EestiTelekom

Consolidated Interim Report of AS Eesti Telekom II Quarter and I Half Year 2009

(Translation of the Estonian original)

17 July 2009

This version of interim report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of interim report takes precedence over this translation.

Beginning of the financial year	1 January 2009
End of the reporting period	30 June 2009
Name of the company	**AS Eesti Telekom**
Registration number	10234957
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Field of activity	Activities of holding company
Auditor	AS PricewaterhouseCoopers

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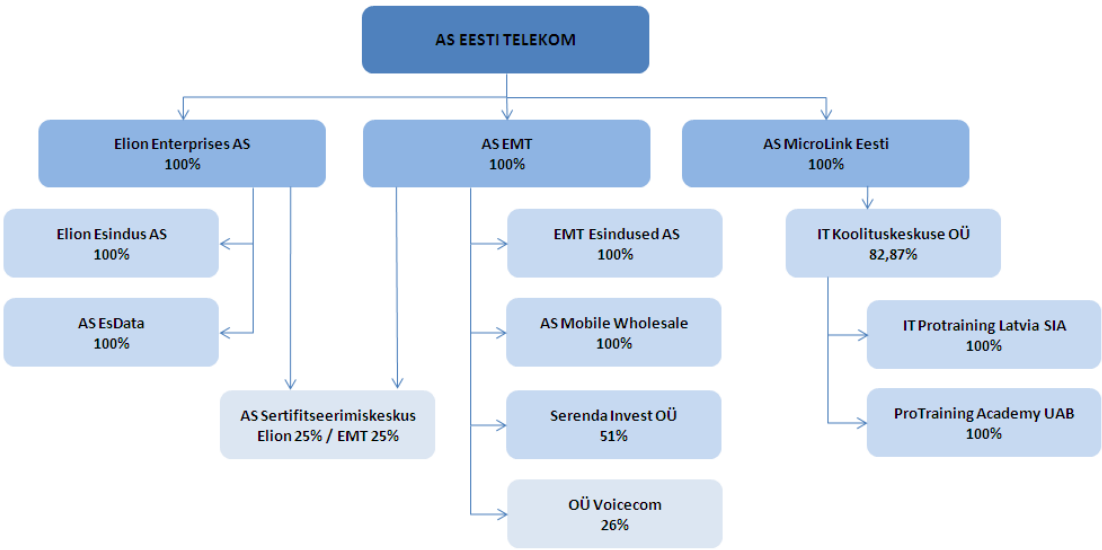
MANAGEMENT REPORT

GENERAL INFORMATION

The principal activity of Eesti Telekom Group, the parent company of which is AS Eesti Telekom (registration number 10234957; address: Valge 16, 19095 Tallinn), is the provision of telecommunications services.

Since 1999, the shares of AS Eesti Telekom have been listed on the Tallinn and London securities markets (OMX: ETLAT / LSE: EETD).

The structure of the Eesti Telekom Group as of 30.06.2009:



Changes in the Eesti Telekom Group structure

AS Eesti Telekom Council has given the Board approval to initiate mergers and enter into relevant agreements with the goal to simplify Eesti Telekom Group structure, by merging AS EMT with its 100% subsidiaries EMT Esindused AS and AS Mobile Wholesale, and Elion Ettevõtted AS with its 100% subsidiary Elion Esindus AS. The aim is to achieve greater efficiency in business processes. The mergers are planned to be concluded by August 2009 at the latest. The planned merger will not cause any changes in financial reporting as the results of EMT Group and Elion Group are already consolidated.

In June 2009, AS MicroLink Eesti, wholly owned by AS Eesti Telekom, sold its enterprise resource planning and software development operations to AS Helmes. From now on, AS MicroLink Eesti will concentrate on providing ICT outsourcing, such as information management, IT systems hosting and management for businesses as well as training computer users and top specialists. The sale of dispensable operations of its subsidiary will not have great impact on AS Eesti Telekom economic results.

Shareholders' general meeting

The regular general meeting of the AS Eesti Telekom shareholders took place on 20 May 2009. The general meeting approved the 2008 Annual Report and the Proposal for the Distribution of Profits. The AS Eesti Telekom shareholders were paid a dividend of 10.50 EEK per share, or a total of 1,449 million EEK, for the previous financial year. The dividends were paid out on 16 June 2009 based on the list of shareholders that was fixed as of 5 June 2009 at 11:59 pm. Accumulated profits of 965 million EEK were retained.

The general meeting recalled the current AS Eesti Telekom supervisory board and elected the following as members of the new supervisory board: Mats Salomonsson, Juha-Pekka Weckström, Freenasp Mobedjina, Lars Gunnar Klasson, Tarmo Porgand, Jüri Raatma and Aare Tark.

The general meeting selected AS PricewaterhouseCoopers (reg. code 10142876) as the AS Eesti Telekom auditor for the 2009 financial year. The provision of and payment for the auditing services shall take place based on a contract to be concluded with the auditing firm.

Ownership structure of AS Eesti Telekom

During the second quarter of 2009, there were no significant changes in the structure of the AS Eesti Telekom shareholders. The Eesti Telekom majority shareholder TeliaSonera AB (through Baltic Tele AB) continues to own 60.12% of the company's shares.

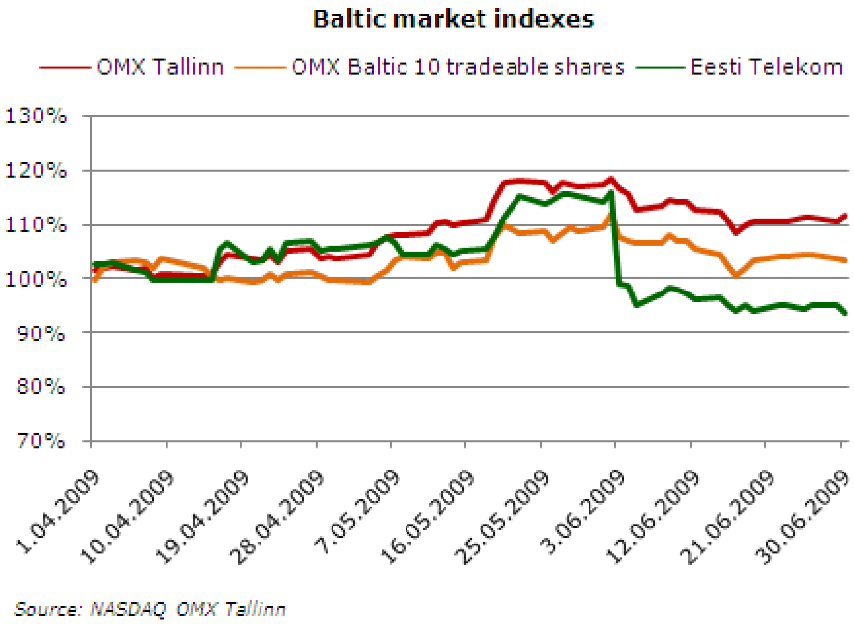
As of the end of the second quarter, the ratio of freely traded shares converted to GDRs was 12.71%. Of these, 10.33% were converted into GDRs traded on the London Stock Exchange.

As of 30 June 2009, the 10 largest shareholders in AS Eesti Telekom were:

	30 June 2009		Changes since 31 March 2009
	No of shares	Participation	
Baltic Tele AB	82,936,299	60.12%	-
Ministry of Finance	33,346,464	24.17%	-
Development Fund	4,138,636	3.00%	-
SEB clients	2,349,205	1.70%	(469,541)
ING Luxembourg S.A.	2,137,813	1.55%	82,030
Deutsche Bank (GDR accounts)	1,810,971	1.31%	(435,867)
Clearstream Banking Luxembourg S.A. clients	623,158	0.45%	44,857
Mellon Treaty Omnibus	496,473	0.36%	133,000
UniCredit Bank Austria AG	439,918	0.32%	(32,230)
State Street Bank and Trust Omnibus Account	381,045	0.28%	45,100

AS Eesti Telekom shares

In the second quarter of 2009, the price of AS Eesti Telekom shares decreased by 9.77%. The share price at the beginning of the quarter was 75.26 EEK and 67.91 EEK at the end of the quarter. The highest and lowest share prices during the reporting period were 85.27 EEK and 66.97 EEK respectively. The turnover for the reporting period was 168 million EEK.



BUSINESS ACTIVITIES

Management commentary: The Group's sales revenues in the second quarter were primarily impacted by regulations (European Union regulations applied on the mobile sector) and the economic downturn (reduction of sales of goods and changes in consumer behavior). At the same time, there is a continuing growth of mobile postpaid, mobile and fixed broadband and TV customers.

