Eesti Energia

Interim Report

1.4.2005 – 30.9.2005

Contents

Overview

Key financial figures	1.4.2005-30.9.2005	1.4.2004-30.9.2004	Change		1.4.2004-31.3.2005
Revenues, € th.	190 730	169 761	20 969	12,4%	397 420
incl. domestic sales of electricity	133 929	121 619	12 310	10,1%	284 310
EBITDA, € th.	72 011	55 126	16 885	30,6%	148 983
EBIT, € th.	23 974	13 123	10 851	82,7%	61 365
Net Profit, € th.	12 807	3 601	9 207	255,7%	42 870
Net Fixed Assets, € th.[1]	1 234 565	1 166 357	68 208	5,8%	1 199 979
Equity, € th.[1]	847 525	800 187	47 338	5,9%	840 110
Net Debt, € th.[1]	308 778	288 266	20 512	7,1%	268 675
CAPEX, € th.	83 005	81 067	1 938	2,4%	159 891
FFO, € th.	53 343	38 304	15 039	39,3%	127 697
Debt/(Debt+Equity)[1]	28,2%	27,9%	0,3%		26,9%
ROIC[2]	6,3%	4,8%	1,5%		5,5%
EBITDA interest cover[2]	9,0	7,6	1,4		8,1
FFO[2]/Net Debt[1]	46,2%	40,9%	5,2%		47,5%
FFO/Interest Expense[2]	7,7	6,5	1,2		7,0
FFO/Capex[2]	88,1%	71,0%	17,1%		79,9%
EBITDA margin	37,8%	32,5%	5,3%		37,5%
EBIT margin	12,6%	7,7%	4,8%		15,4%

1 - balance sheet figures are end of period

2 - rolling 12 months

Eesti Energia's three most significant events in the first six months of FY 2005/06 were double-digit growth of both revenues and earnings, the upgrade of both long- and short term credit ratings by Moody's by two notches as well as the positive progress made in the investment programme.

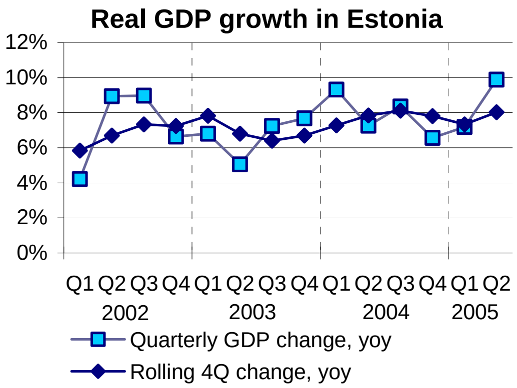
In June 2005, Moody's started applying a new rating methodology for government related issuers ("GRIs"), thus re evaluating ratings of all GRI's. Eesti Energia's long – term and senior unsecured rating for the €200m eurobond is A1 (previously A3), while short term rating is P-1 (P-3). In September, Standard & Poor's maintained company's credit rating at A-, removing the negative outlook.

Growth of electricity sales, focus on costs and application of new network tariffs increased 1H EBIT by 82.7%

Revenues increased to **€190.7m**, which was **12.4%** higher compared to the previous financial year. Revenue growth was based on strong domestic electricity sales, which grew **10.1%**, while revenue growth from shale oil was **€2.9m**.

Operating and net performance Operating costs before depreciation and amortization increased by **3.6%**, which allowed Eesti Energia to reach an EBITDA growth of **30.6%**. Depreciation costs rose by **14.4%** (**€6.0m**). Despite the high growth of depreciation costs, operating profit grew **82.7%** (**€10.9m**). As the interest costs on debt were at par with the previous year, 6 months net profit more than tripled to **€12.8m**.

Economic environment Estonian Institute's in Economic Research (EKI) poll in September 2005 on the state of economy in Estonia reflected the booming economy by reaching the maximum of **9** points. The result exceeds the historic average by more than one third.



Source: Statistical Office of Estonia

In June 2005 Statistical Office of Estonia corrected the GDP calculation methodology. According to calculations based on the new methodology the real GDP growth in Estonia in the second quarter of calendar year 2005 was **9.9%**, while 12 month rolling growth was at **8.0%**. According to the Ministry of Finance, the growth was based on strong exports, which led to decrease in trade balance deficit and increase in net exports. In addition to strong exports, in the supply side, domestic demand was also high, relying on retail sales, auto sales and real estate development. In addition, Estonia's real GDP growth well exceeds the growth rate of the euro area (in 2004 **2.1%**). The European Council estimates the euro area growth in 2005 to be at the level of **1.2%**.

During the reporting period, the most significant event in the **Baltic energy market** was planned maintenance of the Ignalina Nuclear Power Plant (Ignalina NPP). Eesti Energia is one of the leading electrical energy producers in the area, thus the Company was able to significantly increase its exports.

