



Eesti Energia

Interim report

1 April 2008 – 30 September 2008

Significant events during 2008/09 financial year first six months

E.Energy electricity sales in Latvia have risen sharply

Eesti Energia's subsidiary in Latvia, E.Energy SIA, has agreed contracts for selling electricity in the amount of 320 GWh per year, which is about 4% of the total consumption in Latvia. During the first six months of the financial year E.Energy sales amounted to 26 GWh. E.Energy in total has sold 35 GWh, starting from the beginning of July 2007.

The number of KÕU Internet clients has exceeded 20 000

The number of clients for mobile Internet service KÕU had exceeded 20,000 by the end of September, doubling compared to the end of last year's September. KÕU Internet service can be used in places where there has previously been no Internet and for people who need Internet all over the country, even when moving from one place to another.

The Estonian Association of Information Technology and Telecommunications selected the team of Televõrgu AS for the nomination "Aasta Tegija 2007". The Association recognized the launch of the mobile Internet service „KÕU“, which has positively affected the development of the whole information society.

Eesti Energia agreed regular prices indexation with Estonian Competition Authority

From the beginning of the 1st of January 2009 the price of electricity will be reviewed twice a year – in January the price of electricity and in March the price of network tariffs. If until now only the network tariffs changed once a year with indexing and the price of electricity changed once in three years time, then from the beginning of next year also the price of shale oil mining and price of electricity production will be indexed, in accordance with indexing methodology proved by the Estonian Competition Authority. Although the price of electricity will change more often in the future, indexing will prevent steeper rises in the price of electricity.

As a result of the reviewing the price of electricity will change from the beginning of 1st of January 2009, increasing on average 0.004 euros per kilowatt hour. The rise is due to increase in the environmental charges and increase of input prices in mining and electricity production, like transportation, explosives, chemicals etc.

Eesti Energia is studying possibilities of building offshore wind farms

Eesti Energia Taastuvenergia Ettevõtte (Renewable Energy Company) is studying the best locations for building sea wind parks in Estonian offshore area (excluding areas where other sea wind parks are planned) with a maximum capacity of 1 GW. Each farm's technically optimum installed capacity would be 200-300 MW with the cost 440 up to 660 million euros. According to Eesti Energia, perspective areas include 3 locations in Liivi bay, 2 in the Baltic Sea, 3 in the Gulf of Finland and 3 in Lake Peipsi.

Environmental impact assessments and economical profitability assessments will be carried out. Depending on wind conditions, the optimal distance from the coast is at least 10 kilometers. The distance between the wind park and the port for maintenance boats, as well as the length of significant waves in the area, which are two times smaller in Liivi bay and in Gulf of Finland than in Baltic Sea, are also important.

The largest wind farm in the Baltic States had a cornerstone laid

On Tuesday, 13th May 2008, Eesti Energia laid a cornerstone for Aulepa Wind Farm in Noarootsi rural municipality in Lääne County. The largest wind farm in the Baltic States will be completed in 2009. The capacity of the Aulepa Wind Farm will be 39 MW and 13 windmills of Finnish manufacturer WindWind OY will be set up to this end. The annual production of the wind farm (more than 100 GWh) will cover 1.3% of the final consumption of electricity in Estonia and this will prevent approximately 120,000 tons of CO₂ from being emitted. (By covering 20,000 kilometers, a small passenger car emits approximately 3 tons of CO₂). The total cost of the Aulepa Wind Farm is nearly 58 million Euros and it is being financed from Eesti Energia's own resources.

The wind farm on Narva's ash field is planned to put in use from year 2010

Two leading windmill producers, Enercon and Vestas, participated in a public tender for building a wind park on Baltic Power Plant's closed ash field. Negotiations will continue with the two companies on the conditions, after which both offers will be assessed and winner will be decided by the beginning of November. According to the offers, the wind farm will start working from the year 2010. The European Commission approved the building of the wind farm and financed closing of the ash field. European Union cohesion fund resources were used to study and design the wind farm.

Eesti Energia and the government of Jordan reached an exclusive agreement on building a power plant in Jordan

Eesti Energia and the government of Jordan, along with the national electricity company, National Electric Power Company (NEPCO), agreed on the 30th of April to build the first oil shale based power plant in Jordan. The agreement gives Eesti Energia exclusive rights to develop a project, aimed at building a power plant with a capacity of 900 MW. During the next three years, studies and necessary preparations for designing and building the plant will be carried out by the lead of Eesti Energia. This is a unique opportunity for Eesti Energia to export our skills and experience. The necessary capital for building the plant is planned to be financed from larger investors. Eesti Energia is also carrying out a project in Jordan to produce shale oil from oil shale.

Nord Pool exchange to be expanded to the Baltics on 1 July 2009 at the earliest

The parties involved in the NPS Baltic project, launched last November by the Nordic power exchange Nord Pool, have reached the realization that the first possible date for launching trading will be 1 July 2009. Before the trading can take place, corresponding changes have to be introduced into Estonia's current legislation, primarily concerning the rights and obligations of eligible consumers operating on the free market. Rights and restrictions on import of electricity from third countries also need to be reviewed and updated. The parties agreed that the primary task of the NPS Baltic project would be to create a separate price region in the southern part of the Estlink submarine cable between Estonia and Finland.

Narva Õlitehas will sell fuel oil to end users in the coming heating period

Eesti Energia's subsidiary, Narva Õlitehas, renewed the selling principles of fuel oil for the coming heating period, so that end users can buy the necessary amount of fuel oil directly from Narva Õlitehas. Until now, end users got information about prices, products and availability only from the wholesale companies. From now on Narva Õlitehas will provide real time data on the plants selling prices for thermal energy producers and industrial enterprises. Information about fuel oil prices will be updated on a daily basis on Narva Õlitehas' website based on the price changes of similar refined products in the Rotterdam region, which has been established as the basis for pricing the oil products.

Eesti Energia supports electrical network designing subject in Estonian University of Life Science

Rector of the Estonian University of Life Science, Mait Klaassen, and chairman of the board of Eesti Energia, Sandor Liive, signed in Tartu on the 27th of August a cooperation agreement, stipulating that Eesti Energia will support teaching of the new subject and designing of electrical networks in the Estonian University of Life Science, with the support of 26 thousand euros. The aim of the cooperation is to involve the intellectual potential of the university in Eesti Energias R&D. The Estonian University of Life Science will provide specialist of higher education to Eesti Energia and also will carry out supplementary trainings. Students will be provided practice opportunities and themes for their final papers. Eesti Energia specialists will be involved in the teaching process.

Eesti Energia earns world environmental award at national level

At a ceremony in Brussels on May 26, Eesti Energia was handed the world environmental award, Energy Globe 2008, at the national level for initiating the process of implementing an environmental management system based on the EMAS (Eco-Management and Audit Scheme) standard in the group. As a result of the process launched in 2001, the majority of Eesti Energia's subsidiaries have

implemented and been certified in accordance with the ISO 14001 standard. As the last step, Eesti Energia is planning to bring all of its subsidiaries under a uniform and pan-group EMAS management system controlled by the group. The international Energy Globe Awards have been awarded annually since 1999 to recognize projects that increase environmental awareness, make careful and economical use of resources and employ alternative energy sources.

Tarmo Mere is the new head of the Distribution Grid

From 1 September, the new head of Estonia's largest power grid company, OÜ Jaotusvõrk (Distribution Grid), is Tarmo Mere, who previously was in charge of the company's financial and network administration areas. Margus Uudam, who was at the helm of the Distribution Grid for four years, left in early August.

