC TELE AB AND TELIASONERA

3.1. BALTIC TELE AB

Baltic Tele AB is a company established in 1992 by *Posti- ja TeleLaitos* in Finland (Post and Telecommunications of Finland) and Swedish Telecom International AB⁵. Currently, Baltic Tele AB is a company belonging to TeliaSonera Group.

3.2. TELIASONERA

3.2.1. GENERAL INFORMATION

TeliaSonera is the leading telecommunications group in the Nordic and Baltic regions. The group provides fixed and mobile telephony services (delivering voice, images, data, information and entertainment) in the Nordic and Baltic countries, Russia and certain other Eurasian markets. TeliaSonera also provides network services for fixed and mobile network operators and other service providers.

3.2.2. HISTORIC BACKGROUND

Telia was originally managed directly by the Swedish State as a public service corporation, Televerket (the Swedish Telecommunications Administration). Although the company never operated under a statutorily sanctioned monopoly, Televerket was virtually the sole provider of public voice telecommunications services in Sweden. In 1993 Televerket was restructured by the Swedish State to become a fully state-owned public company through the transfer of Televerket's assets to TeleInvest AB, a limited liability company previously incorporated in 1966 that was subsequently renamed Telia AB. During the 1980s and 1990s, Telia developed from a near monopoly to a competitor in an open market for telecommunications. In June 2000 the shares of Telia AB were listed on the Stockholm Stock Exchange.

Sonera originated as a part of a state organization, the Telegraph Office of Finland which was created in 1917 and subsequently merged with another state organization, Post of Finland, in 1927 to form the Post and Telegraph Office of Finland, subsequently renamed Post and Telecommunications of Finland. The latter was the only Finnish long distance and international call operator until 1992, when the Finnish state began granting licenses to competing telephone operators. Internationalisation and increased competition in the telecommunication industry required changes in the company form and in 1994 the state-owned limited liability company Telecom Finland was formed. In 1997 the Finnish parliament approved a gradual privatisation of Telecom Finland, and in 1998 the company changed its name to Sonera and was listed on the Helsinki Stock Exchange and on Nasdaq.

In 2002 Telia and Sonera merged and changed name to TeliaSonera. The TeliaSonera Group started to operate on January 1, 2003. The combined company became the leading telecommunications group in the Nordic and Baltic regions.

⁵ Swedish Telecom International AB was the subsidiary of Teleinvest AB (subsequently named Telia AB).

3.2.3. BUSINESS ORGANISATION AND ACTIVITIES

The TeliaSonera Group are organised in four profit centres and two operational units. The four profit centres are: (i) Sweden, (ii) Finland, (iii) Norway, Denmark and the Baltic countries and (iv) International Operations. The two operational units are: (i) Networks and Technology and (ii) Marketing, Products and Services.

TeliaSonera Sweden

TeliaSonera provides a full-range telecommunications services offering in Sweden and is the market leader in fixed and mobile telephony and Internet services. In Sweden, TeliaSonera operates under the Telia brand. As of December 31, 2003, TeliaSonera Sweden had approximately 3.8 million mobile subscribers, 6.3 million fixed-line subscribers and about 1.2 million Internet access customers, of which 399,000 with broadband.

TeliaSonera Finland

In Finland, TeliaSonera operates as a full-range telecommunications services supplier mainly under the Sonera brand. The product range includes mobile telecommunications, fixed voice, Internet and data communications as well as value-added services, service and support. As of December 31, 2003, TeliaSonera Finland had approximately 2.4 million mobile subscribers, 804,000 fixed-line subscribers and 305,000 Internet access customers.

TeliaSonera Norway, Denmark, and Baltic countries

Norway

In Norway, TeliaSonera operates under the NetCom brand. NetCom is the second largest mobile operator in Norway with about 1.2 million customers at the end of 2003.

Denmark

TeliaSonera Denmark offers mobile services and fixed telephony to business and consumers and network capacity to operators and service providers. Broadband Internet and cable television is offered via the wholly-owned company Telia Stofa. TeliaSonera operates under the Telia brand in Denmark. TeliaSonera Denmark had 525,000 mobile and 172,000 fixed-line subscribers at the end of 2003.

Baltic countries

In the Baltic countries TeliaSonera operates via majority-owned (e.g. AB Lietuvos Telekomas, UAB Omnitel, Latvijas Mobilais Telefon) and minority-owned (e.g. AS Eesti Telekom, Lattelekom SIA) companies and offers a full range of telecommunications services. TeliaSonera's operators in the Baltic region had an aggregate of approximately 2 million mobile subscribers and 1.9 million fixed-line accesses at the end of 2003.

TeliaSonera International Operations

TeliaSonera International Carrier

TeliaSonera International Carrier provides network services for fixed and mobile operators, carriers and service providers in the Viking Networks, its wholly-owned international broadband network. The Viking Network is mainly focused on Europe and connects over the Atlantic via the TAT 14 digital cable, in which TeliaSonera is a partner.

Eurasian subsidiaries

TeliaSonera has a 58.55% holding in Fintur Holdings B.V., which operates through majority-owned subsidiaries in Azerbaijan, Kazakhstan, Georgia and Moldova. Fintur had approximately 2.4 million mobile subscribers at the end of 2003. The Fintur-owned operations are the largest or second largest in their respective markets.

Associated companies in Russia and Turkey

In Russia, one of largest and fastest growing mobile communications markets in the world, TeliaSonera has a 43.8% holding in MegaFon. MegaFon's customer base was 6.2 million at the end of 2003. TeliaSonera also has a 37.3% holding in Turkcell, Turkey's leading mobile operator. Turkcell had approximately 19 million customers at the end of 2003.

3.3. SHARES AND SHAREHOLDERS

As at 14 April 2004, the date of initial disclosure of information regarding the Offer, the share capital of Baltic Tele AB was SEK 10,000,000, consisting of 100,000 shares with the nominal value of SEK 100 each share.

As at 14 April 2004, all shares of Baltic Tele AB were held by TeliaSonera AB.

As at 14 April 2004, the share capital of TeliaSonera AB was SEK 14,960,742,620.80 and the total number of shares was 4,675,232,069 with the nominal value of SEK 3.20 each share.

TeliaSonera AB (at that time called Telia AB) was listed on the Stockholm Stock Exchange on June 13, 2000. As a part of the merger between Telia and Sonera the company was also quoted on the Helsinki Exchange and on Nasdaq on December 9, 2002. On Nasdaq the shares are traded in the form of ADS's (American Depository Shares) and 1 ADS represents 5 underlying shares. As of 13 April 2004, TeliaSonera's market capitalisation was approximately SEK 158.5 billion.

As at 31 December 2003, the ownership of TeliaSonera AB was divided in the following manner:

Shareholder	Number of shareholders	Percentage of total share capital/votes
Swedish State	1	45.3
Finnish State	1	19.1
Institutions and companies, Sweden	12,622	19.8
Individual investors, Sweden	720,455	3.6
Institutions and companies, Finland	3,866	3.9
Individual investors, Finland	123,775	2.4
Shareholders outside Sweden and Finland	9,247	5.9
Total	869,967	100

Source: VPC (the Swedish Securities Register Centre).

As at 31 December 2003, the principal shareholders of TeliaSonera AB and their respective holdings were:

Shareholder	Number of shares	Percentage of total share capital/votes
Swedish State	2,118,278,261	45.3
Finnish State	891,800,230	19.1
Robur funds	129,743,930	2.8
SEB funds	72,999,376	1.6
Nordea funds	62,379,416	1.3
AMF Pension	54,955,000	1.2
Skandia	51,122,033	1.1
Fjärde AP-fonden	48,817,000	1.0
SEB-Trygg Försäkring	46,768,000	1.0
SHB/SPP fonder	41,775,390	0.9
Total 10 largest shareholders	3,518,638,636	75.3
Other shareholders	1,156,593,433	24.7
Total	4,675,232,069	100

Source: SIS Ägarservice.

3.4. BOARD AND MANAGEMENT

Baltic Tele AB

As at 14 April 2004, the members of the Board of Directors of Baltic Tele AB were

Name	Year born	Position
Mats Salomonsson	1950	Chairman
Erik Hallberg	1956	Director
Ingrid Stenmark	1966	Director

No executive management of Baltic Tele AB has been appointed.

