



Eesti Energia

Interim report

1 April 2007 – 31 December 2007

Significant events during 2007/08 financial year first 3 quarters

Eesti Energia to construct the biggest wind farm in the Baltic countries

As part of its long-term strategy to diversify its production portfolio and reduce carbon dioxide emissions from production, on November 7, 2007 Eesti Energia acquired the Aulepa wind farm development with the aim of constructing the biggest wind farm in the Baltic region. The capacity of the Aulepa wind farm is 39 MW, which will be the largest in the Baltics when completed. The annual production of the wind farm will be over 100 GWh, which will cover 1.3% of electric power consumption in Estonia. The cost of the investment is approximately 900 million kroons.

Eesti Energia launches an internet service covering the whole of Estonia

On June 18, 2007 Eesti Energia launched the mobile internet service KÕU, which covers the whole country. Televõrgu AS offers the network service based on a broadband communications network in the 450 MHz frequency band. So far 95 base stations have been installed all across Estonia and more continue to be built in relation to the growth in the use of the service. The network access of the service is based on CDMA technology and the internet speed is from 256 kbps to 2 Mbps, depending on the proximity of the mast and the number of users. Additional information: www.kou.ee

Estlink has been in operation for one year, considerable growth in exports

The end of December marked a year from the moment when electricity started to flow between the Baltic and Nordic countries via Estlink. In total slightly over 2,016 GWh of electrical energy has been transmitted to the Nordic countries and approximately 19 GWh has been transmitted to the Baltic countries during that time. Between the start-up of Estlink in the beginning of January and the end of December, Eesti Energia exported to Finland a total of 1,558 GWh of electrical energy.

The Estlink undersea cable has proved its worth during the first year and has made a significant contribution to the financial results of Eesti Energia in its first year of operation. Estlink has made energy trading in the Baltic countries substantially more active than it used to be, and electricity prices in Baltic countries are influenced by prices in Nord Pool, the exchange for energy trading in the Nordic countries.

Eesti Energia offers customers new internal and external electrical work and an electronic connection service

From November 2007 Eesti Energia started offering its customers the new services of internal and external electrical work and technical inspection of the customer's power system. Eesti Energia can offer the services of design, construction, alteration and technical inspection of electrical installations on request. The electrical work service is available to both residential and business customers.

From September 2007 all Eesti Energia residential customers have been able to use the e-service to file electronically their applications for new network access and for increases in main circuit breakers. All customers can also digitally sign the electricity contract and connection contract.

Eesti Energia's service is among the best in Estonia

According to the Estonian service survey published by TNS Emor in November 2007, Eesti Energia is one of the companies with the best service standards in Estonia. In the customer service index survey TNS Emor looked at 16 branches of customer service and 62 service companies, made 468 visits to customer service outlets and 312 calls to information telephone lines, and sent 264 emails.

Eesti Energia filed an application with the Competition Board for a rise in electricity prices; new network prices have been set

The Competition Board (until January 1 the Energy Market Inspectorate) confirmed the Põhivõrk price list on October 22, and on November 19 the new Jaotusvõrk price list for network services. New network fees will apply for Põhivõrk and Jaotusvõrk customers from March 1, 2008. In the new price list the structure of the network fees will change, and as a result so will the network fees.

By the beginning of September all five Eesti Energia group companies (Eesti Põlevkivi, Narva Elektriijaamad, Põhivõrk, Jaotusvõrk and Teenindus) operating in the regulated market presented their forecasts for the reasoned costs on which the price change is based to the Estonian Competition Authority.

The current price has remained at the same level since 2002, but in the meantime the costs of producing energy have increased considerably. The overall economic environment has changed, fuel prices have gone up, repair and maintenance costs have increased, and there have been considerable changes in the labour market.

The Competition Board has said that it will take them more than 90 days to analyse the sales and cost forecasts of the companies of the Eesti Energia group. By the beginning of February the decisions on the three price requests had still not been made. After coordinating with the Competition Board, Eesti Energia will calculate the end-user price packages and will publicise the new prices to all customers in the mass media and the customer newspaper at least three months before they come into effect.

The national distribution plan for emissions allowances is approved

In December 2007 the Government of Estonia approved the national distribution plan for emissions allowances for the years 2008-2012, according to which Estonian companies are allowed to emit approximately 13 million tonnes of carbon dioxide per year. Under the distribution plan, the annual CO₂ allowance for companies within the Eesti Energia group is 9.2 million tonnes a year. This amount is not enough to cover entirely the domestic demand for electric energy and this means the shortfall in allowances will have to be purchased on the market.

On January 23, 2008 the European Commission made its proposals for its energy and climate change policies. By 2020 the proposals would reduce the amount of traded allowances by 21% compared to 2005. The proposals would also end the free distribution of emission allowances and make energy producers purchase allowances on the European market. The third trading period begins in 2013 and ends in 2020.

Baltic countries invite Poland to join the nuclear power station construction project

In a meeting in Riga on June 11th the prime ministers of the Baltic States decided to give an official invitation to Poland to join the construction project of a nuclear power station planned in Lithuania. The Lithuanian parliament adopted an act on the construction of the nuclear power station permitting the construction of a new nuclear power station to replace the one in Ignalina that will be closed down. According to the act the Lithuanian share of the nuclear power station project is to be 34 per cent and the remainder will be divided between other countries. In 2009 old nuclear plant will be closed. Project partners- Estonia, Lithuania, Latvia and Poland- continue project preparation.

Jaotusvõrk announced a procurement for a remote meter reading system

On October 23, 2007 Jaotusvõrk (distribution) announced a procurement for a remote electricity meter reading system, in the course of which 200 000 remote meters will be purchased and installed. It is hoped that the agreement will be concluded by the summer of 2008 and the installation of the meters will start before the end of 2008. The remote meters collect the readings automatically, which is more convenient both for customers and for Jaotusvõrk.

The Baltic states can enter the UCTE from 2020

The electricity transmission network operators of Estonia, Latvia and Lithuania plan to join the Western European Union for the Coordination of Transmission of Electricity (UCTE). The prime ministers of the Baltic countries concluded an agreement in Riga in June inviting the European Commission and the Secretariat of the UCTE to support the entry of the Baltic countries into the UCTE, and also the Polish government's intention to join the process.

Research conducted at the end of 2007 indicated that the earliest possible date for joining the UCTE frequency band is 2020.

Eesti Energia wins the title “Flagship of Financial Reporting” for the second year in a row

At the competition "Finantsaruandluse Lipulaev" ("Flagship of Financial Reporting") the Eesti Energia group's 2006/07 report was voted the best Estonian annual report. The objective of the competition is to recognise companies and organisations whose annual accounts and reports are informative and reader-friendly and conform to IFRS standards.

Eesti Energia supports Tallinn University of Technology in launching a Master's course in energy trading

Under an agreement concluded in October 2007, Eesti Energia is giving the university ca 19 thousand euros to help in the launching of a new Master's course in energy trading. The Master's course in energy trading is aimed at Bachelor graduates of power engineering, and will teach them about the changing energy market so that they can shape the future of energy in Estonia.

