Eesti Energia

Interim report

1 April 2010 – 30 June 2010

Key Figures and Ratios

		1 April 2010-30 June 2010	1 April 2009-30 June 2009	Change %	1 July 2009-30 June 2010	Change %
Total electricity sales, of which	GWh	2 266	2 060	10.0%	9 966	0.1%
retail sales	GWh	1 427	1 398	2.1%	6 338	-0.3%
power exchanges and wholesalers	GWh	838	661	26.8%	3 628	0.7%
Sales of heat	GWh	148	161	-7.9%	1 399	-11.1%
Sales of oil shale (outside the Group)	th t	435	369	17.8%	1 728	4.6%
Sales of shale oil (outside the Group)	th t	36	41	-11.8%	167	25.4%
Distribution grid losses	%	5.0%	3.8%	1.2 pp	7.6%	0.7 pp
Average number of employees		7 347	7 834	-6.2%	7 491	-7.4%
Total revenues and other income, including	MEUR	170	147	15.8%	725	6.4%
sales revenue	MEUR	169	140	20.4%	706	5.6%
EBITDA	MEUR	61	53	15.1%	246	29.2%
EBIT	MEUR	38	29	29.1%	139	50.9%
Net profit[1]	MEUR	15	24	-38.4%	106	33.1%
Net Fixed Assets	MEUR	1 221	1 478	-17.4%	1 221	-17.4%
Equity	MEUR	1 199	1 143	5.0%	1 199	5.0%
Net Debt	MEUR	-110	199	-155.5%	-110	-155.5%
Investments	MEUR	38	43	-11.0%	186	-2.0%
FFO	MEUR	58	54	8.7%	204	18.5%
Debt / EBITDA[2]	times	1.5	1.9	-0.4 pp	1.5	-0.4 pp
Net debt / EBITDA[2]	times	-0.4	1.0	-1.4 pp	-0.4	-1.4 pp
Leverage[3]	%	23.2%	24.2%	-1.0 pp	23.2%	-1.0 pp
ROIC[1,2]	%	13.2%	11.0%	2.2 pp	12.7%	3.8 pp
EBITDA interest cover	times	15.0	13.1	1.9 pp	15.2	3.6 pp
FFO/ Interest Expenses	times	14.5	13.3	1.1 pp	12.6	2.1 pp
FFO/ investments	%	152.4%	124.8%	27.7 pp	109.7%	19,0 pp
EBITDA margin	%	35.7%	35.9%	-0.2 pp	33.9%	6,0 pp
EBIT margin	%	22.3%	20.0%	2.3 pp	19.2%	5.7 pp

[1] Only continuing operations

[2] Rolling 12 months

[3] Debt / (debt + equity)

FFO - Funds from operations excluding changes in the working capital

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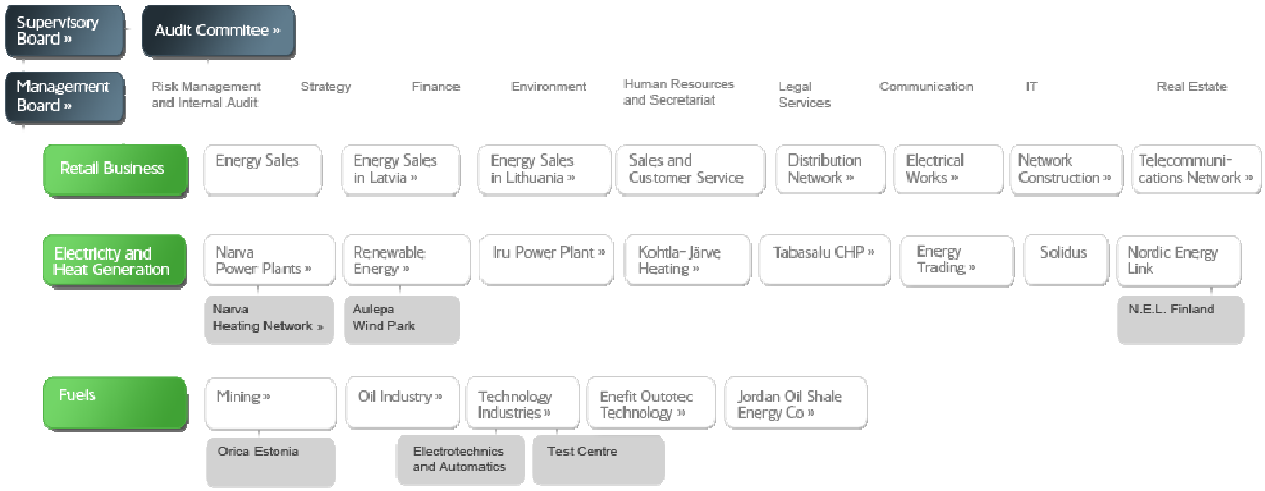
Eesti Energia in Brief

Eesti Energia is an international energy company operating in the Baltic and Finnish energy markets. Our unique oil shale production technology, knowhow and skills are valued all over the world.

Integrated business operations make Eesti Energia a professional and reliable partner in all energy related questions. Eesti Energia is the only Estonian energy company, which is engaged in oil shale mining, energy and heat generation, unique shale oil production and offering services and products to end customers. In foreign markets we operate under the Enefit brand. We are selling energy to Latvian. Lithuanian and Finnish customers as well as introduce our unique, environment friendly and efficient oil shale production integrated solution to the world .

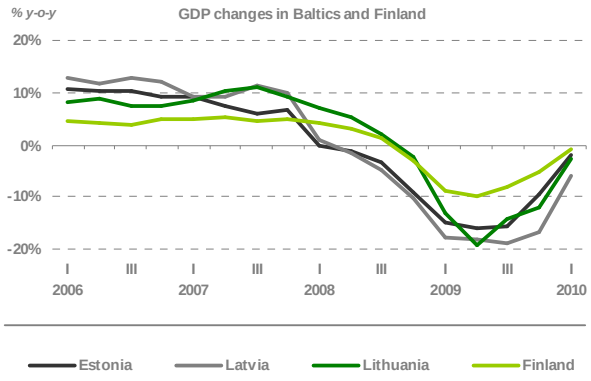


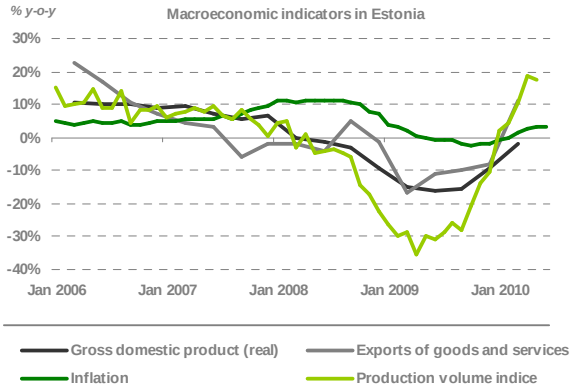
The Business Environment

Economic environment

The economic situation in the Baltics as well as in Finland showed signs of improvement at the beginning of 2010. GDP drop in the region in the first quarter of 2010 was significantly lower than in the last quarter of 2009. However, this slowdown in economic contraction was affected by a low base effect.