Financial Highlights

	1.4.2008- 30.9.2008	1.4.2007- 30.9.2007	Change	
Revenues, € th.	291,083	254,741	36,341	14.3%
incl. domestic sales of electricity, € th.	167,240	155,606	11,633	7.5%
EBITDA, € th.	79,530	81,498	-1,968	-2.4%
EBIT, € th.	27,376	29,579	-2,204	-7.4%
Net Profit, € th.	11,816	8,249	3,566	43.2%
Net Fixed Assets, € th. ¹	1,411,409	1,306,327	105,082	8.0%
Equity, € th. ¹	1,005,311	1,054,172	-48,861	-4.6%
Net Debt, € th. ¹	147,229	128,393	18,836	14.7%
CAPEX, € th.	113,013	72,067	40,946	56.8%
FFO, € th.	78,649	64,233	14,416	22.4%
Debt ¹ /(Debt+Equity) ¹	24.9%	24.3%	0.6%	
ROIC ²	5.0%	7.9%	-2.9%	
EBITDA interest cover	9.6	9.8	-0.2	
FFO ² /Net Debt ¹	105.1%	148.7%	-43.6%	
FFO/Interest Expense	8.4	7.0	1.4	
FFO/Capex	69.6%	89.1%	-19.5%	
EBITDA margin	27.3%	32.0%	-4.7%	
EBIT margin	9.4%	11.6%	-2.2%	

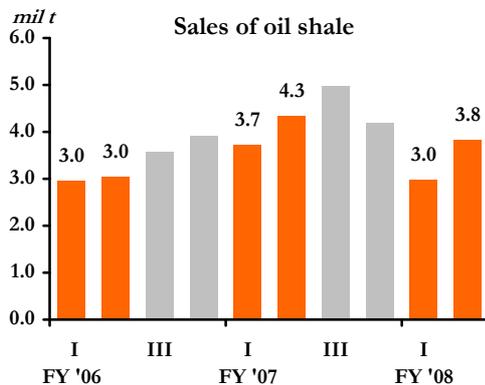
1 - balance sheet figures are end of period

2 - rolling 12 months

FFO - funds from operations excluding changes in working capital

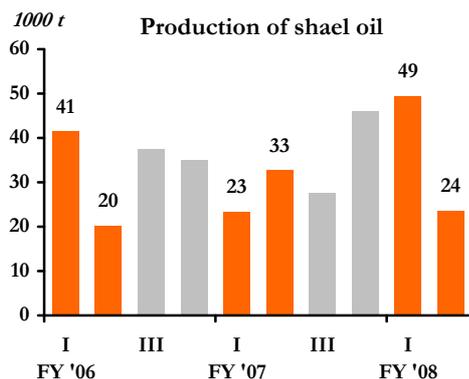
Economic Performance of the Business Segments

Minerals, Oil, Biofuels – sales from shale oil has increased



Financial data. Compared to the previous financial year's first six months, the business segment revenue from sales was mostly affected on the one hand by a rise in the sales of shale oil (+27.9%) and on the other hand, a decrease in the sales of oil shale (-7.0%). Operating expenses increased 5.1% mainly due to the increase in payroll expenses (+20.9%, 5.6 million euros) and transportation and equipment expenses (+17.9%, 2.2 million euros).

(million €)	6 months		Change	
	08/09	07/08	million €	%
Sales revenue	97.2	97.3	-0.1	-0.1%
Operating profit	6.4	10.4	-4.0	-38.6%
FFO	14.6	11.4	3.2	28.0%
Investments	15.2	14.7	0.5	3.7%
EVA (12 months)	0.3	19.1	-18.8	-98.2%
Number of employees	4,426	4,360	66	1.5%



Eesti Põlevkivi operating revenue was 72.5 million euros in the first six months (-1.6 million euros, -2.1%), from which the sales of oil shale were 67.9 million euros. Comparing to last financial year first six months, decreases in oil shale volume by 15.4% (1.2 million tons) to 6.8 million tons was mainly due to decreases in Narva Power Plants' electricity production due to smaller export. Sales revenue was positively effected by the new selling price for oil shale from April 1st, agreed with Competition Board, 9.4 euros per ton, which is 10% higher than the previous price.

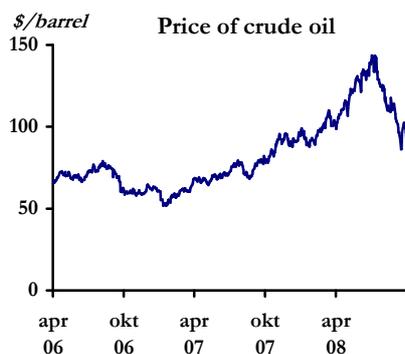
Narva Õlitehas sales revenue grew 29.0% (4.4 million euros) comparing to the previous financial year's first six months. Sales volume was 4.9 tons bigger and totaled 70.4 tons. Comparing to the previous financial year's first six months, the average selling price of shale oil was 18.2% higher, due to higher prices of crude oil.

Energoremont sales revenue basically stayed at the level of last year, increasing 0.7% comparing to last financial year's first six months. Sales revenue totaled 16.5 million euros.

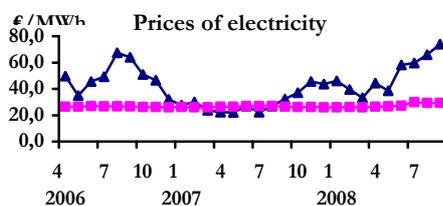
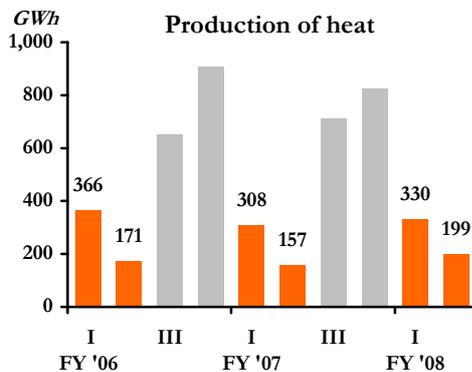
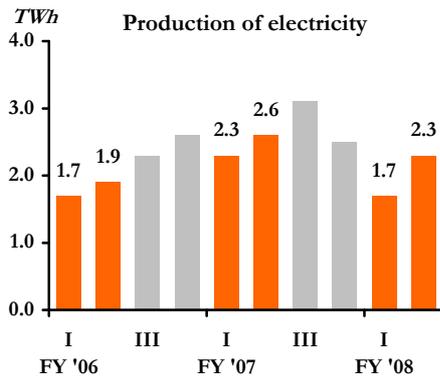
Segments **investments** were 15.2 million euros, increasing 3.7% (0.5 million euros) compared to first six months of the last financial year. Eesti Põlevkivi investments were 9.9 million euros and were mainly aimed at new buildings and equipment in Estonia mine. In financial year 2008/09, the segment's total planned investments are 38 million euros.

Electricity and Heat Generation

Financial data. In the first six months of the financial year, sales revenue from electricity (+14.4%), heat (+49.5%) and other services (+56.7%) rose compared to last year's first six months. Many bigger changes affected operating expenses, mainly the additional cost of emission allowances (+12.5 million euros, no cost in previous financial year), increases in electricity (+321.8%) and decrease in



resource taxes and environmental pollution charges (-35.4%) due to smaller production from Narva Power Plants.



—▲— Nord Pooli Helsinki area monthly average price
 - - - Eesti Energia average electricity selling price in domestic market

(million €)	6 months		Change	
	08/09	07/08	million €	%
Sales revenue	175.3	151.5	23.8	15.7%
Operating profit	5.8	6.1	-0.3	-5.6%
FFO	21.7	14.3	7.4	51.5%
Investments	17.2	7.6	9.6	126.2%
EVA (12 months)	-35.7	-18.8	-16.9	-89.9%
Number of employees	1,897	1,914	-17	-0.9%

The group's **net electricity production** was 4,039 GWh in the first six months, decreasing 864 GWh (-17.6%) compared to last year's first six months. The decrease was mainly due to smaller production in Narva Power Plants (-851 GWh). In Kohtla-Järve, power plant production decreased 4 GWh and in Iru power plant 10 GWh.

