EESTI ENERGIA

Eesti Energia

Interim Report

1.4.2004 – 30.9.2004

Contents

Overview

Key figures	FY 04/05 I half	FY 03/04 I half	Change	
Revenues, € th.	169 760	161 579	5.1%	8,181
incl. domestic sales of electricity	121 619	116 029	4.8%	5,590
EBITDA, € th.	55 126	49 502	11.4%	5,624
EBIT, € th.	13 123	11 119	18.0%	2,004
Net Profit, € th.	4 396	4 287	2.5%	109
Net Fixed Assets, € th.	1 171 738	1 134 230	3.3%	37,508
Equity, € th.	800 189	765 436	4.5%	34,753
Net Debt, € th.	288 267	249 580	15.5%	38,687
CAPEX, € th.	81 068	113 413	-28.5%	-32,345
Net cash from operating activities, € th.	40 676	37 317	9.0%	3,359
Debt/(Debt+Equity)	27.3%	26.9%		0.4%
ROIC[1]	4.8%	6.1%		-1.4%
EBITDA interest cover[1]	7.6	8.2		-0.6
FFO/Net Debt[1]	44.4%	64.0%		-19.5%
FFO/Interest Expense[1]	6.5	7.2		-0.7
FFO/Capex[1]	71.1%	51.1%		19.9%
EBITDA margin	32.5%	30.6%		1.8%
EBIT margin	7.7%	6.9%		0.8%
Profit margin	2.6%	2.7%		-0.1%

Note: All balance sheet figures are end of period

1 - figures are based on 12 month rolling results

Eesti Energia's first 6 months strong results were based on high electricity demand as well as on gains from operating efficiencies. The company achieved profitable growth.

Eesti Energia is one of the leading partners in the Nordic Energy Link – the 350 MW power cable connecting the Baltics with the Nordic countries. In July, five companies – Eesti Energia, Latvenergo (Latvija), Lietuvos Energija (Lithuania), Pohjolan Voima (Finland) and Helsinkin Energia (Finland) set up AS Nordic Energy Link with the purpose of building and operating the submarine cable. In the end of September 2004, the AS Nordic Energy Link announced an international tender to build the submarine cable. The electricity bridge carries a strategic importance, serving as a vehicle to integrate the Baltic energy sector with the European one.

In November 2004, Eesti Energia's Transmission Network submitted a formal application of network tariffs to the Estonian energy market regulator. The proposed tariffs would allow the Transmission Network to earn a **6.9%** return on the regulatory asset base. The Distribution Networks discussions with the regulator are in finishing stages.

Revenue growth topped the increase of costs by 1.0% driving I half EBIT up 18.0%

Revenues increased to **€169.8m** in the I[st] half of FY 2004/05, which was **5.1%** higher compared to the same period in the previous financial year. The largest contributor to the increase was the core electricity business, whose revenues experienced a **6.6%** (**€8.6m**) growth. Sales of heat decreased by **€1.4m** (**14.4%**).

Operating performance Operating costs before depreciation and amortization increased by **2.3%**, which allowed us to reach an EBITDA growth of **11.4%**. Depreciation costs rose by **9.4%** (**€3.6m**). Despite the high growth of depreciation costs, the first half operating profit grew by **18.0%** (**€2.0m**).

Economic environment As the expected, immediate reaction to Estonian accession to European Union has been favorable. The Estonian Institute's in Economic Research (EKI) poll in September 2004 on the state of economy in Estonia demonstrated that macroanalysts and business executives perceive economic environment to be positive (7.8 points, 33% above historic average).

Source: Statistical Office of Estonia

The real GDP growth in Estonia in the second quarter of calendar year 2004 was a healthy **5.9%**. As expected, the bulwark of the growing economy has been strong exports. Throughout the period, the structure of exports became more balanced, considering both the structure of goods as well as export destinations.

Strong growth of the domestic economy was further facilitated by low interest rates and positive developments in the labor market. Estonia's real GDP growth in 2003 was more than **3.6%** above the EURO 25 growth rate. In it's present state and structure, Estonia's economy is well capable of fostering the growth of domestic demand for electricity.