According to Statistics Estonia, Estonia's 2010 first quarter GDP decreased by 2.0%. Recovery is hampered predominantly by weak internal demand. The rate of decrease of private consumption has decreased, from 16.8% in the fourth quarter of 2009 to 7.8% in the first quarter of 2010. High rates of unemployment and reduced salaries are the main factors that have a negative effect on private consumption. Investments decreased in the first quarter by 22.8%. Although corporate capital expenditures have decreased in general, investments into machinery and equipment have increased which could bring about higher productivity later on. Improved economic conditions abroad helped raise exports by 11.3%.





Source: Estonian, Lativan, Lithuanian, Finland Statistics

Estonia labor market is characterized by increasing unemployment and decreasing wage levels. Unemployment reached 19.8% by the first quarter of 2010 but the rate of decrease in the average salary has slowed from 6.5% in the last quarter of 2009 to 2.3% in the first quarter of 2010. Inflation has been on the upturn since the beginning of 2010, reaching 3.5% by June. This is mostly due to external factors such as higher fuel and food costs.

The industrial production volume index has experienced an upward trend since the beginning of the year, reaching 17-18% y-o-y by the second quarter of 2010.

Temperature

The average temperature in the first quarter of the 2010/11 financial year was 10.3 degrees Celsius according to the Estonian Meteorological and Hydrological Institute. This is 0.3 degrees less than during the comparable period in the previous year. In May and June the temperature was respectively 0.8 and 0.5 degrees higher than last year, in April however it was 0.4 degrees lower.

Electricity markets

The regulated price of electricity changed on 1 June of the 2010/11 financial year when the new price was confirmed with the Competition Authority at 30.7 €/MWh.

With the partial opening of the electricity market in Estonia on April 1st 2010, the Estlink price area was launched on the Nord Pool Spot power exchange and trading began on the day-ahead market. During the first quarter the average daily price in the Estlink price area fluctuated in the 19.2-45.8 €/MWh range. The average price over the period was 36.3 €/MWh. In April the average price was 35.8 €/MWh, in May 34.8 €/MWh and in June 38.4 €/MWh. In April and May the prices in the Estlink area were influenced significantly by seasonal flood water which brought about high levels of hydroelectricity production in Latvia.

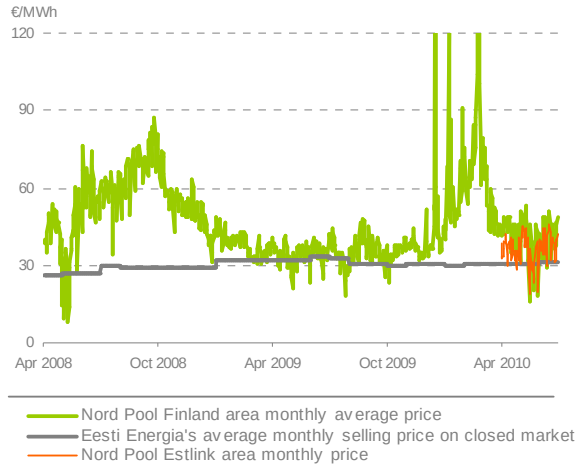
The Nord Pool Finland price area average price in the first quarter was 41.7 €/MWh (+21.6%, +7.4 €/MWh). The price difference between the Estlink and Finland price areas has been decreasing steadily. At first the prices started evening up during the peak hours (8 a.m. - 8 p.m.) and after that also during the off-peak hours. The

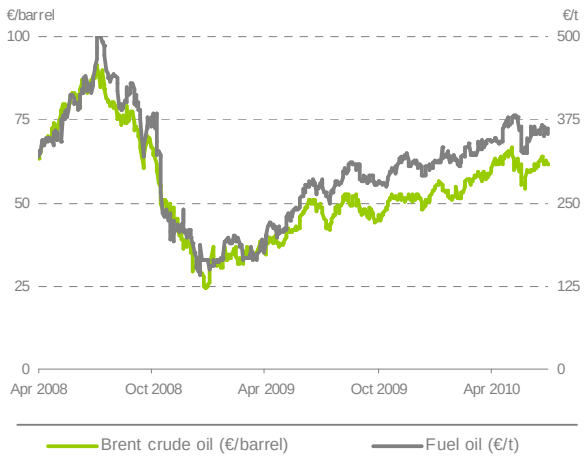
average price difference between Finland and Estlink was 7.9 €/MWh in April, 4.7 €/MWh in May and 3.5 €/MWh in June.

The average price on the Lithuanian BaltPool power exchange was 41.7 €/MWh in the first quarter. The prices were influenced primarily by Latvian hydroelectric power, the reduction in CHP plant generation due to the end of the cold period and constraints in the Estonian-Latvian interconnection.

Emissions trading

Average December 2010 EUA price was 15.1 €/t in the first quarter of the financial year. The price, which had moved in the 12-14 €/t range from December 2009 to April 2010, rose to 16-17 €/t and then held steady at 15-16 €/t in June. The reason behind the price increase was the rise in crude oil and natural gas prices as well as increased demand for later year emission allowances. The price was depressed by negative news regarding the weakness of the economic recovery due to turbulence in the financial markets.





Source: Eesti Energia, Nord Pool, Reuters

Crude oil and fuel oil

The average price of Brent crude oil during the first quarter of this financial year was 78.3 $/barrel (61.6 €/barrel) which is 32.7% (42.6%) higher than during the comparable period last year. The price rose in April thanks to positive news and hopes regarding an economic recovery. Since May however the price has been in a downward trend, brought about by higher than expected crude oil reserves in USA and worries about Greek's financial troubles spreading across Europe. Demand for the dollar decreased with weakening of the Euro. The price rose in June because of expectations of the limited impact of the crisis in Greece. OPEC expects the price of crude to rise 1.1% in 2010 thanks to growth in China and other Asian nations and the USA while at the same time demand is expected to decrease in Western Europe.

The average price of fuel oil in the first quarter was 452.4 $/t (356.2 €/t). Compared with the same time last year, the price rose 38.2% (48.8%). The demand for heavy fuel oil in Europe has been relatively lacklustre since the beginning of the crisis. This trend continued into the first quarter of the financial year. Demand is expected to be boosted by a new directive coming into force on the 1 July, stipulating a maximum sulphur content of 1% for shipping fuel. On the other hand, stockpiles of this fuel have been increasing in the ARA (Amsterdam-Rotterdam-Antwerp) region in anticipation of this change in legislation. In Estonia the first quarter of the economic year is usually a period when the winter colds have ended and work begins on farms and road construction, decreasing demand.

