EESTI TELEKOM

17 July 2003

THE FINANCIAL RESULTS OF THE FIRST SIX MONTHS OF 2003

Eesti Telekom, the leading provider of telecommunication services in Estonia, hereby announces its results for the six-month period, which ended 30 June 2003.

Financial highlights

	Q2 2003	Q2 2002	Change %	**HY1 2003**	HY1 2002	Change %
Total revenues, mEEK	**1,187**	1,213	-2	**2,293**	2,262	1
EBITDA, mEEK	**563**	583	-4	**1,103**	1,090	1
EBITDA margin, %	**47**	48		**48**	48	
EBIT, mEEK	**341**	328	4	**653**	578	13
EBIT margin, %	**29**	27		**28**	26	
Profit before taxes, mEEK	**410**	322	27	**729**	572	27
Net profit for the period, mEEK	**404**	228	77	**443**	479	-7
EPS, EEK	**2.94**	1.66	77	**3.22**	3.48	-7
CAPEX, mEEK	**85**	116	-27	**128**	197	-35
Net gearing, %	**-32**	-12		**-32**	-12	
ROA (annualised), %	**36**	22		**20**	23	
ROE (annualised), %	**44**	36		**39**	33	

Commenting on these financial results, Chairman Jaan Männik stressed:

“The Eesti Telekom Group retains its high profitability and the EBITDA margin.”

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CHAIRMAN'S STATEMENT

Financial results

During the second quarter of 2003, consolidated revenues of the Eesti Telekom Group amounted to 1,187 mln EEK, showing a decrease of 2% compared to the same period in 2002. Operating expenses of the second quarter were down by 1%, amounting to 624 mln EEK. The EBITDA of the Group was 563 mln EEK and the EBITDA margin 47%. A decrease in the second quarter consolidated revenues and EBITDA was caused by a 54 mln EEK capital gain from the sale of property that was accounted for as "other revenue" in the base-period, the second quarter of 2002. Elimination of the 54 mln EEK would lead to a consolidated revenues increase of 2% and an EBITDA increase of 6%.

Depreciation showed an essential decrease of 13%. This decrease was mainly caused by new depreciation rates employed in a subsidiary company, Elion Enterprises AS (previously AS Eesti Telefon), at the beginning of 2003. Financial revenues exceeded financial expenses by 69 mln EEK in the second quarter of 2003. This amount includes a capital gain of 60 mln EEK from the sale of 49% of the shares of AS Connecto.

The net profit of the Eesti Telekom Group in the second quarter of 2003 was 404 mln EEK or 2.94 EEK per share. Corresponding figures in the second quarter of 2002 were 228 mln EEK and 1.66 EEK per share. The results of 2002 and 2003 cannot be compared directly because of the one-time revenue mentioned above. Also, dividend income tax in 2002 was shown in the income statement of the second quarter, but in 2003, this expense was already shown in the first quarter. Elimination of the non-recurring revenue and dividend income tax from the calculations, would lead to a net profit of 268 mln EEK for the second quarter of 2002, and 350 mln EEK for the second quarter of 2003.

During the first six months of 2003, consolidated revenues of the Eesti Telekom Group amounted to 2,293 mln EEK, showing an increase of 1% compared to the first six months of 2002. Operating expenses were 1,191 mln EEK, up by 2%. The EBITDA of the Group amounted to 1,103 mln EEK. The EBITDA margin was 48%. Elimination of the capital gain from the sale of property would lead to a consolidated revenues increase of 4% and an EBITDA increase of 6%.

The net profit of the Eesti Telekom Group in the first half-year of 2003 was 443 mln EEK or 3.22 EEK per share. Corresponding figures for the first half-year of 2002 were 479 mln EEK and 3.48 EEK per share.

At the end of June 2003, the total assets of the Eesti Telekom Group amounted to 4,356 mln EEK (in December 2002, 4,441 mln EEK). Tangible assets were reduced, from the beginning of the year, by 324 mln EEK. Current assets were enlarged by 239 mln EEK. This enlargement was mainly the result of an increase of cash and cash equivalents by 218 mln EEK. At the end of June 2003, the Group's non-current debt amounted to 15 mln EEK and current debt amounted to 22 mln EEK (in December 2002, 20 mln EEK and 36 mln EEK respectively). By the end of the period, the net debt of the Group amounted to –1,143 mln EEK, and net gearing was –32%. Other current liabilities of the Group were up by 281 mln EEK, including a 386 mln EEK increase in tax liabilities. The majority of the increase in tax liabilities was income tax calculated on dividends paid out.

The balance of cash and cash equivalents of the Eesti Telekom Group grew by 218 mln EEK during the first six months of 2003. The net operating cash flow was 1,064 mln EEK (during the corresponding 6 months of 2002, 959 mln EEK). Cash outflow into investments was essentially smaller than a year ago: 27 mln EEK in 2003 (incl. 68 mln EEK from sales of the minority ownership in AS Connecto), 121 mln EEK in 2002. The cash outflow into financing was 818 mln EEK, including 824 mln EEK paid as dividends (during the corresponding 6 months of 2002, 774 mln EEK, including 756 mln EEK paid as dividends).

Fixed communications

	Q2 2003	Q2 2002	Change %	HY1 2003	HY1 2002	Change %
Total revenues, mEEK	631	703	-10	1236	1317	-6
EBITDA, mEEK	230	279	-18	461	527	-12
EBITDA margin, %	36	40		37	40	
EBIT, mEEK	94	110	-14	186	188	-1
EBIT margin, %	15	16		15	14	
Profit before taxes, mEEK	154	104	48	245	174	41
Net profit for the period, mEEK	156	104	50	178	174	3
CAPEX, mln EEK	43	69	-38	62	105	-41
ROA, %	30	18		16	14	
ROE, %	38	26		28	22	

The consolidated revenues of the Elion Enterprises Group (previously the Eesti Telefon Group, see "Changes in structure of the Eesti Telekom Group") in the second quarter of 2003 amounted to 631 mln EEK, showing a decrease of 10% compared to the same period in 2002. Operating expenses of the second quarter were down by 5%, amounting to 402 mln EEK. The EBITDA of the Group was 230 mln EEK and the EBITDA margin was 36%.

When analysing the second quarter results of the Elion Enterprises Group, one should take into account the fact that the second quarter revenues of 2002 contain a capital gain from the sale of property in the amount of 54 mln EEK. Elimination of the capital gain would reduce the decrease of the consolidated revenues to 3% and lead to an EBITDA increase of 2%.

Among the main revenue categories of the Group, the revenues from domestic calls decreased by 8% (compared to the second quarter of 2002). Revenues from international calls were down by 11%. Revenues from calls into mobile networks were down by 4%. Revenues from installation and monthly fees were lower by 6%, compared to the same period in 2002. Revenues from the Internet were up by 27%. Revenues from IT and data communications and revenue network services were down by 4% and 20%, respectively.

