



***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.

**AS EESTI TELEKOM CONSOLIDATED II QUARTER AND I HALF YEAR 2009
INTERIM REPORT**(Translation of the Estonian original)

<i>Beginning of the financial year</i>	1 January 2009
<i>End of the reporting period</i>	30 June 2009
<i>Name of the company</i>	AS Eesti Telekom
<i>Registration number</i>	10234957
<i>Address</i>	Valge 16, 19095 Tallinn Estonia
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<i>Web-page</i>	www.telekom.ee
<i>Field of activity</i>	Activities of holding company
<i>Auditor</i>	AS PricewaterhouseCoopers

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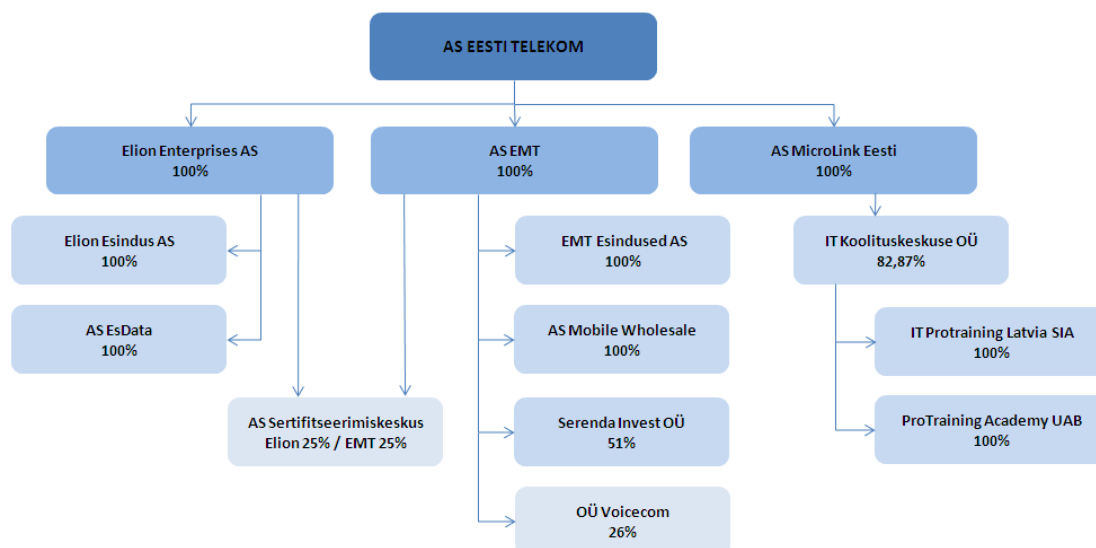
MANAGEMENT REPORT

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 Ettevõtte 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.

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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 0.67 EUR per share, or a total of 92.6 million EUR, 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 61.7 million EUR 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:

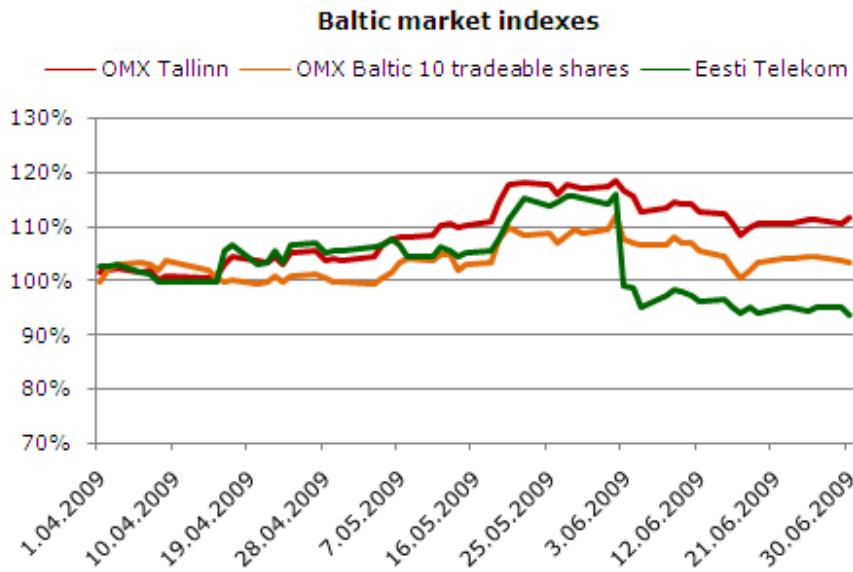
	30 June 2009		Changes since 31 March 2009
	No of shares	Participation	
Baltic Tele AB	82,936,299	60.12%	-
Ministry of Finance	33,346,464	24.17%	-
Development Fund	4,138,636	3.00%	-
SEB clients	2,349,205	1.70%	(469,541)
ING Luxembourg S.A.	2,137,813	1.55%	82,030
Deutsche Bank (GDR accounts)	1,810,971	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

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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 4.81 EUR and 4.34 EUR at the end of the quarter. The highest and lowest share prices during the reporting period were 5.45 EUR and 4.28 EUR respectively. The turnover for the reporting period was 10.7 million EUR.