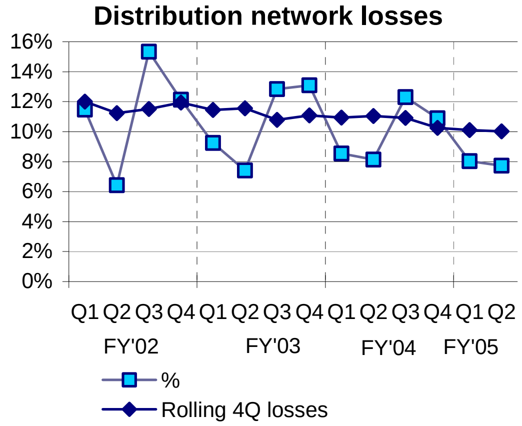
Emissions trading Carbon market evolved significantly during the first six months of Company's financial year. With the price increase of gas, carbon prices rose considerably in the first quarter. The trading volumes in the main carbon markets are still low, although the OTC trade is quite lively. Low volumes can be traced to the fact, that the registries in approximately half of the participant countries are not synchronized with the European central registry. Government of the Republic of Estonia has through National Allocation Plan assigned Eesti Energia **46.7 million** tonnes of CO_2 emission allowances for the period of 2005 – 2007. The amount is sufficient to cover the emissions emanating from projected electricity generation (both for domestic and export demand).

Financial strength In June 2005, Moody's raised Eesti Energia's credit rating by two notches to A1; Standard & Poor's has assigned Eesti Energia **A-** rating. The move by Moody's was a result of change in rating methodology. The solid progress in the execution of investment programme and continued positive developments in Estonia macroeconomic environment were also cited as credit strengths. Our goal is to continue to be a reliable partner to our clients, suppliers and financial institutions. We are committed to maintain a credit rating in the present category.

In spite of growing net debt, our interest and debt coverage ratios are in positive trend. Company's financial position is further strengthened by the new tariffs implemented in March 2005.

After the completion of CFB units at Narva PP, 12 month rolling CAPEX reduced by **€4.3m** in 12 months, stabilizing at **€150 – 160m** level. The reduction of CAPEX originates from power production segment (**-€26.7m)**. Rolling four quarter investments into power networks have increased by **€24.6m**. Increased profitability and decreased investments have driven the rolling 12 month FFO/investment multiple from **71.0%** to **88.1%**.

Network losses The historic trend of power losses is downwards. The distribution network losses went from **8.1%** in the FY 2004/05 Q2 to **7.7%** in the second quarter of the FY 2005/06. As a result, 12 month rolling distribution network losses decreased to a record low **10.0%** (a decrease of **1.0** percentage points compared with the FY 2004/05).



Profitability Operating results were most influenced by the growth of domestic sales of electricity and electricity exports, and focus on the optimization of operating costs. As a result, growth of rolling 12 month revenues (**8.0%**) topped the growth of rolling 12 month operating costs (**3.1%**) by **4.9** percentage points. Consequently, 12 month EBIT was up **39.9%,** at the same time invested capital increased by **7.2%**, which produced a ROIC of **6.3%**, compared to **4.8%** one year before.

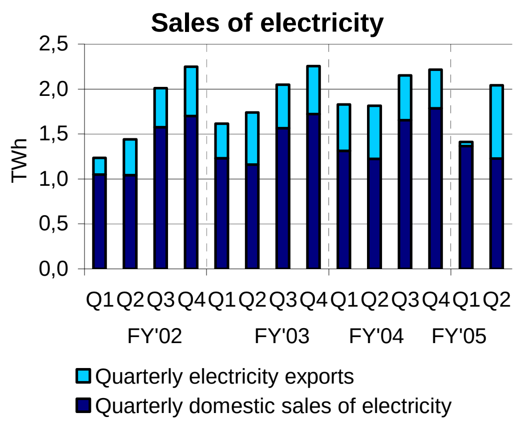
Operating results

Revenues € th.	2005/06 6 months	2004/05 6 months
Oil Shale Company	53 023	48 565
Power and Heat	116 959	109 197
Transmission	32 735	28 243
Distribution	67 710	63 613
Supply	100 340	145 754
Support Services	24 275	21 683
Eliminations	-204 312	-247 294
Consolidated Revenues	**190 730**	**169 761**

Domestic electricity sales increased to **€133.9m**, an increase of **10.1% (€12.3m)** on the FY 2004/05 6 months. In quantitative terms, domestic electricity sales increased by **2.6%**, or **67 GWh**. Revenue growth above the sales growth was due to the increase of tariffs, which rose in March 2005.