TeliaSonera AB

As at 14 April 2004, the members of Board of Directors of TeliaSonera AB were⁶:

Name	Year born	Position
<i>Ordinary Members:</i>		
Tom von Weymarn	1944	Chairman
Carl Bennet	1951	Vice Chairman
Ingvar Carlsson	1934	Director
Eva Liljebloom	1958	Director
Sven-Christer Nilsson	1944	Director
Paul Smits	1946	Director
Caroline Sundewall	1958	Director

⁶ TeliaSonera AB's Board of Directors has 12 ordinary members, three of whom are employee representatives and, as such, union appointees. TeliaSonera AB also has three deputy directors who are each union appointees.

Roger Talermo	1955	Director
Yvonne Karlsson	1959	Director ⁷
Berith Westman	1945	Director ⁷
Elof Isaksson	1942	Director ⁷
<i>Deputy Members:</i>		
Magnus Brattström	1953	Deputy Director ⁷
Stefan Carlsson	1956	Deputy Director ⁷
Arja Kovin	1964	Deputy Director ⁷

As at 14 April 2004, the members of TeliaSonera AB's executive management and group vice presidents were:

Name	Year born	Principal Occupation
Anders Igel	1951	President and Chief Executive Officer
Harri Koponen	1962	Deputy Chief Executive Officer, President of TeliaSonera International
Kim Ignatius	1956	Chief Financial Officer
Lars-Gunnar Johansson	1944	Group Vice President, responsible for Corporate Networks and Technology
Rune Nyberg	1949	Group Vice President, responsible for Corporate Human Resources
Michael Kongstad	1960	Group Vice President, responsible for Corporate Communications
Jan Henrik Ahrnell	1959	Group Vice President and General Counsel, responsible for Corporate Legal Affairs
Marie Ehrling	1955	President of TeliaSonera Sweden
Anni Vepsäläinen	1963	President of TeliaSonera Finland
Kenneth Karlberg	1954	President of TeliaSonera Norway, Denmark and the Baltic Countries
Aimo Eloholma	1949	Head of International Operations, TeliaSonera International
Terje Christoffersen	1952	Responsible for Corporate Marketing, Products and Services

3.5. ANNUAL REPORTS

The preparation of the 2003 audited annual report of Baltic Tele AB is in the process. The translations into English of 2000, 2001 and 2002 annual reports of Baltic Tele AB are appended to this document.

Apart from receiving dividend from the shares held in AS Eesti Telekom in the amount of 122,481,361 SEK on 26 June 2003 and the purchase of shares in AS Eesti Telekom on 22 December 2003 (as referred to in section 2.6 of this document), there were no material circumstances related to the activities of Baltic Tele AB in the year 2003. All dividend received by Baltic Tele AB in 2003 was forwarded to TeliaSonera AB and to Sonera Holding B.V. (i.e. the companies which were the shareholders of Baltic Tele AB at that time) in two equal shares.

⁷ Employee representative appointed by the trade unions.

The 2002 and 2003 annual reports of TeliaSonera AB are available for inspection at the locations referred to in Section 5.2 and may also be viewed at TeliaSonera's internet website (www.teliasonera.com).

Financial information for Baltic Tele AB and TeliaSonera Group are provided below. For Baltic Tele AB the figures have been extracted from the 2000, 2001 and 2002 annual reports. For TeliaSonera the data have been extracted from the 2002 annual report as well as from the year-end report January-December 2003.

Baltic Tele AB (SEKm)	2002	2001	2000
<i>Profit and loss account</i>			
Net sales	0	0.93	0.86
Operating loss	-0.14	-0.15	-0.14
Profit after financial items	112.95	111.41	74.56
Profit for the year	112.95	111.41	74.56
<i>Balance sheet</i>			
Fixed assets	196.00	196.00	196.00
Current assets	0.36	1.17	6.08
<i>Total assets</i>	<i>196.36</i>	<i>197.17</i>	<i>202.08</i>
Equity	196.35	197.00	201.99
Current liabilities	0.01	0.17	0.09
<i>Total equity and liabilities</i>	<i>196.36</i>	<i>197.17</i>	<i>202.08</i>

TeliaSonera Group Pro forma⁸ (SEKm)	2003	2002	2001
<i>Income statements</i>			
Net sales	81,772	80,979	80,925
Operating expenses	-51,450	-65,579	
EBITDA	30,322	15,400	
Depreciation, amortization and write-downs	-17,564	-28,319	
Income from associated companies	382	-33,039	
Operating income	13,140	-45,958	9,586
Net financial revenues and expenses	-794	-833	
Income after financial items	12,346	-46,791	5,253
Income taxes	-3,706	14,409	
Minority interests	-969	-508	
Net income	7,671	-32,890	2,143
Average number of shares ('000)	4,675,232	4,675,232	
-after dilution ('000)	4,676,040	4,676,262	
Basic loss/earnings per share (SEK)	1.64	-7.03	
Diluted loss/earnings per share (SEK)	1.64	-7.03	

⁸ Assuming a 100% ownership of Sonera and excluding Telia's Finnish mobile operations and Swedish cable TV operations. In TeliaSonera's legal accounts, Sonera operations and the new Baltic subsidiaries are consolidated since December 3, 2002, and including Telia's Finnish mobile operations and Swedish cable TV operations through May 31, 2003

EBITDA excl. non-recurring items	30,690	25,457	21,768
<i>EBITDA excl. non-recurring items margin (%)</i>	37.5	31.4	26.9
Operating income excl. non-recurring items	14,831	5,992	

Balance sheet

Assets

Intangible fixed assets	61,820	68,095	
Tangible fixed assets	49,161	55,023	
Financial fixed assets	42,061	48,533	
<i>Total fixed assets</i>	<i>153,042</i>	<i>171,651</i>	
Inventories, etc.	501	554	
Receivables	24,170	26,518	
Short-term investments	8,658	3,826	
Cash and bank	3,689	2,821	
<i>Total current assets</i>	<i>37,018</i>	<i>33,719</i>	
Total assets	190,060	205,370	

Shareholders' equity and liabilities

Shareholders' equity	112,393	108,829	
Minority interests	3,441	5,120	
Provisions for pensions and employments contracts	522	183	
Deferred tax liability and other provisions	14,775	18,141	
<i>Total provisions</i>	<i>15,297</i>	<i>18,324</i>	
Long-term loans	25,867	31,336	
Short-term loans	4,687	12,608	
Non-interest-bearing liabilities	28,375	29,153	
<i>Total liabilities</i>	<i>58,929</i>	<i>73,097</i>	
Total shareholders' equity and liabilities	190,060	205,370	

Cash flows

Cash flow from operating activities	26,554	20,717	14,181
Intangible and tangible assets acquired (cash capex)	-9,055	-11,183	-21,189
<i>Free cash flow</i>	<i>17,499</i>	<i>9,534</i>	<i>-7,008</i>
Cash flow from other investing activities	3,334	7,685	35,200
Total cash flow from investing activities	-5,721	-3,498	14,011
<i>Cash flow before financing activities</i>	<i>20,833</i>	<i>17,219</i>	<i>28,192</i>
Cash flow from financing activities	-14,162	-21,889	-20,511
Cash flow for the period	6,671	-4,670	7,681

4. INFORMATION ABOUT AS EESTI TELEKOM

4.1. GENERAL INFORMATION

AS Eesti Telekom is a company established pursuant to the laws of the Republic of Estonia. AS Eesti Telekom is the sole shareholder of its two subsidiaries, Elion Ettevõtte AS and AS EMT, that provide telecommunication services (please see below for details).

AS Eesti Telekom is not directly involved in commercial operations, and its profit accumulates mainly from the profits of other companies in the group.

4.2. HISTORIC BACKGROUND OF AS EESTI TELEKOM AND HISTORY OF INVOLVEMENT OF TELIASONERA IN AS EESTI TELEKOM

Prior to May 1991, telecommunications services in Estonia were conducted by the state through the Estonian Ministry of Communications. With effect from 1 May 1991, the Ministry of Communications was dissolved and, pursuant to the regulation of Government of the Republic of Estonia No 75 of 10 April 1991, the state enterprise “Eesti Telekom”, the predecessor of AS Eesti Telekom, was formed. The state enterprise “Eesti Telekom” received all telecommunications assets of the former Ministry of Communications, which principally comprised the fixed line network throughout Estonia but also included a participation in AS EMT as described below.