Significant financial indicators

Eesti Telekom Group

	Q2 2009	Q2 2008	Change, %	HY1 2009	HY1 2008	Change, %
Total revenues, million EEK	**1,349**	1,567	(13.9)	**2,686**	3,051	(12.0)
EBITDA, million EEK	**536**	613	(12.6)	**1,053**	1,189	(11.5)
Margin, %	**39.7**	39.1		**39.2**	39.0	
EBIT, million EEK	**385**	468	(17.7)	**745**	904	(17.6)
Margin, %	**28.6**	29.9		**27.7**	29.6	
EBT, million EEK	**406**	487	(16.7)	**782**	939	(16.7)
Profit for the period, million EEK	**6**	101		**382**	553	
Basic earnings per share, EEK	**0.05**	0.73		**2.77**	4.00	
Comprehensive income for the period, million EEK	**6**	101		**382**	553	
CAPEX, million EEK	**125**	184	(32.2)	**247**	303	(18.3)
Net gearing, %	**(7.5)**	(14.3)		**(7.5)**	(14.3)	
ROA, %	**0.1**	2.1		**8.3**	11.6	
ROE, %	**10.3**	11.9		**20.8**	24.3	

Mobile communications segment

	Q2 2009	Q2 2008	Change, %	HY1 2009	HY1 2008	Change, %
Total revenues, million EEK	**768**	938	(18.1)	**1, 508**	1,812	(16.8)
EBITDA, million EEK	**299**	365	(18.1)	**572**	694	(17.5)
Margin, %	**38.9**	38.9		**38.0**	38.3	
EBIT, million EEK	**231**	299	(22.5)	**437**	565	(22.6)
Margin, %	**30.1**	31.8		**29.0**	31.2	
EBT, million EEK	**245**	309	(20.7)	**461**	582	(20.7)
Profit for the period, million EEK	**10**	87		**226**	360	
Comprehensive income for the period, million EEK	**10**	87		**226**	360	
CAPEX, million EEK	**59**	71	(17.7)	**133**	128	3.9
ROA, %	**0.5**	4.1		**11.4**	17.8	
ROE, %	**16.0**	20.4		**32.4**	42.1	

Broadband services segment

	Q2 2009	Q2 2008	Change, %	HY1 2009	HY1 2008	Change, %
Total revenues, million EEK	**737**	804	(8.3)	**1,464**	1,568	(6.6)
EBITDA, million EEK	**233**	246	(5.1)	**481**	493	(2.3)
Margin, %	**31.7**	30.6		**32.9**	31.4	
EBIT, million EEK	**156**	173	(9.8)	**328**	349	(6.2)
Margin, %	**21.2**	21.5		**22.4**	22.3	
EBT, million EEK	**159**	176	(9.6)	**330**	353	(6.6)
Profit for the period, million EEK	**(6)**	43		**165**	220	
Comprehensive income for the period, million EEK	**(6)**	43		**165**	220	
CAPEX, million EEK	**64**	108	(40.7)	**109**	164	(33.8)
ROA, %	**(0.2)**	1.6		**6.4**	8.3	
ROE, %	**8.3**	8.8		**18.1**	18.5	

IT services segment

	Q2 2009	Q2 2008	Change, %	HY1 2009	HY1 2008	Change, %
Total revenues, million EEK	**69**	87	(20.1)	**131**	166	(21.0)
EBITDA, million EEK	**8**	7	15.6	**5**	11	(55.7)
Margin, %	**11.7**	8.1		**3.7**	6.6	
EBIT, million EEK	**2**	1	94.5	**(14)**	(1)	N/A
Margin, %	**3.0**	1.2		**(10.3)**	(0.7)	
EBT, million EEK	**2**	1	169.3	**(14)**	(2)	N/A
Profit for the period, million EEK	**2**	1		**(14)**	(2)	
Comprehensive income for the period, million EEK	**2**	1		**(14)**	(2)	
CAPEX, million EEK	**2**	4	(58.1)	**5**	10	(49.7)
ROA, %	**1.3**	0.6		**(7.8)**	(1.4)	
ROE, %	**1.9**	1.4		**(12.1)**	(3.4)	

Sales revenues, operating costs, and profit

The Group's sales revenues in the second quarter of 2009 reached 1,349 million EEK (2nd quarter 2008: 1,567 million EEK), and was impacted primarily by regulations imposed on the mobile sector by the European Union and the cooling of the economy.

The **mobile communications segment's** consolidated turnover for the second quarter of 2009 reached 768 million EEK, decreasing 18% compared to the second quarter of 2008 (2nd quarter 2008: 938 million EEK). The reason for the decrease in total revenues was a reduction in revenues from call services caused by a drop in retail and interconnection prices, which was partially compensated by the growth of volumes for mobile data communications and subcontracting services. During the second quarter, a decrease was also experienced in revenues received from retailing and wholesaling compared to a year ago, which was caused by changes in consumer behavior. In addition, call minutes initiated by the customers decreased by 7% and the number of call minutes entering the EMT network decreased by 4% compared to the second quarter of 2008, which resulted from the customers' wish to limit consumption.

As of the end of the second quarter of 2009, the EMT customer base was smaller by 9 thousand compared to the previous year, declining to 746 thousand active SIM cards (30 June 2008: 755 thousand cards). Compared to the previous year, the number of contractual customers increased by 4 thousand, reaching 484 thousand by the end of the second quarter of 2009; at the same time, the number of active users of prepaid cards decreased by 13 thousand to 262 thousand. EMT assesses its market share of active SIM cards to be 47%. The estimated penetration of active cards in Estonia is 118%.

As of May, EMT provides a new MinuEMT (MyEMT) mobile and Internet package to its customers, whereby the customer can choose the volumes of the three basic mobile communications – calls, text messages, and Internet – that he or she wishes to use. The MinuEMT solution was well-received by the customers since it includes flexible and personal approaches for various customer segments.

Pursuant to a resolution of the Communications Board, the interconnection fee for AS EMT, Elisa Eesti AS and Tele2 Eesti AS was fixed at 1.66 EEK for the period 1 July 2007 to 30 June 2008. For the period 1 July 2008 to 30 June 2009, the Competition Board, which is the legal successor to the Communications Board, established a fee of 1.37 EEK per minute for the termination of voice calls in the mobile phone networks of AS EMT, Elisa Eesti AS and Tele2 Eesti AS. Based on a decision dated 26 March 2009, the Competition Board announced new market analysis results, based on which ProGroup Holding OÜ, in addition to AS EMT, Elisa Eesti AS and Tele2 Eesti AS, was declared an undertaking with significant market power in the market for the termination of voice calls in its mobile phone network. According to the resolution, within the framework of the price control obligation, the given companies will be obligated to apply benchmark-based interconnection fees that correspond to the average in the European countries until 30 June 2012, which makes 1.36 EEK per minute the maximum tariff to be applicable as of 1 July 2009. The maximum rate for interconnection fees to be established for the periods 1 July 2010 to 30 June 2011 and 1 July 2011 to 30 June 2012 will be announced by the Competition Board at least 2 months before the beginning of the corresponding period, but pursuant to the decision, the decrease or increase in the interconnection fees to be applied shall not be more than 10%.

The broadband services segment's sales revenues reached 737 million EEK in the second quarter (2nd quarter 2008: 804 million EEK). Compared to the same period of the previous year, the decrease of revenues in the broadband services segment totaled 8%. The decrease in revenues was related primarily to a reduction in the sales volumes of telecommunications and IT goods, as well as the reduction of minute volumes of call services. As a result of the drop in volumes, retail sales revenues decreased by 38% and the revenues earned from end consumers for domestic call services decreased by 17%, due to the general drop in minute volumes in the Estonian market. The turnover for international call services decreased by 25%, which is related primarily to a reduction in the minute volumes for international calls initiated in mobile networks. The turnover for subcontracted call communications services decreased by 7% based on a reduction in additional services. At the same time, the revenues earned from the sale of connections increased by 1.4%. The greatest increase was in monthly fees received for triple-play solutions, which grew by 15 million EEK compared to the previous year. The sales turnover for data communications solutions and leasing revenues from permanent lines increased 7% and 5% respectively. As a result of the continuing trend of replacing individual call communications and Internet services with triple-play service packages, the revenues from the given individual products decreased by 14 million EEK.

The adjustment of the triple-play product portfolio for private customers initiated at the end of the first quarter, as well as the introduction of updated Kodulahendus products and the Start package has been successful for Elion. Within the framework of the updated Kodulahendus products, Elion customers are provided with a free second viewing location and WiFi access in the 800 Elion WiFi networks throughout Estonia. In the second quarter, the number of users of the Elion triple-play package increased by 5,000, reaching 87.1 thousand as of 30 June (30 June 2008: 62.3 thousand). As of the end of the second quarter, Elion had 88.4 thousand IP and cable-TV (30 June 2008: 67.7 thousand). Elion assesses that the company's market share in the cable market increased by 5% during the year, reaching 29% by the end of the second quarter (30 June 2008: 24%).

The total number of Elion customers with permanent Internet connections increased by 6.9 thousand compared to the previous year, reaching 175.2 thousand by the end of June (30 June 2008: 168.3 thousand). The slight reduction in the number of connections is caused by an increase in the number of products disconnected due to arrears accounts. The company's assessment is that Elion's market share of the permanent Internet connection market in Estonia has not changed, and continues to be 54%.

By the end of the second quarter, the number of Elion's total means of communication totaled 460 thousand (30 June 2008: 473 thousand interfaces). The reduction in number of total means of communications resulted from an expected reduction in the number of telephone connections in the private and business segments, as well as a reduction in the number of pay phones throughout Estonia.

Elion assesses its market share for call minutes initiated in the fixed network to be 80% (30 June 2008: 81%). The market share for local call minutes is 82% (30 June 2008: 83%), 69% for international call minutes (30 June 2008: 66%), and 70% for call minutes made to mobile phones (30 June 2008: 71%). The increase of the international call market share is explained by a change in accounting methods. The company assesses that the given market share has remained at the same level for the last few years.

At the beginning of the second quarter, Elion, EMT, and MicroLink in cooperation with the Behold the World! Foundation started a large-scale project to introduce people to the Internet, entitled "Join Us!". The project was initiated in order to reduce the information stratification of the society, which results to a great extent from the fact that 300,000 adults living Estonia today lack access to the Internet. The purpose of the project is to organize computer-related basic training and refresher courses for 100,000 people and to increase the number of Internet users by 50,000 families during the next three years.

