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, mEUR	**76**	78	-2	**147**	145	1
EBITDA, mEUR	**36**	37	-4	**70**	70	1
EBITDA margin, %	**47**	48		**48**	48	
EBIT, mEUR	**22**	21	4	**42**	37	13
EBIT margin, %	**29**	27		**28**	26	
Profit before taxes, mEUR	**26**	21	27	**47**	37	27
Net profit for the period, mEUR	**26**	15	77	**28**	31	-7
EPS, EUR	**0.19**	0.11	77	**0.21**	0.22	-7
CAPEX, mEUR	**5**	7	-27	**8**	13	-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 76 mln EUR, showing a decrease of 2% compared to the same period in 2002. Operating expenses of the second quarter were down by 1%, amounting to 40 mln EUR. The EBITDA of the Group was 36 mln EUR and the EBITDA margin 47%. A decrease in the second quarter consolidated revenues and EBITDA was caused by a 3.5 mln EUR 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 3.5 mln EUR 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 4 mln EUR in the second quarter of 2003. This amount includes a capital gain of 3.8 mln EUR 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 26 mln EUR or 0.19 EUR per share. Corresponding figures in the second quarter of 2002 were 15 mln EUR and 0.11 EUR 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 17 mln EUR for the second quarter of 2002, and 22 mln EUR for the second quarter of 2003.

During the first six months of 2003, consolidated revenues of the Eesti Telekom Group amounted to 147 mln EUR, showing an increase of 1% compared to the first six months of 2002. Operating expenses were 76 mln EUR, up by 2%. The EBITDA of the Group amounted to 70 mln EUR. 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 28 mln EUR or 0.21 EUR per share. Corresponding figures for the first half-year of 2002 were 31 mln EUR and 0.22 EUR per share.

At the end of June 2003, the total assets of the Eesti Telekom Group amounted to 278 mln EUR (in December 2002, 284 mln EUR). Tangible assets were reduced, from the beginning of the year, by 21 mln EUR. Current assets were enlarged by 15 mln EUR. This enlargement was mainly the result of an increase of cash and cash equivalents by 14 mln EUR. At the end of June 2003, the Group's non-current debt amounted to 0.9 mln EUR and current debt amounted to 1.4 mln EUR (in December 2002, 1.3 mln EUR and 2.3 mln EUR respectively). By the end of the period, the net debt of the Group amounted to –73 mln EUR, and net gearing was –32%. Other current liabilities of the Group were up by 18 mln EUR, including a 25 mln EUR 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 14 mln EUR during the first six months of 2003. The net operating cash flow was 68 mln EUR (during the corresponding 6 months of 2002, 61 mln EUR). Cash outflow into investments was essentially smaller than a year ago: 2 mln EUR in 2003 (incl. 4 mln EUR from sales of the minority ownership in AS Connecto), 8 mln EUR in 2002. The cash outflow into financing was 52 mln EUR, including 53 mln EUR paid as dividends (during the corresponding 6 months of 2002, 49 mln EUR, including 48 mln EUR paid as dividends).

Fixed communications

	Q2 2003	Q2 2002	Change %	**HY1 2003**	HY1 2002	Change %
Total revenues, mEUR	**40**	45	-10	**79**	84	-6
EBITDA, mEUR	**15**	18	-18	**29**	34	-12
EBITDA margin, %	**36**	40		**37**	40	
EBIT, mEUR	**6**	7	-14	**12**	12	-1
EBIT margin, %	**15**	16		**15**	14	
Profit before taxes, mEUR	**10**	7	48	**16**	11	41
Net profit for the period, mEUR	**10**	7	50	**11**	11	3
CAPEX, mln EUR	**3**	4	-38	**4**	7	-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 40 mln EUR, showing a decrease of 10% compared to the same period in 2002. Operating expenses of the second quarter were down by 5%, amounting to 26 mln EUR. The EBITDA of the Group was 15 mln EUR 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 3.5 mln EUR. 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 10 mln EUR, 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 3.8 mln EUR. 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 3 mln EUR for the second quarter of 2002 and 6 mln EUR 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 2 mln EUR 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 0.1 mln EUR (in the second quarter of 2002, -0.4 mln EUR).