In April 1991, AS EMT was formed as a joint venture pursuant to an agreement entered into by the Estonian Ministry of Communications with the Post and Telecommunications of Finland (subsequently Telecom Finland Oy and thereafter Sonera Ltd, “**Sonera**”) and Swedish Telecom International AB (“**Telia**”), each of whom acquired 24.5 per cent of the shares in AS EMT. Upon the dissolution of the Ministry of Communications in May 1991, its 51 per cent holding in AS EMT was transferred to state enterprise “Eesti Telekom”.

In order to begin modernising and developing the local fixed line network, AS Eesti Telefon was formed in December 1992, 51 per cent of the shares owned by state enterprise “Eesti Telekom” and 49 per cent of the shares owned by Baltic Tele AB. At the same time, all of the fixed line telephony assets of the state enterprise “Eesti Telekom” were transferred to AS Eesti Telefon.

In 1997, the State enterprise “Eesti Telekom” was transformed into a joint stock company, AS Eesti Telekom, all shares of which were owned by the Republic of Estonia. AS Eesti Telekom was registered in the Estonian Commercial Register on 5 August 1997.

Pursuant to the restructuring agreement entered into on 21st December 1998 in the course of the public offering of A-Shares of AS Eesti Telekom (IPO), Baltic Tele AB, Telia⁹ and Sonera¹⁰ exchanged all their shares in AS Eesti Telefon and AS EMT with the A-Shares of AS Eesti Telekom.

⁹ At that time the shareholder of AS EMT was Telia AB.

¹⁰ At that time the shareholder of AS Eesti Telefon was Sonera Holding B.V.

At the same time, B-Share was issued by AS Eesti Telekom and acquired by the Republic of Estonia.

After the implementation of the restructuring and IPO, Baltic Tele AB, Telia and Sonera (and Sonera Holding B.V.) owned together approx. 49% of A-Shares of AS Eesti Telekom and the Republic of Estonia owned approx. 27% of A-Shares and the B-Share.

As of February 1999 the A-Shares of AS Eesti Telekom have been listed on the Tallinn Stock Exchange (HEX Tallinn) and GDRs have been admitted to the official list of the UK Listing Authority and to the market for listed securities of the London Stock Exchange.

As a result of internal restructuring of shareholdings within TeliaSonera after the merger of Telia and Sonera in 2002, Baltic Tele AB became the owner of approx. 49 per cent of the A-Shares.

4.3. BUSINESS ORGANISATION AND ACTIVITIES

According to articles of association of AS Eesti Telekom as at 14 April 2004, the areas of activity of AS Eesti Telekom are investment into other companies active in the field of telecommunications and managing of such companies.

Elion Ettevõtted AS is the largest telecommunications undertaking in Estonia. The company is the main provider of fixed telephony services in Estonia with a market share of approximately 87 %¹¹. Elion Ettevõtted AS also offers a wide range of data communication solutions (xDSL services, ITV-services, Internet dial-up services etc). As a former monopoly the company owns public telecommunications network covering the whole territory of Estonia and offers network services to other telecommunications network operators.¹²

AS EMT is the largest mobile telephony service provider in Estonia. Based on number of clients AS EMT has estimated its market share to be approximately 63 %¹³. AS EMT also offers to its clients different information technology solutions (wireless internet service, virtual private network service etc). The company is involved in establishment and operation of mobile communications networks and systems.¹⁴

Pursuant to the audited annual report of AS Eesti Telekom 2003, after the acquisition by AS Connecto of the shares of UAB Lidivos Technologijos on 14 January 2004 the business organisation of AS Eesti Telekom was the following¹⁵:

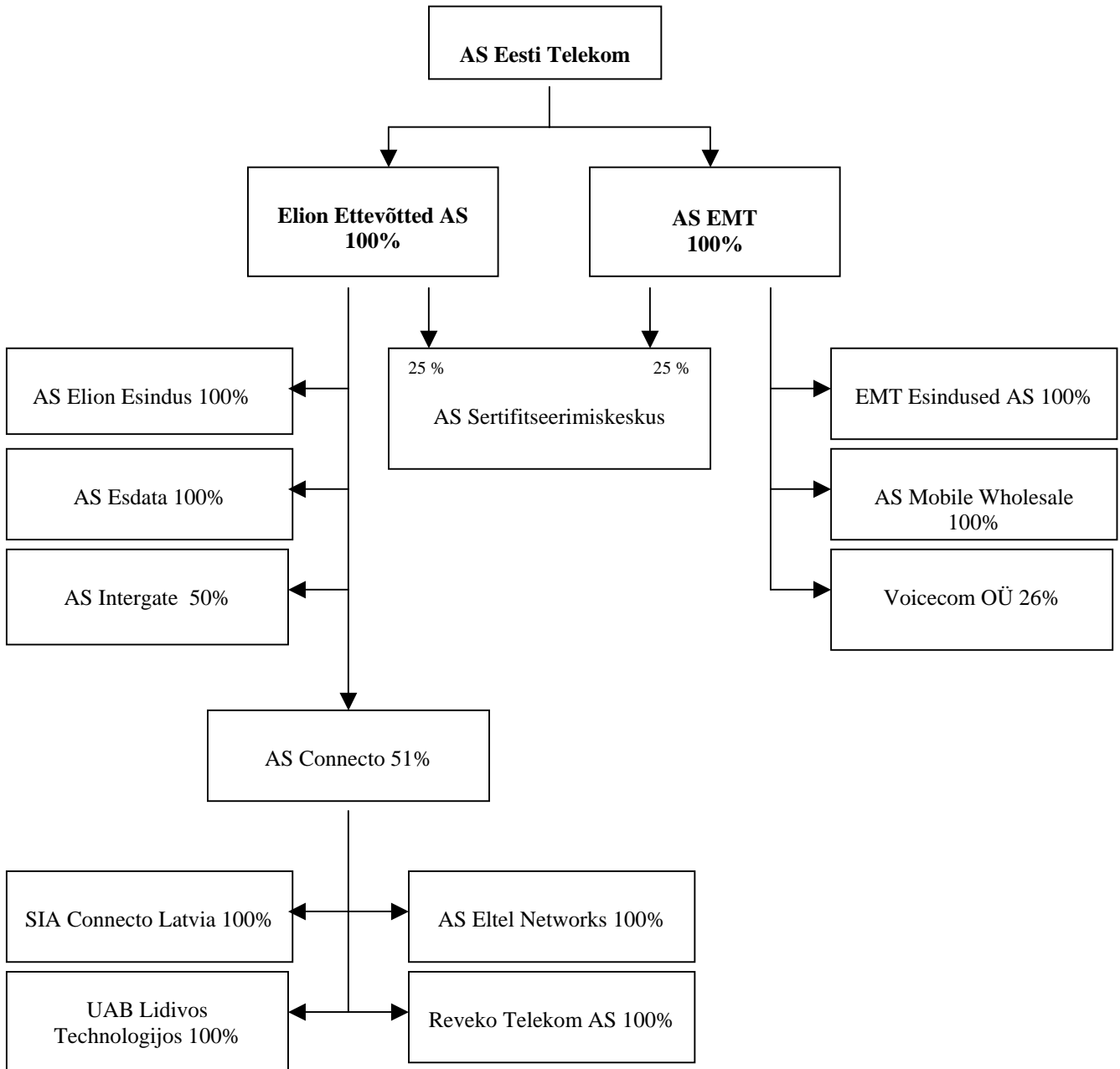
¹¹ Communications Board's information, see www.sa.ee/atp/index.html?id=1923.

¹² For detailed information about services see www.elion.ee.

¹³ [Annual](#) report of AS Eesti Telekom 2003.

¹⁴ For detailed information about services see www.emt.ee.

¹⁵ According to information available on Internet website of AS Eesti Telekom as at 14 April 2004, the merger of AS Connecto and AS Eltel Networks is currently under way.