In June, Elion signed a cooperation agreement with the Tallinn Business Incubators Foundation, which enables start-up businesses to use IT and communications services provided by Elion under favorable conditions. The purpose of the cooperation is to promote the competitiveness of start-up businesses by providing companies with modern information technology solutions and consultations by competent specialists that correspond to the company's needs, in addition to discounted prices.

In June, Elion signed a cooperation agreement with one of Russia's most influential telecommunications companies, Synterra CJSC, which creates a basis for close cooperation between Estonia and Russia related to services for an information society. The cooperation enables Estonian Internet users to have faster access to Russian Internet resources and vice versa. In subsequent stages, there are plans to cooperate in the field of IP services, in order to provide access to the customers of both companies; cooperation will also be initiated to broker IP transit traffic between Russia and Europe. The companies in the Synterra Group provide call and data communications services, and have connections throughout Russia. The Group is primarily focused on servicing large infrastructure companies, state companies and government institutions. In 2008, the Group's consolidated revenues were more than 527 million dollars.

In April, AS Starman filed an action against Elion in Harju County Court for 6 million EEK plus interest for the amount allegedly overpaid as a rental fee for cable conduits between 1 February 2006 and 1 January 2008. Elion increased the rental fee on 1 February 2006 and decreased it on 1 January 2008 based on amended regulations.

Elion filed actions against Elisa and Tele2 for 27 and 29 million EEK respectively, which is also subject to late penalties, for overpaid connection fees paid in 2006-2007.

The IT services segment's sales revenues in the second quarter of 2009 reached 69 million EEK (2nd quarter 2008: 87 million EEK). Compared to the same period in the previous year, the sales revenues decreased by 20%, whereas the sales revenues for IT merchandise decreased by 45.1%; the sales revenues for project-based services increased by 16%; and the sales revenues for permanent services decreased by 4.3%.

The reduction of the 2009 national budget by 8 billion EEK had a significant impact on Estonia's IT sector. Several procurements have been postponed and the results of completed procurements have been cancelled. At the same time, the activation of European Union Structural Fund financing had a positive impact in the second quarter.

The sales revenues from infrastructure solutions were significantly smaller in the second quarter than in the same period last year. The reason is the general decline in the IT market. Currently, the same recessionary trend is being experienced by all IT companies that deal with merchandise sales.

In the field of business solutions, the important projects in the second quarter included the introduction of IncidentMonitori at Eesti Energia, the introduction of various information systems and development projects at the Tax and Customs Board and Ministry of Defense, as well as the sale of some large licenses.

At the end of June 2009, in connection with its focus on the provisions on permanent IT services, MicroLink Eesti withdrew from the fields of financial software installation and software development. In order to guarantee MicroLink's financial software and software development clients with continued high-quality service, MicroLink chose Helmes as a reliable and suitable partner. MicroLink's financial software business (Dynamics AX and SAP) will continue as a 100% subsidiary of Helmes. The software development business will be merged with Helmes. MicroLink will focus on providing permanent IT services, by providing information management, IT system hosting and management services, training for computer users and top specialists, as well as consultations services (ITIL, ISKE, etc.).

In the field of permanent services, during the second quarter, AS MicroLink Eesti won the procurement organized by the Ministry of Social Affairs for the management of workstations. In the second quarter MicroLink Eesti also continued to provide management services for work stations at the Tallinn City Government. The sales revenues for permanent services in the second quarter remained at the same level as during the first quarter.

The operating costs of the Eesti Telekom Group decreased by 15% in the second quarter of 2009 compared to the same period in 2008, reaching 820 million EEK (2nd quarter 2008: 960 million EEK).

The operating costs in the **mobile communications segment** decreased by 18% compared to the second quarter of 2008, reaching 472 million EEK (2nd quarter 2008: 576 million EEK). The greatest decrease was in operating costs related to retailing and wholesaling, which corresponds to the drop in merchandise sales turnovers. A decrease was also experienced in interconnection costs based on a drop in interconnection prices. The successful implementation of efficiency plans also helped to reduce costs.

The operating costs in the **broadband services segment** decreased during the last quarter by 10% compared to the same period in 2008, reaching 505 million EEK (2nd quarter 2008: 563 million EEK). Most of the reduction in operating costs resulted from a drop in direct costs, which was related to the decreases in retail sales volumes, call minute volumes and the volumes for call communications subcontracting services. A significant impact on the decrease in operating costs also resulted from the efficiency projects initiated last year, which are related to a reduction in maintenance costs for network resources, personnel costs, IT costs, invoice issuance costs and transport costs.

The operating costs in the **IT services segment** decreased in the second quarter by 18% reaching 65 million EEK (2nd quarter 2008: 80 million EEK). The operating costs for the quarter were affected on the one hand by the expansion of business activities, and on the other hand, by the lower purchasing costs for merchandise that accompanied lower sales turnovers; in addition both of the Group's companies have succeeded in reducing other operating costs (including a reduction of 11.6% in the other operating costs of MicroLink Eesti as an independent company).

The Eesti Telekom Group EBITDA decreased in the second quarter of 2009 by 13% compared to the same period in the previous year, reaching 536 million EEK (2nd quarter 2008: 613 million EEK). The EBITDA in the mobile communications services segment decreased by 18% in the second quarter compared to the same period last year. Since the decrease in the operating costs was almost proportional to the reduction in turnover, the EBITDA margin for the mobile communications services segment remained at the same level as the corresponding period in the previous year. In the second quarter, the EBITDA for the broadband segment has decreased by 5% compared to the same period last year, reaching 233 million EEK (2nd quarter 2008: 246 million EEK). The EBITDA for the IT services segment in the second quarter of 2009 was 8 million EEK (2nd quarter 2008: 7 million EEK). The Group's EBITDA margin in the second quarter of 2009 was 40%, which was 1% higher than the corresponding margin for the same period last year.

The Group's depreciation costs reached 151 million EEK in the second quarter of 2009, increasing 4% compared to the same period in 2008 (2nd quarter 2008: 145 million EEK).

In the second quarter, the **Eesti Telekom Group** earned **EBIT** of 385 million EEK, which was a decrease of 18% compared to the same period in the previous year (2nd quarter 2008: 468 million EEK) and **pre-tax profits** of 406 million EEK (2nd quarter 2008: 487 million EEK).

On 16 June of this year, AS Eesti Telekom paid its shareholders **dividends** of 10.50 EEK per share totaling 1,449 million EEK, which is similar to last year (2008: 1,449 million EEK). In order to facilitate the payment to AS Eesti Telekom shareholders, AS EMT paid the parent company dividends of 880 million EEK (2nd quarter 2008: 820 million EEK) and Elion Enterprises paid 620 million EEK (2nd quarter 2008: 500 million EEK). The payment of dividends was accompanied by **an income tax cost for the dividends** of 400 million EEK (2nd quarter 2008: 386 million EEK), of which AS EMT pays 235 million EEK (2nd quarter 2008: 222 million EEK) and Elion Enterprise 165 million EEK (2nd quarter 2008: 133 million EEK).

The profit for the Eesti Telekom Group for the first half-year of 2009 totaled 382 million EEK (first half-year of 2008: 553 million EEK). The earnings per share were 2.77 EEK (first half-year of 2008: 4.00 EEK). The total comprehensive income of the Group for the first half-year of 2009 was 382 million EEK (first half-year of 2008: 553 million EEK).

Statement of financial position and cash flows

As of 30 June 2009, the Eesti Telekom Group balance sheet totaled 4,159 million EEK (31 December 2008: 4,999 million EEK). Compared to the beginning of the year, the non-current assets have decreased by 89 million EEK, the balance of which reached 2,836 million EEK by the end of the quarter. The Group's current assets decreased by 752 million EEK during the first half-year, reaching 1,323 million EEK by the end of June (31 December 2008: 2,075 million EEK). Cash and cash equivalents, as well as short-term financial investments, have decreased by 614 million EEK in connection with the dividend paid out in June.

As of 30 June 2009, the Eesti Telekom Group equity was 3,223 million EEK, which is 1,072 million EEK less than at the end of 2008 (31 December 2008: 4,295 million EEK). The reduction in equity is related to the payment of dividends totaling 1,449 million EEK. At the same time, equity has been increased by a profit of 382 million EEK in the first half-year of 2009. As of the end of June, long-term obligations totaled 31 million EEK (31 December 2008: 33 million EEK) and short-term debt obligations totaled 905 million EEK (31 December 2008: 671 million EEK). The growth of short-term debt obligations results from the income tax liability for the 400 million EEK worth of dividends to be paid in July.

The net debt of the Eesti Telekom Group at the end of the second quarter was -242 million EEK and the net gearing ratio was -7.5% (31 December 2008: -853 million EEK and -20%).

The Eesti Telekom Group cash flow from operations during the first half-year of 2009 was 1,034 million EEK (first half-year of 2008: 1143 million EEK). The Group's investment cash flow was 309 million EEK (first half-year of 2008: 399 million EEK). The cash flow into the acquisition of tangible and intangible fixed assets during the first half-year was 247 million EEK (first half-year of 2008: 303 million EEK). In the first six months of 2009, the mobile communications segment invested 133 million EEK (first half-year of 2008: 128 million EEK). In mobile communications, in addition to the constant development of the GSM network, a developmental priority was the implementation of technologies to support high-speed mobile data communications. The majority of data communications usage by EMT customers occurs in the 3G network, which enables the use of high-quality and rapid Internet connections at speeds approaching those of ADSL at conveniently manageable prices. Since EMT is the only operator in Estonia that provides EDGE data communications throughout its GSM coverage area, then investments in new base stations is primarily directed at expanding external and internal 3G coverage in cities and town. At the same time, the constant improvement of the GSM network continued. Investments into the broadband services segment totaled 109 million EEK (first half-year of 2008: 164 million EEK). The principal part of the capital volumes was related to the development of network resources, changes in the private customers' product portfolio, and the improvement of and expansion of the availability of the triple-service packages. In the first half-year of 2009, the IT services segment invested 5 million EEK into fixed assets (first half-year of 2008: 10 million EEK).