Financial Highlights

	1.4.2007- 31.12.2007	1.4.2006- 31.12.2006	Change	
Revenues, € th.	419 898	426 998	-7 100	-1,7%
incl. domestic sales of electricity, € th.	255 972	236 515	19 456	8,2%
EBITDA, € th.	141 552	224 105	-82 552	-36,8%
EBIT, € th.	62 905	148 740	-85 835	-57,7%
Net Profit, € th.	40 264	130 204	-89 940	-69,1%
Net Fixed Assets, € th. ¹	1 323 197	1 279 747	43 450	3,4%
Equity, € th. ¹	1 060 991	1 077 444	-16 453	-1,5%
Net Debt, € th. ¹	136 089	123 817	12 272	9,9%
CAPEX, € th.	115 226	103 882	11 343	10,9%
FFO, € th.	108 632	194 274	-85 643	-44,1%
Debt ¹ /(Debt+Equity) ¹	24,1%	24,1%	0,0%	
ROIC ²	8,8%	20,1%	-11,3%	
EBITDA interest cover ²	12,5	15,1	-2,6	
FFO ² /Net Debt ¹	128,4%	245,9%	-117,5%	
FFO ² /Interest Expense ²	9,5	12,8	-3,2	
FFO ² /Capex ²	115,7%	223,6%	-107,9%	
EBITDA margin ²	36,0%	54,5%	-18,5%	
EBIT margin ²	17,9%	38,1%	-20,2%	

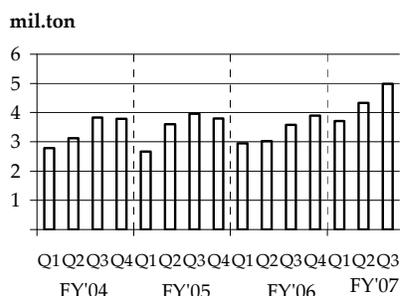
1 - balance sheet figures are end of period

2 - rolling 12 months

FFO - funds from operations excluding changes in working capital

Economic Performance of the Business Segments

Sales of Oil Shale



Rapid revenues growth in oil shale segment

Revenues in the oil shale segment amounted to 119.7 million euros in the first nine months, of which sales of oil shale accounted for 113.1 million euros. Sales volume was 13,035 thousand tonnes, increase in revenues and volume were 41.3 % and 36.2% year-on-year respectively.

Operating profit in the oil shale production segment rose by 6.1 million euros from the previous financial year. Operating profit grew due to higher oil shale demand, which was caused by higher consumption in Narva Power Plants. 4% growth in the average selling price of oil shale had another positive effect on operating profit.

Last 12 month EVA was 9.9 million euros for the oil shale segment, an increase of 16.4 million euros compared to the same period a year ago. Nine month FFO amounted to 12.6 million euros, and investments to 20.8 million euros.

Performance of electrical and thermal energy production influenced by energy generation growth and increased production costs

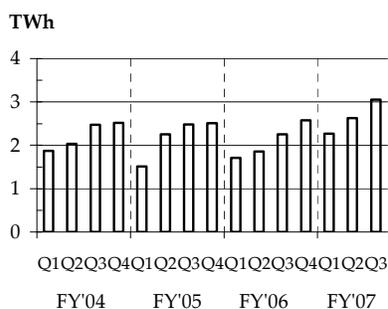
Sales figures for electrical energy were 7,954 GWh and 210.2 million euros by the end of the third quarter, which is 2,131 GWh (36.6%) more than last year. Sales of electrical energy increased by 57.2 million euros or 37.4%. The main growth in production volume came from Narva Power Plants and 8% increase in production at Kohtla-Järve power plant, while there was shrinkage in production at Iru power plant -77%

Sales figures for thermal energy were 1,000 GWh and 19.9 million euros in the first nine months, which is 10 GWh (-1%) less than last year. Revenue from thermal energy production increased 0.9 million euros, i.e. 5.0%. Sales increased at Narva Power Plants by 5.2%, at Kohtla-Järve by 13.9% and decreased at Iru Power Plant by 6.1%.

Operating profit of the segment fell to 7.0 million euros in the first nine months. Excluding the sale of emission allowances 12 month EVA amounted to -19.1 million euros. Nine month FFO amounted to 23.3 million euros. Investments (14.6 million euros) were financed from operating cash flows. The sale of emission allowances, which influenced earlier periods results, has no influence to this period results.

The economic performance of production was mostly influenced by sales growth, an increase in environmental taxes, labour market trends and markedly increased gas price.

Production of electricity

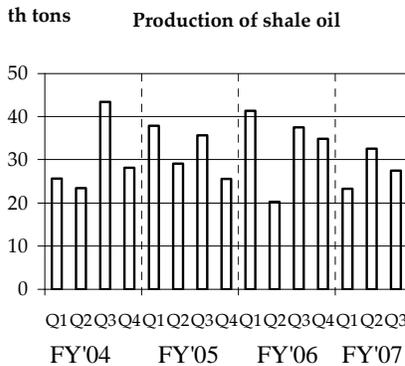
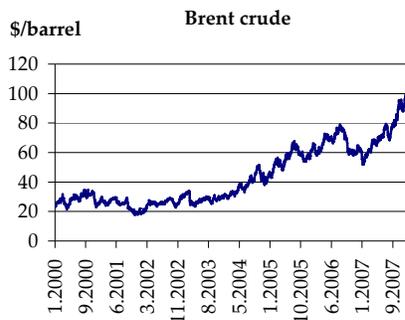


Clean environment is ever more highly valued, resulting in stricter requirements. The investment strategy of energy production takes into account the environmental norms of both today and tomorrow. We have invested 3.1 million euros to install low nitrogen oxides burners at Iru Power Plant and will continue investments at Narva Power Plants (3.0 million euros in this year, mostly into a new cleaner ash removal system).

Oil production – results affected by global oil markets

In the first three quarters of the 2007/08 financial year 91 thousand tonnes of shale oil (+18 thousand tonnes) was sold outside the group. Revenues amounted to 20.0 million euros (+1.8 million euros, +9.9%). Operating profit for the first three quarters was 7.3 million euros, which is 3.6 million euros less than the operating profit a year before. Despite oil prices have surged, oil factory managed to ask higher price a year ago. It happened, because the price for the auctioned oil rose well above the price of comparable fuel oil in European markets. Although price was higher, other problems with auctions occurred and since the beginning of this financial year our fuel oil price is tied to fuel oil price in global markets. Since the beginning of the financial year oil price and fuel oil price with it have soared.

Rolling 12 month EVA of the oil production segment was 6.9 million euros. FFO for the three quarters was 8.0 million euros and investments were 3.2 million euros.



Transmission of electrical energy – increase in exports drives the growth of transmission volumes

The segment brought in 54.2 million euros (+2.2 million euros) from sales of transmission services. 8,627 GWh of electrical energy were passed through the transmission network, which represents a 31.6% increase on the previous year due to increased energy export, foremost to Finland.

Increase in exports and decrease in costs raised nine months operating profit of the energy transmission segment to 17.2 million euros, which is 2.9 million euros more year-on-year. Nine months FFO was 25.5 million euros (+2.6 million euros).

Although invested capital rose by 6.4 million euros, EVA for the 12 months reached 2.2 million euros, which is 2.1 million euros up on the same period year-on-year.

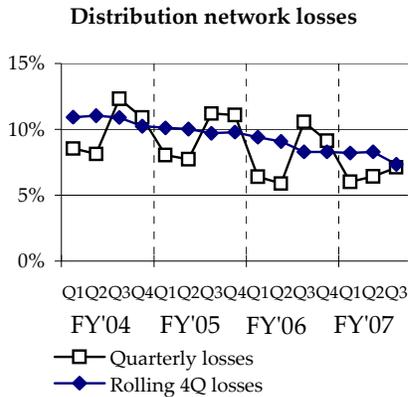
In the first three quarters of the 2007/08 financial year 10.1 million euros were invested in transmission segment. Major projects in the first nine months of 2007/08 were the expansion and renovation of Ülejõe substation and laying 110 kV underground cables in Emajõe substation in Tartu (2.7 million euros), the renovation of the Kiisa 330/220/110 kV switchyards (1.2 million euros), the expansion of the Rummu 110 kV substation (1.0 million euros), the reconstruction of the Virtsu 110kV switchyard (0.8 million euros) and the installation the of fiber optic shield wire (1.3 million euros).

Distribution of electrical energy

Losses in the distribution network are one of the most significant indicators of the efficiency of distribution network and the long-term trend of losses is clearly downward. By the end of the third quarter of the 2007/08 financial year, 12-month losses fell to 7.3% (-1.5%). About 0.6 percentage point decrease in losses was due to prepayments by residential customers in advance of the introduction of the electricity excise duty from the 1st of January 2008.

Sales of network services in the distribution network segment grew to 122.8 million euros (+6.4%). Operating profit increased by 5.5 million euros to 18.5 million euros, ROIC of the distribution segment reached 6.3% and EVA for the 12-month period reached -0.7 million euros. Nine month FFO increased from 22.0 million euros to 27.2 million euros.