4.4. MANAGEMENT BOARD AND SUPERVISORY COUNCIL

As at 14 April 2004, the members of the Management Board of AS Eesti Telekom were:

Name	Year born	Position
Jaan Männik	1945	Chairman
Krister Björkqvist	1956	Member

As at 14 April 2004, the members of the Supervisory Council of AS Eesti Telekom were:

Name	Year born	Position
Aare Tark	1959	Chairman
Tiina Mõis	1957	Member
Kennet Rådne	1957	Member
Raivo Vare	1958	Member
Annika Christiansson	1946	Member
Erik Hallberg	1956	Member
Mats Salomonsson	1950	Member
Kalev Kukk	1951	Member
Alo Kelder	1975	Member
Tarmo Porgand	1977	Member

4.5. ANNUAL REPORTS

The audited annual reports of AS Eesti Telekom 2001, 2002 and 2003 are available for inspection at the locations referred to in Section 5.2. The information may also be viewed at the company's Internet website (www.telekom.ee).

The financial information below has been extracted from AS Eesti Telekom's audited annual report 2003.

AS Eesti Telekom and subsidiary companies (EEK 000')

Income statement	2003	2002 Restated
Revenues		
Renevue	4,777,858	4,468,627
Other operating income	30,393	91,737
Total revenues	4,808,251	4,560,364
Operating expenses		
Change in work-in-progress	-	(452)
Materials, consumables, supplies and services	(1,662,093)	(1,455,050)
Other operating expenses	(457,253)	(427,532)
Personnel expenses	(532,140)	(503,698)
Other expenses	(39,164)	(42,730)
Total operating expenses	(2,690,650)	(2,429,462)
Profit / (loss) from operations before depreciation	2,117,601	2,130,902
Depreciation and amortisation	(880,941)	(1,000,468)

Profit / (loss) from operations	1,236,660	1,130,434
Net income / (expenses) from subsidiaries and associates	55,462	(5,153)
Other net financing items	33,495	6,443
Profit before tax	1,325,617	1,131,724
Income tax on dividends	(286,022)	(91,298)
Profit after tax	1,039,595	1,040,426
Minority interest	(4,047)	-
Net profit for the period	1,035,548	1,040,426

Earnings per share

Basic earnings per share (in kroons)	7.53	7.57
Diluted earnings per share (in kroons)	7.53	7.57

Balance sheet

2003 **2002 Restated**

ASSETS		
Non-current assets		
Property, plant and equipment	2,275,868	2,673,673
Goodwill	10,287	3,687
Licences, patents and trademarks	113,808	38,853
Investments in subsidiaries and associates	16,638	22,696
Other investments	2,700	2,710
Other non-current assets	6,852	2,048
Total non-current assets	2,426,153	2,743,667
Current assets		
Inventories	97,417	91,769
Trade and other receivables	705,930	644,851
Investments held for trading	48,709	79,054
Cash and cash equivalents	1,320,802	883,989
Total current assets	2,172,858	1,699,663
TOTAL ASSETS	4,599,011	4,443,330
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	1,376,445	1,373,833
Reserves	468,410	447,348
Translation reserve	(11)	(25)
Accumulated profits	2,290,218	2,078,979
Total capital and reserves	4,135,062	3,900,135
Minority interest	13,540	-
Non-current liabilities		
Interest-bearing loans and borrowings	3,694	12,095
Provisions	8,777	7,666
Total non-current liabilities	12,471	19,761
Current liabilities		
Trade and other payables	423,567	478,802
Interest-bearing loans and borrowings	8,346	35,055
Provisions	6,025	9,577
Total current liabilities	437,938	523,434

TOTAL EQUITY AND LIABILITIES	4,599,011	4,443,330
Cash flow statement	2003	2002 Restated
Operating activities		
Profit / (loss) from operations	1,236,660	1,130,434
Adjustments for:		
Depreciation and amortisation	880,941	1,000,468
(Profit) / loss from sales and write-off of fixed assets	(6,231)	(54,718)
Increase in retirement benefit provisions	2,273	-
Operating cash flow before working capital changes	2,113,643	2,076,184
Change in current receivables	(43,213)	(94,409)
Change in inventories	(3,006)	13,335
Change in current liabilities	(70,512)	2,198
Cash generated by operations	1,996,912	1,997,308
Interest paid	(1,868)	(9,395)
Income tax paid	(286,022)	(91,298)
Net cash from / (used in) operating activities	1,709,022	1,896,615
Investing activities		
Purchase of property plant and equipment	(473,180)	(593,035)
Purchase of licences	(90,263)	(33,682)
Proceeds from sales of property, plant and equipment	30,652	85,421
Acquisition of subsidiaries	(24,593)	(26)
Proceeds from sales of subsidiaries	68,137	-
Acquisition of associated companies	-	(10,000)
Repayment of long-term promissory note	-	-
Purchase of trading investments	(48,709)	(236,942)
Proceeds on disposal of trading investments	79,079	218,868
Loans granted	(2,248)	(440)
Cash receipts from repayment of loans	60	86
Dividends received	8	96
Interest received	28,941	16,736
Net cash from / (used in) investing activities	(432,116)	(552,918)
Financing activities		
Proceeds from long-term convertible debt	-	484
Repayment of long-term convertible debt	(224)	(10)
Proceeds from nonconvertible long-term debt	360	1,576
Repayment of nonconvertible long-term debt	(13,326)	(5,308)
Repayment of long-term borrowings	(23,273)	(79,238)
Repayment of obligations under finance lease liabilities	(1,066)	(17,769)
Repayment of short-term borrowings	(810)	-
Shares issuance (Rights Offering)	23,413	-
Dividends paid	(824,309)	(755,617)
Net cash used in financing activities	(839,235)	(855,882)
Net increase in cash and cash equivalents	437,671	487,815
Cash and cash equivalents at beginning of year	883,989	403,633
Effect of foreign exchange rate changes	(858)	(7,459)
Cash and cash equivalents at end of year	1,320,802	883,989

5. OTHER INFORMATION

5.1. SOURCES OF INFORMATION

The following main sources of information have been used for composing this document:

- 1) Articles of Association of AS Eesti Telekom
- 2) Excerpt from the Commercial Register file (B-card) of AS Eesti Telekom dated 14 April 2004
- 3) Excerpt from the Commercial Register file (B-card) of AS EMT dated 14 April 2004
- 4) Excerpt from the Commercial Register file (B-card) of Elion Ettevõtted AS dated 14 April 2004
- 5) Web page of AS Eesti Telekom, www.telekom.ee
- 6) Web page of TeliaSonera AB, www.teliasonera.com
- 7) Web page of HEX Tallinn, www.hex.ee

5.2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available to Shareholders for inspection at Hansapank branch at Liivalaia 8, Tallinn, Estonia from 9 a.m to 5 p.m on any day (Saturdays, Sundays and public holidays excepted) during the Offer Period:

- 1) Prospectus (with Appendices)
- 2) TeliaSonera annual reports 2002 and 2003 (in English)
- 3) AS Eesti Telekom annual reports 2001, 2002 and 2003

5.3. APPENDICES

- 1) List of TeliaSonera Group Companies
- 2) Baltic Tele AB annual reports 2000, 2001 and 2002 (translations into English)

