EESTI ENERGIA

Eesti Energia

Interim Report

1.4.2004 – 31.12.2004

Contents

Overview

Key financial figures	FY 04/05 9 months	1.1.2004-31.12.2004	1.4.2003-31.3.2004	1.4.2002-31.3.2003
Revenues, € th.	277 961	388 691	377 112	365 661
incl. domestic sales of electricity	198 758	279 311	270 923	257 943
EBITDA, € th.	100 046	140 889	132 727	132 001
EBIT, € th.	36 022	52 054	49 633	53 340
Net Profit, € th.	22 606	34 434	33 433	37 576
Net Fixed Assets, € th.	1 186 182	1 186 182	1 128 977	1 015 001
Equity, € th.	818 962	818 962	795 446	761 944
Net Debt, € th.	292 004	292 004	249 580	180 369
CAPEX, € th.	122 484	163 732	198 480	238 111
Net Operating Cash Flow, € th.	74 493	122 848	117 542	114 827
Debt/(Debt+Equity)[1]	27,4%	27,4%	27,0%	26,6%
ROIC[1]	4,7%	4,7%	4,7%	5,7%
EBITDA interest cover[1]	7,7	7,7	7,5	9,1
FFO[1]/Net Debt	40,7%	40,7%	45,7%	69,3%
FFO/Interest Expense[1]	6,5	6,5	6,4	8,6
FFO/Capex[1]	72,6%	72,6%	57,5%	52,5%
EBITDA margin	36,0%	36,2%	35,2%	36,1%
EBIT margin	13,0%	13,4%	13,2%	14,6%

Note: All balance sheet figures are end of period

1 - figures are based on 12 month rolling results

Eesti Energia's 9 month positive results were based on high domestic demand for electrical energy, double digit growth of exports as well as on gains from operating efficiencies. The company achieved profitable growth.

In November 2004, Eesti Energia's power networks (both the Main Grid and the Distribution Network) submitted revised applications for new network tariffs to Estonian Electricity Market Inspectorate. The regulator announced the new tariffs, which will allow the Distribution Network to earn a **7.4%** and the Transmission Network a **6.9%** return on regulatory asset base, at the end of November 2004. Concurrently, the regulator confirmed the networks combined **€280m** investment plan for FY2004/05 – FY2007/08. The new tariffs will be effective as of 1st of March 2005.

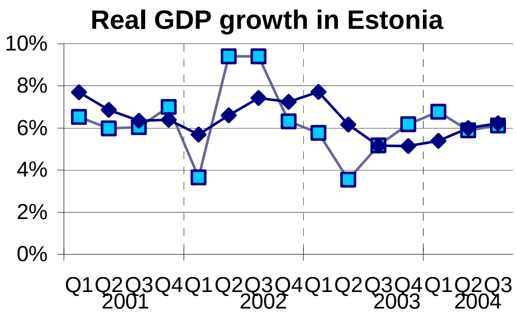
Eesti Energia is one of the leading partners in the Nordic Energy Link – the HVDC power cable connecting the Baltics with the Nordic countries. In July, five companies – Eesti Energia, Latvenergo (Latvija), Lietuvos Energija (Lithuania), PVO (Finland) and Helsinkin Energia (Finland) set up AS Nordic Energy Link with the purpose to build and operate the submarine cable. In the end of September 2004, the AS Nordic Energy Link announced an international tender to build the submarine cable. In the end of December 2004, the bidders submitted the bids. Currently, selection process is in its final stages. Total cost of the project is expected to be at **€110m**.

Strong electricity sales and focus on costs increased 9 month EBIT by 7.2%

Revenues increased to **€278.0m** in the 9 months of FY 2004/05, which was **4.4%** higher compared to the same period in the previous financial year. Revenues grew at the same pace with domestic sales of electricity, which also recorded a **4.4%** growth. 9 month electricity exports were up **15.3%** (**€3.4m**), constituting the rest of the revenue growth.

