

Elion, Lattelekom and Lietuvos Telekomas buy MicroLink

PRESS RELEASE

Tallinn, Riga, Vilnius, May 17 - According to a share purchase agreement signed yesterday in Tallinn, the Baltic telecommunications companies Elion, Lattelekom and Lietuvos Telekomas will acquire the leading Baltic IT services group MicroLink.

After the merger, MicroLink companies in Estonia, Latvia and Lithuania will continue to operate as fully owned subsidiaries of the telcos, as their brand for professional IT services for large and medium size customers.

Telcos under their brands will continue to offer full communication services to everyone, as well as IT products and services for smaller private and corporate customers, having more standardized IT needs. The value of the deal will not be disclosed.

"This transaction proves that MicroLink's strategy of developing a company able to provide integrated IT services to corporate customers across Baltics has been appreciated," commented Janis Bergs, CEO of MicroLink. "MicroLink has very strong team of open-minded and internationally oriented IT professionals and managers. Now we enter a new and exciting phase of the development of our organization. Our top priority remains quality of our services and protection of the interests of our customers. Now they will have an even stronger and more reliable partner."

The transaction will accelerate MicroLink together with Elion, Lattelekom and Lietuvos Telekomas to the forefront of the IT and networking services market in the Baltics and will provide a platform for rapid development in the wider Baltic Sea region. This is the next logical step in the implementation of the strategy to become true leaders in the market of complex integrated IT&T solutions.

"We are joining forces with MicroLink, the leading provider of systems integration, software development, and managed services for applications, IT infrastructure, and data networks, to be able to offer our clients the best of communications and IT, the two fields that are converging all over the world," says Nils Melngailis, Lattelekom CEO. "We value highly the experience and capabilities of MicroLink's employees. Together we will raise the IT&T level in Latvia, and that is good for our private and public sector clients, good for our employees and for Lattelekom. The acquisition will create a company of incomparable experience."

For the customers of the companies this means having even stronger partners that will have critical size for serving wider Baltic region customers and ability to offer more innovative services.

"After the merger, Elion and MicroLink will be the strongest player in Estonian IT & telecommunications market, offering customers the broadest selection of high-quality services and the excellent customer care. The customers cannot afford, and do not want uncertainty in their business," says Valdur Laid, the CEO of Elion.

"Our clients increasingly demand seamless communications and IT solutions that in a single package cover all of their IT&T needs. As telecommunications companies, we have access to the latest technologies that can support these client requirements. With the MicroLink acquisition we reinforce our strategy to grow by fulfilling our customer increasingly complex needs," states Arūnas Šikšta, General Manager of AB Lietuvos Telekomas.

The closing of the transaction is expected between September and October 2005. It is conditional on regulatory competition board approvals in all 3 countries. Until that time both MicroLink and the telcos will continue to compete and operate independently on the market.

There are no plans to discontinue any of MicroLink existing business activities. All the agreements and obligations towards customers and employees will be stay in force as is.

About MicroLink

MicroLink (www.microlink.com) is the largest Baltic IT services company whose business interests include: systems integration and infrastructure solutions; software development; ERP and business solutions; data communications and networking; central systems and data centre solutions; systems management and maintenance; end-user PC services and support; full IT outsourcing. The group has 553 employees and is present in all three Baltic countries. MicroLink's 2003/2004 financial year net revenue was 52.4 million Euros and net profit 22.4 million Euros. MicroLink is the only Baltic IT company, whose business areas and technology solutions cover more than 90% of IT needs of modern private and public organizations.

About Elion

Elion (www.elion.ee) is the largest telecommunications and IT provider in Estonia. It is owned by AS Eesti Telekom, listed at the stock exchanges of Tallinn and London (TSE:ETL/LSE:EETD). Elion provides comprehensive consumer and business communication services - from telephone calls to integrated business solutions, from the sale of handsets and computers to the provision of broadband, the installation and maintenance of large IT systems. In Estonia Elion is the market leader in fixed network calls, in Internet subscriptions and data communication solutions, and it has made a powerful entry into the IT market. In 2004 the consolidated net sales of the Elion Group were 2.679 billion kroons (171 million Euros), and the consolidated net profit was 342 million kroons (22 million Euros). Currently the Elion Group employs a staff of 1473.

About Lattelekom

Lattelekom (www.lattelekom.lv) is a leading telecommunications company in Latvia, enabling customers to make the most of the opportunities provided by technology thereby improving the lifestyles of individuals, enhancing performance of businesses and contributing to the development of the socio-economic environment in Latvia. Lattelekom is striving to make the modern and complex communications solutions easy to understand and use.

Lattelekom SIA was established in 1994. 51% of the capital shares in Lattelekom are owned by the Republic of Latvia, and 49% - by the consortium TILTS Communications, owned by Sonera Corporation's subsidiary Sonera Holdings B.V. 99.4% shares in Sonera Corporation are owned by TeliaSonera.

In 2004 the consolidated net sales of Lattelekom Group were 131.4 million lats (187 million Euros) and net profit 33.5 million lats (47.7 million Euros)

About Lietuvos Telekomas

Public stock company Lietuvos Telekomas (www.telecom.lt) is one of the most experienced and successful companies in Lithuania known to nearly everybody in this country. Currently Lietuvos Telekomas' Group is one of the largest providers of telecommunications services in Lithuania offering its customers more than 200 different types of services, including Internet-related, data communication, fixed-line and wholesale services as well as a wide range of advanced solutions. One of the most important activities of Lietuvos Telekomas is development of Internet and data communication services. The Company has been focusing on the quality of Internet services, development and introduction of new services and application of the state-of-the-art Internet access technologies. These areas will remain the focus of the Company's attention in the future as well.

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