APPENDIX 1

List of TeliaSonera Group Companies

Company name (according to certificate of registration)	Reg. number	Registered office	Country
TeliaSonera AB (publ)	556103-4249	Stockholm	SE
Amber Mobile Teleholding AB	556554-7774	Stockholm	SE
UAB Omnitel	1030528	Vilnius	LT
Amber Teleholding A/S	20758694	København	DK
AB Lietuvos Telekomas	2121543	Vilnius	LT
UAB Comliet		Vilnius	LT
UAB Sonex Komunikacijos		Kaunas	LT
Comliet-Kaliningrad		Kaliningrad	RU
Datu Tikli SIA		Riga	LV
AS Telegrupp	10201478	Tallinn	EE
UAB Lietuvos telekomo verslo sprendimai	3451716	Vilnius	LT
UAB Lintel		Kaunas	LT
UAB Lintkom		Vilnius	LT
VsI Lietuvos Telekomo sporto klubas		Vilnius	LT
UAB Baltijos infomaciniu duomenų valdymo centras		Vilnius	LT
UAB Voicecom		Vilnius	LT
Baltic Tele AB	556454-0085	Stockholm	SE
Halebop AB	556603-7312	Stockholm	SE
Hem Com AB	556583-7266	Stockholm	SE
Infonet Svenska AB	556263-3080	Stockholm	SE
Netpool International AB	556557-4562	Stockholm	SE
Netpool Sverige AB	556557-4554	Stockholm	SE
NorSea Com AS	979696892	Oslo	NO
Phone Park AB	556523-1478	Bollnäs	SE
Sergel Kredittjänster AB	556264-8310	Stockholm	SE
Sergel Kredittjenester Danmark (branch)	10016568	Ballerup	DK
SIA Telia Latvija	40003057574	Riga	LV
SIA Telia MultiCom	40003215804	Riga	LV
A/S Telia MultiCom Dati	40003403964	Riga	LV
Sonera Corporation U.S.	2890416	Wilmington, DE	US
Sonera Deutschland GmbH		Düsseldorf	DE
Sonera Sverige AB	556476-3133	Stockholm	SE
Telecom Finland AB	556552-1803	Stockholm	SE
Sonera UK Ltd	03857926	London	GB
Speedy Tomato Oy Ab	1475296-7	Helsingfors	FI
Tele Control Communications Ibérica, S.A.	A79245155	Madrid	ES
TeleMedia Group TMG AB	556429-6704	Stockholm	SE
Teli System Support AB	556258-5769	Stockholm	SE
Common Internet Desktop Environment (CIDE) AB	556386-6259	Stockholm	SE
DOF AB	556173-3808	Stockholm	SE
eHome AB	556362-4104	Stockholm	SE
Näringslivets Informationsservice, NärInfo AB	556199-4616	Stockholm	SE
PocketMode i Sverige AB	556238-7901	Stockholm	SE
Scandinavian Telecommunication Trading (STT) AB	556209-0299	Stockholm	SE
Svenska Videotex AB	556429-6696	Stockholm	SE

Telemuseum AB	556588-0944	Stockholm	SE
Telia Förlagslån AB	556210-0932	Stockholm	SE
Telia InfoMedia Content Center AB	556479-7370	Stockholm	SE
Telia Promotor Infovox AB	556222-9202	Stockholm	SE
Telia Business Innovation AB	556559-2473	Stockholm	SE
Unite AB	556583-2234	Helsingborg	SE
Telia Communications AB	556027-2287	Haninge	SE
Telia Credit AB	556404-6661	Stockholm	SE
Telia Credit Danmark (branch)	25370457	Glostrup	DK
Telia Electronic Commerce AB	556228-8976	Stockholm	SE
Telia exBN AB	556455-2304	Stockholm	SE
Telia Consulting AB	556474-4976	Stockholm	SE
Telia Exorb AB	556599-4729	Stockholm	SE
Telia Fastigheter AB	556343-6434	Stockholm	SE
AB Jericho Holding	556549-5768	Stockholm	SE
Fastighets AB Söderbymalm	556414-2015	Stockholm	SE
Telaris Fastigheter och Bostäder AB	556248-4450	Stockholm	SE
KB Malholmen Fastigheter	969646-1525	Stockholm	SE
KB Malholmen	969646-0428	Stockholm	SE
KB Malholmen Fastigheter	969646-1525	Stockholm	SE
KB Malholmen	969646-0428	Stockholm	SE
Telia Fordon AB	556287-3983	Stockholm	SE
Telia Försäljning AB	556248-6240	Stockholm	SE
Telia Global Cast Internetworking AB	556559-5948	Stockholm	SE
Telia Handel AB	556323-0258	Stockholm	SE
Telia Holding Personal AB	556595-2958	Stockholm	SE
Telia InfoMedia Interactive AB	556138-5781	Stockholm	SE
Telia InfoMedia Partner AB	556429-6688	Stockholm	SE
Telia International AB	556352-1284	Stockholm	SE
TeliaSonera International Carrier UK Ltd	02796345	London	GB
Tirex Global Trading Ltd.	03847797	London	GB
Telia International Carrier Networks Pte Ltd.		Singapore	SG
Telia International Holdings AB	556572-1486	Stockholm	SE
Telia International Holdings B.V.	33206738	Hoofddorp	NL
Speedy Tomato AB	556572-1510	Stockholm	SE
Telia International Management AB	556595-2917	Stockholm	SE
OAO Kontakt-S		Priozersk	RU
Telia Internet Partner AB	556572-1494	Stockholm	SE
Telia Internet Services AB	556559-5930	Stockholm	SE
Telia Internet Services Management AB	556248-8410	Stockholm	SE
Telia Lager 15 AB	556588-0928	Stockholm	SE
Telia Lithuania AB	556452-9617	Stockholm	SE
Telia Net Fastigheter AB	556368-4801	Stockholm	SE
Telia NetCom Holding AS	954393232	Oslo	NO
NetCom ASA	965361413	Oslo	NO
NetCom AS	951589888	Oslo	NO
Nettselskapet AS	979438362	Oslo	NO
Mother ANS	982358108	Oslo	NO
Mother ANS	982358108	Oslo	NO
Telia Networks Management AB	556468-4388	Stockholm	SE
Telia Networks Podjetje za Telekomunikacije d.o.o.	1555472	Ljubljana	SI
Telia Networks Portugal S.A. (tbr TeliaSonera International Carrier Portugal S.A.)	505019655	Algés	PT
Telia Norge AS	975961176	Oslo	NO
North Sea Communications AS	986520635	Oslo	NO

Telia Norge Holding AB	556591-9759	Stockholm	SE
NetCom ASA	965361413	Oslo	NO
NetCom AS	951589888	Oslo	NO
Nettselskapet AS	979438362	Oslo	NO
Mother ANS	982358108	Oslo	NO
Mother ANS	982358108	Oslo	NO
Telia Nättjänster Norden AB	556459-3076	Stockholm	SE
Telia Net (branch)	20367997	Glostrup	DK
Telia Online AB	556240-6396	Stockholm	SE
Telia Partner AB (publ)	556458-7011	Stockholm	SE
Telia Promotor AB	556255-1902	Stockholm	SE
Telia Research AB	556235-8738	Stockholm	SE
Telia Scanswitch AB	556345-6622	Stockholm	SE
Telia Service Oy	0676258-3	Espoo	FI
Telia Telecommunications International B.V.	34135584	Hoofddorp	NL
Telia Viesti Oy	0845065-5	Espoo	FI
TeliaSonera Danmark A/S	18530740	Glostrup	DK
Powercom Holding A/S	25943317	Glostrup	DK
Telia Telecom A/S	20595108	Glostrup	DK
Telia Stofa A/S	42405310	Horsens	DK
ApS Aneltro - Handelsfirma for elektroniske specialprodukter	24318516	Horsens	DK
Stofa Kommunikationsnet Aalborg ApS	46402111	Horsens	DK
Telia Telecom A/S	20595108	Glostrup	DK
TeliaSonera Finland Oyj	1475607-9	Helsinki	FI
Consaura Oy	1612560-9	Helsinki	FI
Data-Info Oy	0606359-8	Helsinki	FI
Gesam Oy	0518220-2	Helsinki	FI
Helsingin Teollisuuskatu 13 Oy	0523953-9	Helsinki	FI
Intellect Capital Ventures	3173982	Los Angeles, CA	US
Intellitel Communications Oy	0968783-0	Lappenranta	FI
Kiinteistö Oy Saajomaja	0495161-2	Helsinki	FI
Kiinteistö Oy Sturenportti	0631183-8	Helsinki	FI
Länsi-Suomen Puhelin Oy	1099504-8	Loimaa	FI
Mspace Oy	1585379-4	Helsinki	FI
Payway Oy	1460054-1	Helsinki	FI
Sonera Belgium N.V.		Zaventem	BE
Sonera Carrier Networks Oy	1566178-4	Helsinki	FI
Sonera Holding B.V.	33271992	Rotterdam	NL
Reach Out Mobile AB	556593-4881	Stockholm	SE
Sonera Hungary Holding B.V.	24311137	Rotterdam	NL
Sonera Italian UMTS Holding B.V.	24311525	Rotterdam	NL
Sonera Secure Technologies Oy	1571416-1	Helsinki	FI
Sonera SmartTrust Holding B.V.	24300349	Rotterdam	NL
Sonera SmartTrust Italy srl			IT
Sonera UMTS Sweden Holding B.V.	24311056	Rotterdam	NL
Sonera Zed Oy	1571422-5	Helsinki	FI
Sonera Zed Germany GmbH		Düsseldorf	DE
Sonera Zed Italy s.r.l.		Milano	IT
Sonera Zed Malaysia Sdn Bhd		Kuala Lumpur	MY
Sonera Zed Nederland B.V.	24303964	Rotterdam	NL
Sonera Zed Philippines, Inc.		Manila	PH
Sonera Zed Singapore Ltd.		Singapore	SG
Sonera Zed Telekomünikasyon Hizmetleri		Istanbul	TR
Sonera Zed U.S., Inc.	3169528	Wilmington, DE	US