The consolidated revenues of the Elion Enterprise Group, during the first six months of 2003, amounted to 79 mln EUR, down by 6% compared to the same period in 2002. Operating expenses during the period amounted to 50 mln EUR, down by 2%. The EBITDA of the Group was 29 mln EUR 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 4 mln EUR in its six-month income statement. The net profit of the Elion Enterprises Group for the six-month period was 11 mln EUR, up by 3% compared to the same period in 2002.

The Elion Enterprises Group invested 4 mln EUR during the first half-year of 2003 (in the first six months of 2002, 7 mln EUR). 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 4 mln EUR 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, mEUR	**44**	40	9	**83**	74	11
EBITDA, mEUR	**22**	20	9	**42**	37	14
EBITDA margin, %	**50**	50		**50**	49	
EBIT, mEUR	**16**	14	13	**31**	26	19
EBIT margin, %	**37**	36		**37**	34	
Profit before taxes, mEUR	**16**	14	14	**31**	26	20
Net profit for the period, mEUR	**16**	14	14	**18**	26	-32
CAPEX, mln EUR	**3**	3	-9	**4**	6	-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 44 mln EUR, 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 28 EUR (in June 2002, 29 EUR; in December 2002, 27 EUR).

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 22 mln EUR. The EBITDA of the second quarter was 22 mln EUR, up by 9%. The EBITDA margin reached 50%. The net profit of the EMT Group was 16 mln EUR, 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 83 mln EUR, up by 11% compared to the same period in 2002. Operating expenses of the period amounted to 41 mln EUR, up by 9%. The EBITDA of the Group was 42 mln EUR 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 13 mln EUR in its six-month income statement. The net profit of the EMT Group for the six-month period was 18 mln EUR.

The EMT Group invested 4 mln EUR during the first half-year of 2003 (during the first six months of 2002, 6 mln EUR). 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 4.5 mln EUR per license. The second stage will be an auction of the licenses not issued during the first stage, with an initial price of 4.5 mln EUR 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 0.64 EUR and an issue price of 5.79 EUR, i.e. an issue premium of 5.15 EUR. 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 87,970,662 EUR. 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 0.64 EUR plus the accumulated interest, based upon an interest rate of 7% per annum.

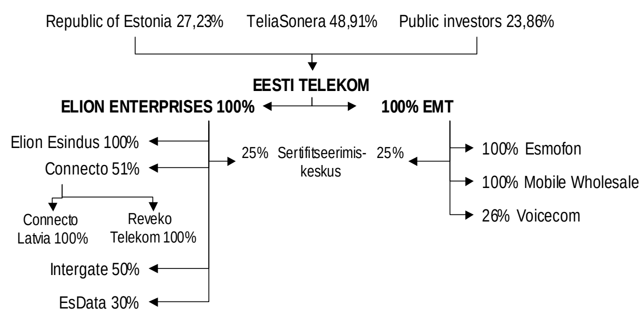
Changes in structure of the Eesti Telekom Group

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 4.3 mln EUR, and the capital gain declared in the second quarter was 3.8 mln EUR. 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 0.9 mln EUR. 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 2.3 mln EUR and in 2002 has a profit of 0.1 mln EUR. 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 0.38 EUR per share be paid to the holders of A shares, and 639 EUR per share to the holders of B shares. It was decided that a total of 53 mln EUR 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