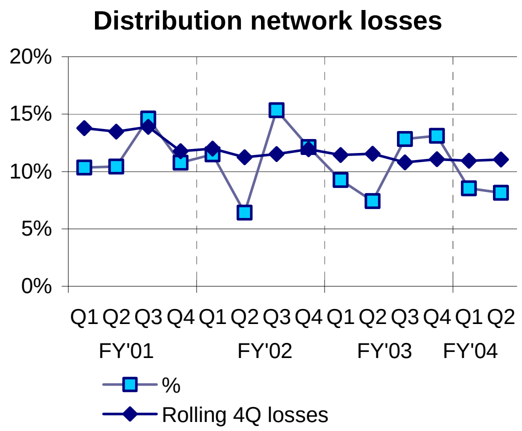
The growth of the Latvian, Lithuanian and Russian economies (**7.7%**, **7.3%** and **7.4%** respectively) stimulated electricity demand in respective countries, which in turn has a positive effect on the export demand of Eesti Energia. Increasing demand combined with competitive power production has enabled Eesti Energia's electricity exports to exceed 2 TWh level.

Financial strength Standard & Poor's and Moody's, the two world's leading rating agencies, have assigned Eesti Energia the highest credit rating among the Eastern and Central European energy companies (**A-** and **A3**). Our goal is to continue to be a reliable partner to our clients, suppliers and financial institutions. We are committed to maintaining a credit rating in the present category.

In spite of growing net debt, our interest and loan coverage ratios continue to be solid. This can be attributed to both strong operating performance as well as relatively low interest rates. Declining investment levels are expected to significantly decrease the growth of net debt in the following quarters.

In the first half CAPEX decreased by **28.5%** (**€32.3m**). The largest reduction came from the power production segment (**€48.7m)** and was due to the nearing completion of the renovation of two new 215 MW power units at the Narva Power Plants. As a result, the rolling 12 month FFO/investment multiple increased from **51.1%** to **71.1%**.

Investment programme. The focus of Eesti Energia's investment programme is moving from power production to power networks. In the medium term, the Transmission Network sets out to undertake significant developments in the Tallinn – Narva direction. The main projects within the programme are the reconstruction of Balti 330 kV substation, Harku 330 kV substation, Harku – Kiisa 330 kV OHL and Kiisa – Balti 330 kV OHL. Harku – Kiisa 330 kV OHL became operational in November 2004.



Network losses Rolling four quarter power losses in the distribution network decreased from **11.6%** to **11.0%**. The Distribution Network continues to carry out programs (investment projects, co-operation with Supply business unit, etc.) designed to increase the efficiency of the distribution network. In the medium term, we expect to see a further decrease in power network losses.

Profitability First half operating results were most influenced by three factors. First, growth of electricity sales (both domestic as well as exports) topped the growth rate of economy. Half of domestic growth came from the eligible customers segment.

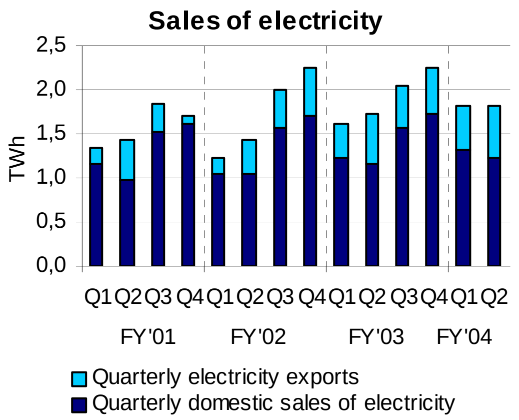
A focus on value creation and diligent investment policies made it possible to realize efficiency gains, due to which increase of company's variable costs in power production were kept well below the increase in production volumes. Thus, strong sales and growing margins offset the increasing depreciation. Compared with the FY 2003/04, we have been able to improve our return on invested capital by **0.1%**. Admittedly, rising depreciation costs combined with inflationary pressures have had a negative effect on rolling four quarter ROIC, which from 30.09.2003 has decreased from **6.1%** to **4.8%**.

Operating results

Revenues, € th.	2004/05 I half	2003/04 I half
Oil Shale Company	48 565	52 393
Power and Heat	109 197	107 287
Transmission	28 242	27 177
Distribution	63 613	62 286
Supply	145 754	137 404
Support Services	21 683	20 069
Eliminations	-247 294	-245 038
Consolidated Revenues	**169 760**	**161 579**

Core electricity business was the main driver of a solid operating result. Total sales of electricity rose by **293 GWh** (**+8.7%**) to **3 644 GWh** (FY 2004/05 I half compared to FY 2003/04 I half).