Source: NASDAQ OMX Tallinn

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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 EUR	86.2	100.1	(13.9)	171.6	195.0	(12.0)
EBITDA, million EUR	34.3	39.2	(12.6)	67.3	76.0	(11.5)
Margin, %	39.7	39.1		39.2	39.0	
EBIT, million EUR	24.6	29.9	(17.7)	47.6	57.8	(17.6)
Margin, %	28.6	29.9		27.7	29.6	
EBT, million EUR	25.9	31.1	(16.7)	50.0	60.0	(16.7)
Profit for the period, million EUR	0.4	6.5		24.4	35.4	
Basic earnings per share, EUR	0.003	0.05		0.18	0.26	
Comprehensive income for the period, million EUR	0.4	6.5		24.4	35.4	
CAPEX, million EUR	8.0	11.8	(32.2)	15.8	19.4	(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 EUR	49.1	60.0	(18.1)	96.4	115.8	(16.8)
EBITDA, million EUR	19.1	23.3	(18.1)	36.6	44.3	(17.5)
Margin, %	38.9	38.9		38.0	38.3	
EBIT, million EUR	14.8	19.1	(22.5)	28.0	36.1	(22.6)
Margin, %	30.1	31.8		29.0	31.2	
EBT, million EUR	15.7	19.7	(20.7)	29.5	37.2	(20.7)
Profit for the period, million EUR	0.6	5.6		14.5	23.0	
Comprehensive income for the period, million EUR	0.6	5.6		14.5	23.0	
CAPEX, million EUR	3.7	4.6	(17.7)	8.5	8.2	3.9
ROA, %	0.5	4.1		11.4	17.8	
ROE, %	16.0	20.4		32.4	42.1	

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Broadband services segment

	Q2 2009	Q2 2008	Change, %	HY1 2009	HY1 2008	Change, %
Total revenues, million EUR	47.1	51.4	(8.3)	93.6	100.2	(6.6)
EBITDA, million EUR	14.9	15.7	(5.1)	30.8	31.5	(2.3)
Margin, %	31.7	30.6		32.9	31.4	
EBIT, million EUR	10.0	11.1	(9.8)	20.9	22.3	(6.2)
Margin, %	21.2	21.5		22.4	22.3	
EBT, million EUR	10.1	11.2	(9.6)	21.1	22.6	(6.6)
Profit for the period, million EUR	(0.4)	2.7		10.5	14.1	
Comprehensive income for the period, million EUR	(0.4)	2.7		10.5	14.1	
CAPEX, million EUR	4.1	6.9	(40.7)	7.0	10.5	(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 EUR	4.4	5.6	(20.1)	8.4	10.6	(21.0)
EBITDA, million EUR	0.5	0.5	15.6	0.3	0.7	(55.7)
Margin, %	11.7	8.1		3.7	6.6	
EBIT, million EUR	0.1	0.1	94.5	(0.9)	(0.1)	N/A
Margin, %	3.0	1.2		(10.3)	(0.7)	
EBT, million EUR	0.1	0.0	169.3	(0.9)	(0.1)	N/A
Profit for the period, million EUR	0.1	0.0		(0.9)	(0.1)	
Comprehensive income for the period, million EUR	0.1	0.0		(0.9)	(0.1)	
CAPEX, million EUR	0.1	0.3	(58.1)	0.3	0.6	(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 86.2 million EUR (2nd quarter 2008: 100.1 million EUR), 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 49.1 million EUR, decreasing 18% compared to the second quarter of 2008 (2nd quarter 2008: 60.0 million EUR). 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.

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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 0.11 EUR 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 0.09 EUR 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 0.09 EUR 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 47.1 million EUR in the second quarter (2nd quarter 2008: 51.4 million EUR). 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 1.0 million EUR 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 0.9 million EUR.

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%).

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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 0.4 million EUR 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 1.7 and 1.9 million EUR 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 4.4 million EUR (2nd quarter 2008: 5.6 million EUR). 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%.

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The reduction of the 2009 national budget by 500 million EUR 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 52.4 million EUR (2nd quarter 2008: 61.4 million EUR).

The operating costs in the **mobile communications segment** decreased by 18% compared to the second quarter of 2008, reaching 30.1 million EUR (2nd quarter 2008: 36.8 million EUR). 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 32.2 million EUR (2nd quarter 2008: 36.0 million EUR). 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 4.2 million EUR (2nd quarter 2008: 5.1 million EUR). 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).