Short term outlook

The European Commission's 2010 spring forecast (released on 2 May 2010) calls for a recovery in the European economy which is positively influenced by a faster than expected global economic recovery, especially in Asia. The forecast expects 0.9% growth of the Estonian and 1.4% of the Finnish economy. Latvia and Lithuania continue to contract, (3.5%) and (0.6%) respectively.

In the Estonian Ministry of Finance's economic forecast (released 13 April), the expected economic growth for 2010 is expected to be 1%. This growth is expected to be driven by exports which are forecasted to surge by 6.3%. Internal demand is affected largely by the situation on the labor market. The unemployment rate for the year is expected to be 15.5% and the drop in average salary 2.8%.

Forward contracts for the Finland area base electricity for period July – December 2010 were concluded in the end of June around the price range 49 €/MWh. That is 30.0% higher than actual price in the period July-December 2009.

2010 December emission allowances were trading at 15 €/t in the end of June 2010. Last year the price was around 13-14 €/t.

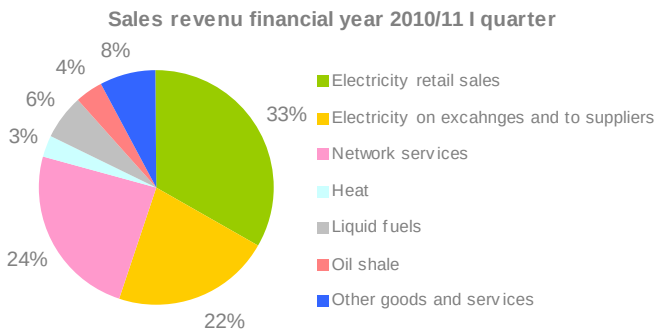
Brent crude oil future contracts for the period July – December 2010 were trading around 62 €/barrel in the end of June 2010 (25.8% higher than the actual average price in July – December 2009). Fuel oil contracts were trading around 339 €/t (15.3% higher).

Financial Results

Eesti Energia's first quarter revenues of the 2010/11 financial year were 170.0 million euros, operating profit 37.8 million euros and net profit 14.6 million euros. The results were influenced by profitable energy trading on Estonia's and Lithuania's open energy markets and increases in profitability in the oil shale and shale oil divisions.

Revenues

Eesti Energia's revenues reached 170.0 million euros in the first quarter of 2010/11, growing 15.8% from the comparable period last year. The largest part of the revenues was made up of electricity sales to retail customers (33%), followed by distribution services (24%), electricity sales on power exchanges and to wholesalers (22%), shale oil (6%) and oil shale (4%).

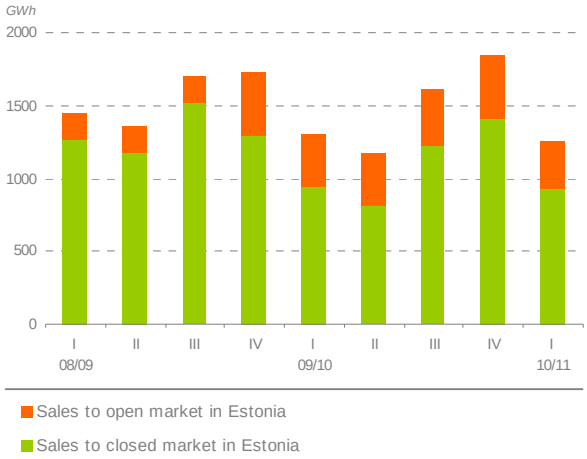


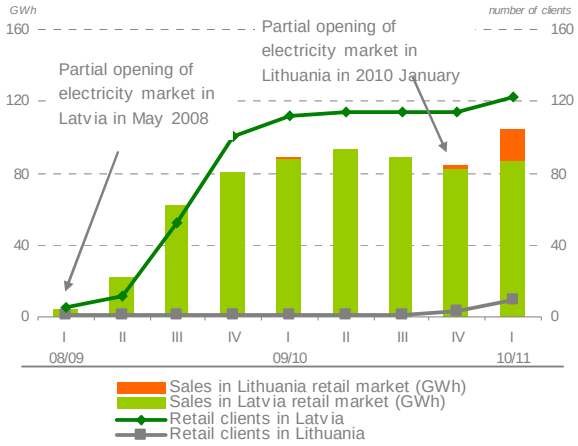
Revenues of the **Retail Business** grew by 0.4% (+0.4 million euros) compared to the same time last year and reached 99.9 million euros.

GWh	I quarter 2010/11	I quarter 2009/10	Change %
Intra-Group sales	36	97	-62.9%
Retail sales in Estonia, Latvia and Lithuania	1 359	1 394	-2.5%
Sales to wholesalers	134	158	-15.2%
Total sales	1 529	1 649	-7.3%

The Retail Business sold 1529 GWh of electricity in the first quarter which is 120 GWh (-7.3%) less than the same period last year. Sales to retail clients were influenced by the opening up of the market for eligible customers (over 2 GWh of electricity per annum) on the 1 April 2010. Eesti Energia's sales on the open market were 322 GWh and market share roughly 87% in the first quarter. Sales to regulated market customers (both residential and commercial) were 932 GWh in the first quarter, decrease of 1.2%. From April 1, the largest buyer of electricity within the Group has started purchasing its power from the open market which has decreased the retail division's intra-group sales.

Sales to Latvian open market customers reached 88 GWh in the first three months which is roughly the same as the comparable period in the previous year (-1 GWh, -0.8%). Eesti Energia had in Latvia on average 122 retail clients in the first quarter which is 10 clients more than in the first quarter of last financial year and the market share remained stable at around 5-6%. On the Lithuanian market sales reached 17 GWh (+17 GWh). The Lithuanian market opened up on 1 January 2010. By the end of the first quarter, Eesti Energia had 15 retail clients in Lithuania (+14 clients) and a 0.6% market share in June.





Source: Eesti Energia

Distribution Network distributed 1427 GWh (+3.2%, +45 GWh) of electricity during the first quarter, including 1363 GWh (+2.0%, +27 GWh) outside the Group. Sales volume continued to expand as the economic activity picked up, with the growth having turned positive at the beginning of 2010 mostly due to cold winter season. The volume of electricity distributed at low voltage to private clients remained on par with same quarter last year (-0.2%, -1 GWh), on the contrary distribution of electricity at medium voltage to businesses grew substantially (+10.3%, +46 GWh). The average network service tariff was 1.6% lower than during the same period last year.

Distribution network's losses were at 5.0% during the quarter, growing by 1.2% compared to corresponding period last year. In June 2009 clients announced higher meter readings than usual and losses were negative. This affects comparison between periods. Losses in absolute numbers increased by 43.5% (+24 GWh). The electricity volume entering the distribution grid grew by 8.2% (119 GWh) compared to previous year's first quarter.

Division's telecommunication services recorded sales revenue of 3.2 million euros, growing by 2.4% (+0.1 million euros), for the three months. At the end of June 2010 Kõu had 26 000 active clients, which is 8.5% (over 2000 clients) more compared to June 2009.