Domestic electricity sales increased to **€121.6m**, an increase of **4.8%** (**€5.6 m)** on the 6 months of FY 2003/04. In quantitative terms, domestic electricity sales increased by **5.9%**, or **141 GWh**.



Electricity exports Group's revenues from the exports of electric power reached **€18.0m**, a **19.9%** or **€3.0** m increase on the first 6 months of the past financial year. In quantitative terms, exports increased by **151 GWh**, or **15.8%**. Exports to Latvia grew by **151 GWh** and to Russia by **1 GWh**. In Q2 exports to Latvia have increased, while exports to Russia have stayed at the previous year's level. In FY 2004/05, we expect the rolling four quarter exports to remain over 2 TWh level.

Heat sales amounted to **€8.1m** in the first 6 months of the financial year 2004/05. In quantitative terms, sales decreased by **59 GWh** (**11.3%**) and in monetary terms by **€1.4m** (**14.4%**). In Narva PP (Narva PP) heat sales increased by **3 GWh** (**2.5%**), in Iru Power Plant (Iru PP) by **41 GWh** (**12.9%**) and in AS Kohtla-Järve Soojus (Kohtla-Järve PP) by **22 GWh** (**31.1%**).

Oil Shale Outside the group sale of oil shale decreased to **€6.0m** (**14.4%**) on the first 6 months of FY 2003/04. The decrease of revenues was due to the decrease in sales volumes (**-9.0%**). Consolidated sales of oil shale account for less than 20% of the Oil Shale Company's oil shale production.

Shale Oil In monetary terms, the sale of shale oil increased by **34.9%** (**€1.4m**) Oil sales for the first six months of 2004/05 reached **47 356 tonnes** (**+31.1%**).

Other goods and products The sale of other goods and products totaled **€3.8m**, a decrease of **32.2%** on the same period of the previous financial year. This was due to a reduction of sales of AS Energoremont to **€2.3m** (a decrease of **€2.0m**, or **47.0%**).

Services Sale of services amounted to **€4.8m**, an increase of **61.4%** on the 6 months of the previous financial year. The largest increase was experienced in the sales of telecommunication services (**+67.3%**) and repair and services (+**13.9%**).

Expenses In the first half, operating expenses totaled **€156.6m**, an increase of **€6.2m** (**4.1%**)

on the same period in the previous financial year. Materials, consumables and supplies increased by **€3.9m** (**7.6%**).

The level of operation costs was most influenced by three factors. Pollution fees were at the previous years level, while net electricity production grew by **3.6%**. Secondly, rolling 12 month distribution network losses decreased by **0.6%**. Depreciation costs have increased by a rate of approximately **€0.6m** per month, amounting to **€42.0m** (**+€3.6m**). Personnel expenses decreased by **€0.7m** (**1.8%**).

EBIT, € th.	**2004/05 I half**	**2003/04 I half**
Oil Shale Company	2 442	6 061
Power and Heat	7 221	4 267
Transmission	1 384	1 820
Distribution	7 557	6 640
Supply	-6 588	-9 191
Support Services	462	1 310
Eliminations	645	212
Consolidated EBIT	**13 123**	**11 119**

EBIT In spite of constant sales prices, inflationary pressure and investment-related increase of depreciation costs, revenue growth topped the increase of costs by **1.0%**, which produced an EBIT growth of **18.0%**.

Oil Shale production segment experienced a **€3.0m** decrease in EBIT. The power and heat segment EBIT increased by **€1.2m**. This was a combination of increased production, decreased planned maintenance and fuel efficiencies gained from the successful deployment of the new CFB boiler.

Networks Transmission network operating profit decreased by **€0.4m**, while the distribution network EBIT increased by **€0.9m**. As noted earlier, the strong result was closely related to increase in electricity volumes and declining network losses.

Net profit, € th.	**2004/05 Q2**	**2003/04 Q2**
Consolidated EBIT	**13 123**	**11 119**
Consolidated interest on debt	-9 156	-8 688
Consolidated interest on provisions	-805	-756
Cons. net other fin. income	439	1 668
Consolidated Net Profit	**3 601**	**3 342**

Favorable conditions have enabled us to keep rolling four quarter interest expenses at **€18m** level. In 12 months, the average debt has increased by **7.2%**, while interest expenses on debt increased by only **€0.5m** (**5.4%**). Despite other net financial income decreases we were able to keep consolidated net profit at **€3.6m**.