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The Eesti Telekom Group EBITDA decreased in the second quarter of 2009 by 13% compared to the same period in the previous year, reaching 34.3 million EUR (2nd quarter 2008: 39.2 million EUR). 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 14.9 million EUR (2nd quarter 2008: 15.7 million EUR). The EBITDA for the IT services segment in the second quarter of 2009 was 0.5 million EUR (2nd quarter 2008: 0.5 million EUR). 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 9.6 million EUR in the second quarter of 2009, increasing 4% compared to the same period in 2008 (2nd quarter 2008: 9.3 million EUR).

In the second quarter, the **Eesti Telekom Group** earned **EBIT** of 24.6 million EUR, which was a decrease of 18% compared to the same period in the previous year (2nd quarter 2008: 29.9 million EUR) and **pre-tax profits** of 25.9 million EUR (2nd quarter 2008: 31.1 million EUR).

On 16 June of this year, AS Eesti Telekom paid its shareholders **dividends** of 0.67 EUR per share totaling 92.6 million EUR, which is similar to last year (2008: 92.6 million EUR). In order to facilitate the payment to AS Eesti Telekom shareholders, AS EMT paid the parent company dividends of 56.2 million EUR (2nd quarter 2008: 52.4 million EUR) and Elion Enterprises paid 39.6 million EUR (2nd quarter 2008: 32.0 million EUR). The payment of dividends was accompanied by **an income tax cost for the dividends** of 25.5 million EUR (2nd quarter 2008: 24.7 million EUR), of which AS EMT pays 15.0 million EUR (2nd quarter 2008: 14.2 million EUR) and Elion Enterprise paid 10.5 million EUR (2nd quarter 2008: 8.5 million EUR).

The profit for the Eesti Telekom Group for the first half-year of 2009 totaled 24.4 million EUR (first half-year of 2008: 35.4 million EUR). The earnings per share were 0.18 EUR (first half-year of 2008: 0.26 EUR). The total comprehensive income of the Group for the first half-year of 2009 was 24.4 million EUR (first half-year of 2008: 35.4 million EUR).

Statement of financial position and cash flows

As of 30 June 2009, the Eesti Telekom Group balance sheet totaled 265.8 million EUR (31 December 2008: 319.5 million EUR). Compared to the beginning of the year, the non-current assets have decreased by 5.7 million EUR, the balance of which reached 181.3 million EUR by the end of the quarter. The Group's current assets decreased by 48.1 million EUR during the first half-year, reaching 84.5 million EUR by the end of June (31 December 2008: 132.6 million EUR). Cash and cash equivalents, as well as short-term financial investments, have decreased by 39.2 million EUR in connection with the dividend paid out in June.

As of 30 June 2009, the Eesti Telekom Group equity was 206.0 million EUR, which is 68.5 million EUR less than at the end of 2008 (31 December 2008: 274.5 million EUR). The reduction in equity is related to the payment of dividends totaling 92.6 million EUR. At the same time, equity has been increased by a profit of 24.4 million EUR in the first half-year of 2009. As of the end of June, long-term obligations totaled 2.0 million EUR (31 December 2008: 2.1 million EUR) and short-term debt obligations totaled 57.8 million EUR (31 December 2008: 42.9 million EUR). The growth of short-term debt obligations results from the income tax liability for the 25.5 million EUR worth of dividends to be paid in July.

The net debt of the Eesti Telekom Group at the end of the second quarter was -15.5 million EUR and the net gearing ratio was -7.5% (31 December 2008: -54.5 million EUR and -20%).

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The Eesti Telekom Group cash flow from operations during the first half-year of 2009 was 66.1 million EUR (first half-year of 2008: 73.1 million EUR). The Group's investment cash flow was 19.7 million EUR (first half-year of 2008: 25.5 million EUR). The cash flow into the acquisition of tangible and intangible fixed assets during the first half-year was 15.8 million EUR (first half-year of 2008: 19.4 million EUR). In the first six months of 2009, the mobile communications segment invested 8.5 million EUR (first half-year of 2008: 8.2 million EUR). 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 7.0 million EUR (first half-year of 2008: 10.5 million EUR). 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 0.3 million EUR into fixed assets (first half-year of 2008: 0.6 million EUR).

In the first six months of this year, the Eesti Telekom Group cash flow into financial activities was 93.1 million EUR, of which 92.6 million EUR was used to pay dividends for AS Eesti Telekom shareholders (in the first six months of 2008, these amounts were 92.7 million EUR and 92.6 million EUR) and dividends totalling 0.4 million EUR (6 months of 2008: 0.5 million EUR) 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

