EESTI ENERGIA

annual report 02/03

financial highlights of the g roup

	2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
Net sales *(EUR mil.)*	**366**	313	276	263	242
Sales of electricity *(GWh)*	**6 931**	6 067	5 949	6 226	5 892
Sales of thermal energy *(GWh)*	**2 361**	2 169	2 190	2 215	2 303
EBITDA *(EUR mil.)*	**132**	98	46	39	27
Net profit / loss *(EUR mil.)*	**38**	16	-297	-22	-28
Cash flows from operating activities *(EUR mil.)*	**115**	77	62	34	29
Investments *(EUR mil.)*	**238**	118	92	73	64
Assets at the end of the year *(EUR mil.)*	**1 185**	947	886	1 113	1 062
Loan obligations at the end of the year *(EUR mil.)*	**276**	124	102	66	39
Equity at the end of the year *(EUR mil.)*	**760**	687	670	967	981
Equity / assets at the end of the year	**64%**	73%	76%	87%	92%
Loan obligations / assets at the end of the year	**23%**	13%	12%	6%	4%
Return on invested capital (ROIC)*	**5,8%**	3,5%	-31,9%	-2,0%	-2,5%
Interest coverage **	**9,1**	15,8	7,6	11,8	12,5
Number of employees at the end of the year	**9 676**	10 029	10 737	12 787	8 032

** Operating profit / Average equity + loan obligations.*
*** Earnings before interest, taxes, depreciation and amortization (EBITDA) / Interest charges on loan obligations.*

significant events 2002-2003

June 2002 Eesti Energia underwrites its largest loan (150 million euros) at an excellent rate of interest and an extended repayment schedule (NIB, KfW).

July 2002 Eesti Energia is assigned the highest credit rating of any of the Central and East European energy companies.

July 2002 Eesti Energia successfully issues Eurobonds in the value of 200 million euros in the stock exchange of Luxembourg.

October 2002 Eesti Energia starts for the first time the production of renewable energy in Virtsu Wind Park.

November 2002 The fibre optic circuit that forms the basis of the network covering all of Estonia is launched.

December 2002 Power units of Narva Elektrijaamad receive modern electrostatic precipitators (ESP). The 6 year precipitator renovation programme ends.

December 2002 A new control centre of the Distribution Network is ready in Tallinn.

December 2002 With the initiation of the operation of Linnamäe hydropower plant Eesti Energia becomes the largest producer of renewable energy in Estonia.

January 2003 The Quality Control System and the Environmental Management System of the National Grid receive international ISO/EVS certification.

February 2003 The national 24 hour power failure information line "1343" is operational.

map of the estonian power system

220 kV power line

330 kV power line

Region administered by Eesti Energia

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report of activities

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In the design of the Annual Report the works that participated in the children art contest "Green Energy" have been used.

main strategic goals

- To increase the long-term reliability of the supply of electricity in Estonia through investments in efficient oil shale mining, the production of electricity and thermal energy, an effective distribution network, and the development of sources of renewable energy.
- To ensure Eesti Energia complies with Estonian and international environmental regulations, to decrease the waste being produced in the production of electricity and thermal energy, to eliminate pollution and diminish the risks to the environment from the production of electricity.
- To increase the economic efficiency and international competitiveness of Eesti Energia.
- To take customer service of Eesti Energia to a higher level, and to enhance the company's reputation.

chairman's letter

Without a doubt the most prestigious acknowledgement of the quality of our work is the A-level credit ratings assigned to Eesti Energia by the two leading rating agencies in the world – Moody's and Standard & Poor's. Eesti Engeria is one of the first Central and East European energy companies to achieve such a high rating.

Dear reader,

2002/2003 was our most successful financial year since Estonian independence was regained both from the perspective of the development of Eesti Energia AS (hereinafter Group) as well as that of the Estonian oil shale energy sector as a whole. This is demonstrated by an increase in all main technical and economic efficiency indicators, by the independent international assessments given to our achievements over the previous financial year, as well as by the recognition we have gained.

Without a doubt the most prestigious acknowledgement of the quality of our work is the A-level credit ratings assigned to Eesti Energia by the two leading rating agencies in the world – Moody's and Standard & Poor's. Eesti Energia is one of the first Central and East European energy companies to achieve such a high rating. Thanks to this strong rating we managed to successfully issue our first set of Eurobonds in the amount of 200 million euros, and to also secure an international loan of 150 million euros at favourable interest rates. This 350 million euro package ensures that ongoing investment projects in Narva Elektrijaamad will get the financing they need, and that the urgently needed investments in the renovation of the power networks will continue.

In the financial year 2002/2003, the National Grid was the first of Eesti Energia's subsidiaries and business units to qualify for the quality management system (ISO 9001) and the environmental management system (ISO 14001) standards. The accreditation was issued by certification authority Bureau Veritas Quality International. This certainly contributes to the improvement of the environmental sustainability of the whole electricity supply chain and to the quality of the transmission system.

The most important events of the financial year included the successful advancement of the large-scale electricity production renovation program and the financing of two power units of Narva Elektrijaamad. This can be regarded the first actual step for ensuring the long-term reliability of a supply of electricity based on use of Estonian oil shale.

Where the sustainable development of oil shale is concerned, it is hard to overemphasize the importance of the exemptions attained in negotiations with the European Union concerning the implementation of the EU directives for the electricity market and environment in Estonia. In this area, Eesti Energia played an important role in practical advice and consultation with both the Ministry of Economic Affairs and the Ministry of Foreign Affairs.

Our new role as a developer of domestic renewable energy is certainly worth emphasizing. The main events of the year in this area were the opening of Virtsu Wind Park and the launch of the Linnamäe Hydropower Plant. As of today, Eesti Energia is the most important renewable energy producer in the country and is determined to maintain its leading position for many years to come.

Customer service also saw significant developments during the past financial

year. Since January, the twenty-four-hour power failure information line "1343" is in operation. The efficiency of the entire call centre has nearly doubled after the failure information line "1545", which had already been operating before, was provided with a call options menu. New client service centres were opened in Viljandi, Rakvere, Jõhvi and Tartu. Our clients are using more and more frequently the possibility to get web-based information about their energy consumption, invoices, meters and to enter the readings and pay the bills via Internet.

The number of clients using direct debit payments increased from 67,500 to 118,000.
The new simplified system of providing readings and payment notices of electricity bills that was implemented in July is already being used by more than 27,500 customers today.

In the area of energy trade, the amount of electricity export to Latvia and Russia 1.7 TWh, was one of the largest volumes in the past few years.

The most significant events in the electricity networks development during the last financial year were the launch of the new Tartu and Tallinn-Harju control centres for our Distribution Network, and the completion of the installation of the SCADA (Supervisory Control and Data Acquisition) project. In the National Grid, the construction of the fibre optics lightning protection cable was concluded, meaning that all of Estonia is now covered with telecom circuit of the main telecommunication network.

From the perspective of diminishing the harmful environmental impacts caused by the production of electricity from oil shale, the completion of a 6-year renovation programme of the electrostatic precipitators (ESP) in Narva Elektrijaamad was certainly an event of great importance. As a consequence of this large investment, the emission of solid particles into the atmosphere was nearly cut in half. The largest environmental investments in Eesti Põlevkivi were the re-establishment of the drinking water supply in mining areas and the re-cultivation of mined out open-pit mines. As a result of the increased efficiency of environmental protection and energy usage in the entire Group, the emission volumes of all pollutants have decreased despite the increase in production at all power plants.

The main objectives of Eesti Energia for the financial year 2003/2004 are continuing the renovation programme of Narva Elektrijaamad, increasing economic efficiency in all subsidiaries of the Group, raising the level of customer service even further and cutting down transmission losses in electricity networks. I believe we can successfully fulfil these objectives.

Gunnar Okk
Chairman of Management Board

The financial year 2002/2003 turned out to be more successful for the Group than expected. These results were attained because of considerably higher exports, the general development of the Estonian economy, control over operational costs and more efficient production.

summary of financial results

The financial year 2002/2003 turned out to be more successful for the Group than predicted. The most significant contributions to this achievement came from increased exports, the general development of the Estonian economy, the curbing of operating expenses and the increased efficiency of production.

Since Estonia's economy is open, the financial year was affected by the relative weakness of the world economy and the correspondingly low foreign demand. Nevertheless, due to high domestic demand and borrowing activity in the private sector, the real growth in the Gross Domestic Product (GDP) was 6.2%. According to the estimates of the Ministry of Finance, the real growth of GDP in the medium and long term is expected to continue to increase with a yearly growth rate of 4.8-6.0%.

The Group's share in producing, distributing and selling electricity meets nearly 90% of the electricity demand of Estonia. The Group's electricity sales in Estonia increased by 1.8% in physical indicators from the previous financial year, amounting to 5,369 GWh. Due to the favourable economic environment, the domestic demand for electricity was greater than expected. The good economic results were supported by export and transit volumes. Because of the colder than average winter, the sales of thermal energy increased by 8.9%, amounting to 2,361 GWh.

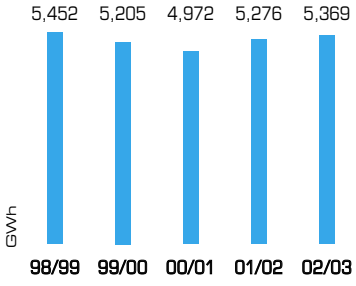
Since the sales of energy exceeded the expectations, the net sales increased by 52.5 million euros (16.8%) as compared to the previous financial year. EBITDA increased by 34 million euros (34.9%). The new electricity price list of Eesti Energia AS came into effect on April 1, 2002, representing a moderate increase in electricity tariff rates. We estimate the effect of the shift in prices on the net sales to be 27 million euros. Subtracting the effect of the rise in prices, the net sales increased by 26 million euros. Operating expenses (except depreciation and decrease in value) went at the same time down by 4 million euros (1.8%). If the impact of the price increase is subtracted, EBITDA increased by 8 million euros over the previous financial year.

The operating profit of the Group in the financial year 2002/2003 was 53 million euros. Return on invested capital (ROIC) was 5.8% (3.5% in the previous financial year), which is a significant step towards the "reasonable" profitability established in the Energy Market Act of Estonia.

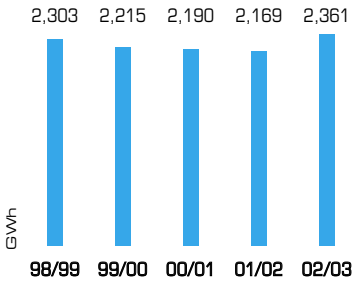
operating revenues

The reason for the growth of operating revenues was twofold: the increase in the amount of energy sold and the changes in electricity prices. The Group's domestic sales of electricity increased by 1.8% (i.e. 93 GWh) as compared to the previous financial year.

domestic sales of electricity

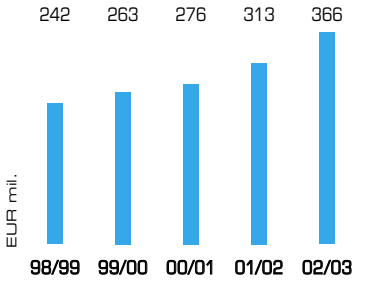


sales of thermal energy

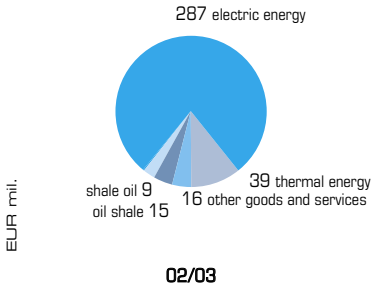


Sales were boosted by last year's harsh winter, leading to an estimated 190 GWh higher sales. Sales were negatively affected by the termination of production of one of our corporate customers AS Nitrofert, which resulted in approximately 210 GWh decrease in sales of electricity. Leaving aside the effects stated above, the domestic sales of electricity increased by 113 GWh (2.1%). The revenue from the net domestic sales of electricity amounted to 258 million euros, which gives an increase of 15.9% or 35 million euros on the previous financial year.

net sales



net sales breakdown



Domestic network transmission losses increased from 14.6% to 15.6%, totalling in 79 GWh. In addition to the technical loss, network transmission losses also include commercial losses, therefore further attention will be devoted to the measurement systems and to obtaining correct readings. During the financial year, the measurement devices between the National Grid and Narva Elektrijaamad were replaced, resulting in more precise readings.

Export to Latvia increased by 354 GWh (69%) and to Russia by 218 GWh (78%) compared to the last financial year. In addition, 200 GWh of exchange energy received from Latvia during last financial year's high water period was returned. In total, revenues from electricity export amounted to 29 million euros, which is 52.7% more than in the financial year 2001/2002.

The Group sold the total of 39 million euros of thermal energy. In physical indicators, sales increased by 192 GWh (8.9%) and in monetary indicators by 5.7 million euros (17.1%) compared to the last financial year. The main reason for the increase in the sales of thermal energy was the cold winter (during the heating period, the temperature was about 2.5 °C lower than the average of the last ten years).

The increase in oil shale and shale oil sales was related to the high price of heavy fuel oil in the world market. The sales of shale oil increased by 1.7 million euros (22.2%), in physical indicators the sales increased by about 16 thousand tonnes (22%). The sales of shale oil to entities not belonging to the Group was 1.1 million euros (8.0%) more than in the financial year 2001/2002.

The main external oil shale consumers are local oil factories; the quantity sold increased by 72 thousand tonnes (3.6%).

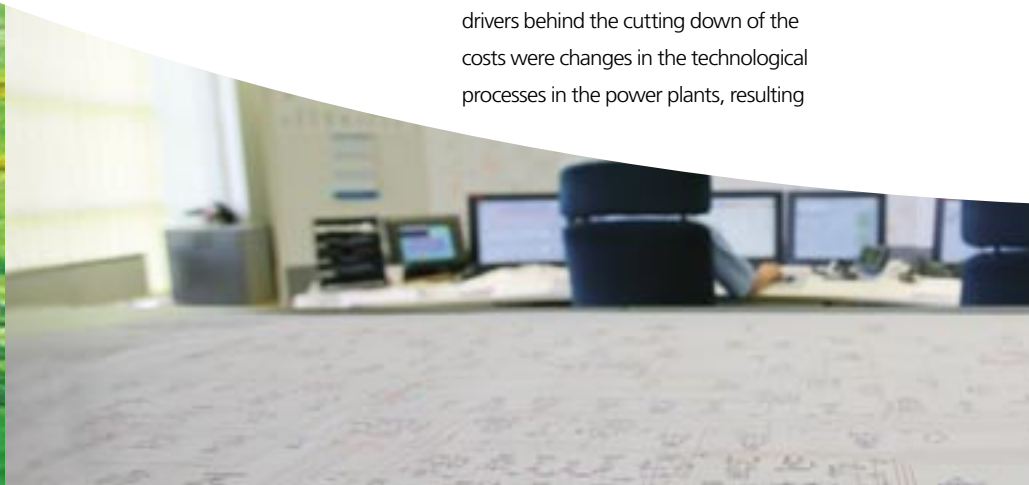
The sale of other products and goods amounted to 7.3 million euros, which is 0.7 million euros (8.5%) less than the year before. The main contribution was made by the sale of 6.6 million euros worth of the power engineering equipment that is manufactured by AS Energoremont, with 3 million euros in export.

Services were sold in the amount of 5.6 million euros, which is 0.1 million euros (2.0%) less than the previous financial year. Total sales of services included repair and construction services in the amount of 1.4 million euros, amortisation of connection fees in the amount of 1.2 million euros and telecommunication services in the amount of 1.2 million euros. Other services, amounting to the total of 1.7 million euros, form a smaller proportion of the total services sold.

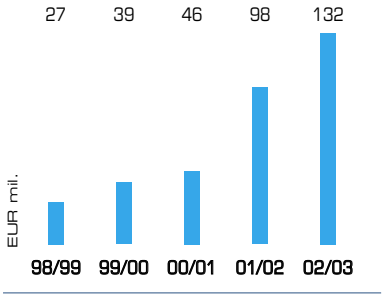
operating expenses

Operating expenses (except for depreciation and impairment) amounted to 237 million euros which is a decrease of 4.4 million euros (1.8%) when compared to the financial year 2001/2002. What makes this result noteworthy is the fact the expenses were reduced despite the increase in the general price level, the elevation of environmental taxes and the significant growth of production volumes.

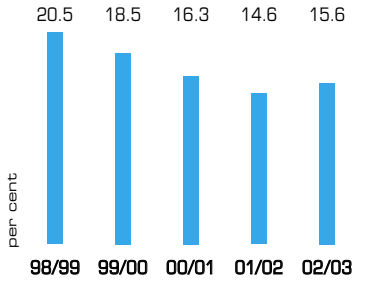
Products, raw materials and services amounted to 113 million euros in the financial year, declining by 9.4 million euros (7.7%) from the previous year. The main drivers behind the cutting down of the costs were changes in the technological processes in the power plants, resulting



operating profit before depreciation



domestic transmission losses of electricity



in the improvement of heat rates. Repair and maintenance costs of buildings and equipment related to the core activities were 50 million euros, a decrease of by 3.3 million euros (6.1%) from the previous financial year.