Operating performance Operating costs before depreciation and amortization increased by **2.1%**, which allowed Eesti Energia to reach an EBITDA growth of **8.9%**. Depreciation costs rose by **9.8%** (**€5.7m**). Despite the high growth of depreciation costs, 9 month operating profit grew **7.2%** (**€2.0m**).

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



Source: Statistical Office of Estonia

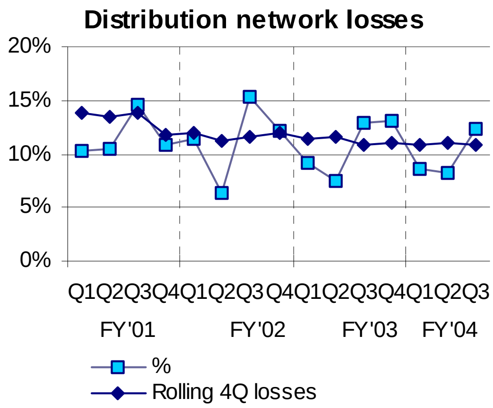
The real GDP growth in Estonia in the third quarter of calendar year 2004 was as high as **6.2%**. Macroanalysts cite positive monetary conditions as the main driver behind continually high real growth rate. Advantageous monetary conditions have induced solid investments into infrastructure and transportation sector, which in turn have contributed to growth of exports. Concurrently, low interest rates have propelled private borrowing and increasing consumption. Both investments and consumption show solid increase, signaling further improvement of the growth structure. Strong growth of domestic economy was further facilitated by moderate inflation rate and stable labor market. Estonia's real GDP growth well exceeds the EURO 25 growth rate. With present state and structure, Estonia's economy is well capable to foster the growth of domestic demand for electricity.

Electricity exports have grown three consecutive quarters; four-quarter exports reaching over **2.1 TWh**. In the Baltic energy market, the most important event was the shutdown of the first **1 300 MW** reactor of Ignalina Nuclear Power Plant as of 31.12.2004. In medium term, the event increases the competitiveness of Eesti Energia's electricity generation assets. Growth of Latvian, Lithuanian and Russian economies is expected to continue to stimulate electricity demand in respective countries, which in turn has a positive effect on Eesti Energia's export opportunities.

Financial strength Standard & Poor's and Moody's, 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 maintain a credit rating in the present category.

In spite of growing net debt, our interest and loan coverage ratios continue to be solid. New tariffs due March 2005 will further strengthen company's financial position. Other factor reinforcing company's credit situation is declining investment levels – rolling four quarter CAPEX has decreased by **€63m** in last five quarters.

In 12 months, the reduction of CAPEX originates from power production segment (**€86.9m)**, while rolling four quarter investments into power networks have increased by **€31.7m**. As a result, the rolling 12 month FFO/investment multiple increased from **53.6%** to **72.6%**.



Network losses Quarterly power losses in the distribution network decreased from the FY2003/04 Q3 **12.8%** to **12.3%** in FY2004/05 Q3. Considering, that the network losses in the FY 2003/04 Q4 were relatively high, we can expect further decrease in the fourth quarter.

Investment programme. First of the two renovated power units received Provisional Acceptance in FY 2004/05 Q3, whereas the second power unit is expected to receive the provisional acceptance in the FY 2004/05 Q4. Thus, momentum of investment programme has shifted from power production segment to power networks. In medium term, the Transmission Network sets out to undertake significant developments in Tallinn – Narva direction.

Profitability 9 month operating results were most influenced by three factors. First, domestic sales of electricity, which growth against previous years respective quarters has in three consecutive quarters exceeded the **5%** mark. Second, electricity exports have in monetary terms grown by **15.3%**. Thirdly, we have been able to keep growth of operating costs (excluding depreciation and amortization) at **2.1%**, compared to **4.4%** growth of revenues and inflation (**3,0%**).

