EestiTelekom

Consolidated Interim Report of AS Eesti Telekom I Quarter 2009

(Translation of the Estonian original)

24 April 2009

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

Beginning of the financial year	1 January 2009
End of the reporting period	31 March 2009
Name of the company	**AS Eesti Telekom**
Registration number	10234957
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Web-page	www.telekom.ee
Field of activity	Activities of holding company
Auditor	AS PricewaterhouseCoopers

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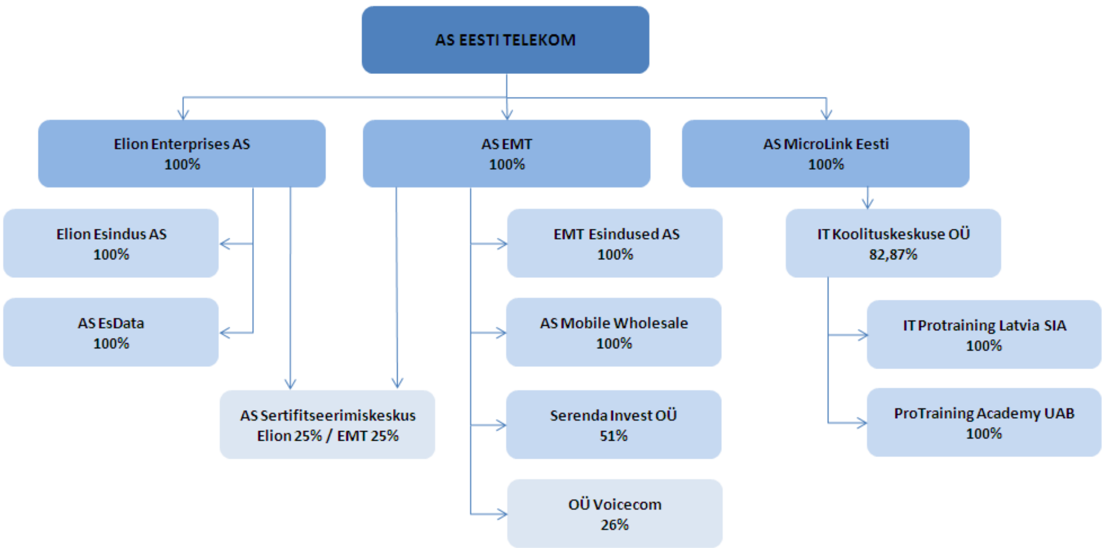
MANAGEMENT REPORT

GENERAL INFORMATION

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

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

The structure of the Eesti Telekom Group as of 31.03.2009:



Changes in the Eesti Telekom Group structure

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

As of 11 February 2009, BiTA Service Management has merged with IT Koolituskeskuse OÜ.

Ownership structure of AS Eesti Telekom

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

As of the end of the first quarter, the ratio of freely traded shares converted to GDRs was 12.71%. Of these, 12.81% were converted into GDRs traded on the London Stock Exchange.

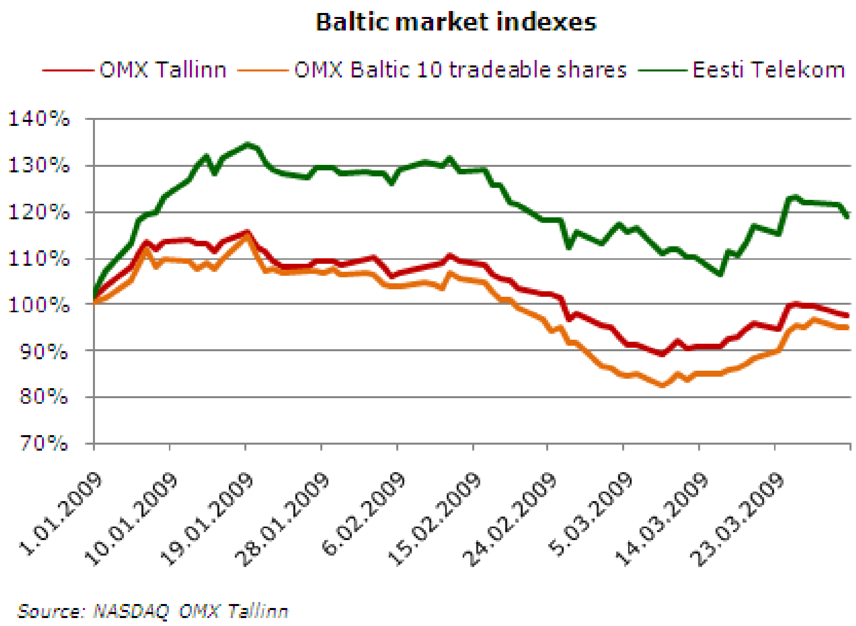
As of 31 March 2009, the 10 largest shareholders in AS Eesti Telekom were:

	31 March 2009		Changes since 31 December 2008
	No of shares	Participation	
Baltic Tele AB	82,936,299	60.12%	0
Ministry of Finance	33,346,464	24.17%	0
Development Fund	4,138,636	3.00%	0
SEB clients	2,818,746	2.04%	(45,988)
Deutsche Bank (GDR accounts)	2,246,838	1.63%	(17,382)
ING Luxembourg S.A.	2,055,783	1.49%	0
Clearstream Banking Luxembourg S.A. clients	578,301	0.42%	(6,675)
UniCredit Bank Austria AG	472,148	0.34%	(24,238)
Mellon Treaty Omnibus	363,473	0.26%	(28,679)
State Street Bank and Trust Omnibus Account	335,945	0.24%	0

AS Eesti Telekom shares

In the first quarter of 2009, the price of AS Eesti Telekom shares increased by 18.97%. The share price at the beginning of the quarter was 4.10 EUR and 4.64 EUR at the end of the quarter. The highest and lowest share prices during the reporting period were 5.25 EUR and 4.10 EUR respectively. The turnover for the reporting period was 13.5 million EUR.

The price of AS Eesti Telekom shares in the first quarter of 2009 has moved on higher levels than the indexes of OMX Tallinn and OMX Tallinn 10 tradeable shares.



BUSINESS ACTIVITIES

Management commentary: The Group's sales revenues in the first quarter were primarily impacted by regulations (European Union regulations applied on the mobile sector) and the economic downturn (reduction of sales of goods and changes in consumer behavior). At the same time, there is a continuing growth of mobile postpaid, mobile and fixed broadband and TV customers. Thanks to efficiency programs that were previously implemented it was possible to compensate the loss of revenues by a proportional decrease of expenses and to maintain the EBITDA margin.