59.3 million euros were invested in the distribution network in the first three quarters of 2007/08. The single largest investment programme of the distribution network over recent years has been in subscriptions to the network. 31.1 million euros were allocated to this programme in the first nine months of 2007/08. Due to better optimisation of subscription projects it was possible bring down expenses per new subscription. Apart from subscriptions, distribution network invests heavily with the aim of increasing the operating reliability and quality of the network (17.4 million euros).



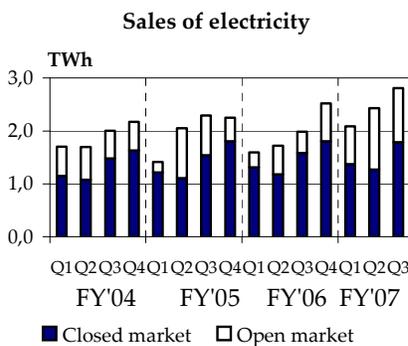
Sales and customer service — increased costs were offset by strong growth of electricity sales

Group sales of electrical energy in the first three quarters of 2007/08 came to 7,341 GWh (+38.1%), and sales income was 327.9 million euros, which is 73.5 million euros more than the previous year (+28.9%). Sales in closed market were 3,886 GWh (+10.1%), sales in open market were 2,909 GWh (+134.9%) and sales to other distribution grids were 547 GWh (-0,3%). Energy consumption increase (+358 GWh) in closed market is mainly due to Estonian economic growth. Sales growth in open market is for the most part due to increased exports and in particular by export to Finland, which commenced in January 2007. Electric power export to Latvia increased by 695 GWh (141.6%) compared with same period last year. Total electricity export during 9 months was 2, 343 GWh.

Operating profit of sales and customer service segment decreased by 0.9 million euros to 5.3 million-euro level. EVA has declined by 0.1 million euros to 8.6 million euros.

On the 4th of January 2007 Eesti Energia started commercial activities on Nordic energy market via Estlink. During the three quarters of the financial year we exported to Finland 1,157 GWh of electric energy and since the commissioning of Estlink in the beginning of January 2007 until the end of December 2007 Eesti Energia has exported to Finland 1,558 GWh of electric power.

Eesti Energia's long-term objective is to sell electricity to 2 million customers and we are working intensively to successfully compete in the open energy market in the future.



Supporting businesses

Segment's revenues during 9 months reached to 118.4 million euros (+164%), operating profit increased from 8.4 million euros to 36.3 million euros (+333%). This substantial increase in segment's operating profit was due to dividends received from subsidiaries. Extra-group sales revenue amounted to 23.1 million euros (+55%), intra-group sales revenue came to 33.7 million euros (+22%) and 61.5 million euros of revenue was due to other intra-group revenues, mainly dividends from subsidiaries.

Televõrgu AS 9 months sales revenues reached 8.9 million euros, an annual increase of 80.5%. Operating profit increased by 77.6% and reached 2.1 million euros. On the 18th of June Televõrgu AS launched wireless Internet access service KÕU. This broadband service is based on CDMA technology and covers the whole of Estonia.

Energoremont AS economic results (incl. Mäetehnika AS sales revenues, consolidated from 1st April 2007) showed solid increase. In the course of the 9 months sales reached 25.4 million euros, increasing 113.2% compared with previous year. Growth was for the most part due to increased energy equipment sales and an increase in intra-group sales of services as a result of merger. Nine months' operating profit increased 186.1 % to 2.2 million euros.

Elpec AS 9 months sales were 2.9 million euros (+37.7%) and operating profit reached to 0.6 million euros (+31.9%).

Elektriteenused AS 9 months sales were 14.2 million euros (+22%) and operating loss was 0.8 million euros.

Kinnisvara business unit 9 months sales were 3.8 million euros (+5.4%) and operating profit reached 1.2 million euros (-60.9%). Operating profit declined year-on-year due to extra profit earned from the sale of property in the prior period.

Asset Portfolio and Investments

A Vertically Integrated Portfolio offers a Sound Set of Assets of Varied Risk Levels

Eesti Energia is vertically integrated energy company whose portfolio of assets covers businesses involved in the energy supply chain, from the mining of fuel to the sale of electricity. As at 31.12.2007 the value of the assets of the group stood at 1.66 billion euros.

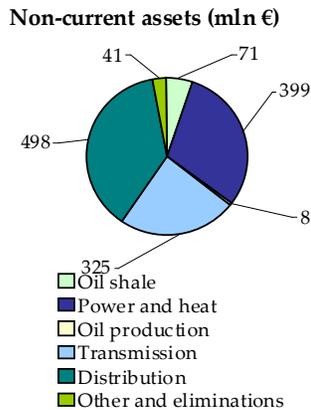
The Estonian electricity market is currently 87% closed, but it will be opened step by step by 2013. Therefore, the risk for assets related to the production of energy and the mining of oil shale is limited. But Eesti Energia sells electricity to Nordic electricity market Nord Pool as well, hence oil shale mining and electricity generation are already partially opened to market risks. Electricity price in the closed domestic market is currently fixed at 26 €/MWh. Nord Pool system price fluctuated between 9 and 53 €/MWh during 9 months, averaging 28,2 €/MWh.

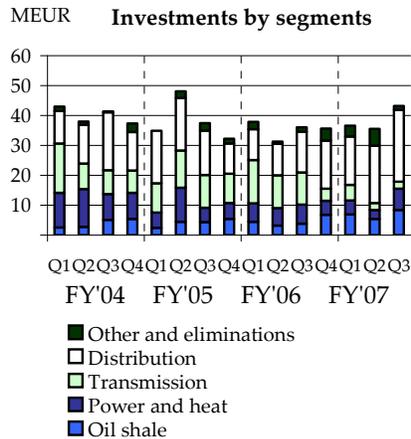
Major part of the assets portfolio is power networks. Energy networks are a natural monopoly, and revenues from transmission and distribution operations are regulated. The assets of the transmission network are valued at 333 million euros; return on invested capital over the last 12 months is 7.6%; the assets of the distribution network are valued at 519 million euros and return on invested capital over the last 12 months is 7.1%.

Oil production from oil shale is another important business besides vertically integrated electricity business. The value of oil production business is directly tied to volatile oil prices.

Investments boost Group's development

The investment strategy of Eesti Energia is based on the criteria of economic efficiency, environmentally aware development, and security of supply. Investments are planned to ensure the fulfilment of strategic objectives. In terms of energy production this means diversification of the production portfolio: the development of co-generation and renewable energy. In cooperation with partners we are investigating options for investment in the construction of a nuclear power plant. In November 2007 Eesti Energia acquired Aulepa wind park development with the aim of building the largest wind park in the Baltic States. Currently the evaluation of the strategic and environmental impact of Narva Power Plants new energy complex is carried out.





The transmission network and the distribution network have undergone remarkable development since 1998, when Eesti Energia was established. In first year of operations network energy losses were 20.5%. Since then losses have shrunk down to 9.8% by the end of the third quarter of 2007/08. The targets of the investments in the energy networks are tightly related to the reduction of failures and losses, and to the elimination of problems with voltage fluctuation.

In the beginning of 2007 Eesti Energia put in commission the 350 MW Estlink undersea cable. The undersea cable connects Estonia and the whole Baltic electricity market to the Nordic electricity market Nord Pool. In the longer term, the objective of transmission networks in Europe, including the Baltic region, is to increase security of supply through the establishment of interconnections, and the development of the electricity market.

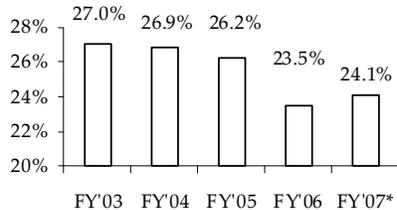
Eesti Energia has unique know-how in the field of large-scale oil shale mining and the production from it of energy and shale oil. In the context of relatively high oil prices, technological advances and political tensions in the Middle East, adding value to oil shale through shale oil production is becoming an increasingly important activity, alongside electricity and heat production. One of Eesti Energia's strategic targets is to substantially increase the volume of liquid fuel production. In this field Eesti Energia started cooperation with Jordan, where the fourth biggest deposits of oil shale in the world can be found.