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CONSOLIDATED QUARTERLY DATA

In million of EUR

	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
Net sales	100.1	100.1	100.5	85.4	86.2
OPEX	(61.4)	(60.1)	(67.1)	(52.7)	(52.4)
Other revenues/expenses, net	0.4	0.2	0.5	0.3	0.4
EBITDA	39.2	40.2	33.9	33.0	34.3
Depreciation and amortisation	(9.3)	(9.4)	(9.2)	(10.0)	(9.6)
EBIT	29.9	30.8	24.7	23.0	24.6
Income / expenses from associates	(0.1)	-	-	(0.1)	0.1
Other net financing items	1.3	0.3	0.8	1.1	1.2
EBT	31.1	31.0	25.6	24.0	25.9
Income tax on dividends	(24.7)	-	-	-	(25.5)
Profit for the period	6.5	31.0	25.5	24.0	0.4
Minority interest	0.0	0.1	0.0	0.0	(0.1)
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	288.6	287.6	319.5	332.8	265.8
- Non-current assets	176.1	176.9	186.9	185.7	181.3
- Current assets	112.4	110.7	132.6	147.1	84.5
- Cash and cash equivalents and short-term investments	31.2	32.6	55.2	78.0	15.9
Equity and liabilities	288.6	287.6	319.5	332.8	265.8
- Equity	218.0	249.1	274.5	298.5	206.0
- Provisions	1.8	2.0	1.8	1.7	1.6
- Non-current liabilities	0.1	0.1	0.5	0.5	0.4
- Interest-bearing borrowings	0.0	0.0	0.4	0.4	0.3
- Current liabilities	68.6	36.5	42.7	32.1	57.8
- Interest-bearing borrowings	0.2	0.1	0.3	0.2	0.2

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II QUARTER CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	II Quarter 2009	II Quarter 2008
Net sales	2.1 (a)	86,227	100,131
Cost of production	2.1 (a)	(47,646)	(56,322)
Gross profit	2.1 (a)	38,581	43,809
Sales, administrative, and research & development expenses	2.1 (a)	(14,379)	(14,333)
Other operating revenues	2.1 (a)	463	511
Other operating expenses	2.1 (a)	(45)	(81)
Operating profit	2.1 (a)	24,620	29,906
Finance income		1,252	1,318
Finance costs		(19)	(38)
Finance income, net	2.1 (a)	1,233	1,280
Net income / (expenses) from associated companies	2.1 (a)	93	(52)
Profit before tax	2.1 (a)	25,946	31,134
Income tax on dividends	2.1 (a)	(25,548)	(24,652)
Profit for the period	2.1 (a)	398	6,482
Other comprehensive income			
Exchange differences on translating foreign subsidiaries	2.1 (a)	2	-
Other comprehensive income for the period	2.1 (a)	2	-
Total comprehensive income	2.1 (a)	400	6,482
Profit attributable to:			
Equity holders of the parent	2.1 (a)	457	6,474
Minority interest	2.1 (a)	(59)	8
		398	6,482
Comprehensive income attributable to:			
Equity holders of the parent	2.1 (a)	459	6,474
Minority interest	2.1 (a)	(59)	8
		400	6,482
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR)			
	7 (f)		
Basic earnings per share		0.003	0.05
Diluted earnings per share		0.003	0.05
EBITDA	2.1 (a)	34,257	39,183
Depreciation, amortization and write-downs	2.1 (a)	(9,637)	(9,277)

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I HALF YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	I HY 2009	I HY 2008	2008
Net sales	2.1 (b), 2.3	171,644	194,988	395,588
Cost of production	2.1 (b)	(96,304)	(109,400)	(225,777)
Gross profit	2.1 (b)	75,340	85,588	169,811
Sales, administrative, and research & development expenses	2.1 (b)	(28,474)	(28,520)	(57,972)
Other operating revenues	2.1 (b)	946	913	2,001
Other operating expenses	2.1 (b)	(209)	(180)	(543)
Operating profit	2.1 (b)	47,603	57,801	113,297
Finance income		2,364	2,452	3,527
Finance costs		(41)	(75)	(56)
Finance income, net	2.1 (b)	2,323	2,377	3,471
Net income / (expenses) from associated companies	2.1 (b)	40	(159)	(182)
Profit before tax	2.1 (b)	49,966	60,019	116,586
Income tax on dividends	2.1 (b)	(25,548)	(24,652)	(24,664)
Profit for the period	2.1 (b)	24,418	35,367	91,922
Other comprehensive income				
Exchange differences on translating foreign subsidiaries	2.1 (b)	1	-	1
Other comprehensive income for the period	2.1 (b)	1	-	1
Total comprehensive income	2.1 (b)	24,419	35,367	91,923
Profit attributable to:				
Equity holders of the parent	2.1 (b)	24,450	35,277	91,703
Minority interest	2.1 (b)	(32)	90	219
		24,418	35,367	91,922
Comprehensive income attributable to:				
Equity holders of the parent	2.1 (b)	24,451	35,277	91,704
Minority interest	2.1 (b)	(32)	90	219
		24,419	35,367	91,923
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR)	7 (f)			
Basic earnings per share		0.18	0.26	0.66
Diluted earnings per share		0.18	0.26	0.66
EBITDA	2.1 (b)	67,283	76,020	150,088
Depreciation, amortization and write-downs	2.1 (b), 3	(19,680)	(18,219)	(36,791)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009	31 December 2008	30 June 2008
ASSETS				
Non-current assets				
Property, plant and equipment	3	162,564	165,542	155,438
Intangible fixed assets	3	13,625	14,592	13,222
Investments in associates	2.2, 5	716	676	699
Other financial fixed assets		4,366	6,115	6,777
Total non-current assets	2.2	181,271	186,925	176,136
Current assets				
Inventories	6	9,270	10,861	10,917
Trade and other receivables		59,327	66,576	70,288
Short-term investments		-	31,956	-
Cash and cash equivalents		15,939	23,206	31,243
Total current assets	2.2	84,536	132,599	112,448
TOTAL ASSETS	2.2	265,807	319,524	288,584
EQUITY AND LIABILITIES				
Equity				
Capital and reserves attributable to equity holders of the parent				
Share capital	7	88,169	88,169	88,169
Share premium		22,753	22,753	22,753
Statutory legal reserve		8,817	8,817	8,817
Retained earnings		2	1	-
Net profit for the period		86,147	154,274	97,965
Total capital and reserves attributable to equity holders of the parent		205,888	274,014	217,704
Minority interest	2.2, 7	116	513	342
Total equity		206,004	274,527	218,046
Non-current liabilities				
Interest bearing loans and borrowings	8	288	375	4
Retirement benefit obligations	9	105	138	172
Provisions	10	1,443	1,443	1,355
Non-interest bearing liabilities		120	127	123
Total non-current liabilities	2.2	1,956	2,083	1,654
Current liabilities				
Trade and other payables		57,594	42,399	68,491
Interest bearing loans and borrowings	8	178	259	156
Retirement benefit obligations	9	66	66	64
Provisions	10	9	190	173
Total current liabilities	2.2	57,847	42,914	68,884
Total liabilities		59,803	44,997	70,538
TOTAL EQUITY AND LIABILITIES	2.2	265,807	319,524	288,584