Significant financial indicators

Eesti Telekom Group

	Q1 2009	Q1 2008	Change, %
Total revenues, million EUR	**85.4**	94.9	(10.0)
EBITDA, million EUR	**33.0**	36.8	(10.3)
Margin, %	**38.7**	38.8	
EBIT, million EUR	**23.0**	27.9	(17.6)
Margin, %	**26.9**	29.4	
EBT, million EUR	**24.0**	28.9	(16.8)
Profit for the period, million EUR	**24.0**	28.9	(16.8)
Basic earnings per share, EUR	**0.17**	0.21	(16.7)
Comprehensive income for the period, million EUR	**24.0**	28.9	(16.8)
CAPEX, million EUR	**7.8**	7.6	3.2
Net gearing, %	**(25.9)**	(29.5)	
ROA, %	**7.4**	8.7	
ROE, %	**8.4**	10.0	

Mobile communications segment

	Q1 2009	Q1 2008	Change, %
Total revenues, million EUR	**47.3**	55.9	(15.4)
EBITDA, million EUR	**17.5**	21.0	(16.8)
Margin, %	**37.0**	37.6	
EBIT, million EUR	**13.2**	17.0	(22.6)
Margin, %	**27.9**	30.4	
EBT, million EUR	**13.8**	17.4	(20.6)
Profit for the period, million EUR	**13.8**	17.4	(20.6)
Comprehensive income for the period, million EUR	**13.8**	17.4	(20.6)
CAPEX, million EUR	**4.8**	3.6	30.8
ROA, %	**9.3**	12.1	
ROE, %	**11.6**	15.6	

Broadband services segment

	Q1 2009	Q1 2008	Change, %
Total revenues, million EUR	**46.5**	48.8	(4.8)
EBITDA, million EUR	**15.8**	15.8	1.0
Margin, %	**34.1**	32.3	
EBIT, million EUR	**11.0**	11.3	(2.7)
Margin, %	**23.6**	23.1	
EBT, million EUR	**10.9**	11.3	(3.6)
Profit for the period, million EUR	**10.9**	11.3	(3.6)
Comprehensive income for the period, million EUR	**10.9**	11.3	(3.6)
CAPEX, million EUR	**2.8**	3.6	(20.5)
ROA, %	**6.3**	6.3	
ROE, %	**8.0**	8.3	

IT services segment

	Q1 2009	Q1 2008	Change, %
Total revenues, million EUR	**3.9**	5.1	(22.1)
EBITDA, million EUR	**(0.2)**	0.2	N/A
Margin, %	**(5.3)**	4.9	
EBIT, million EUR	**(1.0)**	(0.1)	N/A
Margin, %	**(25.3)**	(2.9)	
EBT, million EUR	**(1.0)**	(0.2)	N/A
Profit for the period, million EUR	**(1.0)**	(0.2)	N/A
Comprehensive income for the period, million EUR	**(1.0)**	(0.2)	N/A
CAPEX, million EUR	**0.2**	0.3	(42.9)
ROA, %	**(8.9)**	(1.7)	
ROE, %	**(14.0)**	(3.3)	

Sales revenues, operating costs, and profit

The Group's sales revenues reached 85.4 million EUR in the first quarter of 2009 (1st quarter 2008: 94.9 million EUR), and were primarily impacted by regulations that the European Union applies to the mobile sector and by the economic downturn.

Mobile communications segment The consolidated turnover for the first quarter of 2009 reached 47.3 million EUR, decreasing by 15% compared to the first quarter of 2008 (1st quarter 2008: 55.9 million EUR). The reason for the decrease in total revenues was a reduction in revenues from call services caused by a drop in retail and interconnection prices, which was partially compensated by the growth of volumes for mobile data communications and subcontracting services. Compared to a year ago, a decrease was also experienced in revenues received from retailing and wholesaling during the first quarter, which was caused by changes in consumer behavior. In addition, call minutes initiated by the customers, as well as the number of call minutes entering the EMT network decreased by 2% compared to the first quarter of 2008, which resulted from the customers' wish to limit consumption.

As of the end of the first quarter of 2009, the EMT customer base was larger by 14 thousand compared to the previous year, reaching 766 thousand active SIM cards (31 March 2008: 751 thousand cards). Compared to the previous year, the number of contractual customers increased by 15 thousand, thereby reaching 488 thousand by the end of the first quarter of 2009 and the number of active users of pre-paid cards remained unchanged at 278 thousand. EMT assesses its market share of active SIM cards to be 47%. The estimated penetration of active cards in Estonia is 120%.

In March EMT introduced an additional feature for the SurfPort mobile portal, which enables modern mobile phones to access the majority of common websites from the Internet. To date, only WAP sites that were especially created for mobile phones could be accessed on phone screens. The new feature significantly expands the choice of information available to mobile users, without the need for a computer or new phone.

Pursuant to the resolution of the Communications Board, the interconnection fee for AS EMT, Elisa Eesti AS and Tele2 Eesti AS was fixed at 0.11 EUR for the period 1 July 2007 to 30 June 2008. For the period 1 July 2008 to 30 June 2009, the Competition Board that is the legal successor to the Communications Board established a fee of 0.09 EUR per minute for the termination of voice calls in the mobile phone networks of AS EMT, Elisa Eesti AS and Tele2 Eesti AS.

Based on a decision dated 26 March 2009, the Competition Board announced new market analysis results, based on which ProGroup Holding OÜ was declared an undertaking with significant market power in the market for the termination of voice calls in its mobile phone network, in addition to AS EMT, Elisa Eesti AS and Tele2 Eesti AS. According to the resolution, within the framework of the price control obligation, the given companies will be obligated to apply benchmark-based interconnection fees that correspond to the average in the European countries until 30 June 2012, which makes 0.09 EUR per minute the maximum tariff to be applicable as of 1 July 2009. The maximum rate for interconnection fees to be established for the periods 1 July 2010 to 30 June 2011 and 1 July 2011 to 30 June 2012 will be announced by the Competition Board at least 2 months before the beginning of the corresponding period, but pursuant to the decision, the decrease or increase in the interconnection fees to be applied shall not be more than 10%.