Other operating costs increased by 3 million euros (7.3%), amounting to 43 million euros. The main reason for the increase of other operating costs was the growth of insurance payments by 3.6 million euros (105%), since because of current world events, the insurance companies have been re-assessing their insurance premiums. On the other hand, the insurance costs were increased by the additional insurance of the ongoing construction process in Eesti Põlevkivi and Narva Elektrijaamad.

The growth of pollution expenses brought about by increased pollution charges was mitigated by the completion of environmental projects that reduced the volume of waste emission that form the basis for the calculation of pollution charges. Pollution charges are increasing on the average of 20% per annum. In the long run, we expect systematic investments in environmental protection will result in a substantial economization of both the environmental and the operating costs. Despite the fact that a number of important environmental projects were launched only in the second half of the financial year, and that the gross production of electricity grew by 14% from the previous financial year, the pollution charges incurred by the Group grew by 21.0% (2.3 million euros) during the financial year, reaching 13 million euros.

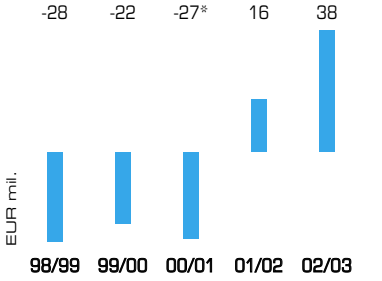
During the financial year 2002/2003 we accounted for 1.4 million euros of revenue from the collection of delinquent accounts that had been written off in previous years. We managed to decrease the share of doubtful receivables for the sales of electricity in the total number of invoices submitted to the consumers. Nevertheless, the outstanding receivables due from the inhabitants of Ida-Virumaa county and the receivables for the thermal energy due from two big corporate clients increased the doubtful receivable allowances to 4 million euros. Systematic work is being carried out both in the respective departments and debt committees in order to instil good payment practice among our customers.

Payroll expenses increased by 2.2 million euros (2.9%). Two thirds of the growth can be attributed to the rise of the payroll expenses of Eesti Põlevkivi, which is partially connected with the increase in mining volumes. A significant portion of the growth in payroll costs originates from the increase of the average wage established in the collective bargains.

operating profit and net profit

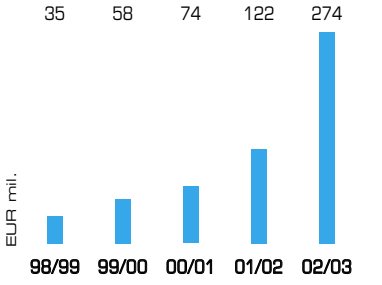
In total, operating revenues increased by 29.7 million euros and operating expenses by 4 million euros. As a result of effective economic operations, the operating profit rose by 26 million euros, which resulted in a 5.8% return on invested capital.

net profit

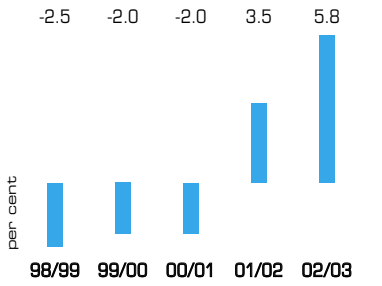


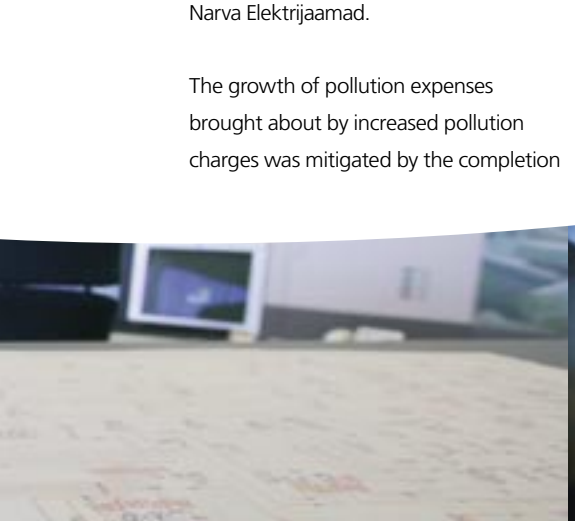
** Excluding write-down of assets 270 mEUR.*

amount of long-term loans



ROIC





An increase in obligations bearing interest, incurred to finance the long-term capital investment, caused interest expenses to rise by 134.2% to 14.5 million euros. Interest revenue grew by 136.4% to 3 million euros. In total, the net profit for 2002/2003 amounted to 38 million euros, which means a growth by 21 million euros (128.3%).

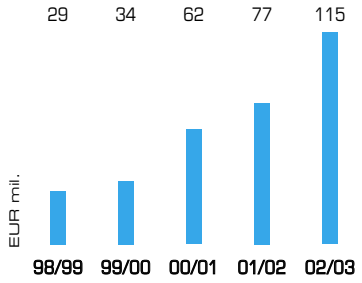
cash flows

Strong demand for electricity and tight control over costs also influenced the cash flow statement. In the financial year 2002/2003 cash flows from operating activities were 115 million euros, which is higher by 38 million euros (49.7%) than the year before. The main contribution to the cash flows from operating activities was made by the adjusted net profit, amounting to 128 million euros, which exceeded the indicator of the previous year by 37 million euros.

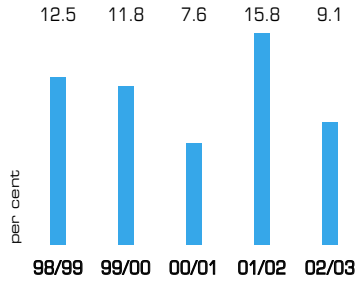
Cash flow from investment activities was –202 million euros. Payments for the tangible fixed assets amounted to 214 million euros, which is 103 million euros more than the previous financial year. The above mentioned amount also includes payments of 111 million euros for the renovation of two power units of Narva Elektrijaamad.

Cash flow from financing activities was 152 million euros (22 million euros in the previous financial year). In July, Eesti Energia issued long-term bonds on the international financial market, which brought positive cash flow of 197 million euros. In August, 45 million euros of bank loans that had been taken out in 1999 and 2000 were paid back before their term date.

cash flows from operating activities

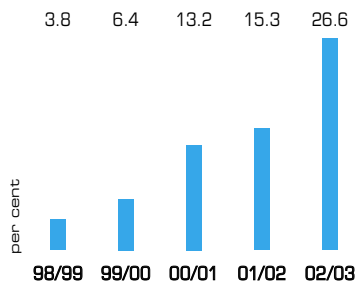


interest cover ratio*



** EBITDA / interest expenses ratio.*

gearing*



** Debt / debt+equity.*

investments

During the financial year 2002/2003, investments in tangible fixed assets amounted to 238 million euros which is a significant (102.1%) growth in investments compared to the previous financial year.

The focus of investments has shifted from transmission and distribution of electricity to the production of energy. While during the financial year 2001/2002 investments in production were 32%, with 50% of investments being directed to transmission and distribution, in 2002/2003 the respective figures were 64% (an increase of 32%) and 26% (a decrease of 38%). The most important project of the Group is the renovation of two power units of Narva Elektrijaamad with the intention of using new and more effective circulating fluidized bed (CFB) boilers in the production of electricity. The implementation of new, more efficient and environmentally friendly oil shale based production technology forms the basis for the sustainable development of the oil shale energy industry. During the financial year, 135 million euros was invested in the renovation of the power units of Narva Elektrijaamad.

An important step for complying with the European Union air pollution standards was the implementation of the renovation programme of the electrostatic pre-

cipitators (ESP) in Narva Elektrijaamad.

The work lasted six years, and the total costs of the programme amounted to 28 million euros. As a result of the installation of these new precipitators, the annual ash emissions has dropped by approximately 40 thousand tonnes. During the financial year, 4.7 million euros was invested in the renovation of the precipitators.

In the financial year 2002/2003, Eesti Energia launched two new energy production facilities using renewable sources of energy. 2 million euros was invested in the renovation of Linnamäe Hydropower Plant (1.1 MW) and 0.5 million euros into the construction of a wind turbine in Virtsu. With these new production capacities, Eesti Energia became the biggest producer of renewable energy in Estonia. Linnamäe Power Plant has no staff working on site - its supervision is performed by the remote control system in the control centre of the Distribution Network.

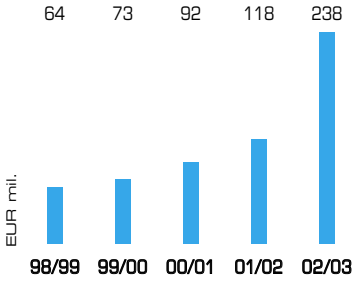
The most important project at Iru Power Plant in 2002/2003 was the reconstruction of stream turbine no. 2 into a back-pressure turbine. Thanks to a remarkably efficient technical solution, production efficiency rose and the project was rewarded with the Estonian Power and Heat Association award for an outstanding technical solution and high efficiency.

As for the transmission networks, the most important investment programme was the completion of the SCADA (Supervisory Control and Data Acquisition) of the Distribution Network, a task which took 3 years. The main reason for SCADA was the necessity to create a common management system covering the whole Distribution Network with the possibility to control and supervise the network remotely. An additional value of the new system is that it allows automatic data exchange with the geographical information system X-Power and a respective system in the control centre of the National Grid. During the financial year, 1.7 million euros was invested in automating the system.

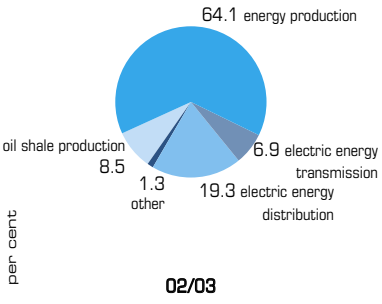
In 2002/2003, 17 million euros was invested in the construction works that were necessary for connecting new customers to the electricity network. The requirement for investments made with the objective of connecting customers to the electricity network are stipulated in the national legislation, where the respective obligations of the electricity companies are laid out.

The biggest investment in 2002/2003 in the National Grid, totalling 2.6 million euros, was the installation of fibre optic lightning protection wire on 110 kV transmission lines. Thanks to this investment, the lines are now protected against electrical storms, and as a result, service interruptions will decrease. Fibre optic communication cable installed inside the lightning protection wire is necessary for collecting information from the substation transformers and also makes it possible for Televõrgu AS to render trunk line telecommunication services. In addition to the lightning protection wire, a number of high-voltage substations were renovated all over Estonia.

investments into fixed assets



investment structure



structure of eesti energia

Eesti Energia AS

Business Units

- National Grid
- Distribution Network
- Supply
- Iru Power Plant
- Renewable Energy

Subsidiaries

- AS Narva Elektrijaamad *(100%)*
- AS Eesti Põlevkivi *(100%)*
  - AS Narva Soojusvõrk *(66%)*
  - Põlevkivi Kaevandamise AS *(100%)*
  - AS Mäetehnika *(100%)*
  - AS Põlevkivi Raudtee *(100%)*
- Televõrgu AS *(100%)*
- AS Elektriteenused *(100%)*
- AS Energoremont *(100%)*
  - AS ER BEA *(100%)*
- AS Elpec *(100%)*
- AS Kohtla-Järve Soojus *(59%)*

organization and human resources

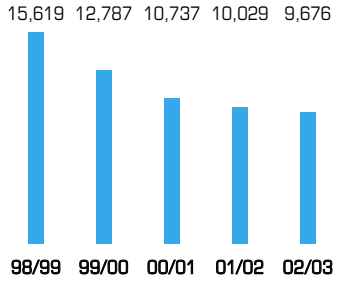
At the end of financial year 2002/2003, the Group employed 9,676 people. The number of employees decreased by 353 in course of the year, mainly in connection with the ongoing restructuring at Eesti Põlevkivi.

No significant structural changes occurred in the Group during the financial year, the emphasis was mainly set on enhancing the skills of the workforce and on developing the corporate culture. The development of the joint management and monitoring system Compass – launched at the end of 2001 – was continued. Compass is an enhanced version of the system of efficiently balanced measures (Balanced Scorecard) which was specifically designed to meet the needs of the Group's structural units.

During the financial year, the methodology of composing job descriptions was renewed and applied in updating the job descriptions. As for training, the proportion of professional in-service training increased. A management training programme was organized for the top and medium level managers of Eesti Põlevkivi, Supply, Distribution Network and Iru Power Plant.

For the first time, the companies belonging to the Group participated in the employment fair "Key to the Future" and in the open houses hosted by Tallinn Technical University with the intention of promoting Eesti Energia as a good employer and finding high-quality employees for the future. Several practicum were provided with the majority of students coming from Tallinn Technical University, Tallinn Polytechnic College, Estonian Agricultural University and Tartu Vocational Education Centre. An agreement on further development of the cooperation on field placements/ practicum was signed with Tallinn Polytechnic College.

number of employees in eesti energia*



** Including Eesti Põlevkivi.*

information technology

The systematic implementation of different IT solutions has played a significant role in increasing the Group's economic efficiency. An IT environment built on the same basis makes the system administration easier and more efficient, allowing the safety of the system to be enhanced and constantly monitored in all business units.

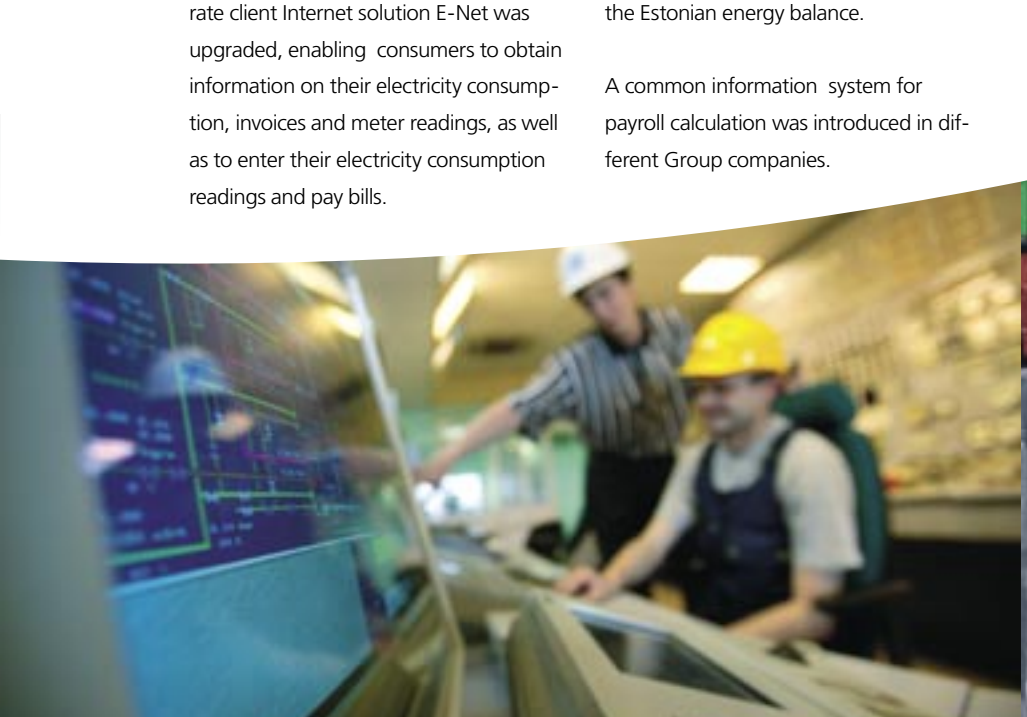
During the financial year, the corporate client Internet solution E-Net was upgraded, enabling consumers to obtain information on their electricity consumption, invoices and meter readings, as well as to enter their electricity consumption readings and pay bills.

In Distribution Network, the data capture and remote control system programme SCADA was installed. In application of the new system, additional network hubs and duplicate communication channels were added to the existing telecommunication network.
The National Grid, the electricity readings collection system was introduced for gathering the necessary data for ensuring the Estonian energy balance.