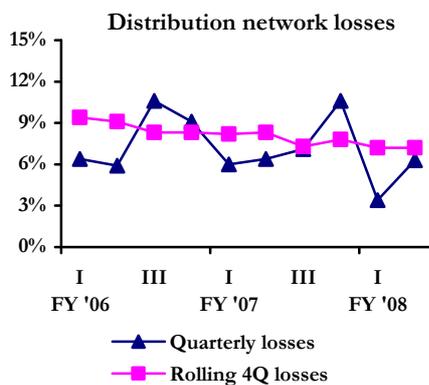
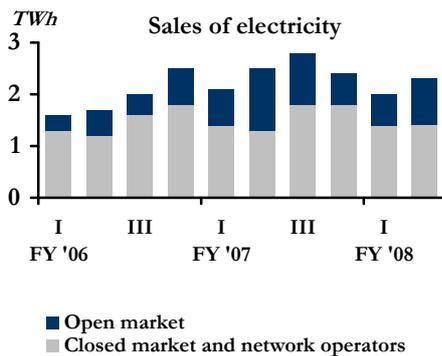
Electricity export was 1,120 GWh in the first six months, decreasing 450 GWh (-26.6%) compared to last year's first six months. Bigger export to Nord Pool (+257 GWh) has partly balanced the decrease in export volumes to Latvia (-662 GWh). Export sales revenue has grown 23.1% in the first six months compared to last year's same period, mainly due to a 45.8% higher selling price to Nord Pool.

Heat sales were 436 GWh in the first six months, increasing 66 GWh (18.0%) compared to last year's first six months (in comparison it should be noted that in June-August 2007 Iru power plant did not sell heat). Sales were positively affected by the 0.8 degree colder temperature than in the same time last year and sales revenue from the higher selling price, which led to the 49.5% increase in heat sales revenue.

The segments' **investments** were 17.2 million euros, an increase of 126.2% (9.6 million euros) compared to last financial year's first six months. The growth comes mainly from the investments in Aulepa Wind Park – investments amounted to 6.7 million euros in the first six months time. Narva Power Plant investments were 7.2 million euros, an increase of 12.5%. In the financial year 2008/09 segment total planned investments are about 83 million euros.

Retail business – fast growth in the sales of services

Financial data. Operating revenue grew quite fast due to growth in electricity sales (+7.1%), but also due to growth in repair and construction services and telecommunication services sales (total +97.5%). Biggest changes in operating expenses were a decrease in electricity expenses (-1.1%), growth in payroll expenses (+24.3%) and growth in core activity facilities and equipment expenses (+21.4%).



(million €)	6 months		Change	
	08/09	07/08	million €	%
Sales revenue	180.0	164.0	16.0	9.8%
Operating profit	15.5	5.6	10.0	179.0%
FFO	21.9	11.2	10.7	96.3%
Investments	54.9	38.0	16.9	44.6%
EVA (12 months)	3.9	0.2	3.7	1690.8%
Number of employees	1,805	1,778	27	1.5%

Domestic sales of electricity were 3,143 GWh in the first six months, increasing 134 GWh (+4.4%) compared to last year's first six months. Sales to the open market were 356 GWh (-7 GWh, -1.9%), to closed market business customers 1,753 GWh (+73 GWh, +4.3%), to residential customers 697 GWh (+60 GWh, +9.4%) and to network operators 338 GWh (+8 GWh, +2.3%). Sales to the open market were negatively affected by decreases in electricity consumption, as the economic growth in Estonia has slowed, and due to the expiry of one contract.

Jaotusvõrgu **net sales from network services** were 71.4 million euros in the first half of the financial year, decreasing 0.4 million euros (-0.6%) compared to last year's first half. Changes in network tariffs have affected the sales of network services – from 1st of March 2008 network tariffs were lowered by an average 5% compared to tariffs before, but from 1st of July 2008 the tariffs rose on average 2.3%.

Losses in the distribution network decreased 1.4 percentage points compared to last year's first six months to 4.8% in the first half. The losses have decreased steadily due to investments in electricity networks and more efficient cooperation inside the Group. Increasing network quality is one of the main strategic aims of the Group.

Televõrk's services sales revenue was 6.8 million euros, increasing 22.7% (+1.3 million euros) mainly due to mobile Internet service KÕU sales revenue. At the end of September 2008, KÕU had more than 20 000 active customers, which is twice as much as at the end of last year's September. Elektriteenus sales were up 34.1% (3.2 million euros) and Elepec sales 53.5% (1.0 million euros) as the sales volumes have increased.

The segment's **investments** in the first half were 54.9 million euros, increasing 44.6% (16.9 million euros) compared to last year's first six months. Jaotusvõrk's investments were 51.9 million euros, aimed mainly at subscription to the network and increasing the operating reliability and quality of the networks. In financial year 2008/09 the segment's total planned investments are about 109 million euros.

Transmission

Financial data. The sales revenue of transmission decreased by 18.8% (6.5 million euros) in the first half of the financial year compared to the same period last financial year mainly due to changes in the tariff system. Last financial year transmission sales were based on energy passed through the network and on peak

power, this financial year the sales are based solely on energy passed through the network. But sales from transmission will be much bigger in the third and fourth quarter of the financial year comparing to last years corresponding period, compensating for the smaller revenue in the first two quarters. Operating expenses were bigger mainly due to increase in electricity (+27.5%).

<i>(million €)</i>	6 months		Change	
	08/09	07/08	million €	%
Sales revenue	28.2	34.7	-6.5	-18.8%
Operating profit	1.4	10.3	-8.9	-86.1%
FFO	7.2	15.9	-8.6	-54.5%
Investments	25.1	7.6	17.5	229.0%
EVA (12 months)	-7.3	0.4	-7.7	-1 947.0%
Number of employees	129	128	1	0.8%

In the first six months 5,439 GWh of electrical energy passed through the **transmission network**, increasing 268 GWh compared to the same period last year. Electrical energy passing through the mainland and transit increased, at the same time export decreased.

The segment's **investments** were 25.1 million euros, increasing 229.0% (17.5 million euros) compared to last year's first six months. Investments were mainly focused on power transformers and reconstruction of electrical lines. In financial year 2008/09 the segment's total planned investments are about 45 million euros.

Asset Portfolio and Investments

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

Eesti Energia is a 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 of 30.09.2008 the value of the group's assets stood at 1.73 billion euros.

The Estonian electricity market is currently approximately 90% 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 the Nordic electricity market Nord Pool as well, hence oil shale mining and electricity generation are already partially opened to market risks. The electricity price in the closed domestic market is currently fixed at 29 €/MWh. Nord Pool Helsinki area prices fluctuated between 8 and 87 €/MWh during the last six months, averaging 57.0 €/MWh.

A major part of the assets portfolio are the **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 347 million euros, return on invested capital over the last 12 months is 5.0%, the assets of the distribution network are valued at 575 million euros and return on invested capital over the last 12 months is 7.9%.

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

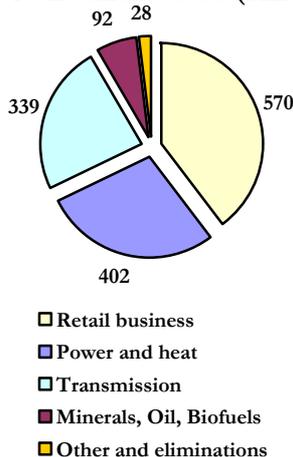
Investments boost the Group's development

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 fulfillment of strategic objectives. In terms of energy production this means diversification of the production portfolio: the development of co-generation and renewable energy. We have started building the biggest wind farm in Baltic States, Aulepa, and also plan to build a wind farm to Balti Power Plant's closed ash field. We are also examining the possibility to build offshore wind farms.