Strong sales and growing margins offset the increasing depreciation. While the invested capital has increased by **3.7%**, the return on invested capital has not decreased.

Operating results

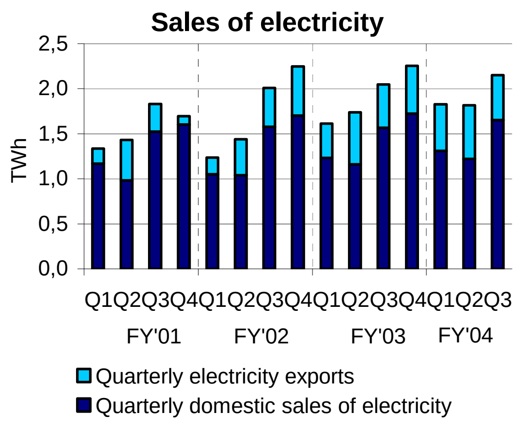
Revenues € th.	2004/05 9 m	2003/04 9 m
Oil Shale Company	79 868	85 732
Power and Heat	184 037	181 698
Transmission	44 060	42 064
Distribution	99 228	96 694
Supply	236 733	225 241
Support Services	34 107	30 186
Eliminations	-400 073	-395 494
Consolidated Revenues	**277 961**	**266 122**

Core electricity business was the main driver of solid operating result. Total sales of electricity rose by **394 GWh** (**+7.3%**) to **5 794 GWh** (FY 2004/05 9 months compared to FY 2003/04 9 months).

Domestic electricity sales increased to **€198.8m**, an increase of **4.4%** (**€8.4m)** on the 9 months of FY 2003/04. In quantitative terms, domestic electricity sales increased by **5.7%**, or **226 GWh**.

Electricity exports Group's revenues from the exports of electric power reached **€26.0m**, a **15.3%** or **€3.4m** increase on the 9 months of the past financial year. In quantitative terms, exports increased by **168 GWh**, or **11.7%**. Exports to Latvia grew by **169 GWh**, while exports to Russia decreased by **1 GWh**. In FY 2004/05, we expect the rolling four quarter exports to decrease under **2 TWh** level, due to increase of Latvian hydropower generation.

Heat sales amounted to **€17.5m** in the first 9 months of the financial year 2004/05. In quantitative terms, sales decreased by **102 GWh** (**8.4%**) and in monetary terms by **€2.5m** (**12.7%**). In Narva PP (Narva PP) heat sales increased by **7 GWh** (**2.4%**), due to increased sales of steam to large customers. In Iru Power Plant (Iru PP) heat sales decreased by **53 GWh** (**7.3%**) and in AS Kohtla-Järve Soojus (Kohtla-Järve PP) by **58 GWh** (**34.1%**)[1].



Oil Shale Outside the group sale of oil shale decreased to **€9.5m** (**11.8%**) on the 9 months of FY 2003/04. The decrease of revenues was due to the decrease in sales volumes (**-12.4%**). Consolidated sales of oil shale account for less than 20% of Oil Shale Company's oil shale production.

Shale Oil In monetary terms, the sale of shale oil increased by **32.3%** (**€2.2m**) Oil sales for the nine months of 2004/05 reached **80 795 tonnes** (**+28.5%**).

Other goods and products Sale of other goods and products totaled **€6.5m**, a decrease of **21.7%** on the same period of the previous financial year. This was due to a reduction of

[1] Decrease of Kohtla – Järve Soojus heat sales is partly explained by the sale of Järve assets in July 2004.

domestic outside group sales of energy equipment of AS Energoremont by **€2.1m**.

Services Sale of services amounted to **€7.7m**, an increase of **62.9%** on the 9 months of the previous financial year. The largest increase was experienced in the sales of telecommunication services (**+60.4%**) and repair and building services (+**36.3%**).