Investments

Investments In the second quarter Eesti Energia's capital expenditures reached **€38.0m**. The medium term strategic investment programme proceeds as planned.

Investments, € th.	**2004/05 I half**	**2003/04 I half**
Oil Shale Company	5 401	8 965
Power and Heat	24 186	72 623
Transmission	24 951	7 723
Distribution	23 780	20 389
Other and eliminations	2 750	3 713
Total Investments	**81 068**	**113 413**

The first of the two renovated 215 MW power production units at the Narva Power Plants received Provisional Acceptance in October 2004 and is expected to receive the Final Acceptance by the end of FY 2004/05 Q3. Second renovated power unit is scheduled to receive Provisional Acceptance in January 2005 and Final Acceptance by the end of FY 2004/05. In power networks, the main event was the completion of Harku – Kiisa 330 kV OHL – one of the milestones in the Transmission Networks medium term strategic investment plan.

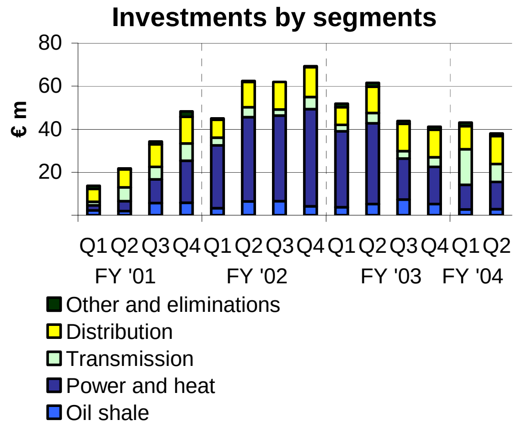
Generation Investments in power and heat production amounted to **€12.7**, of which repowering of Narva PP was (**€1.0m**). During the second quarter, the construction of a reserve boiler house at the Balti site of Narva Power Plants constituted the single largest investment project (**€6.3m**).

Transmission In the second quarter of the financial year 2004/05, a total of **€8.4m** was invested in the National Grid.

The Transmission Network's most important ongoing investment projects during the reporting period were the reconstruction of Balti 330/220/110 kV substation (**€1.8m**), followed by the construction of Harku – Kiisa 330 kV OHL (**€2.0**), Harku 330 kV substation (**€1.2**) and reconstruction of Paide 110 kV substation (**€0.5m**).

In the second quarter, most of the works in the Harku – Kiisa 330 kV OHL were completed – the commissioning of the new high voltage power line was conducted in November 2004. Harku – Kiisa OHL – an important part of the Transmission Networks medium term investment strategy – provides a way to increase supply capacity and reliability in fast-growing capital area. The next steps in the TSO's investment strategy are the completion of works at Harku 330 kV substation, the renovation of Balti 330 kV substation and the building Harku – Kiisa 330 kV power line.

Distribution In the second quarter of financial year 2004/05, a total of **€13.0m** was invested in the Distribution Network. In the first two quarters, **42%** of the total investments in the Distribution Network were connecting new customers to the grid. The demand for new connections surpasses even the record year FY 2002/03. If the high demand continues, rolling four quarter investments into new customer connections will exceed **€20m** level by the end of FY 2004/05.



Major investment projects in the Distribution Network were the building of the new customer connections (**€10.0m**); renovation of the 0.4-20 kV networks and the Voltage Quality Programme (**€4.5m**), reconstruction of 35-330 kV substations and 6-20 kV switchgear (**€3.1m**); reconstruction of metering systems (**€1.2m**); switching voltage from 3x220 V to 3x400 V (**€0.8m**).

Loans and bonds

Loans and bonds as of 30.09.2004 € m	Used	Un-used	Maturity
NIB	13		2 009
NIB	15		2 012
Syndicate loan	50		2 006
KWf		90	2 017
NIB	20	40	2 017
EIB	15	65	2 019
Eurobond	200		2 009
Total loans and bonds	**313**	**195**	

All loans are denominated in euros. The weighted average interest rate was 6 months **EURibor + 0.65%** as of 30 of September 2004. Since last quarter the average interest rate has fallen by **4** basis points.