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
QUARTERLY DATA
mln EUR

	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003
Total revenues	77,6	71,9	74,9	70,7	75,9
Total expenses	40,3	36,1	44,2	36,2	39,9
EBITDA	37,3	35,9	30,7	34,5	36,0
margin	*48%*	*50%*	*41%*	*49%*	*47%*
Depreciation and amortization	16,3	15,8	15,5	14,6	14,1
EBIT	21,0	20,1	15,2	19,9	21,8
margin	*27%*	*28%*	*20%*	*28%*	*29%*
Income from associates	-0,1	-0,1	0,0	0,0	0,0
Other net income	-0,3	0,2	0,4	0,5	4,4
Profit before taxes	20,6	20,2	15,5	20,4	26,2
Income tax on dividends	-6,0	0,2	0,0	-17,9	-0,4
Net profit for the period	14,6	20,3	15,5	2,5	25,8
Operating cash flow	37,2	28,7	31,5	29,1	38,9
Investments	-3,2	-8,4	-18,0	-2,0	0,3
Cash flow before dividends and loan repayments	34,0	20,4	13,4	27,0	39,2
Dividends	-48,3	0,0	0,0	0,0	-52,7
Loan repayments	-0,4	-1,1	-4,2	-0,9	-0,3
Issue of shares	0,0	0,0	0,0	0,0	1,5
Net change in cash	-14,6	19,3	9,2	26,2	-12,2
Total assets	258,0	267,8	283,9	296,6	278,4
- current assets	79,2	95,2	108,5	133,3	123,8
- cash and cash equivalents	33,2	52,3	61,5	87,8	75,5
- non-current assets	178,8	172,6	175,4	163,4	154,6
Total equity	213,4	233,7	249,3	251,8	226,4
Minority interests	0,0	0,0	0,0	0,0	0,6
Total liabilities	44,6	34,1	34,6	44,9	51,4
- ST loans	5,3	6,2	2,3	1,4	1,4
- LT loans	2,3	1,5	1,3	1,3	1,0

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
INCOME STATEMENT

Financial statements are prepared in thousands of euros kroons (EUR)

	Notes	6 mths to 30 June 2003	6 mths to 30 June 2002 Restated	2002 Restated
Revenues				
Net sales		145,480	140,348	285,513
Other revenues		1,097	4,234	5,863
Total revenues		**146,577**	**144,582**	**291,376**
Operating expenses				
Change in work-in-progress		95	224	55
Capitalized self-constructed assets		599	374	4,179
Materials, consumables, supplies and services		(45,706)	(45,688)	(96,107)
Other operating expenses		(13,849)	(12,964)	(27,792)
Personnel expenses		(16,495)	(15,772)	(32,787)
Other expenses		(756)	(1,091)	(2,735)
Total operating expenses		**(76,112)**	**(74,917)**	**(155,187)**
Profit from operations before depreciation		**70,465**	**69,665**	**136,189**
Depreciation and amortisation	**2**	(28,746)	(32,712)	(63,941)
Profit from operations		**41,719**	**36,953**	**72,248**
Financial income / (expenses) from subsidiaries and associates		3,682	(224)	(329)
Other net financing items		1,196	(144)	411
Profit before tax		**46,597**	**36,585**	**72,330**
Income tax on dividends		(18,280)	(5,986)	(5,835)
Net profit for the period		**28,317**	**30,599**	**66,495**
Earning per share	**7 (f)**			
Basic earning per share (in euros)		0.21	0.22	0.48
Diluted earning per share (in euros)		0.21	0.22	0.48

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
BALANCE SHEET
Financial statements are prepared in thousands of euros (EUR)

	Notes	30 June 2003	31 Dec 2002	30 June 2002
ASSETS				
Non-current assets				
Property, plant and equipment	**2**	150,848	170,879	173,830
Goodwill	**2**	125	236	597
Licenses, patents and trademarks	**2**	1,939	2,483	2,247
Investments in subsidiaries and associates	**3, 4**	1,384	1,451	1,555
Other investments		173	173	176
Other non-current assets		146	130	362
Total non-current assets		**154,615**	**175,352**	**178,767**
Current assets				
Inventories	**5**	7,024	5,971	6,652
Trade receivables		28,267	27,504	30,009
Other receivables		13,045	13,483	9,401
Cash and cash equivalents		75,473	61,549	33,156
Total current assets		**123,809**	**108,507**	**79,218**
TOTAL ASSETS		**278,424**	**283,859**	**257,985**
EQUITY AND LIABILITIES				
Equity	**7**			
Issued capital		87,971	87,804	87,804
Reserves		29,937	28,591	28,591
Translation reserve		(2)	(2)	4
Retained earnings		80,187	66,375	66,375
Net profit for the period		28,317	66,495	30,599
Total equity		**226,410**	**249,263**	**213,373**
Minority interest		607		-
Non-current liabilities				
Interest-bearing loans and borrowings – due after one year	**6**	981	1,263	2,308
Current liabilities				
Trade payables		9,744	15,648	8,362
Other current liabilities		11,901	12,536	14,037
Tax liabilities		26,498	1,825	13,795
Interest-bearing loans and borrowings – due within one year	**6**	1,430	2,282	5,319
Provisions		853	1,042	791
Total current liabilities		**50,426**	**33,333**	**42,304**
TOTAL EQUITY AND LIABILITIES		**278,424**	**283,859**	**257,985**