One of the principle techniques of strategic management in Eesti Energia is the balanced scorecard. The balanced scorecard takes financial criteria into account, as well as aspects relating to clients, staff, and the business processes. The investments should, in addition to meeting financial criteria, also assist towards meeting the goals set forth in the balanced scorecard.

In 2002/03-2006/07 Eesti Energia Group invested 889 million euros, i.e. on average 178 million euros a year. In the nine six months of the 2007/08 financial year, Eesti Energia invested 115.2 million euros. The main areas of investments were the networks, where 69.4 million euros were invested, and oil shale production, where investments were not as large as in the networks, but nonetheless were quite substantial. In the coming years investments are expected to increase to the level of ca 320 million euros per year. About half of the expected volume of investments would be directed into the production of electricity, slightly less than half into the distribution and transmission networks, and the remaining amounts would be distributed between other segments.

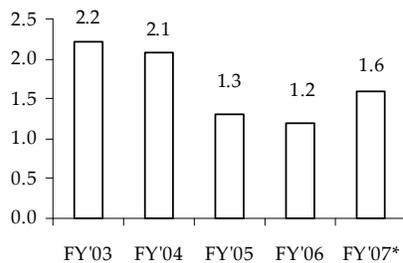
Profitability, financing and cash flows

Leverage



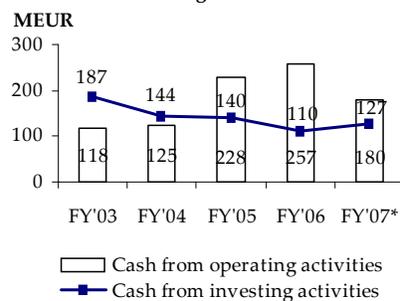
* As of 31.12.2007

Debt/EBITDA



* As of 31.12.2007 rolling 12 months

Cash flows from operating and investing activities



* 12 months rolling 31.12.2007

Sharp decline in sales of emission allowances has reduced Eesti Energia profitability

Eesti Energia's rolling 12 month revenues were 577 million euros (-40 million euros, -6.5%). Operating profit for the same period declined to 103 million euros (-132 million euros, -56.1%) and net profit to 78 million euros (-129 million euros, -62.2%). Operating profit has decreased mainly due to sharp decline in sales of emission allowances. Rolling 12 month operating profit, excluding the sale of emission allowances, was 99 million euros and increased 8.8 million euros, compared 12 months ago. Group's EVA¹, excluding the sale of emission allowances, was -2.7 million euros, increasing by 8.8 million euros (a change over 12 months).

Eesti Energia balance sheet is strong

Despite large-scale investments, Eesti Energia retained a conservative balance sheet structure at the end of third quarter of the financial year 2007/08. Debt on the balance sheet decreased by marginal amount 5.7 million euros and the debt/(debt+ equity) ratio 24.1% has remained the same over 12 months. The loan/EBITDA ratio increased to 1.6 from 1.1 year-on-year due to decrease in EBITDA, which was caused by diminishing CO₂ emission allowances sales profits. In the medium term we are expecting an increase in the debt burden, as investments grow in order to achieve our strategic objectives. Working capital decreased during the 9 months by 29.7 million euros. At the end of December 2007 net debt amounted to 136 million euros (a change over 12 months of +12.2 million euros, +9.9%).

As at 31.12.2007, the weighted average interest rate of Eesti Energia's debt was 4.6%. The principle currency for Eesti Energia's debt is the euro. Eesti Energia has been given credit ratings of A1 with stable outlook by Moody's and A- with negative outlook by Standard & Poor's. Standard & Poor's lowered credit rating due to possible investment in Ignalina nuclear power plant, which brings additional risks and could weaken credit quality.

Among Eesti Energia's long-term debt, the largest part is a Eurobond of 300 million euros with a fixed interest rate of 4.5% and maturity in 2020. The debt portfolio also contains loans from the Nordic Investment Bank (NIB) totalling 33.6 million euros, and a loan from the European Investment Bank with a loan balance of 15 million euros. 91% of current debt portfolio is with fixed interest rate.

¹ Eesti Energia WACC equals 8.7%.

Group liquidity risk is low

As at 31.12.2007 the Eesti Energia group had financial reserves worth 198 million euros. Unused loan facilities totalled 40 million euros. Liquidity risk is minimal for the company in the medium term, which is also reflected from strong credit ratings. Group quick ratio was 2.5 at the end of the third quarter.

Credit risk is the risk that the clients of the group and its trading partners do not fulfil their obligations. The maximum sum open to credit risk is the book value of outstanding invoices to clients once the depreciation of the claims has been discounted

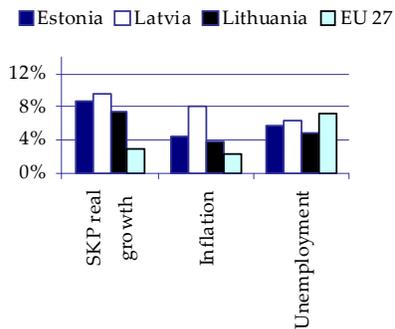
The average settlement date for invoices decreased by 6 days within the past 12 months compared to the end of the 2006/07 fiscal year, standing at 33 days. As at 31.12.2007 the group had reserves worth 22 million euros.

Eesti Energia paid dividends worth 63.9 million euros

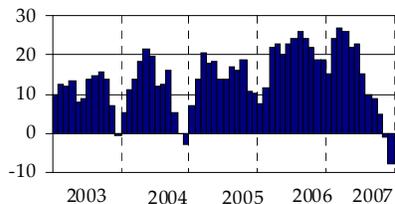
Following the good economic results of 2006/07, the annual general meeting of the company decided to pay 63.9 million euros as dividends to shareholders. Dividends were paid out in September 2007.

Short-term Outlook

Macroeconomic indicators 2006

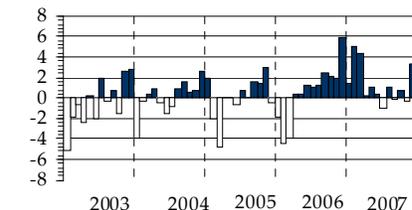


Industrial enterprise confidence indicator (months)



Source: Estonian Institute of Economic Research

Difference from monthly average temperature



Economic growth slowdowns

According to estimates of the c(EKI) the overall economic climate has sharply deteriorated since the second quarter of 2007. Overall economic performance, confidence and optimism about future outlooks declined. At the same time wages and prices continued sharp rise, what refers to strong domestic demand.

Estonian Central Bank's forecast for 2007 economic growth is 7.3% and 4.3% for the next year. Growth is expected to decline mainly due to lower investment activity in real estate sector. In the longer term it is foreseen that the economic growth will be around 5 to 8 % per year. Prices are expected to rise even faster: consumer price index is expected to grow 6.3% in 2007 and 7.4% in 2008. Price growth is caused by strong domestic demand, changes in some tax policy measures and also faster price growth in euro zone. In the longer term it is foreseen that the consumer price index growth will decline to 4% per year. Wage growth is expected to decline, but it is still faster than growth in productivity. Real wage forecast is 15.1% for 2007 and 8.8% for 2008. The reason for high wage growth is caused by tight labour market, which should however weaken in the coming quarters.

On the basis of these short-term forecasts economic growth in Estonia is strong enough to support an increase in the consumption of electrical energy.

Domestic consumption of electricity is growing

Domestic electricity sales growth in the first nine months was 378 GWh compared to last financial year. Larger share of consumption growth comes from closed market business customers – their consumption increased by 240 GWh (9.5%). Therefore growth in demand depends first and foremost on the businesses consumption growth, which in turn is tightly connected to the economic conditions and growth of the economy. Households' consumption increased by 118 GWh (11.9%). Therefore overall consumption growth is influenced heavily by enterprises consumption that depends on the overall economic climate and economic growth.