In the first six months of this year, the Eesti Telekom Group cash flow into financial activities was 1,457 million EEK, of which 1,449 million EEK was used to pay dividends for AS Eesti Telekom shareholders (in the first six months of 2008, these amounts were 1,450 million EEK and 1,449 million EEK) and dividends totalling 6 million EEK (6 months of 2008: 8 million EEK) were paid to minority shareholders (Serenda Invest OÜ minority shareholders).

Definitions

EBITDA margin = EBITDA / Net sales x 100%
EBIT margin = EBIT / Net sales x 100%
Net debt = Interest bearing liabilities - cash and cash equivalents - short term investments
Net gearing = Net debt / Owner's equity x 100%
ROA = Profit for the period / Average total assets x 100%
ROE = Profit before tax / Average equity x 100%
Basic earnings per share = Profit for the period / Average number of shares

CONSOLIDATED QUARTERLY DATA

In million of Estonian kroons (EEK)

	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
Net sales	1,567	1,566	1,573	1,336	1,349
OPEX	(960)	(941)	(1,050)	(825)	(820)
Other revenues/expenses, net	7	3	8	5	7
EBITDA	613	628	531	517	536
Depreciation and amortisation	(145)	(147)	(144)	(157)	(151)
EBIT	468	481	387	360	385
Income / expenses from associates	(1)	-	-	(1)	1
Other net financing items	20	4	13	17	19
EBT	487	485	400	376	406
Income tax on dividends	(386)	-	-	-	(400)
Profit for the period	101	485	400	376	6
Minority interest	-	1	1	-	(1)
EBITDA margin, %	39.13%	40.12%	33.75%	38.66%	39.73%
EBIT margin, %	29.87%	30.74%	24.61%	26.91%	28.55%
Net margin, %	6.48%	30.98%	25.42%	28.12%	0.46%
Total assets	4,515	4,500	4,999	5,207	4,159
- Non-current assets	2,756	2,768	2,925	2,905	2,836
- Current assets	1,759	1,732	2,075	2,302	1,323
- Cash and cash equivalents and short-term investments	489	511	863	1,221	249
Equity and liabilities	4,515	4,500	4,999	5,207	4,159
- Equity	3,412	3,897	4,295	4,671	3,223
- Provisions	28	31	29	26	25
- Non-current liabilities	2	2	8	8	6
- Interest-bearing borrowings	-	-	6	6	4
- Current liabilities	1,074	571	667	502	904
- Interest-bearing borrowings	2	2	4	3	3

In thousands of Estonian kroons (EEK)

II QUARTER CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	II Quarter 2009	II Quarter 2008
Net sales	2.1 (a)	1,349,147	1,566,708
Cost of production	2.1 (a)	(745,492)	(881,242)
Gross profit	2.1 (a)	**603,655**	**685,466**
Sales, administrative, and research & development expenses	2.1 (a)	(224,983)	(224,265)
Other operating revenues	2.1 (a)	7,250	8,000
Other operating expenses	2.1 (a)	(694)	(1,267)
Operating profit	2.1 (a)	**385,228**	**467,934**
Finance income		19,604	20,627
Finance costs		(298)	(588)
Finance income, net	2.1 (a)	**19,306**	**20,039**
Net income / (expenses) from associated companies	2.1 (a)	1,450	(800)
Profit before tax	2.1 (a)	**405,984**	**487,173**
Income tax on dividends	2.1 (a)	(399,746)	(385,721)
Profit for the period	2.1 (a)	**6,238**	**101,452**
Other comprehensive income			
Exchange differences on translating foreign subsidiaries	2.1 (a)	37	-
Other comprehensive income for the period	2.1 (a)	**37**	**-**
Total comprehensive income	2.1 (a)	**6,275**	**101,452**
Profit attributable to:			
Equity holders of the parent	2.1 (a)	7,171	101,315
Minority interest	2.1 (a)	(933)	137
		6,238	**101,452**
Comprehensive income attributable to:			
Equity holders of the parent	2.1 (a)	7,202	101,315
Minority interest	2.1 (a)	(927)	137
		6,275	**101,452**

Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EEK)	7 (f)		
Basic earnings per share		0.05	0.73
Diluted earnings per share		0.05	0.73

EBITDA	2.1 (a)	**536,021**	**613,078**
Depreciation, amortization and write-downs	2.1 (a)	(150,793)	(145,144)

In thousands of Estonian kroons (EEK)

I HALF YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	I HY 2009	I HY 2008	2008
Net sales	2.1 (b), 2.3	2,685,639	3,050,889	6,189,597
Cost of production	2.1 (b)	(1,506,826)	(1,711,737)	(3,532,648)
Gross profit	2.1 (b)	**1,178,813**	**1,339,152**	**2,656,949**
Sales, administrative, and research & development expenses	2.1 (b)	(445,520)	(446,247)	(907,058)
Other operating revenues	2.1 (b)	14,802	14,285	31,317
Other operating expenses	2.1 (b)	(3,264)	(2,821)	(8,498)
Operating profit	2.1 (b)	**744,831**	**904,369**	**1,772,710**
Finance income		36,999	38,378	55,185
Finance costs		(647)	(1,172)	(871)
Finance income, net	2.1 (b)	**36,352**	**37,206**	**54,314**
Net income / (expenses) from associated companies	2.1 (b)	626	(2,480)	(2,847)
Profit before tax	2.1 (b)	**781,809**	**939,095**	**1,824,177**
Income tax on dividends	2.1 (b)	(399,746)	(385,721)	(385,912)
Profit for the period	2.1 (b)	**382,063**	**553,374**	**1,438,265**
Other comprehensive income				
Exchange differences on translating foreign subsidiaries	2.1 (b)	25	-	17
Other comprehensive income for the period	2.1 (b)	**25**	**-**	**17**
Total comprehensive income	2.1 (b)	**382,088**	**553,374**	**1,438,282**
Profit attributable to:				
Equity holders of the parent	2.1 (b)	382,575	551,966	1,434,835
Minority interest	2.1 (b)	(512)	1,408	3,430
		382,063	**553,374**	**1,438,265**
Comprehensive income attributable to:				
Equity holders of the parent	2.1 (b)	382,596	551,966	1,434,849
Minority interest	2.1 (b)	(508)	1,408	3,433
		382,088	**553,374**	**1,438,282**

Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EEK)	7 (f)			
Basic earnings per share		2.77	4.00	10.40
Diluted earnings per share		2.77	4.00	10.40

EBITDA	2.1 (b)	**1,052,761**	**1,189,430**	**2,348,360**
Depreciation, amortization and write-downs	2.1 (b), 3	(307,930)	(285,061)	(575,650)

In thousands of Estonian kroons (EEK)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009	31 December 2008	30 June 2008
ASSETS				
Non-current assets				
Property, plant and equipment	3	2,543,579	2,590,170	2,432,084
Intangible fixed assets	3	213,191	228,312	206,877
Investments in associates	2.2, 5	11,201	10,575	10,942
Other financial fixed assets		68,315	95,680	106,041
Total non-current assets	2.2	**2,836,286**	**2,924,737**	**2,755,944**
Current assets				
Inventories	6	145,042	169,943	170,820
Trade and other receivables		928,255	1,041,685	1,099,761
Short-term investments		-	500,000	-
Cash and cash equivalents		249,392	363,099	488,850
Total current assets	2.2	**1,322,689**	**2,074,727**	**1,759,431**
TOTAL ASSETS	2.2	**4,158,975**	**4,999,464**	**4,515,375**
EQUITY AND LIABILITIES				
Equity				
Capital and reserves attributable to equity holders of the parent	7			
Share capital		1,379,545	1,379,545	1,379,545
Share premium		356,018	356,018	356,018
Statutory legal reserve		137,955	137,955	137,955
Retained earnings		35	14	-
Net profit for the period		1,347,895	2,413,843	1,532,804
Total capital and reserves attributable to equity holders of the parent		**3,221,448**	**4,287,375**	**3,406,322**
Minority interest	2.2, 7	1,820	8,035	5,357
Total equity		**3,223,268**	**4,295,410**	**3,411,679**
Non-current liabilities				
Interest bearing loans and borrowings	8	4,499	5,872	67
Retirement benefit obligations	9	1,644	2,158	2,696
Provisions	10	22,571	22,571	21,201
Non-interest bearing liabilities		1,877	1,989	1,920
Total non-current liabilities	2.2	**30,591**	**32,590**	**25,884**
Current liabilities				
Trade and other payables		901,132	663,396	1,071,667
Interest bearing loans and borrowings	8	2,808	4,061	2,444
Retirement benefit obligations	9	1,032	1,032	1,001
Provisions	10	144	2,975	2,700
Total current liabilities	2.2	**905,116**	**671,464**	**1,077,812**
Total liabilities		**935,707**	**704,054**	**1,103,696**
TOTAL EQUITY AND LIABILITIES	2.2	**4,158,975**	**4,999,464**	**4,515,375**

In thousands of Estonian kroons (EEK)