The sales revenues for the **broadband services segment** reached 46.5 million EUR in the first quarter (1st quarter 2008: 48.8 million EUR). Compared to the same period in 2008, the greatest increase in revenues resulted from the sale of international interconnection services and triple-play solutions, which increased by 27% and 16% respectively. The increase in revenues from international interconnection services resulted primarily from increased minute volumes. At the same time, the revenues for call services earned from end consumers decreased by 16% due to a decrease in minute volumes. Based on a significant increase in the relative importance of the volume and revenues of triple-play solutions, the revenues from monthly fees for call connections and Internet connections decreased in the last quarter by 10% and 14% respectively. However, the revenues earned from the sale of triple-play solutions considerably exceeded the given decrease. The revenues from the broadband services segment decreased by 5% compared to the same period last year. The decrease in revenues was primarily related to a reduction in the sales volumes of telecommunications and IT goods.

In the first quarter, the total number of Elion customers with permanent Internet connections increased during a year by 9,000 connections, reaching 176.5 thousand by the end of March (31 March 2008: 167.5 thousand). The company assesses that Elion's market share based on the permanent connections of private customers has not changed and continues to be 54%.

In March, Elion started to standardize the product portfolio provided by triple-play solutions to Elion's private customers, by introducing two updated Kodulahendus products and gradually transferring existing Kodulahendus customers to the new products. Both products are triple-packages that differ based on the downloading speeds of the Internet connections and the number of television channels. The new Kodulahendus products include supplementary free television viewing locations and free WiFi use in the Elion WiFi network throughout Estonia.

At the end of the March, Elion also launched a Start package with a 16.30-EUR monthly fee that fulfills basic triple package needs and thereby entered the discount service market with the new product. The Start package was introduced within the framework of the "Join us!" project designed to introduce people to the Internet, which was initiated in March by the Behold the World! Foundation and Eesti Telekom.

The number of Elion triple-package users increased during a year by 23,500, reaching 82.1 thousand as of 31 March (31 March 2008: 58.6 thousand). By the end of the first quarter, Elion had 86.9 thousand IP and cable television customers (31 March 2008: 63.2 thousand). Elion assesses that the company's market share in the cable coverage market increased by 6% during the year, reaching 28% by the end of the first quarter (31 March 2008: 22%).

In March, Elion started the sale of used IT equipment on the http://leiunurk.elion.ee website, which fulfills two goals for the company – preserves the environment by recycling high-quality equipment and enables computers to be purchased in a complicated economic situation.

By the end of first quarter, the number of Elion's active call interfaces totaled 461 thousand (31 March 2008: 473 thousand interfaces). The reduction in number of call interfaces resulted from an expected reduction in the number of telephone connections in the private segment and a reduction in the number of pay phones throughout Estonia.

Elion assesses its market share for call minutes initiated in the fixed network to be 80% (31 March 2008: 81%). The market share for local call minutes is 82% (31 March 2008: 83%), 68% for international call minutes (31 March 2008: 66%) and 70% for call minutes made to mobile phones (31 March 2008: 71%). The increase of the international call market share is explained by a change in accounting methods. The company assesses that the given market share has remained at the same level for the last few years.

At the end of the March, Elion notified the other operators of price changes that will come into force on 1 May 2009 for interconnection services and access services. This is related to requirements based on domain-specific regulations that obligate Elion to review its prices at least once a year and are based on the expenditure statements for the previous period. The price changes according to service are primarily related to the reduction or increase of volumes. For instance, the monthly fee for copper pairs and the telephone network interconnection fees increased on average by 20% and 12% respectively. At the same time, the broadband access fees decreased by 9-20% depending on speed.

The 2009 first quarter results for the **IT services segment** include the consolidated data from the companies of the IT Koolituskeskuse OÜ Group that was acquired in October 2008.

In the first quarter of 2009, the sales revenues for the IT services segment reached 3.9 million EUR (1st quarter 2008: 5.1 million EUR). Compared to the same period in the previous year, the consolidated sales revenues decreased by 22%, whereas the sales revenues for IT goods decreased by 53% and the sales revenues for permanent services decreased by 6%, and the sales revenues for project-based services increased by 30%. The sales revenues for services provided within the Eesti Telekom Group decreased by 27% compared to the first quarter of the previous year, while the sales revenues for services provided to customers outside the Group increased by 13%.

The reduction of the national budget by 0.5 billion EUR in 2009 had a significant impact on the Estonian IT sector. A number of procurements have been postponed or the results of completed procurements cancelled.

The sales turnover for infrastructure solutions in the first quarter was significantly smaller than in the same period last year (1.0 million EUR vs. 2.1 million EUR). The reason is the general decline in the IT market. Currently, the same recessionary trend is being experienced by all IT companies that deal with merchandise sales.

In the project business, important projects in the first quarter included the introduction of document management at Estonian Post and the continued development of various information systems at Piletilevi, the Unemployment Insurance Fund and Ragn-Sells.

In the field of permanent services, AS MicroLink Eesti won the procurement for the maintenance of computer workstations organized by the Tallinn City Office in the first quarter. In addition, during the first quarter, MicroLink Eesti started to provide server hosting services to the East-Tallinn Central Hospital, the Harku Rural Municipality Government and Estonian Railways.

The operating costs of the Eesti Telekom Group decreased by 10% in the first quarter of 2009 compared to the same period of 2008, reaching 52.7 million EUR (1st quarter 2008: 58.3 million EUR).

The operating costs in the **mobile communications segment** decreased by 14% compared to the first quarter of 2008 to 29.9 million EUR (1st quarter 2008: 34.9 million EUR). The greatest decrease was in the operating costs related to retailing and wholesaling, which corresponds to the drop in merchandise sales turnovers. A decrease was also experienced by interconnection costs based on a drop in interconnection prices. The efficiency programs also had an impact on the decrease of the operating costs that were related to a reduction in the number of workers, as well as marketing, IT and network costs.

The operating costs in the **broadband services segment** decreased during the last quarter by 7% compared to the same period in 2008, reaching 30.8 million EUR (1st quarter 2008: 33.2 million EUR). The principal part of the decrease in operating costs resulted from a decrease in direct sales costs related to a decline in retail volumes. A significant impact on the decrease in operating costs also resulted from the efficiency projects initiated last year, which are related to a reduction in maintenance costs for network resources, IT and transport costs and also to a reduction in the number of workers in the group.