The market shares of the Elion Enterprises have been continuously stable. The company estimates its share of total call minutes, domestic call minutes, fixed to mobile minutes, and international call minutes to be 87% (in June 2002, 89%), 87% (89%), 74% (75%), and 66% (71%). The estimated market share of dial-up minutes is 95% (95%).

The net profit of the Elion Enterprises Group in the second quarter of 2003 was 156 mln EEK, showing an increase of 50%, compared to the same period in 2002. However, net financing in 2003 includes capital gain from the sale of 49% of the shares of AS Connecto in the amount of 60 mln EEK. Therefore, the elimination, from the 2002 second quarter net profit, of the capital gain from the sale of property, and the elimination, from the 2003 second quarter net profit, of the capital gain from the sale of the shares would result in net profits of 50 mln EEK for the second quarter of 2002 and 96 mln EEK for the second quarter of 2003, which means that there has actually been a net profit increase of 92%. This growth is largely the result of the implementation of the new depreciation rates at the beginning of 2003. The new rates are more differentiated than the previous ones. Therefore, the presumed useful lifetime of different categories of tangible assets is determined more accurately. In addition to that, depreciation has started to fall as a result of the relatively low CAPEX that the Group has had during the last year, as compared to earlier periods. Depreciation of the Elion Enterprises Group, in the second quarter of 2003, was reduced by 33 mln EEK or 20%. Compared to 2002, the Group's financing expenses have also been significantly reduced, which has contributed to the growth of the net profit. The balance between financial income and expenses, in the second quarter of 2003, was 1 mln EEK (in the second quarter of 2002, -6 mln EEK).

The consolidated revenues of the Elion Enterprise Group, during the first six months of 2003, amounted to 1,236 mln EEK, down by 6% compared to the same period in 2002. Operating expenses during the period amounted to 775 mln EEK, down by 2%. The EBITDA of the Group was 461 mln EEK and the EBITDA margin was 37%. As a result of amendments, which were made to the regulations concerning the calculating of income tax on dividends, the Group declared a dividend income tax expense of 67 mln EEK in its six-month income statement. The net profit of the Elion Enterprises Group for the six-month period was 178 mln EEK, up by 3% compared to the same period in 2002.

The Elion Enterprises Group invested 62 mln EEK during the first half-year of 2003 (in the first six months of 2002, 105 mln EEK). The number of main lines in use at the end of June was 449,707 (a penetration of 33 lines per 100 people). The net decrease in the number of main lines since the beginning of 2003 was 10,553. At the same time, the number of ADSL connections has increased by 7,491, resulting, at the end of June 2003, in a total number of Atlas ADSL connections of 37,973 (a penetration of 2.8 connections per 100 people).

In May 2003, Tallinn Education Authority and Elion Enterprises signed a three-year framework agreement on the installation of new computers and other equipment in the computer labs of Tallinn schools. The new IT and data communication solution will be the most advanced and integrated on designed for schools so far. The value of the procurement contract amounts to more than 63 mln EEK paid by Tallinn Education Authority in equal monthly instalments.

The number of employees of the Elion Enterprises Group at the end of June 2003 was 1,924 (in December 2002, 1,999).

Mobile communications

	Q2 2003	Q2 2002	Change %	**HY1 2003**	HY1 2002	Change %
Total revenues, mEEK	683	625	9	1293	1164	11
EBITDA, mEEK	339	310	9	653	574	14
EBITDA margin, %	50	50		50	49	
EBIT, mEEK	253	224	13	478	401	19
EBIT margin, %	37	36		37	34	
Profit before taxes, mEEK	258	225	14	486	405	20
Net profit for the period, mEEK	258	225	14	275	405	-32
CAPEX, mln EEK	42	47	-9	66	92	-28
ROA, %	58	57		33	53	
ROE, %	95	67		70	64	

The second quarter was successful for the EMT Group. The consolidated revenues of the group amounted to 683 mln EEK, showing an increase of 9% compared to the same period in 2002. Revenues from all main categories, except the monthly fees, were up during the second quarter. Revenues from SMS and data continued to have the highest growth-rate, showing an increase of 38% compared to the second quarter of 2002. The monthly ARPU has traditionally increased during the summer months. In June 2003, the ARPU was 443 EEK (in June 2002, 451 EEK; in December 2002, 423 EEK).

Several campaigns organised by EMT in May and June resulted in the acceleration of the growth of the customer base. The total number of customers of EMT grew by 8.8 thousand during the second quarter of 2003. The number of contractual customers was up by 5.5 thousand and the number of prepaid customers was up by 3.3 thousand. The total number of customers reached 439.5 thousand by the end of June. The number of contractual customers was 291.3 thousand, and the number of prepaid customers was 148.2 thousand. EMT estimates its market share to be just below 50%.

The operating expenses of the EMT Group were up by 9%, amounting to 344 mln EEK. The EBITDA of the second quarter was 339 mln EEK, up by 9%. The EBITDA margin reached 50%. The net profit of the EMT Group was 258 mln EEK, showing an increase of 14% compared to the second quarter of 2002.

The consolidated revenues of the EMT Group, during the first six months of 2003, amounted to 1,293 mln EEK, up by 11% compared to the same period in 2002. Operating expenses of the period amounted to 640 mln EEK, up by 9%. The EBITDA of the Group was 653 mln EEK and the EBITDA margin was 50%. As a result of amendments, which were made to the regulations concerning the calculating of income tax on dividends, the Group declared a dividend income tax expense of 211 mln EEK in its six-month income statement. The net profit of the EMT Group for the six-month period was 275 mln EEK.

The EMT Group invested 66 mln EEK during the first half-year of 2003 (during the first six months of 2002, 92 mln EEK). On 11 February 2003, the *Riigikogu* (Parliament) decided that four third generation mobile communication licenses would be issued for a ten-year period. At the first stage, a direct offer will be made to the existing licensed mobile operators in Estonia, with a fee of 70 mln EEK per license. The second stage will be an auction of the licenses not issued during the first stage, with an initial price of 70 mln EEK per license. A precondition for the licensee will be the obligation to establish, within seven years of the license issuance, a third generation network covering at least 30% of the Estonian population.

On 8 May 2003, the direct offer was made by the Communications Board to AS EMT, Radiolinja Eesti AS, and Tele2 AS to acquire a license. The operators must submit their applications by 11 July 2003, at the latest. All operators acting in Estonia have announced their interest in acquiring the license.

The number of employees of the EMT Group at the end of June 2002 was 414 (in December 2002, 406).