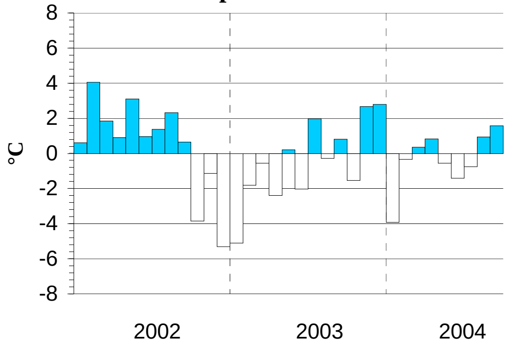
Eurobond issue has fixed interest rate at **6%**. The floating interest rates of the syndicate loan of the amount of **€50 000 000** (until the end of the loan period) and of the Nordic Investment Bank loan to the amount of **€15 000 000** (until 2006) are fixed by means of interest rate swap, having the weighted average interest rate of **5.8%**. The interest rate of first tranche of NIB **€60 000 000** facility is also fixed. This makes **91%** of the debt portfolio fixed.

In the coming quarters Eesti Energia does not plan to raise additional long-term financing. If the favourable market conditions persist, setting up a CP programme and drawing down from existing long-term facilities is considered.

Short-term outlook

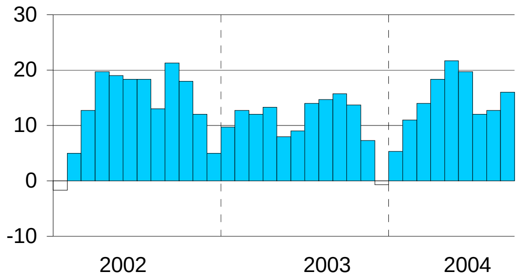
Eesti Energia's strong financial results during the first six months were based on strong electricity sales and focus on cost reduction. The growth of the economy and the structure of consumption are becoming increasingly relevant in determining the long- term growth rate of electricity demand. The nexus between the electricity demand and aforementioned factors is further strengthened by the phenomenon of increased electricity sales despite relatively high temperatures[1], which was the case also in the first half on FY 2004/05.

Difference from monthly average temperature



When compared to poll results in June 2004, positive expectations have somewhat declined. Still, Estonian Institute of Economic Research polls indicate that positive economic prospects dominate for the next 6 months. Business confidence indicators are above usual despite the expected base interest rate increase later this year. Real GDP growth in Estonia during last two quarters has been robust. The 2004 GDP growth is expected to remain above **5.5%**.

Industrial enterprises confidence (monthly)



Source: Estonian Institute of Economic Research

Based on strong fundamentals and electricity sales in the first half we expect to see a solid growth of four-quarter domestic electricity sales by the end of FY 2004/05.

The rolling four-quarter losses trend in power networks has stabilized on **11.0%**. In the medium term, power network losses are still decreasing and are expected to continue to decline.

In line with the medium term investment programme, Eesti Energia continues to undertake large investments in power networks and electricity production. Effective deployment of major investments combined with an ongoing focus on value creation is expected to produce growth of EBITDA margin in the following quarters. Operating and net profit is likely to be negatively affected by an increase in net borrowing resulting in larger interest costs as well as larger depreciation costs.

[1] A change in absolute temperature levels (seasonality) is the main factor behind differences between the financial results of different quarters.

Definitions

Financial

CAPEX –	Capital expenditures
CP –	Commercial papers
EBIT –	Earnings before interest and taxes
EBIT margin –	EBIT divided by Total revenue
EBITDA interest cover –	EBITDA divided by Interest on debt
EBITDA –	Earnings before interest, taxes, depreciation and amortization
FFO –	Funds from operations; Operating cash flow less Changes in working capital
Interest –	Interest on debt
Invested capital –	Shareholders equity plus Debt
Net Debt –	Debt less cash and equivalents
Profit margin –	Net profit divided by Total revenue
ROIC –	Return on invested capital; EBIT divided by average Invested capital

Other

Eligible customers –	Electricity market participants, who are allowed to choose their supplier
TSO –	Transmission system operator

Notes

Financial tables

Accounting policies

These consolidated interim condensed financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. Except the accounting of goodwill, the accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended March 31st, 2004. According to IAS 36 (revised in 2004), IAS 38 (revised in 2004) and IFRS 3 goodwill is not a subject of amortization – goodwill will be tested for changes in value and revalued, if necessary. The aforementioned accounting principles are applied for the purpose of preparation of financial statements from 1.4.2004.

The statements should be read in conjunction with the 2003/04 annual financial statements, except the accounting of goodwill.

The information contained in the Interim Financial Statements has not been audited.