One of the reasons for the growth in consumption is the lowest temperature so far this year. The average temperature of the first nine months of the financial year 2007/08 was 1.2°C lower than during the same period last year, and this is estimated to have caused a 100 GWh rise in the consumption of electric energy. We forecast that domestic sales will be 7086 GWh (+6.8%) by the end of the current financial year and the forecast for sales for the next financial year is 7218 GWh (+2%). The forecast predicts that the temperature next year will not exceed the average temperature of the previous eight years and the increase in the sales of electric energy is forecast on the basis of the Bank of Estonia GDP growth forecast, which foresees 4.3% growth at the end of 2008, and 5.7% at the end of 2009.

We forecast sales of thermal energy in the current financial year of 1 810 GWh, which is equal to the level of the previous financial year (1 822 GWh). It is estimated that the average temperature will be one degree lower in the current financial year than in the previous, but this cannot balance the decrease in sales in the summer, which was caused by the temporary suspension of the Iru Power Plant. For the financial year 2008/09 we forecast an increase in the sales of thermal energy of 8% to 1 954 GWh. In the forecast we presume that the temperature will be the average of the past eight years and hence lower than in the current financial year.

The price of natural gas used in the Iru Power Plant more than doubled in 2007 and in 2008 a 25% price increase can be expected. From now on the price of natural gas for Iru will be linked to that of fuel oils and thus to the price of oil on the world market.

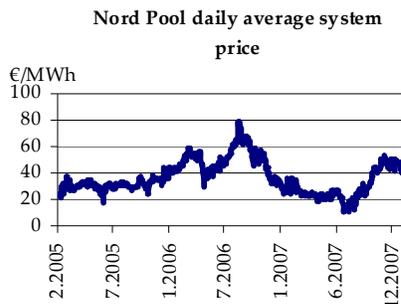
Power network losses continue to decrease

Domestic losses fell to 9.84% in the course of the past 12 months, which is 1.3% lower than a year ago. Network losses fell partly because residential customers submitted their meter readings for December 2007 in advance, which is estimated to have reduced domestic losses for the 12 months by half a percentage point. By the end of the financial year 2007/08 the effect of advance notification will disappear and we forecast domestic losses of 10.4%. In the financial year 2008/09 we forecast a fall in domestic losses to 10.1%. In the following years targeted investments will be used to continue the lowering of power network losses.

Nord Pool electricity price and emission allowances

The Nord Pool electricity price has increased since the spring, exceeding 50 €/MWh by the end of the year. At the start of the year there was a fall in the price and the price of base electricity is expected to stay at 40 €/MWh until the middle of summer. The reason for the low price is the high levels of precipitation and of hydro reservoirs in the Nordic countries. Future trades for more distant periods will be concluded at the price of 50 €/MWh.

In CO₂ emissions trading a new trading period began in 2008. Whereas the contracts for the first trading period could be purchased at below 0.1 €/t at the end of 2007, the contracts for the current and future years are trading at approximately 20 €/t.



The price of oil is rising

Having gone down to 50\$ per barrel in February, the price of oil started to increase, and continued to do so until the end of 2007. In the last months of the year the price of oil stayed at over 85 \$/barrel. The prices of the current market and of future trades indicate that the price of oil will stay at around 90 - 95 \$/barrel over the course of the next year.

The rise in the oil price in 2007 was aided by the weakening of the US dollar, production volumes that were lower than consumption, unrest in African oil-producing countries, and political tensions between the USA and Middle-Eastern oil producers.

The price of oil directly influences the price of fuel oil. The price of fuel oil in the Rotterdam region has increased from around 230 \$/t in January 2007 to 475 \$/t in December of the same year. During the last days of the year the price of fuel oil temporarily exceeded 500 \$/t. On the basis of the current market and futures prices for fuel oil it can be forecast that the price of fuel oil in 2008 will be 480 \$/t.

From the second half of 2007 we have been using light heating oil futures to hedge the risk to the price of shale oil and by the end of the year we had fixed an advantageous price for ourselves for more than half of the next year's expected shale oil production.

We forecast a decline in profitability

In the current 2007/08 financial year a significant fall in profit is to be expected, as the positive effect of the sale of emission allowances, which significantly impacted the economic results of the previous periods, is not forecast for the current period; on the contrary, according to initial calculations 24 million euros worth of CO₂ emission allowances will have to be bought from the market.

The increased pollution charge tariffs, developments on the labour market, an increase in the price of gas, and an increase in costs due to inflation also negatively affect profitability. The negative effect is balanced by an increase in the sales of domestic electric energy and an increase in exports, the optimization of the company expenditures, and well-calculated investments. We estimate that fiscal year 2007/08 earnings before interest and taxes will be around 83 million and net profit close to 58 million euros.

Overview of segments

Mining of oil shale – Eesti Põlevkivi (Estonian Oil Shale)

Oil shale is extracted in Ida-Virumaa in the stretch of the Estonian oil shale deposit from Kiviõli in the west to the Narva River in the east, and from Jõhvi in the north to Väike-Pungerja in the south. The layer of oil shale is located at a depth of between 10 and 70 metres. Quarrying is used in the Aidu and Narva open quarries to extract oil shale, and underground mining in the Estonia and Viru mines.

Oil shale extraction directly or indirectly employs 3,400 people within the structures of the Eesti Energia group, and is the most labour intensive segment of the group. Oil shale production over the last 12 months was 15.5 million tons.

Eesti Energia continues oil shale mining and oil shale based electricity production also in years ahead. It is also planned to expand shale oil production and investigations of oil shale wider usage will be carried on.

Production of electrical energy and thermal energy – Narva Elektriijaamad (Narva Power Plants), Narva Soojusvõrk (Narva District Heating Network); Iru Elektriijaam (Iru Power Plant); AS Kohtla-Järve Soojus (Kohtla-Järve District Heating Network); Taastuvenergia (Renewable Energy Business Unit)

The Eesti Energia group currently has available 2,603 MW of capacity for the production of electrical energy (incl. Narva Power Plants 2,380 MW, Iru CHP Plant 190 MW, Ahtme CHP Plant 30 MW) and 1,516 MW of capacity for the production of thermal energy: Iru CHP Plant 764 MW (incl. CHP part 400 MW), Narva Power Plants 484 MW (incl. peak and reserve boiler-haus 240 MW), Ahtme CHP plant 268 MW. About 1,900 people are involved in the production of electrical or thermal energy within the group. Over the last 12 months, production in the electrical and thermal energy segment amounted to 10,527 GWh of electrical energy, and 2,083 GWh of thermal energy.

Production of oil – Narva Õlitehas AS (the Oil Plant Business Unit of Narva Power Plants), Oil Shale Energy of Jordan

As the production of oil is increasingly important in the performance of Eesti Energia, as of the 2005/06 financial year the production of oil has been itemised as a separate business segment in the context of financial accounting. Based on this business segment a separate company was formed on April 19th, 2007. This enables to separate more clearly financing of investments for the production of electrical energy and for the production of the shale oil.

The advantages of shale oil over heavy fuel oils are lower setting point, lower content of sulphur and mechanical impurities, its low content of heavy metals, and the absence of vanadium. It is mostly used as fuel in both large and small boilers. The production of the Oil Plant amounted to 118,000 tons of shale oil in the last 12 months. Oil Plant employs about 130 people.

Transmission of electrical energy – Põhivõrk OÜ (National Grid), Nordic Energy Link AS

The transmission segment shows the performance of the Eesti Energia group's national grid of 110kV minimum voltage, which has interconnections of over 110kV to the networks of other countries, and other equipment required for the operation, maintenance and development of the whole system. Eesti Energia has 5,200 km of lines for the transmission of electrical energy, which connect 140 transformer substations. The company also acts as the transmission system operator of the whole of Estonia. Põhivõrk OÜ employs about 130 people.

Distribution of electrical energy – OÜ Jaotusvõrk (Distribution Network)

The distribution segment is concerned with the management of up to 35 kV medium-voltage and low-voltage networks, and the distribution of energy to end consumers. It manages over 19,300 substations and near 59,000 km of power lines, and has about 620,000 supply points for customers. OÜ Jaotusvõrk employs ca 950 people.