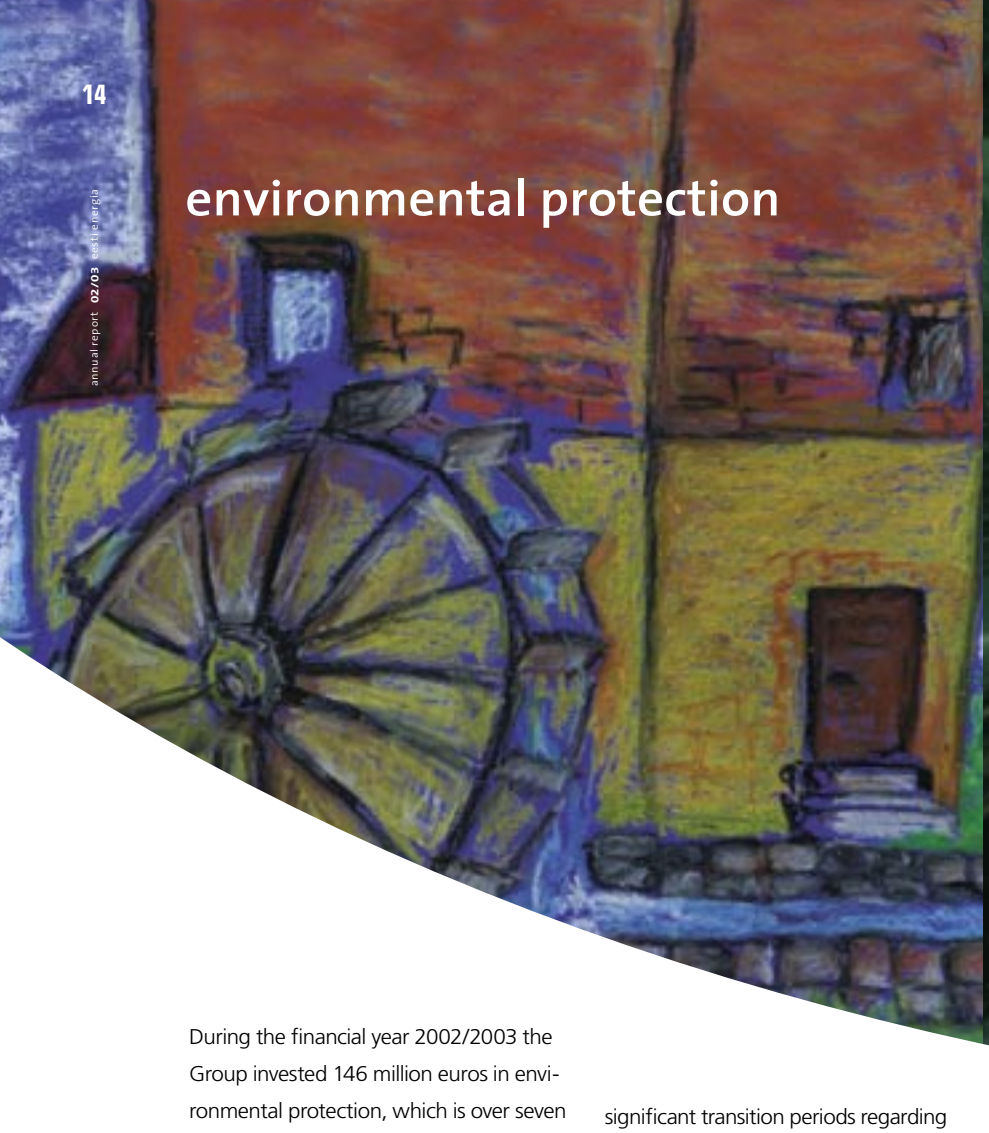
A common information system for payroll calculation was introduced in different Group companies.

An information system with data on the line facilities and the owners of land occupied by them was created.

The construction of the fibre optic circuit covering all of Estonia was completed and the trilateral agreement on mutual administration of telecommunication networks was signed between the Estonian, Latvian and Lithuanian energy systems.



environmental protection



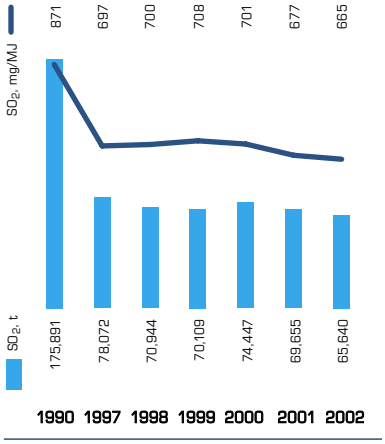
During the financial year 2002/2003 the Group invested 146 million euros in environmental protection, which is over seven times more than during the previous year. The most important investments were the substitution of the old pulverised oil shale combustion boilers with the new fluidised bed boilers and the installation of electrostatic precipitators (ESP) in Narva Elektrijaamad, the construction of a wind turbine in Virtsu and the renovation of Linnamäe Hydropower Plant.

We are proud to confirm that as a result of the replacement of the electrostatic precipitators in Narva Elektrijaamad the emission of solid particles into the atmosphere decreased by nearly half. Compared to the previous financial year, the emission of all pollutants has decreased despite the increased production volumes of the power plants.

The accession of Estonia to the European Union has had a significant impact on the operation of Eesti Energia. As a result of the accession negotiations held during the financial year, the energy sector gained significant transition periods regarding the implementation of the EU directive on emissions from large combustion plants (LCP Directive). EU fully accepts the environmental measures for accession envisaged in the existing investment plans of Narva Elektrijaamad for 2002-2006 and extends the period for further investments until the end of 2015. The main benefit of such transition period for the consumers in Estonia is that the capacity of the old combustion technology can be made use of in the oil shale based power plants, ensuring in this way a more secure power supply, as well as technical and financial flexibility during the renovation of oil shale boilers and conversion of the oil shale based electricity production capacities to the production capacities based on other types of fuels.

An environmental protection issue worth pointing out is the success in encouraging the economical usage of energy. Remarkable success has been achieved through energy conservation. The first energy saving campaign was initiated in spring 2002. This plan included financing the preparation of study materials for schools, a public contest of energy saving projects and the publication of a number of articles on saving energy in the press. We are planning to continue similar activity in the future.

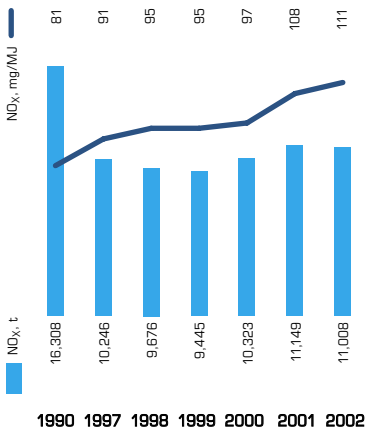
eesti energia sulphur dioxide waste and specific waste



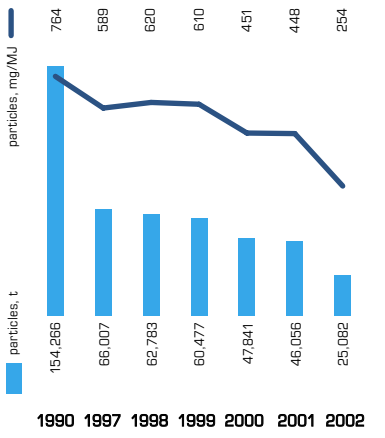
A breakthrough during the previous financial year was the allocation of ISPA funds totalling 7 million euros for the purpose of closing of Oil Ash field no. 2 of the Balti Power Plant of Narva Elektrijaamad. The European Union share of 84% in the project is exceptionally high.

Lastly, there has been significant growth in the Green Energy (GE) project that was started in 2001. At present, 480 environmentally aware companies, institutions, organizations, and individuals have joined the GE project, of whom 356 are domestic customers. The Ministry of the Environment has nominated GE project for the yearly Environment Award.

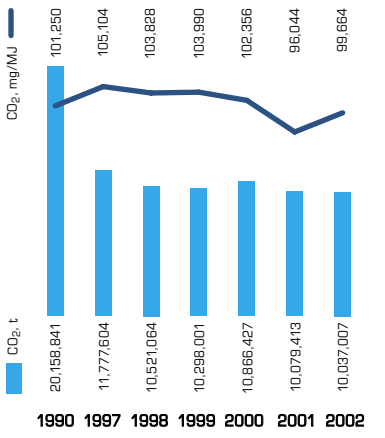
eesti energia nitrogen dioxide waste and specific waste



eesti energia waste and specific waste of particles



eesti energia carbon dioxide waste and specific waste



The most important investment project in the financial year 2002/2003 was the renovation of two 215 MW power units, begun in 2001.

production

as eesti põlevkivi

The core activities of AS Eesti Põlevkivi (hereinafter: Eesti Põlevkivi) are oil shale production and marketing, and related activities. During the financial 2002/2003 Eesti Põlevkivi sold 13.7 million tonnes of oil shale, while 11.3 million tonnes was sold to Narva Elektrijaamad. The sales turnover of oil shale was 110 million euros (as compared to 96 million euros in the previous financial year). The quantity of the oil shale sold rose by 11% from the previous financial year, incorporating a 1.3 million tonne (13%) increase in sales to Narva Elektrijaamad. At the same time, the average price of oil shale sold to Narva Elektrijaamad, comprising transport cost, decreased by 0.33 Euro per tonne.

12.9 million tonnes of oil shale was produced during 2002/2003, which exceeds the figure of the previous financial year by 10%. 52% of the oil shale was produced by the open-pit mine method, while underground mining amounted to 48%.

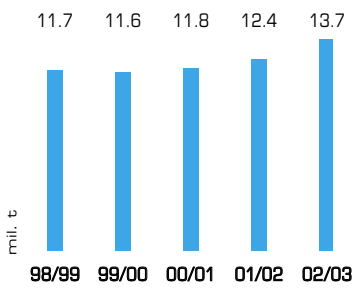
The implementation of a new feeding technology was started in underground mining. The first stage of the test works on pumping the emulsion explosive was conducted in order to determine the applicability of the new explosive and technology in underground mining. Moreover, truck transportation was commenced in the Estonia mine with the aim of replacing the inefficient underground rail transport. Also, modernization of conveyor lines was initiated in order to adapt these to the requirements of the modernized technology.

Excavation works are being carried out on the border of Kurtna Landscape Reserve, in the Viivikonna section of Narva open-pit mine as a specific project to significantly reduce the impact of mining to the groundwater layers. In villages located at the groundwater depression area, old water supply systems were renovated and new systems were constructed in the amount of 0.6 million euros. Another 0.4 million euros was devoted to re-cultivation in open-pit mines; 312 ha of levelled areas were reforested. Research was conducted in cooperation with Estonian Research Institute of Agriculture and Estonian Forest Survey Centre on the impact of underground mining on the cultivation value of arable land and on forestry.

An integrated system of environment management complying with ISO 14001 and quality management ISO 9001 standards was implemented in Eesti Põlevkivi during 2003 with the assistance of the consultants from Det Norske Veritas Eesti OÜ. An external audit process was under the way at the end of the financial year in relation to the application procedure of the ISO 14001and ISO 9001 certificates. Investments in tangible fixed assets during the financial year 2002/2003, totalling 21 million euros, mainly focused on the modernization of production processes and machinery, as well as on the acquisition of new machinery.

Eesti Põlevkivi employed 4,617 people as of the end of the financial year.

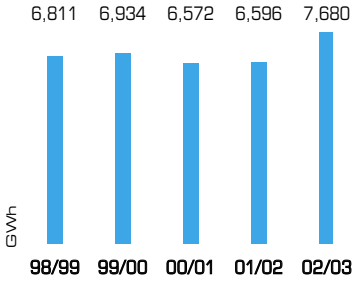
eesti põlevkivi oil shale sales



as narva elektrijaamad

The core activities of AS Narva Elektrijaamad (hereinafter Narva EJ) is the production and sales of electricity and thermal energy produced from oil shale. Narva EJ is the owner of two power plants, Balti and Eesti, both located in the vicinity of Narva.

narva elektrijaamad sales of electricity



The financial year 2002/2003 was successful for Narva EJ: sales volumes went up and production efficiency increased. The net sales of Narva EJ were 219 million euros in the financial year, which indicates a 30% growth on the previous financial year. The sales of electricity increased by the same percentage, making up 192 million euros of the turnover of the financial year. Narva EJ sold 7,680 GWh of electricity in the financial year 2002/2003, which is 16% more than during the previous financial year, and

constituted 94% of all electricity sold to consumers in Estonia.

Narva EJ sold 8.4 million euros worth of thermal energy, which is 0.6 million euros, or 8% more than in previous financial year.

Various fractions of fuel oil, road bitumen and coke-oven gas are produced from oil shale in the Oil Plant located in the vicinity of Eesti Power Plant. Fuel oil is produced both for sale as well as for fuelling the furnaces of power plants. Road bitumen is sold for the construction and repairs of road surfaces. Coke-oven gas is used in Eesti Power Plant as supplementary fuel for electricity production. 98,000 tonnes of shale oil was produced during the financial year 2002/2003, which exceeds the previous year by 17%. In monetary terms, the sales of shale oil increased by 1.7 million euros, that is by 22%.

Narva EJ employed 1,884 people as of the end of the financial year.

renovation of narva elektrijaamad

The most important investment project in the financial year 2002/2003 was the renovation of two 215 MW power units, begun in 2001. The main contractor of this nearly 250 million euros renovation project is the Finnish company Foster Wheeler Energy OY. Out of all the investments in Narva EJ (totalling 149 million euros) made during the reporting period, 135 million euros were channelled to this project. The renewed power units employing fluidised bed technology are economically more efficient and have a less damaging environmental impact than the ones currently employed.
This financial year can be regarded as a breakthrough in the development of this major project, since the large-scale construction and assembly works of furnaces were performed.

The following tasks were performed during the financial year 2002 as part of the renovation of the 8th power unit of Eesti Power Plant:

- Steel carcasses of furnaces were constructed and assembled;
- Pressure elements of furnaces were constructed and assembled;
- Pressure tests of both furnaces were successfully performed;
- Repairs of the components of steam turbine and generator were performed;
- A major part of the electronics and power unit automatics were installed;
- Shift personnel were selected and their training was started.

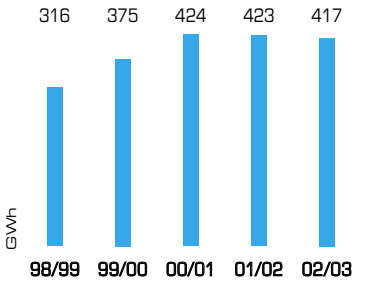
Zero phase works were performed, steel carcasses of furnaces were assembled, assembly of the pressure elements of furnaces was started and a new ash pumping station was constructed in the course of the renovation of the 11th power unit of Balti Power Plant. Renovation of the 8th power unit of Eesti Power Plant is scheduled to be completed in the last quarter of 2003/2004. The machinery tests and acceptance procedures of the equipment will start in May 2003. The assembly of mechanical parts will be completed, the masonry and insulation works, as well as the final electronics and automated equipment works will continue. The first synchronization of the power unit with the power grid is scheduled for September 2003; according to the contract, the final acceptance will be given on March 31, 2004.

As for the renovation of the 11th power unit of Balti Power Plant, the constructional part of the project will be finalized during the upcoming financial year and the testing and verification of the equipment should take place the year after. According to the construction contract, the final acceptance of the power units should take place on September 30, 2004.

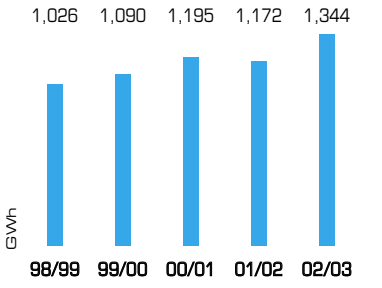
iru power plant

Iru Power Plant is located in the outskirts of Tallinn and produces thermal energy and electricity, using natural gas as fuel.

iru power plant sales of electricity



iru power plant sales of thermal energy



Iru Power Plant is the largest thermal energy producer in Estonia, supplying thermal energy to approximately 50% of Tallinn.

Iru Power Plant sold 1,344 GWh of thermal energy and 417 GWh of electricity during the financial year 2002/2003. The estimated net turnover of the business unit was 32 million euros. (The corresponding figures of the previous reporting period were 1,172 GWh, 423 GWh and 25 million euros.)

Investments in Iru Power Plant amounted to 1.1 million euros, the most important investment project being the reconstruction of the 2nd power unit into a back-pressure turbine.

During the financial year, a remarkable optimization of work procedures took place in Iru Power Plant, as a result of which the number of employees was reduced by 46. Iru Power Plant employed 149 people as of the end of the financial year.

as kohtla-järve soojus

AS Kohtla-Järve Soojus (hereinafter: Kohtla-Järve Soojus), located in Ida-Virumaa county, is mainly engaged in the production, distribution and sales of thermal energy. The company is owned by Eesti Energia AS and Kohtla-Järve City Government with a respective 59.2% and 40.8% share each. Kohtla-Järve Soojus is the second-largest thermal energy network company and third-largest electricity producer in Estonia. The company owns the oil shale-fired Ahtme and Kohtla-Järve CHPs and the thermal energy distribution networks of Kohtla-Järve and Ahtme-Jõhvi.

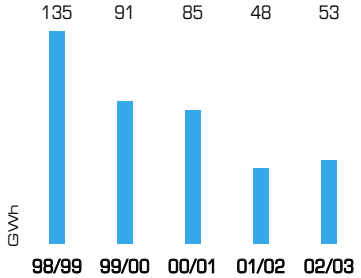
During the financial year 2002/2003, Kohtla-Järve Soojus sold 380 GWh of thermal energy and 53 GWh of electricity. Net sales were 10.5 million euros. The corresponding figures of the previous reporting period were 408 GWh, 48 GWh and 11 million euros.

The company retained stability within the financial year, which should enable it to reach its long-term goals in the future. Although the largest consumer in the area, AS Nitrofert, halted its operations, several new important clients joined the district heating system. The optimisation of the production capacity was sustained, which included the shutdown of Kohtla-Järve CHP for the summer period and the purchase of thermal energy during the same period. A debt collection department was established, and the conclusion of thermal energy sales contracts proceeded.

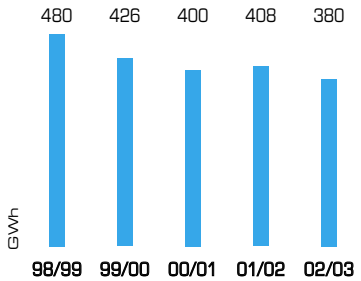
0.8 million euros were spent on investments, mainly in the delimitation of the losses of thermal energy in the heat utility lines.