Consolidated income statement, € th.

	3 months		**6 months**		**12 months**		***Note***
	1.7.2004-30.9.2004	**1.7.2003-30.9.2003**	**1.4.2004-30.9.2004**	**1.4.2003-30.9.2003**	**1.10.2003-30.9.2004**	**1.10.2002-30.9.2003**	
Revenue							
Sales	82 733	78 593	168 329	160 596	384 847	385 070	
Other revenue	1 006	666	1 380	970	2 434	1 910	
Government grant	24	13	51	13	159	372	
Expenses							
Changes in work in progress and finished goods	448	-2 040	129	680	2 469	1 026	
Materials, consumables and supplies	-27 813	-22 945	-55 355	-51 431	-124 409	-116 169	
Other operating expenses	-8 534	-9 121	-17 424	-18 679	-37 317	-43 614	
Personnel expenses	-20 945	-21 882	-41 514	-42 261	-89 042	-84 481	
Depreciation and impairment	-20 982	-19 409	-42 003	-38 383	-86 715	-80 369	
Other expenses	-266	-221	-470	-386	-789	-893	
EBIT	**5 670**	**3 653**	**13 123**	**11 119**	**51 637**	**62 853**	
Interest expense on borrowings	-4 639	-4 363	-9 156	-8 688	-18 201	-17 373	
Other net financial income	-350	819	-366	912	-220	1 590	
Net financial revenues	**-4 989**	**-3 545**	**-9 523**	**-7 777**	**-18 421**	**-15 783**	
Profit for the period	**681**	**108**	**3 601**	**3 342**	**33 216**	**47 070**	
Attributable to:							
Equity holders of the company	1 004	736	4 396	4 287	33 542	44 843	
Minority interests	-323	-628	-795	-945	-326	2 227	
Earnings per share for profit attributable to the equity holders of the company during the period							
Basic (€)	0,01	0,01	0,06	0,06	0,46	0,63	***5***
Diluted (€)	0,01	0,01	0,06	0,06	0,46	0,63	***5***

Consolidated balance sheet, € th.

	30.9.2004	30.9.2003	31.3.2004	*Note*
Assets				
Current assets				
Cash and cash equivalents	21 703	25 011	45 110	
Available-for-sale financial assets	0	354	354	
Trade receivables	37 394	35 553	46 046	
Other receivables	30	50	85	
Accrued income	2 269	2 144	1 742	
Prepayments	1 059	4 988	916	
Inventories	18 457	16 909	16 592	
Total current assets	**80 912**	**85 010**	**110 845**	
Non- current assets				
Investments in associates	2 884	3 644	2 756	
Trade receivables	0	194	0	
Property, plant and equipment	1 166 360	1 089 797	1 128 979	***3***
Intangible assets	2 494	2 611	2 494	
Total non- current assets	**1 171 738**	**1 096 247**	**1 134 230**	
Total assets	**1 252 650**	**1 181 256**	**1 245 075**	
Liabilities				
Current liabilities				
Borrowings	2 369	1 059	1 192	
Trade and other payables	69 960	77 137	85 886	
Derivative financial instruments	3 327	4 883	4 468	
Provisions	4 531	4 911	5 884	
Deferred income	10	131	45	
Total current liabilities	**80 198**	**88 122**	**97 475**	
Non- current liabilities				
Borrowings	307 601	274 894	293 498	
Provisions	20 848	19 135	20 186	
Deferred income	43 814	33 669	38 468	
Total non- current liabilities	**372 263**	**327 698**	**352 152**	
Total liabilities	**452 461**	**415 820**	**449 627**	
Shareholder's equity				
Share capital	464 900	427 959	464 900	
Non- registered share capital	0	36 941	0	
Share premium	259 833	259 833	259 833	
Statutory reserve	41 327	40 020	40 020	
Hedging reserve	-2 790	-4 326	-3 930	
Retained earnings	32 127	0	0	
Net profit for the period	4 396	4 287	33 433	
Total capital and reserves attributable to the Company's equity shareholders	**799 792**	**764 713**	**794 256**	
Minority interest	**397**	**723**	**1 192**	
Total shareholders' equity	**800 189**	**765 436**	**795 448**	
Total liabilities and equity	**1 252 650**	**1 181 256**	**1 245 075**	

Consolidated cash flow statement, € th.