Supply and customer service – Eesti Energia AS Teenindus; Energiakaubandus; Solidus OY; E.Energy SIA; Lumen Balticum UAB

From 1st of April 2007 Energiakaubandus operates as a separate business unit. Its main tasks are to manage production of electrical energy, Eesti Energia's portfolio of contracts to sell or buy electricity and provide also power balancing and open supplier services in Estonia and arrange electrical energy buy and sell transactions outside of Estonia.

The mission of the Teenindus, Solidus OY, E. Energy SIA and Lumen Balticum UAB is to save the customers effort when dealing with electricity supply issues. We continue to work hard to provide simple, convenient and fast service, and this year we have made another step towards meeting our customers' expectations.

Eesti Energia serves over 491,700 clients, including ca 25,000 business clients. At over 60,000, there are actually twice as many business clients' consumption points as business clients.

Ca 370 people are employed in the segment, including ca 350 people employed by the Eesti Energia AS Teenindus.

Support services – Energoremont AS (Equipment Maintenance and Supply), AS Elekriteenused (Electrical Services), AS Elpec, Televõrgu AS (Telecommunications Network), other support services and management of the group

The segment of support services covers those activities of the Eesti Energia group not included in the previous segments. This involves business units, which add value to the vertically integrated chain, including the construction and design of electricity networks, the manufacture of energy machinery, and the provision of telecommunications services. Support services employ over 1,500 people.

Financial Statements

Balance Sheet

th. EUR

	31.12.2007	31.12.2006	31.3.2007	Note
ASSETS				
Current assets				
Cash and cash equivalents	35,506	218,003	33,337	
Deposits with maturities greater than 3 months at banks	164,565	-	235,255	
Short term financial investments	8,856	3,892	3,078	4
Derivative financial instruments	602	7,839	8,199	5
Trade receivables and other receivables	80,648	61,346	61,402	
Inventories	21,720	24,881	23,594	
Total current assets	311,898	315,961	364,864	
Non-current assets				
Long-term receivables	14	-	15	
Derivative financial instruments	184	-	-	5
Investments in associates	10,247	10,355	10,597	
Property, plant and equipment	1,323,197	1,279,747	1,286,973	6
Intangible assets	7,771	3,870	4,599	
Total non-current assets	1,341,413	1,293,972	1,302,184	
Total assets	1,653,310	1,609,933	1,667,048	
LIABILITIES				
Current liabilities				
Borrowings	7,059	6,376	6,376	7
Trade and other payables	100,924	82,860	94,648	
Derivative financial instruments	8,292	-	-	5
Provisions	1,317	2,680	2,739	
Deferred income	730	799	799	
Total current liabilities	118,324	92,714	104,562	
Non-current liabilities				
Borrowings	329,101	335,444	335,607	7
Trade payables	893	335	776	
Derivative financial instruments	18,592	-	-	5
Provisions	22,073	19,654	20,991	
Deferred income	103,337	84,341	88,925	
Total non-current liabilities	473,996	439,775	446,299	
Total liabilities	592,320	532,489	550,861	
Equity				
Shareholders' Equity				
Share capital	464,900	464,900	464,900	
Unregistered share capital	3,010	-	-	8
Share premium	259,833	259,833	259,833	
Statutory reserve	46,490	46,490	46,490	
Hedging reserve	-26,467	7,573	8,087	
Unrealised exchange difference	-4	-1	-1	
Retained earnings	310,235	295,739	333,579	
Total capital and reserves	1,057,995	1,074,533	1,112,888	
Minority interest	2,995	2,911	3,299	
Total shareholders' equity	1,060,991	1,077,444	1,116,187	
Total liabilities and equity	1,653,310	1,609,933	1,667,048	

Income Statement

th. EUR

	3 months		9 months		12 months		Note
	1.10.2007- 31.12.2007	1.10.2006- 31.12.2006	1.4.2007- 31.12.2007	1.4.2006- 31.12.2006	1.1.2007- 31.12.2007	1.1.2006- 31.12.2006	
Sales	163,303	124,928	416,212	328,991	568,771	466,471	
Gain on disposal of emission rights	-	26,061	-	92,485	3,893	144,638	
Other income	1,104	1,650	2,269	4,669	2,817	5,346	
Government grant	750	664	1,417	853	1,999	1,139	
Changes in work in progress and finished goods	399	90	-4,855	4,198	-5,916	2,163	
Materials, consumables and supplies	-52,977	-38,847	-134,589	-99,991	-181,785	-138,566	
Other operating expenses	-20,500	-12,156	-50,650	-35,088	-68,206	-48,704	
Personnel expenses	-31,346	-25,312	-86,287	-70,998	-111,114	-93,852	
Depreciation and impairment	-26,730	-25,548	-78,648	-75,365	-104,886	-101,430	
Other expenses	-678	-412	-1,964	-1,014	-2,342	-2,042	
EBIT	33,325	51,119	62,905	148,740	103,230	235,164	
Financial income and expenses							
Financial income	2,475	1,818	8,106	4,473	10,401	5,468	
Financial expenses	-4,664	-4,582	-13,899	-14,354	-18,502	-23,963	
Net financial income	-2,189	-2,764	-5,793	-9,881	-8,100	-18,494	
Share results of associates	878	545	878	545	1,135	899	
Loss of investments in associates	-	-	-10	-	148	-471	
Profit before taxes	32,015	48,900	57,980	139,404	96,413	217,096	
Income tax	-	-	-17,716	-9,200	-17,920	-9,200	
Profit for the period	32,015	48,900	40,264	130,204	78,492	207,896	
Attributable to:							
Equity holders of the Parent Company	31,753	47,735	40,568	129,528	78,407	206,386	
Minority interests	262	1,165	-304	676	85	1,511	
Earnings per share for profit attributable to the equity holders of the company during the period							
Basic (€)	0.14	0.66	0.37	1.78	1.07	2.84	9
Diluted (€)	0.14	0.66	0.37	1.78	1.07	2.84	9

Cash Flow Statement

th. EUR

	3 months		9 months		12 months		Note
	1.10.2007- 31.12.2007	1.10.2006- 31.12.2006	1.4.2007- 31.12.2007	1.4.2006- 31.12.2006	1.1.2007- 31.12.2007	1.1.2006- 31.12.2006	
Cash flows from operating activities							
Adjusted net profit	57,330	73,772	135,308	216,493	200,055	328,341	
Changes in working capital	-8,049	-5,129	-3,486	-12,310	5,134	-4,568	
Paid interest and loan fees	-14,655	-14,538	-15,892	-16,521	-16,047	-18,845	
Received interest	1,724	1,394	7,136	3,503	8,584	4,171	
Paid income tax	-	-14	-17,921	-9,200	-17,921	-9,200	
Net cash from operating activities	36,350	55,485	105,146	181,965	179,805	299,898	
Cash flows from investing activities							
Purchase of tangible fixed assets	-43,586	-36,069	-115,062	-105,291	-147,310	-136,475	
Targeted financing of tangible assets	-	23	-	23	-	23	
Purchase of subsidiary	-1,835	-166	-1,835	-461	-1,835	-461	10
Proceeds from connection fees	6,632	6,469	18,494	17,855	24,442	21,800	
Net change in deposits with maturities greater than 3 months	22,597	-	70,477	-	-154,129	-	
Proceeds from sale of tangible fixed assets	864	1,064	1,172	4,464	1,528	4,780	
Dividends received from long-term financial investments	-	-	-	-	1,038	1,132	
Outgo from sale of subsidiary	32	-	29	-	29	-	11
Received loans from coworkers	-	-	-	-	0	-	
Paid for long-term financial investments	-11,361	-3,006	-20,990	-13,470	-27,210	-16,286	
Received from sale of financial investments	6,263	2,812	15,358	11,261	22,427	14,534	
Net cash used in investing activities	-20,393	-28,872	-32,357	-85,620	-281,019	-110,953	
Cash flows from financing activities							
Paid dividends	-	-	-63,912	-31,956	-63,912	-31,956	
Repurchased bonds	-	-	-	-	-	-59,074	
Repayment of long-term bank loans	-3,162	-2,253	-6,325	-4,506	-6,325	-4,506	
Repayment of other loans	-345	-	-345	-300	-345	-300	
Finance lease principal payments	-13	-13	-38	-39	-51	-53	
Net cash from financing activities	-3,520	-2,266	-70,620	-36,801	-70,632	-95,890	
Net increase/decrease in cash and cash equivalents	12,436	24,347	2,170	59,544	-171,847	93,055	
Cash and cash equivalents at the beginning of the period	23,070	183,006	33,337	147,809	207,353	114,298	
Cash and cash equivalents at the end of the period	35,506	207,353	35,506	207,353	35,506	207,353	
Change in cash and cash equivalents	12,436	24,347	2,170	59,544	-171,847	93,055	