Green Energy, generated from renewable energy sources, had 729 new clients during the first quarter. Total sales of Green Energy reached 7 GWh (+153.1%, +4 GWh) in first quarter.

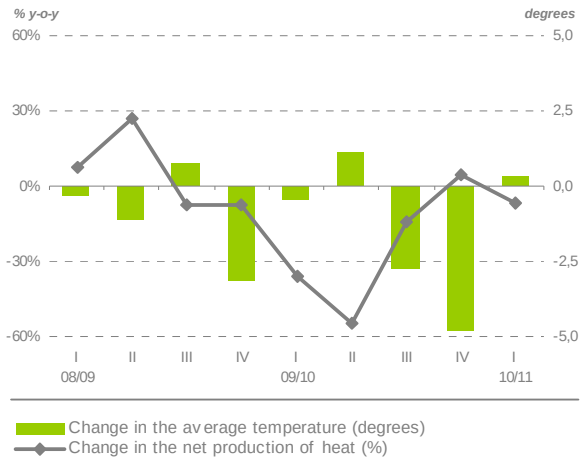
Electricity and Heat Generation division's sales revenue was 111.1 million euros (+23.2%, +20.9 million euros) in the first quarter. The main factors influencing the revenues were the opening of the Estlink price-area within the Nord Pool Spot exchange on 1 April 2010, the electricity export contract with Lithuania, which came into force in the beginning of 2010, and the decrease in the volumes of heat energy sales.

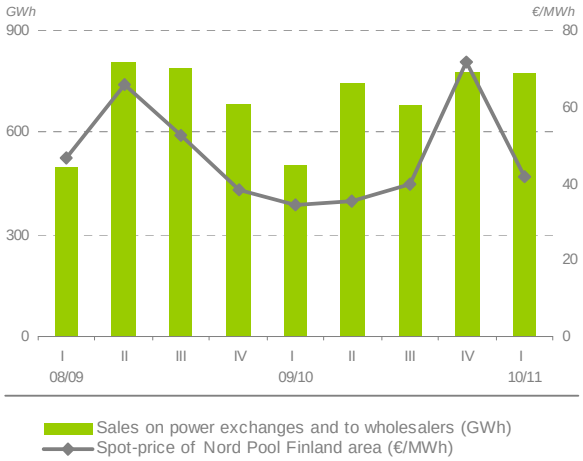
Division's sales of electricity in the first quarter were 2549 GWh (+14.7%, +327 GWh). The total subsidy received for generating renewable and co-generated energy was 8.4 million euros.

GWh	I quarter		Change
	2010/11	2009/10	%
Intra-Group sales	1 778	1 713	3.8%
Sales on power excahanges and to wholesalers	771	508	51.8%
Total sales	2 549	2 221	14.8%

From 1 April onwards, Eesti Energia granted the usage rights for undersea cable Estlink to Nord Pool Spot. In the first quarter the revenue earned was 2.0 million euros.

Heat energy sales were 171 GWh (-6.7%, -12 GWh) during the three months, including 148 GWh outside the Group. Sales decline resulted from a fall in the sales of Iru Elektrijaam (-8 GWh) and Narva Soojusvõrk (-5 GWh). Average price for the sales outside the Group in the first quarter was 16.3% higher than in the first quarter last year.





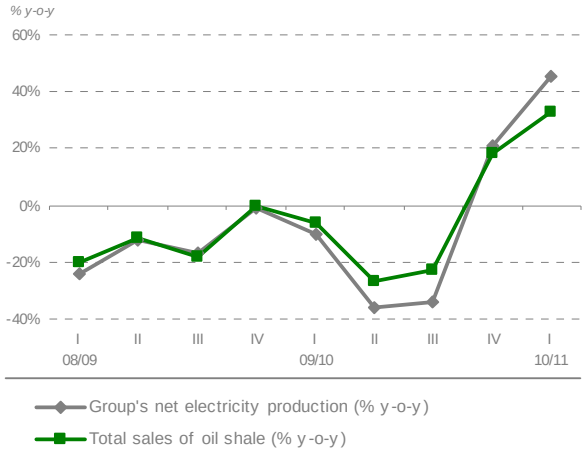
Source: Eesti Energia, Estonian Meteorology and Hydrology Institute, Nord Pool

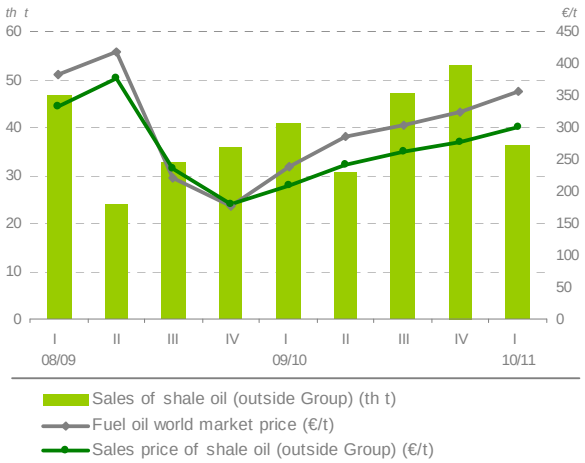
Fuels division's revenues amounted to 57.1 million euros (+31.2%, +13.5 million euros) during the quarter. The main factors influencing the revenues were an increase in oil shale demand due to higher electricity generation, higher price for oil, and the production of equipment for the new (Enefit-technology) shale oil plant.

Oil shale sales volume was 3.7 million tons (+32.8%, 0.9 millions tons) during the quarter, including sales outside the Group of 0.4 million tons (+17.8%, +0.1 million tons). Sales of oil shale for electricity generation increased due to higher net generation of electricity and sales for oil production fell due to lower oil production. Sales price was 0.7% lower than in the corresponding quarter last financial year.

th. tonns	I quarter 2010/11	I quarter 2009/10	Change %
Intra-Group sales of oil shale (electricity)	2 877	2 024	42.1%
Intra-Group sales of oil shale (oil)	391	395	-1.0%
Sales outside the Group	435	369	17.9%
Total oil shale sales	3 703	2 788	32.8%

Shale oil sales volume was 39 thousand tons (-11.3%, -5 thousand tons) during the quarter, including sales outside the Group of 36 thousand tons (-11.8, -5 thousand tons). Average selling price was in the first quarter 14.6% higher than in the corresponding period last year. Higher fuel oil world market price has had a positive impact on the result, which was to some extent mitigated by Eesti Energia's price hedging transactions.





Source: Eesti Energia, Reuters

Division's export revenues from the sale of energy equipment and goods grew by 16% (+0.3 million euros) and domestic revenues by 564.5% (+2.6 million euros), during the three months, mostly due to construction of equipment for the new shale oil plant. Revenues from gravel and retort gas fell by 28.9% and 5.2% respectively. Overall, the sales from other goods amounted to 6.5 million euros (+69.2%) during the first quarter.

Expenses and profit

Group's operating profit was 37.8 million euros in the first quarter (+29.1%, +8.5 million euros comparing to same period last year). EBITDA was 60.6 million euros (+15.1%, +7.9 million euros).