The operating costs in the **IT services segment** decreased in the first quarter by 14% compared to the same period last year, reaching 4.2 million EUR (1st quarter 2008: 4.8 million EUR). The operating costs for the quarter were affected by increased costs accompanying the consolidation of the IT Koolituskeskus, as an independent company, whereby the operating costs of AS MicroLink Eesti increased by 3%.

The Eesti Telekom Group EBITDA decreased in the first quarter of 2009 by 10% compared to the same period in the previous year, reaching 33.0 million EUR (1st quarter 2008: 36.8 million EUR). The EBITDA in the mobile communications services segment decreased by 17% in the first quarter compared to the same period last year. Since the decrease in the operating costs were almost proportional to the reduction in turnover, the EBITDA margin for the mobile communications services segment has decreased by less than one percent. In the first quarter, the EBITDA for the broadband services segment increased by 1% compared to the same period in the previous year, reaching 15.8 million EUR (1st quarter 2008: 15.8 million EUR). The EBITDA for the IT services segment in the first quarter of 2009 was -0.2 million EUR (1st quarter 2008: profit of 0.2 million EUR). The Group's EBITDA margin in the first quarter of 2009 was 39%, which remained at the same level as the margin for the same period in the previous year.

The Group's depreciation costs reached 10.0 million EUR in the first quarter of 2009, by increasing 12% compared to the same period in 2008 (1st quarter 2008: 8.9 million EUR). The greatest increase in depreciation costs resulted from the IT services segment where depreciation costs reached 0.8 million EUR in the first quarter of 2009 (1st quarter 2008: 0.4 million EUR). This was caused by a discount of 0.4 million EUR in February of this year on the goodwill recognized on the balance sheet after the acquisition of IT Koolituskeskuse OÜ.

In the first quarter, the **Eesti Telekom Group** earned **EBIT** of 23.0 million EUR, which was a decrease of 18% compared to the same period in the previous year (1st quarter 2008: 27.9 million EUR).

The profit for the Eesti Telekom Group in the first quarter of 2009 was 24.0 million EUR (1st quarter 2008: 28.9 million EUR). The basic earnings per share were 0.17 EUR (1st quarter 2008: 0.21 EUR). The Group's comprehensive income in first quarter of 2009 was 24.0 million EUR (1st quarter 2008: 28.9 million EUR).

Statement of financial position and cash flows

As of 31 March 2009, the Eesti Telekom Group balance sheet totaled 332.8 million EUR (31 December 2008: 319.5 million EUR). Compared to the beginning of the year, the non-current assets have decreased by 1.3 million EUR, the balance of which reached 185.7 million EUR by the end of the quarter. During first three months of the year, the Group's current assets have increased by 14.5 million EUR, reaching 147.1 million EUR by the end of March (31 December 2008: 132.6 million EUR). Cash and cash equivalents, as well as short-term financial investments have increased by 22.9 million EUR, reaching 78.0 million EUR by the end of the period.

As of 31 March 2009, the Eesti Telekom Group equity was 298.5 million EUR, which is 24.0 million EUR more than at the end of 2008 (31 December 2008: 274.5 million EUR). The increase in equity resulted from a first-quarter profit. As of the end of March, non-current liabilities totaled 2.1 million EUR (31 December 2008: 2.1 million EUR) and current liabilities totaled 32.2 million EUR (31 December 2008: 42.9 million EUR). The net debt of the Eesti Telekom Group at the end of the first quarter was -77.5 million EUR and the net gearing ratio was -25.9% (31 December 2008: -54.5 million EUR and -20%).

The Eesti Telekom Group cash flow from operating activities during the first three months of 2009 was 29.0 million EUR (3 months of 2008: 28.6 million EUR). The Group's cash flow from investment activities was 25.9 million EUR (3 months of 2008: 35.2 million EUR). The cash flow into the acquisition of tangible and intangible fixed assets during the first three months was 7.8 million EUR (3 months of 2008: 7.6 million EUR). In the first quarter of 2009, the mobile communications segment invested 4.8 million EUR (1st quarter 2008: 3.6 million EUR). In mobile communications, in addition to the constant development of the GSM network, a developmental priority was the implementation of technologies to support high-speed mobile data communications. The majority of data communications usage by EMT customers occurs in the 3G network, which enables the use of high-quality and rapid Internet connections at speeds approaching those of ADSL at conveniently manageable prices. Since EMT is the only operator in Estonia that provides EDGE data communications throughout its GSM coverage area, then investments in new base stations is primarily directed at expanding external and internal 3G coverage in cities and town. At the same time, the constant improvement of the GSM network continued. Investments into the broadband services segment totaled 2.8 million EUR (1st quarter 2008: 3.6 million EUR). The principal part of the capital volumes were related to the development of network resources, changes in the product portfolio and the improvement of and expansion of the availability of the triple-service packages. In the first quarter of 2009, the IT services segment invested 0.2 million EUR into fixed assets (1st quarter 2008: 0.3 million EUR).

During three months, the Eesti Telekom Group cash flow used in financing activities was less than 0.1 million EUR, similarly to the first quarter of 2008.

Shareholders' general meeting

The regular general meeting of AS Eesti Telekom shareholders will take place on 20 May 2009 at 12 pm in Tallinn at Valge 16. Starting on 27 April 2009, the 2008 annual report and draft resolutions for the general meeting will be available on the Internet at http://www.telekom.ee and at Eesti Telekom at Valge 16, Tallinn on workdays from 10 am to 2 pm. Questions related to the general meeting can be submitted through the AS Eesti Telekom website, by telephone at 6 311 212, or by e-mail to mailbox@telekom.ee.

Dividends

The Management Board of AS Eesti Telekom will make a proposal at the shareholders' general meeting to distribute and pay out 92.6 million EUR or 0.67 EUR per share as dividends, based on the number of dividend-paying shares, or 137,954,528 shares.

In 2008, 92.6 million EUR was distributed as dividends among the shareholders, or 0.67 EUR per share.