The share capital enlargement of AS Eesti Telekom

The extraordinary general meeting of the shareholders of AS Eesti Telekom held on 15 December 2000 approved the issuing of convertible bonds within the framework of the Eesti Telekom Group's employee incentive system. The total number of A-series bonds outstanding as of 1 May 2003 was 41,625. From 2 May 2003 until 2 June 2003, the owners of A-series bonds subscribed 261,250 AS Eesti Telekom A shares for the exchange of 26,125 A-series bonds. The Management Board of AS Eesti Telekom approved the subscription list, and submitted an application to the registry department of the Tallinn City Government for the registration of 261,250 A-series shares with a nominal value of 10 EEK and an issue price of 90.62 EEK, i.e. an issue premium of 80.62 EEK. The total number of AS Eesti Telekom A shares after the emission of the new shares is 137,644,428 and the share capital is 1,376,445,280 EEK. A shares are distributed between the main groups of shareholders as follows:

	No of shares	%
Republic of Estonia	37,485,000	27,23 %
Public investors	32,841,672	23,86 %
Telia AB	16,142,523	11,73 %
Sonera Holding B.V.	16,142,523	11,73 %
Baltic Tele AB	35,032,710	25,45 %

15,500 A-series bonds were redeemed for the bond's nominal value of 10 EEK plus the accumulated interest, based upon an interest rate of 7% per annum.

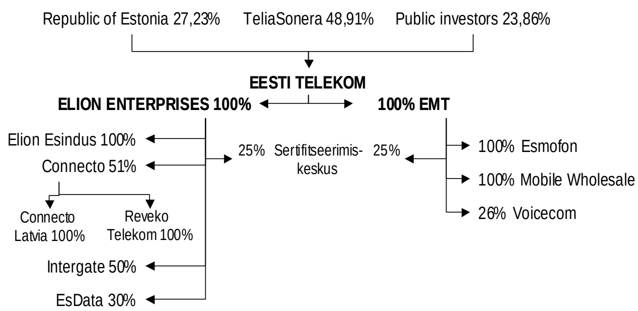
Changes in structure of the Eesti Telekom Group

During the second quarter of 2003, several changes took place in the structure of the Eesti Telekom Group.

In June, AS Eesti Telefon announced that they will launch new logo and corporate visual identity in the second half of August. The existing brands of Eesti Telefon (Atlas, et, Hot), except for its Internet search engine NETI, will cease to exist. The company itself will be renamed to become Elion Enterprises. The new brand name is to also incorporate the retail outlets of its subsidiary AS Telefonipood (Hallo). The company decided to change its name because Eesti Telefon has ceased to be a mere telephone services provider, as the Internet, data communication, and information technology have become its fastest growing business activities. Under the new name, the company has set itself the goal of becoming the most preferred provider of home and business communications in Estonia.

The sale of minority interests in AS Connecto, a subsidiary of Elion Enterprises, were completed in June. A 49% minority stake in AS Connecto was sold to ELTEL Networks Corporation, a Finnish telecommunications network development firm. The price of the deal was 68 mln EEK, and the capital gain declared in the second quarter was 59.5 mln EEK. Elion Enterprises will remain an active owner of Connecto, but ELTEL Networks has the right to acquire 100% of the company shares after two years. This sale enables Elion Enterprises to focus on its core business, which is the providing of telecommunications and IT solutions. The involvement of a strategic partner will also accelerate the expansion of AS Connecto into the other Baltic states.

On 1 July 2003, AS Connecto acquired all of the shares of the Estonian telecommunication company AS Reveko Telekom. In accordance with the purchase and sale agreement, AS Connecto purchased 55% of the shares of Reveko Telekom from TeliaSonera and 45% of shares from Estonian private individuals. The price of the deal was 14 mln EEK. Reveko Telekom (www.reveko.ee) was founded in 1995. It is involved in different indoor solutions: installing and construction of telecommunication systems and networks, as well as operator services. Reveko Telekom has 22 employees, the company's turnover was 35.5 mln EEK and in 2002 has a profit of 1.3 mln EEK. Since the providing of indoor solutions is one of Connecto´s strategic business activities, the acquisition enables Connecto to strengthen its position in the Estonian market, and to speed up the development of the company.



Relations with state regulators
The lawsuit between AS Elion and the Competition Board over the justification of tariffs for calls inside the network, established on 1 April 2001, continues. The first and second level courts made their decisions in favour of AS Elion, and the Competition Board appealed to the Supreme Court, which, on 18 December 2002, annulled the earlier judgments and forwarded the case to the Administrative Court for revision. The Supreme Court found that the precept of the Competition Board, regarding minute rates of the voice communication services within a network, is inadequate for making the final judgment. The Administrative and the District Court had, according to the Supreme Court, not assessed all pieces of available evidence. The Supreme Court considered it necessary for the Administrative Court to use the assistance of the Communications Board when revising the case.

Information to the shareholders
On 22 May 2003, the Annual General Meeting of the shareholders of AS Eesti Telekom approved the 2002 Annual Report of the company, and the allocation of the profits. It was decided that a dividend of 6.00 EEK per share be paid to the holders of A shares, and 10,000 EEK per share to the holders of B shares. It was decided that a total of 824 mln EEK be paid to the shareholders. The list of shareholders, on the basis of which dividends were to be paid, was established on 10 June 2003 at 08.00. The dividends were paid out on 19 June 2003.

The Annual General Meeting decided to authorise AS Eesti Telekom to acquire within one year (i.e. until 22 May 2004) AS Eesti Telekom A series shares, so that the total nominal value of AS Eesti Telekom shares held by AS Eesti Telekom would not exceed the legal limit, and that the price payable per share would not exceed the highest price paid for A shares of AS Eesti Telekom on the Tallinn Stock Exchange on the day of acquiring the shares. The amount of shares to be acquired shall be determined on each individual occasion by a resolution of the AS Eesti Telekom's Supervisory Board.

Annika Christiansson, Erik Hallberg, Alo Kelder, Kalev Kukk, Tiina Mõis, Tarmo Porgand, Kennet Rådne, Mats Salomonsson, Aare Tark, and Raivo Vare were elected to be members of the Supervisory Board.

Villu Vaino from Deloitte&Touche Audit AS was appointed to audit Eesti Telekom in 2003.