The **Retail Business's** operating profit in the first quarter was 13.7 million euros (+16.7%, +2.0 million euros). The division benefited from reduced electricity costs which came from changes in the price model. Up until August 2009 the purchasing price was calculated with a model consisting of two components which increased the purchasing price in periods of lower demand. Since August the price has been composed of one component and is therefore less volatile. Profitability was impacted by new distribution network tariffs which came into force on 1 March 2010 and were on average 1.5% higher than before. 3.2% increase in electricity distributed compared to previous year first quarter also impacted profitability.

The **Electricity and Heat Generation** division's operating profit in the first quarter was 19.1 million euros (+34.4%, +4.9 million euros). Profitability was influenced by higher electricity sales prices, reduced fixed costs, higher levels of renewable energy generation and the ending of an import contract. The biggest drop in fixed costs came from reduced maintenance costs as in last year major overhauls were being already in progress Narva power plants. Labor costs also fell and the amount of people employed in the first quarter was 7% lower than when compared with the same period last year. Renewable energy generation in the first quarter reached 159 GWh which is 146 GWh more than in the first quarter of last year. 88% of that came from biomass, 10% from wind and 2% from water. Last year the Group's energy portfolio was impacted by the purchasing of cheap electricity from Lithuania, a contract that ended at the end of 2009.

The operating profit of the **Fuels** division in the first quarter was 6.7 million euros (+70.2%, +2.8 million euros). Profitability rose thanks to higher selling prices of shale oil, a rise in oil shale production volumes along with more lucrative contracts as well as a rise in the sales of power industry equipment.

Economic value added

Economic value added for the Group during the quarter was 9.1 million euros (+171.8%, +5.8 million euros). All business divisions were able to grow their value added during the first quarter in comparison to previous first quarter. From the beginning of 2010/11 financial year the weighted average cost of capital increased from 9.7% to 10%.

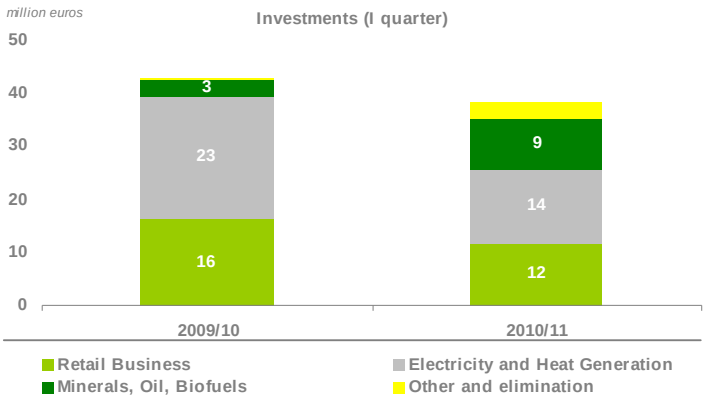
Electricity and Heat Generation created economic value added of 7.2 million euros during first quarter. Due to successful energy trading the operating profit was increased, while keeping the invested capital near to previous year's levels (+1.8%). Improved efficiency in oil shale mining and shale oil producing helped to grow EVA in Fuels division to 2.0 million euros (+708.6%, +1.8 million euros). Retail business had an EVA of 2.5 million euros (+137.4%, +1.5 million euros).

Investments

Group's investments during the first quarter were at 38.3 million euros (-11.0%, -4.7 million euros). Main areas for investments were improving the quality of distribution grid, construction of new shale oil plant, based on Enefit-technology, construction of flue gas desulphurization equipment and modernization of mines.

Retail Business division's investments amounted to 11.6 million euros, which is a 29.2% reduction compared to last year's number. Distribution Network's investments reached 10.9 million euros and were mostly targeted at constructing new connections and enhancing the quality of the grid.

Electricity and Heat Generation division had investments of 13.9 million euros (-39.6%, -9.1 million euros). Desulphurization equipment investment amounted to 8.4 million euros, Ahtme boiler house capital expenditure reached 1.7 million euros and the new waste to energy unit of Iru Elektrijaam invested 1.2 million euros.



Fuels division invested 9.5 million euros (+194.1%, 6.2 million euros) during the first quarter. Building new shale oil plant took up 5.2 million euros. Oil shale mining equipment and asset modernization received 4.3 million euros in investments.

Cash flows

Group's operating cash flow reached 64.2 million euros (+34.0%, +16.3 million euros) during the quarter. Group's funds from operations were 58.5 million euros (8.7%, +4.7 million euros) during the three months. Increase was mainly due to better operating results.

Cash flows from investing activities were 62.2 million euros (-156.2%, +173.0 million euros). The main factors influencing the cash flows from investment were smaller capex (-2.1%, -1.0 million euros) and increase in liquid assets due to the reduction of the deposits with over 3-month maturity. Reduction in the level of deposits was executed to enable the dividend payment in July.

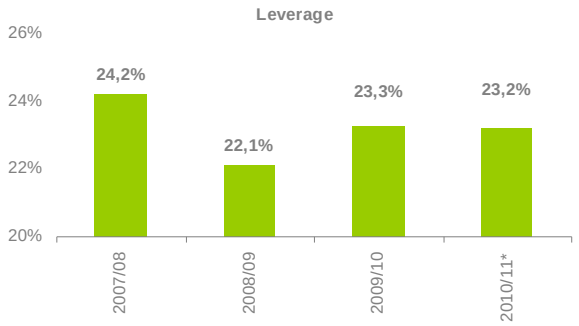
First quarter saw no substantial deals within the financing activities, thus the cash flows from financing were (0.6) million euros (-101.9%, -35.3 million euros). During the first quarter of last financial year, loan was retrieved from Nordic Investment Bank totalling 40 million euros.

Financing

Eest Energia's capital structure has remained conservative. According to the numbers in the June 2010, the debt to equity ratio was 23.2% (-0.1% compared to 31 March 2010).

Debt / EBITDA (trailing 12 months) ratio has decreased over the year from 1.9 to 1.5, due to an increase in EBITDA.

Group's liquidity position is strong. Working capital was 455.5 million euros (+-0.8%, 3.8 million euros compared to 31 March 2010) at the end of June 2010. At the end of the quarter the net debt of the Group was at -110.4 million euros (+22.2%, -20.1 million euros). Overall, liabilities have stayed at the same level as in the end of March 2010 (-0.1%).



* - as at 30 June 2010

* - as at 30 June 2010

At the end of quarter the average weighted interest rate was 4.1 %, remaining in line with the interest rate last year. The base currency for the Group's loans is Euro.

The biggest part of Eesti Energia's long-term loan portfolio is formed by 300 million Eurobond issue, with 4.5% interest rate and maturity in 2020. Other lenders included Nordic Investment Bank's with a balance of 58.6 million euros, European Investment Bank's with a balance of 12.3 million euros and Nordea with a balance of 2.1 million euros. 80% of loans have fixed interest rates and 20% with floating ones. The amount of undrawn loans was 137 million euros, at the end on June 2010.