CONSOLIDATED CASH FLOW STATEMENT

	Notes	I HY 2009	I HY 2008
Operating activities			
Net profit for the period		382,063	553,374
Adjustments for:			
Depreciation, amortisation and impairment of fixed and intangible assets	2.1, 3	307,930	285,061
(Profit) / loss from sales and discards of fixed assets		(2,939)	(6,957)
Net (income) / expenses from associated companies		(626)	2,480
Provisions		(2,831)	(5,667)
Financial items		(47,910)	(55,909)
Income tax on dividends		399,746	385,721
Miscellaneous non-cash items		(4,451)	90
Cash flow before change in working capital		**1,030,982**	**1,158,193**
Change in current receivables		76,121	(99,289)
Change in inventories		24,901	9,875
Change in current liabilities		(160,489)	7,183
Change in working capital		**(59,467)**	**(82,231)**
Cash flow after changes in working capital		**971,515**	**1,075,962**
Interest received		66,500	69,646
Interest paid		(3,823)	(2,472)
Cash flow from operating activities	2.2	**1,034,192**	**1,143,136**
Investing activities			
Intangible and tangible fixed assets acquired	2.2, 3	(247,299)	(302,847)
Intangible and tangible fixed assets divested		4,398	8,691
Net change in interest-receivables short maturities		500,000	749,734
Net cash changes of other long-term receivables		51,684	(56,989)
Cash flow from investing activities	2.2	**308,783**	**398,589**
Cash flow before financing activities		**1 342,975**	**1,541,725**
Financing activities			
Dividends paid	7 (e)	(1,454,230)	(1,448,523)
Repayment of finance lease liabilities	8	(2,429)	(1,315)
Cash flow used in financing activities	2.2	**(1,456,659)**	**(1,449,838)**
Cash flow for the year	2.2	**(113,684)**	**91,887**
Cash and cash equivalents at beginning of year	2.2	**363,099**	**396,778**
Cash flow for the year	2.2	(113,684)	91,887
Effect of foreign exchange rate changes	2.2	(23)	185
Cash and cash equivalents at end of period	2.2	**249,392**	**488,850**

In thousands of Estonian kroons (EEK)

STATEMENT OF CHANGES IN OWNERS' EQUITY

	Attributable to equity holders of the Company						Minority interest	Total equity
	Issued capital	**Share premium**	**Statutory legal reserve**	**Translation reserve**	**Retained earnings**	**Total**		
31 December 2007	**1,379,545**	**356,018**	**137,955**	**-**	**2,429,361**	**4,302,879**	**11,480**	**4,314,359**
Dividends paid and declared (Note 7 e)	-	-	-	-	(1,448,523)	(1,448,523)	(7,531)	(1,456,054)
Comprehensive income for the period	-	-	-	-	551,966	551,966	1,408	553,374
30 June 2008	**1,379,545**	**356,018**	**137,955**	**-**	**1,532,804**	**3,406,322**	**5,357**	**3,411,679**
31 December 2008	**1,379,545**	**356,018**	**137,955**	**14**	**2,413,843**	**4,287,375**	**8,035**	**4,295,410**
Dividends paid (Note 7 e)	-	-	-	-	(1,448,523)	(1,448,523)	(5,707)	(1,454,230)
Comprehensive income for the period	-	-	-	21	382,575	382,596	(508)	382,088
30 June 2009	**1,379,545**	**356,018**	**137,955**	**35**	**1,347,895**	**3,221,448**	**1,820**	**3,223,268**

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

AS Eesti Telekom (registration number: 10234957; address: Valge 16, 19095 Tallinn, Estonia) is a holding company registered and operating in the Republic of Estonia, with subsidiaries providing services in the field of telecommunications. Starting from 1999, the shares of AS Eesti Telekom are listed on the Tallinn and London Stock Exchanges (OMX: ETLAT / LSE: EETD).

AS Eesti Telekom and its subsidiaries comprise the Eesti Telekom Group (hereinafter also the Group). AS Eesti Telekom is a parent company of Eesti Telekom Group.

The immediate parent company of AS Eesti Telekom is Baltic Tele AB, which is the holding company. Company post address is Box 7754, SE-103 96 Stockholm, Sweden. Baltic Tele AB is a 100%-owned subsidiary of TeliaSonera AB and is the ultimate controlling party of AS Eesti Telekom. The largest shareholder of TeliaSonera AB is Swedish State with 37.3%. TeliaSonera AB is situated at Sturegatan 1, SE-106 63 Stockholm, Sweden.

The II Quarter and I Half Year 2009 consolidated interim financial statements for the AS Eesti Telekom include the financial results for the following companies:

- parent company: AS Eesti Telekom;
- subsidiaries: AS EMT, Elion Enterprises AS, MicroLink Eesti AS, EMT Esindused AS, AS Mobile Wholesale, Serenda Invest OÜ, AS Elion Esindus, AS EsData, IT Koolituskeskuse OÜ, ProTraining Academy UAB, SIA IT Protraining Latvia and BiTa Service Management OÜ (see also note 4);
- associates: AS Sertifitseerimiskeskus ja OÜ Voicecom (see also note 5).

The consolidated interim financial statements for the II Quarter and I Half Year period ending 30 June 2009 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of the consolidated financial statements for 2008.

Changes in the presentation of information in 2009

In connection with changes in IAS I “Presentation of Financial Statements”, which will come into force as of 1 January 2009, the Group’s second quarter and first half year 2009 interim report was replaced of the consolidated income statement by a consolidated statement of comprehensive income. The comprehensive income statement also includes all non-owner changes previously recognized in equity. In connection with the compilation of the consolidated comprehensive income statement, the presentation of the report on changes in equity also changed. The report on changes in equity does not recognize statement of comprehensive income elements as separate changes. Pursuant to IAS I, the term “balance sheet” used previously is replaced by the term “statement of financial position”. The presentation of basic reports and the new terms do not affect the recognition of transactions and balances or the accounting principles.

The functional currency of AS Eesti Telekom is Estonian kroon (EEK). The financial statements are presented in thousand of Estonian kroons (EEK), unless indicated otherwise.

These consolidated financial statements are not audited and only include consolidated statements of the Group.

This consolidated statement is signed by the management board for public disclosure on 16 July 2009.

2. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The report provides information about the Group's segments, and this information is organised by both business segments (the primary format for segment reporting) and geographic segments (the secondary format for segment reporting).

A business segment is a distinguishable component of the Group that is engaged in providing a group of related services or products and that is subject to risks and returns that are different from those of other business segments.

Geographic segment is a part of the Group that provides services in a specific economic environment whereof risks and profitability differ from its other parts that act in other different economic environments.

Three segments, mobile telecommunications, broadband and managed IT services are distinguished in the consolidated financial statements.

Mobile telecommunications – this segment operates mobile networks and systems, and deals with the provision, marketing and selling of services and goods related thereto. The entities in this business segment are AS EMT, EMT Esindused AS, AS Mobile Wholesale and Serenda Invest OÜ.

Broadband – this segment operates the national telecommunications network, with providing broadband and data communications services and related value-added services as well as provision, marketing and sales of other related services and goods. The entities in this business segment are Elion Enterprises AS, AS Elion Esindus, AS EsData and up to 31 May 2008 Viru Net OÜ. From 1 June 2008 Viru Net OÜ merged with Elion Enterprises AS.

Managed IT-services – this segment operates IT services: system integration and infrastructure solutions; software development; ERP and business solutions; IT training; data communications and networking; central systems and data centre solutions; systems management and maintenance; end-user PC services and support; full IT outsourcing, with providing IT services and related value-added-services as well as provision, marketing and sales of related services and goods. The entities in this business segment are AS MicroLink Eesti and from 1 November 2008 the Group's new members: IT Koolituskeskus OÜ, IT Protraining Latvia SIA, ProTraining Academy UAB and up to 11 February 2009 BiTA Service Management OÜ. From 11 February 2009 BiTA Service Management OÜ merged with AS MicroLink Eesti.

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

Unallocated revenue and expenses are related to the use or disposal of unallocated assets and liabilities and also include the administrative costs of the Group's parent company.

Unallocated assets and liabilities are assets and liabilities, the allocation of which into segments is not possible or justified due to the structure of the Group's business activities (e.g. corporate income tax, interest receivables or liabilities, dividend receivables or liabilities). Unallocated assets and liabilities also include assets and liabilities of the Group's parent company.

Inter-company transactions were conducted on an arms-length basis.

The majority of the Eesti Telekom Group assets are located in Estonia, with an insignificant part in Latvia and Lithuania.