The transmission network and the distribution network have undergone remarkable development since 1998, when Eesti Energia was established. In the first year of operations, network energy losses were 20.5%. Since then losses have shrunk down to 9.8% by the end of the second quarter of 2008/09. 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

Non-current assets (MEUR)*



* - as of 30.09.2008

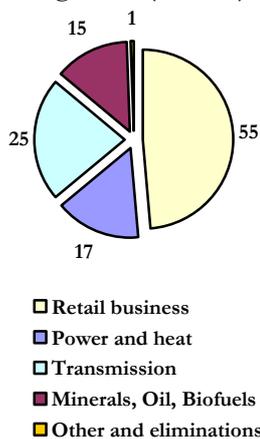
electricity market Nord Pool. In the longer term, the objective of transmission networks in Europe, including the Baltic region, is to increase security of supply through the establishment of interconnections and the development of the electricity market. For achieving that, preparations for construction of Estlink 2 have started.

Eesti Energia has unique know-how in the field of large-scale oil shale mining and from it, the production of electricity and shale oil. In the context of relatively volatile 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 fuels production. For achieving that, we have planned to increase investments for new production equipment. We have reached an agreement with Jordanian government to build an oil shale based electric power plant in Jordan, where the fourth biggest deposit of oil shale in the world can be found. There is also an ongoing project to produce shale oil from oil shale in Jordan.

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 past six financial years, Eesti Energia Group has invested 1.1 billion euros, i.e. on average 0.2 billion euros a year. In the first six months of the 2008/09 financial year, Eesti Energia invested 113.0 million euros. The main areas of investments were the networks, where 77.0 million euros were invested. Smaller amounts went into oil shale production and Narva Power Plants. In the 2008/09 financial year, approximately 275 million euros is planned to be invested. About half of the expected volume of investments would be directed into distribution and transmission networks, about a third into the production of electricity, and the remaining amounts would be distributed between other segments.

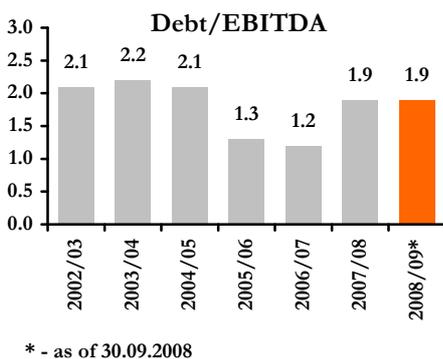
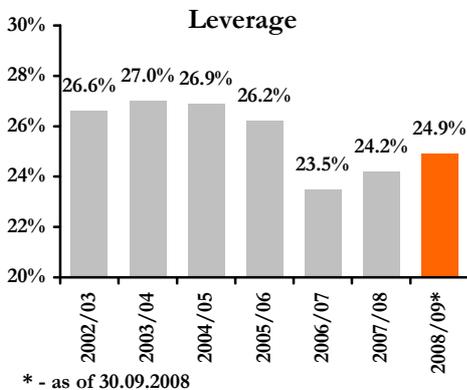
2008/09. financial year six months investments by segments (MEUR)



Profitability, financing and cash flows

Sharp decline in sales of emission allowances and increases in expenditures has reduced Eesti Energia's profitability

Eesti Energia's rolling 12 month revenues were 616.9 million euros (+51.3 million euros, +9.1%). Operating profit for the same period declined to 61.3 million euros (-59.7 million euros, -49.3%) and net profit to 42.9 million euros (-52.5 million euros, -55.1%). One reason for the decline in operating profit compared to same period last year is the cost of emission allowances – the allocation of allowances to Eesti Energia in the second trading period was much smaller than anticipated, so that the Group had to buy allowances from the market for some of the electricity production. Fast growth of payroll expenses, electricity expenses and expenses related to transportation have negatively affected operating profit. Rolling 12 month operating profit, excluding the sale of emission allowances, was 61.3 million euros and decreased 29.8 million euros, compared to 12 months ago. The group's EVA, excluding the sale of emission allowances, was -47.8 million euros, decreasing by 38.4 million euros (a change over 12 months).



Eesti Energia balance sheet is strong

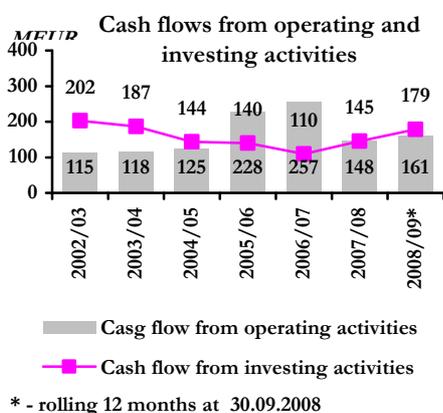
Despite large-scale investments, Eesti Energia retained a conservative balance sheet structure at the end of the second quarter of the financial year 2008/09. Debt on the balance sheet decreased by a marginal amount of 2.7 million euros but the debt/(debt+ equity) ratio has increased to 24.9%, compared with 24.3% from the end of September 2007. The increase is due to changes in equity.

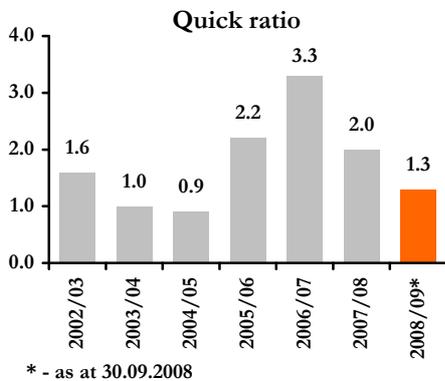
The loan/EBITDA ratio increased to 1.9 from 1.5 year-on-year due to a decrease in EBITDA, which was caused by CO₂ emission allowances sales profits being replaced by expenditures to buy allowances and quite sharp increase in payroll, electricity and transportation expenses.

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 six months by 91.3 million euros. At the end of September 2008, net debt amounted to 147.3 million euros (a change over 12 months of +18.9 million euros, +14.7%).

As of 30.09.2008, the weighted average interest rate of Eesti Energia's debt was 4.58%. 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.

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) totaling 30.5 million euros, and a loan from the European Investment Bank with a loan balance of 14.3 million euros. 92% of the current debt portfolio is with a fixed interest rate and an 8% floating interest rate (taking into account only the remainder of the debt).

Group liquidity risk is low

As of 30.09.2008 the Eesti Energia group had financial reserves worth 186.6 million euros. Unused loan facilities totaled 40 million euros. Liquidity risk is small for the company in the medium term, which is also reflected by the strong credit ratings. Group quick ratio was 1.3 at the end of the second quarter.

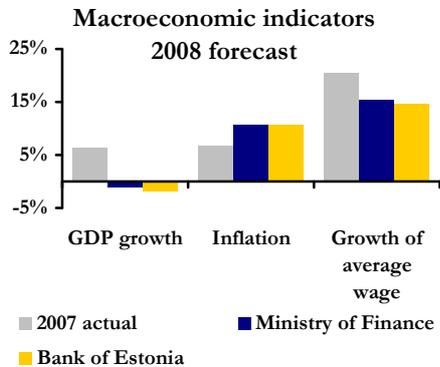
Credit risk is the risk that the group's clients and its trading partners do not fulfill their obligations. The maximum sum open to credit risk is the book value of outstanding invoices to clients once the depreciation of the claims has been discounted.

The average settlement date for invoices increased by 2 days within the past 12 months compared to the end of second quarter of 2007/08 fiscal year, standing at 35 days. As of 30.09.2008 the group had reserves worth 31.9 million euros.

Eesti Energia will pay dividends worth 41.7 million euros

Following the economic results of 2007/08, the annual general meeting of the company decided to pay 41.7 million euros as dividends to shareholders.