EESTI TELEKOM

AS EESTI TELEKOM AND SUBSIDIARY COMPANIES
CASH FLOW STATEMENT
Financial statements are prepared in thousands of euros (EUR)

	Notes	6 mths to 30 June 2003	6 mths to 30 June 2002 Restated
Operating activities			
Profit operations		41,719	36,953
Adjustments for:			
Depreciation and amortisation	**2**	28,746	32,712
(Profit) / loss from sales and write-off of fixed assets		(545)	(3,368)
Operating cash flow before movements in working capital		69,920	66,297
Change in current receivables		(503)	(4,727)
Change in inventories		(1,053)	65
Change in current liabilities		(352)	(115)
Cash generated by operations		68,012	61,520
Interest paid		(40)	(259)
Net cash from operating activities		**67,972**	**61,261**
Investing activities			
Purchase of property, plant and equipment		(8,126)	(11,858)
Purchase of licenses		(74)	(712)
Proceeds from sales of property, plant and equipment		669	4,761
Proceeds from sales of subsidiaries		4,355	-
Acquisition of associates		-	(639)
Loans granted		(32)	(8)
Cash receipt from repayment of loans		3	2
Dividends received		-	6
Interest received		1,470	703
Net cash used in investing activities		**(1,735)**	**(7,745)**
Financing activities			
Proceeds from long-term convertible debt	**6**	-	2
Repayment of long-term convertible debt	**6**	(11)	-
Proceeds from nonconvertible long-term debt	**6**	15	79
Repayment of nonconvertible long-term debt	**6**	(374)	(242)
Repayment of long-term borrowings	**6**	(744)	(1,019)
Shares issues (Rights Offering)	**7 (a)**	1,496	-
Dividends paid	**7 (c)**	(52,683)	(48,293)
Net cash used in financing activities		**(52,301)**	**(49,473)**
Net increase in cash and cash equivalents		**13,936**	**4,043**
Cash and cash equivalents at beginning of year		**61,549**	**29,669**
Effect of foreign exchange rate changes		(12)	(556)
Cash and cash equivalents at end of period		**75,473**	**33,156**

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

	Notes	Issued capital	Reserves		Translation reserve	Retained earnings	Net profit for the period	TOTAL
			Share premium	Statutory legal reserve				
31 December 2001		**87,804**	**19,810**	**8,781**	**-**	**64,885**	**49,783**	**231,063**
Net profit for the 2001 transferred to retained earnings		-	-	-	-	49,783	(49,783)	-
Exchange differences arising from translation of foreign operations		-	-	-	4	-	-	4
Dividends paid		-	-	-	-	(48,293)	-	(48,293)
Net profit for the period		-	-	-	-	-	30,599	30,599
30 June 2002		**87,804**	**19,810**	**8,781**	**4**	**66,375**	**30,599**	**213,373**
31 December 2002		**87,804**	**19,810**	**8,781**	**(2)**	**66,375**	**66,495**	**249,263**
Net profit for the 2002 transferred to retained earnings		-	-	-	-	66,495	(66,495)	-
Exchange differences arising from translation of foreign operations		-	-	-	-	-	-	-
Dividends paid	**7 (c)**	-	-	-	-	(52,683)	-	(52,683)
Share issues	**7 (a)**	167	1,346	-	-	-	-	1,513
Net profit for the period		-	-	-	-	-	28,317	28,317
30 June 2003		**87,971**	**21,156**	**8,781**	**(2)**	**80,187**	**28,317**	**226,410**

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

The consolidated interim financial statements for the three 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.

The consolidated financial statements are presented in thousands of euros, unless indicated otherwise. The Group's measurement currency is Estonian kroon. The consolidated financial statements are presented in euros as in reporting of the Group for informational purposes. In translation from kroon to euro the same exchange rate is used throughout the consolidated financial statements, as kroon is pegged to euro with fixed exchange rate of 15.64664 kroons per euro.