Kohtla-Järve Soojus employed 251 people as of the end of the financial year.

kohtla-järve soojus sales of electricity



kohtla-järve soojus sales of thermal energy



renewable energy

In the beginning of the financial year 2002/2003 an independent business unit Renewable Energy was founded based on the renewable energy department of Eesti Energia. The main goal of the new enterprise is establishing and operating wind parks and hydropower plants. In cooperation with OÜ Roheline Ring and the German wind turbine manufacturer Enercon GmbH, the first wind park in Estonia with the maximum capacity of 1.8 MW was erected in Virtsu in October, 2002. Renewable Energy owns one wind turbine with 0.6 MW of capacity in the Wind Park.

In December 2002, Renewable Energy launched the largest hydropower plant in Estonia, at Jägala River, with the capacity of 1.1 MW. The total investments of Renewable Energy in the construction and renovation of wind parks and hydropower plants amounted to 2.4 million euros.

During the financial year, the quality system ISO/EVS 9001 and the environmental management system ISO/EVS 14001 were implemented in the National Grid.

transmission, distribution, sales

national grid

National Grid is responsible for the uninterrupted operation of the Estonian power system and continuous transmission of electricity from the producers to the consumers. The National Grid comprises 137 substations and approximately 5,100 km of 110 - 330 kV transmission lines. National Grid is also the owner of the transmission lines that connect the Estonian power system with those of the neighbouring countries. The control centre, which is part of National Grid, is responsible for maintaining the power balance and conducting the real-time management of the electricity system. The estimated net turnover of the National Grid was 55 million euros (previous financial year 47 million euros).

During the financial year, the quality system ISO/EVS 9001 and the environmental management system ISO/EVS 14001 were implemented in the National Grid. Bureau Veritas Eesti OÜ handed over the certificates of proof to the National Grid in January 2003.

During the financial year the National Grid invested 17 million euros in increasing the efficiency of the system and in reducing transmission losses. The largest investments were channelled to the construction of 2 new substations and to the renovation of the existing substations.

National Grid employed 162 people as of the end of the financial year.

distribution network

Distribution Network operates in the up to 35 kV voltage middle and high voltage network with a service area of about 40,900 sq km. Altogether, Distribution Network has about 53,000 km of overhead and over 6,000 km of cable lines, the enterprise services over 607,000 commercial measuring stations.

The main tasks of Distribution Network include:

- Development, operation and management of the electricity network;
- Connecting customers to the power network and providing the contractual electricity supply;
- Metering electricity consumption and generating readings.

The estimated net sales of Distribution Network were 127 million euros in the financial year 2002/2003 (98 million euros the year before).

During the reporting period, Distribution Network participated in a project aimed at comparing the technical and economic efficiency of European distribution networks which was organized by EURELECTRIC (Union of the Electricity Industry). It achieved an outstanding 8th place among the 48 participants.

Campaigns targeted at customers are monitored and adjusted via the quality management system implemented in Distribution Network. By 2004, the system is planned to be integrated with the environment management system. In cooperation with the Supply, the twenty-four-hour power failure information line "1343" covering all of Estonia was launched.

In the sphere of measurement services, a new work scheduling system was developed for electricians, and its integration with the payroll system was started. In order to minimize losses in the electricity networks, consumption readings have been taken under a strict control. Starting next financial year, test readings from each customer are planned to be taken at least once a year.

The investments made during the reporting period amounted to 47 million euros. 3,390 new connections were completed at an investment of 17 million euros. An investment of 3.4 million euros in the Voltage Programme ensured a standard voltage for 3,090 clients. Within the framework of the Reliability Programme, 6 million euros was invested. The control centres of the areas of Tallinn-Harju and Tartu were renovated for 3.3 million euros, as a result of which, many smaller dispatch centres were closed. The data capture and remote control system SCADA, costing 2 million euros, was completed.

Distribution network employed 966 people as of the end of the financial year.

supply

The main tasks of Supply comprise the sales of electricity and the maintenance and development of good customer relations.

At the end of 2002/2003, Supply had nearly 500,000 clients, of which 477,000 were individual and 19,700 business clients. The estimated net turnover of Supply was 324 million euros during the financial year.

The main focus was on developing different ways of communicating with the customers. The phone service developed substantially: the 24-hour power failure information line was launched in cooperation with Distribution Network and the efficiency of the call centre of the Supply increased 2.2 times. The number of the users of the Internet-based corporate clients service system increased 10 times. By the end of the financial year, e-services were being used by 4,200 corporate clients.

Among individual subscribers, the number of people paying by direct debit grew very rapidly indeed – by about 50,000 people within a year. The total of people paying by direct debit is 118,000. A project of joint customer service offices with Kohtla-Järve Soojus was launched.

Supply employed 401 people as of the end of the financial year.

support services

as energoremont

AS Energoremont (hereinafter: Energoremont) produces electricity and power plant equipment on the basis of the production units situated in Narva. There are more than 200 different items in the product list. During the financial year, a new product – an on-off and control valve for pipes – was patented.

During 2002/2003, the net sales of Energoremont were 12.6 million euros (in previous reporting period 12.4 million euros). Export made up 23% (in the previous year 39%) of the net sales. The drop in exports was related to the preparation of the new power units of Narva Elektrijaamad, which took up nearly 50% of the production capacity.

One of the main goals for the next financial year is the launch of new colouring and packaging facilities and the increase in the volumes of coloured products. New operating strategies, such as the development of the maintenance and assembly of the energy equipment, are also of great importance.

Energoremont employed 629 people as of the end of the financial year.

as elektriteenused

The core activities of AS Elektriteenused (hereinafter: Elektriteenused) include the construction, maintenance and repair of electricity networks, as well as the usage inspection and compatibility assessment of electrical equipment.

During the financial year 2002/2003, the rapid development of Elektriteenused continued, characterized by an increase in turnover, adaptation of the organization to the requirements of the environment and to client needs, product development, as well as by investments in technology and in the training of employees.

The net sales of Elektriteenused were 12.5 million euros and the annual growth rate 11%. The growth in net sales was mainly due to the construction works, which constituted almost 50% of the net sales.

Elektriteenused employed 328 people as of the end of the financial year.

televõrgu as

The main activities of Televõrgu AS (hereinafter: Televõrk) encompass business activities related with the main network of data transmission and providing energy companies with telecommunication services. During the financial year 2002/2003 the process of strengthening the reputation of Televõrk as a telecommunication company continued, the existing customer relations were improved and new customers were recruited.

The net sales of Televõrk were 3.8 million euros in the financial year, over 30% of which was earned from clients not belonging to the Group.

In February 2003, the construction of the fibre optical main network was completed. Within the programme, 1,500 km of fibre optic cables was installed. A fibre optic connection with Latvenergo and Lietuvos Energija was also established. As a result of these investments, cooperation in the field of telecommunication was initiated between the Baltic energy companies. Televõrk, Latvenergo and Lietuvos Energija signed a trilateral agreement on mutual administration of the fibre optical data networks in offering trans-Baltic telecommunication services. In March 2003, Televõrk launched a new data service – a telecommunications channel Stockholm–Helsinki–Tallinn–Riga–Vilnius – where in addition to the Baltic energy companies, the Finnish partner Finnet International Ltd is also involved. During the financial year 2003/2004, the main communications networks are planned to be integrated with the telecommunication companies of Russian and Polish energy suppliers.

Televõrk employed 43 people as of the end of the financial year.

as elpec

The main activities of AS Elpec (hereinafter: Elpec) include integrated design of substations, transformer stations, power lines and networks related to power consumption, as well as supervision and consulting services for the related construction, assembly and repair works.

In the financial year 2002/2003, the net sales of Elpec were 1 million euros, the annual growth rate being approximately 35%. During the financial year, the proportion of internal orders within the Group grew substantially, constituting around 87% of all the received orders.

During the financial year, Elpec started to work out the quality system in compliance with the ISO 9001 standard, and an employee training programme was developed in cooperation with Tallinn Technical University.

Elpec employed 33 people as of the end of the financial year.

financial statements

consolidated balance sheet

in thousands of euros	31 March 2003	31 March 2002	Note
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	95,303	31,202	1
Shares and other securities	354	354	2
Trade receivables	46,028	39,677	3
Other receivables	53	32	
Accrued income	3,077	3,365	4
Prepaid expenses	7,854	4,375	5
Inventories	11,600	11,505	6
TOTAL CURRENT ASSETS	**164,269**	**90,510**	
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in associates	2,774	2,709	7
Other receivables and prepayments	194	881	3, 5
Total long-term financial assets	**2,968**	**3,591**	
Tangible assets			9
Land and buildings	493,840	498,282	
Plant and equipment	342,607	316,448	
Other equipment and fixtures	775	614	
Construction in progress	176,541	34,779	
Prepayments for tangible assets	1,237	2,595	
Total tangible assets	**1,015,001**	**852,718**	
Intangible assets			10
Goodwill	2,721	57	
Other intangible assets	7	13	
Total intangible assets	**2,727**	**71**	
TOTAL NON-CURRENT ASSETS	**1,020,697**	**856,379**	
TOTAL ASSETS	**1,184,966**	**946,889**	

in thousands of euros	31 March 2003	31 March 2002	Note
LIABILITIES			
CURRENT LIABILITIES			
Borrowings			
Bank loans	1,055	1,055	11
Finance lease liabilities	12	22	12
Total short-term borrowings	**1,067**	**1,076**	
Customer prepayments	500	327	
Trade payables	50,390	30,768	14
Other payables	1,741	1,725	15
Taxes payable	12,273	8,271	16
Payroll debt	8,892	8,581	
Interest payable	9,173	1,170	
Other accrued expenses	802	6,434	17
Derivatives	4,878	0	18
Provisions	5,640	5,839	19
TOTAL CURRENT LIABILITIES	**95,356**	**64,190**	
NON-CURRENT LIABILITIES			
Long-term borrowings			
Debt securities	197,482	0	20
Bank loans	76,644	122,197	21
Finance lease liabilities	21	3	12
Long-term tax liabilities	458	473	16
Total long-term borrowings	**274,605**	**122,673**	
Long-term trade payables	5,223	541	14
Prepaid income	29,440	21,460	22
Long-term provisions	18,399	18,642	19
TOTAL NON-CURRENT LIABILITIES	**327,666**	**163,316**	
TOTAL LIABILITIES	**423,022**	**227,507**	
MINORITY INTEREST	**1,668**	**32,651**	
SHAREHOLDERS' EQUITY			
Share capital	424,455	424,455	23
Non-registered share capital	40,443	0	23
Share premium	259,832	259,832	23
Statutory reserve	23,489	0	
Hedging reserve	-4,474	0	18
Retained earnings	-21,044	-14,011	
Net profit for the period	37,576	16,455	
TOTAL SHAREHOLDERS' EQUITY	**760,276**	**686,732**	
TOTAL LIABILITIES AND EQUITY	**1,184,966**	**946,889**	

consolidated income statement

in thousands of euros	Year ended 31 March 2003	2002	Note
REVENUE			
Net sales	365,661	313,114	24, 25
Other revenue	2,149	21,331	26
Government grant	1,405	5,033	27
TOTAL REVENUE	**369,215**	**339,478**	
EXPENSES			
Materials, consumables and supplies	-112,923	-122,321	28
Other operating expenses	-42,859	-39,930	29, 30,13
Payroll expenses	-80,478	-78,240	31
Other expenses	-955	-1,153	32
OPERATING PROFIT BEFORE DEPRECIATION	**132,001**	**97,835**	
Depreciation and impairment of fixed assets	-78,661	-70,176	9,10
TOTAL EXPENSES	**-315,875**	**-311,819**	
OPERATING PROFIT/LOSS	**53,340**	**27,659**	
FINANCIAL INCOME AND EXPENSES			
Group's share in associates' profit	1,173	539	7
Interest income	2,957	1,251	33
Interest expense on borrowings	-14,518	-6,198	33
Interest charge on provisions	-1,491	-1,278	19
Other financial incomes and expenses	-150	-165	
Total financial income and expenses	**-12,028**	**-5,851**	
PROFIT BEFORE MINORITY INTEREST	**41,312**	**21,807**	
Minority interest	**-3,737**	**-5,352**	
NET PROFIT FOR THE PERIOD	**37,576**	**16,455**	

consolidated cash flow statement

in thousands of euros	Year ended 31 March 2003	Year ended 31 March 2002	Note
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year	**37,576**	**16,455**	
Investment-related non-cash adjustments			
Depreciation and impairment	78,661	70,176	9, 10
Amortisation of connection fees	-989	-688	22
Profit from sale of tangible fixed assets	-848	-696	9, 26, 32
Group's share in associates' profit	-1,173	-539	7
Loss from write-down of financial investments	5	118	7
Profit from sale of financial investments	0	-30	
Total investment-related adjustments	**75,655**	**68,341**	
Financing-related non-cash adjustments			
Accrued interest expense	14,518	6,198	33
Foreign exchange loss on foreign currency loans	0	20	
Total investment-related adjustments	**14,518**	**6,218**	
Adjusted net profit	**127,748**	**91,015**	
Net change in current assets relating to operating activities			
Loss/profit from doubtful receivables	3,950	-1,435	3, 26, 29
Increase in trade receivables	-10,496	-5,695	3
Change in accrued income	288	-1,676	4
Change in prepaid expenses	-2,598	-3,332	5
Change in inventories	-96	2,843	6
Net change in other current assets relating to operating activities	-24	43	
Net change in current assets relating to operating activities	**-8,976**	**-9,252**	
Net change in liabilities relating to operating activities			
Recognition of provisions and interest charge on provisions	2,979	9,371	19
Utilisation of provisions	-3,421	-4,375	19
Change in trade payables	346	3,641	14
Change in taxes payable	3,949	-1,476	16
Change in accrued expenses	-5,321	4,704	
Change in minority interest	3,737	5,352	
Net change in other liabilities relating to operating activities	188	-15,944	
Net change in liabilities relating to operating activities	**2,457**	**1,272**	
Interest and loan fees paid	**-6,403**	**-6,322**	
Net cash flow from operating activities	**114,827**	**76,713**	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets	-214,106	-111,216	9,12,14
Proceeds from connection fees	8,968	6,071	22
Proceeds from sale of tangible fixed assets	1,594	2,270	
Dividends received from associates	1,103	1,413	7
Loans repayments received	4	15	
Paid at acquisition of long-term financial investments	0	-306	
Proceeds from sale of financial investments	0	43	
Purchase of intangible assets	0	-13	
Net cash used in investing activities	**-202,436**	**-101,724**	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of long-term bonds	197,260	0	20
Receipt of long-term bank loans	0	50,000	21
Repayment of long-term bank loans	-45,000	-26,347	21
Finance lease principal payments	-38	-1,610	14
Proceeds from issue of short-term bonds	11,089	0	
Redemption of short-term bonds	-11,089	0	
Dividends paid to minority shareholders	-511	0	
Net cash from financing activities	**151,710**	**22,042**	
Net increase/decrease in cash and cash equivalents	**64,101**	**-2,968**	
Cash and cash equivalents at the beginning of period	31,202	34,170	1
Cash and cash equivalents at the end of period	95,303	31,202	1
Change in cash and cash equivalents	**64,101**	**-2,968**	

consolidated statement of changes in shareholders'equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Hedging reserve	Retained earnings	Total	Note
Balance as at 31 March 2001 as previously reported	**424,455**	**592,496**	**0**	**0**	**-332,665**	**684,287**	
Effect of changes in accounting policies to retained earnings	0	0	0	0	-14,011	-14,011	36
Adjusted balance at 31 March 2001	**424,455**	**592,496**	**0**	**0**	**-346,676**	**670,276**	
Share premium transfer	**0**	**-332,665**	**0**	**0**	**332,665**	**0**	
Net profit for financial year 2001/2002 as previously reported	0	0	0	0	23,489	23,489	
Effect of changes in accounting policies to the profit	0	0	0	0	-7,033	-7,033	36
Adjusted balance at 31 March 2002	**424,455**	**259,832**	**0**	**0**	**2,445**	**686,732**	
Transfer to statutory reserve	0	0	23,489	0	-23,489	0	
Increase of share capital according to the Order No. 612-k 17.9.2002 of the Estonian Government	3,502	0	0	0	0	3,502	23
Increase of share capital according to the Order No. 17-k 8.1.2003 of the Estonian Government	36,941	0	0	0	0	36,941	23
Revaluation of cash-flow hedges	0	0	0	-4,474	0	-4,474	18
Net profit for the period	0	0	0	0	37,576	37,576	
Balance at 31 March 2003	**464,899**	**259,832**	**23,489**	**-4,474**	**16,532**	**760,276**	

accounting policies

Eesti Energia AS (hereinafter the Parent Company) is a company incorporated under the laws of the Republic of Estonia on March 31st, 1998. The consolidated financial statement includes financial information about the Parent Company and its subsidiaries (hereinafter the Group), and also the Group's participation in associated companies.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared using the historical cost convention, except for certain financial assets and derivatives.