Definitions

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

CONSOLIDATED QUARTERLY DATA

In million of euros (EUR)

	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09
Net sales	94.9	100.1	100.1	100.5	85.4
OPEX	(58.3)	(61.4)	(60.1)	(67.1)	(52.7)
Other revenues/expenses, net	0.3	0.4	0.2	0.5	0.3
EBITDA	36.8	39.2	40.2	33.9	33.0
Depreciation and amortisation	(8.9)	(9.3)	(9.4)	(9.2)	(10.0)
EBIT	27.9	29.9	30.8	24.7	23.0
Income / expenses from associates	(0.1)	(0.1)	-	-	(0.1)
Other net financing items	1.1	1.3	0.3	0.8	1.1
EBT	28.9	31.1	31.0	25.6	24.0
Income tax on dividends	-	(24.7)	-	-	-
Profit for the period	28.9	6.5	31.0	25.5	24.0
Minority interest	0.1	0.0	0.1	0.0	0.0
EBITDA margin, %	38.83%	39.13%	40.12%	33.75%	38.66%
EBIT margin, %	29.37%	29.87%	30.74%	24.61%	26.91%
Net margin, %	30.45%	6.48%	30.98%	25.42%	28.12%
Total assets	341.4	288.6	287.6	319.5	332.8
- Non-current assets	174.2	176.1	176.9	186.9	185.7
- Current assets	167.2	112.4	110.7	132.6	147.1
- Cash and cash equivalents and short-term investments	90.2	31.2	32.6	55.2	78.0
Equity and liabilities	341.4	288.6	287.6	319.5	332.8
- Equity	304.6	218.0	249.1	274.5	298.5
- Provisions	2.0	1.8	2.0	1.8	1.7
- Non-current liabilities	0.0	0.1	0.1	0.5	0.5
- Interest-bearing borrowings	0.0	0.0	0.0	0.4	0.4
- Current liabilities	34.7	68.6	36.5	42.7	32.1
- Interest-bearing borrowings	0.2	0.2	0.1	0.3	0.2

In thousands of EUR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	I Quarter 2009	I Quarter 2008	2008
Net sales	2.1, 2.3	85,417	94,857	395,588
Cost of production	2.1	(48,658)	(53,078)	(225,777)
Gross profit	2.1	**36,759**	**41,779**	**169,811**
Sales, administrative, and research & development expenses	2.1	(14,095)	(14,187)	(57,972)
Other operating revenues	2.1	483	402	2,001
Other operating expenses	2.1	(164)	(99)	(543)
Operating profit	2.1	**22,983**	**27,895**	**113,297**
Finance income		1,112	1,134	3,527
Finance costs		(22)	(37)	(56)
Finance income, net	2.1	**1,090**	**1,097**	**3,471**
Net income / (expenses) from associated companies	2.1	(53)	(107)	(182)
Profit before tax	2.1	**24,020**	**28,885**	**116,586**
Income tax on dividends	2.1	-	-	(24,664)
Profit for the period	2.1	**24,020**	**28,885**	**91,922**
Other comprehensive income				
Exchange differences on translating foreign subsidiaries	2.1	(1)	-	1
Other comprehensive income for the period	2.1	**(1)**	**-**	**1**
Total comprehensive income	2.1	**24,019**	**28,885**	**91,923**
Profit attributable to:				
Equity holders of the parent	2.1	23,993	28,803	91,703
Minority interest	2.1	27	82	219
		24,020	**28,885**	**91,922**
Comprehensive income attributable to:				
Equity holders of the parent	2.1	23,992	28,803	91,704
Minority interest	2.1	27	82	219
		24,019	**28,885**	**91,923**
Earnings per share for profit attributable to the equity holders of the parent during the reporting period (expressed in EUR)	7 (e)			
Basic earnings per share		0.17	0.21	0.66
Diluted earnings per share		0.17	0.21	0.66
EBITDA	2.1	**33,026**	**36,837**	**150,088**
Depreciation, amortization and write-downs	2.1, 3	(10,043)	(8,942)	(36,791)

In thousands of EUR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2009	31 December 2008	31 March 2008
ASSETS				
Non-current assets				
Property, plant and equipment	3	164,193	165,542	152,879
Intangible fixed assets	3	13,713	14,592	13,179
Investments in associates	2.2, 5	623	676	750
Other financial fixed assets		7,143	6,115	7,418
Total non-current assets	2.2	**185,672**	**186,925**	**174,226**
Current assets				
Assets classified as held-for-sale		-	-	208
Inventories	6	11,045	10,861	11,811
Trade and other receivables		58,054	66,576	64,983
Short-term investments		-	31,956	1,101
Cash and cash equivalents		78,013	23,206	89,085
Total current assets	2.2	**147,112**	**132,599**	**167,188**
TOTAL ASSETS	2.2	**332,784**	**319,524**	**341,414**
EQUITY AND LIABILITIES				
Equity				
Capital and reserves attributable to equity holders of the parent	7			
Share capital		88,169	88,169	88,169
Share premium		22,753	22,753	22,753
Statutory legal reserve		8,817	8,817	8,817
Retained earnings		-	1	-
Net profit for the period		178,267	154,274	184,068
Total capital and reserves attributable to equity holders of the parent		**298,006**	**274,014**	**303,807**
Minority interest	2.2, 7	540	513	815
Total equity		**298,546**	**274,527**	**304,622**
Non-current liabilities				
Interest bearing loans and borrowings	8	375	375	48
Retirement benefit obligations	9	122	138	192
Provisions	10	1,443	1,443	1,338
Non-interest bearing liabilities		127	127	-
Total non-current liabilities	2.2	**2,067**	**2,083**	**1,578**
Current liabilities				
Trade and other payables		31,902	42,399	34,571
Interest bearing loans and borrowings	8	174	259	164
Retirement benefit obligations	9	66	66	310
Provisions	10	29	190	169
Total current liabilities	2.2	**32,171**	**42,914**	**35,214**
Total liabilities		**34,238**	**44,997**	**36,792**
TOTAL EQUITY AND LIABILITIES	2.2	**332,784**	**319,524**	**341,414**