Electricity exports Most of the electricity export revenues derived from the second quarter, when Ignalina NPP was in maintenance, enabling the Company to enter the Lithuanian power market. In quantitative terms, second quarter exports increased by **220 GWh**, or **37.0%** to **813 GWh**. During six months of FY 2005/06, exports to Latvia decreased by **66 GWh**, exports to Russia decreased by **354 GWh** (**to 0 GWh**), while exports to Lithuania increased to **168 GWh** (from **0**).

Heat sales amounted to **€8.1m** in the first six months of financial year 2005/06, which was at par with the heat sales in FY 2004/05. In quantitative terms, sales decreased to **448 GWh** (**-4.1%**). In Narva Power Plant heat sales decreased to **124 GWh** (**-12.8%**), in Iru Power Plant increased to **279 GWh** (**1.3%**) and in AS Kohtla-Järve Soojus decreased to **44 GWh** (**-9.3%**). In FY 2004/05, during the testing of new CFB boilers, Foster Wheeler purchased heat from Narva PP. The decrease in heat sales in Narva PP can be traced to the completion of the two power units. The decrease of Kohtla – Järve Soojus heat sales is partly explained by the sale of Järve assets in July 2004.



Oil Shale Outside the group sale of oil shale increased to **€6.5m** (**7.9%**); sales volumes increased to **872** thousand tonnes (**1.8%**).

Shale Oil In monetary terms, the sale of shale oil increased by **55.4%** to **€8.2m**. Oil sales reached **52 thousand tonnes** (**+10.3%**) in the FY 2005/06 Q2. The increase of both sales price and volume is closely connected to high oil prices in the world markets.

Other goods and products Sale of other goods and products totaled **€7.7m**, exhibiting more than twofold increase. This was due to an increase of exports of energy equipment of AS Energoremont by **€2.1m**.

Services Sale of services amounted to **€5.8m**, an increase of **5.6%** on the previous financial year. The largest increase was experienced in the sales of telecommunication services (**€0.5m** or **+50.3%**) and repair and building services (**€0.3m** or **+24.2%**).

Expenses During the FY 2005/06 6 months, operating expenses totaled **€166.8m**, an increase of **€10.1m** (**6.5%**) on the same period of the previous financial year; the growth of costs is relatively low compared with the **12.4%** growth of operating revenues.

EBIT € th.	**2005/06 6 months**	**2004/05 6 months**
Oil Shale Company	5 225	2 442
Power and Heat	9 316	7 221
Transmission	7 358	1 384
Distribution	4 765	7 557
Supply	-2 213	-6 588
Support Services	572	462
Eliminations	-1 049	645
Consolidated EBIT	**23 974**	**13 123**

Four factors most influencing the Group's EBIT in the first half of the financial year were strong domestic sales of electricity (both quantity and revenue), significant exports to Lithuania, booming sales of shale oil and growth of depreciation costs. In spite of inflationary pressures in the first half of 2005/06 EBIT grew **82.7%** (**€10.9m**).

Oil Shale mining segment experienced a **€2.8m** (**113.9%**) increase in EBIT, while power and heat segment EBIT increased by **€2.1m**. The increase in operating profit reflects the increased volume of power production. This in turn was a result of higher energy exports to Latvia and Lithuania.

Networks Transmission network's operating profit amounted to **€7.4m**, while the distribution network EBIT decreased to **€4.8m**. The decrease in the Distribution network's EBIT is related to the new network tariffs, which effectively established a new tariff structure. With the implementation of new tariff structure, the Distribution Network's operating result is more sensitive to changes in distributed energy volumes. After the abatement of seasonal effects, taking account the new tariffs, we expect to see a healthy increase in Distribution network's EBIT by the end of FY 2005/06. Still, both networks benefited from lower network losses. In the future we expect the financial position of power networks to further improve.

Net profit € th.	**2005/06 6 months**	**2004/05 6 months**
Consolidated EBIT	**23 974**	**13 123**
Consolidated interest on debt	-9 239	-9 156
Consolidated interest on provisions	-745	-805
Cons. net other fin. income	187	439
Income tax	-1 370	-0
Consolidated Net Profit	**12 807**	**3 601**

Low interest rates have enabled us to keep rolling four quarter interest expenses at **€18m** level, although in 12 months total interest bearing debt has increased by **7.4%**. Based on the Company's good results in the financial year 2004/05, the Management Board proposed and the Company paid a dividend in the amount of **€6.2m**.