Definitions

Net debt – long term and short term debt, less cash and cash equivalents, and short term investments
ROA – Net profit for the period, expressed as a percentage of average total assets
ROE – Pre-tax profit for the period, expressed as a percentage of average equity

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
QUARTERLY DATA

mln EEK

	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003
Total revenues	1,213	1,125	1,171	1,106	1,187
Total expenses	630	564	692	567	624
EBITDA	583	561	480	540	563
margin	*48%*	*50%*	*41%*	*49%*	47%
Depreciation and amortization	255	247	242	228	221
EBIT	328	315	238	311	341
margin	*27%*	*28%*	*20%*	*28%*	29%
Income from associates	-1	-1	-1	-1	0
Other net income	-5	3	6	8	69
Profit before taxes	322	316	243	319	410
Income tax on dividends	-94	2	0	-280	-6
Net profit for the period	228	318	243	39	404
Operating cash flow	583	450	492	455	609
Investments	-51	-131	-282	-32	4
Cash flow before dividends and loan repayments	532	319	210	423	613
Dividends	-756	0	0	0	-824
Loan repayments	-6	-17	-65	-13	-4
Issue of shares	0	0	0	0	23
Net change in cash	-229	302	144	410	-192
Total assets	4,037	4,191	4,441	4,641	4,356
- current assets	1,239	1,490	1,698	2,085	1,937
- cash and cash equivalents	519	819	963	1373	1,181
- non-current assets	2,797	2,701	2,744	2,556	2,419
Total equity	3,339	3,657	3,900	3,939	3,543
Minority interests	0	0	0	0	9
Total liabilities	698	534	541	702	804
- ST loans	83	97	36	22	22
- LT loans	36	24	20	20	15

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
INCOME STATEMENT
Financial statements are prepared in thousands of Estonian kroons (EEK)

	Notes	6 mths to 30 June 2003	6 mths to 30 June 2003 Restated	2002 Restated
Revenues				
Net sales		2,276,268	2,195,973	4,467,311
Other revenues		17,171	66,265	91,737
Total revenues		**2,293,439**	**2,262,238**	**4,559,048**
Operating expenses				
Change in work-in-progress		1,493	3,501	864
Capitalized self-constructed assets		9,372	5,847	65,384
Materials, consumables, supplies and services		(715,164)	(714,858)	(1,503,759)
Other operating expenses		(216,692)	(202,840)	(434,844)
Personnel expenses		(258,086)	(246,780)	(513,005)
Other expenses		(11,822)	(17,078)	(42,786)
Total operating expenses		**(1,190,899)**	**(1,172,208)**	**(2,428,146)**
Profit from operations before depreciation		**1,102,540**	**1,090,030**	**2,130,902**
Depreciation and amortisation	**2**	(449,778)	(511,830)	(1,000,468)
Profit from operations		**652,762**	**578,200**	**1,130,434**
Financial income / (expenses) from subsidiaries and associates		57,610	(3,513)	(5,153)
Other net financing items		18,715	(2,261)	6,443
Profit before tax		**729,087**	**572,426**	**1,131,724**
Income tax on dividends		(286,022)	(93,660)	(91,298)
Net profit for the period		**443,065**	**478,766**	**1,040,426**
Earning per share	**7 (f)**			
Basic earning per share (in kroons)		3.22	3.48	7.57
Diluted earning per share (in kroons)		3.22	3.48	7.57

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
BALANCE SHEET
Financial statements are prepared in thousands of Estonian kroons (EEK)

	Notes	30 June 2003	31 Dec 2002	30 June 2002
ASSETS				
Non-current assets				
Property, plant and equipment	**2**	2,360,260	2,673,673	2,719,860
Goodwill	**2**	1,957	3,687	9,340
Licenses, patents and trademarks	**2**	30,330	38,853	35,154
Investments in subsidiaries and associates	**3, 4**	21,660	22,696	24,337
Other investments		2,710	2,710	2,758
Other non-current assets		2,292	2,048	5,654
Total non-current assets		**2,419,209**	**2,743,667**	**2,797,103**
Current assets				
Inventories	**5**	109,908	93,428	104,085
Trade receivables		442,291	430,330	469,534
Other receivables		204,099	210,970	147,095
Cash and cash equivalents		1,180,903	963,043	518,781
Total current assets		**1,937,201**	**1,697,771**	**1,239,495**
TOTAL ASSETS		**4,356,410**	**4,441,438**	**4,036,598**
EQUITY AND LIABILITIES				
Equity	**7**			
Issued capital		1,376,445	1,373,833	1,373,833
Reserves		468,410	447,348	447,348
Translation reserve		(34)	(25)	68
Retained earnings		1,254,670	1,038,553	1,038,553
Net profit for the period		443,065	1,040,426	478,766
Total equity		**3,542,556**	**3,900,135**	**3,338,568**
Minority interest		9,491	-	-
Non-current liabilities				
Interest-bearing loans and borrowings – due after one year	**6**	15,351	19,761	36,108
Current liabilities				
Trade payables		152,468	244,850	130,838
Other current liabilities		186,221	196,134	219,643
Tax liabilities		414,602	28,553	215,853
Interest-bearing loans and borrowings – due within one year	**6**	22,376	35,706	83,219
Provisions		13,345	16,299	12,369
Total current liabilities		**789,012**	**521,542**	**661,922**
TOTAL EQUITY AND LIABILITIES		**4,356,410**	**4,441,438**	**4,036,598**

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
CASH FLOW STATEMENT
Financial statements are prepared in thousands of Estonian kroons (EEK)

	Notes	6 mths to 30 June 2003	6 mths to 31 June 2002 Restated
Operating activities			
Profit operations		652,762	578,200
Adjustments for:			
Depreciation and amortisation	**2**	449,778	511,830
(Profit) / loss from sales and write-off of fixed assets		(8,531)	(52,693)
Operating cash flow before movements in working capital		1,094,009	1,037,337
Change in current receivables		(7,855)	(73,961)
Change in inventories		(16,480)	1,019
Change in current liabilities		(5,500)	(1,800)
Cash generated by operations		1,064,174	962,595
Interest paid		(630)	(4,051)
Net cash from operating activities		**1,063,544**	**958,544**
Investing activities			
Purchase of property, plant and equipment		(127,151)	(185,544)
Purchase of licenses		(1,164)	(11,135)
Proceeds from sales of property, plant and equipment		10,465	74,487
Proceeds from sales of subsidiaries	**3**	68,137	-
Acquisition of associates		-	(10,000)
Loans granted		(502)	(128)
Cash receipt from repayment of loans		42	24
Dividends received		-	96
Interest received		22,998	11,005
Net cash used in investing activities		**(27,175)**	**(121,195)**
Financing activities			
Proceeds from long-term convertible debt	**6**	-	32
Repayment of long-term convertible debt	**6**	(166)	(8)
Proceeds from nonconvertible long-term debt	**6**	240	1,235
Repayment of nonconvertible long-term debt	**6**	(5,858)	(3,783)
Repayment of long-term borrowings	**6**	(11,636)	(15,941)
Shares issues (Rights Offering)	**7 (a)**	23,413	-
Dividends paid	**7 (c)**	(824,309)	(755,617)
Net cash used in financing activities		**(818,316)**	**(774,082)**
Net increase in cash and cash equivalents		**218,053**	**63,267**
Cash and cash equivalents at beginning of year		**963,043**	**464,217**
Effect of foreign exchange rate changes		(193)	(8,703)
Cash and cash equivalents at end of period		**1,180,903**	**518,781**

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
STATEMENT OF CHANGES IN EQUITY
Financial statements are prepared in thousands of Estonian kroons (EEK)