Short-term Outlook



Economic growth has slowed down

Economic growth in Estonia in the second quarter of 2008 was -1.1%, which is the lowest quarterly growth rate since year 1999. Main reasons for the slowdown are decreases in consumption, as loan volumes have decreased and interest rates risen, and decreases in investments, as investments in real estate have decreased. Average wage growth slowed down to 15.4% (growth in the first quarter was 19.5%). The unemployment rate was continuously low in the second quarter, 4.0% (in the first quarter 4.1%). Consumer price index was higher in the second quarter than in recent years, 11.4% (11.1% in the first quarter). Inflation has accelerated mainly due to increases in crude oil and food prices, but also due to some tax policy measures in Estonia, e.g. some excise rates have increased.

The Ministry of Finance's forecast for 2008 economic growth, published 25th of August 2008, is -1.0%. The Bank of Estonia is expecting -1.8% in forecasts published on the 22nd of October 2008. Forecasts for 2009 are 2.6% and -2.1% respectively. Deceleration in growth is caused by decreases in growth of consumption and investments. Inflation is forecasted to be around 11% in 2008, high mainly due to foreign factors, but also for example increase in tobacco and alcohol excise rates. Average wage growth should be around 15% in 2008 and unemployment rate should increase to 5%.

Slowdown in the economy will negatively affect the growth of domestic electricity sales.

Domestic consumption of electricity is slowing

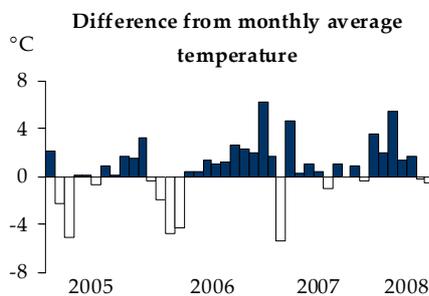
Rolling 12 month domestic electricity sales were 7,126 GWh by the end of September, being 4.7% higher than in the end of September 2007. The average temperature was 0.2 degrees smaller in the last twelve months than in the corresponding period in 2007 September and the rolling 12 month adjusted domestic sales were 4.2% higher than the rolling 12 months by the end of September 2007.

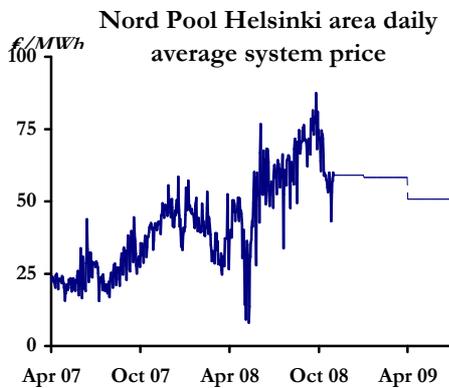
We forecast that domestic sales will be 7,231 GWh (+3.4%) by the end of the current financial year. The forecast predicts that the temperature next year will not exceed the historical average temperature and that the increase in the sale of electric energy is forecasted on the basis of the Ministry of Finance GDP growth forecast.

We forecast sales of thermal energy in the current financial year of 1,825 GWh, which is 4.9% (86 GWh) more than in the previous financial year.

Power network losses continue to decrease

Domestic losses fell to 9.8% in the course of the past 12 months, which is 0.7 percentage points lower than a year ago. In the financial year 2008/09 we forecast a fall in domestic losses to 9.0%..





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 Helsinki area electricity price dropped from 50€/MWh in the beginning of the year to 10 €/MWh in May, but it has from then on increased to around 70-80€/MWh at the end of September. Comparing to the Nord Pool base load electricity price, then prices in Finland and Sweden have been higher in the first half of the financial year mainly due to cable problems between Sweden and Norway. Comparing to last year's first six months, crude oil prices and CO₂ prices have pushed up the electricity prices in Nord Pool. Trades for the year 2009 first quarter will be concluded in the end of October at the price of 60 €/MWh.

In CO₂ emissions trading a new trading period began in 2008. While at the beginning of the year the 2008 contracts were traded around 22-23 €/MWh, then at the end of September the prices have rose to 24-25 €/MWh.

The price of oil is falling

The price of crude oil has fallen to 93 \$/barrel at the end of September. The price of oil rose from the beginning of the year's 100 \$/barrel to 140 \$/barrel in July, but has fallen from there on. In the next months, the price should continue the downward trend – December 2008 deliveries were contracted at the level of 65 \$/barrel at the end of October.

Instability in the world financial markets has influenced also the price of oil – expectations of a recession have had a negative effect on the price of oil. On the supply side we will probably see decline in the production of oil – OPEC decided to cut production about 1.5 million barrels a day from the beginning of November.

The price of crude oil directly influences the price of fuel oil. The monthly average price of fuel oil in the Rotterdam region has decreased from around 675 \$/t in August 2008 to 562 \$/t in September. Similarly to oil prices, the downwards trend of fuel oil prices should continue - December 2008 deliveries were contracted at the level of 333 \$/barrel by the end of October.

From the beginning of 2008 we have been using light heating oil futures to hedge the risk to the price of shale oil and by the end of September we had fixed an advantageous price for ourselves for about 100 thousand tons of the year's expected shale oil production.

We forecast a growth in profitability

In the 2008/09 financial year, we forecast operating profit to amount to 83 million euros and net profit to be about 58 million euros. The domestic electricity sales growth rate will slow due to economic slowdown in Estonia, but at the same time sales from electricity export, heat and shale oil will grow. In forecasting we have assumed, that outside temperature will be at the level of historical average, electricity export price is forecasted on the basis of Nord Pool futures and domestic electricity price will be over-

viewed twice a year. Operating expenses grow mainly as we have to buy the missing CO₂ emission allowances from the market and also due to payroll and electricity expenses.

Overview of segments

Minerals, Oil, Biofuels – Eesti Põlevkivi (Estonian Oil Shale), Narva Õlitehas (Narva Oil Plant), Energoremont and Oil Shale Energy of Jordan.

The aim of the segment is to maximize the value of oil shale, which comprises mining and valuing oil shale, sustainable usage and selling of resources, production of fuel oils and gas and biofuels production.

The strategic aims of the segment are effective oil shale mining in Estonia, production of one million tons of liquid fuels per year in Estonia and opening of the oil shale energy complex in Jordan.

Eesti Põlevkivi AS (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 meters. 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 15.6 million tons.

Eesti Energia will continue oil shale mining and oil shale based electricity production in the years ahead. It is also planned to expand shale oil production as well as investigate wider usage of oil shale.

Narva Õlitehas AS (Narva Oil Plant)

This business unit was based as a separate company on April 19th, 2007. Formerly was the unit part of Narva Power Plants. Separating the company enables more clarity regarding the financing of investments for the production of electrical energy and for the production of shale oil.

The advantages of shale oil over heavy fuel oils are lower settling point, lower content of sulphur and mechanical impurities, low content of heavy metals, and the absence of vanadium. It is mostly used as fuel in both large and small boilers. The Oil Plant's production amounted to 146,000 tons of shale oil in the last 12 months. The Oil Plant employs about 140 people.

Energoremont (AS Equipment Maintenance and Supply)

AS Energoremont deals with equipment and metal structures mainly for the energy sector, including manufacturing, installation and maintenance. The company employs about 900 people.

Oil Shale Energy of Jordan

Oil Shale Energy of Jordan (OSEJ) is a subsidiary of Eesti Energia acquired in late 2006. It is engaged in researching the commercial opportunities in the field of oil shale, particularly oil and power production, in the Kingdom of Jordan. EE's partner in Jordan is the Near East Group, which holds 24% of OSEJ.

Electricity and Heat Generation – Narva Elektriijaamad AS (Narva Power Plants), Taastuenergia ettevõte (Renewable Energy Business Unit), Iru Elektriijaam OÜ (Iru Power Plant), Kohtla-Järve Soojus AS (Kohtla-Järve District Heating Network), Narva Soojusvõrk AS (Narva District Heating Network), Aulepa Tuulepark (AulepaWind Farm), Energiakaubandus, Solidus OY

The aim of the segment is production of electrical energy and heat and energy trading in the wholesale market.