	6 months 1.4.2004-30.9.2004	6 months 1.4.2003-30.9.2003	12 months 1.10.2003-30.9.2004	12 months 1.10.2002-30.9.2003
Cash flows from operating activities				
Adjusted net profit	52 860	47 764	134 707	138 748
Changes in working capital	2 372	2 906	2 900	-3 756
Paid interest and loan fees	-14 871	-14 438	-17 343	-16 623
Received interest	314	1 085	637	2 978
Net cash from operating activities	**40 676**	**37 317**	**120 902**	**121 347**
Cash flows from investing activities				
Purchase of tangible fixed assets	-87 421	-113 098	-174 652	-227 998
Proceeds from connection fees	6 038	4 788	11 566	8 844
Proceeds from sale of tangible fixed assets	483	703	1 980	1 311
Disposal of business unit	1 945	0	1 945	0
Dividends received from associates	0	0	1 139	1 103
Loan repayments from employees	0	0	0	4
Paid for long- term financial investments	-128	0	-128	0
Proceeds from sale of financial investments	5	6	5	6
Net cash used in investing activities	**-79 078**	**-107 601**	**-158 145**	**-216 729**
Cash flows from financing activities				
Received long- term bank loans	15 000	0	35 000	0
Repayment of long- term bank loans	0	0	-1 055	0
Finance lease principal payments	-5	-7	-10	-29
Dividends paid to minority shareholders	0	0	0	-511
Net cash from financing activities	**14 995**	**-7**	**33 935**	**-540**
Net increase/decrease in cash and cash equivalents	**-23 407**	**-70 292**	**-3 308**	**-95 923**
Cash and cash equivalents at the beginning of the period	45 110	95 303	25 011	120 934
Cash and cash equivalents at the end of the period	21 703	25 011	21 703	25 011
Change in cash and cash equivalents	**-23 407**	**-70 292**	**-3 308**	**-95 923**

Consolidated statement of changes in shareholders' equity, € th.

	Capital and reserves attributable to the Company's equity holders						
	Share capital	**Share premium**	**Statutory reserve**	**Hedging reserve**	**Retained earnings**	**Minority interest**	**Total**
Balance at 31.3.2003	**464 900**	**259 833**	**23 489**	**-4 474**	**16 532**	**1 668**	**761 946**
Transfer to statutory reserve	0	0	16 532	0	-16 532	0	0
Revaluation of cash flow hedges	0	0	0	148	0	0	148
Net profit for the period of 1.4.2003-30.9.2003	0	0	0	0	4 287	-945	3 342
Balance at 30.9.2003	**464 900**	**259 833**	**40 020**	**-4 326**	**4 287**	**723**	**765 436**
Balance at 31.3.2004	**464 900**	**259 833**	**40 020**	**-3 930**	**33 433**	**1 192**	**795 448**
Transfer to statutory reserve	0	0	1 672	0	-1 672	0	0
Revaluation of cash- flow hedges	0	0	0	1 140	0	0	1 140
Net profit for the period of 1.4.2004-30.9.2004	0	0	0	0	4 396	-795	3 601
Balance at 30.9.2004	**464 900**	**259 833**	**41 692**	**-2 790**	**36 157**	**397**	**800 189**

Notes to the financial statements

1 Segment reporting

For segment reporting purposes, the group's business units and subsidiaries are divided into business segments based on the internal management reporting structure and statutory requirements stipulated in the Electricity Market Act of Estonia. The Electricity Market Act of Estonia requires separate accounting to be held for electricity production, transmission, distribution and sales. Operating revenues and expenses are allocated to different segments based on internal invoices. The pricing of inter-segment transfers is based on the prices approved by the Estonian Energy Market Inspectorate, or if not available, on the market prices. If no market prices exist, the management board of the Group affirms the internal prices.

No information on geographical segments is presented, as all significant activities of the Group take place in Estonia.

For segment reporting, the companies and units are divided into the following business segments:

Oil shale mining - Eesti Põlevkivi;
Production of electricity and heat - Narva Elektrijaamad, Iru Elektrijaam, AS Kohtla-Järve Soojus, Renewable energy;
Transmission of electricity – OÜ Põhivõrk;
Distribution of electricity – OÜ Jaotusvõrk;
Sales and customer service - Teenindus;
Support services - Energoremont, AS Elektriteenused, AS Elpec, Televõrgu AS, AS Elektrikontrollikeskus, Administration, Support services.