Sonera Zed UK Ltd	03917203	Middlesex	GB
Zed Incentives Oy	1646674-5	Helsinki	FI
Tilts Communications A/S	17260642	København	DK
Tilts Communications (Latvia) SIA		Riga	LV
Latvijas Mobilais Telefons SIA	40003050934	Riga	LV
Sonera International N.V.	BL622632	Zaventem	BE
Fintur Holdings B.V.	24111385	Rotterdam	NL
Fintur International B.V.	24324358	Rotterdam	NL
Global LLC		Tbilisi	GE
Molfintur S.R.L.	177020778	Chisinau	MD
Moldcell S.A.	177019701	Chisinau	MD
Gürtel Telekomünikasyon Yatirim ve Dis Ticaret A.S.	357463-305045	Istanbul	TR
Geocell LLC		Tbilisi	GE
Moldcell S.A.	177019701	Chisinau	MD
Azertel Telekomünikasyon Yatirim Dis Ticaret A.S.	346411-293993	Istanbul	TR
Azercell Telekom B.M.		Baku	AZ
Azeronline B.M.		Baku	AZ
GSM Kazakhstan LLP	19305-1910-TOO	Almaty	KZ
Fintur Holdings B.V.	24111385	Rotterdam	NL
Fintur International B.V.	24324358	Rotterdam	NL
Global LLC		Tbilisi	GE
Molfintur S.R.L.	177020778	Chisinau	MD
Moldcell S.A.	177019701	Chisinau	MD
Gürtel Telekomünikasyon Yatirim ve Dis Ticaret A.S.	357463-305045	Istanbul	TR
Geocell LLC		Tbilisi	GE
Moldcell S.A.	177019701	Chisinau	MD
Azertel Telekomünikasyon Yatirim Dis Ticaret A.S.	346411-293993	Istanbul	TR
Azercell Telekom B.M.		Baku	AZ
Azeronline B.M.		Baku	AZ
GSM Kazakhstan LLP	19305-1910-TOO	Almaty	KZ
Latvijas Mobilais Telefons SIA	40003050934	Riga	LV
Fintur Holdings B.V.	24111385	Rotterdam	NL
Fintur International B.V.	24324358	Rotterdam	NL
Global LLC		Tbilisi	GE
Molfintur S.R.L.	177020778	Chisinau	MD
Moldcell S.A.	177019701	Chisinau	MD
Gürtel Telekomünikasyon Yatirim ve Dis Ticaret A.S.	357463-305045	Istanbul	TR
Geocell LLC		Tbilisi	GE
Moldcell S.A.	177019701	Chisinau	MD
Azertel Telekomünikasyon Yatirim Dis Ticaret A.S.	346411-293993	Istanbul	TR
Azercell Telekom B.M.		Baku	AZ
Azeronline B.M.		Baku	AZ
GSM Kazakhstan LLP	19305-1910-TOO	Almaty	KZ
Sonera 3G Holding B.V.	24300363	Rotterdam	NL
Sonera Juxto AB	556228-3464	Ånge	SE
Sonera Juxto GmbH			DE
Sonera Media Holding B.V.	24300357	Rotterdam	NL
Sonera Mobile Networks Oy	1628641-0	Helsinki	FI
Sonera Telekomünikasyon		Istanbul	TR
TelAdvent L.P.	2705077	Boston, MA	US
Telering Oy	1566165-3	Helsinki	FI
Unibase Oy	1554428-9	Helsinki	FI
ZAO TeliaSonera International Carrier Russia	1027809197327	S:t Petersburg	RU
Sonera 3G Holding B.V.	24300363	Rotterdam	NL

Auria Oy	0134817-2	Loimaa	FI
ASP Suomi Oy	1593055-0	Turku	FI
Auria Networks Oy	1862355-6	Turku	FI
Espoon Puhelin Oy	1598842-9	Espoo	FI
Laatukaista Oy	1002619-1	Helsinki	FI
Sano Tietoliikennepalvelut Oy	1546805-2	Turku	FI
Suomen Antennitoimi Oy	0646950-4	Turku	FI
Sähkötaso Oy	0982276-4	Tampere	FI
Turku-Portaali Oy	1634607-3	Turku	FI
Turun Matkapuhelin Oy	1063763-8	Turku	FI
Veikon Kone Oy	0115764-0	Helsinki	FI
West Connection Oy	1563075-0	Turku	FI
Turun Konemyynti Oy	1549408-2	Turku	FI
Kuulalaakeri Oy	1545919-9	Turku	FI
Oy Email Cartoon Ab	0927064-8	Turku	FI
Oy Infonet Finland Ltd	0912434-1	Helsinki	FI
Lippupalvelu Oy	0110928-6	Helsinki	FI
Päämies-kauppiat Oy	1090044-0	Helsinki	FI
Kiinteistö Oy Pietarsaaren Isokatu 8	0181832-2	Pietarsaari	FI
Sonera International N.V.	BL622632	Zaventem	BE
TeliaSonera Försäkring AB	516401-8490	Stockholm	SE
Telia Reinsurance S.A.	B53015	Luxembourg	LU
TeliaSonera International Carrier AB	556583-2226	Stockholm	SE
TeliaSonera International Carrier France S.A.	B421204793	Puteaux	FR
TeliaSonera International Carrier Austria GmbH	FN191783i	Wien	AT
TeliaSonera International Carrier Czech Republic a.s.	26207842	Praha	CZ
TeliaSonera International Carrier Denmark A/S	24210413	Glostrup	DK
TeliaSonera International Carrier Finland Ab	1649304-9	Helsinki	FI
TeliaSonera International Carrier Germany GmbH	HRB50081	Frankfurt am Main	DE
TeliaSonera International Carrier Hong Kong Ltd.	700272	Hong Kong	HK
TeliaSonera International Carrier Hungaria Távközlési Kft.	01-09-688192	Budapest	HU
TeliaSonera International Carrier Ireland Ltd.	347074	Dublin	IE
TeliaSonera International Carrier Italy S.p.A.	29580/2000	Torino	IT
TeliaSonera International Carrier Latvia SIA	40003251354	Riga	LV
TeliaSonera International Carrier Netherlands B.V.	34128048	Amsterdam	NL
TeliaSonera International Carrier Norway AS	981946685	Oslo	NO
TeliaSonera International Carrier Poland Sp. z o.o.	KRS0000018616	Warszawa	PL
Infrainvest Sp. z o.o.	KRS0000027464	Warszawa	PL
Prima Communications Sp. z o.o.	KRS0000002409	Warszawa	PL
TeliaSonera International Carrier Spain S.A.	A82573072	Madrid	ES
TeliaSonera International Carrier, Inc.	541837195	Herndon, VA	US
Telia Leasing, Inc.	542002780	Reston, VA	US
TeliaSonera IT-Service AB	556329-5566	Haninge	SE
TeliaSonera Mobile Networks AB	556025-7932	Nacka	SE
Telia Mobile (branch)	19797945	Glostrup	DK
TeliaSonera Mobile Networks Finland (branch)	1501177-3	Helsingfors	FI
TeliaSonera Network Sales AB	556458-0040	Stockholm	SE
TeliaSonera Payphone AB	556446-3734	Sundbyberg	SE
TeliaSonera Sverige AB	556430-0142	Stockholm	SE
Thoreb ITMobile AB	556480-1180	Stockholm	SE
Time FSP AB	556592-9006	Stockholm	SE
UAB TeliaSonera International Carrier Lietuva	1169051	Vilnius	LT
ZAO Telia International Carrier Russia	1027700557169	Moskva	RU
TeliaSonera International Carrier France S.A.	B421204793	Puteaux	FR

TeliaSonera International Carrier Belgium S.A.	RCB638443	Bruxelles	BE
Telia Swedtel (Philippines), Inc.	AS095-003695	Manila	PH
Telia Reinsurance S.A.	B53015	Luxembourg	LU
TeliaSonera International Carrier Switzerland AG	2171000547-8	Zürich	CH
TeliaSonera International Carrier Luxembourg S.A.	B73909	Luxembourg	LU
Telia S.P.R.L.	RCB559938	Bruxelles	BE
TeliaSonera International Carrier France S.A.	B421204793	Puteaux	FR
SIA Telia MultiCom Dati	40003403964	Riga	LV
UAB Sontel	UI 98-355	Vilnius	LT
Latvijas Mobilais Telefons SIA	40003050934	Riga	LV

Baltic Tele AB annual reports 2000, 2001 and 2002 (translations into English)

Annual Report

2000

Baltic Tele AB

The Board of Directors and the Managing Director herewith submit the annual report for the financial year 1 January 2000 - 31 December 2000.