Credit ratings

Moody's has confirmed Eesti Energia's credit rating at A3 with a stable outlook and Standard and Poor's has confirmed credit rating at BBB+ with a stable outlook. Moody´s lowered Group's credit rating on the 14th July 2010 due to lower expected government support, in the face of sale of Elering (transmission system operator). Standard & Poor´s reduced the rating on July 8th due to the sale of Elering and forecasted increase in the debt level as a result of a sizeable investment plan. The reduction in the credit rating does not have a material impact on Eesti Energia's financial capability, while current rating level provides sufficient financial flexibility to the Group.

Consolidated income statement

CONSOLIDATED INCOME STATEMENT
in million EUR

	3 months 1 April - 30 June 2010	3 months 1 April - 30 June 2009	12 months 1 July - 30 June 2009/10	12 months 1 July - 30 June 2008/09	*Note*
CONTINUING OPERATIONS					
Revenue	168.8	140.2	706.3	669.1	*2*
Other operating income	1.2	6.5	18.3	10.6	
Government grants	-	-	0.1	1.7	
Change in inventories of finished goods and work-in-progress	1.8	0.9	8.0	0.0	
Raw materials and consumables used	-66.3	-52.2	-292.1	-304.8	
Payroll expenses	-30.7	-28.2	-125.6	-126.6	
Depreciation, amortisation and impairment	-22.8	-23.3	-106.7	-98.1	
Other operating expenses	-14.2	-14.6	-69.0	-59.6	
OPERATING PROFIT	**37.8**	**29.3**	**139.3**	**92.3**	*2*
Financial income	2.2	3.4	10.7	19.0	
Financial expenses	-3.3	-3.5	-13.9	-17.3	
Net financial income (-expense)	**-1.1**	**-0.1**	**-3.2**	**1.7**	
Gain from associates using equity method	-	-	1.4	1.7	
PROFIT BEFORE TAX	**36.7**	**29.2**	**137.4**	**95.7**	
CORPORATE INCOME TAX EXPENSE	**-22.1**	**-5.4**	**-31.4**	**-16.1**	
PROFIT FROM CONTINUING OPERATIONS	**14.6**	**23.7**	**106.0**	**79.7**	
PROFIT/LOSS FROM DISCONTINUED OPERATIONS	**-**	**-2.2**	**30.7**	**16.8**	*11*
PROFIT FOR THE YEAR	**14.6**	**21.5**	**136.7**	**96.5**	
ATTRIBUTABLE TO:					
Equity holders of the Parent Company	**14.9**	**21.9**	**136.5**	**96.7**	
Minority interest	**-0.3**	**-0.3**	**0.2**	**-0.2**	
Basic earnings per share (euros)	*0.20*	*0.30*	*1.85*	*1.31*	*7*
Diluted earnings per share (euros)	*0.20*	*0.30*	*1.85*	*1.31*	*7*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
in million EUR

	3 months 1 April - 30 June 2010	3 months 1 April - 30 June 2009	12 months 1 July - 30 June 2009/10	12 months 1 July - 30 June 2008/09
PROFIT FOR THE YEAR	**14.6**	**21.5**	**136.7**	**96.5**
Other comprehensive income				
Revaluation of risk hedge instruments	-5.6	-18.4	-13.5	114.3
Other comprehensive income for the year	**-5.6**	**-18.3**	**-13.6**	**114.3**
COMPREHENSIVE INCOME FOR THE YEAR	**9.0**	**3.2**	**123.1**	**210.8**
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**9.4**	**3.5**	**122.9**	**211.0**
Minority interest	**-0.3**	**-0.3**	**0.2**	**-0.2**

Consolidated statement of financial position

in million EUR

ASSETS	30 June 2010	30 June 2009	31 March 2010	*Note*
Non-current assets				
Property, plant and equipment	1 220.9	1 477.6	1 208.3	*4*
Intangible assets	19.2	12.8	16.7	
Investments in associates	11.6	11.4	11.6	
Derivative financial instruments	1.0	2.0	0.9	*5*
Long-term receivables	2.4	0.4	2.5	
Total non-current assets	**1 255.1**	**1 504.2**	**1 239.9**	
Current assets				
Inventories	37.2	31.3	34.2	
Trade and other receivables	92.0	93.3	101.1	
Derivative financial instruments	1.3	6.7	5.0	*5*
Financial assets at fair value through profit or loss	1.3	2.2	1.1	
Deposits with maturities greater than three months at banks	274.8	96.4	380.9	
Cash and cash equivalents	197.8	68.9	72.1	
Total current assets	**604.3**	**298.9**	**594.4**	
Total assets	**1 859.4**	**1 803.0**	**1 834.3**	
EQUITY				
Capital and reserves attributable to equity holder of the Parent Company				
Share capital	471.6	471.8	471.6	*6*
Share premium	259.8	259.8	259.8	
Statutory reserve capital	47.2	47.2	47.2	
Hedge reserve	-7.4	6.2	-1.8	
Retained earnings	425.0	354.7	410.1	
Total equity and reserves attributable to equity holder of th	**1 196.3**	**1 139.7**	**1 186.9**	
Minority interest	**3.1**	**2.9**	**3.5**	
Total equity	**1 199.4**	**1 142.7**	**1 190.4**	
LIABILITIES				
Non-current liabilities				
Borrowings	358.6	353.2	359.0	*8*
Trade payables	0.2	0.1	0.1	
Derivate financial instruments	6.5	2.1	5.0	*5*
Deferred income	117.4	127.2	116.5	
Provisions	28.6	20.6	28.2	
Total non-current liabilities	**511.2**	**503.1**	**508.8**	
Current liabilities				
Borrowings	3.6	10.9	3.5	*8*
Trade and other payables	121.1	133.5	114.8	
Derivative financial instruments	3.4	0.0	2.8	*5*
Deferred income	0.2	0.2	0.2	
Provisions	20.6	12.6	13.7	
Total current liabilities	**148.8**	**157.3**	**135.1**	
Total liabilities	**660.0**	**660.4**	**643.9**	
Total liabilities and equity	**1 859.4**	**1 803.0**	**1 834.3**	