1.4.2004-30.9.2004	€ th. Oil shale mining	Production of electricity and heat	Transmission of electricity	Distribution of electricity	Sales and customer service	Support services	Intra-group eliminations	Total group
Revenue	48 565	109 197	28 242	63 613	145 754	21 683	-247 294	169 761
EBIT	2 442	7 221	1 384	7 557	-6 588	462	645	13 123

1.4.2003-30.9.2003	Oil shale mining	€ th. Production of electricity and heat	Transmission of electricity	Distribution of electricity	Sales and customer service	Support services	Intra-group eliminations	Total group
Revenue	52 393	107 287	27 177	62 286	137 404	20 069	-245 038	161 579
EBIT	6 061	4 267	1 820	6 640	-9 191	1 310	212	11 119

2 Seasonality of operating profit

Temperature is the most important factor influencing the domestic electricity and heat demand. Lower temperatures in winter induce higher energy consumption and thus higher revenues and operating profit, in summer higher temperatures lead to lower electricity consumption and correspondingly to lower revenues and lower operating profit.

3 Tangible assets, € th.

	Land	Buildings	Const-ructions	Plant and equipment	Other	Total
Balance at 31.3.2004						
Cost	4 303	115 875	719 574	676 379	2 518	1 518 649
Accumulated depreciation	-1	-64 909	-277 116	-320 233	-1 453	-663 712
Opening net book value	4 301	50 967	442 457	356 146	1 065	854 937
Construction and renovation in progress	0	3 100	13 883	256 087	0	273 071
Prepayments	266	8	171	526	0	971
Total balance at 31.3.2004	**4 568**	**54 075**	**456 512**	**612 760**	**1 065**	**1 128 979**
Movements for the period 1.4.2004-30.9.2004						
Additions	43	11 412	24 673	44 725	214	81 068
Depreciation	-1	-1 986	-14 518	-25 214	-285	-42 003
Business unit sold	0	-169	-1 127	-368	-1	-1 665
Disposals	-8	-157	0	-93	0	-258
Reclassification	0	-10	10	-329	329	0
Consolidation of subsidiary	0	137	0	102	0	239
Total movements for the period 1.4.2004-30.9.2004	**34**	**9 228**	**9 039**	**18 822**	**258**	**37 380**
Balance at 30.9.2004						
Cost	4 345	114 912	728 064	690 090	3 272	1 540 683
Accumulated depreciation	-2	-63 903	-289 810	-342 801	-1 949	-698 465
Closing net book value	4 343	51 009	438 255	347 289	1 323	842 218
Construction and renovation in progress	0	12 279	27 249	282 441	0	321 969
Prepayments	259	15	47	1 852	0	2 173
Total balance at 30.9.2004	**4 602**	**63 303**	**465 551**	**631 582**	**1 323**	**1 166 360**

4 Nominal and amortized value of borrowings, € th.

	30.9.2004		31.3.2004	
	Nominal value	Amortized cost	Nominal value	Amortized cost
Short- term borrowings				
Current portion of long- term bank loans	2 364	2 364	1 182	1 182
Finance lease liabilities	5	5	11	11
Total short- term borrowings	**2 369**	**2 369**	**1 192**	**1 192**
Long- term borrowings				
Bank loans	110 636	109 593	96 818	95 666
Bonds issued	200 000	197 996	200 000	197 821
Finance lease liabilities	12	12	12	12
Total long- term borrowings	**310 648**	**307 601**	**296 830**	**293 498**
Total borrowings	**313 017**	**309 970**	**298 022**	**294 690**

5 Earnings per share

Basic earnings per share = Profit attributable to the equity holders of the company / Weighted average number of shares

As there are no potential ordinary shares, stock options, warrants or convertible bonds, diluted earnings per share equal to earnings per share.

	3 months		6 months		12 months	
	1.7.2004 - 30.9.2004	1.7.2003 - 30.9.2003	1.4.2004 - 30.9.2004	1.4.2003 - 30.9.2003	1.10.2003- 30.9.2004	1.10.2002- 30.9.2003
Profit attributable to the equity holders of the company (€ th.)	1 004	736	4 396	4 287	33 542	44 843
Weighted average number of shares (th.)	72 741	72 741	72 741	72 741	72 741	71 296
Basic earnings per share (€)	0,01	0,01	0,06	0,06	0,46	0,63
Diluted earnings per share (€)	0,01	0,01	0,06	0,06	0,46	0,63