In thousands of Estonian kroons (EEK)

2.1 Primary reporting format – business segments

a) II Quarter statement of comprehensive income

	Mobile telecommunications		Broadband services		Managed IT services		Unallocated / Eliminations		Consolidated	
	II Q 2009	II Q 2008	II Q 2009	II Q 2008	II Q 2009	II Q 2008	II Q 2009	II Q 2008	II Q 2009	II Q 2008
External net sales	647,974	789,420	649,260	713,450	51,913	63,838	-	-	1,349,147	1,566,708
Inter-segment net sales	120,313	148,853	87,994	90,936	17,579	23,167	(225,886)	(262,956)	-	-
Total net sales	**768,287**	**938,273**	**737,254**	**804,386**	**69,492**	**87,005**	**(225,886)**	**(262,956)**	**1,349,147**	**1,566,708**
External cost of production	(378,650)	(478,345)	(341,148)	(365,034)	(26,633)	(38,802)	939	939	(745,492)	(881,242)
Inter-segment cost of production	(85,134)	(82,871)	(125,763)	(156,826)	(3,978)	(5,392)	214,875	245,089	-	-
Gross profit	**304,503**	**377,057**	**270,343**	**282,526**	**38,881**	**42,811**	**(10,072)**	**(16,928)**	**603,655**	**685,466**
External sales, administrative and research & development	(71,528)	(73,700)	(105,965)	(100,565)	(39,785)	(40,413)	(7,705)	(9,587)	(224,983)	(224,265)
Inter-segment sales, administrative and research & development	(3,425)	(7,153)	(8,863)	(12,921)	(1,047)	(1,445)	13,335	21,519	-	-
External other operating revenues	2,643	3,885	678	3,978	3,929	137	-	-	7,250	8,000
Inter-segment other operating revenues	-	-	-	-	-	3	-	(3)	-	-
External other operating expenses	(808)	(1,349)	-	105	117	(16)	(3)	(7)	(694)	(1,267)
Operating profit/(loss)	**231,385**	**298,740**	**156,193**	**173,123**	**2,095**	**1,077**	**(4,445)**	**(5,006)**	**385,228**	**467,934**
Financial revenues and expenses, net	12,833	10,473	1,834	3,074	(78)	(328)	4,717	6,820	19,306	20,039
Income/(expenses) from associated, net	736	(197)	714	(603)	-	-	-	-	1,450	(800)
Profit/(loss) after financial items	**244,954**	**309,016**	**158,741**	**175,594**	**2,017**	**749**	**272**	**1,814**	**405,984**	**487,173**
Income tax on dividends	(234,936)	(222,059)	(164,810)	(132,911)	-	-	-	(30,751)	(399,746)	(385,721)
Profit/(loss) for the period	**10,018**	**86,957**	**(6,069)**	**42,683**	**2,017**	**749**	**272**	**(28,937)**	**6,238**	**101,452**

In thousands of Estonian kroons (EEK)

2.1 Primary reporting format – business segments (continued)

a) II Quarter statement of comprehensive income (continued)

	Mobile telecommunications		Broadband services		Managed IT services		Unallocated / Eliminations		Consolidated	
	II Q 2009	**II Q 2008**	**II Q 2009**	**II Q 2008**	**II Q 2009**	**II Q 2008**	**II Q 2009**	**II Q 2008**	**II Q 2009**	**II Q 2008**
Other comprehensive income										
Exchange differences on translating foreign subsidiaries	-	-	-	-	37	-	-	-	37	-
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**37**	**-**	**-**	**-**	**37**	**-**
Total comprehensive income	**10,018**	**86,957**	**(6,069)**	**42,683**	**2,054**	**749**	**272**	**(28,937)**	**6,275**	**101,452**
Profit attributable to:										
Equity shareholders of the parent	10,794	86,820	(6,069)	42,683	2,174	749	272	(28,937)	7,171	101,315
Minority interest	(776)	137	-	-	(157)	-	-	-	(933)	137
	10,018	**86,957**	**(6,069)**	**42,683**	**2,017**	**749**	**272**	**(28,937)**	**6,238**	**101,452**
Comprehensive income attributable to:										
Equity shareholders of the parent	10,794	86,820	(6,069)	42,683	2,205	749	272	(28,937)	7,202	101,315
Minority interest	(776)	137	-	-	(151)	-	-	-	(927)	137
	10,018	**86,957**	**(6,069)**	**42,683**	**2,054**	**749**	**272**	**(28,937)**	**6,275**	**101,452**
EBITDA	**298,554**	**364,731**	**233,401**	**245,934**	**8,137**	**7,041**	**(4,071)**	**(4,628)**	**536,021**	**613,078**
Depreciation, amortization and write-downs	(67,169)	(65,991)	(77,208)	(72,811)	(6,042)	(5,964)	(374)	(378)	(150,793)	(145,144)

In thousands of Estonian kroons (EEK)

2.1 Primary reporting format – business segments

b) I Half Year statement of comprehensive income

	Mobile telecommunications		Broadband services		Managed IT services		Unallocated / Eliminations		Consolidated	
	I HY 2009	**I HY 2008**	**I HY 2009**	**I HY 2008**	**I HY 2009**	**I HY 2008**	**I HY 2009**	**I HY 2008**	**I HY 2009**	**I HY 2008**
External net sales	1,282,844	1,526,059	1,304,108	1,405,292	98,687	119,538	-	-	2,685,639	3,050,889
Inter-segment net sales	225,130	286,437	160,148	162,904	32,488	46,601	(417,766)	(495,942)	-	-
Total net sales	**1,507,974**	**1,812,496**	**1,464,256**	**1,568,196**	**131,175**	**166,139**	**(417,766)**	**(495,942)**	**2,685,639**	**3,050,889**
External cost of production	(773,508)	(942,810)	(687,377)	(697,188)	(47,829)	(73,616)	1,888	1,877	(1,506,826)	(1,711,737)
Inter-segment cost of production	(152,989)	(150,201)	(234,708)	(301,993)	(8,099)	(10,663)	395,796	462,857	-	-
Gross profit	**581,477**	**719,485**	**542,171**	**569,015**	**75,247**	**81,860**	**(20,082)**	**(31,208)**	**1,178,813**	**1,339,152**
External sales, administrative and research & development	(140,382)	(146,364)	(200,748)	(200,790)	(90,854)	(80,510)	(13,536)	(18,583)	(445,520)	(446,247)
Inter-segment sales, administrative and research & development	(7,185)	(12,403)	(17,472)	(25,813)	(2,284)	(2,974)	26,941	41,190	-	-
External other operating revenues	6,805	6,875	3,602	6,958	4,395	452	-	-	14,802	14,285
Inter-segment other operating revenues	-	-	-	-	1	4	(1)	(4)	-	-
External other operating expenses	(3,248)	(2,691)	-	(81)	(12)	(20)	(4)	(29)	(3,264)	(2,821)
Operating profit/(loss)	**437,467**	**564,902**	**327,553**	**349,289**	**(13,507)**	**(1,188)**	**(6,682)**	**(8,634)**	**744,831**	**904,369**
Financial revenues and expenses, net	23,483	17,896	1,948	5,001	(132)	(651)	11,053	14,960	36,352	37,206
Income/(expenses) from associated, net	420	(1,081)	206	(1,399)	-	-	-	-	626	(2,480)
Profit/(loss) after financial items	**461,370**	**581,717**	**329,707**	**352,891**	**(13,639)**	**(1,839)**	**4,371**	**6,326**	**781,809**	**939,095**
Income tax on dividends	(234,936)	(222,059)	(164,810)	(132,911)	-	-	-	(30,751)	(399,746)	(385,721)
Profit/(loss) for the period	**226,434**	**359,658**	**164,897**	**219,980**	**(13,639)**	**(1,839)**	**4,371**	**(24,425)**	**382,063**	**553,374**

In thousands of Estonian kroons (EEK)

2.1 Primary reporting format – business segments (continued)

b) I Half Year statement of comprehensive income (continued)

	Mobile telecommunications		Broadband services		Managed IT services		Unallocated / Eliminations		Consolidated	
	I HY 2009	**I HY 2008**	**I HY 2009**	**I HY 2008**	**I HY 2009**	**I HY 2008**	**I HY 2009**	**I HY 2008**	**I HY 2009**	**I HY 2008**
Other comprehensive income										
Exchange differences on translating foreign subsidiaries	-	-	-	-	25	-	-	-	25	-
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**25**	**-**	**-**	**-**	**25**	**-**
Total comprehensive income	**226,434**	**359,658**	**164,897**	**219,980**	**(13,614)**	**(1,839)**	**4,371**	**(24,425)**	**382,088**	**553,374**
Profit attributable to:										
Equity shareholders of the parent	226,277	358,250	164,897	219,980	(12,970)	(1,839)	4,371	(24,425)	382,575	551,966
Minority interest	157	1,408	-	-	(669)	-	-	-	(512)	1,408
	226,434	**359,658**	**164,897**	**219,980**	**(13,639)**	**(1,839)**	**4,371**	**(24,425)**	**382,063**	**553,374**
Comprehensive income attributable to:										
Equity shareholders of the parent	226,277	358,250	164,897	219,980	(12,949)	(1,839)	4,371	(24,425)	382,596	551,966
Minority interest	157	1,408	-	-	(665)	-	-	-	(508)	1,408
	226,434	**359,658**	**164,897**	**219,980**	**(13,614)**	**(1,839)**	**4,371**	**(24,425)**	**382,088**	**553,374**
EBITDA	**572,412**	**693,772**	**481,434**	**492,593**	**4,849**	**10,943**	**(5,934)**	**(7,878)**	**1,052,761**	**1,189,430**
Depreciation, amortization and write-downs	(134,945)	(128,870)	(153,881)	(143,304)	(11,937)	(12,131)	(748)	(756)	(301,511)	(285,061)
Impairment charge	-	-	-	-	(6,419)	-	-	-	(6,419)	-

In thousands of Estonian kroons (EEK)