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 euros (EUR)

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 639 EUR 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 euros (EUR)

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	(44,591)	(1,097)	(45,688)
Other operating expenses	(14,061)	1,097	(12,964)

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 1,097 thousand euros 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 euros (EUR)

2. Tangible and intangible assets

	Tangible assets	Intangible assets
At cost		
31 December 2001	**467,527**	**12,727**
Additions	11,858	748
Acquired on acquisition of a subsidiary	91	14
Disposals and write-off's (-)	(8,893)	(16)
30 June 2002	**470,583**	**13,473**
31 December 2002	**485,667**	**11,503**
Additions	8,126	74
Disposals and write-off's (-)	(4,631)	(1,255)
30 June 2003	**489,162**	**10,322**
Accumulated depreciation		
31 December 2001	**272,989**	**9,138**
Depreciation	31,223	1,489
Acquired on acquisition of a subsidiary	52	3
Disposals and write-off's (-)	(7,511)	(1)
30 June 2002	**296,753**	**10,629**
31 December 2002	**314,788**	**8,784**
Depreciation	28,040	706
Disposals and write-off's (-)	(4,514)	(1,232)
30 June 2003	**338,314**	**8,258**
Carrying amount		
30 June 2002	**173,830**	**2,844**
30 June 2003	**150,848**	**2,064**

Financial statements are prepared in thousand of euros (EUR)

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 4.3 million euros and the capital gain was booked in Q2 03 will be 3,8 million euros. 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.

Financial statements are prepared in thousand of euros (EUR)

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 1 thousand EUR.

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 percent of the shares of Reveko Telekom from TeliaSonera and 45 percent of shares from Estonian private persons. The price of the deal is 0.9 million euros.

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	Elion Enterprises Ltd
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 25 thousand euros based on the estimated decline of the realisation value below their acquisition cost.

6. Borrowings

	30 June 2003	**31 Dec 2002**
Current	1,430	2,282
Non-current	981	1,263
	2,411	**3,545**

The movements in the borrowings can be analyzed as follows:

Opening balance 31 Dec 2002	**3,545**
Proceeds from borrowings	15
Repayments of borrowings	(1,129)
Other movments	(20)
Closing balance 30 June 2003	**2,411**

Financial statements are prepared in thousand of euros (EUR)

7. Equity

(a) Share capital

	30 June 2003	30 June 2002
Share capital issued		
Ordinary shares par value 0.64 EUR 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 63.91 EUR per share, fully paid	1	1
	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 0.64 euros each and a subscription price of 5.79 euros, or (ii) redeem a bond and exchange it for a sum of money (the bond's nominal value 0.64 euros 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 5.79 euros, i.e. an issue premium of 5.15 euros. 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 87,970,662 euros.

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 639.11 EUR, 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 52,683 EUR : 0.38 EUR per ordinary share as dividends to the holders of ordinary shares and 639.11 EUR 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 0.64 EUR per bond, which can be exchanged for 416,250 AS Eesti Telekom ordinary shares in 2004. The subscription price of the shares is 5.79 EUR. 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>: EUR 0.21 = (28,317,000 – 639.11) : ((137,383,178*5 + 137,644,428)/6)

<u>6 months 2002</u>: EUR 0.22 = (30,599,000 – 639.11) : 137,383,178

The calculation of diluted earnings per share is the following:

<u>6 months 2003</u>: EUR 0.21 = (28,317,000 – 639.11) : ((137,383,178 x 5/6) + (137,644,428 x 1/6) + + ((261,250 – (261,250 x 5.79/5.90)) x 5/6) + ((416,250 – (416,250 x 5.79/5.90)) 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 5.02 EUR, 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 7.23 EUR; the lowest price was 5.14 EUR, and the average price was 5.90 EUR 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 euros (EUR)