Investments

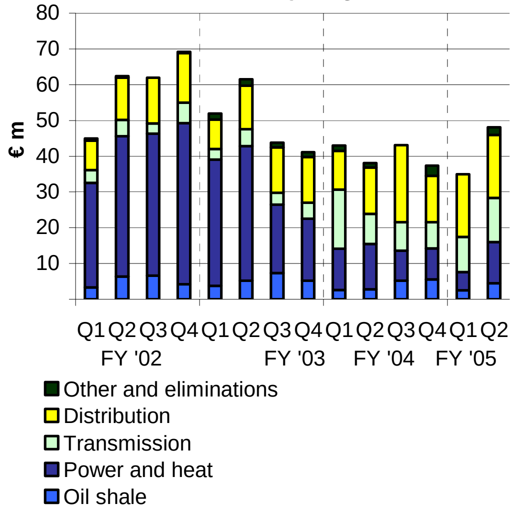
Investments In the first six months, Eesti Energia's capital expenditures were **€83.0m,** while four quarter rolling investments were at **€161.8m**. Medium term strategic investment programme proceeds as planned, main projects emerge from the Transmission Network's Narva – Tallinn investment plan.

The most important ongoing investment projects include construction of Kiisa - Balti 330 kV OHL (**€5.0m**), construction of gas-fired peak boiler house at Balti PP (**€4.3m**) and construction of Balti 330 kV substation (**€1.3m**).

Generation In the second quarter, investments in power and heat production amounted **€11.5**, of which building new gas-fired heat boiler house amounted to **€4.3m**, decommissioning of Balti PP sections I – III amounted to **€1.7m**. Kyoto policies have added to the complexity of the framework of power production segment's investment strategy. As it is clear, that environmental regulations are becoming stricter, our investment strategy focuses on achieving compliance with relevant regulations and standards at due time. The last significant project comes from Iru plant, where we started a project to install new low – NOx burners. Iru plant supplies 50% of capital's and 100% of Maardu's heat consumption.

Transmission In the second quarter of financial year 2005/06, a total of **€12.4m** was invested in the National Grid.

Investments by segments



Transmission networks most important ongoing investment projects during the reporting period were construction of Kiisa - Balti 330 kV OHL (**€5.0m**) and reconstruction of Balti 330 kV substation (**€1.3m**), followed by renovation and construction of Endla 110 kV switchyard and OHL (**€2.9m**), Tartu 110 kV switchyard (**€2.8m**) and construction of Veskimetsa switchgear (**€2.1m**).

Distribution In the second quarter of FY 2005/06, a total of **€17.6m** was invested into the Distribution Network. Distribution Network main goal is to increasing the efficiency and reliability of power networks. Rigorous investment programme has yielded excellent results in terms of power network losses, which in last years have considerably decreased.

Major investment projects in the FY 2005/06 Q2 in the Distribution Network were building of new customer connections (**€8.9m**); renovation of the 0.4-20 kV networks and the Voltage Quality Programme (**€2.2m**), reconstruction of 35-330 kV substations (**€2.0m**); and switching voltage from 3x220 V to 3x400 V (**€0.4m**).

Debt

Loans and bonds as of 30.9.2005 € m	Used	Un-used	Maturity
NIB	11		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 long term	311	195	
Short- term	25		2 005
Total loans and bonds	**336**	**195**	

All loans are denominated in euros. Interest rates of majority of loans were floating; the weighted average interest rate of floating- rate loans was 6 months **EURibor +0.53%** as of 30 September, 2005, remaining unchanged with the previous quarter.

Eurobond issue has a fixed interest rate of **6%**.

The floating interest rates of the syndicate loan in the amount of **€50m** (until the end of the loan period in 2006) and of the Nordic Investment Bank loan in the amount of **€15m** (until 2006) are fixed by means of interest rate swap, having the weighted average interest rate of **5.8%**. The first tranche of NIB **€60m** term loan in the amount of **€20m** is also fixed.

Due to seasonality of its cash-flows EE usually needs to use more external funds in summer months. In July and August Eesti Energia issued commercial papers on the Finnish CP market. The nominal amount of CPs outstanding is 25 million EUR, average maturity at time of issue was four months and average interest rate **2.24%**. Outstanding CPs mature in the end of November. CP issuance has decreased the average interest of Company's debt portfolio by **25 bps**.

As a result of issuing CPs 85% of the debt portfolio is fixed and 15% floating. Without the effect of CP-s 92% of the debt portfolio would have been fixed and 8% floating.

The syndicate loan of **€50m** will mature in June 2006, therefore accounting-wise it has been classified as short-term debt. The Company sees several possibilities for refinancing, including drawing down from its **€195m** committed debt lines.