Expenses In the 9 months, operating expenses totaled **€241.9m**, an increase of **€9.4m** (**4.0%**) on the same period in the previous financial year. Operating costs, excluding depreciation and amortization increased by **€3.7m** (**2.1%**), which is significantly lower than the growth rate of revenues.

EBIT € th.	2004/05 9 m	2003/04 9 m
Oil Shale Company	4 841	10 461
Power and Heat	22 804	20 022
Transmission	3 171	3 748
Distribution	10 930	8 971
Supply	-7 523	-10 540
Support Services	1 018	1 217
Eliminations	780	-278
Consolidated EBIT	**36 022**	**33 600**

Level of operation costs was most influenced by two factors. First, new CFB boilers have increased the efficiency in power production, by optimizing fuel costs as well as pollution fees (pollution fees grew **0.8%**, while net electricity production increased by **2.3%**). Secondly, due to advancement of considerable investment programme, the depreciation costs continue rising, amounting to **€64.0m** (**+€5.7m**). Personnel expenses stayed at the level of previous financial year.

EBIT In spite of constant sales prices, inflationary pressure and investment-related increase of depreciation costs, revenue growth topped the increase of costs by **0.4%**, which produced an EBIT growth of **7.2%**.

Oil Shale production segment experienced a **€5.6m** decrease in EBIT. Power and heat segment EBIT increased by **€2.8m**. 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 **€0.6m**, while the distribution network EBIT increased by **€2.0m**. As noted earlier, the strong result was closely related to increase in electricity volumes and declining network losses.

Net profit € m	2004/05 9 m	2003/04 9 m
Consolidated EBIT	**36 022**	**33 600**
Consolidated interest on debt	-13 826	-13 199
Consolidated interest on provisions	-1 207	-1 104
Cons. net other fin. income	1 617	2 309
Consolidated Net Profit	**22 606**	**21 606**

Favorable conditions have enabled us to keep rolling four quarter interest expenses at **€18m** level. In 12 months, average debt has increased by **8.2%**, while interest expenses on debt increased only by **€0.9m** (**5.0%**). Despite other net financial income decrease we were able to increase net profit to **€22.6m** (**+€1.0m**).

Investments

Investments In the third quarter Eesti Energia's capital expenditures reached **€41.4m**. Medium term strategic investment programme proceeds as planned.

First of the two renovated 215 MW power production units at Narva Power Plants received the Provisional Acceptance in October 2004. Unit no. 8 has already produced **1.2 TWh** of electrical energy. The acceptance of the second power unit is subject to passing scheduled tests.

In power networks, the main event was the completion of Harku – Kiisa 330 OHL. Second notable event was the completion of public procurement process of **€23m** Balti – Kiisa 330 kV OHL. Balti – Kiisa high voltage OHL constitutes a single largest investment project within the Main Grids medium term strategy map.

Generation Investments in power and heat production amounted **€8.6**, of which repowering of Narva PP was (**€1.1m**). During the third quarter, construction of reserve boiler house at Balti site of Narva Power Plants constituted the single largest investment project (**€2.1m**).

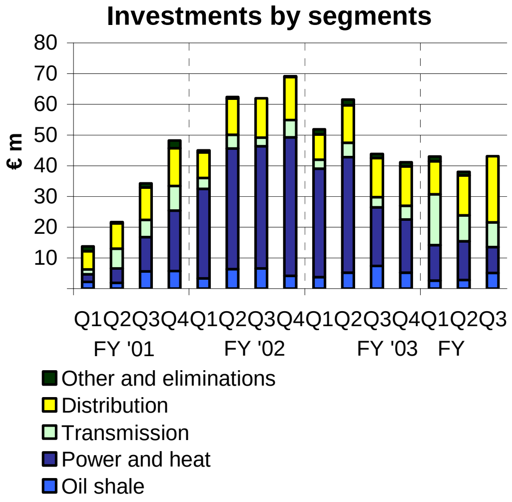
Investments € th.	2004/05 9 m	2003/04 9 m
Oil Shale Company	10 549	16 333
Power and Heat	32 772	91 901
Transmission	32 978	11 105
Distribution	43 108	33 055
Other and eliminations	3 077	4 838
Total Investments	**122 484**	**157 233**

Transmission In the third quarter of financial year 2004/05, a total of **€8.0m** was invested in the National Grid.