Consolidated statement of cash flow

in million EUR	3 months 1 April - 30 June 2010	3 months 1 April - 30 June 2009	12 months 1 July - 30 June 2009/10	12 months 1 July - 30 June 2008/09
Cash flows from operating activities				
Cash flows from operating activities from continuing operations				
Cash generated from operations	64.1	44.8	254.3	182.1
Interest and loan fees paid	-0.9	-0.8	-15.6	-15.7
Interest received	0.9	3.8	9.0	16.6
Corporate income tax paid	-	-	-14.8	-10.8
Net cash generated from operating activities from continuing operatio	**64.2**	**47.9**	**232.9**	**172.2**
Net cash generated from operating activities from discontinued opera	**-**	**8.7**	**0.8**	**43.4**
Net cash generated from operating activities	**64.2**	**56.6**	**233.6**	**215.6**
Cash flows from investing activities				
Cash flows from investing activities from continuing operations				
Purchase of property, plant and equipment and intangible assets	-47.0	-48.0	-193.1	-194.3
Proceeds from connection and other fees	2.8	3.1	10.4	15.9
Proceeds from sale of property, plant and equipment	0.6	0.1	6.1	3.2
Net change in deposits with maturities greater than 3 months	106.1	-71.3	-178.4	30.5
Purchase of short-term financial investments	-5.0	-5.2	-20.7	-20.0
Dividens received from long-term financial investments	-	1.2	1.2	1.2
Change in overdraft granted to discontinued operations	-	4.4	135.1	18.4
Proceeds from sale and redemption of short-term financial investments	4.8	5.0	21.7	21.3
Net cash used in investing activities from continuing operations	**62.2**	**-110.8**	**-217.7**	**-123.8**
Net cash used in investing activities from discontinued operations	**-**	**-4.4**	**-22.5**	**-25.0**
Dividends collected from discontinued operations	**-**	**-**	**30.7**	**-**
Proceeds from sale of discontinued operations	**-**	**-**	**166.0**	**-**
Net cash used in investing activities	**62.2**	**-115.1**	**-43.6**	**-148.9**
Cash flows from financing activities				
Cash flows from financing activities from continuing operations				
Received long-term bank loans	0.4	40.0	2.1	40.0
Repayments of bank loans	-1.1	-5.4	-4.7	-9.9
Dividends paid	-	-	-86.9	-41.7
Net cash used in financing activities from continuing operations	**-0.6**	**34.6**	**-89.5**	**-11.6**
Net cash used in financing activities from discontinued operations	**-**	**-4.4**	**28.4**	**-18.4**
Net cash used in financing activities	**-0.6**	**30.2**	**-61.2**	**-30.0**
Net cash flows	**125.7**	**-28.3**	**128.9**	**36.8**
Cash and cash equivalents at the beginning of the period	72.1	97.2	68.9	32.1
Cash and cash equivalents at the end of the period	197.8	68.9	197.8	68.9
Net increase/(-)decrease in cash and cash equivalents	**125.7**	**-28.3**	**128.9**	**36.8**

Consolidated statement of changes in equity

in million EUR	Attributable to equity holder of the Company						Minority interest	Total equity
	Share capital (note 6)	Share premium	Statutory legal reserve	Other reserves	Retained earnings	Total		
Equity as at 31 March 2009	**471.8**	**259.8**	**47.2**	**24.5**	**353.6**	**1 156.9**	**3.2**	**1 160.2**
Comprehensive income								
Comprehensive income for the year	-	-	-	-18.3	21.9	3.5	-0.3	3.2
Dividends declared	-	-	-	-	-20.7	-20.7	-	-20.7
Total transactions with owner	**-**	**-**	**-**	**-**	**-20.7**	**-20.7**	**-**	**-20.7**
Equity as at 30 June 2009	**471.8**	**259.8**	**47.2**	**6.2**	**354.7**	**1 139.7**	**2.9**	**1 142.7**
Equity as at 31 March 2010	**471.6**	**259.8**	**47.2**	**-1.8**	**410.1**	**1 186.9**	**3.5**	**1 190.4**
Comprehensive income								
Comprehensive income for the year	-	-	-	-5.6	14.9	9.4	-0.3	9.0
Equity as at 30 June 2010	**471.6**	**259.8**	**47.2**	**-7.4**	**425.0**	**1 196.3**	**3.1**	**1 199.4**

Notes to Financial Statements

1. Accounting policies

This consolidated interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union. These consolidated interim condensed financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting". Accounting policies and presentation of financial statements applied to this interim report were identical to those used in financial statements for the financial year that ended on 31 March 2010.

The new International Financial Reporting Standards adopted, amendments to and International Financial Reporting Interpretations Committee interpretations that became mandatory for the Group from 1 April 2010 have been published in the financial statements for the financial year ended on 31 March 2010.

The new standards, amendments to and interpretations of existing standards did not have any impact to the Group's accounting policies and financial statements.

Compared to the interim report of 30 June 2009 in the segment reporting the presentation of interest and dividend income received from the subsidiaries has been changed and as the result the interest and dividend income is not included in the operating profit but is classified as financial income instead. Interest income received from discontinued operations is also classified as financial income

According to the Management Board the Interim Report prepared for the period 1 April 2010 - 30 June 2010 presents a true and fair view of the financial position, the cash flows and the results of operations of Eesti Energia AS and its subsidiaries (Group).

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

2. Segment reporting

For segment reporting purposes, the division into operating segments is based on the Group's internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the chief operating decision maker, the parent company's management board.

The internal management structure of the Group is divided into three operating segments based on the different types of products offered and the clients:
- Retail Business (consisting of companies and business units Energiamüük, UAB Enefit, SIA Enefit, Müük ja Teenindus, Eesti Energia Jaotusvõrk OÜ, Eesti Energia Elektritööd AS, Eesti Energia Võrguehitus AS, Televõrgu AS);
- Electricity and Heat Generation (consisting of companies and business units Eesti Energia Narva Elektrijaamad AS, Taastuvenergia, Iru Elektrijaam, Kohtla-Järve Soojus AS, Energiakaubandus, Solidus Oy, AS Narva Soojusvõrk, OÜ Aulepa Tuulepargid, Eesti Energia Tabasalu Koostootmisjaam OÜ);
- Minerals, Oil, Biofuels (consisting of companies and business units Eesti Energia Kaevandused Group, Eesti Energia Õlitööstus AS, Eesti Energia Tehnoloogiatööstus Group, Oil Shale Energy of Jordan, Enefit Outotec Technology OÜ).

In addition Corporate Functions, that covers administration and other support services, are presented separately, although these do not form a separate business segment.

The Retail Business covers the sale of electrical energy, distribution services, telecommunication services, electrical installation work and other services to end consumers. Electrical energy is sold in Estonia, Latvia and Lithuania. Electricity and Heat Generation covers the generation of electricity and heat in various power and combined heat-and-power stations, and energy trading in the wholesale market, both inside and outside Estonia. Minerals, Oil, Biofuels covers the mining and processing of oil shale, the production of liquid fuels, and the production and sale of power equipment.

In these interim financial statements, Electricity transmission has been presented as a discontinued operation as the full ownership of Elering OÜ, representing the transmission business, was sold by Eesti Energia AS to the Estonian Government in January 2010 (Note 11). For this reason Electricity transmission has been excluded from the comparative segment information.

Operating income and expenses are allocated to different segments based on internal invoicing prepared by business units. The prices for inter-segmental transfers are based on the prices approved by the Estonian Competition Authority or are agreed based on market prices.