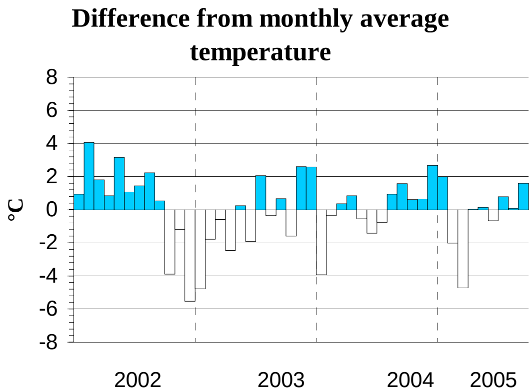
In the end of June Moody's raised the Company's credit rating by two notches to **A1**. S&P rating stands at **A-**. This rating change will reduce average margin of floating-rate loans by **1 bps** by December 2005 (projection is based on disbursed loans and does not take into account further disbursements that could consequently also be with lower margin).

In the beginning of August Eesti Energia paid out dividends to its 100% shareholder, Estonian Republic, in the amount of **€6.2m**.

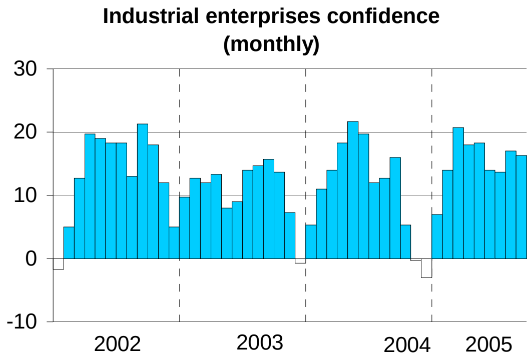
Short-term outlook

Estonian Institute of Economic Research poll in September 2005 indicated, that optimistic sentiment about economic prospects for the next 6 months dominates. In July 2005, IMF's mission to Estonia concluded, that Estonia's real GDP growth is expected to stay at **7%**, while inflation stays at **3.5%**. With present state and structure, Estonia's economy is well capable to foster the growth of domestic demand for electricity.

In Estonia, temperature in the first six months of FY 2005/06 was on average **+1.5ºC** higher than in the first quarter of the previous financial year. Despite that, electricity sales showed a healthy growth. Data demonstrates, that in last twelve months the temperature neutral electricity growth is increased to the level of **3.5%**, which is slightly above the historic long – term growth rate of electricity demand.



While high electricity exports contributed to EBIT in the second quarter, the completion of the Ignalina NPP maintenance effectively restores the existing situation in the power generation market.



Source: Estonian Institute of Economic Research

The rolling four-quarter losses trend in the distribution network decreased to a record low **10.0%**. In the medium term, power network losses are decreasing. For the 12 months of FY 2005/06 we aim the losses to go below **10%**.

In line with the medium term investment programme, Eesti Energia continues to undertake large investments in the power networks and electricity production. Investments in power production also help to offset the increasing environmental taxes. Effective deployment of major investments combined with ongoing focus on value creation is expected to produce growth of EBITDA margin in the following quarters.

Increased oil prices in the world markets have boosted the heavy fuel oil price. This in turn has elevated the price of shale oil by more than 50%. The higher price has contributed and is expected to contribute to the power and heat segment's net results in the following quarters.

Growth of economy has provided a sound basis for the growth of domestic demand of electricity. Sound fundamentals, combined with new tariffs and focus on cost reduction should form a strong basis to positive results in the following quarters. Thus, compared with FY 2004/05, we expect to experience further positive developments of12 month results for the end of the FY 2005/06.

Definitions

Financial

CAPEX –	Capital expenditures
CFB	Circulating fluidised bed
CP –	Commercial papers
EBIT –	Earnings before interest and taxes
EBITDA interest cover –	EBITDA divided by Interest on debt
EBITDA –	Earnings before interest, taxes, depreciation and amortization
EBIT margin –	EBIT divided by Total revenue
FFO –	Funds from operations; Operating cash flow less Changes in working capital
GRI –	Government related issuer
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

Notes

Financial tables

Accounting policies

These consolidated interim condensed financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. 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, 2005.

The Group has adopted for the first time in this financial period the standards IAS 27 (revised 2003), IAS 28 (revised 2003), IAS 32 (revised 2003), IAS 39 (revised 2003), which became obligatory for the Group from 1 April 2005.

The statements should be read in conjunction with the 2004/05 annual financial statements.

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

Consolidated income statement, € th.