Transmission networks most important ongoing investment projects during the reporting period were reconstruction of Balti 330/220/110 kV substation (**€2.3m**), followed by construction of Harku substation (**€1.3**) and reconstruction of Rakvere 330 kV substation (**€1.4m**).

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

Distribution In the third quarter of financial year 2004/05, a total of **€19.3m** was invested into the Distribution Network. In the first three quarters, connecting new customers to the grid surpassed the record year by **45%**. If the high demand continues, rolling four quarter investments into new customer connections will be in the range of **€22-24m** by the end of FY 2004/05.



Major investment projects in the FY 2004/05 Q3 in the Distribution Network were building of new customer connections (**€7.9m**); renovation of the 0.4-20 kV networks and the Voltage Quality Programme (**€4.1m**), reconstruction of 35-330 kV substations and 6-20 kV switchgear (**€1.4m**); reconstruction of metering systems (**€1.2m**); switching voltage from 3x220 V to 3x400 V (**€0.4m**).

Debt

Loans and bonds as of 31.12.2004 € m	Used	Un-used	Maturity
NIB	12		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	312	195	
Short- term	0		
Total loans and bonds	**312**	**195**	

All loans are denominated in euros. The weighted average interest rate was 6 months **EURibor + 0.65%** as of 31st of December 2004, remaining unchanged compared to the previous quarter.

Eurobond issue has fixed interest rate at **6%**. The floating interest rates of the syndicate loan in the amount of **€50 000 000** (until the end of the loan period) and of the Nordic Investment Bank loan in 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 the first tranche of NIB **€60 000 000** facility is also fixed. This makes **91%** of the debt portfolio fixed.

The company established CP programme to issue CP-s on Finnish CP market with Nordea Bank Finland (up to amount of **€75m**).

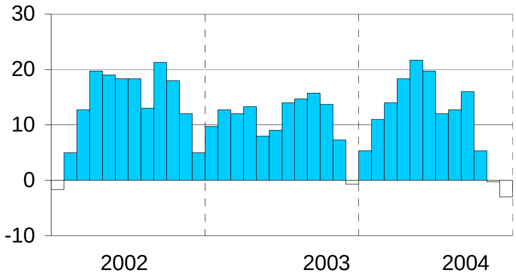
Eesti Energia does not plan to rise additional long-term financing in the coming quarters, except for arranging project finance for the Nordic Energy Link project.

Short-term outlook

Eesti Energia's solid financial results were based on strong electricity sales as well as on focus on cost control. The growth and structure of economy are becoming increasingly relevant in determining the long- term growth rate of electricity demand.

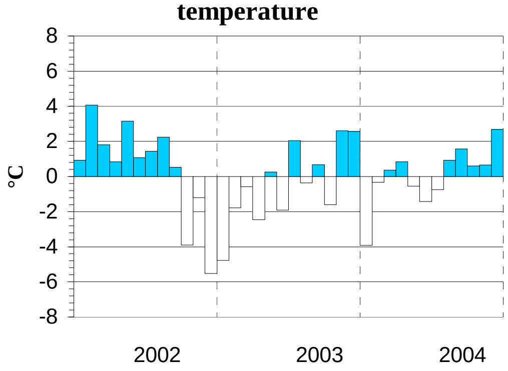
Cumulative temperature in last nine months was **+2.8ºC** against the nine months of the previous financial year. Despite that, electricity sales have posted a healthy growth. Data demonstrates, that in last six months the temperature neutral electricity growth is approaching its long- term average of **3%**.