	Notes	Issued capital	Reserves		Translation reserve	Retained earnings	Net profit for the period	TOTAL
			Share premium	Statutory legal reserve				
31 December 2001		**1,373,833**	**309,964**	**137,384**	**-**	**1,015,235**	**778,935**	**3,615,351**
Net profit for the 2001 transferred to retained earnings		-	-	-	-	778,935	(778,935)	-
Exchange differences arising from translation of foreign operations		-	-	-	68	-	-	68
Dividends paid		-	-	-	-	(755,617)	-	(755,617)
Net profit for the period		-	-	-	-	-	478,766	478,766
30 June 2002		**1,373,833**	**309,964**	**137,384**	**68**	**1,038,553**	**478,766**	**3,338,568**
31 December 2002		**1,373,833**	**309,964**	**137,384**	**(25)**	**1,038,553**	**1,040,426**	**3,900,135**
Net profit for the 2002 transferred to retained earnings		-	-	-	-	1,040,426	(1,040,426)	-
Exchange differences arising from translation of foreign operations		-	-	-	(9)	-	-	(9)
Dividends paid	**7 (c)**	-	-	-	-	(824,309)	-	(824,309)
Share issues	**7 (a)**	2,612	21,062	-	-	-	-	23,674
Net profit for the period		-	-	-	-	-	443,065	443,065
30 June 2003		**1,376,445**	**331,026**	**137,384**	**(34)**	**1,254,670**	**443,065**	**3,542,556**

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

The consolidated interim financial statements for the six months period ending 30 June 2003 are prepared in accordance with the International Financial Accounting Standards (IAS 34). In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2002.

Historical cost has been used as the general ***measurement basis***.

The consolidated financial statements include all subsidiaries that are controlled by the parent company. When an entity began, or ceased to be controlled during the year, the results are included only from the date control commenced, or up to the date control ceased. Control is presumed to exist where more than one half of a subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the financial and operation policies of a subsidiary, or control the removal or appointment of a majority of a subsidiary's board of directors.

All inter-company transactions and balances have been eliminated.

Minority interests in the equity and results of the entities that are controlled by the parent company are shown as a separate item in the consolidated financial statements.

Investments in associates are accounted for according to the equity method.

An associate is an enterprise in which the Group holds, directly or indirectly, 20% - 50% of the voting power of the enterprise, or where the Group exercises significant influence over the enterprise, but is not subject to control by the Group.

Miscellaneous long-term receivables and loans are valued individually and recorded based upon the probability of receiving payment according to the prudence principle.

Portfolio investments are valued at the lower of cost and net realisable value.

Transactions in foreign currencies are recorded, using the rate of exchange quoted by the Bank of Estonia on the transaction date. On the balance sheet date, monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange quoted by the Bank of Estonia on that date. Respective exchange differences are recognised in the income statement for the year.

The financial statements of foreign subsidiaries are recorded at the Bank of Estonia (*Eesti Pank*) effective exchange rates. Upon the acquisition of a foreign subsidiary, the parent company's share of the net assets of the subsidiary is fixed and recorded, using the exchange rate prevailing on the date of acquisition. These parts of the equity of the subsidiary will maintain their acquisition value even when the rest of the balance sheet of the subsidiary is retranslated. If a foreign subsidiary issues shares, these shares are recorded, using the exchange rate on the day of the issuance. Concerning the future consolidation of the balance sheet of a foreign subsidiary, the assets and liabilities are recorded, using the exchange rates prevailing on the balance sheet date. Income and expense items are recorded, using the average exchange rates for the period. Exchange differences, which arise, are charged to equity and transferred to the Group's recorded reserve. Such recording differences are recognised as income from, or as expenses of, subsidiaries in the period in which the operation has taken place. A recorded reserve in consolidated equity is considered in the calculation of the results of sales of shares of a subsidiary.

Financial statements are prepared in thousand of Estonian kroons (EEK)

The exchange rates used in the financial statements were the following:

Currency	Exchange rate	
	30 June 2003	**30 June 2002**
EUR	15.64664	15.64664
USD	13.68611	15.77760
SEK	1.70735	1.72030
LVL	24.11440	26.21080

Assets with useful life over one year and with a minimum value of 10,000 EEK are considered to be ***fixed assets***. Fixed assets are recorded at acquisition cost, which is comprised of the purchase price, non-refundable taxes, and other expenditures directly related to taking the fixed asset object into use. The cost of property, plant, and equipment constructed by the company includes the cost of materials and direct labour. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount.

Depreciation is calculated on the straight-line method. Depreciation rates are set separately to each asset depending on its estimated useful life as follows:

- buildings 3 - 8% per annum;
- telecommunication network equipment 17.5 - 20% per annum;
- plant and equipment 15 - 40% per annum;
- furniture, fixtures, and fittings 10 - 50% per annum.

Freehold land is not depreciated.

Expenditures on repairs or maintenance of property, plant, and equipment made to restore or maintain future economic benefits expected from the assets are recognised as expenses when incurred.

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired by a controlled entity. Goodwill is recognised as an asset in the Group's consolidated financial statements and is amortised on a straight-line basis. Amortisation of goodwill is recorded in the income statement line "Depreciation and amortisation". The period of amortisation is the period of time during which benefits are expected to arise and does not exceed five years.

Licenses, patents, and trademarks are stated at the lower of the historical cost and recoverable amount, and are amortised, using the straight-line method, over their estimated useful lives (five years, as a rule).

Development costs are charged as an expense in the income statement for the period during which they were incurred. If, in exceptional cases, development costs are capitalised, they are amortised over five years.

Inventories are carried at the lower of cost and net realisable value.

Taxation. The Income Tax Law that became effective in Estonia on 1 January 2000 replaces the taxation of earnings with the taxation of dividend distributions and other payments that have the characteristics of a profit distribution. Because of fundamental changes in the principles of taxation, the term *tax base of assets and liabilities* has lost its substance and deferred income tax assets and liabilities as defined in IAS 12 cannot arise.

Receivables recorded on the Balance Sheet are valued based on the probability of receiving payment. Accounts receivable, which are not expected to be collected, are expensed during the financial year and reported net of receivables on the Balance Sheet. Receivables, the collection of which is not feasible or economically justified, are considered to be uncollectible and written-off from the Balance Sheet.

Financial statements are prepared in thousand of Estonian kroons (EEK)

Previously expensed receivables, which were collected during the financial year, are recorded on the same expense account as a reverse entry.

Liabilities with payment terms over one year after the balance sheet date are considered to be ***long-term liabilities***. Other liabilities are reported as ***short-term liabilities***.

Liabilities which have arisen during the financial year, or prior periods, which have a legal or contractual basis, which are expected to result in the outflow of resources, and which can be reliably measured, but for which the actual payment amount and payment date has not been definitely determined, are recorded as ***provisions*** on the Balance Sheet. Provisions are measured according to the management's estimates, and previous experience, and when necessary, the assessment of independent experts.

Borrowing costs are recognised as an expense during the period in which they were incurred.

In relation to the rendering of ***services***, revenue is recognized when no significant uncertainties remain concerning the derivation of consideration or associated costs.