	3 months		6 months		12 months		*Note*
	1.7.2005 - 30.9.2005	**1.7.2004 - 30.9.2004**	**1.4.2005 - 30.9.2005**	**1.4.2004 - 30.9.2004**	**1.10.2004- 30.9.2005**	**1.10.2003- 30.9.2004**	
Revenue							
Sales	99 576	82 733	188 893	168 329	415 290	384 847	
Other income	1 086	1 006	1 818	1 380	2 949	2 434	
Government grant	15	24	19	51	149	159	
Expenses							
Changes in work in progress and finished goods	-377	448	2 817	129	1 568	2 469	
Materials, consumables and supplies	-29 271	-27 813	-59 675	-55 355	-125 711	-124 409	
Other operating expenses	-8 635	-8 534	-18 038	-17 424	-37 547	-37 317	
Personnel expenses	-21 804	-20 945	-43 362	-41 514	-89 726	-89 042	
Depreciation and impairment	-24 728	-20 982	-48 037	-42 003	-93 652	-86 715	*5*
Other expenses	-277	-266	-461	-470	-1 104	-789	
EBIT	**15 585**	**5 670**	**23 974**	**13 123**	**72 216**	**51 637**	
Interest expense on borrowings	-4 764	-4 639	-9 239	-9 156	-18 444	-18 201	
Other net financial income	-325	-350	-558	-366	-1 294	-583	
Net financial cost	**-5 089**	**-4 989**	**-9 797**	**-9 523**	**-19 739**	**-18 785**	
Share results of associates	0	0	0	0	969	364	
Profit before taxes	**10 497**	**681**	**14 178**	**3 601**	**53 447**	**33 216**	
Income tax	0	0	-1 370	0	-1 370	0	*8*
Profit for the period	**10 497**	**681**	**12 807**	**3 601**	**52 076**	**33 216**	
Attributable to:							
Equity holders of the Parent Company	10 898	1 004	13 275	4 396	51 473	33 542	
Minority interests	-402	-323	-468	-795	603	-326	
Earnings per share for profit attributable to the equity holders of the company during the period							
Basic (€/)	0.15	0.01	0.18	0.06	0.71	0.46	*9*
Diluted (€)	0.15	0.01	0.18	0.06	0.71	0.46	*9*

Consolidated balance sheet, € th.

	30.9.2005	30.9.2004	31.3.2005	Note
Assets				
Current assets				
Cash and cash equivalents	24 238	21 703	40 301	
Trade receivables	45 158	37 394	49 891	
Other receivables	61	30	85	
Accrued income	2 599	2 269	2 194	
Prepayments	1 654	1 059	1 716	
Inventories	20 771	18 457	18 312	
Total current assets	**94 481**	**80 912**	**112 499**	
Non- current assets				
Investments in associates	11 346	2 884	2 701	*4*
Property, plant and equipment	1 234 568	1 166 360	1 199 979	*5*
Intangible assets	2 494	2 494	2 494	
Total non- current assets	**1 248 408**	**1 171 738**	**1 205 175**	
Total assets	**1 342 889**	**1 252 650**	**1 317 674**	
Liabilities				
Current liabilities				
Borrowings	78 354	2 369	2 374	*6*
Trade and other payables	76 845	69 960	89 982	
Derivative financial instruments	1 883	3 327	2 672	
Provisions	3 074	4 531	6 016	*7*
Deferred income	764	10	618	
Total current liabilities	**160 920**	**80 198**	**101 661**	
Non- current liabilities				
Borrowings	254 662	307 601	306 602	*6*
Provisions	19 709	20 848	18 593	*7*
Deferred income	60 071	43 814	50 709	
Total non- current liabilities	**334 441**	**372 263**	**375 903**	
Total liabilities	**495 361**	**452 461**	**477 564**	
Shareholders' Equity				
Share capital	464 900	464 900	464 900	
Share premium	259 833	259 833	259 833	
Statutory reserve	43 822	41 692	41 692	
Hedging reserve	-1 328	-2 790	-2 137	
Retained earnings	66 027	31 762	31 762	
Net profit for the period	13 275	4 396	42 594	
Total capital and reserves attributable to the equity holders of the Parent Company	**846 528**	**799 792**	**838 643**	
Minority interest	**1 000**	**397**	**1 468**	
Total shareholders' equity	**847 528**	**800 189**	**840 110**	
Total liabilities and equity	**1 342 889**	**1 252 650**	**1 317 674**	

Consolidated cash flow statement, € th.