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CONSOLIDATED CASH FLOW STATEMENT

	Notes	I HY 2009	I HY 2008
Operating activities			
Net profit for the period		24,418	35,367
Adjustments for:			
Depreciation, amortisation and impairment of fixed and intangible assets	2.1, 3	19,680	18,219
(Profit) / loss from sales and discards of fixed assets		(188)	(445)
Net (income) / expenses from associated companies		(40)	159
Provisions		(181)	(362)
Financial items		(3,062)	(3,573)
Income tax on dividends		25,548	24,652
Miscellaneous non-cash items		(284)	5
Cash flow before change in working capital		65,891	74,022
Change in current receivables		4,865	(6,346)
Change in inventories		1,591	631
Change in current liabilities		(10,257)	458
Change in working capital		(3,801)	(5,257)
Cash flow after changes in working capital		62,090	68,765
Interest received		4,250	4,451
Interest paid		(244)	(158)
Cash flow from operating activities	2.2	66,096	73,058
Investing activities			
Intangible and tangible fixed assets acquired	2.2, 3	(15,805)	(19,355)
Intangible and tangible fixed assets divested		281	555
Net change in interest-receivables short maturities		31,956	47,917
Net cash changes of other long-term receivables		3,303	(3,642)
Cash flow from investing activities	2.2	19,735	25,475
Cash flow before financing activities		85,831	98,533
Financing activities			
Dividends paid	7 (e)	(92,942)	(92,577)
Repayment of finance lease liabilities	8	(155)	(84)
Cash flow used in financing activities	2.2	(93,097)	(92,661)
Cash flow for the year	2.2	(7,266)	5,872
Cash and cash equivalents at beginning of year			
	2.2	23,206	25,359
Cash flow for the year	2.2	(7,266)	5,872
Effect of foreign exchange rate changes	2.2	(1)	12
Cash and cash equivalents at end of period	2.2	15,939	31,243

AS EESTI TELEKOM CONSOLIDATED II QUARTER AND I HALF YEAR 2009 INTERIM REPORT

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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	88,169	22,753	8,817	-	155,265	275,004	733	275,737
Dividends paid and declared (Note 7 e)	-	-	-	-	(92,577)	(92,577)	(481)	(93,058)
Comprehensive income for the period	-	-	-	-	35,277	35,277	90	35,367
30 June 2008	88,169	22,753	8,817	-	97,965	217,704	342	218,046
31 December 2008	88,169	22,753	8,817	1	154,274	274,014	513	274,527
Dividends paid (Note 7 e)	-	-	-	-	(92,577)	(92,577)	(365)	(92,942)
Comprehensive income for the period	-	-	-	1	24,450	24,451	(32)	24,419
30 June 2009	88,169	22,753	8,817	2	86,147	205,888	116	206,004

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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 presentation currency is Euro (EUR). The financial statements are presented in thousand of Euros (EUR), 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.