2.2 Other information by business segments

	Mobile telecommunications		Broadband services		Managed IT-services		Eliminations		Consolidated	
	30 June, I HY 2009	**30 June, I HY 2008**	**30 June, I HY 2009**	**30 June, I HY 2008**	**30 June, I HY 2009**	**30 June, I HY 2008**	**30 June, I HY 2009**	**30 June, I HY 2008**	**30 June, I HY 2009**	**30 June, I HY 2008**
Non-current assets (except investments in subsidiaries & associates)	1,034,586	992,397	1,679,866	1,647,966	105,171	99,031	5,462	5,608	2,825,085	2,745,002
Investments in subsidiaries and associates	6,568	6,369	4,633	4,573	-	-	-	-	11,201	10,942
Current assets	713,667	905,525	734,055	898,901	46,290	65,569	(171,323)	(110,564)	1,322,689	1,759,431
Total assets	**1,754,821**	**1,904,291**	**2,418,554**	**2,551,440**	**151,461**	**164,600**	**(165,861)**	**(104,956)**	**4,158,975**	**4,515,375**
Equity attributable to equity shareholders of the parent	1,090,354	1,141,075	1,595,941	1,771,709	105,787	78,868	429,366	414,670	3,221,448	3,406,322
Minority interest	1,820	5,357	-	-	-	-	-	-	1,820	5,357
Non-current liabilities	23,684	23,335	6,055	1,970	852	579	-	-	30,591	25,884
Current liabilities	638,963	734,524	816,558	777,761	44,822	85,153	(595,227)	(519,626)	905,116	1,077,812
Total shareholders' equity and liabilities	**1,754,821**	**1,904,291**	**2,418,554**	**2,551,440**	**151,461**	**164,600**	**(165,861)**	**(104,956)**	**4,158,975**	**4,515,375**
Net cash from/ (used in) operating activities	601,046	726,321	413,238	381,452	10,270	(611)	9,638	35,974	1,034,192	1,143,136
Net cash from/ (used in) investing activities	(133,350)	(128,298)	(53,211)	(157,234)	(4,653)	(9,903)	499,997	694,024	308,783	398,589
Net cash from/ (used in) financing activities	(894,997)	(839,657)	(569,897)	(544,133)	(5,672)	8,649	13,907	(74,697)	(1,456,659)	(1,449,838)
Exchange rate differences in cash and cash equivalents	-	-	(82)	169	(1)	-	60	16	(23)	185
Net increase/ (decrease) in cash and cash equivalents	**(427,301)**	**(241,634)**	**(209,952)**	**(319,746)**	**(56)**	**(1,865)**	**523,602**	**655,317**	**(113,707)**	**92,072**
CAPEX	133,437	128,403	108,864	164,483	4,998	9,942	-	19	247,299	302,847

In thousands of Estonian kroons (EEK)

2.3 Secondary reporting format - geographic segments (external net sales)

The Group's activities mainly take place in one geographical segment, in Estonia. The majority of the Group's customers are from Estonia. An insignificant part of the customers are located in Latvia and Lithuania. The revenues outside of Estonia are primarily related to "roaming" revenues.

	Mobile telecommunications				**Broadband services**				**Managed IT-services**				**Consolidated**			
	I HY 2009		**I HY 2008**		**I HY 2009**		**I HY 2008**		**I HY 2009**		**I HY 2008**		**I HY 2009**		**I HY 2008**	
Customers in Estonia	1,241,613	96.8%	1,476,032	96.7%	1,148,375	88.1%	1,260,597	89.7%	95,540	96.8%	118,702	99.3%	2,485,528	92.5%	2,855,331	93.6%
Customers outside Estonia	41,231	3.2%	50,027	3.3%	155,733	11.9%	144,695	10.3%	3,147	3.2%	836	0.7%	200,111	7.5%	195,558	6.4%
Total revenue	**1,282,844**	**100%**	**1,526,059**	**100%**	**1,304,108**	**100%**	**1,405,292**	**100%**	**98,687**	**100%**	**119,538**	**100%**	**2,685,639**	**100%**	**3,050,889**	**100%**

In thousands of Estonian kroons (EEK)

3. Tangible and intangible assets

	Notes	Tangible assets	Intangible assets
At 31December 2007			
Cost		9,364,755	427,159
Accumulated depreciation		(6,959,641)	(211,148)
Net book value		**2,405,114**	**216,011**
Changes in the I HY 2008			
Opening net book amount		2,405,114	216,011
Additions	2.2	296,291	6,556
Reclassification		(7,239)	7,239
Reclassification to assets classifies as held-for-sale		1,746	-
Disposals		(1,695)	(1)
Depreciation charge	2.1 (b)	(262,133)	(22,928)
Closing net book amount		**2,432,084**	**206,877**
At 30 June 2008			
Cost		9,606,517	435,128
Accumulated depreciation		(7,174,433)	(228,251)
Net book value		**2,432,084**	**206,877**
At 31 December 2008			
Cost		9,702,137	453,456
Accumulated depreciation		(7,111,967)	(225,144)
Net book value		**2,590,170**	**228,312**
Changes in the I HY 2009			
Opening net book amount		2,590,170	228,312
Additions	2.2	239,751	7,548
Reclassification		(7,331)	7,331
Disposals		(1,112)	(8)
Depreciation charge	2.1 (b)	(277,900)	(23,611)
Impairment charge	2.1 (b)	-	(6,419)
Effect of movements in exchange rate		1	38
Closing net book amount		**2,543,579**	**213,191**
At 30 June 2009			
Cost		9,887,163	458,735
Accumulated depreciation		(7,343,584)	(245,544)
Net book value		**2,543,579**	**213,191**

Impairment tests for goodwill

The carrying amount of goodwill was tested as of 30 June 2009. The recoverable amount of a Cash Generating Unit (CGU) is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Management determined the budgeted gross margin based on past performance and its expectations for market development.

The discount rates used reflect specific risks relating to the relevant CGUs.

The key assumptions used for goodwill impairment tests are as follows:

	Mobile telecommunications CGU's	**Managed IT services CGU's**
WACC [1)]	14.0%	14.0%
Growth rate [2)]	2.5%	2.5%
Discount rate [3)]	14.0%	14.0%
Net book amount of goodwill relating to CGU's	38,848	62,002

1) Weighted average cost of capital.
2) Weighted average growth rate used to extrapolate cash flows beyond the budget period.
3) Discount rate applied to the cash flow projections.

As a result of testing the goodwill that was allocated to Managed IT services' CGU's an impairment loss in amount of 6,419 thousand EEK was identified.

In thousands of Estonian kroons (EEK)

4. Investments in subsidiaries

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 June 2009	**31 Dec. 2008**		
AS EMT	Estonia	100%	100%	Construction and operating of mobile networks, providing mobile communication services	AS Eesti Telekom
EMT Esindused AS	Estonia	100%	100%	Retail sales of telecommunication products and services	AS EMT
AS Mobile Wholesale	Estonia	100%	100%	Wholesale of mobile phones	AS EMT
Serenda Investment OÜ	Estonia	51%	51%	Administration of communication portal based in Estonia internet	AS EMT
Elion Enterprises AS	Estonia	100%	100%	Network services for operators, data communication and Internet products, voice communication solutions and Internet content services for business and residential customers	AS Eesti Telekom
AS Elion Esindus	Estonia	100%	100%	Retail sales of telecommunication products and services	Elion Enterprises AS
AS EsData	Estonia	100%	100%	Operating and development of data communication, Internet and cable networks, and providing related services; sale, installation and maintenance of equipment related with this activities	Elion Enterprises AS
AS MicroLink Eesti	Estonia	100%	100%	IT services: system integration and infrastructure solutions; software development; ERP and business solutions; data communications and networking; central systems and data centre solutions; systems management and maintenance; end-user PC services and support; full IT outsourcing.	AS Eesti Telekom
IT Koolituskeskuse OÜ	Estonia	82,87%	82,87%	Information and communication technology and IT project control training services provider	AS MicroLink Eesti
ProTraining Academy UAB	Lithuania	100%	100%	IT training services	IT Koolituskeskuse OÜ
SIA IT Protraining Latvia	Latvia	100%	100%	IT training services	IT Koolituskeskuse OÜ
BiTA Service management OÜ [1)]	Estonia	-	100%	IT Service Management (methodology of ITIL) consultations and training services	IT Koolituskeskuse OÜ

1) From the 11 of February 2009 BiTA Service Management OÜ merged with AS MicroLink Eesti.

In thousands of Estonian kroons (EEK)

5. Investments in associates

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 June 2009	**31 December 2008**		
AS Sertifitseerimiskeskus	Estonia	50%	50%	Providing certification and related services	Elion Enterprises AS – 25% AS EMT – 25%
OÜ Voicecom	Estonia	26%	26%	Designing and providing software for mobile related services	AS EMT

6. Inventories

In the first half year 2009, impairment for the inventories was in the total amount of 99 thousand EEK (in the first half year 2008: 2,808 thousand EEK) based on the estimated decline of the net realisation value below their acquisition cost.

7. Equity

a) Issued capital

	30 June 2009	31 December 2008
Ordinary shares issued par value 10 EEK per share, fully paid	137,954,528	137,954,528

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

b) Share premium

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

c) Reserves

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

d) Re-acquiring of shares

The Annual General Meeting of Shareholders, on 22 May 2008, authorized AS Eesti Telekom to acquire within five years from the adoption of this resolution, i.e. until 22 May 2013, AS Eesti Telekom ordinary shares so that the total of nominal values of own shares held by AS Eesti Telekom would not exceed the limit set by statutory regulations, and that the price payable per share would not exceed the highest price paid for the ordinary shares of AS Eesti Telekom on the Tallinn Stock Exchange on the day of acquiring the shares. AS Eesti Telekom has to pay for the shares from the company's assets in excess of its share capital, capital reserves, and share premium. The amount of shares to be acquired each time shall be determined on each occasion separately by a resolution of AS Eesti Telekom's Supervisory Council. As of 30 June 2009, no shares have been re-acquired by AS Eesti Telekom.