Capital and reserves attributable to the equity holders of the Parent Company										
	Share capital	Un-registered Share capital	Share Premium	Statutory reserve	Hedging reserve	Other reserves	Retained earnings	Total	Minority interest	Total
Equity as at March, 31 2006	464,900	-	259,833	43,822	-82	-	200,836	969,307	2,070	971,377
Change in hedging reserve	-	-	-	-	7,655	-	-	7,655	-	7,655
Value reappraisal of currency exchanges of subsidiaries	-	-	-	-	-	-	-	-	-	-
<i>Net income directly recognized in equity</i>	-	-	-	-	7,655	-1	-	7,654	-	7,654
Net profit for the period	-	-	-	-	-	-	129,528	129,528	676	130,204
<i>Total income and expenses recognised</i>	-	-	-	-	7,655	-1	129,528	137,182	676	137,857
Transfer of retained earnings to reserve capital	-	-	-	2,668	-	-	-2,668	-	-	-
Change in minority interests due to acquisition of subsidiary	-	-	-	-	-	-	-	-	165	165
Dividends	-	-	-	-	-	-	-31,956	-31,956	-	-31,956
Equity as at December 31, 2006	464,900	-	259,833	46,490	530	-	248,004	1,019,757	1,580	1,021,337
Equity as at March 31, 2007	464,900	-	259,833	46,490	8,087	-1	333,579	1,112,888	3,299	1,116,187
Change in hedging reserve	-	-	-	-	-34,555	-	-	-34,555	-	-34,555
Value reappraisal of currency exchanges of subsidiaries	-	-	-	-	-	-3	-	-3	-	-3
<i>Net income directly recognized in equity</i>	-	-	-	-	-34,555	-3	-	-34,558	-	-34,558
Net profit for the period	-	-	-	-	-	-	40,568	40,568	-304	40,264
<i>Total recognised income and expenses</i>	-	-	-	-	-34,555	-3	40,568	6,010	-304	5,706
Increasing the share capital (Order No. 368 of the Government of the Republic from 2.Aug. 2007)	-	3,010	-	-	-	-	-	3,010	-	3,010
Dividends	-	-	-	-	-	-	-63,912	-63,912	-	-63,912
Equity as at September 30, 2007	464,900	3,010	259,833	46,490	-26,467	-4	310,235	1,057,995	2,995	1,060,991

Notes to the Financial Statements

1 Accounting policies

This consolidated interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These consolidated interim condensed financial statements are prepared in accordance with IAS 34 'Interim Financial Reporting'.

Accounting policies applied to this interim report were identical to those in financial year 2006/2007 annual report.

Since April 1st 2007 the new amended International Financial Reporting Standards have been mandatory for the Group, the amended standards and International Financial Reporting Standards Committee interpretations having been published in the financial report for the year 2006/07. The new standards and the amended published standards and interpretations did not involve any changes in the Group's accounting principles, but require a disclosure of additional information in financial statements.

According to the Management Board Interim Report prepared for the period 1.4.2007-31.12.2007 presents a fair view of the financial position, the cash flows and the results of operations of Eesti Energia AS and its subsidiaries (Group).

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

2 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

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. Under the Electricity Market Act the Energy Market Inspectorate must approve:

- the maximum price of oil shale sold to the Narva Power Plants for the production of electricity and thermal energy;
- price limits for the electricity sold by Narva Power Plants to the closed market;
- the weighted average price limit for electricity sold to meet sales requirements;
- network fees.

The Energy Market Inspectorate has established a price calculation methodology for approving prices. In approving all the above mentioned prices the Energy Market Inspectorate takes into account the costs, in order to enable the companies to fulfil the legislative requirements and obligations arising from activity licenses, while guaranteeing a reasonable return on invested capital. Generally the Inspectorate counts as invested capital the average residual value of the fixed assets of a company per year, to which 5% of sales revenue is then added. The reasonable rate of return is the company's weighted average cost capital (WACC).

For the purposes of compiling the financial statements the main activities of the Group are taken as the production and sales of electricity and thermal energy, oil shale, shale oil and oil shale ash, and other related activities. All other activities (including investing and financing activities) have been counted as ancillary activities, the results being presented under other revenues and expenses or under financial revenue and expenses.

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 Elektriijaamad, Iru Elektriijaam, AS Kohtla-Järve Soojust, AS Narva Soojustõrk; Renewable energy; OÜ Aulepa Tuulepargid
- Shale oil production – Oil shale plant of Narva Elektriijaamad, Oil Shale Energy of Jordan;
- Transmission of electricity – OÜ Põhivõrk;
- Distribution of electricity – OÜ Jaotusvõrk;
- Sales and customer service - Teenindus, SIA "E. Energy", Solidus Oy, UAB "Lumen Balticum";
- Support services - Energoremont, AS Elektriteenused, AS Elpec, Televõrgu AS, OÜ Elektrikontrollikeskus (until 1.5.2007), other Support services and Administration.

9 months 1.4.2007-31.12.2007

th. EUR

	Oil shale mining	Production of electricity and heat	Production of shale oil	Transmis- sion of electricity	Distribu- tion of electricity	Sales and customer service	Support services	Intra-group elimina- tions	Total group
Revenue	119,657	237,790	23,013	54,176	123,378	227,070	118,369	-483,554	419,898
EBIT	8,051	6,953	7,282	17,156	18,477	5,271	36,261	-36,548	62,905

9 months 1.4.2006-31.12.2006

th. EUR

	Oil shale mining	Production of electricity and heat	Production of shale oil	Transmis- sion of electricity	Distribu- tion of electricity	Sales and customer service	Support services	Intra-group elimina- tions	Total group
Revenue	87,293	270,056	21,753	52,092	115,559	162,601	44,849	-327,205	426,998
EBIT	1,996	93,315	10,840	14,297	12,989	6,187	8,381	735	148,740

3 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.

4 Short-term financial investments

thousands of euros

31.12.2007 31.12.2006

Financial assets which changes in fair value are reflected in income statement	1,019	1,074
Investments that are kept up to redemption	7,837	2,818
Total short term financial investments	8,856	3,892

5 Derivative instruments

At 31.12.2007 following types of derivatives were recognised in the financial statements: electricity sales and CO₂ emission allowance forward and future contracts and shale oil sale forward and future contracts.

thousands of euros

31.12.2007

31.12.2006

	Assets	Liabilities	Assets	Liabilities
Forward contracts of electricity sale	228	1,954	7,645	-
Forward contracts of CO ₂ emission allowances	559	-	-	-
Forward contracts of shale oil sale and purchase	-	24,929	194	-
Total derivatives	787	26,884	7,839	-

Electricity sale forward contracts

The purpose of forward contracts of electricity sales is to mitigate the risk of electricity price fluctuation or earn income on electricity price fluctuations in the Nordic energy exchange Nord Pool.

All forward contracts are concluded for the sale of a specified amount of electrical energy each trading hour, and their prices are denominated in Euros. Trades that aim to hedge the risk of changes in the electricity price are marked in cash flow as risk-hedging instruments, using as the underlying instrument trades in electrical energy in the Nordic energy exchange Nord Pool which are forecast as highly probable. The effective part of the change in the fair value of trades carried out in order to hedge risk is reflected in the capital reserve and is counted in the income statement as a profit or loss at the moment the trade is made, or when it becomes clear that the trade will probably not be made. Changes in the fair value of trades made to profit from fluctuations in the electricity price are reflected in the income statement as profit or loss. The quotations in Nord Pool are taken as the basis for setting the fair value of trades.