The strategic aims of the segment are investments in new capacities for the security of supply, cutting CO2 emission in the production of electricity and expanding the production portfolio.

The Eesti Energia group currently has an installed capacity of 2,604 MW for the production of electrical energy: Narva Power Plants 2,380 MW, Iru CHP Plant 190 MW, Ahtme CHP Plant 30 MW and 1,516 MW of installed 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 house 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 9,754 GWh of electrical energy and 2,065 GWh of thermal energy.

Narva Elektriijaamad AS (Narva Power Plants)

AS Narva Elektriijaamad is one of the leading producers and sellers of electricity in Estonia and the Baltic region and a competitive company in line with environmental requirements. AS Narva Elektriijaamad supplies Estonian consumers with electricity and furnishes the city of Narva with heat as well as exporting electricity to the other two Baltic countries. The company is also engaged sales of fly ash. The company employs about 1,650 people.

Narva Soojusvõrk AS (Narva District Heating Network)

Narva Soojusvõrk buys, distributes and sells thermal energy and also maintains repairs and builds thermal networks mainly in the city of Narva. 66% of the company is owned by Narva Power Plants and 34% by city of Narva. The company employs about 30 people.

Iru Elektriijaam OÜ (Iru Power Plant)

Iru Power Plant is a plant for the combined generation of electricity and heat. It has been in operation since 1978. Iru Power Plant is the largest heat producer and third largest electricity producer in Estonia. The station supplies Tallinn's Lasnamäe and about 50% of the Kesklinn districts with heat through heating networks leased by Tallinna Küte and 100% of the town of Maardu. Electricity produced in combined generation mode is sold to the electricity system via OÜ Põhivõrk. The company employs about 70 people.

Kohtla-Järve Soojus AS (Kohtla-Järve District Heating Network)

Kohtla-Järve Soojus supplies the towns of Jõhvi and Ahtme with heat and sells electricity to Eesti Energia. The company owns the oil-shale-based Ahtme combined power plant launched in 1951 and the heating networks in the Ahtme-Jõhvi district. 59.2% of the company is owned by Eesti Energia and 40.8% by OÜ VKG Energia. The company employs about 120 people.

Taastuenergia Ettevõte (Renewable Energy Business Unit)

The Renewable Energy Business Unit has been operating in the Eesti Energia Group since 2002 and its goal is to establish and operate power plants to produce renewable sources of energy. The business unit employs 5 people.

Energiakaubandus (Energy Trading)

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, provide power balancing and open supplier services in Estonia and arrange electrical energy buy and sell transactions outside of Estonia. The business unit employs 7 people.

Solidus OY

Solidus OY operates on the Nordic electricity markets as a member of Nordpool, managing electricity portfolios for its clients and offering consultation and expert services related to operating on the electricity market and managing risks. Solidus OY was founded in 2005 and from 2006 the company is 100% owned by Eesti Energia. The company employs 5 people.

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

The business domain of electricity transmission serves to ensure the sustainability of the Estonian electricity supply, which includes guaranteeing the conditions of the functioning of the electricity market; guaranteeing the transmission capacity of the power network and the quality of electric energy; and guaranteeing the operations quality of the power system.

The strategic aims of the segment are creation of a regional electrical market, construction of a second Finnish-Estonian undersea cable and operational reliability of the electrical system.

Põhivõrk OÜ (Transmission Grid)

The Transmission Grid is an undertaking engaged in the transmission of energy which unites Estonia's largest power plants, distribution grids and major consumers into a comprehensive energy system. The primary activities of the Transmission Grid are transmission of electricity at voltages of 6-330 kV from producers to distribution grids and large industrial consumers, developing and operating the Estonia-wide 110-330 kV power grid, ensuring, in cooperation with the electrical systems of neighbouring countries, the operation of Estonia's electrical system, keeping the electrical responsible for ensuring the Estonian energy balance and

determining the balance for balance providers. The company employs about 130 people.

Retail Business – Jaotusvõrk OÜ (Distribution Network), Energiamüük (Energy Sales), AS Elpec, AS Elekriteenused, AS Televõrk, E.Energy SIA, Lumen Balticum UAB, Eesti Energia AS Teenindus

The aim of the segment is to offer the following services to clients: electricity, heat, distribution network, telecommunication and services related to energy.

The strategic aims of the segment are preparations for opening of the electricity market, product enhancements, expanding the client base and renovation of the Estonian power grid.

Jaotusvõrk OÜ (Distribution Network)

The function of the Distribution Grid is to distribute electricity to end consumers through the 35 KW and under low and medium-voltage power grid as well as manage these grids. The distribution grid provides service to 459,000 residential customers and 22,500 business customers, and is thus one of the Estonian companies with the most customers. The company employs about 950 people.

Televõrk AS (Telecommunications Network)

Televõrk AS provides domestic and international data communications trunk network service to operator firms in the telecommunications sector. The company employs about 60 people.

Elpec AS

AS Elpec is an electrical engineering and consultation firm. Elpec's function is to offer the finest engineering and technology solutions and consultations based on existing knowledge in the field of power grid engineering. The company employs about 110 people.

Elekriteenused AS (Electrical Services)

AS Elekriteenused was founded for maintenance, repair and construction of Eesti Energia's National Grid and Distribution Grid. The company was founded in year 2000. Compared to the early years, the company's activity has more than doubled and it has expanded territorially, now spanning all of Estonia. The volume of services provided by Eesti Energia outside of the Group has grown. The company employs about 325 people.

Eesti Energia Teenindus, Energiamüük, E.Energy and Lumen Balticum

The mission of Teenindus, Solidus OY, E. Energy SIA and Lumen Balticum UAB is to save the customers effort when dealing with electricity supply issues. Eesti Energia serves over 494,300 clients, including ca 25,800 business clients. At over 60,000, there are actually twice as many business clients' consumption points as business clients. Roughly 365 people are employed in these companies, including about 350 people employed by the Eesti Energia AS Teenindus.

Financial Statements

Balance Sheet

th. EUR

	30.9.2008	30.9.2007	31.3.2008	Notes
ASSETS				
Current assets				
Property, plant and equipment	1,411,409	1,306,327	1,351,144	4
Intangible assets	8,571	5,087	8,320	
Investments in associates	10,820	10,597	10,820	
Long-term receivables	843	14	15	
Derivative financial instruments	25	235	-	5
Total non-current assets	1,431,668	1,322,260	1,370,299	
Non-current assets				
Inventories	31,889	20,650	26,604	
Trade receivables and other receivables	79,629	59,448	87,928	
Derivative financial instruments	10	1,387	910	5
Deposits with maturities greater than 3 months at banks	69,100	187,689	138,190	
Financial assets	4,140	3,683	6,743	6
Cash and cash equivalents	117,494	23,070	62,861	
Total current assets	302,263	295,928	323,236	
Total assets	1,733,931	1,618,188	1,693,535	
Equity				
Capital and reserves attributable to equity holders of the Parent Company				
Share capital	471,817	464,900	467,909	7
Unregistered share capital	-	3,010	3,907	
Share premium	259,833	259,833	259,833	
Statutory reserve capital	47,182	46,490	46,490	
Hedging reserve	-55,226	-1,278	-34,954	
Unrealised exchange rate differences	1	2	10	
Total equity and reserves attributable to equity holders of the Pare	1,002,805	1,051,438	1,052,094	
Minority interest	2,505	2,734	3,353	
Total equity	1,005,311	1,054,172	1,055,447	
Liabilities				
Non-current liabilities				
Long-term borrowings	325,119	332,093	328,593	9
Supplier payables	485	853	600	
Derivative financial instruments	40,776	1,432	28,280	5
Deferred income	119,830	98,029	109,444	
Provisions	27,245	21,736	26,279	
Total non-current liabilities	513,455	454,144	493,197	
Current liabilities				
Borrowings	8,704	7,059	7,922	9
Supplier payables and other current liabilities	167,764	99,152	116,377	
Derivative financial instruments	15,376	1,400	8,032	5
Deferred income	270	716	314	
Provisions	23,052	1,545	12,246	
Total current liabilities	215,165	109,872	144,892	
Total liabilities	728,620	564,016	638,089	
Total liabilities and shareholders' equity	1,733,931	1,618,188	1,693,535	