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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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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	41,413	50,453	41,496	45,598	3,318	4,080	-	-	86,227	100,131
Inter-segment net sales	7,689	9,514	5,624	5,811	1,123	1,480	(14,436)	(16,805)	-	-
Total net sales	49,102	59,967	47,120	51,409	4,441	5,560	(14,436)	(16,805)	86,227	100,131
External cost of production	(24,200)	(30,572)	(21,804)	(23,330)	(1,702)	(2,480)	60	60	(47,646)	(56,322)
Inter-segment cost of production	(5,441)	(5,297)	(8,038)	(10,023)	(255)	(344)	13,734	15,664	-	-
Gross profit	19,461	24,098	17,278	18,056	2,484	2,736	(642)	(1,081)	38,581	43,809
External sales, administrative and research & development	(4,573)	(4,711)	(6,772)	(6,427)	(2,542)	(2,583)	(492)	(612)	(14,379)	(14,333)
Inter-segment sales, administrative and research & development	(219)	(457)	(567)	(826)	(67)	(92)	853	1,375	-	-
External other operating revenues	169	248	43	254	251	9	-	-	463	511
External other operating expenses	(52)	(86)	-	7	7	(1)	-	(1)	(45)	(81)
Operating profit/(loss)	14,786	19,092	9,982	11,064	133	69	(281)	(319)	24,620	29,906
Financial revenues and expenses, net	820	670	118	196	(6)	(22)	301	436	1,233	1,280
Income/(expenses) from associated, net	48	(13)	45	(39)	-	-	-	-	93	(52)
Profit/(loss) after financial items	15,654	19,749	10,145	11,221	127	47	20	117	25,946	31,134
Income tax on dividends	(15,015)	(14,192)	(10,533)	(8,495)	-	-	-	(1,965)	(25,548)	(24,652)
Profit/(loss) for the period	639	5,557	(388)	2,726	127	47	20	(1,848)	398	6,482

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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	-	-	-	-	2	-	-	-	2	-
Other comprehensive income for the period	-	-	-	-	2	-	-	-	2	-
Total comprehensive income	639	5,557	(388)	2,726	129	47	20	(1,848)	400	6,482
Profit attributable to:										
Equity shareholders of the parent	689	5,549	(388)	2,726	136	47	20	(1,848)	457	6,474
Minority interest	(50)	8	-	-	(9)	-	-	-	(59)	8
	639	5,557	(388)	2,726	127	47	20	(1,848)	398	6,482
Comprehensive income attributable to:										
Equity shareholders of the parent	689	5,549	(388)	2,726	138	47	20	(1,848)	459	6,474
Minority interest	(50)	8	-	-	(9)	-	-	-	(59)	8
	639	5,557	(388)	2,726	129	47	20	(1,848)	400	6,482
EBITDA	19,079	23,309	14,917	15,719	519	450	(258)	(295)	34,257	39,183
Depreciation, amortization and write-downs	(4,293)	(4,217)	(4,935)	(4,655)	(386)	(381)	(23)	(24)	(9,637)	(9,277)

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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	81,989	97,533	83,348	89,815	6,307	7,640	-	-	171,644	194,988
Inter-segment net sales	14,388	18,307	10,235	10,411	2,076	2,978	(26,699)	(31,696)	-	-
Total net sales	96,377	115,840	93,583	100,226	8,383	10,618	(26,699)	(31,696)	171,644	194,988
External cost of production	(49,436)	(60,257)	(43,932)	(44,558)	(3,057)	(4,705)	121	120	(96,304)	(109,400)
Inter-segment cost of production	(9,778)	(9,600)	(15,001)	(19,301)	(518)	(681)	25,297	29,582	-	-
Gross profit	37,163	45,983	34,650	36,367	4,808	5,232	(1,281)	(1,994)	75,340	85,588
External sales, administrative and research & development	(8,973)	(9,354)	(12,830)	(12,833)	(5,806)	(5,146)	(865)	(1,187)	(28,474)	(28,520)
Inter-segment sales, administrative and research & development	(459)	(793)	(1,117)	(1,650)	(146)	(190)	1,722	2,633	-	-
External other operating revenues	435	439	230	445	281	29	-	-	946	913
External other operating expenses	(208)	(172)	-	(5)	(1)	(1)	-	(2)	(209)	(180)
Operating profit/(loss)	27,958	36,103	20,933	22,324	(864)	(76)	(424)	(550)	47,603	57,801
Financial revenues and expenses, net	1,501	1,144	125	319	(9)	(42)	706	956	2,323	2,377
Income/(expenses) from associated, net	27	(69)	13	(90)	-	-	-	-	40	(159)
Profit/(loss) after financial items	29,486	37,178	21,071	22,553	(873)	(118)	282	406	49,966	60,019
Income tax on dividends	(15,015)	(14,192)	(10,533)	(8,495)	-	-	-	(1,965)	(25,548)	(24,652)
Profit/(loss) for the period	14,471	22,986	10,538	14,058	(873)	(118)	282	(1,559)	24,418	35,367