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	73,230	75,951	72,250	64,397	-	-	-	-	145,480	140,348
Other revenue	748	3,792	348	438	1	4	-	-	1,097	4,234
Inter-segment revenue	5,006	4,401	10,016	9,552	1	4	(15,023)	(13,957)	-	-
Total revenue	**78,984**	**84,144**	**82,614**	**74,387**	**2**	**8**	**(15,023)**	**(13,957)**	**146,577**	**144,582**
Operating expenses										
Change in work-in-progress	95	224	-	-	-	-			95	224
Capitalized self-constructed assets	507	374	103	-	-	-	(11)		599	374
Materials, consumables, supplies and services	(16,225)	(19,463)	(29,481)	(26,225)	-	-			(45,706)	(45,688)
Other operating expenses	(10,696)	(9,110)	(2,823)	(3,455)	(330)	(399)			(13,849)	(12,964)
Personnel expenses	(12,791)	(12,355)	(3,412)	(3,190)	(292)	(227)			(16,495)	(15,772)
Other expenses	(384)	(589)	(296)	(433)	(76)	(69)			(756)	(1,091)
Inter-segment expenses	(10,013)	(9,550)	(5,002)	(4,400)	(8)	(7)	15,023	13,957	-	-
Total expenses	**(49,507)**	**(50,469)**	**(40,911)**	**(37,703)**	**(706)**	**(702)**	**15,012**	**13,957**	**(76,112)**	**(74,917)**
EBITDA	**29,477**	**33,675**	**41,703**	**36,684**	**(704)**	**(694)**	**(11)**	**-**	**70,465**	**69,665**
Depreciation and amortization	(17,585)	(21,631)	(11,154)	(11,043)	(40)	(43)	33	5	(28,746)	(32,712)
EBIT	**11,892**	**12,044**	**30,549**	**25,641**	**(744)**	**(737)**	**22**	**5**	**41,719**	**36,953**
Income/ (expenses) from subsidiaries and associated companies	3,715	(123)	(33)	(101)	29,013	36,956	(29,013)	(36,956)	3,682	(224)
Other net financing items	54	(828)	541	314	601	370			1,196	(144)
Income tax on dividends	(4,261)	-	(13,473)	-	(546)	(5,986)			(18,280)	(5,986)
Net profit	**11,400**	**11,093**	**17,584**	**25,854**	**28,324**	**30,603**	**(28,991)**	**(36,951)**	**28,317**	**30,599**

Financial statements are prepared in thousand of euros (EUR)

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**	**6 months 2003**	**6 months 2002**	**6 months 2003**	**6 months 2002**
Non-current assets (except investments in subsidiaries and associates)	92,315	111,828	60,847	64,938	192	19,366	(123)	(18,920)	153,231	177,212
Investments in subsidiaries and associates	1,135	1,230	249	325	187,585	173,647	(187,585)	(173,647)	1,384	1,555
Current assets	40,676	37,309	42,062	22,238	44,009	30,700	(2,938)	(11,029)	123,809	79,218
Total assets	**134,126**	**150,367**	**103,158**	**87,501**	**231,786**	**223,713**	**(190,646)**	**(203,596)**	**278,424**	**257,985**
Owners' equity	**109,966**	**104,129**	**77,734**	**69,572**	**226,418**	**213,373**	(187,708)	(173,701)	**226,410**	**213,373**
Minority interset	607	-	-	-	-	-			607	-
Non-current liabilities	512	20,647	469	511	-	16	-	(18,866)	981	2,308
Current liabilities	23,041	25,591	24,955	17,418	5,368	10,324	(2,938)	(11,029)	50,426	42,304
Total equity and liabilities	**134,126**	**150,367**	**103,158**	**87,501**	**231,786**	**223,713**	**(190,646)**	**(203,596)**	**278,424**	**257,985**
Cash flow from operating activities	22,414	21,775	40,932	34,962	3,639	3,400	987	1,124	67,972	61,261
Cash flow used in capital expenditure	(3,967)	(6,684)	(4,215)	(5,885)	(29)	(1)	11	-	(8,200)	(12,570)
Cash flow from / used in other investing activities	5,243	4,293	581	269	73,368	54,976	(72,727)	(54,713)	6,465	4,825
Cash flow from / used in financing activities	(34,559)	(13,342)	(38,274)	(41,429)	(51,197)	(48,291)	71,729	53,589	(52,301)	(49,473)
Effect of foreign exchange rate changes	(4)	(55)	(4)	(1)	(4)	(500)	-	-	(12)	(556)
Net change in cash and cash equivalents	**(10 873)**	**5 987**	**(980)**	**(12 084)**	**25 777**	**9 584**	**-**	**-**	**13 924**	**3 487**

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	65 801	67 359	69 378	61 652	135 179	129 011
Net sales to customers outside Estonia	7 429	8 592	2 872	2 745	10 301	11 337
Total	**73 230**	**75 951**	**72 250**	**64 397**	**145 480**	**140 348**