Directors' Report

Operations

Telia AB and Sonera Corporation each own 50 per cent of Baltic Tele AB. During the financial year, Baltic Tele AB has co-ordinated the interests of Telia and Sonera within AS Eesti Telefon, and managed its ownership within AS Eesti Telekom.

Holdings in associated companies

Baltic Tele AB owns 25.5 per cent of AS Eesti Telekom. AS Eesti Telekom is a holding company which conducts telecommunications operations within the fixed and mobile telecommunications networks in Estonia through the wholly-owned subsidiaries, AS Eesti Telefon, and AS Eesti Mobiiltelefon.

Proposed appropriation of profits

The following profits are at the disposal of the general meeting:

Retained profits	115 426 394
Profit for the year	<u>74 563 042</u>
SEK	189 989 436

The Board of Directors proposes that the profits be appropriated so that:

A dividend is paid to the shareholders of	116 400 000
Profit carried forward	<u>73 589 436</u>
SEK	189 989 436

The company's results and financial position in general for the last two financial years are set forth in following profit and loss account and balance sheet and comments to the accounts containing accounting principles and related notes.

Profit and loss account (SEK)	Note	2000	1999
Net sales		860 325	969 655
Gross profit		860 325	969 655
Sales expenses		-869 150	-2 758 376
Administration expenses		-66 000	-66 000
Other operating expenses		-68 711	-29 259
		<u>-1 003 861</u>	<u>-2 853 635</u>
Operating loss		-143 536	-1 883 980
<i>Profit/loss from financial investments:</i>			
Dividends from associated companies		74 549 607	30 146 205
Interest expenses		151 817	1 125 222
Exchange rate differences		5 154	0
		<u>74 706 578</u>	<u>31 271 427</u>
Profit after financial items		74 563 042	29 387 447
Appropriations	3	0	17 500
Tax on the year's result		0	0
Profit for the year		74 563 042	29 404 947

Balance sheet (SEK)	Note	31 Dec. 2000	31 Dec. 1999
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Interests in associated companies	4	196 000 000	196 000 000
Total fixed assets		196 000 000	196 000 000
Current assets			
<i>Current assets</i>			
Trade debtors		74 550	0
Other receivables		4 125	39 665
Prepaid expenses and accrued income	5	0	830 880
		<u>78 675</u>	<u>870 545</u>
Cash and bank balances		6 005 411	3 166 261
Total current assets		6 084 086	4 036 806
Total assets		202 084 086	200 036 806

EQUITY AND LIABILITIES	Note	31 Dec. 2000	31 Dec. 1999
Equity			
<i>Restricted equity</i>			
Share capital (100,000 shares, each at nominal value SEK 100)		10 000 000	10 000 000
Statutory reserve		2 000 000	2 000 000
		<u>12 000 000</u>	<u>12 000 000</u>

<i>Unrestricted equity</i>		
Retained profits	115 426 394	158 021 447
Profit for the year	74 563 042	29 404 947
	189 989 436	187 426 394
Total equity	201 989 436	199 426 394
Current liabilities		
Trade creditors	74 650	297 017
Accrued expenses and deferred income	7 20 000	313 395
Total current liabilities	94 650	610 412
Total equity and liabilities	202 084 086	200 036 806
Security provided	None	None
Contingent liabilities		
Conditional shareholders' contribution	186 000 000	186 000 000

Notes (SEK)

Note 1 Accounting and valuation principles

Receivables are reported in the amount which is expected to be received. Liabilities are reported at nominal value. Valuation of receivables and liabilities in foreign currencies has occurred in accordance with Recommendation Number 7 issued by the Swedish Accounting Standards Board.

Note 2 Average number of employees and salaries

The company does not have any employees; rather, it is managed on a consultancy basis by Telia AB, Economy. No compensation has been paid to the Board of Directors and the Managing Director.

Note 3 Appropriations	2000	1999
Reversal from tax allocation reserve	0	17 500
Total	0	17 500

Note 4 Interests in associated companies

	<i>Share of equity</i>	<i>Share of voting rights</i>	<i>Number of shares</i>	<i>Book value</i>
AS Eesti Telekom	25.5%	25.5%	35 032 710	196 000 000
Share of equity		518 438 123		
Share of the year's result		169 750 843		

Note 5	Prepaid expenses and accrued income	2000	1999
	Other items	0	830 880
	Total	0	830 880

Note 6 **Changes in equity**

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained profit</i>	<i>The year's result</i>
OPENING BALANCE	10 000 000	2 000 000	158 021 447	29 404 947
Appropriation of profits according to resolution adopted at general meeting			29 404 947	-29 404 947
Dividend			-72 000 000	
Profit/loss for the year				74 563 042
CLOSING BALANCE	10 000 000	2 000 000	115 426 394	74 563 042

Notes, continued

Note 7	Accrued expenses and deferred income	2000	1999
	Deferred income	0	293 395
	Accrued auditor's fees	20 000	20 000
	Total	20 000	313 395

The signatures of the members of the Board of Directors

Stockholm, - - 2001

.....
Mart Nurk

.....
Timo Virtanen

Morgan Ekberg

Tapani Holopainen

Mats Öberg, Managing Director

Auditor's signature

My auditor's report regarding this annual report was submitted on - - 2001

.....
Lars-Olov Steen

Authorised public accountant

Annual Report

2001

Baltic Tele AB

The Board of Directors and the Managing Director herewith submit the annual report for the financial year 1 January 2001 - 31 December 2001.

Directors' Report

Operations

Telia AB and Sonera Corporation each own 50 per cent of Baltic Tele AB. During the financial year, Baltic Tele AB has co-ordinated the interests of Telia and Sonera within AS Eesti Telefon, and managed its ownership within AS Eesti Telekom.

Holdings in associated companies

Baltic Tele AB owns 25.5% of AS Eesti Telekom. AS Eesti Telekom is a holding company which conducts telecommunications operations within the fixed and mobile telecommunications networks in Estonia through the wholly-owned subsidiaries, AS Eesti Telefon, and AS Eesti Mobiltelefon.

Proposed appropriation of profits

The following profits are at the disposal of the general meeting:

Retained profits	73 589 436
Profit for the year	<u>111 412 473</u>
SEK	185 001 909

The Board of Directors proposes that the profits be appropriated so that:

A dividend is paid to the shareholders of	113 600 000
Profit carried forward	<u>71 401 909</u>
SEK	185 001 909

The company's results and financial position in general for the last two financial years are set forth in the following profit and loss account and balance sheet and comments to the accounts containing accounting principles and related notes.