In thousands of Estonian kroons (EEK)

e) Dividends

Dividends in the total amount of 1,448,523 thousand EEK (2008: 1,448,523 thousand EEK) or 10.50 EEK per ordinary share were disbursed to the equity holders of the parent in the first half year 2009 (2008: 10.50 EEK).

Dividends totalling 5,707 thousand EEK were paid to minority shareholders (Serenda Invest OÜ minority shareholders) in the first half year 2009 (2008 (on the 1st July): 7,531 thousand EEK).

f) Basic and diluted earnings per share

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

	2009	**2008**
II Quarter		
Profit attributable to equity holders of the Company (EEK)	7,171,000	101,315,000
The average number of ordinary shares	137,954,528	137,954,528
Earnings per share (EEK)	**0.05**	**0.73**
I Half Year		
Profit attributable to equity holders of the Company (EEK)	382,575,000	551,966,000
The average number of ordinary shares	137,954,528	137,954,528
Earnings per share (EEK)	**2.77**	**4.00**

As the Group had not any instruments with a dilutive effect on earnings per share at the end of June 2009 and 2008, **diluted earning** per share equals basic earnings per share.

g) Share information

AS Eesti Telekom shares are quoted in the main list of the NASDAQ OMX Tallinn Stock Exchange and in the main list of GDR-s on the London Stock Exchange. Each GDR (Global Depositary Receipt) represents three ordinary shares.

The information about the price of an AS Eesti Telekom ordinary share on the NASDAQ OMX Tallinn Stock Exchange is following (EEK):

	I HY 2009	**2008**	**I HY 2008**
Ordinary share highest price	85.27	125.02	125.02
Ordinary share lowest price	64.15	59.61	108.43
Ordinary share average price	76.03	103.32	115.82

In thousands of Estonian kroons (EEK)

8. Borrowings

	30 June 2009	31 December 2008
Current	2,808	4,061
Non-current	4,499	5,872
	7,307	**9,933**

The movements in the borrowings

At 31 December 2008	**9,933**
Repayments of borrowings	(2,429)
Other movements	(197)
At 30 June 2009	**7,307**

9. Retirement benefit obligations

	30 June 2009	31 December 2008
Current portion of retirement benefit obligations	1,032	1,032
Non-current portion of retirement benefit obligations	1,644	2,158
Total retirement benefit obligations	**2,676**	**3,190**

The movements in the borrowings

At 31 December 2008	**3,190**
Benefits paid in the reporting period	(514)
At 30 June 2009	**2,676**

10. Provisions

	Site restoration expense provision	Termination benefits provision	Guarantee provision	Other provisions	Total
Current portion of provisions	-	2	142	-	144
Non-current portion of provisions	22,040	-	531	-	22,571
Total provisions	**22,040**	**2**	**673**	**-**	**22,715**
Changes in provisions					
At 31 December 2008	**22,040**	**2,827**	**679**	**-**	**25,546**
Recognition and change in provisions, net in the reporting period	-	2,394	-	279	2,673
Used provisions during the reporting period	-	(5,219)	(6)	(279)	(5,504)
At 30 June 2009	**22,040**	**2**	**673**	**-**	**22,715**

In thousands of Estonian kroons (EEK)

11. Related party transactions

Transactions with related parties are transactions with associates, shareholders, key management, members of the Supervisory Council, their relatives and the companies in which they hold majority interest.

a) Name and relationship of related party

	Name	Relationship with AS Eesti Telekom Group
1.	Key management, Supervisory Council and their relatives	
2.	List of associates is shown in Note 5	
3.	Enterprises of TeliaSonera AB Group	Parent company, shareholder
4.	State Government (State Chancellery and ministries)	Shareholder
5.	Companies where supervisory council members of the Group have significant influence	

b) Key managements' and Supervisory Councils' remuneration

The remunerations of key management and Supervisory Council during the first half year 2009 and 2008 were as follows:

	I HY 2009	**I HY 2008**
Salaries and other short-term employee benefits	27,180	30,790
Termination benefits	300	658
Other	192	152
	27,672	**31,600**

In thousands of Estonian kroons (EEK)

c) Trading transactions

No impairment has been made in the first half year of 2009 and 2008 for the receivables from related parties.

During the first half year 2009 and 2008, group companies entered into the following transactions with related parties:

	I HY, 30 June 2009	I HY, 30 June 2008
Telecommunication services provided		
Associated companies	2,218	1,972
TeliaSonera AB	64,981	66,516
State Government (State Chancellery and ministries)	12,315	15,512
Companies where Supervisory Council members of the Group have significant influence	602	590
	80,116	**84,590**
Other sales		
Associated companies	-	86
State Government (State Chancellery and ministries)	580	2,208
Companies where Supervisory Council members of the Group have significant influence	2	308
	582	**2,602**
Telecommunication services purchased		
Associated companies	662	184
TeliaSonera AB	52,039	69,643
	52,701	**69,827**
Other services purchased		
Associated companies	32	30
State Government (State Chancellery and ministries)	8,669	18,229
Companies where Supervisory Council members of the Group have significant influence	582	840
	9,283	**19,099**
Amount owed by related parties		
Associated companies	508	349
TeliaSonera AB	23,024	23,767
State Government (State Chancellery and ministries)	9,332	5,734
Companies where Supervisory Council members of the Group have significant influence	78	86
	32,942	**29,936**
Amount owed to related parties		
Associated companies	55	5
TeliaSonera AB	17,422	22,084
State Government (State Chancellery and ministries)	46	244
Companies where Supervisory Council members of the Group have significant influence	-	297
Key management and Supervisory Council	8,705	10,263
	26,228	**32,893**

12. Contingencies

	30 June 2009	31 December 2008
Key management termination benefits	25,721	25,452

In thousands of Estonian kroons (EEK)

Relations with the regulator

- Pursuant to the decision of the Communications Board dated 21 March 2006, the fee for voice call termination on mobile networks (interconnection fee) for AS EMT, Elisa Eesti AS and Tele2 Eesti AS for the period from 1 July 2006 to 30 June 2007 was fixed at 2.05 EEK per minute and, pursuant to the decisions of the Communications Board dated 20 June and 22 June 2007, was fixed at 1.66 EEK for the period from 1 July 2007 to 30 June 2008. Since Elisa Eesti AS and Tele2 Eesti AS disputed the decisions in court and the validity of the given legislative act was suspended in the course of initial legal protection, the interconnection fees remained at 2.50 EEK until 5 November 2007. On 5 November 2007, the ruling of the Tallinn Circuit Court came into force, whereby the initial legal protection was cancelled and all three mobile operators were obligated to apply interconnection fees of 1.66 EEK as of that date. In 19 December 2008, the Supreme Court did not accept Tele2's appeal in cassation and with that the 20 June 2008 judgment of Tallinn Circuit Court came finally into force, dismissing Tele2's appeal and leaving corresponding decisions of the Communications Board in regards to Tele2 into effect. The court dispute of Elisa Eesti AS with the Estonian Competition Authority (legal successor of Communications Board) continues, and AS EMT and AS Elion Enterprises are participating in the dispute as a third party.

  With its resolution of 25 March 2008, the Competition Board, which is the legal successor to the Communications Board, established a fee of 1.37 EEK per minute for the termination of voice calls in mobile phone networks for the period 1 July 2008-30 June 2009. As of 1 July 2009 the maximum tariff 1.36 EEK per minute will be applicable.

13. Events after the reporting period

AS Eesti Telekom Council has given the Board approval to initiate mergers and enter into relevant agreements with the goal to simplify Eesti Telekom Group structure, by merging AS EMT with its 100% subsidiaries EMT Esindused AS and AS Mobile Wholesale, and Elion Ettevõtted AS with its 100% subsidiary Elion Esindus AS. The aim is to achieve greater efficiency in business processes.

The mergers are planned to be concluded by August 2009 at the latest.

AS EMT and Elion Ettevõtted AS are wholly owned subsidiaries of AS Eesti Telekom. The planned merger will not cause any changes in information disclosed to stock exchange as the results of EMT Group and Elion Group are already consolidated.

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

Management Board:

Valdo Kalm	-	Chairman of the Management Board
Leho Tamm	-	Member of the Management Board
Valdur Laid	-	Member of the Management Board
Enn Saar	-	Member of the Management Board

Supervisory Council:

Mats Salomonsson	-	Chairman of the Supervisory Council
Lars Gunnar Klasson	-	Member of the Supervisory Council
Freenasp Mobedjina	-	Member of the Supervisory Council
Tarmo Porgand	-	Member of the Supervisory Council
Jüri Raatma	-	Member of the Supervisory Council
Aare Tark	-	Member of the Supervisory Council
Juha-Pekka Weckström	-	Member of the Supervisory Council

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of the consolidated financial statements of AS Eesti Telekom and its subsidiaries (together Eesti Telekom Group) for the second quarter and the first half year 2009 as set out on pages 4 to 37.

The Management Board confirms that:

1 the management report presents a true and fair view of the business developments and results, of the financial position, and includes the description of major risks and doubts for the parent company and consolidated companies as a group;

2 the accounting principles used in preparing the consolidated financial statements are in accordance with the International Financial Reporting Standards as adopted by the European Union;

3 the consolidated financial statements present a true and fair view of the financial position, the results of operations and the cash flows of the Group;

4 Group companies are continuing their operations as a going concern.

Name	*Position*	*Signature*
Valdo Kalm	*Chairman of the Board*	……………………………………
Leho Tamm	*Member of the Board*	……………………………………
Valdur Laid	*Member of the Board*	……………………………………
Enn Saar	*Member of the Board*	……………………………………

Tallinn, 16 July 2009