Changes in electricity sale forward contracts	1.4.2007-	1.4.2006-
thousands of euros	31.12.2007	31.12.2006
Fair value at the beginning of the period	8,087	-
Change in fair value	-1,743	7,645
Settled in cash	-8,071	-
Fair value at the end of the period	-1,727	7,645

Forward and future contracts for sales of CO₂ allowances

Forward and future contracts for sales of CO₂ allowances are concluded in order to hedge the risk of a change in the price of CO₂ allowances that are needed to cover the production of electrical energy for export. The trading volume for forward and future contracts for sales of CO₂ allowances is calculated on the basis of the trading volume of forward contracts for sales of electrical energy. Trades are marked in cash flow as risk-hedging instruments, using as the underlying instrument trades in CO₂ allowances, which are forecast as highly probable. The quotations in Nord Pool are taken as the basis for setting the fair value of trades. Trade prices are marked in Euros.

Changes in CO₂ emission allowances contracts	1.4.2007-	1.4.2006-
thousands of euros	31.12.2007	31.12.2006
Fair value at the beginning of the period	-	-
Change in fair value	638	-
Settled in cash	-79	-
Fair value at the end of the period	559	-

Forward and future contracts for sales of shale oil

Forward and future contracts for sales of shale oil are concluded in order to hedge the risk of a change in the price of shale oil. Trades are concluded for the sale of a specified amount of shale oil in a future period and are marked in cash flow as risk-hedging instruments, using as the underlying instrument trades in shale oil which are forecast as highly probable. The quotations in Platt's European Marketscan and Nymex are taken as the basis for setting the fair value of trades. Trade prices are marked in US dollars.

Changes in shale oil sale and purchase forward contracts thousand of euros	1.4.2007- 31.12.2007	1.4.2006- 31.12.2006
Fair value at the beginning of the period	111	-
Change in fair value	-25,683	194
Settled in cash	642	-
Fair value at the end of the period	-24,929	194

6 Property, Plant and Equipment

th. EUR

	Land	Buildings	Const- ructions	Plant and equipment	Other	Total
Property, plant and pquiptment as at March 31, 2007						
Cost	5,072	155,655	855,029	1,101,806	4,067	2,121,629
Accumulated depreciation	-	-74,176	-351,540	-466,192	-3,270	-895,177
Net book amount	5,072	81,480	503,489	635,614	797	1,226,452
Construction in progress	-	604	28,505	28,617	-	57,726
Prepayments	273	-	245	2,277	-	2,794
Total property, plant and pquiptment as at March 31, 2007	5,345	82,084	532,239	666,508	797	1,286,973
Movements April 1, 2007-December 31, 2007						
Purchases of property, plant and equipment	164	4,192	44,761	62,843	319	112,279
Acquired through business combinations (note 10)	14	-	-	275	-	288
Non-monetary payment into share capital (note 9)	3,010	-	-	-	-	3,010
Depreciation charge	-	-3,771	-22,334	-51,862	-352	-78,318
Net book amount of non-current assets disposed	-9	-47	-	-233	-	-289
Decrease due to sale of subsidiary (note 11)	-	-	-	-255	-	-255
Reclassified	-506	16	-	-	-	-490
Movements April 1, 2007-December 31, 2007	2,672	390	22,427	10,768	-33	36,224
Property, plant and equipment as at December 31, 2007						
Cost	7,641	157,381	892,462	1,152,145	4,365	2,213,993
Accumulated depreciation	-	-77,766	-373,256	-511,711	-3,600	-966,333
Net book amount	7,641	79,614	519,206	640,434	765	1,247,660
Construction in progress	-	2,746	35,218	35,082	-	73,046
Prepayments	376	114	241	1,760	-	2,491
Total property, plant and equipment as at December 31, 2007	8,017	82,474	554,665	677,276	765	1,323,197

7 Nominal and amortized value of borrowings

th. EUR

	31.12.2007		31.12.2006	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Current portion of long-term bank loans	7,006	7,006	6,325	6,325
Finance lease liabilities	53	53	51	51
Total short-term borrowings	7,059	7,059	6,376	6,376
Long- term borrowings				
Bank loans	41,618	41,485	48,623	48,453
Bonds issued	300,000	287,604	300,000	286,927
Finance lease liabilities	11	11	65	65
Total long- term borrowings	341,629	329,101	348,688	335,444
Total borrowings	348,688	336,160	355,064	341,820

8 Increasing the share capital

Under order No. 368 of the Government of the Republic of August 2, 2007, the Minister for Economic Affairs and Communications was authorised to increase the share capital of Eesti Energia AS by 3 009 580 euros through the issuance of 470 896 new shares with a nominal value of 6,39 euros against the non-monetary investment of 1090 registered properties. The General Meeting approved the increase in share capital on September 19, 2007. As at 31.12.2007 no entry regarding the increase in the share capital had been filed in the commercial register.

9 Earnings per share

Basic earnings per share is calculated by dividing profit attributable to the equity holders of the company by the weighted average number of ordinary shares outstanding. As there are no potential ordinary shares, diluted earnings per share equal to basic earnings per share all the periods.

	3 months		9 months		12 months	
	1.10.2007-	1.10.2006-	1.4.2007-	1.4.2006-	1.1.2007-	1.1.2006-
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Profit attributable to the equity holders of the company (€ th.)	31,753	47,735	40,568	129,528	78,407	206,386
Weighted average number of shares (th.)	14,037	4,649	6,999	4,649	4,662	4,649
Basic earnings per share (€)	0.14	0.66	0.37	1.78	1.07	2.84
Diluted earnings per share (€)	0.14	0.66	0.37	1.78	1.07	2.84

10 Business Combinations

In November 7th 2007 Eesti Energia AS acquired 100% of OÜ Aulepa Tuulepargid shares. OÜ Aulepa Tuulepargid is going to build largest wind park in Baltic states to Noarrootsi parish.

Data of the sales transaction

th. EUR

Cost of an acquisition	transaction price	1,829
	transaction costs	6
Cost of an acquisition		<u>1,835</u>
Acquired net assets' fair value		1,835
Goodwill		<u>0</u>

Acquired net assets	Fair value	Book value
Cash and cash equivalents	0	0
Trade receivables and other receivables	0	0
Prepayments	43	43
Property, plant and equipment	288	336
Intangible assets	1,931	16
Debt	-345	-345
Trade and other payables	-83	-1
Acquired net assets	<u>1,835</u>	<u>50</u>

Cash outflow	paid transaction prise	1,829
	other transaction-related cash outflows	6
	subsidiary's cash and cash equivalents	0
Total cash outflow from acquisition		<u>1,835</u>

11 Sale of subsidiaries and business units

In May 16th 2007 the contract for the sale of OÜ Tehnokontrollikeskus was signed. The shares were paid for in cash.

Data of the sales transaction

th. EUR

Assets and Liabilities of OÜ Elektrikontrollikeskus

Cash and cash equivalents	83
Trade receivables and other receivables	41
Inventories	0
Property, plant and equipment	247
Trade and other payables	-59
Deferred income	-232
Net assets	80
Sales price	80
Loss from sales	-0
Cashflows from sale of associate	
Proceeds from sale	80
Associates cash and cash equivalents	-83
Total cashflow from sale of subsidiary	-3

In October 19th 2007 the contract for the sale of subsidiary AS ER Baltic Electrotechnics and Automation machine shop was signed. The business unit sales transaction was settled in cash.

Data of the sales transaction

th. EUR

Assets

Property, plant and equipment	8
Sales price	32
Profit from sales	24
Cashflows from sale of business unit	
Proceeds from sale	32

The board of directors finds that the sale of subsidiary and business unit does not represent a closed area of activity, because the operating activities of OÜ Elektrikontrollikeskus and AS ER Baltic Electrotechnics and Automation machine shop business unit did not form a separate significant activity for the Group.