In thousands of EUR

CONSOLIDATED CASH FLOW STATEMENT

	Notes	I Quarter 2009	I Quarter 2008
Operating activities			
Net profit for the period		24,020	28,885
Adjustments for:			
Depreciation, amortisation and impairment of fixed and intangible assets	2.1, 3	10,043	8,942
(Profit) / loss from sales and discards of fixed assets		(184)	(189)
Net (income) / expenses from associated companies		53	107
Provisions		(161)	(117)
Financial items		(1,616)	(1,633)
Miscellaneous non-cash items		(20)	4
Cash flow before change in working capital		**32,135**	**35,999**
Change in current receivables		6,683	297
Change in inventories		(184)	(262)
Change in current liabilities		(10,449)	(8,406)
Change in working capital		**(3,950)**	**(8,371)**
Cash flow after changes in working capital		**28,185**	**27,628**
Interest received		781	1,052
Interest paid		(11)	(94)
Cash flow from operating activities	2.2	**28,955**	**28,586**
Investing activities			
Intangible and tangible fixed assets acquired	2.2, 3	(7,835)	(7,593)
Intangible and tangible fixed assets divested		206	207
Net change in interest-receivables short maturities		31,956	43,257
Net cash changes of other long-term receivables		1,593	(703)
Cash flow from investing activities	2.2	**25,920**	**35,168**
Cash flow before financing activities		**54,875**	**63,754**
Financing activities			
Repayment of finance lease liabilities	8	(77)	(38)
Cash flow used in financing activities	2.2	**(77)**	**(38)**
Cash flow for the year	2.2	**54,798**	**63,716**
Cash and cash equivalents at beginning of year	2.2	**23,206**	**25,359**
Cash flow for the year	2.2	54,798	63,716
Effect of foreign exchange rate changes	2.2	9	10
Cash and cash equivalents at end of period	2.2	**78,013**	**89,085**

In thousands of EUR

STATEMENT OF CHANGES IN OWNERS' EQUITY

	Attributable to equity holders of the Company						Minority interest	Total equity
	Issued capital	Share premium	Statutory legal reserve	Translation reserve	Retained earnings	Total		
31 December 2007	**88,169**	**22,753**	**8,817**	**-**	**155,265**	**275,004**	**733**	**275,737**
Comprehensive income for the period	-	-	-	-	28,803	28,803	82	28,885
31 March 2008	**88,169**	**22,753**	**8,817**	**-**	**184,068**	**303,807**	**815**	**304,622**
31 December 2008	**88,169**	**22,753**	**8,817**	**1**	**154,274**	**274,014**	**513**	**274,527**
Comprehensive income for the period	-	-	-	(1)	23,993	23,992	27	24,019
31 March 2009	**88,169**	**22,753**	**8,817**	**-**	**178,267**	**298,006**	**540**	**298,546**

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

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

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

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

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

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

The consolidated interim financial statements for the I Quarter period ending 31 March 2009 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, includes IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of the consolidated financial statements for 2008.

Changes in the presentation of information in 2009

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

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

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

This consolidated statement is signed by the management board for public disclosure on 23 April 2009.

2. Segment information

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

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

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

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

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

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

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

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

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

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

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

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

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

In thousands of EUR

2.1 Primary reporting format – business segments

	Mobile telecommunications		Broadband services		Managed IT services		Unallocated / Eliminations		Consolidated	
	I Q 2009	**I Q 2008**	**I Q 2009**	**I Q 2008**	**I Q 2009**	**I Q 2008**	**I Q 2009**	**I Q 2008**	**I Q 2009**	**I Q 2008**
External net sales	40,576	47,080	41,852	44,217	2,989	3,560	-	-	85,417	94,857
Inter-segment net sales	6,699	8,793	4,611	4,600	953	1,498	(12,263)	(14,891)	-	-
Total net sales	**47,275**	**55,873**	**46,463**	**48,817**	**3,942**	**5,058**	**(12,263)**	**(14,891)**	**85,417**	**94,857**
External cost of production	(25,236)	(29,685)	(22,128)	(21,228)	(1,355)	(2,225)	61	60	(48,658)	(53,078)
Inter-segment cost of production	(4,337)	(4,303)	(6,963)	(9,278)	(263)	(337)	11,563	13,918	-	-
Gross profit	**17,702**	**21,885**	**17,372**	**18,311**	**2,324**	**2,496**	**(639)**	**(913)**	**36,759**	**41,779**
External sales, administrative and research & development	(4,400)	(4,643)	(6,058)	(6,406)	(3,264)	(2,563)	(373)	(575)	(14,095)	(14,187)
Inter-segment sales, administrative and research & development	(240)	(336)	(550)	(824)	(79)	(98)	869	1,258	-	-
External other operating revenues	266	191	187	191	30	20	-	-	483	402
External other operating expenses	(156)	(86)	-	(12)	(8)	-	-	(1)	(164)	(99)
Operating profit/(loss)	**13,172**	**17,011**	**10,951**	**11,260**	**(997)**	**(145)**	**(143)**	**(231)**	**22,983**	**27,895**
Financial revenues and expenses, net	681	474	7	123	(3)	(20)	405	520	1,090	1,097
Income/(expenses) from associated, net	(21)	(56)	(32)	(51)	-	-	-	-	(53)	(107)
Profit/(loss) after financial items	**13,832**	**17,429**	**10,926**	**11,332**	**(1,000)**	**(165)**	**262**	**289**	**24,020**	**28,885**
Income tax on dividends	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the period	**13,832**	**17,429**	**10,926**	**11,332**	**(1,000)**	**(165)**	**262**	**289**	**24,020**	**28,885**
Other comprehensive income										
Exchange differences on translating foreign subsidiaries	-	-	-	-	(1)	-	-	-	(1)	-
Other comprehensive income for the period	-	-	-	-	**(1)**	-	-	-	**(1)**	-
Total comprehensive income	**13,832**	**17,429**	**10,926**	**11,332**	**(1,001)**	**(165)**	**262**	**289**	**24,019**	**28,885**

In thousands of EUR

2.1 Primary reporting format – business segments (continued)

	Mobile telecommunications		Broadband services		Managed IT services		Unallocated / Eliminations		Consolidated	
	I Q 2009	**I Q 2008**	**I Q 2009**	**I Q 2008**	**I Q 2009**	**I Q 2008**	**I Q 2009**	**I Q 2008**	**I Q 2009**	**I Q 2008**
Profit attributable to:										
Equity shareholders of the parent	13,772	17,347	10,926	11,332	(967)	(165)	262	289	23,993	28,803
Minority interest	60	82	-	-	(33)	-	-	-	27	82
	13,832	**17,429**	**10,926**	**11,332**	**(1,000)**	**(165)**	**262**	**289**	**24,020**	**28,885**
Comprehensive income attributable to:										
Equity shareholders of the parent	13,772	17,347	10,926	11,332	(968)	(165)	262	289	23,992	28,803
Minority interest	60	82	-	-	(33)	-	-	-	27	82
	13,832	**17,429**	**10,926**	**11,332**	**(1,001)**	**(165)**	**262**	**289**	**24,019**	**28,885**
EBITDA	**17,504**	**21,030**	**15,851**	**15,765**	**(210)**	**249**	**(119)**	**(207)**	**33,026**	**36,837**
Depreciation, amortization and write-downs	(4,332)	(4,019)	(4,900)	(4,505)	(377)	(394)	(24)	(24)	(9,633)	(8,942)
Impairment charge	-	-	-	-	(410)	-	-	-	(410)	-