Income Statement

th. EUR

	3 months		6 months		12 months		Note
	1.7.2008- 30.9.2008	1.7.2007- 30.9.2007	1.4.2008- 30.9.2008	1.4.2007- 30.9.2007	1.10.2007- 30.9.2008	1.10.2006- 30.9.2007	
Sales	148,904	130,980	285,718	252,908	607,254	530,395	
Gain on disposal of emission rights	-	-	-	-	-	29,955	
Other income	2,258	442	4,303	1,165	7,175	3,363	
Government grant	362	656	1,062	667	2,512	1,914	
Changes in work in progress and finished goods	-2,005	-3,003	2,790	-5,254	7,684	-6,225	
Materials, consumables and supplies	-63,302	-41,512	-116,798	-81,612	-243,027	-167,655	
Other operating expenses	-15,605	-16,010	-32,096	-31,436	-79,188	-61,938	
Personnel expenses	-31,590	-26,379	-65,449	-54,942	-130,958	-105,080	
Depreciation and impairment	-26,203	-26,359	-52,154	-51,918	-110,135	-103,704	
EBIT	12,818	18,816	27,376	29,579	61,318	121,024	
Financial income and expenses							
Financial income	2,337	2,864	4,585	5,630	9,661	9,744	
Financial expenses	-4,658	-4,649	-9,449	-9,235	-18,830	-18,419	
Net financial income	-2,321	-1,785	-4,865	-3,604	-9,169	-8,675	
Share results of associates	-	-	-	-	1,452	801	
Loss of investments in associates	-	-	-	-10	-	148	
Profit before taxes	10,498	17,031	22,511	25,966	53,602	113,298	
Income tax	-10,641	244	-10,696	-17,716	-10,750	-17,920	
Profit for the period	-144	17,275	11,816	8,249	42,851	95,377	
Attributable to:							
Equity holders of the Parent Company	483	17,682	12,663	8,815	43,080	94,389	
Minority interests	-626	-407	-848	-566	-228	988	
Earnings per share for profit attributable to the equity holders of the company during the period							
Basic (€)	0.01	0.24	0.17	0.12	0.59	1.30	8
Diluted (€)	0.01	0.24	0.17	0.12	0.59	1.30	8

Cash Flow Statement

th. EUR

	3 months		6 months		12 months	
	1.7.2008- 30.9.2008	1.7.2007- 30.9.2007	1.4.2008- 30.9.2008	1.4.2007- 30.9.2007	1.10.2007- 30.9.2008	1.10.2006- 30.9.2007
Cash flows from operating activities						
Adjusted net profit	34,970	42,892	73,960	77,978	161,378	216,497
Changes in working capital	37,033	-3,088	3,274	4,563	6,495	8,054
Paid interest and loan fees	-207	-177	-1,245	-1,237	-16,111	-15,930
Received interest	3,180	4,175	5,934	5,413	9,458	8,254
Paid income tax	-	-17,921	-	-17,921	-	-17,935
Net cash from operating activities	74,975	25,882	81,923	68,796	161,221	198,940
Cash flows from investing activities						
Purchase of tangible fixed assets	-54,446	-32,536	-111,668	-71,476	-209,081	-139,793
Targetet financing of tangible assets	-	-	-	-	-	23
Purchase of subsidiary	-	-	-	-	-1,835	-166
Proceeds from connection fees	5,671	5,559	13,454	11,862	27,863	24,279
Net change in deposits with maturities greater than 3 months	57,868	55,277	69,090	47,879	118,276	-176,726
Proceeds from sale of tangible fixed assets	1,627	148	2,205	308	3,290	1,727
Dividens received from long-term financial investments	-	-	-	-	1,229	1,038
Outgo from sale of subsidiary	-	-	-	-3	32	-3
Received loans from coworkers	-	-	-	-	-	0
Paid for long-term financial investments	-3,836	-5,111	-7,919	-9,629	-27,506	-18,855
Received from sale of financial investments	3,195	5,261	10,608	9,096	27,347	18,977
Net cash used in investing activities	10,079	28,598	-24,230	-11,963	-60,386	-289,498
Cash flows from financing activities						
Changes in cash credit	991	-	808	-	991	-
Paid dividends	-	-63,912	-	-63,912	-	-63,912
Repayment of long- term bank loans	-681	-	-3,843	-3,162	-7,006	-5,416
Repayment of other loans	-	-	-	-	-345	-
Finance lease principal payments	-13	-13	-26	-25	-52	-51
Net cash from financing activities	297	-63,924	-3,061	-67,099	-6,411	-69,378
Net increase/decrease in cash and cash equivalents	85,352	-9,444	54,632	-10,267	94,423	-159,936
Cash and cash equivalents at the beginning of the period	32,142	32,515	62,861	33,337	23,070	183,006
Cash and cash equivalents at the end of the period	117,494	23,070	117,494	23,070	117,494	23,070
Change in cash and cash equivalents	85,352	-9,444	54,632	-10,267	94,423	-159,936

Consolidated statement of changes in shareholders' equity
th. EUR

	Capital and reserves attributable to the equity holders of the Parent Company								
	Share capital (including unregistered)	Unregistered share capital	Share Premium	Statutory reserve	Hedging reserve	Other reserves	Retained earnings	Total	Minority interest
Equity as at March, 31 2007	464,900	-	259,833	46,490	8,087	-1	333,579	1,112,888	3,299
Change in hedging reserve	-	-	-	-	-9,365	-	-	-9,365	-
Value reappraisal of currency exchanges of subsidiaries	-	-	-	-	-	3	-	3	-
<i>Net income directly recognized in equity</i>	-	-	-	-	-9,365	3	-	-9,362	-
Net profit for the period	-	-	-	-	-	-	8,815	8,815	-566
<i>Total income and expenses recognised</i>	-	-	-	-	-9,365	3	8,815	-547	-566
Increase of the share capital (according to Government order No. 368 from 2nd August 2007)	-	3,010	-	-	-	-	-	3,010	-
Dividends	-	-	-	-	-	-	-63,912	-63,912	-
Equity as at September 30, 2007	464,900	3,010	259,833	46,490	-1,278	2	278,482	1,051,438	2,734
Equity as at March 31, 2008	467,909	3,907	259,833	46,490	-34,954	10	308,899	1,052,094	3,353
Change in hedging reserve	-	-	-	-	-20,272	-	-	-20,272	-
Value reappraisal of currency exchanges of subsidiaries	-	-	-	-	-	-9	-	-9	-
<i>Net income directly recognized in equity</i>	-	-	-	-	-20,272	-9	-	-20,281	-
Net profit for the period	-	-	-	-	-	-	12,663	12,663	-848
Increase of the share capital (according to Government order No. 368 from 2nd August 2007)	3,907	-3,907	-	-	-	-	-	-	-
Transfer of retained earnings to reserve capital	-	-	-	692	-	-	-692	-	-
Dividends	-	-	-	-	-	-	-41,670	-41,670	-
Equity as at September 30, 2008	471,817	-	259,833	47,182	-55,226	1	279,200	1,002,805	2,505

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 2007/2008 annual report, excluding amendments due to pre-schedule adoption of IFRS 8 "Segment reporting". According to IFRS 8 business segments are defined and information regarding business segments is disclosed as reporting is done intra-company for management decisions and analyzing the results. Also data for comparison is changed according to that. Since April 1st 2007 the new amended International Financial Reporting Standards Committee interpretation of the IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" is mandatory for the group, but it does not have any significance importance and does not have an effect on group financial reporting. Nor does it affect international financial reporting standard IAS 39 amendment, retrospective from 1st of July 2008, permitting at rare cases reclassifying financial assets reflected in fair value to financial assets reflected in adjusted cost. As at 2008 September 30 no such reclassifications have been done by the Group.