The measurement currency of the Group is the Estonian kroon. For the convenience of users, these consolidated financial statements have been presented in euros, rounded to the nearest thousand, unless stated otherwise. As the Estonian kroon is linked to euro with a fixed exchange rate of 1 euro = 15.64664 Estonian kroons, no currency translation differences arise from making the translation from kroons to euros.

The preparation of the financial statements requires the use of estimates and assumptions that effect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, in the end the actual results may differ from these estimates. The management's estimates are mainly used for assessing the useful life of the fixed assets, impairment tests, recognition of provisions, valuation of accounts receivable and inventories. The effects of changes in the management's estimates are recognized in the period of the change and in future periods, if the change affects future periods.

Changes in accounting principles

Changes in the accounting policies are recognized retrospectively. Any resulting adjustment is reported as an adjustment to the opening balance of retained earnings. In the reporting period, the following significant changes in the accounting policies were applied retrospectively:

- New method for the recognition of connection fees - connection fees are now amortized as income over the useful life of the underlying fixed assets constructed to connect a new client (previously, the whole connection fee was recognized as a revenue immediately);
- A new more precise method for the recognition of electricity sales - sales based on meter readings are adjusted for estimates made in respect of unreported or incorrectly reported meter readings (previously, the potential impact of unreported or incorrectly reported readings was disregarded);
- Adoption of the percentage of completion method for construction contracts (previously, the revenue was recognized at the moment of delivery of the good or service).

These changes in accounting policies were made based on management's opinion that the new policies would result in a more appropriate presentation of the financial position and financial results of the Group. The impact of the change in accounting policies is disclosed in Note 36.

Consolidation

(a) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control was transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries, except for the transactions between entities under common control. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered.

(b) Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Group's interest in the associates' result is accounted for from the date on which the Group obtained significant influence and it is no longer accounted for from the date that significant influence ceases.

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of post-acquisition movements in reserves is recognized in reserves. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currency transactions; assets and liabilities denominated in foreign currencies

(a) Measurement and reporting currency

As the Parent Company and all subsidiaries are registered in Estonia, the Group uses the Estonian kroon as its measurement currency. All other currencies are regarded as foreign currencies. For the convenience of users, these financial statements have been presented in euros. As the Estonian kroon is linked to euro with a fixed exchange rate of 1 euro = 15,64664 Estonian kroons, there are no currency translation differences arising from the translation of the financial statements.

(b) Transactions in foreign currencies

Foreign currency transactions are recorded in Estonian kroons based on the official exchange rates of the Bank of Estonia valid on the transaction date. Gains and losses resulting from the settlement of such transactions are recorded in the income statement.

(c) Assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in a foreign currency have been translated into Estonian kroons based on the official exchange rates of the Bank of Estonia valid on the balance sheet date. Profits and losses from the translation are recorded in the income statement.

The current/non-current distinction

In the balance sheet assets and liabilities are classified as current or non-current. The assets are regarded as current if they are expected to be realized, or are held for sale or consumption, within one year. The liabilities are regarded as current if they are expected to be settled within one year. All other assets and liabilities are regarded as non-current.

Cash and cash equivalents

Cash and cash equivalents include:
- cash in hand;
- bank account balances and cash in transit;
- short-term deposits in banks (with the remaining maturity of up to 3 months);
- holdings in highly liquid money market and interest funds.

The spare cash is invested in the highly fluid money market and interest rate funds in order to earn interest income. The holdings in funds are carried at market value and are regarded as cash and cash equivalents because of their high liquidity. The difference between the cost and the market value is recorded in the income statement as financial profit or loss.

Investments in shares and securities

Investments in shares and securities (except for the investments in subsidiaries or associated companies, which are either consolidated or accounted for by using the equity method) are presented either as short-term or long-term investments depending on the estimated timing of their realization. Investments that are expected to be held for more than one year are considered to be long-term.
The Group has some insignificant financial investment in shares that are planned to be sold in the near future. Such investments are regarded as being available-for-sale and they are recorded at their fair market value. As there is no active market for the mentioned securities, the fair value is estimated by using the discounted cash flow method. Changes in the fair value are recorded in the income statement as financial income or expense.
In case the fair value cannot be determined reliably, the shares are carried at the acquisition cost less any write-downs.
The Group has no investments in held-to-maturity securities.

Customer receivables

Trade receivables are carried at original invoice amount less the provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. Long-term accounts receivable are discounted to the present value. The difference between the nominal value and the present value of the receivable is taken up as interest income over the period until the account receivable is collected.
Impairment of accounts receivable is assessed on an individual basis. In case the individual assessment is not possible due to the large number of individual balances, only the significant debtors are assessed individually. The rest of balances are assessed on a portfolio basis, taking into account the previous experience. The receipt of the receivables that have been previously written down is accounted for as a reduction of operating expenses.

Inventories

Inventories are stated in the balance sheet at the lower of acquisition cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The write down of inventories is recorded in the income statement as an operating expense. Cost is determined using the weighted average method.
Raw materials are recorded at the acquisition cost consisting of the purchase price, transportation costs and other direct costs related to the purchase. The acquisition cost of the work-in-progress and the finished goods is the average production cost that is calculated based on the direct and indirect production expenses. Marketing, non-production overhead and financial expenses are not part of the production cost.

Fixed assets

Fixed assets are those assets that are used in production, providing services or in administrative purposes with a useful life of over 1 year and an acquisition cost of over 10,000 kroons (639 euros). Tangible assets are presented in the balance sheet at the net carrying amount, which is the acquisition cost less depreciation.

(a) Acquisition cost
The acquisition cost comprises the purchase price, transportation costs, installation, and other direct expenses related to the acquisition or implementation. The cost of the self-constructed tangible assets includes the cost of materials, services and workforce.
If a tangible asset consists of components with different useful lives, then these components are depreciated as separate items. Homogenous tangible assets with similar useful lives (e.g. electricity and heating networks, software and hardware) are accounted for in groups.
Borrowing costs are not capitalized.

(b) Depreciation
Depreciation is calculated using the straight-line method over the estimated useful life of the tangible asset. Land plots are not depreciated. Estimated useful lives are regularly reviewed during annual counts, in case of renovations and as a result of material changes in development plans.
The useful lives used by the Group for tangible assets are as follows:

	Useful life of new fixed assets	Derived actual average useful life *	
years		**1 April 2002-31 March 2003**	1 April 2001-31 March 2002
Buildings	25-40	**21,9**	17.9
Electricity lines	33-60	**28,0**	28.5
Other facilities	10-30	**18,7**	12.0
Transmission equipment	7-25	**16,2**	16.8
Power plant equipment	7-20	**14,5**	10.9
Other machinery and tools	3-20	**8,2**	7.4
Other fixed assets	3-10	**6,0**	3.5

* Derived actual average useful life is calculated as follows: Average acquisition cost of the fixed assets in use / depreciation of the reporting period.

(c) Impairment of assets
The assets are written down to their recoverable amount in case the latter is lower than the carrying amount. The recoverable amount is the higher of the asset's:
- net realizable value; or
- value in use.

In a case where the net realizable value of the asset cannot be determined reliably, then the recoverable value of the asset is its value in use. The value in use is calculated by discounting expected future cash flows generated by the asset to their present value.
An impairment test is carried out when any of the following indicators of impairment exist:
- the market value of the similar assets has decreased;
- the general economic environment and the market situation have worsened, and therefore it is likely that the future cash flows generated by the assets will decrease;
- market interest rates have increased;
- the physical condition of the assets has considerably impaired;
- the revenues and cash flows generated by an asset or cash generating unit are lower than expected;

- the activities of a cash generating unit are planned to be terminated.

Impairment tests are performed either for an individual asset or group of assets (cash generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. If after the impairment test there are indications that conditions have changed the test would be repeated. According to the result of the assessment, the write down can be partially or wholly reversed.

(d) Improvements, repair and maintenance

Expenditure is added to the cost of asset if it is probable that the future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. Expenditures, which only restore the prior level of performance, are expensed and presented as repair and maintenance costs in the income statement.

Leases

Lease transactions where the lessee retains all the material risks and rewards connected to the ownership of the asset are accounted for finance leases. All other lease transactions are accounted for as an operating lease.

(a) A Group company is the lessee

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The tangible assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.
Payments made under operating leases are charged to the income statement on a straight-line basis over the lease period.

(b) A Group company is the lessor

The Group has no assets leased out under the terms of finance lease. Assets leased out under operating leases are accounted for using the same accounting principles as other similar assets. Operating lease rental receipts are charged to the income statement on a straight-line basis over the lease period.

Intangible assets

Intangible assets are recognized in the balance sheet only if the following conditions are met:

- the asset is controlled by the company;
- it is probable that the future economic benefits that are attributable to the asset will flow to the Group;
- the cost of the asset can be measured reliably.

Intangible assets are depreciated using the straight-line method over the useful life of the asset not exceeding 20 years.
The intangible assets are written down to their recoverable amount in case the latter is lower than the carrying amount.

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition.
Goodwill is amortized using the straight-line method over its estimated useful life. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies. The existing items of goodwill are amortized over 5-13 years.
Negative goodwill is presented in the balance sheet as a deduction from assets and is accounted for as follows:

- to the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquirer's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is to be recognized as income in the income statement when the future losses and expenses are recognized;
- to the extent that negative goodwill does not relate to identifiable expected future losses and expenses that can be measured reliably at the date of acquisition, negative goodwill is recognized as income in the income statement as follows:
  - the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets; and
  - the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognized as immediate income.

(b) Development, establishment, research and training costs

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognized as incurred expenses.
Research, establishment and training costs are recognized as incurred expenses.

(c) Other intangible assets

Expenses related to patents, brand names, licenses and certificates are capitalized if it is probable that the future economic benefits that are attributable to them will flow to the Group. These intangible assets are depreciated using the straight-line method over the useful life of the asset not exceeding 5 years.

Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings.
The effective interest rate is the rate that exactly discounts the expected stream of future cash payments through maturity or the next market-based repricing date to the current net carrying amount of the financial asset or financial liability. The amortization of the transaction costs is presented in the income statement together with the interest expenses. Interest expenses are recognized on an accrual bases in the income statement.

Taxes

(a) Corporate income tax

According to the Income Tax Act of the Republic of Estonia the annual profit earned by enterprises is no longer taxed. Thus there are no temporary differences between the tax bases and carrying values of assets and liabilities. Instead of taxing the net profit, the distribution of retained earnings is subject to a dividend tax (26/74 of net dividend paid). The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid for.

(b) Other taxes

The Group's result is affected by the following taxes:

Tax	Tax rate
Social insurance tax	33% of the payroll and fringe benefits paid to the employees
Unemployment tax	0.5% of the payroll paid to the employees
Fringe benefits tax	26/74 of the fringe benefits paid to the employees
Pollution charges	Paid for contaminating the air, water, ground water, soil and waste storage, and is based on tonnage and type of waste
Resource tax	0.29 euro (4.50 kroons) per oil shale ton mined
Water utilization charges	0.001 – 0.003 euro per m^3 (0.02-0.5 kr/m^3) of used ground water
Land tax	0.5-2% of the taxable value of the land per annum
Income tax on expenses not related to business activities	26/74 of the expenses not related to business activities

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The provisions are recognized based on the management's estimates. If required an independent expert may be involved.
Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognized in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognized only if the Group has announced a detailed plan identifying the expenditure and approximate number of employees who will be compensated. Costs related to the ongoing activities of the Group are not provided in advance.
Provisions are reviewed annually to address possible changes in conditions and estimates. The expenses incurred with the provisioning are recorded as operating expenses in the income statement. Long-term provisions are carried at the present value. The difference between the nominal value and the present value of the provision is taken up as an interest income over the period until the provision is realized. Provisions are utilized only for covering expenses for which they were initially made.
Contingent liabilities are not recognized in the balances sheet and disclosed in the Notes to the financial statements.

(a) Post-employment provisions

The Group operates no regular post-employment benefit plans. However, some Group subsidiaries have paid either as certain termination benefits (e.g. in form of retraining allowances) or other post-employment benefits (e.g. fixed sum of pension paid during a certain period after employment termination) to its former employees. Provisions are recognized in respect of post-employment benefits, if the Group has at the balance sheet date a legal or constructive obligation to pay such benefits. Provisions are recognized at the present value of the existing obligation.

(b) Environmental provisions and provisions for restoration and rehabilitation of mining areas

Environmental provisions and provisions for restoration and rehabilitation of mining areas are recognized to cover environmental damages when it is required by the legislation or the Group by its past practice has created a valid expectation on the part of those other parties that it will liquidate environmental damages. The amount of the provision is determined by taking into consideration experts' opinions regarding the amount and timing of the expected outflows and the prior experience.

Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are re-measured at their fair value. The derivatives with positive market values are recorded as an asset and the derivatives with negative values are recorded as liabilities. Derivative transactions which are concluded for hedging the risks of a specific transaction and which are highly effective are accounted for in accordance with hedge accounting rules.
The Group uses interest-rate swap contracts to fix the interest expense on loans with floating interest rates. The contracts are accounted for in accordance with IAS 39 as cash-flow hedge. The market value of the swap contracts is derived from price quotations on the international stock exchanges. The change in the market value of derivatives is charged to hedging reserve in equity. The realized changes in the market value are recorded in the income statement as interest expenses.

Core and secondary activities

In the financial statements, the following activities are regarded as the core activities of the Group: the production and sale of electricity, heat, shale oil, oil shale, oil shale ash and related activities. All other activities (including investment and financing activities) are regarded as secondary activities, these results are presented in the income statements either as other operating income and expenses or financial income and expenses.

Recognition of revenues and expenses

Income and expenses are recognized based on accrual and matching principles, i.e. when they occur and not as cash is received or paid.
Revenue is measured at the fair value of consideration received or receivable. If the payment is deferred for more than 12 months, the consideration receivable is accounted for at its present value.
Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from the sale of services is recognized using the stage of completion method.

(a) Sales of electricity

In the past reporting periods, sales were recorded, based on meter readings reported by customers, read by remote counter reading systems, or estimated based on the past consumption patterns. In this reporting period, the accounting policy has been changed. Now, in addition to the above, estimates are being made regarding the potential impact of readings that are either not reported or incorrectly reported by the balance sheet date. The change in the accounting principles results in a more precise estimation of the actual consumption and sale of electricity. The change in the accounting policy has been applied retrospectively.

(b) Recognition of connection fees

When joining the electricity network, the clients must pay a connection fee based on the actual costs of infrastructure needed to be built in order to connect to the network. In the past, connection fees were recorded as current revenue. Starting from this reporting period, the revenue from connection fees is deferred and then recorded as income, spread evenly over the useful life of the underlying infrastructure built to connect the client to the network. Unrealized connection fees are carried in the balance sheet as long-term deferred income. The change in the accounting policy has been applied retrospectively.

(c) Revenue recognition on construction projects

When the outcome of a construction contract can be estimated reliably, contract revenue and

contract costs are recognized by using the stage of completion method. The stage of completion is measured by reference to the relationship contract costs incurred for work performed to date bear to the estimated total costs for the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. In past reporting periods, the revenue on construction projects was recorded upon completion. The change in the accounting policy has been applied retrospectively.

(d) Interest income and expenses
Interest income and expenses are recorded on the accrual bases and calculated using the effective interest rate. Interest income and expenses are recorded in the income statement as financial income and expenses.

Government grants

Grants related to income are recognized where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants are recognized as income over the periods necessary to match them with the related costs, which they are intended to compensate, on a systematic basis. The Group has not received any grants related to assets.

Dividends

Dividends paid are recognized as the reduction of retained earnings at the moment of announcing the dividends.

Related parties

For the purposes of preparation of the financial statements, the following entities and individuals are considered as related parties: the associated companies of the Group, the members of the Management Board and the Supervisory Board and other individuals and entities who have an ability to control or exercise significant influence over the financial and operating decisions of the Group.

Segment reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. Business segments are identified based on the Group's internal organizational and management structure and its system of internal financial reporting. Segment reporting also meet requirements stipulated in the Energy Act of Estonia.
As most of the activities of the Group are taking place in Estonia, it is regarded as one geographical segment.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Financial risk management

The Group's overall risk management programme focuses on the mitigation of financial risks and seeks to minimize potential adverse effects on the financial performance of the Group. The Treasury department of the parent company manages the liquidity, interest rate and exchange rate risks at the Group level.

(a) Liquidity risk management
Liquidity risk is the risk that the Group would be unable to cover its expenses and investment needs due to insufficient cash flows. Liquidity risk is managed by different financial instruments such as loans, bonds and other borrowings.
In order to finance an extensive capital investment program, the Group has issued a 7-year international bond in the amount of 200 million euros and signed two 15-year loan agreements in the amount of 150 million euros. To decrease the level of the interest rate on borrowings, the Group achieved the A- stable and Baa1 stable credit ratings from Standard & Poor's and Moody's rating agencies. The 200 million Euro Bond issue was rated by Standard & Poor's and Moody's as A- and A3 respectively, which at the moment of issue was higher than the rating given to the Republic of Estonia.
As at the end of the financial year, the Group had spare cash reserves in the amount of 96 million euros. The investment of these funds is regulated by the instructions of the respective internal group which stipulates the terms and conditions of any spare cash investment. There is a major requirement that cash may be invested only into those financial instruments which have a high investment rating.
Liquidity is managed both on a daily basis and over a longer time horizon. The risk management is supported by the Group's financial software, Oracle Financial, and the group bank accounts opened in Hansapank (Hansabank) and Eesti Ühispank (Estonian Union Bank). Companies of the Group have group bank account limits, which are set by the Budget committee.