	3 months		6 months		12 months		Note
	1.7.2005-30.9.2005	**1.7.2004-30.9.2004**	**1.4.2005-30.9.2005**	**1.4.2004-30.9.2004**	**1.10.2004-30.9.2005**	**1.10.2003-30.9.2004**	
Cash flows from operating activities							
Adjusted net profit	38 955	25 182	69 645	52 860	161 720	134 707	
Changes in working capital	-8 647	271	-6 347	2 372	-10 982	2 900	
Paid interest and loan fees	-12 478	-12 112	-15 207	-14 871	-18 287	-17 343	
Received interest	106	158	275	314	475	637	
Paid income tax	-1 370	0	-1 370	0	-1 370	0	
Net cash from operating activities	**16 566**	**13 499**	**46 996**	**40 676**	**131 555**	**120 902**	
Cash flows from investing activities							
Purchase of tangible fixed assets	-43 115	-40 115	-83 588	-87 421	-157 300	-174 652	
Proceeds from connection fees	4 294	3 736	10 270	6 038	18 018	11 566	
Proceeds from sale of tangible fixed assets	949	422	1 470	483	1 650	1 980	
Disposal of business unit	0	1 945	0	1 945	0	1 945	
Dividends received from associates	0	0	0	0	1 009	1 139	
Paid for long- term financial investments	0	-128	-8 644	-128	-8 644	-128	*4*
Proceeds from sale of financial investments	0	0	0	5	0	5	
Net cash used in investing activities	**-37 872**	**-34 140**	**-80 492**	**-79 078**	**-145 266**	**-158 145**	
Cash flows from financing activities							
Short – term borrowing	24 819	0	24 819	0	24 819	0	
Paid dividends	-6 199	0	-6 199	0	-6 199	0	
Received long- term bank loans	0	15 000	0	15 000	0	35 000	
Repayment of long- term bank loans	0	0	-1 182	0	-2 364	-1 055	
Finance lease principal payments	-3	-3	-5	-5	-11	-10	
Net cash from financing activities	**18 617**	**14 997**	**17 433**	**14 995**	**16 246**	**33 935**	
Net increase/decrease in cash and cash equivalents	**-2 688**	**-5 644**	**-16 063**	**-23 407**	**2 535**	**-3 308**	
Cash and cash equivalents at the beginning of the period	26 926	27 347	40 301	45 110	21 703	25 011	
Cash and cash equivalents at the end of the period	24 238	21 703	24 238	21 703	24 238	21 703	
Change in cash and cash equivalents	**-2 688**	**-5 644**	**-16 063**	**-23 407**	**2 535**	**-3 308**	

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

	Capital and reserves attributable to the equity holders of the Parent Company							
	Share capital	Share premium	Statutory reserve	Hedging reserve	Retained earnings	Total to the equity holders of the Parent Company	Minority interest	Total
Balance at 31.3.2004	**464 900**	**259 833**	**40 020**	**-3 930**	**33 433**	**794 256**	**1 192**	**795 448**
Transfer to statutory reserve	0	0	1 672	0	-1 672	0	0	0
Revaluation of cash flow hedges	0	0	0	1 140	0	1 140	0	1 140
Net profit for the period	0	0	0	0	4 396	4 396	-795	3 601
Balance at 30.9.2004	**464 900**	**259 833**	**41 692**	**-2 790**	**36 157**	**799 792**	**397**	**800 189**
Balance at 31.3.2005	**464 900**	**259 833**	**41 692**	**-2 137**	**74 356**	**838 643**	**1 468**	**840 110**
Transfer to statutory reserve	0	0	2 130	0	-2 130	0	0	0
Revaluation of cash- flow hedges	0	0	0	809	0	809	0	809
Paid dividends	0	0	0	0	-6 199	-6 199	0	-6 199
Net profit for the period	0	0	0	0	13 275	13 275	-468	12 807
Balance at 30.9.2005	**464 900**	**259 833**	**43 822**	**-1 328**	**79 302**	**846 528**	**1 000**	**847 528**

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.

1.4.2005-30.9.2005 € 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	53 023	116 959	32 735	67 710	100 340	24 275	-204 312	190 730
EBIT	5 225	9 316	7 358	4 765	-2 213	572	-1 049	23 974

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

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 and heat consumption and correspondingly to lower revenues and lower operating profit.

3 Negative net current assets

As of 30.09.2005 net current assets were equal to –66 439 thousand euros, which is principally related to 1) the repayment of €50m syndicated loan (matures in June 2006); and 2) emission of short term commercial papers (matures in November 2005). The commercial papers were emitted in order to cover working capital needs pertaining to the seasonality (please refer to note 2) of cash flows from company's core markets.
The Company sees several ways of refinancing the loan, including one option of drawing down its committed long-term debt facilities that amount to € 195 million.

4 Investments in associates

On the 29th of April, 2005 AS Eesti Energia increased its associate's AS Nordic Energy Link equity by 8 644 thousand euros. Other AS Nordic Energy Link shareholders contributed 13 213 thousand euros. After the event, AS Eesti Energia's share in the company is 39.9%.