In relation to ***the sale of goods***, revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding the derivation of consideration, associated costs, or the possible return of goods.

Interests, royalties and dividends arising from the use by others of the Group's resources by others are recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Interest income is recognized as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt. Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreement. Dividend income is recognized when the shareholder's right to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances with banks and liquid short-term investments.

Cash flows from operating activities are reported under the indirect method. ***Cash flows from investing and financing activities*** are reported based on gross receipts and disbursements made during the accounting period.

Restatement

At the end of 2002 income statement accounts were partly reclassified.
Respective changes have been made to first three months 2002 accounts to make them comparable as follows:

	Beginning balance 30 June 2002	Restatement	Restated balance 30 June 2002
Operating expenses			
Materials, consumables, supplies and services	(697,694)	(17,164)	(714,858)
Other operating expenses	(220,004)	17,164	(202,840)

In 2003 Estonia started transition to the new Accounting Law. The new law harmonizes Estonian "good accounting practices" with International Financial Reporting Standards. In connection with the transition, the structure of income statement has been amended. "Change in work-in-progress" and "Capitalized self-constructed assets" have been removed from "Revenue" to "Operating expenses". Comparison data in 2002 were recalculated correspondingly. As a result revenues and expenses decreased by 9 348 thousand kroons in income statement for I half of 2002.

In the opinion of the Company's Management Board, the financial statements give a true and fair view of the financial position of the Company.

These financial statements are not audited.

Financial statements are prepared in thousand of Estonian kroons (EEK)

2. Tangible and intangible assets

	Tangible assets	Intangible assets
At cost		
31 December 2001	**7,315,244**	**199,131**
Additions	185,544	11,697
Acquired on acquisition of a subsidiary	1,418	225
Disposals and write-off's (-)	(139,163)	(242)
30 June 2002	**7,363,043**	**210,811**
31 December 2002	**7,599,071**	**179,972**
Additions	127,151	1,164
Disposals and write-off's (-)	(72,474)	(19,640)
30 June 2003	**7,653,748**	**161,496**
Accumulated depreciation		
31 December 2001	**4,271,375**	**142,992**
Depreciation	488,530	23,300
Acquired on acquisition of a subsidiary	813	44
Disposals and write-off's (-)	(117,535)	(19)
30 June 2002	**4,643,183**	**166,317**
31 December 2002	**4,925,398**	**137,432**
Depreciation	438,725	11,053
Disposals and write-off's (-)	(70,635)	(19,276)
30 June 2003	**5,293,488**	**129,209**
Carrying amount		
30 June 2002	**2,719,860**	**44,494**
30 June 2003	**2,360,260**	**32,287**

Financial statements are prepared in thousand of Estonian kroons (EEK)

3. Investments in subsidiaries

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 June 2003	**30 June 2002**		
Elion Enterprises Ltd [1)]	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 [2)]	Estonia	100%	100%	Retail sales of telecommunication products and services	Elion Enterprises Ltd
AS Connecto [3)]	Estonia	51%	100%	Construction and maintenance of telecommunication networks	Elion Enterprises Ltd
SIA Connecto Latvia	Latvia	100%	100%	Construction and maintenance of telecommunication networks	AS Connecto
AS EMT	Estonia	100%	100%	Construction and operating of mobile networks, providing mobile communication services	AS Eesti Telekom
AS Esmofon	Estonia	100%	100%	Retail sales of telecommunication products and services	AS EMT
AS Esmofon Tartu [4)]	Estonia	100%	100%	Retail sales of telecommunication products and services	AS EMT
AS Mobile Wholesale	Estonia	100%	100%	Wholesale of mobile phones	AS EMT

[1)] On 30 June 2003, the Registration Department of Tallinn City Court renamed AS Eesti Telefon, a fully owned subsidiary of AS Eesti Telekom, Elion Ettevõtted Aktsiaselts (Elion Enterprises Limited). Company´s brand will be Elion in August.

[2)] Previously AS Telefonipood.

[3)] Estonian Competition Board gave approval to Elion Enterprises Ltd, a 100%-owned subsidiary of AS Eesti Telekom, to sell a 49% minority take in its 100% owned subsidiary AS Connecto, to ELTEL Networks Corporation.

On June 18 contracting parties executed the closing of the transaction and confirmed the price of the deal, which is 68 million kroons and the capital gain was booked in Q2 03 will be 59,5 million kroons. Elion Enterprises Ltd will stay as an active owner of Connecto, but ELTEL Netwoks has right to acquire 100% of the company shares after two years.

[4)] In accordance with the decision of the shareholders of AS Esmofon Tartu, made on 29 August 2002, operations of the company were terminated. The financial investment in the subsidiary is reflected as a short-term investment in its anticipated liquidation value of 13 thousand EEK.

Financial statements are prepared in thousand of Estonian kroons (EEK)

[5)] Connecto Ltd., which is 51%-owned subsidiary of Eesti Telekom's fully owned Elion Enterprises Ltd. (previously Eesti Telefon Ltd.), acquired all of the shares of Estonian telecommunication company Reveko Telekom Ltd. In accordance with the purchase and sale agreement, AS Connecto purchased 55% of the shares of Reveko Telekom from TeliaSonera and 45 percent of shares from Estonian private persons. The price of the deal is 14 million kroons.

4. Investments in associates

	Country of incorporation	Ownership interest		Principal activity	Owner
		30 June 2003	**30 June 2002**		
AS Intergate	Estonia	50%	50%	Venture capital investments into companies with innovative technologies	Elion Enterprises Ltd
AS Sertifitseerimiskeskus	Estonia	50%	50%	Providing certification and related services	Elion Enterprises Ltd – 25% AS EMT – 25%
EsData AS	Estonia	30%	30%	Internet and data communication services, VoiP long distance calls and equipment hosting services	AS Eesti Telefon
OÜ Voicecom	Estonia	26%	26%	Designing and providing software for mobile related services	AS EMT

5. Inventories

In I half year 2003, the inventories were impaired and were therefore written off in the total amount of 398 thousand kroons based on the estimated decline of the realisation value below their acquisition cost.

6. Borrowings

	30 June 2003	**31 Dec 2002**
Current	22,376	35,706
Non-current	15,351	19,761
	37,727	**55,467**

The movements in the borrowings can be analyzed as follows:

Opening balance 31 Dec 2002	**55,467**
Proceeds from borrowings	240
Repayments of borrowings	(17,660)
Other movements	(320)
Closing balance 30 June 2003	**37,727**

Financial statements are prepared in thousand of Estonian kroons (EEK)

7. Equity

(a) Share capital

	30 June 2003	30 June 2002
Share capital issued		
Ordinary shares par value 10 EEK per share, fully paid		
At beginning of period	137,383,178	137,383,178
Share issue	261,250	-
At end of period	137,644,428	137,383,178
Preference share par value 1.000 EEK	[illegible]	[illegible]
	137,644,429	137,383,179

The extraordinary general meeting of shareholders of AS Eesti Telekom held on 15 December 2000 approved the issuing of up to 85,000 convertible bonds, including the issuing of up to 42,500 A-series and 42,500 B-series bonds within the framework of the Eesti Telekom Group's employee incentive system. A resolution passed at the same meeting ruled out AS Eesti Telekom shareholders' pre-emptive right to subscribe the convertible bonds to be issued.