(b) Credit risk management
The overdue debts of the clients are controlled in the respective divisions on a daily bases. The automated reminder and warning system sends messages to customers about overdue invoices with the warning that if these invoices are not paid by a certain date then the customers will be switched off from the electricity network. After that, a collection petition is filed with a court or referred to a collection agency.
In the case of tenders, the background of suppliers is thoroughly examined.
Cash balances are diversified in three different banks.

(c) Interest rate risk management
Interest rate risk is the risk that borrowing interest payments will significantly increase. For the Group, the interest risk emerges from floating interest rate borrowings. Sensitivity analysis is used for assessing the interest rate risk. According to the Group's policy, over 50% of borrowings should have a fixed interest rate. To follow that policy, and also because of the general trend of interest rates falling in the international market, the Group has entered into two 4-year, 64 million euros interest rate swap agreements and issued a fixed interest rate bond in the amount of 200 million euros. As at the end of the financial year, 95% of the Group's borrowings had a fixed interest rate, and 5% had a floating interest rate.

(d) Exchange rate risk management
Those liabilities and assets of the Group that are held in euros, are considered to be free of any exchange rate risks. In order to manage exchange rate risks, all foreign contracts are concluded in euros. All the long-term liabilities and electricity export contracts are also quoted in euros.

Operational risk management

Insurance contracts are used, among other measures, in order to minimize the operating risks. The property of Narva Power Plants, Iru Power Plant (combined heat and power plant) and National Grid (except for transmission lines) are insured. In Narva Power Plants, in addition to the assets, the insurance contract covers also electricity supply failures and related expenses.
The construction risks of new power blocks in Narva Power Plants are mitigated by a special construction risk insurance.
In addition to the property insurance, the Group's operational risks are insured in the amount of 50 million euros.
Prepaid insurance premiums are accounted for as prepaid expenses and they are taken up as an expense over the insurance term. Insurance compensations are recorded as income in the period in which the expenses related to the insurance occurred.

notes to the financial statements

1. Cash and cash equivalents

in thousands of euros	31 March 2003	31 March 2002
Cash in hand	12	13
Demand deposits in banks	5,375	5,482
Cash in transit	55	18
Time deposits in banks		
Overnight deposits	4,820	779
Deposits with a term of up to 3 months	75,096	24,911
Shares in money market and interest funds	9,946	0
Total cash and cash equivalents	**95,303**	**31,202**

The effective interest rates on time deposits were between 2.4-3.5% (2001/2002: 3.0-4.0%).
Accrued interest on bank deposits is disclosed in note 4.

2. Shares and other securities

in thousands of euros	31 March 2003	31 March 2002
Investment in AS Elektrikontrollikeskus (37,000 shares)	350	350
Investment in Krediidipank (6,600 shares)	4	4
Total investments and other securities	**354**	**354**

AS Elektrikontrollikeskus is wholly owned subsidiary of Eesti Energia AS. The subsidiary has not been consolidated, because it is planned to be sold in nearest future.

3. Trade receivables

in thousands of euros	31 March 2003	31 March 2002
Short-term trade receivables		
Accounts receivable for		
Electricity	35,801	30,568
Heat	14,160	11,284
Other	5,708	4,628
Total accounts receivable	**55,669**	**46,481**
Allowance for doubtful receivables for		
Electricity	-2,069	-1,917
Heat	-7,360	-4,417
Other	-211	-469
Total allowance for doubtful receivables	**-9,641**	**-6,804**
Total short-term trade receivables	**46,028**	**39,677**
Long-term trade receivables	**194**	**0**
Total trade receivables	**46,222**	**39,677**
Allowance for doubtful receivables at beginning of period	**-6,804**	**-9,304**
Allowance made during the financial year	-6,478	-3,743
Receipt of receivables written down in previous periods	2,527	5,177
Receivables written off	1,114	1,065
Allowance for doubtful receivables at end of period	**-9,641**	**-6,804**

4. Accrued income

in thousands of euros	31 March 2003	31 March 2002
Construction contract work in progress	1,505	1,350
Estimated accrued sales of the electricity related to unsubmitted meter readings	1,318	0
Interest receivable on bank deposits	254	141
Insurance indemnification	0	1,874
Total accrued income	**3,077**	**3,365**

Construction contract work in progress

in thousands of euros	31 March 2003	31 March 2002
Contract costs incurred plus recognised profits to date	1,983	1,534
Advances received	-477	-184
Construction contract work in progress	**1,505**	**1,350**
Total contract revenue recognised during the period	7,472	8,423
Total contract cost recognised during the period	7,025	7,889

5. Prepaid expenses

in thousands of euros	31 March 2003	31 March 2002
Short-term prepaid expenses		
Prepaid taxes		
Prepaid VAT	3,460	386
Other	0	2
Total prepaid taxes	**3,460**	**388**
Other prepaid expenses		
Insurance premiums	3,878	3,327
Prepayments for services	458	581
Other	57	80
Total other prepaid expenses	**4,394**	**3,987**
Total short-term prepaid expenses	**7,854**	**4,375**
Long-term prepaid expenses		
Insurance premiums	0	881
Total long-term prepaid expenses	**0**	**881**
Total prepaid expenses	**7,854**	**5,256**

6. Inventories

in thousands of euros	31 March 2003	31 March 2002
Materials		
Carried at cost	5,987	6,689
Carried at net realisable value	23	0
Total materials	**6,010**	**6,689**
Work in progress (at cost)		
Extracted oil shale	3,754	3,313
Stripping works at surface mines	966	480
Other	386	316
Total work in progress	**5,106**	**4,110**
Finished goods (at cost)		
Shale oil	391	438
Other	47	102
Total finished goods	**438**	**541**
Prepayments to suppliers	**45**	**166**
Total inventories	**11,600**	**11,505**

During the financial year the Group wrote down spoilt and slow-moving inventories in a total amount of 314,000 euros (in 2001/2002 977,000 euros) (note 28).

7. Subsidiaries and associates

Company	Location	Core activity	Number of shares	Par value of a share	Stake(%) 31. 03. 2003
Subsidiaries					
AS Narva Elektrijaamad	Estonia	Generation of electricity and heat	50,000,000	10 EEK	100.0
AS Eesti Põlevkivi	Estonia	Oil shale mining	443,430	1000 EEK	100.0
AS Kohtla-Järve Soojus	Estonia	Generation of electricity and heat	923,613	100 EEK	59.2
Televõrgu AS	Estonia	Telecommunication services	2,500,000	10 EEK	100.0
AS Energoremont	Estonia	Production of metal products	1,000,000	10 EEK	100.0
AS Elektriteenused	Estonia	Maintenance, repair and construction of networks	2,000,000	10 EEK	100.0
AS Elpec	Estonia	Design and engineering of energy systems	1,500	1000 EEK	100.0
AS Elektrikontrollikeskus (note 2)	Estonia	Control of electrical equipment	37,000	100 EEK	100.0

All shares, except for the 49% shares of AS Eesti Põlevkivi, were also owned by the Group on 31 March, 2002 (see note 8).

Subsidiaries of AS Eesti Põlevkivi					
Põlevkivi Kaevandamise AS	Estonia	Oil shale mining	400,000	1000 EEK	100.0
AS Põlevkivi Raudtee	Estonia	Transport	104,000	1000 EEK	100.0
AS Mäetehnika	Estonia	Mining machinery repair	26,100	1000 EEK	100.0

At the end of the financial year 2001/2002, the subsidiaries of AS Eesti Põlevkivi included also AS Estonia Kaevandus, AS Viru Kaevandus, AS Narva Karjäär and AS Aidu Karjäär, which were merged with Põlevkivi Kaevandamise AS in October, 2002.

Subsidiary of AS Narva Elektrijaamad					
AS Narva Soojusvõrk	Estonia	Distribution and sale of heat	8,126	1000 EEK	66.0
Subsidiary of AS Energoremont					
AS ER Baltic Electrotechnics and automation	Estonia	Assembly, installation and maintenance of power equipment	61,058	10 EEK	100.0
Associates					
DC Baltija	Latvia	Power control and management in the Baltic countries	67,482	20 LVL	33.3
Orica Eesti OÜ	Estonia	Production of explosives	1	58,800 EEK	35.0

Investments in associates

in thousands of euros	Book value at 31 March 2002	Share in associates' profit/loss	Dividends received	Write-down	Book value at 31 March 2003
DC Baltija	876	-149	0	0	727
OÜ Majahaldjas	5	0	0	-5	0
Orica Eesti OÜ	1,828	1,323	-1,103	0	2,047
Total investments in associates	**2,709**	**1,173**	**-1,103**	**-5**	**2,774**

The investment in OÜ Majahaldjas is planned to be sold.

8. Acquisitions

in thousands of euros	Acquisition cost	Net assets acquired	Goodwill
Acquisition of 49% of shares of AS Eesti Põlevkivi	36,941	34,209	2,732

On 10 January, 2003, the Republic of Estonia made a non-monetary contribution into the share capital of Eesti Energia AS by transferring 49% of the shares of AS Eesti Põlevkivi to Eesti Energia (see also note 23).
After that transaction, AS Eesti Põlevkivi is a wholly owned subsidiary of Eesti Energia Group.

9. Tangible assets

in thousands of euros	Land	Buildings	Construc-tions	Plant and equipment	Other	Total
Balance at 31 March 2002						
Acquisition cost	420	104,255	684,505	556,327	1,528	1,347,034
Accumulated depreciation		-59,732	-231,166	-239,879	-913	-531,691
Opening net book value	**420**	**44,523**	**453,339**	**316,448**	**614**	**815,343**
Construction and renovation in progress	0	1,502	5,732	27,546	0	34,779
Prepayments	515	168	18	1,895	0	2,595
Total balance at 31 March 2002	**934**	**46,192**	**459,089**	**345,888**	**614**	**852,718**
Movements for the period						
Acquisitions	146	6,199	40,272	191,046	448	238,111
Non-monetary contribution to share capital (note 23)	3,503	0	0	0	0	3,503
Depreciation	0	-4,017	-26,311	-46,575	-287	-77,190
Impairment charge	0	-795	0	-600	0	-1,395
Disposals	-54	-528	-40	-124	0	-745
Reclassification	0	979	-19,923	18,944	0	0
Total movements for the period	**3,595**	**1,838**	**-6,001**	**162,690**	**161**	**162,283**
Balance at 31 March 2003						
Acquisition cost	4,268	109,405	693,465	621,999	1,924	1,431,061
Accumulated depreciation	0	-61,727	-251,570	-279,391	-1,149	-593,838
Closing net book value	**4,267**	**47,677**	**441,895**	**342,607**	**775**	**837,223**
Construction and renovation in progress	0	332	11,174	165,035	0	176,541
Prepayments	261	21	18	936	0	1,237
Total balance at 31 March 2003	**4,529**	**48,030**	**453,088**	**508,579**	**775**	**1,015,001**

The impairment charge was recognised in AS Kohtla-Järve Soojus combined heat and power plant (electricity and heat production segment). The recoverable amount (the higher of the value in use or net selling price) was determined by projecting the company's operating cash flows for the next 5 years. Cash flows were discounted at 10%.

Included within construction in the progress balances is 155,315,000 euros of the renovation cost of Narva Power Plants' power units (as of the 31st of March, 2002 22,039,000 euros).

10. Intangible assets

in thousands of euros	Goodwill				Other intangible assets
	AS Eesti Põlevkivi	AS Elpec	AS Narva Soojusvõrk	Total goodwill	
Balance at 31 March 2002					
Acquisition cost	0	44	37	82	13
Accumulated amortisation	0	-11	-13	-24	0
Total balance at 31 March 2002	**0**	**33**	**24**	**57**	**13**
Movements in the period					
Acquisition (note 8)	2,732	0	0	2,732	0
Amortisation	-53	-9	-7	-69	-7
Balance at 31 March 2003					
Acquisition cost	2,732	44	37	2,814	13
Accumulated amortisation	-53	-20	-20	-93	-7
Total balance at 31 March 2003	**2,680**	**24**	**17**	**2,721**	**7**

The goodwill arising from the acquisition of 49% of the shares of AS Eesti Põlevkivi has an estimated useful life of 13 years. The estimate of the useful life is affected by the agreement that was concluded with the EU to extend the transition period until 2016 with respect to the liberalisation of the electricity market and the application of the air pollution standards to oil shale fired power plants. Other items of goodwill are estimated to have a useful life of 5 years. Other intangible assets include expenditure of 13,000 euros incurred by AS Energoremont for the accreditation of its lab. The amount will be expensed within two years.

11. Short-term bank loans

In March 2003, a group subsidiary, AS Kohtla-Järve Soojus, refinanced its loan from Hansabank of 1,055,000 euros. The interest rate of the loan is 6,3%, and it is to be repaid in March 2004. The loan is secured with trade receivables and other proprietary rights in a total amount of 639,000 euros.

12. Finance lease (group as lessee)

Group subsidiary AS Kohtla-Järve Soojus leases motor vehicles, special equipment and computers under finance lease. Interest rates are between 6,0 to 11,1%. The contracts will end on 30.5.2006 at the latest.

Tangible assets leased under finance lease

in thousands of euros	Balance at 31 March 2002	New contracts	Depreciation	Terminated contracts	Balance at 31 March 2003
Cost	258	47	0	-33	272
Depreciation	-111	0	-40	33	-117
Net book value	**147**	**47**	**-40**	**0**	**154**

Lease liabilities (present value)

in thousands of euros	Balance at 31 March 2002	New contracts	Depreciation	Terminated contracts	Balance at 31 March 2003
Original lease liabilities	258	47	0	-33	272
Paid	-234	0	-38	33	-239
Total lease liabilities	**25**	**47**	**-38**	**0**	**33**

Finance lease payments in the next year will be 12,000 euros and in the following 3 years 21,000 euros.

13. Operating lease

in thousands of euros	Year ended 31 March 2003	2002
Revenue from operating lease (Group as a lessor)		
Buildings	434	544
Constructions	15	0
Total revenue from operating lease	**449**	**544**
Operating lease expenses (Group as a lessee)		
Buildings	363	379
Motor vehicles	1,402	1,223
Other equipment	56	44
Total expense from operating lease	**1,821**	**1,647**

Tangible assets leased out under operating lease	31 March 2003	31 March 2002
Acquisition cost	7,066	3,604
Accumulated depreciation	-1,973	-1,063
Net book value	**5,094**	**2,541**

Operating lease commitments	Not later than 1 year	Later than 1 and not later than 5 years	Later than 5 years
Lease receivables (Group as lessor)	475	573	3,579
Lease payments (Group as lessee)	1,478	4 434	288

14. Trade payables

in thousands of euros	31 March 2003	31 March 2002
Short-term trade payables		
Payables for tangible fixed assets	33,828	14,552
Payables for fuel	3,050	2,562
Other payables for goods and services	13,512	13,654
Total short-term trade payables	**50,390**	**30,768**
Long-term trade payables		
Payables for tangible fixed assets	5,223	541
Total long-term trade payables	**5,223**	**541**
Total trade payables	**55,613**	**31,308**

According to the contract for the renovation of power units between Narva Elektrijaamad (Narva Power Plants) and Foster Wheeler Energia Oy (contractor), 10% of the contract payments are retained until the launch of the power units. As of the 31st of March, 2003, the retained amount included in payables for tangible fixed assets totalled 15,463,000 euros (comprising in the short-term part of 10,240,000 euros and in the long-term part of 5,223,000 euros).

15. Other payables

in thousands of euros	31 March 2003	31 March 2002
Payables to associates	970	735
Receipts from unknown payers	329	577
Payables to AS Elektrikontrollikeskus (note 2)	272	190
Other miscellaneous payables	170	224
Total other payables	**1,741**	**1,725**

16. Taxes payable

in thousands of euros	31 March 2003	31 March 2002
Short-term tax liabilities		
Pollution tax	4,338	2,009
Social tax	3,295	2,400
Withheld personal income tax	2,251	1,473
Charges payable for the use of natural resources	1,872	1,686
VAT	214	566
Unemployment tax	143	99
Withheld penson fund contributions	56	0
Accrued social tax	53	0
Income tax payable on fringe benefits	20	14
Land tax	14	10
Tax interest payables	11	11
Corporate income tax	4	4
Total short-term tax liabilities	**12,273**	**8,271**
Long-term tax liabilities		
Deferred social tax interest payables	458	473
Total long-term tax liabilities	**458**	**473**
Total tax liabilities	**12,731**	**8,744**

Deferred social tax interest payables are related to AS Kohtla-Järve Soojus and will be paid in installments from January 2004 till December 2006.

In Estonia, corporate income tax is paid upon distribution of dividends. As of the 31st of March, 2003, Eesti Energia AS has to transfer at the minimum 1,879,000 euros of net profit to the statutory reserve (see note 23) and the remaining retained earnings amount to 14,653,000 euros. If the total amount of retained earnings would be paid out as dividends, the group would be liable to an income tax of 3,810,000 euros and thus the maximum possible amount of net dividends which can be distributed is 10,843,000 euros. Eesti Energia AS has not paid dividends in the past and has no plans to distribute dividends in the near future.