In thousands of EUR

2.2 Other information by business segments

	Mobile telecommunications		Broadband services		Managed IT-services		Eliminations		Consolidated	
	31 March, I Q 2009	31 March, I Q 2008	31 March, I Q 2009	31 March, I Q 2008	31 March, I Q 2009	31 March, I Q 2008	31 March, I Q 2009	31 March, I Q 2008	31 March, I Q 2009	31 March, I Q 2008
Non-current assets (except investments in subsidiaries & associates)	66,665	63,085	111,009	103,582	7,006	6,426	369	383	185,049	173,476
Investments in subsidiaries and associates	373	419	250	331	-	-	-	-	623	750
Current assets	86,385	87,185	61,757	81,013	2,798	3,069	(3,828)	(4,079)	147,112	167,188
Total assets	**153,423**	**150,689**	**173,016**	**184,926**	**9,804**	**9,495**	**(3,459)**	**(3,696)**	**332,784**	**341,414**
Equity attributable to equity shareholders of the parent	125,239	119,788	142,015	142,461	6,621	4,993	24,131	36,565	298,006	303,807
Minority interest	530	815	-	-	10	-	-	-	540	815
Non-current liabilities	1,531	1,531	482	10	54	37	-	-	2,067	1,578
Current liabilities	26,123	28,555	30,519	42,455	3,119	4,465	(27,590)	(40,261)	32,171	35,214
Total shareholders' equity and liabilities	**153,423**	**150,689**	**173,016**	**184,926**	**9,804**	**9,495**	**(3,459)**	**(3,696)**	**332,784**	**341,414**
Net cash from/ (used in) operating activities	16,558	20,420	12,757	8,532	533	13	(893)	(379)	28,955	28,586
Net cash from/ (used in) investing activities	(4,483)	(3,655)	(1,356)	(4,083)	(197)	(350)	31,956	43,256	25,920	35,168
Net cash from/ (used in) financing activities	1,149	(208)	(6,722)	1,046	(456)	218	5,952	(1,094)	(77)	(38)
Exchange rate differences in cash and cash equivalents	-	-	5	10	1	-	3	-	9	10
Net increase/ (decrease) in cash and cash equivalents	**13,224**	**16,557**	**4,684**	**5,505**	**(119)**	**(119)**	**37,018**	**41,783**	**54,807**	**63,726**
CAPEX	4,779	3,652	2,856	3,591	200	350	-	-	7,835	7,593

In thousands of EUR

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

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

	Mobile telecommunications				**Broadband services**			
	I Quarter 2009		**I Quarter 2008**		**I Quarter 2009**		**I Quarter 2008**	
Customers in Estonia	39,177	96.6%	45,671	97.0%	36,629	87.5%	40,235	91.0%
Customers outside Estonia	1,399	3.4%	1,409	3.0%	5,223	12.5%	3,982	9.0%
Total revenue	**40,576**	**100%**	**47,080**	**100%**	**41,852**	**100%**	**44,217**	**100%**

	Managed IT-services				**Consolidated**			
	I Quarter 2009		**I Quarter 2008**		**I Quarter 2009**		**I Quarter 2008**	
Customers in Estonia	2,933	98.1%	3,538	99.4%	78,739	92.2%	89,444	94.3%
Customers outside Estonia	56	1.9%	22	0.6%	6,678	7.8%	5,413	5.7%
Total revenue	**2,989**	**100%**	**3,560**	**100%**	**85,417**	**100%**	**94,857**	**100%**

In thousands of EUR

3. Tangible and intangible assets

	Notes	Tangible assets	Intangible assets
At 31December 2007			
Cost		**598,518**	**27,301**
Accumulated depreciation		(444,803)	(13,494)
Net book value		**153,715**	**13,807**
Changes in the first quarter 2008			
Opening net book amount		153,715	13,807
Additions	2.2	7,556	37
Reclassification to assets classifies as held-for-sale		(97)	-
Disposals		(18)	-
Depreciation charge	2.1	(8,277)	(665)
Closing net book amount		**152,879**	**13,179**
At 31 March 2008			
Cost		**604,940**	**27,061**
Accumulated depreciation		(452,061)	(13,882)
Net book value		**152,879**	**13,179**
At 31 December 2008			
Cost		**620,079**	**28,981**
Accumulated depreciation		(454,537)	(14,389)
Net book value		**165,542**	**14,592**
Changes in the first quarter 2009			
Opening net book amount		165,542	14,592
Additions	2.2	7,743	92
Reclassification		(228)	228
Disposals		(19)	-
Depreciation charge	2.1	(8,845)	(788)
Impairment charge	2.1	-	(410)
Effect of movements in exchange rate		-	(1)
Closing net book amount		**164,193**	**13,713**
At 31 March 2009			
Cost		**625,987**	**28,718**
Accumulated depreciation		(461,794)	(15,005)
Net book value		**164,193**	**13,713**

Impairment tests for goodwill

The carrying amount of goodwill was tested as of 31 March 2009. The recoverable amount of a Cash Generating Unit (CGU) is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Management determined the budgeted gross margin based on past performance and its expectations for market development.

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

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

	Mobile telecommunications CGU's	**Managed IT services CGU's**
WACC 1)	14.0%	14.0%
Growth rate 2)	2.5%	2.5%
Discount rate 3)	14.0%	14.0%
Net book amount of goodwill relating to CGU's	2,483	3,959

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

As a result of testing the goodwill that was allocated to Managed IT services' CGU's an impairment loss in amount of 410 thousand EUR was identified.

In thousands of EUR

4. Investments in subsidiaries

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

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

In thousands of EUR

5. Investments in associates

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

6. Inventories

In the first quarter 2009, impairment for the inventories was in the total amount of 46 thousand EUR (in the first quarter 2008: 146 thousand EUR) based on the estimated decline of the net realisation value below their acquisition cost.