According to the Management Board Interim Report prepared for the period 1.4.2008-30.09.2008 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 internal management structure is used.

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 fulfill 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:

Retail business - Energiamüük, UAB "Lumen Balticum", SIA "E.Energy", Teenindus ja Müük, OÜ Jaotusvõrk, AS Elpec, AS Elekriteenused, Televõrgu AS;

Production of electricity and heat - AS Narva Elektriijaamad, Taastuenergia, OÜ Iru Elektriijaam, Kohtla-Järve Soojus AS, Energiakaubandus, Solidus Oy, Narva Soojusvõrk AS, OÜ Aulepa Tuulepargid;

Transmission of electricity - OÜ Põhivõrk;

Minerals, Oil, Biofuels - Eesti Põlevkivi AS, AS Narva Õlitehas, AS Energoremont, Oil Shale Energy of Jordan; Eesti Energia central services – Peakontor, kinnisvara.

6 months 14.2008-30.9.2008

th. EUR

	Minerals, Oil, Biofuels	Transmission of Electricity	Electricity and Heat Generation	Retail Business	Esti Energia central services	Intra-group eliminations	Total group
Revenue	98,045	28,652	177,625	180,666	59,985	-253,890	291,083
EBIT	6,386	1,425	5,728	15,521	52,457	-54,141	27,376

6 months 14.2007-30.9.2007

th. EUR

	Minerals, Oil, Biofuels	Transmission of Electricity	Electricity and Heat Generation	Retail Business	Esti Energia central services	Intra-group eliminations	Total group
Revenue	97,644	34,715	152,298	164,692	68,265	-262,872	254,741
EBIT	10,408	10,290	6,064	5,563	58,614	-61,360	29,579

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 Property, Plant and Equipment

Property, Plant and Equipment

th. EUR

	Land	Buildings	Const- ructions	Plant and equipment	Other	Total
Property, plant and equipment as at March 31, 2008						
Cost	11,640	160,497	910,438	1,180,569	4,487	2,267,631
Accumulated depreciation	-	-79,163	-377,463	-521,273	-3,638	-981,536
Net book amount	11,640	81,334	532,975	659,297	849	1,286,095
Construction in progress	-	1,368	30,480	18,371	-	50,219
Prepayments	305	114	401	14,010	-	14,830
Total property, plant and pquipment as at March 31, 2008	11,945	82,815	563,857	691,677	849	1,351,144
Movements April 1, 2008-September 30, 2008						
Purchases of property, plant and equipment	51	1,398	48,687	61,944	383	112,463
Depreciation charge	-	-2,306	-15,269	-34,071	-209	-51,855
Net book amount of non-current assets disposed	-99	-35	-	-208	-	-343
Movements April 1, 2008-September 30, 2008	-48	-943	33,418	27,665	174	60,265
Property, plant and equipment as at September 30, 20080						
Cost	11,549	161,566	940,407	1,207,996	4,856	2,326,375
Accumulated depreciation	-	-80,977	-392,496	-552,859	-3,833	-1,030,165
Net book amount	11,549	80,590	547,911	655,137	1,023	1,296,210
Construction in progress	-	1,283	48,480	51,200	-	100,962
Prepayments	348	-	884	13,005	-	14,237
Total property, plant and equipment as at September 30, 2008	11,897	81,872	597,275	719,342	1,023	1,411,409

5 Derivative instruments

Derivative instruments

thousands of euros	30.9.2008		30.9.2007	
	Assets	Liabilities	Assets	Liabilities
Forward contracts of electricity sale	36	3,374	1,256	13
Forward contracts of emission allowances	-	-	366	-
Forward contracts of fuel oil sale and purchase	-	52,777	-	2,819
Total derivatives	36	56,151	1,623	2,832

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 thousands of euros	14.2008-	14.2007-
	30.9.2008	30.9.2007
Fair value at the beginning of the period	567	8,087
Change in fair value, including	-2,737	297
change of fair value in the income statement	11	-
change of fair value in the hedging reserve	-2,748	297
Settled in cash	-1,169	-7,141
Fair value at the end of the period	-3,339	1,243

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 forward and future contracts for sales of CO2 allowances thousands of euros	1.4.2008- 30.9.2008	1.4.2007- 30.9.2007
Fair value at the beginning of the period	-	-
Change in fair value, including	-	420
change of fair value in the income statement	-	-
change of fair value in the hedging reserve	-	420
Settled in cash	-	-53
Fair value at the end of the period	-	366

Forward and future contracts for sales of fuel oil

Forward and future contracts for sales of fuel oil are concluded in order to hedge the risk of a change in the price of fuel oil. Trades are concluded for the sale of a specified amount of fuel oil in a future period and are marked in cash flow as risk-hedging instruments, using as the underlying instrument trades in fuel 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 fuel oil sale and purchase forward contracts thousands of euros	1.4.2008- 30.9.2008	1.4.2007- 30.9.2007
Fair value at the beginning of the period	-36,058	111
Change in fair value	-24,012	-3,384
change of fair value in the income statement	-	-535
change of fair value in the hedging reserve	-24,012	-2,849
Settled in cash	7,294	454
Fair value at the end of the period	-52,777	-2,819

Forward contracts of currency

Under forward contracts of currency is reflected contract concluded on the 10th of January 2008 for selling 10 000 thousand euros on the 14th of July with rate higher than Bank of Estonia nominates.

Changes in currency forward contracts thousands of euros	1.4.2008- 30.9.2008	1.4.2007- 30.9.2007
Fair value at the beginning of the period	89	-
Settled in cash	-89	-
Fair value at the end of the period	-	-

6 Short-term financial investments

Short-term financial investments

thousands of euros

	30.9.2008	30.9.2007
Financial assets which changes in fair value are reflected in income statement	2,543	881
Investments that are kept up to redemption	1,598	2,802
Total short term financial investments	4,140	3,683

7 Increasing the share capital

Under order No. 97 of the Government of the Republic of February 27, 2008, share capital of Eesti Energia AS was increased by 3 907 366 euros through the issuance of 611 370 new shares with a nominal value of 6.39 euros against the non-monetary investment of 165 registered properties with ordinary value 3 907 366 euros, where the assessment of ordinary value was verified by AS Pricewaterhouse Coopers. Entry into commercial register regarding the increase in the share capital was made at 1st of July, 2008.

8 Earnings per share

Basic earnings per share are 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		6 months		12 months	
	1.7.2008- 30.9.2008	1.7.2007- 30.9.2007	1.4.2008- 30.9.2008	1.4.2007- 30.9.2007	1.10.2007- 30.9.2008	1.10.2006- 30.9.2007
Profit attributable to the equity holders of the company (€ th.)	483	17,682	12,663	8,815	43,080	94,389
Weighted average number of shares (th.)	73,823	73,055	73,823	72,898	73,568	72,820
Basic earnings per share (€)	0.01	0.24	0.17	0.12	0.59	1.30
Diluted earnings per share (€)	0.01	0.24	0.17	0.12	0.59	1.30

9 Nominal and amortized value of borrowings

Nominal and amortized value of borrowings

th. EUR

	30.9.2008		30.9.2007	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Cash credit	991	991	-	-
Current portion of long-term bank loans	7,687	7,687	7,006	7,006
Finance lease liabilities	26	26	53	53
Total short-term borrowings	8,704	8,704	7,059	7,059
Long- term borrowings				
Bank loans	37,093	36,985	44,780	44,639
Bonds issued	300,000	288,134	300,000	287,431
Finance lease liabilities	-	-	24	24
Total long- term borrowings	337,093	325,119	344,804	332,093
Total borrowings	345,797	333,823	351,863	339,153