Profit and loss account (SEK)	Note	2001	2000
Net sales		932 005	860 325
Gross profit		932 005	860 325
Sales expenses		-933 995	-869 150
Administration expenses		-66 000	-66 000

Other operating expenses	-77 153	-68 711
	<u>-1 077 148</u>	<u>-1 003 861</u>
Operating loss	-145 143	-143 536
<i>Profit/loss from financial investments:</i>		
Dividends from associated companies	111 421 892	74 549 607
Interest expenses	134 547	151 817
Exchange rate differences	1 177	5 154
	<u>111 557 616</u>	<u>74 706 578</u>
Profit after financial items	111 412 473	74 563 042
Tax on the year's result	0	0
Profit for the year	111 412 473	74 563 042

Balance sheet (SEK)	Note	31 Dec. 2001	31 Dec. 2000
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Interests in associated companies	3	196 000 000	196 000 000
Total fixed assets		196 000 000	196 000 000
Current assets			
<i>Current receivables</i>			
Trade debtors		159 105	74 550
Other receivables		4 177	4 125
		<u>163 282</u>	<u>78 675</u>
Cash and bank balances		1 012 732	6 005 411
Total current assets		1 176 014	6 084 086
Total assets		197 176 014	202 084 086

EQUITY AND LIABILITIES	Note	31 Dec. 2001	31 Dec. 2000
Equity			
<i>Restricted equity</i>			
Share capital (100,000 shares, each at nominal value SEK 100 SEK)		10 000 000	10 000 000
Statutory reserve		2 000 000	2 000 000
		<u>12 000 000</u>	<u>12 000 000</u>
<i>Unrestricted equity</i>			
Retained profits		73 589 436	115 426 394
Profit for the year		111 412 473	74 563 042
		<u>185 001 909</u>	<u>189 989 436</u>

Total equity		197 001 909	201 989 436
Current liabilities			
Trade creditors		159 105	74 650
Accrued expenses and deferred income	5	15 000	20 000
Total current liabilities		174 105	94 650
Total equity and liabilities		197 176 014	202 084 086

Security provided		None	None
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Contingent liabilities

Conditional shareholders' contribution		186 000 000	186 000 000
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Notes (SEK)

Note 1 Accounting and valuation principles

Receivables are recorded in the amount which is expected to be received. Liabilities are reported at nominal value. Valuation of receivables and liabilities in foreign currencies has occurred in accordance with Recommendation Number 7 issued by the Swedish Accounting Standards Board.

Note 2 Average number of employees and salaries

The company does not have any employees; rather, it is managed on a consultancy basis by Telia AB, Economy. No compensation has been paid to the Board of Directors and the Managing Director.

Note 3 Interests in associated companies

	<i>Share of equity</i>	<i>Share of voting rights</i>	<i>Number of shares</i>	<i>Book value</i>
AS Eesti Telekom	25.5%	25.5%	35 032 710	196 000 000
Share of equity	547 901 216			
Share of the year's result	117 503 296			

Note 4 Changes in equity

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained profit</i>	<i>The year's result</i>
OPENING BALANCE	10 000 000	2 000 000	115 426 394	74 563 042
Appropriation of profits according to resolution adopted at general meeting			74 563 042	-74 563 042

Dividend			-116 400 000	
Profit/loss for the year				111 412 473
CLOSING BALANCE	10 000 000	2 000 000	73 589 436	111 412 473

Note 5	Accrued expenses and deferred income		2001	2000
	Deferred expenses		0	0
	Accrued auditor's fees		15 000	20 000
	Total		15 000	20 000

Signatures of the members of the Board of Directors

Stockholm, - 2002

Mart Nurk

Semi Korpela

Morgan Ekberg

Timo Virtanen

Mats Öberg, Managing Director

Auditor's signature

My auditor's report regarding this annual report was submitted on - - 2001

Lars-Olov Steen

Authorised public accountant

Annual Report

2002

Baltic Tele AB

The Board of Directors and the Managing Director herewith submit the annual report for the financial year 1 January 2002 - 31 December 2002.

Directors' Report

Ownership

TeliaSonera AB and Sonera Holding B.V each own 50 per cent of Baltic Tele AB. Sonera Holding B.V. is a subsidiary of Sonera Oyj which, in turn, is owned to 100 per cent by TeliaSonera AB.

Operations

During the financial year, Baltic Tele AB has co-ordinated the interests of Telia and Sonera within AS Eesti Telefon and managed its ownership within AS Eesti Telekom.

Holdings in associated companies

Baltic Tele AB owns 25.5 per cent of AS Eesti Telekom. AS Eesti Telekom is a holding company which conducts telecommunications operations within the fixed and mobile telecommunications network in Estonia through the wholly-owned subsidiaries, AS Eesti Telefon, and AS Eesti Mobiltelefon.

Proposed appropriation of profits

The following profits are at the disposal of the general meeting:

Retained profits	71 401 909
Profit for the year	<u>112 954 750</u>
	SEK 184 356 659

The Board of Directors proposes that the profits be appropriated so that:

A dividend is paid to the shareholders of	122 512 000
Profit carried forward	<u>61 844 659</u>
	SEK 184 356 659

The company's results and financial position in general for the last two financial years are set forth in the following profit and loss account and balance sheet and comments to the accounts containing accounting principles and related notes.

Profit and loss account (SEK)	Note	2002	2001
Net sales		0	932 005
Gross profit		0	932 005
Sales expenses		0	-933 995
Administration expenses		-66 000	-66 000
Other operating expenses		-75 653	-77 153
		<u>-141 653</u>	<u>-1 077 148</u>
Operating loss		-141 653	-145 143
<i>Profit/loss from financial investments:</i>			
Dividends from associated companies		113 056 861	111 421 892
Interest expenses		40 640	134 547
Exchange rate differences		-1 098	1 177
		<u>113 096 403</u>	<u>111 557 616</u>
Profit after financial items		112 954 750	111 412 473
Tax on the year's result		0	0
Profit for the year		112 954 750	111 412 473

Balance sheet (SEK)	Note	31 Dec. 2002	31 Dec. 2001
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Interests in associated companies	3	196 000 000	196 000 000
Total fixed assets		196 000 000	196 000 000
Current assets			
Current receivables			
Trade debtors		0	159 105
Other receivables		6 625	4 177
		<u>6 625</u>	<u>163 282</u>
Cash and bank balances		356 284	1 012 732
Total current assets		362 909	1 176 014
Total assets		196 362 909	197 176 014

EQUITY AND LIABILITIES	Note	31 Dec. 2002	31 Dec. 2001
Equity			
<i>Restricted equity</i>			
Share capital (100,000 shares, each at nominal value SEK 100)		10 000 000	10 000 000
Statutory reserve		2 000 000	2 000 000
		<u>12 000 000</u>	<u>12 000 000</u>
<i>Unrestricted equity</i>			

Retained profits		71 401 909	73 589 436
Profit for the year		112 954 750	111 412 473
		184 356 659	185 001 909
Total equity		196 356 659	197 001 909
Current liabilities			
Trade creditors		6 250	159 105
Accrued expenses and deferred income	5	0	15 000
Total current liabilities		6 250	174 105
Total equity and liabilities		196 362 909	197 176 014

Security provided None None

Contingent liabilities

Conditional shareholders' contribution 186 000 000 186 000 000

Notes (SEK)

Note 1 Accounting and valuation principles

Receivables are reported in the amount which is expected to be received. Liabilities are reported at nominal value. Valuation of receivables and liabilities in foreign currencies has occurred in accordance with Recommendation Number 7 issued by the Swedish Accounting Standards Board.

Note 2 Average number of employees and salaries

The company does not have any employees; rather, it is managed on a consultancy basis by Telia AB, Economy. No compensation has been paid to the Board of Directors and the Managing Director.

Note 3 Interests in associated companies

	<i>Share of equity</i>	<i>Share of voting rights</i>	<i>Number of shares</i>	<i>Book value</i>
AS Eesti Telekom	25.5%	25.5%	35 032 710	196 000 000
Share of equity	584 288 975			
Share of the year's result	155 408 510			

Note 4 Changes in equity

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained</i>	<i>The year's</i>
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			<i>profit</i>	<i>result</i>
OPENING BALANCE	10 000 000	2 000 000	73 589 436	111 412 473
Appropriation of profits according to resolution adopted at general meeting			111 412 473	-111 412 473
Dividend			-113 600 000	
Result for the year				112 954 750
CLOSING BALANCE	10 000 000	2 000 000	71 401 909	112 954 750

Note 5	Accrued expenses and deferred income	2002	2001
	Deferred income	0	0
	Accrued auditor's fees	0	15 000
	Total	0	15 000

Signatures of the members of the Board of Directors

Stockholm, 19 June 2003

.....
Mats Salomonsson

.....
Ingrid Stenmark

.....
Erik Hallberg

Auditor's signature

My auditor's report regarding this annual report was submitted on - - 2003

.....
Lars-Olov Steen

Authorised public accountant

Advisers to Baltic Tele AB/TeliaSonera

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To the best of our knowledge all information provided in this document is correct and accurate and nothing of material importance has been omitted from this document that would affect the content or meaning of the information provided.

Baltic Tele AB:


Mats Salomonsson


Ingjé Stenmark