7. Equity

a) Issued capital

	31 March 2009	31 December 2008
Ordinary shares issued par value 0,64 EUR per share, fully paid	137,954,528	137,954,528

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

b) Share premium

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

c) Reserves

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

d) Re-acquiring of shares

The Annual General Meeting of Shareholders, on 22 May 2008, authorized AS Eesti Telekom to acquire within five years from the adoption of this resolution, i.e. until 22 May 2013, AS Eesti Telekom ordinary shares so that the total of nominal values of own shares held by AS Eesti Telekom would not exceed the limit set by statutory regulations, and that the price payable per share would not exceed the highest price paid for the ordinary shares of AS Eesti Telekom on the Tallinn Stock Exchange on the day of acquiring the shares. AS Eesti Telekom has to pay for the shares from the company's assets in excess of its share capital, capital reserves, and share premium. The amount of shares to be acquired each time shall be determined on each occasion separately by a resolution of AS Eesti Telekom's Supervisory Council. As of 31 March 2009, no shares have been re-acquired by AS Eesti Telekom.

In thousands of EUR

e) Earnings per share

	I Quarter 2009	I Quarter 2008
III Quarter		
Net profit attributable to equity holders of the Company (EUR)	23,993,000	28,803,000
The average number of ordinary shares	137,954,528	137,954,528
Earnings per share (EUR)	**0.17**	**0.21**

f) Share information

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

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

	I Quarter 2009	2008	I Quarter 2008
Ordinary share highest price	5.25	7.99	7.99
Ordinary share lowest price	4.10	3.81	6.95
Ordinary share average price	4.86	6.60	7.44

8. Borrowings

	31 March 2009	31 December 2008
Current	174	259
Non-current	375	375
	549	**634**

The movements in the borrowings

Opening balance 31 December 2008	**634**
Repayments of borrowings	(77)
Other movements	(8)
Closing balance 31 March 2009	**549**

9. Retirement benefit obligations

	31 March 2009	31 December 2008
Current portion of retirement benefit obligations	66	66
Non-current portion of retirement benefit obligations	122	138
Total retirement benefit obligations	**188**	**204**

The movements in the borrowings

At 31 December 2008	**204**
Benefits paid in the reporting period	(16)
At 31 March 2009	**188**

In thousands of EUR

10. Provisions

	Site restoration expense provision	Termination benefits provision	Guarantee provision	**Total**
Current portion of provisions	-	20	9	29
Non-current portion of provisions	1,409	-	34	1,443
Total provisions	**1,409**	**20**	**43**	**1,472**
Changes in provisions				
At 31 December 2008	**1,409**	**181**	**43**	**1,633**
Recognition and change in provisions, net in the reporting period	-	34	-	34
Used provisions during the reporting period	-	(195)	-	(195)
At 31 March 2009	**1,409**	**20**	**43**	**1,472**

11. Related party transactions

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

a) Name and relationship of related party

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

b) Key managements' and Supervisory Councils' remuneration

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

	I Quarter 2009	**I Quarter 2008**
Salaries and other short-term employee benefits	1,005	1,093
Other	5	2
	1,010	**1,095**

In thousands of EUR

c) Trading transactions

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

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

	I Quarter, 31 March 2009	I Quarter, 31 March 2008
Telecommunication services provided		
Associated companies	58	55
TeliaSonera AB	1,945	2,016
State Government (State Chancellery and ministries)	302	358
Companies where Supervisory Council members of the Group have significant influence	24	10
	2,329	**2,439**
Other sales		
Associated companies	-	3
State Government (State Chancellery and ministries)	37	46
Companies where Supervisory Council members of the Group have significant influence	-	2
	37	**51**
Telecommunication services purchased		
Associated companies	16	6
TeliaSonera AB	1,650	2,242
	1,666	**2,248**
Other services purchased		
Associated companies	1	1
State Government (State Chancellery and ministries)	91	497
Companies where Supervisory Council members of the Group have significant influence	7	12
	99	**510**
Amount owed by related parties		
Associated companies	22	23
TeliaSonera AB	1,131	1,305
State Government (State Chancellery and ministries)	504	157
Companies where Supervisory Council members of the Group have significant influence	5	2
	1,662	**1,487**
Amount owed to related parties		
Associated companies	3	-
TeliaSonera AB	713	1,470
State Government (State Chancellery and ministries)	-	2
Companies where Supervisory Council members of the Group have significant influence	-	2
Key management and Supervisory Council	500	468
	1,216	**1,942**

In thousands of EUR

12. Contingencies

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

Relations with the regulator

- Pursuant to the decision of the Communications Board dated 21 March 2006, the fee for voice call termination on mobile networks (interconnection fee) for AS EMT, Elisa Eesti AS and Tele2 Eesti AS for the period from 1 July 2006 to 30 June 2007 was fixed at 0.13 EUR per minute and, pursuant to the decisions of the Communications Board dated 20 June and 22 June 2007, was fixed at 0.11 EUR for the period from 1 July 2007 to 30 June 2008. Since Elisa Eesti AS and Tele2 Eesti AS disputed the decisions in court and the validity of the given legislative act was suspended in the course of initial legal protection, the interconnection fees remained at 0.16 EUR until 5 November 2007. On 5 November 2007, the ruling of the Tallinn Circuit Court came into force, whereby the initial legal protection was cancelled and all three mobile operators were obligated to apply interconnection fees of 0.11 EUR as of that date. The court disputes of Elisa Eesti AS and Tele2 with the Communications Board are continuing, and AS EMT and AS Elion Enterprises are participating in the dispute as a third party.

  With its resolution of 25 March 2008, the Competition Board, which is the legal successor to the Communications Board, established a fee of 0.09 EUR per minute for the termination of voice calls in mobile phone networks for the period 1 July 2008-30 June 2009.

13. Events after the reporting period

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

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

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

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

Management Board:

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

Supervisory Council:

Mats Salomonsson	-	Chairman of the Supervisory Council
Lars Gunnar Klasson	-	Member of the Supervisory Council
Jörgen Latte	-	Member of the Supervisory Council
Björn Lindegren	-	Member of the Supervisory Council
Tarmo Porgand	-	Member of the Supervisory Council
Jüri Raatma	-	Member of the Supervisory Council
Aare Tark	-	Member of the Supervisory Council

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of the consolidated financial statements of AS Eesti Telekom and its subsidiaries (together Eesti Telekom Group) for the first quarter 2009 as set out on pages 13 to 31.

The Management Board confirms that:

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

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

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

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

Tallinn, 23 April 2009