During the initial subscription of convertible bonds that took place from 18 December 2000 to 5 January 2001, 144 employees of the group subscribed 20,750 A-series and 20,750 B-series bonds. The Management Board of AS Eesti Telekom accepted all subscription applications. An additional 21,750 A-series and 21,750 B-series bonds were issued until 1 May 2003, and the total numbers of bonds outstanding as of 1 June 2003 were 41,625 A-series and 41,625 B-series.

In accordance with the "AS Eesti Telekom terms for the issue of convertible bonds", an owner of A-series bond was entitled to (i) redeem a bond and exchange it for 10 Eesti Telekom A-series shares, which have a nominal value of 10 kroons each and a subscription price of 90.62 kroons, or (ii) redeem a bond and exchange it for a sum of money (the bond's nominal value 10 kroons plus accumulated interest of 7% per annum).

On 4 June 2003 the Management Board of AS Eesti Telekom approved the results of the subscription period that lasted from 2 May to 2 June 2003. During the said period, applications were received for the exchange of 26,125 bonds for 261,250 AS Eesti Telekom A-series shares. The Management Board of AS Eesti Telekom approved the subscription list, and will submit an application to the registry department of the Tallinn City Government for the registration of 261,250 A-series shares with a nominal value of 10 kroons and an issue price of 90.62 kroons, i.e. an issue premium of 80.62 kroons. The shares issued are in all respects equivalent to the existing AS Eesti Telekom A-series shares. The new shares entitle shareholders to dividends as of the 2003 financial year. The resolution passed at the extraordinary general meeting of shareholders held on 15 December 2000 rules out AS Eesti Telekom shareholders' pre-emptive right to subscribe the issued AS Eesti Telekom A-series shares under the conditions for convertible bonds.

The total number of AS Eesti Telekom A-shares after the emission of the new shares will be 137,644,428 and share capital 1,376,445,280 kroons.

A-shares are distributed between the main groups of shareholders as follows:

Republic of Estonia	37 485 000 shares	(27,23%)
Public investors	32 841 672 shares	(23,86%)
TeliaSonera AB:		
Telia AB	16 142 523 shares	(11,73%)
Sonera Holding B.V.	16 142 523 shares	(11,73%)
Baltic Tele AB	35 032 710 shares	(25,45%)

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 the general meetings of the shareholders of the parent company.

The company has issued one preference share. The holder of the preference share is entitled to a preference dividend of 10,000 EEK, and one vote at the shareholders' general meeting.

(b) Reserves

Reserves include:

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

(c) Dividends

The Annual General Meeting of the shareholders of AS Eesti Telekom took place on 22 May 2003. It was decided to pay dividends in the total amount 824,309 thousand kroons: 6.00 EEK per ordinary share as dividends to the holders of ordinary shares and 10,000 EEK to the holder of preference share. The list of shareholders on bases of which dividends were distributed was fixed on 10 June 2003 at 8.00 and dividends were paid on 19 June 2003.

(d) Re-acquiring of shares

The AGM, on May 22, 2003, authorized AS Eesti Telekom to acquire within one year from the adoption of this resolution (i.e. until 22 May 2004; the same authority, which was obtained from last Annual General Meeting on 17 May 2002, terminated on 17 May 2003) AS Eesti Telekom shares of A-series so that the total of nominal values of own shares held by AS Eesti Telekom would not exceed the limit set by law, 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 2003, no shares have been re-acquired by AS Eesti Telekom.

(e) Employees' share option

As of 30 June 2003, 41,625 B-series bonds had been issued with the issue price of 10.00 EEK per bond, which can be exchanged for 416,250 AS Eesti Telekom ordinary shares in 2004. The subscription price of the shares is 90.62 EEK. Each bond shall bear interest on its nominal amount at the rate of 7% per annum.

(f) Earnings per share

The calculation of basic earnings per share is the following:

<u>6 months 2003</u>: EEK 3.22 = (443,065,000 – 10,000) : ((137,383,178 x 5/6) + (137,644,428 x 1/6))

<u>6 months 2002</u>: EEK 3.48 = (478,766,000 – 10,000) : 137,383,178

The calculation of diluted earnings per share is the following:

<u>6 months 2003</u>: EEK 3.22 = (443,065,000 – 10,000) : ((137,383,178 x 5/6) + (137,644,428 x 1/6) + + ((261,250 – (261,250 x 90.62/92.32)) x 5/6) + ((416,250 – (416,250 x 90.62/92.32)) x 6/6))

<u>6 months 2002</u>: In view of the fact that in the six months of 2002 the average price of the shares of AS Eesti Telekom at the Estonian Central Depository for Securities was 78.51 EEK, the options relating to the bonds do not have a dilutive effect and diluted earnings per share equal basic earnings per share.

(g) Share information

AS Eesti Telekom shares are quoted in the main list of the Tallinn Stock Exchange and in the main list of GDR-s on the London Stock Exchange. Each GDR (Global Depositary Receipts) represents three ordinary shares. On February 25, 2002 the Tallinn Stock Exchange adopted the HEX trading system. AS Eesti Telekom shares have been traded according to the HEX system since that date. AS Eesti Telekom GDR-s have been traded according to the International Order Book system since March 18, 2002.

The highest price of an AS Eesti Telekom share on the Tallinn Stock Exchange, during the period under review, was 113.13 EEK; the lowest price was 80.42 EEK, and the average price was 92.32 EEK per share.

7. Segment information

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

Eesti Telekom Group activities have been divided into three segments: fixed network telecommunications, mobile telecommunications, and other activities.

Fixed network telecommunications – this segment deals with operating the national telecommunications network, with providing fixed telecommunication services and related value added services and to provide, produce, market and sell related services. The companies belonging to this segment group are Elion Enterprises Ltd, AS Elion Esindus, AS Connecto and SIA Connecto Latvia.

Mobile telecommunications – this segment deals with operating mobile networks and systems, and with producing, marketing and selling services related thereto. The companies belonging to this segment group are AS EMT, AS Esmofon, AS Esmofon Tartu, AS Mobile Wholesale.

Other activities – this segment covers the activities of the parent company AS Eesti Telekom.

Segment expense is expense resulting from the operating activities and is directly attributable to the segment. Segment expense does not include extraordinary items, interest, or income tax expense.

Segment gross profit is segment revenue less segment expense. Segment gross profit is determined before any adjustments for minority interest.

Segment assets are those operating assets that are operatively employed and that are directly attributable to the segment.