17. Other accrued expenses

in thousands of euros	31 March 2003	31 March 2002
Dividends payable	398	398
Liabilities related to NRG Energy deal	260	1 795
Obligation to return the electricity received from Latvenergo	0	3 521
Other accrued expenses	144	720
Total other accrued expenses	**802**	**6,434**

Dividends payable represents the dividends payable by AS Eesti Põlevkivi to the State. Dividends were declared before Eesti Energia became the owner of AS Eesti Põlevkivi.

18. Derivatives

The Group has concluded two interest rate swap agreements with Westdeutsche Landesbank Girozentrale to swap a floating interest rate into a fixed interest rate. Agreements were concluded on 3nd April, 2002, and meet the criteria of cash flow hedges.

in thousands of euros	Start date	Maturity date	Notional amount	Fair value at 31 March 2003
Agreement (1)	17.6.2002	16.6.2006	15,000	-1,167
Agreement (2)	21.6.2002	13.6.2006	50,000	-3,711
Total			**65,000**	**-4,878**

Hedging reserve in thousands of euros	
Balance at 31 March 2002	0
Change in the fair value of the swap agreements	-4,878
Transfer to the income statement (note 33)	403
Hedging reserve as at 31 March 2003	**-4,474**

19. Provisions

in thousands of euros	Balance as at 31 March 2002	Recognition and changes in estimates	Interest charge	Utilisation	Balance as at 31 March 2003 Short-term	Long-term
Environmental and mining termination provisions	21,094	1,915	1,325	-2,269	5,059	17,007
Provision for pensions	2,547	-427	166	-365	528	1,392
Provision for retraining allowances	840	0	0	-787	53	0
Total provisions	**24,481**	**1,488**	**1,491**	**-3,421**	**5,640**	**18,399**

Environmental and mining termination provisions are established for:

- restoring land damaged by mining;
- cleaning contaminated land surface;
- restoring the ruined water supply as a result of mining activities;
- closing landfills and utilizing waste;
- liquidating asbestos in power plants.

During the reporting period, Balti Power Plant's 2nd ash field re-cultivation preliminary project was completed. As the European Commission agreed to finance 84% of the costs of 7,106,000 euros related to the closing and re-cultivating of the ash fields from non-repayable ISPA funds, the provision for closing off the ash fields has been decreased by that amount.

During the reporting period, the preliminary projects for closing the landfills of Balti and Eesti Power Plants have been completed, according to which the adjustments to the respective provisions have been made.

Pension and retraining scholarship provisions were made in Eesti Põlevkivi. According to the decision of the management, employees retired between 1 April, 2001, and 31 December, 2006, will be entitled to a company pension of a fixed amount. No pensions will be paid after 1 January, 2007.

Some former employees of Eesti Põlevkivi who met certain criteria and registered themselves as unemployed until 30 November, 2002, are entitled to receive a retraining scholarship which is payable in a lump sum.

Long-term provisions have beed discounted at 8%.

20. Debt securities

In order to finance extensive investment plans, including the renovation of power units in Narva Elektrijaamad (Narva Power Plants), Eesti Energia AS has issued 7-year, 6% fixed interest rate, bearer bonds in the total amount of 200,000,000 euros. The bonds are listed on the Luxembourg Stock Exchange.

in thousands of euros	
Notional amount of bonds	200,000
Proceeds from issue	197,260
Amortization of the difference	222
Balance as at 31 March 2003	**197,482**
Market value as at 31 March 2003	213,801

21. Long-term bank loans

in thousands of euros

Principle amount of loans and maturity

Creditor	Total amount available	As at 31 March 2003		As at 31 March 2002		Year of final settlement
		used	unused	used	unused	
Nordic Investment Bank	13,000	13,000	0	13,000	0	2009
Nordic Investment Bank	15,000	15,000	0	15,000	0	2012
Syndicate loan	50,000	50,000	0	50,000	0	2006
Kreditinstalt für Wiederaufbau	90,000	0	90,000	0	0	2017
Nordic Investment Bank	60,000	0	60,000	0	0	2017
Bankers Trust	0	0	0	10,000	0	2004
Syndicate loan	0	0	0	35,000	0	2005
Total long-term bank loans	**228,000**	**78,000**	**150,000**	**123,000**	**0**	

All loans are denominated in euros. Interest rates are floating; the weighted average interest rate is 6 months EURibor + 0.97% as of 31 March, 2003 (31 March 2002: 6 months EURibor + 0.88%). The floating interest rates of the syndicate loan in the amount of 50,000,000 euros (until the end of the loan period) and of the Nordic Investment Bank loan in the amount of 15,000,000 euros (until 2006) are fixed by means of interest rate swap, having the weighted average interest rate of 5.8% (see Note 18).

During the reporting period, the following two loans were prematurely repaid using the receipts from the bond issue:

1) Syndicate loan in the amount of 35,000,000 euros with the initial due date of 2005;

2) Loan from Bankers Trust Luxembourg S.A., in the amount of 10,000,000 euros with the initial due date of 2004.

According to the management's estimates, the market value of the loans does not materially differ from their book value as on the balance sheet date.

Movements of long-term bank loans

Balance as at 31 March 2002 (amortised cost)	122,197
Paid loan fees	-1,050
Amortisation of loan fees	497
Repayment of loans	-45,000
Balance as at 31 March 2003 (amortised cost)	**76,644**

Maturities of long-term bank loans (principle amounts)

	31 March 2003	31 March 2002
< 1 year	0	0
> 1 < 5 years	62,558	105,416
> 5 years	15,442	17,584
Total long-term bank loans	**78,000**	**123,000**

22. Prepaid income

in thousands of euros	
Balance at 31 March 2002	
Connection fees received	23,072
Accumulated amortisation	-1,611
Net book value at 31 March 2002	**21,460**
Movements during 1 April 2002 - 31 March 2003	
Connection fees received during the period	9,219
Recognised as income in return of operating expenses related to new connections	-251
Amortised to income	-989
Balance at 31 March 2003	
Connection fees received	32,040
Accumulated amortisation	-2,600
Net book value at 31 March 2003	**29,440**

Connection fees are amortised to income over 20 - 33 years.

23. Share capital and share premium

Eesti Energia AS has 66,413,000 registered shares. The par value of a share is 100 EEK (about 6.4 euros). The sole shareholder is the Republic of Estonia. The administrator of the shares and the executor of the shareholder's rights is the Ministry of Economic Affairs. At the general meeting, the Ministry is represented by the Minister of Economic Affairs.

According to the Order of the Estonian Government no. 612-k, dated 17.9.2002, the share capital of Eesti Energia AS was increased to 427,958,000 euros by issuing 548,000 new shares with a nominal value of 100 kroons. In return for the new shares, 1,719 real estate items will be transferred to Eesti Energia as a non-monetary contribution. The fair value of the real estates transferred to the group is estimated to be 3,503,000 euros (the valuation has been reviewed by AS KPMG Estonia). The registration of the ownership transfers of the real estates was completed on 20 May, 2003. Eesti Energia AS has filed an application to the Commercial Registry to register the share capital increase, as at the date of approval of these financial statements the shares were not yet registered.

According to the Order of the Estonian Government no. 17-k, dated 8.1.2003, the share capital of Eesti Energia AS was increased to 464,899,000 euros by issuing 5,780,000 new shares with the nominal value of 100 kroons. The share issue was paid by a non-monetary contribution of 217,280 shares (49%) of Eesti Põlevkivi AS with the fair value of 36,941,000 euros (the valuation has been reviewed by AS PricewaterhouseCoopers; see also Note 8)). Since the registration of the previous share capital increase was not yet finalized in the Commercial Registry, the latter booking was set aside until the completion of real estate ownership transfer documents. Both applications were submitted to he Commercial Registry at the same time; as at the date of approval of these financial statements the shares were not yet registered.

The Commercial Code requires companies to establish a statutory reserve. The minimum amount of the reserve is one tenth of the share capital. Until the required level has been attained, companies have to transfer to the reserve one twentieth of their net profit for the financial year. In accordance with the Commercial Code, the statutory reserve and share premium may be used to cover retained losses and to increase share capital.

Eesti Energia AS has not paid dividends and is not planning to pay dividends in the near future because of continuing need for financing.

24. Net sales

in thousands of euros	Year ended 31 March	
	2003	**2002**
Sales by activity		
Sale of goods		
Electricity	286,566	241,253
Heat	38,934	33,255
Oil shale	14,846	13,746
Shale oil	9,439	7,727
Power equipment	6,604	7,107
Oil shale ash	376	359
Other	352	541
Total sale of goods	**357,117**	**303,989**
Sale of services		
Repair and construction services	1,412	1,632
Connection fees	1,240	1,034
Telecommunication services	1,150	1,022
Leasing and maintenance of premises	456	549
Transport services	429	941
Other	861	482
Total sale of services	**5,549**	**5,660**
Other sales		
Scrap metal	2,026	2,174
Other	969	1,291
Total sale of goods	**2,995**	**3,465**
Total net sales	**365,661**	**313,114**
Sales by market		
Estonia	333,490	288,623
Export		
Latvia	23,200	12,378
Russia	5,714	6,570
Finland	2,785	4,761
Other	472	781
Total export	**32,171**	**24,490**
incl. export of electricity and transmission services	28,623	18,742
Total net sales	**365,661**	**313,114**

Energy sales in quantitive terms

MWh	Year ended 31 March	
	2003	**2002**
Sales of electricity		
Estonia	5,368,771	5,275,776
Exports	1,562,092	790,764
Total sales of electricity	**6,930,863**	**6,066,540**
Sales of heat	2,361,046	2,168,729

25. Changes in electricity prices

Eesti Energia has a monopoly for the generation, transmission and distribution of electricity in Estonia. Therefore, maximum domestic sales prices are approved by the Estonian Energy Market Inspectorate, which subordinates the Ministry of Economic Affairs.

The last increase in electricity prices occurred on 1 April, 2002, ie: at the beginning of the reporting period. Due to the increase in electricity prices a number of customers made advance payments at the end of the previous financial year. The electricity sales reported in last year's financial statements were partly based on the readings submitted by the customers.

As the latter analysis indicated, the actual electricity consumption and the respective sales were lower than reported. Therefore, in these financial statements the last year's comparatives have been adjusted by decreasing the electricity sales by 50,297 MWh in the amount of 2,118,000 euros (see also Note 36).

26. Other revenue

in thousands of euros	Year ended 31 March	
	2003	2002
Gains on sale of tangible assets	944	948
Fines for late payments and penalties	928	3,165
Other revenue	277	735
Income related to the NRG deal	0	15,049
Receipt of doubtful receivables	0	1,435
Total other revenue	**2,149**	**21,331**

On 31 March, 2000, the Republic of Estonia made a non-monetary contribution to the share capital of Eesti Energia AS, with the 51% shares of AS Eesti Põlevkivi. The difference of 15,049,000 euros between consideration given (shares of Eesti Energia) and consideration received (shares of Eesti Põlevkivi) was regarded as a government grant to cover losses which would arise if NRG Energy would have privatised Narva Elektrijaamad (Narva Power Plants).
As in the preceding financial year the negotiations with NRG Energy were cancelled and the above privatisation deal was dropped, the amount of 15,049,000 euros was recognized as an income.

27. Government grants

In accordance with the agreements concluded between the Ministery of Environmental Affairs and AS Narva Elektrijaamad, AS Narva Elektrijaamad undertook to renovate the power plant electrostatic precipitators and to reduce the emission of pollutants into the atmosphere to an agreed extent. In exchange, AS Narva Elektrijaamad acquired the right to reduce the pollution charges. In the reporting period the pollution charges were reduced by a grant of 1,386,000 euros (in the previous financial year 5,033,000 euros).

Eesti Energia AS and the Foundation of Environmental Investment Centre signed a contract to build nests for the storks, whereas the latter institution paid for the set up of nests according to the costs inccurred by Eesti Energia AS. In the reporting period, 19,000 euros of grants were recognized as a government grant.

28. Materials, consumables and supplies

in thousands of euros	Year ended 31 March	
	2003	2002
Maintenance and repair relating to:		
Core activity installations and equipment	22,379	23,420
Buildings and premises	3,961	4,488
Disassembly and waste management	3,297	6,758
Machinery and transport vehicles	1,601	1,564
Liquidation of storm damages	355	953
Total maintenance and repair	**31,592**	**37,183**
Technological fuel		
Oil shale	5,204	8,569
Other technological fuel	20,050	16,119
Total technological fuel	**25,254**	**24,687**
Other production-related materials	16,170	14,344
Repair supplies	18,870	16,586
Charge for use of natural resources	6,588	6,245
Fuel for machinery and transport vehicles	6,098	5,897
Electricity	4,262	8,571
Sub-contracting	1,520	2,111
Other services	1,500	2,174
Heat, steam, water	776	1,065
Goods sold	450	1,771
Tools, other equipment and fixtures	423	426
Write-down of inventories	314	977
Change in work in progress and finished goods balances	-895	284
Total materials, consumables and supplies	**112,923**	**122,321**

29. Other operating expenses

in thousands of euros	Year ended 31 March	
	2003	**2002**
Environmental pollution charges	13,225	10,926
Security, insurance and work safety	10,700	6,881
Loss from doubtful receivables	3,950	0
Recognition of environmental and mining termination provisions	1,915	6,981
Miscellaneous office expenses	2,743	2,133
Research and consultations (note 30)	1,843	5,148
Operating lease (note 13)	1,821	1,647
Office supplies and equipment	1,553	1,037
Telecommunication expenses	1,471	1,499
IT expenses	1,318	1,134
Training	825	702
Public relations and information management	703	920
Business travel	427	410
Miscellaneous charges and duties	365	513
Total other operating expenses	**42,859**	**39,930**

30. Research and development costs

in thousands of euros	Year ended 31 March	
	2003	**2002**
Technical consultations	736	481
Business and management consultations	265	960
Expenses related to the deal with NRG Energy	202	3,068
Legal advice	146	174
Other consultations	494	465
Total research and consultations	**1,843**	**5,148**
Training	825	702
Other development costs	144	132
Total research and development costs	**2,812**	**5,981**

31. Payroll expenses

	Year ended 31 March	
	2003	**2002**
Number of employees		
Number of employees at beginning of period	10,029	10,737
Number of employees at end of period	9,676	10,029
Average number of employees	9,768	10,349
in thousands of euros		
Payroll expenses		
Wages, salaries, bonuses and vacation pay	59,397	56,676
Average monthly wage (euros)	507	456
Benefits to employees	1,509	1,316
Termination benefits	504	828
Total disbursements to employees	**61,410**	**58,820**
Social tax	20,675	19,719
Unemployment insurance premiums	304	112
Provision for pensions (see note 19)	-427	-212
Provision for retraining allowances (see note 19)	0	1,324
Non-recurring contractor`s fees	392	377
Other benefits	144	223
Fringe benefits	389	357
Income tax on fringe benefits	221	166
Total payroll expenses	**83,107**	**80,886**
Incl. renumerations to management and supervisory boards (incl. subsidiaries):		
Salaries	730	608
Termination benefits	9	0
Fringe benefits	40	35
Social tax	257	212
Total renumerations to board members	**1,036**	**854**
Capitalised in the cost of self-constructed tangible assets:		
Wages and salaries	-1,566	-983
Social tax and unemployment insurance tax	-524	-327
Total capitalised amount	**-2,090**	**-1,310**
Covered with mining termination provision		
Wages and salaries	-404	-1,005
Social tax and unemployment insurance premiums	-135	-332
Total covered with provisions	-539	-1,336
Total payroll expenses	**80,478**	**78,240**

In the case of expiry or termination of the service contract, members of the management boards are entitled to an indemnification equal to their 3 - 6 months' salary.

32. Other expenses

in thousands of euros	Year ended 31 March	
	2003	**2002**
Non-business expenses	670	492
Loss from sale of tangible assets	95	252
Fines for late payments and other penalties	59	105
Other	131	304
Total other expenses	**955**	**1,153**

33. Interest income and expense

in thousands of euros	Year ended 31 March	
	2003	2002
Interest income		
Interest income from bank deposits and short-term placements to money market and interest funds	2,945	1,233
Interest income from trade receivables	13	17
Other	0	1
Total interest income	**2,957**	**1,251**
Interest expense		
Interest expense on long-term bonds	8,442	0
Interest expense on long-term bank loans	5,371	6,078
Loss on interest rate swaps (note 18)	403	0
Interest expense on short-term debt securities and loans	254	51
Interest expense on finance lease	3	18
Other	44	51
Total interest expense	**14,518**	**6,198**

34. Transactions with related parties

in thousands of euros	Year ended 31 March	
	2003	2002
Transactions with associated companies		
Purchases	10,430	9,379
Sales	18	16
Transactions with companies related to the members of Supervisory Board		
Purchases of goods and services	1,311	0
Acquisition of tangible assets	2,103	0

Remunerations of members of Supervisory and Management Boards are presented in note 31.

In the case of sales of electricity, the prices are set by the Estonian Energy Market Inspectorate. All other transactions are carried out at market prices. In the case where the market price does not exist, the agreement prices are used.