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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	-	-	-	-	1	-	-	-	1	-
Other comprehensive income for the period	-	-	-	-	1	-	-	-	1	-
Total comprehensive income	14,471	22,986	10,538	14,058	(872)	(118)	282	(1,559)	24,419	35,367
Profit attributable to:										
Equity shareholders of the parent	14,461	22,896	10,538	14,058	(831)	(118)	282	(1,559)	24,450	35,277
Minority interest	10	90	-	-	(42)	-	-	-	(32)	90
	14,471	22,986	10,538	14,058	(873)	(118)	282	(1,559)	24,418	35,367
Comprehensive income attributable to:										
Equity shareholders of the parent	14,461	22,896	10,538	14,058	(830)	(118)	282	(1,559)	24,451	35,277
Minority interest	10	90	-	-	(42)	-	-	-	(32)	90
	14,471	22,986	10,538	14,058	(872)	(118)	282	(1,559)	24,419	35,367
EBITDA	36,583	44,339	30,768	31,484	309	699	(377)	(502)	67,283	76,020
Depreciation, amortization and write-downs	(8,625)	(8,236)	(9,835)	(9,160)	(763)	(775)	(47)	(48)	(19,270)	(18,219)
Impairment charge				-	(410)				(410)	-

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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)	66,121	63,425	107,363	105,325	6,722	6,329	349	358	180,555	175,437
Investments in subsidiaries and associates	420	407	296	292	-	-	-	-	716	699
Current assets	45,613	57,874	46,914	57,450	2,959	4,191	(10,950)	(7,067)	84,536	112,448
Total assets	112,154	121,706	154,573	163,067	9,681	10,520	(10,601)	(6,709)	265,807	288,584
Equity attributable to equity shareholders of the parent	69,686	72,928	101,999	113,233	6,762	5,041	27,441	26,502	205,888	217,704
Minority interest	116	342	-	-	-	-	-	-	116	342
Non-current liabilities	1,515	1,491	387	126	54	37	-	-	1,956	1,654
Current liabilities	40,837	46,945	52,187	49,708	2,865	5,442	(38,042)	(33,211)	57,847	68,884
Total shareholders' equity and liabilities	112,154	121,706	154,573	163,067	9,681	10,520	(10,601)	(6,709)	265,807	288,584
Net cash from/ (used in) operating activities	38,414	46,418	26,411	24,379	656	(39)	615	2,300	66,096	73,058
Net cash from/ (used in) investing activities	(8,523)	(8,199)	(3,401)	(10,049)	(297)	(633)	31,956	44,356	19,735	25,475
Net cash from/ (used in) financing activities	(57,201)	(53,664)	(36,422)	(34,776)	(363)	553	889	(4,774)	(93,097)	(92,661)
Exchange rate differences in cash and cash equivalents	-	-	(5)	11	-	-	4	1	(1)	12
Net increase/ (decrease) in cash and cash equivalents	(27,310)	(15,445)	(13,417)	(20,435)	(4)	(119)	33,464	41,883	(7,267)	5,884
CAPEX	8,528	8,207	6,958	10,512	319	635	-	1	15,805	19,355

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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	79,354	96.8%	94,336	96.7%	73,395	88.1%	80,567	89.7%	6,106	96.8%	7,587	99.3%	158,855	92.5%	182,490	93.6%
Customers outside Estonia	2,635	3.2%	3,197	3.3%	9,953	11.9%	9,248	10.3%	201	3.2%	53	0.7%	12,789	7.5%	12,498	6.4%
Total revenue	81,989	100%	97,533	100%	83,348	100%	89,815	100%	6,307	100%	7,640	100%	171,644	100%	194,988	100%

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3. Tangible and intangible assets

	Notes	Tangible assets	Intangible assets
<i>At 31 December 2007</i>			
Cost		598,518	27,301
Accumulated depreciation		(444,803)	(13,494)
Net book value		153,715	13,807
Changes in the I HY 2008			
Opening net book amount		153,715	13,807
Additions	2.2	18,937	418
Reclassification		(463)	463
Reclassification to assets classified as held-for-sale		112	-
Disposals		(110)	-
Depreciation charge	2.1 (b)	(16,753)	(1,466)
Closing net book amount		155,438	13,222
<i>At 30 June 2008</i>			
Cost		613,967	27,810
Accumulated depreciation		(458,529)	(14,588)
Net book value		155,438	13,222
<i>At 31 December 2008</i>			
Cost		620,079	28,981
Accumulated depreciation		(454,537)	(14,389)
Net book value		165,542	14,592
Changes in the I HY 2009			
Opening net book amount		165,542	14,592
Additions	2.2	15,323	482
Reclassification		(469)	469
Disposals		(71)	(1)
Depreciation charge	2.1 (b)	(17,761)	(1,509)
Impairment charge	2.1 (b)	-	(410)
Effect of movements in exchange rate		-	2
Closing net book amount		162,564	13,625
<i>At 30 June 2009</i>			
Cost		631,905	29,318
Accumulated depreciation		(469,341)	(15,693)
Net book value		162,564	13,625

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

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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	2,483	3,963

- 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 410 thousand EUR was identified.