Segment liabilities are those directly attributable to the segment.

Capital expenditure represents total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, and equipment, and intangible assets).

The segment turnovers presented in the report represent the inter-company income and expenses of the three segments. The inter-company turnovers of the companies belonging to the same segment have not been presented in this report.

Inter-company transactions were conducted under market terms.

Financial statements are prepared in thousand of Estonian kroons (EEK)

a) Business segments

	Fixed network telecommunications		Mobile telecommunications		Other operations		Eliminations		Consolidated	
	6 months 2003	**6 months 2002 Restated**	**6 months 2003**	**6 months 2002**	**6 months 2003**	**6 months 2002**	**6 months 2003**	**6 months 2002**	**6 months 2003**	**6 months 2002 Restated**
Revenue										
Net sales	1,145,799	1,188,375	1,130,469	1,007,598	-	-	-	-	2,276,268	2,195,973
Other revenue	11,720	59,363	5,443	6,847	8	55	-	-	17,171	66,265
Inter-segment revenue	78,319	68,857	156,720	149,463	20	60	(235,059)	(218,380)	-	-
Total revenue	**1,235,838**	**1,316,595**	**1,292,632**	**1,163,908**	**28**	**115**	**(235,059)**	**(218,380)**	**2,293,439**	**2,262,238**
Operating expenses										
Change in work-in-progress	1,493	3,501	-	-	-	-	-	-	1,493	3,501
Capitalized self-constructed assets	7,934	5,847	-	-	-	-	1,438	-	9,372	5,847
Materials, consumables, supplies and services	(253,879)	(304,536)	(461,285)	(410,322)	-	-	-	-	(715,164)	(714,858)
Other operating expenses	(167,363)	(142,524)	(44,172)	(54,066)	(5,157)	(6,250)	-	-	(216,692)	(202,840)
Personnel expenses	(200,134)	(193,307)	(53,390)	(49,916)	(4,562)	(3,557)	-	-	(258,086)	(246,780)
Other expenses	(5,995)	(9,236)	(4,635)	(6,768)	(1,192)	(1,074)	-	-	(11,822)	(17,078)
Inter-segment expenses	(156,675)	(149,424)	(76,646)	(68,853)	(126)	(103)	233,447	218,380	-	-
Total expenses	**(774,619)**	**(789,679)**	**(640,128)**	**(589,925)**	**(11,037)**	**(10,984)**	**234,885**	**218,380**	**(1,190,899)**	**(1,172,208)**
EBITDA	**461,219**	**526,916**	**652,504**	**573,983**	**(11,009)**	**(10,869)**	**(174)**	**-**	**1,102,540**	**1,090,030**
Depreciation and amortization	(275,138)	(338,449)	(174,523)	(172,788)	(634)	(678)	517	85	(449,778)	(511,830)
EBIT	**186,081**	**188,467**	**477,981**	**401,195**	**(11,643)**	**(11,547)**	**343**	**85**	**652,762**	**578,200**
Income/ (expenses) from subsidiaries and associated companies	58,122	(1,938)	(512)	(1,575)	453,959	578,242	(453,959)	(578,242)	57,610	(3,513)
Other net financing items	841	(12,964)	8,468	4,904	9,406	5,799	-	-	18,715	(2,261)
Income tax on dividends	(66,670)	-	(210,811)	-	(8,541)	(93,660)	-	-	(286,022)	(93,660)
Net profit	**178,374**	**173,565**	**275,126**	**404,524**	**443,181**	**478,834**	**(453,616)**	**(578,157)**	**443,065**	**478,766**

Financial statements are prepared in thousand of Estonian kroons (EEK)

b) Other information by segments

	Fixed network telecommunications		Mobile telecommunications		Other operations		Eliminations		Consolidated	
	6 months 2003	**6 months 2002**	**6 months 2003**	**6 months 2002**	**6 months 2003**	**6 months 2002**	**3 months 2003**	**6 months 2002**	**6 months 2003**	**6 months 2002**
Non-current assets (except investments in subsidiaries and associates)	1,444,420	1,749,711	952,044	1,016,075	3,008	303,004	(1,923)	(296,024)	2,397,549	2,772,766
Investments in subsidiaries and associates	17,757	19,259	3,903	5,078	2,935,075	2,716,996	(2,935,075)	(2,716,996)	21,660	24,337
Current assets	636,448	583,765	658,123	347,956	688,602	480,345	(45,972)	(172,571)	1,937,201	1,239,495
Total assets	**2,098,625**	**2,352,735**	**1,614,070**	**1,369,109**	**3,626,685**	**3,500,345**	**(2,982,970)**	**(3,185,591)**	**4,356,410**	**4,036,598**
Owners' equity	1,720,605	1,629,267	1,216,268	1,088,575	3,542,681	3,338,568	(2,936,998)	(2,717,842)	3,542,556	3,338,568
Minority interest	9,491	-	-	-	-	-	-	-	9,491	-
Non-current liabilities	8,011	323,056	7,340	7,991	-	239	-	(295,178)	15,351	36,108
Current liabilities	360,518	400,412	390,462	272,543	84,004	161,538	(45,972)	(172,571)	789,012	661,922
Total equity and liabilities	**2,098,625**	**2,352,735**	**1,614,070**	**1,369,109**	**3,626,685**	**3,500,345**	**(2,982,970)**	**(3,185,591)**	**4,356,410**	**4,036,598**
Cash flow from operating activities	350,699	340,700	640,461	547,048	56,941	53,207	15,443	17,589	1,063,544	958,544
Cash flow used in capital expenditure	(62,079)	(104,576)	(65,951)	(92,085)	(459)	(18)	174	-	(128,315)	(196,679)
Cash flow from / used in other investing activities	82,022	67,164	9,086	4,208	1,147,974	860,186	(1,137,942)	(856,074)	101,140	75,484
Cash flow from / used in financing activities	(540,722)	(208,755)	(598,857)	(648,219)	(801,062)	(755,593)	1,122,325	838,485	(818,316)	(774,082)
Effect of foreign exchange rate changes	(64)	(856)	(70)	(22)	(59)	(7,825)	-	-	(193)	(8,703)
Net change in cash and cash equivalents	**(170,144)**	**93,677**	**(15,331)**	**(189,070)**	**403,335**	**149,957**	**-**	**-**	**217,860**	**54,564**

c) Net sales by geographic area

	Fixed network telecommunications		Mobile telecommunications		Consolidated	
	6 months 2003	**6 months 2002**	**6 months 2003**	**6 months 2002**	**6 months 2003**	**6 months 2002**
Net sales to customers in Estonia	1,029,565	1,053,933	1,085,538	964,655	2,115,103	2,018,588
Net sales to customers outside Estonia	116,234	134,442	44,931	42,943	161,165	177,385
Total	**1,145,799**	**1,188,375**	**1,130,469**	**1,007,598**	**2,276,268**	**2,195,973**