35. Segment reporting

For segment reporting purposes, the group's business units and subsidiaries are divided into busines segments based on the internal management reporting structure and statutory requirements stipulated in the Energy Act of Estonia. The Energy Act of Estonia requires separate accounting to be held for electricity production, transmission, distribuition and sales.

Operating revenues and expenses are allocated to different segments based on internal invoices. The pricing of inter-segment transfers is based on the prices approved by the Estonian Energy Market Inspectorate, or if not available, on the market prices. If no market prices exist, the internal prices are affirmed by the budget committee of the Group.

No information on geographical segments is presented, as all significant activities of the Group take place in Estonia.
For segment reporting, the companies and units are divided into the following business segments:

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

35. Segment reporting (continued)

Business segments' number of employees

	Oil shale mining	Production of electricity and heat	Trans-mission of electricity	Distri-bution of electricity	Sales and customer service	Support services	Total Group
Period 1 April 2002 - 31 March 2003							
Number of employees at 1 April 2002	4,913	2,334	162	946	412	1,262	**10,029**
Number of employees at 31 March 2003	4,617	2,286	162	966	401	1,244	**9,676**
Average number of employees	4,708	2,306	157	960	402	1,235	**9,768**
Period 1 April 2001 - 31 March 2002							
Number of employees at 1 April 2001	5,528	2,435	158	966	368	1,282	**10,737**
Number of employees at 31 March 2002	4,913	2,334	162	946	412	1,262	**10,029**
Average number of employees	5,221	2,370	159	949	387	1,263	**10,349**

Business segments` income statements for the period 1 April 2002-31 March 2003

in thousands of euros	Oil shale mining	Production of electricity and heat	Trans-mission of electricity	Distri-bution of electricity	Sales and customer service	Support services	Intra-group eliminations	Total Group
Revenue								
Net sales								
External revenue	16,492	55,157	4,037	1,455	279,040	9,480	0	**365,661**
incl. Estonia	16,476	50,834	2,259	1,320	256,119	6,483	0	**333,490**
incl. exports	16	4,323	1,779	135	22,921	2,997	0	**32,171**
Intra-group revenue	94,831	205,625	51,104	125,609	44,574	27,059	-548,802	**0**
Total	111,322	260,782	55,142	127,064	323,613	36,539	-548,802	**365,661**
Other revenue	578	1,480	112	110	622	652	-1	**3,554**
Total revenue	111,900	262,262	55,254	127,175	324,236	37,191	-548,802	**369,215**
Expenses								
Externally purchased materials, consumables and supplies	-32,536	-53,825	-5,167	-8,795	-1,667	-14,540	3,607	**-112,923**
Internally purchased materials, consumables and supplies	-8,165	-101,147	-21,194	-72,557	-330,179	-675	533,918	**0**
Total materials, consumables and supplies	-40,701	-154,972	-26,362	-81,352	-331,845	-15,216	537,525	**-112,923**
Other operating expenses	-6,578	-26,445	-2,767	-5,432	-5,717	-5,803	9,884	**-42,859**
Payroll expenses	-36,709	-19,005	-1,961	-8,455	-3,342	-12,400	1,393	**-80,478**
Other expenses	-436	-254	-10	-40	-19	-197	0	**-955**
Operating profit before depreciation	27,476	61,586	24,154	31,896	-16,687	3,576	0	**132,001**
Depreciation	-10,834	-21,578	-18,116	-23,269	-256	-3,211	0	**-77,266**
Impairment	0	-1,395	0	0	0	0	0	**-1,395**
Total expenses	-95,258	-223,649	-49,216	-118,548	-341,179	-36,826	548,802	**-315,875**
Operating profit/loss	16,642	38,612	6,038	8,627	-16,943	365	0	**53,340**
Share of profit/loss in associates' result	1,323	0	-149	0	0	0	0	**1,173**
Other financial incomes and expenses								**-13,201**
Profit before minority interest								**41,312**
Minority interest								**-3,737**
Net profit for the period								**37,576**

35. Segment reporting (continued)

Business segments' income statements for the period 1 April 2001 - 31 March 2002

in thousands of euros	Oil shale mining	Production of electricity and heat	Trans-mission of electricity	Distri-bution of electricity	Sales and customer service	Support services	Intra-group eliminations	Total Group
Revenue								
Net sales								
External revenue	16,553	46,474	5,022	1,592	233,360	10,113	0	**313,114**
incl. Estonia	16,552	43,108	1,772	1,592	221,098	4,012	0	**288,134**
incl. exports	2	3,366	3,249	0	12,262	6,101	0	**24,979**
Intra-group revenue	87,635	165,746	42,463	96,479	33,500	26,702	-452,524	**0**
Total	104,188	212,220	47,484	98,070	266,860	36,816	-452,524	**313,114**
Other revenue	707	6,958	88	218	2,859	16,345	-812	**26,364**
Total revenue	104,895	219,178	47,572	98,289	269,719	53,161	-453,336	**339,478**
Expenses								
Externally purchased materials, consumables and supplies	-29,767	-59,790	-7,507	-10,307	-4,435	-13,636	3,122	**-122,321**
Internally purchased materials, consumables and supplies	-7,394	-100,065	-15,492	-60,596	-252,692	-880	437,119	**0**
Total materials, consumables and supplies	37,161	-159,855	-22,999	-70,903	-257,127	-14,516	440,240	**-122,321**
Other operating expenses	11,059	-18,118	-2,736	-5,191	-4,443	-10,402	12,020	**-39,930**
Payroll expenses	-36,706	-18,079	-1,763	-8,234	-3,119	-11,406	1,068	**-78,240**
Other expenses	-534	-207	-9	-34	-68	-310	8	**-1,153**
Operating profit before depreciation	19,435	22,919	20,065	13,926	4,962	16,527	0	**97,835**
Depreciation	-9,915	-19,233	-16,248	-20,897	-273	-3,610	0	**-70,176**
Total expenses	-95,375	-215,492	-43,755	-105,259	-265,030	-40,244	453,336	**-311,819**
Operating profit/loss	9,520	3,686	3,817	-6,971	4,689	12,917	0	**27,659**
Share of profit/loss in associates' result	515	0	24	0	0	0	0	**539**
Other financial incomes and expenses								**-6,390**
Profit before minority interest								**21,807**
Minority interest								**-5,352**
Net profit for the period								**16,455**

Business segments' balance sheet as of 31 March 2003

in thousands of euros	Oil shale mining	Production of electricity and heat	Trans-mission of electricity	Distri-bution of electricity	Sales and customer service	Support services	Intra-group eliminations	Total Group
Current assets	52,828	34,351	671	597	35,919	70,898	-30,994	**164,269**
Non-current assets	54,511	328,966	276,888	337,115	375	22,841	0	**1,020,697**
incl shares in associates	2,047	0	727	0	0	0	0	**2,774**
Total assets	107,339	363,317	277,560	337,712	36,294	93,740	-30,994	**1,184,966**
Liabilities related to operating activities								
Current liabilities	21,714	55,972	4,318	9,364	12,266	21,293	-30,639	**94,289**
Non-current liabilities	9,859	13,763	1,007	28,433	0	0	0	**53,061**
Total liabilities related to operating activities	31,573	69,735	5,325	37,797	12,266	21,293	-30,639	**147,350**
Borrowings								**275,672**
Total liabilities								**423,022**

35. Segment reporting (continued)

Business segments' balance sheets as of 31 March 2002

in thousands of euros	Oil shale mining	Production of electricity and heat	Trans-mission of electricity	Distri-bution of electricity	Sales and customer service	Support services	Intra-group eliminations	Total Group
Current assets	47,187	39,518	651	1,018	29,145	10,810	-37,819	**90,510**
Non-current assets	44,624	201,025	277,418	312,035	502	20,777	0	**856,379**
incl shares in associates	1,828	0	881	0	0	0	0	**2,709**
Total assets	91,810	240,542	278,069	313,053	29,647	31,587	-37,819	**946 889**
Liabilities related to operating activities								
Current liabilities	19,980	32,288	4,793	7,985	23,222	11,001	-36,043	**63,225**
Non-current liabilities	11,457	7,726	0	21,350	0	0	0	**40,532**
Total liabilities related to operating activities	31,436	40,014	4,793	29,334	23,222	11,001	-36,043	**103,757**
Borrowings								**123,749**
Total liabilities								**227,507**

Business segments' tangible asset acquisitions

in thousands of euros	Oil shale mining	Production of electricity and heat	Trans-mission of electricity	Distri-bution of electricity	Sales and customer service	Support services	Intra-group eliminations	Total Group
Period 1 April 2002-31 March 2003	20,820	153,248	16,590	46,698	146	3,661	-3,052	**238,111**
Period 1 April 2001-31 March 2002	15,556	38,043	21,698	38,460	388	10,115	-6,230	**118,031**

Business segments' cash flows for the period 1 April 2002 - 31 March 2003

in thousands of euros	Oil shale mining	Production of electricity and heat	Trans-mission of electricity	Distri-bution of electricity	Sales and customer service	Support services	Intra-group eliminations	Total Group
Cash flows from operating activities	24,163	66,370	23,250	27,301	-35,725	9,358	110	**114,827**
Cash flows from investing activities	-18,268	-94,753	-15,391	-37,515	-121	-33,054	-3,334	**-202,436**
Cash flows from financing activities	-1,043	28,373	-7,858	10,214	35,803	82,708	3,514	**151,710**
Net increase/decrease in cash	4,851	-10	0	0	-42	59,012	291	**64,101**

Business segments' cash flows in the period 1 April 2001 - 31 March 2002

in thousands of euros	Oil shale mining	Production of electricity and heat	Trans-mission of electricity	Distri-bution of electricity	Sales and customer service	Support services	Intra-group eliminations	Total Group
Cash flows from operating activities	28,562	792	19,850	9,233	10,961	7,166	149	**76,713**
Cash flows from investing activities	-13,280	-62,098	-19,040	-31,590	-368	23,566	1,086	**-101,724**
Cash flows from financing activities	-470	61,133	-809	22,357	-10,560	-48,305	-1,303	**22,043**
Net increase/decrease in cash	14,812	-174	0	0	33	-17,573	-67	**-2,968**

36. The effects of changing accounting methods and principles

in thousands of euros	Impact on retained earnings		
	As at 1 April 2001	2001/2002	As at 1 April 2002
1) Recognition of the connection fees as revenue during the useful life of the constructed fixed assets	-14,103	-4,898	-19,001
2) Recognition of sales of electricity based on the estimates of unreported or incorrectly reported readings	0	-2 118	-2,118
3) Recognition of construction projects revenue by using the percentage of completion method	0	-18	-18
4) Other	92	0	0
Total effect of changing accounting methods and principles on retained earnings	**-14,011**	**-7,033**	**-21,137**

37. Pledged assets, collaterals and guarantees

The loan agreements concluded by Eesti Energia AS lay down certain margins, which are based on the Group's consolidated financial figures and ratios. The margins have not been exceeded.

As of the 31st of March 2003, AS Kohtla-Järve Soojus has pledged the accounts receivable and other proprietary rights arising from contracts in the amount of 639 thousand euros in order to secure a loan from Hansapank. (for the amount of 1,055 thousand euros as of the 31st of March, 2002).

As of the 31st of March, 2003, the following guarantees were valid:

1) On February 8th, 2002, Eesti Energia AS granted a guarantee to Foster Wheeler Energia OY for the liabilities of AS Narva Elektrijaamad arising from the contract between the latter and Foster Wheeler Energia OY which had been signed on the 25th of May, 2001.
   The above contract was signed for the renovation of two power blocks at AS Narva Elektrijaamad in the total amount of 256 million euros. By the end of the reporting period, AS Narva Elektrijaamad had made contractual payments of 129 million euros. Contractual payments by the end of the preceding reporting period had been 22 million euros.
2) As of the 31st of March, 2003, AS Energoremont had secured 17 valid bank guarantees for performance bonds of 918 thousand euros (with a final due date on the 30th of March, 2006) in order to cover the performance of work under the construction contracts. At the end of the preceding reporting period there were: 3 bank guarantees with a total amount of 2,7 million euros (with a final due date of July 31st, 2004).

38. Contingent liabilities

Electricity Prices

As the Group has a monopoly on the production, transmission and distribution of electricity in the Estonian market, the upper limits of the pricing for this closed market are set by the Estonian Energy Market Authority.
According to the agreement with the European Union, Estonia is obliged to open one third of its electricity market by 2009, and the whole market for business clients by 2013. The date for opening up the whole market will be agreed upon before 2013.

Requirement to comply with the air pollution limits

The EU has fully accepted the environmental measures that were proposed in the existing investment plans of AS Narva Elektrijaamad for the years 2002-2006, and also extended until 2016 the transition period for bringing the oil shale fired power plants into compliance with air pollution limits.

Contingent liability to withhold income tax from bond interest payments

Eesti Energia AS has issued bearer bonds in the nominal amount of 200 million euros with an interest rate of 6% per annum (see note 20). Interest is to be paid in full without any deduction or withholding of taxes, which means that all possible tax expenditures are to be borne by the company. On bond issues all initial bondholders met income tax exemption conditions (income tax should not be withheld from interest payments to foreign credit or financial institutions with an income tax rate in the residence country of at least 17.3%). Nevertheless, since the Estonian Tax Law does not include a precise interpretation on the criteria for the receivers of interest payments, then problems might arise in proving the eligibility of the income tax exemption when the interest is paid. As of the 31st of March, 2003, the accrued interest on bonds amounted to 8,219 thousand euros. The maximum amount of income tax that might be withheld totals 2,888 thousand euros. Interest will be paid for the first time on the 24th of July, 2003. This liability item was not noted on the balance sheet since, according to the management's estimates, the receivers of interest payments will most likely meet income tax exemption conditions. Even if some receivers of interest payments would be subject to income tax withholding, the amount cannot be reliably determined at this point in time for the end of the financial year. Eesti Energia AS has applied to the Government of Estonia to amend the Income Tax Act.

39. Off-balance sheet assets

As of the 31st of March, 2003, AS Eesti Põlevkivi had estimated its oil shale reserves of 568,689 thousand tons, comprised of 386,900 thousand tons in underground mines and 181,789 thousand tons in opened mines.

auditor's report

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AUDITOR'S REPORT

To the shareholders of Eesti Energia AS

We have audited the consolidated financial statements of Eesti Energia AS (the Company) and its subsidiaries (the Group) for the financial year ended 31 March 2003 presented in euros as set out on pages 26 to 53. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the financial position of the Group as at 31 March 2003 and of the result of its operations and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards.

Urmas Kaarlep
AS PricewaterhouseCoopers

Ago Vilu
Authorised auditor

30 June 2003

declaration of the management board

The Management Board confirms the correctness and completeness of the consolidated financial statements of Eesti Energia AS and of the Group for the period of April 1, 2002 – March 31, 2003 as set out on pages 26–53, and assures in its best knowledge that:

- the accounting principles used in the preparation of the financial statements are in compliance with the International Financial Reporting Standards;
- the financial statements present a true and fair view of the financial situation and the profit of the Eesti Energia AS and the Group;
- all the significant matters that became evident since the balance sheet date until the signing date on June 20, 2003, have been recognized and disclosed in the financial statements.

Gunnar Okk	**Sandor Liive**	**Lembit Vali**	**Mati Jostov**	**Marko Allikson**
Chairman of the Management Board	Member of the *Management Board*	Member of the *Management Board*	Member of the *Management Board*	Member of the *Management Board*

profit distribution proposal

As of the 31st of March, 2003, the net profit of Eesti Energia AS is 587,933,185 kroons (37,576 thousand euros).

Taking into account the continuous need for securing financing for its capital investments, the Management Board recommends to the General Meeting of Shareholders that the shareholders agreed to allocate the net profit as follows:

1) 329,269,887 kroons (21,044 thousand euros) to be transferred to retained earnings;
2) 258,663,298 kroons (16,532 thousand euros) to be transferred to statutory reserve.

list of shareholders

The sole owner of Eesti Energia AS is the Republic of Estonia.

As of the 31st of March, 2003, the company has 66,413,000 registered shares with a nominal value of 100 kroons. The Republic of Estonia acquired 65,200,000 shares upon the establishment of the company on the 31st of March, 1998, another 250,000 shares were acquired on the 27th of December, 1999, and then 963,000 shares on April the 27th, 2001.
On the 11th of June, 2003, an application was filed at the Commercial Registry to increase the share capital by 548,000 shares, and on the 12th of June, 2003, an additional application was submitted for increasing the share capital by 5,780,000 shares.

governing bodies of eesti energia

supervisory board

Urmas Sõõrumaa	Chairman Falck Baltics, President & CEO
Siim-Valmar Kiisler	MP, Riigikogu
Ants Pauls	MP, Riigikogu
Toomas Luman	AS EE Grupp, Estonain Chamber of Commerce and Industry, Chairman of the Board
Janno Reiljan	MP, Riigikogu
Alo Kelder	Ministry of Economic Affairs and Communications, Advisor
Olev Liik	Tallinn Technical University, Dean of Power Engineering Department
Märt Rask	MP, Riigikogu

management board

Gunnar Okk	Chairman of the Management Board
Lembit Vali	Member of the Management Board
Sandor Liive	Member of the Management Board
Mati Jostov	Member of the Management Board
Marko Allikson	Member of the Management Board

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