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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.

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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 6 thousand EUR (in the first half year 2008: 179 thousand EUR) 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 0.64 EUR 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

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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.

e) Dividends

Dividends in the total amount of 92,577 thousand EUR (2008: 92,577 thousand EUR) or 0.67 EUR per ordinary share were disbursed to the equity holders of the parent in the first half year 2009 (2008: 0.67 EUR).

Dividends totalling 365 thousand EUR were paid to minority shareholders (Serenda Invest OÜ minority shareholders) in the first half year 2009 (2008 (on the 1st July): 481 thousand EUR).

f) Basic and diluted earnings per share

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

	2009	2008
<u>II Quarter</u>		
Profit attributable to equity holders of the Company (EUR)	457,000	6,474,000
The average number of ordinary shares	137,954,528	137,954,528
Earnings per share (EUR)	0.003	0.05
<u>I Half Year</u>		
Profit attributable to equity holders of the Company (EUR)	24,450,000	35,277,000
The average number of ordinary shares	137,954,528	137,954,528
Earnings per share (EUR)	0.18	0.26

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 (EUR):

	I HY 2009	2008	I HY 2008
Ordinary share highest price	5.45	7.99	7.99
Ordinary share lowest price	4.10	3.81	6.93
Ordinary share average price	4.86	6.60	7.40

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8. Borrowings

	30 June 2009	31 December 2008
Current	178	259
Non-current	288	375
	466	634

The movements in the borrowings

At 31 December 2008	634
Repayments of borrowings	(155)
Other movements	(13)
At 30 June 2009	466

9. Retirement benefit obligations

	30 June 2009	31 December 2008
Current portion of retirement benefit obligations	66	66
Non-current portion of retirement benefit obligations	105	138
Total retirement benefit obligations	171	204

The movements in the borrowings

At 31 December 2008	204
Benefits paid in the reporting period	(33)
At 30 June 2009	171

10. Provisions

	Site restoration expense provision	Termination benefits provision	Guarantee provision	Other provisions	Total
Current portion of provisions	-	-	9	-	9
Non-current portion of provisions	1,409	-	34	-	1,443
Total provisions	1,409	-	43	-	1,452

Changes in provisions

At 31 December 2008	1,409	181	43	-	1,633
Recognition and change in provisions, net in the reporting period	-	153	-	18	171
Used provisions during the reporting period	-	(334)	-	(18)	(352)
At 30 June 2009	1,409	-	43	-	1,452

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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	1,737	1,968
Termination benefits	19	42
Other	12	10
	1,768	2,020

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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
<i>Telecommunication services provided</i>		
Associated companies	141	126
TeliaSonera AB	4,153	4,251
State Government (State Chancellery and ministries)	787	991
Companies where Supervisory Council members of the Group have significant influence	39	38
	5,120	5,406
<i>Other sales</i>		
Associated companies	-	5
State Government (State Chancellery and ministries)	37	141
Companies where Supervisory Council members of the Group have significant influence	-	20
	37	166
<i>Telecommunication services purchased</i>		
Associated companies	42	12
TeliaSonera AB	3,326	4,451
	3,368	4,463
<i>Other services purchased</i>		
Associated companies	2	2
State Government (State Chancellery and ministries)	554	1,165
Companies where Supervisory Council members of the Group have significant influence	37	54
	593	1,221
<i>Amount owed by related parties</i>		
Associated companies	33	22
TeliaSonera AB	1,472	1,519
State Government (State Chancellery and ministries)	596	366
Companies where Supervisory Council members of the Group have significant influence	5	5
	2,106	1,912
<i>Amount owed to related parties</i>		
Associated companies	4	-
TeliaSonera AB	1,113	1,411
State Government (State Chancellery and ministries)	3	16
Companies where Supervisory Council members of the Group have significant influence	-	19
Key management and Supervisory Council	556	656
	1,676	2,102

12. Contingencies

	30 June 2009	31 December 2008
Key management termination benefits	1,644	1,627

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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 0.13 EUR per minute and, pursuant to the decisions of the Communications Board dated 20 June and 22 June 2007, was fixed at 0.11 EUR 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 0.16 EUR 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 0.11 EUR 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 0.09 EUR 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 0.09 EUR 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 Ettevõtte 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 Ettevõtte 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.

<i>Name</i>	<i>Position</i>	<i>Signature</i>
Valdo Kalm	<i>Chairman of the Board</i>	
Leho Tamm	<i>Member of the Board</i>	
Valdur Laid	<i>Member of the Board</i>	
Enn Saar	<i>Member of the Board</i>	

Tallinn, 16 July 2009