5 Tangible assets, € th.

	Land	Buildings	Const-ructions	Plant and equipment	Other	Total
Balance at 31.3.2005						
Cost	4 642	127 323	756 913	854 424	3 429	1 746 730
Accumulated depreciation	-4	-66 098	-301 755	-362 939	-2 199	-732 995
Opening net book value	**4 638**	**61 225**	**455 158**	**491 485**	**1 229**	**1 013 735**
Construction and renovation in progress	0	18 808	17 176	147 471	0	183 456
Prepayments	259	0	9	2 521	0	2 789
Total balance at 31.3.2005	**4 896**	**80 033**	**472 343**	**641 477**	**1 229**	**1 199 979**
Movements for the period 1.4.2005-30.9.2005						
Additions	179	8 590	37 981	36 109	145	83 005
Depreciation	-3	-2 329	-14 486	-30 906	-312	-48 037
Disposals	-3	-175	-153	-494	0	-825
Reclassification	0	-6 979	6 844	135	0	0
Recognition of dismantling provision	0	38	0	407	0	445
Total movements for the period 1.4.2005-30.9.2005	**174**	**-856**	**30 186**	**5 252**	**-167**	**34 589**
Balance at 30.9.2005						
Cost	4 819	142 732	781 463	999 069	3 561	1 931 644
Accumulated depreciation	-7	-68 275	-316 074	-389 982	-2 499	-776 838
Closing net book value	**4 811**	**74 457**	**465 388**	**609 087**	**1 062**	**1 154 806**
Construction and renovation in progress	0	4 720	37 132	36 418	0	78 271
Prepayments	259	0	9	1 223	0	1 491
Total balance at 30.9.2005	**5 070**	**79 177**	**502 529**	**646 729**	**1 062**	**1 234 568**

The cost of Narva Power Plant Unit no. 8 includes the present value of expected dismantling costs (€445 th., calculated at 8% discount rate; expected life of power unit 30 years).

6 Nominal and amortized value of borrowings, € th.

	30.9.2005		**30.9.2004**	
	Nominal value	**Amortized cost**	**Nominal value**	**Amortized cost**
Short- term borrowings				
Current portion of long- term bank loans	53 435	53 435	2 364	2 364
Commercial papers	25 000	24 915	0	0
Finance lease liabilities	5	5	5	5
Total short- term borrowings	**78 440**	**78 354**	**2 369**	**2 369**
Long- term borrowings				
Bank loans	57 201	56 294	110 636	109 593
Bonds issued	200 000	198 366	200 000	197 996
Finance lease liabilities	2	2	12	12
Total long- term borrowings	**257 203**	**254 662**	**310 648**	**307 601**
Total borrowings	**335 643**	**333 016**	**313 017**	**309 970**

7 Provisions, € th.

	Balance at 31.3.2005	**Recognition and changes**	**Interest charge**	**Utilisation**	**As of 30.9.2005**	
					Short - term	**Long - term**
Environmental and mining termination	19 810	-1 848	596	-671	2 396	15 491
Post – employment benefits	1 925	29	46	-369	486	1 146
Injury compensations	2 429	0	85	-155	193	2 165
Dismantling	445	445	18	0	0	907
Total provisions	**24 608**	**-1 375**	**745**	**-1 196**	**3 074**	**19 709**

During the reporting period, the Company cancelled the environmental and mining termination provision in the amount of 1 848 thousand euros due to the cessation of possible claim. Narva Power Plants established a provision in order to cover the expected dismantling costs of new power unit in the amount of 445 thousand euros (calculated at 8% discount rate; expected life of power unit 30 years). The present value of dismantling costs is accounted for within the property, plant and equipment (please refer to note 5).

8 Income tax

In June 2005, AS Eesti Energia's subsidiaries AS Eesti Põlevkivi and AS Elektrikontrollikeskus announced dividend, on which the income tax amounted to 1 370 thousand euros. According to the Estonian Income Tax Law, if a resident company has received dividends from a resident company and the recipient of the dividends owns, at the time of payment of the dividends, at least 20 per cent of the shares or votes of the payer of the dividends, the recipient of the dividends is not obliged to impose income tax on the same amount paid by it as dividends.

	Net dividend	Deductions	Income tax	Tax rate
AS Eesti Põlevkivi	6 391	2 148	1 340	21.0%
AS Elektrikontrollikeskus	96	0	30	31.6%
Total	**6 487**	**2 148**	**1 370**	**21.1%**

9 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 stock options, warrants, convertible bonds or contractual obligations to issue additional ordinary shares, diluted earnings per share equal to earnings per share.

	3 months		6 months		12 months	
	1.7.2005 - 30.9.2005	1.7.2004 - 30.9.2004	1.4.2005 - 30.9.2005	1.4.2004 - 30.9.2004	1.10.2004- 30.9.2005	1.10.2003- 30.9.2004
Profit attributable to the equity holders of the company (€ th.)	10 898	1 004	13 275	4 396	51 473	33 542
Weighted average number of shares (th.)	72 741	72 741	72 741	72 741	72 741	72 741
Basic earnings per share (€)	0.15	0.01	0.18	0.06	0.71	0.46
Diluted earnings per share (€)	0.15	0.01	0.18	0.06	0.71	0.46