Industrial enterprises confidence (monthly)



Source: Estonian Institute of Economic Research

Difference from monthly average temperature



Average temperature in the fourth quarter of FY 2003/04 was significantly lower than historic average. This suggests, that although fundamental electricity demand growth is steady, the occurrence of historic average temperature would have a substantial effect – up to **1%** of four quarter sales.

Estonian Institute of Economic Research poll indicate, that optimistic sentiment about economic prospects for the next 6 months dominates. Industrial enterprises confidence has experienced a seasonal downturn, but is expected to start upwards climb in the first quarter of 2005. Expectations are based on positive outlook of exports as well as relatively low inflationary pressures. Real GDP growth in Estonia during last four quarters exceeded **6%**. In 2004 the real GDP growth is predicted to stay at **6%**; for 2005 expectations indicate, that the growth should remain at **5.5%-6.0%**, and increase to over **6%** again in 2006.

The rolling four-quarter losses trend in power networks has stabilized below **11%**. As the power losses in the FY 2003/04 Q4 were relatively high, we expect to see further decrease of four quarter running losses up to **0.3%** to **10.6%**. In the medium term, power network losses are decreasing and expected to benefit from ongoing investment programme.

In the January 2005, the NE region of the Baltic Sea was affected by one of the most serious storms in decades. The storm caused a considerable number of power outages in three Baltic states as well as in Sweden. Thus, company's fourth quarter results will suffer by approximately **€2m** due to the event.

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

Lastly, new electricity tariffs should provide power networks an adequate return – the Main Grid allowed return was set to **6.9%**, whereas the Distribution Networks allowed return on RAB is **7.4%**.

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
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
RAB	Regulatory asset base
ROIC –	Return on invested capital; EBIT divided by average Invested capital

Other

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. 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		9 months		12 months		*Note*
	1.10.2004-31.12.2004	**1.10.2003-31.12.2003**	**1.4.2004-31.12.2004**	**1.4.2003-31.12.2003**	**1.1.2004-31.12.2004**	**1.1.2003-31.12.2003**	
Revenue							
Sales	107 782	103 937	276 112	264 533	388 692	383 159	
Other revenue	348	587	1 728	1 558	2 195	2 037	
Government grant	70	20	121	32	209	65	
Expenses							
Changes in work in progress and finished goods	607	972	736	5 733	-1 977	6 113	
Materials, consumables and supplies	-30 594	-30 959	-85 949	-86 471	-119 963	-121 996	
Other operating expenses	-9 286	-9 192	-26 710	-27 870	-37 411	-43 340	
Personnel expenses	-23 705	-22 956	-65 219	-65 218	-89 791	-85 754	
Depreciation and impairment	-22 021	-19 901	-64 024	-58 284	-88 835	-80 240	
Other expenses	-302	-26	-772	-412	-1 065	-635	
EBIT	**22 899**	**22 481**	**36 022**	**33 600**	**52 055**	**59 409**	
Interest expense on borrowings	-4 669	-4 511	-13 826	-13 199	-18 360	-17 488	
Other net financial income	273	-239	-94	673	292	502	
Net financial revenues	**-4 397**	**-4 750**	**-13 919**	**-12 526**	**-18 068**	**-16 987**	
Profit for the period	**18 502**	**17 731**	**22 103**	**21 074**	**33 987**	**42 422**	
Attributable to:							
Equity holders of the company	18 211	17 319	22 606	21 606	34 434	43 457	
Minority interests	291	412	-504	-532	-447	-1 035	
Earnings per share for profit attributable to the equity holders of the company during the period							
Basic (€/)	0,25	0,24	0,31	0,30	0,47	0,60	*5*
Diluted (€)	0,25	0,24	0,31	0,30	0,47	0,60	*5*

Consolidated balance sheet, € th.

	31.12.2004	31.12.2003	31.3.2004	*Note*
Assets				
Current assets				
Cash and cash equivalents	16 928	35 661	45 110	
Available-for-sale financial assets	0	354	354	
Trade receivables	46 457	45 555	46 046	
Other receivables	27	80	85	
Accrued income	2 330	2 004	1 742	
Prepayments	1 718	2 871	916	
Inventories	20 139	18 213	16 592	
Total current assets	**87 598**	**104 739**	**110 845**	
Non- current assets				
Investments in associates	2 464	2 505	2 756	
Trade receivables	0	194	0	
Property, plant and equipment	1 186 185	1 113 614	1 128 979	*3*
Intangible assets	2 494	2 553	2 494	
Total non- current assets	**1 191 143**	**1 118 865**	**1 134 230**	
Total assets	**1 278 742**	**1 223 604**	**1 245 075**	
Liabilities				
Current liabilities				
Borrowings	2 366	2 239	1 192	*4*
Trade and other payables	75 209	80 421	85 886	
Derivative financial instruments	2 576	3 551	4 468	
Provisions	3 790	4 152	5 884	
Deferred income	0	172	45	
Total current liabilities	**83 941**	**90 535**	**97 475**	
Non- current liabilities				
Borrowings	306 566	293 371	293 498	*4*
Provisions	21 681	19 503	20 186	
Deferred income	47 589	36 196	38 468	
Total non- current liabilities	**375 837**	**349 070**	**352 152**	
Total liabilities	**459 777**	**439 605**	**449 627**	
Shareholder's equity				
Share capital	464 900	464 900	464 900	
Share premium	259 833	259 833	259 833	
Statutory reserve	41 692	40 020	40 020	
Hedging reserve	-2 517	-3 495	-3 930	
Retained earnings	31 762	0	0	
Net profit for the period	22 606	21 606	33 433	
Total capital and reserves attributable to the Company's equity shareholders	**818 276**	**782 863**	**794 256**	
Minority interest	**688**	**1 135**	**1 192**	
Total shareholders' equity	**818 964**	**783 999**	**795 448**	
Total liabilities and equity	**1 278 742**	**1 223 604**	**1 245 075**	

Consolidated cash flow statement, € th.

	3 months		9 months		12 months	
	1.10.2004-31.12.2004	**1.10.2003-31.12.2003**	**1.4.2004-31.12.2004**	**1.4.2003-31.12.2003**	**1.1.2004-31.12.2004**	**1.1.2003-31.12.2003**
Cash flows from operating activities						
Adjusted net profit	44 045	42 647	96 906	90 943	136 106	136 959
Changes in working capital	-7 500	-8 526	-5 128	-6 153	3 926	-331
Paid interest and loan fees	-2 830	-2 396	-17 701	-16 833	-17 777	-16 911
Received interest	101	145	416	1 230	594	2 180
Net cash from operating activities	**33 817**	**31 870**	**74 493**	**69 186**	**122 849**	**121 897**
Cash flows from investing activities						
Purchase of tangible fixed assets	-42 676	-44 506	-130 097	-157 604	-172 822	-216 520
Proceeds from connection fees	4 184	2 874	10 222	7 661	12 876	9 574
Proceeds from sale of tangible fixed assets	74	415	558	1 118	1 639	1 478
Disposal of business unit	0	0	1 945	0	1 945	0
Dividends received from associates	1 009	0	1 009	0	2 148	0
Loan repayments from employees	0	0	0	0	0	1
Paid for long- term financial investments	0	0	-128	0	-128	0
Proceeds from sale of financial investments	0	0	5	6	5	6
Net cash used in investing activities	**-37 408**	**-41 217**	**-116 486**	**-148 818**	**-154 336**	**-205 460**
Cash flows from financing activities						
Received long- term bank loans	0	20 000	15 000	20 000	15 000	20 000
Repayment of long- term bank loans	-1 182	0	-1 182	0	-2 236	0
Finance lease principal payments	-3	-2	-8	-10	-11	-25
Net cash from financing activities	**-1 184**	**19 998**	**13 810**	**19 990**	**12 753**	**19 975**
Net increase/decrease in cash and cash equivalents	**-4 775**	**10 650**	**-28 183**	**-59 642**	**-18 734**	**-63 588**
Cash and cash equivalents at the beginning of the period	21 703	25 011	45 110	95 303	35 661	99 250
Cash and cash equivalents at the end of the period	16 928	35 661	16 928	35 661	16 928	35 661
Cash in cash and cash equivalents	**-4 775**	**10 650**	**-28 183**	**-59 642**	**-18 734**	**-63 588**

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	979	0	0	979
Net profit for the period of 1.4.2003-31.12.2003	0	0	0	0	21 606	-532	21 074
Balance at 31.12.2003	**464 900**	**259 833**	**40 020**	**-3 495**	**21 606**	**1 135**	**783 999**
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	1 413	0	0	1 413
Net profit for the period of 1.4.2004-31.12.2004	0	0	0	0	22 606	-504	22 103
Balance at 31.12.2004	**464 900**	**259 833**	**41 692**	**-2 517**	**54 368**	**688**	**818 964**

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	79 868	184 037	44 060	99 228	236 733	34 107	-400 073	277 961
EBIT	4 841	22 804	3 171	10 930	-7 523	1 018	780	36 022

1.4.2003-30.9.2003 € 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	85 732	181 698	42 064	96 694	225 241	30 186	-395 494	266 122
EBIT	10 461	20 022	3 748	8 971	-10 540	1 217	-278	33 600

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 1.4.2004-31.12.2004						
Additions	277	14 927	39 793	67 216	271	122 484
Depreciation	-2	-3 072	-21 842	-38 672	-437	-64 024
Business unit sold	0	-169	-1 127	-368	-1	-1 665
Disposals	-8	-172	0	-93	0	-273
Reclassification	0	10 469	-1	-10 558	329	239
Recognition of dismantling provision	0	34	0	411	0	445
Total movements for the period 1.4.2004-31.12.2004	**267**	**22 018**	**16 823**	**17 935**	**163**	**57 205**
Balance at 31.12.2004						
Cost	4 579	126 171	743 364	830 740	3 325	1 708 180
Accumulated depreciation	-3	-64 810	-297 034	-355 188	-2 097	-719 133
Closing net book value	4 576	61 361	446 331	475 552	1 228	989 047
Construction and renovation in progress	0	14 724	27 004	152 416	0	194 144
Prepayments	259	8	0	2 727	0	2 993
Total balance at 31.12.2004	**4 835**	**76 093**	**473 335**	**630 695**	**1 228**	**1 186 185**

4 Nominal and amortized value of borrowings, € th.

	31.12.2004		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	3	3	11	11
Total short- term borrowings	**2 366**	**2 366**	**1 192**	**1 192**
Long- term borrowings				
Bank loans	109 455	108 466	96 818	95 666
Bonds issued	200 000	198 089	200 000	197 821
Finance lease liabilities	12	12	12	12
Total long- term borrowings	**309 466**	**306 566**	**296 830**	**293 498**
Total borrowings	**311 832**	**308 932**	**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		9 months		12 months	
	1.10.2004-31.12.2004	1.10.2003-31.12.2003	1.4.2004-31.12.2004	1.4.2003-31.12.2003	1.1.2004-31.12.2004	1.1.2003-31.12.2003
Profit attributable to the equity holders of the company (€ th.)	18 211	17 319	22 606	21 606	34 434	43 457
Weighted average number of shares (th.)	4 649	4 649	4 649	4 649	4 649	4 649
Basic earnings per share (€)	0,25	0,24	0,31	0,30	0,47	0,60
Diluted earnings per share (€)	0,25	0,24	0,31	0,30	0,47	0,60