Under the Electricity Market Act of Estonia, the following indicators need to be approved by the Estonian Competition Authority

- the price limit for oil shale sold to Narva Elektrijaamad for the production of heat and electricity
- the price limit for electricity sold from Narva Elektrijaamad to the closed market
- the weighted average price limit for electricity sold to meet sales obligations
- network fees.

The Estonian Competition Authority has an established methodology for calculating prices to be used when approving prices. When granting approval for these prices, the Estonian Competition Authority considers the costs which allow companies to fulfill the legal obligations and conditions attached to their activity licences and ensure justified profitability on invested capital. The Estonian Competition Authority considers the annual average residual value of non-current assets plus 5% of non-group sales revenue as invested capital. The rate for justified profitability is the Company's weighted average cost of capital (WACC).

The revenue, expenses, unrealised profits, receivables and liabilities arising as a result of transactions between business units and companies of the same segment have been eliminated.

The business segments have not been aggregated for segment reporting purposes.

Segment information for reportable segments for the period 1 April 2010 - 30 June 2010
in million EUR

	Retail Business	Electricity and Heat Generation	Minerals, Oil, Biofuels	Corporate Functions	Elimi-nations	Total
Total revenue	99.3	111.2	56.6	3.7	-101.9	168.8
Inter-segment revenue	-3.6	-42.8	-33.9	-3.5	83.9	-
Revenue from external customers	95.6	68.4	22.7	0.2	-18.1	168.8
Operating profit	13.7	19.1	6.7	-2.0	0.4	37.8

Segment information for reportable segments for the period 1 April 2009 - 30 June 2009
in million EUR

	Retail Business	Electricity and Heat Generation	Minerals, Oil, Biofuels	Corporate Functions	Elimi-nations	Total
Total revenue	99.1	84.4	43.2	3.2	-89.6	140.2
Inter-segment revenue	-3.5	-58.8	-24.6	-2.8	89.6	-
Revenue from external customers	95.6	25.6	18.6	0.4	-	140.2
Operating profit	11.7	14.2	3.9	-0.9	0.4	29.3

Reportable segments' operating profits are reconciled to total consolidated operating profit as follows:
in million EUR

	3 months 1 April - 30 June 2010	2009
Segment operating profits for reportable segments	39.4	29.8
Operating profit of Corporate Functions	-2.0	-0.9
Eliminations:		
Change in price difference of inventories	0.5	0.4
Other eliminations	-0.1	-
Total operating profit per consolidated income statement	**37.8**	**29.3**

3. Seasonality of operating profit

Temperature is the most important factor influencing the domestic electricity and heat demand. Lower temperatures in winter induce higher energy consumption and thus higher revenues and operating profit. In summer, higher temperatures lead to lower electricity and heat consumption and correspondingly to lower revenues and lower operating profit.

4. Property, Plant and Equipment

in million EUR

	Land	Buildings	Const-ruction	Plant and equipment	Other	Total
Property, plant and equipment as at 31 March 2010						
Cost	41.8	149.6	702.4	1 156.1	4.9	2 054.7
Accumulated depreciation	-	-83.4	-284.3	-561.5	-4.2	-933.4
Net book amount	41.8	66.2	418.1	594.6	0.7	1 121.3
Construction in progress	-	0.7	17.8	41.2	-	59.7
Prepayments	-	-	2.6	24.7	-	27.3
Total property, plant and pquipment as at 31 March 2010	**41.8**	**66.8**	**438.4**	**660.6**	**0.7**	**1 208.3**
Movements 1 April - 30 June 2010						
Purchases of property, plant and equipment	-	0.2	6.7	28.6	-	35.5
Depreciation charge	-	-1.1	-5.3	-16.0	-0.1	-22.4
Net book amount of non-current assets disposed	-0.5	-	-	-	-	-0.5
Movements 1 April - 30 June 2010	**-0.5**	**-0.9**	**1.4**	**12.6**	**-**	**12.6**
Property, plant and equipment as at 30 June 2010						
Cost	41.3	149.8	706.7	1 169.8	4.9	2 072.5
Accumulated depreciation	-	-84.4	-289.6	-576.5	-4.3	-954.8
Net book amount	41.3	65.4	417.1	593.3	0.7	1 117.7
Construction in progress	-	0.6	20.2	53.4	-	74.2
Prepayments	-	-	2.5	26.5	-	29.0
Total property, plant and equipment as at 30 June 2010	**41.3**	**66.0**	**439.8**	**673.2**	**0.7**	**1 220.9**

5. Derivative Financial Instruments

Derivative Financial Instruments in million EUR	**30 June 2010**		**30 June 2009**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward contracts for buying and selling electricity as cash flow hedges	1.0	-	5.7	-
Forward and option contracts for buying and selling electricity as trading derivatives	-	1.2	-	-
Option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	1.1	-	0.1	-
Swap and futures contracts for selling shale oil as cash flow hedges	0.1	8.7	3.0	2.2
Total derivative financial instruments	**2.3**	**9.8**	**8.8**	**2.2**
including non-current portion:				
Forward contracts for buying and selling electricity as cash flow hedges	0.3	-	1.0	-
Forward and option contracts for buying and selling electricity as trading derivatives	-	0.8	-	-
Option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	0.7	-	-	-
Swap and futures contracts for selling shale oil as cash flow hedges	-	5.7	1.0	2.1
Total non-current portion	**1.0**	**6.5**	**2.0**	**2.1**
Total current portion	**1.3**	**3.4**	**6.7**	**0.0**

Forward and option contracts for buying and selling electricity

The goal of the forward and option contracts for buying and selling electricity is to manage the risk of changes in the price of electricity or earn income on changes in the price of electricity on the Nordic power exchange Nord Pool. All forward contracts have been entered into for the sale or purchase of a fixed volume of electricity at each trading hour and their price is denominated in euros. The transactions, the goal of which is to hedge the risk in the price of electricity, are designated as cash flow hedging instruments, where the underlying instrument being hedged is the estimated electricity transactions of high probability on the Nordic power exchange Nord Pool. The effective portion of the change in the fair value of transactions concluded for hedging purposes is recognised through other comprehensive income and is recognised either as revenue or reduction of revenue at the time the sales transactions of electricity occur or when it is evident that sales transactions are unlikely to occur in a given period. Those forward contracts which are entered into for the purpose of earning income from the change in the price of electricity are classified as trading derivatives at fair value with changes through profit or loss. Option transactions are classified as trading derivatives carried at fair value with changes through profit or loss.

The basis for determining the fair value of the instruments is the quotes on Nord Pool.

Changes in forward and option contracts for buying and selling electricity in million EUR	**1 April - 30 June**	
	2010	**2009**
Fair value at the beginnig of the period	**4.4**	**9.2**
Change in fair value, including	-1.9	-0.6
change in fair value of trading derivatives recognised in other operating income or expenses	-0.4	0.3
change in fair value of cash flow hedges recognised in other comprehensive income	-1.5	-0.9
Settled in cash (+paid/-collected)	-2.6	-2.9
Fair value at the end of the period	**-0.1**	**5.7**

Option contracts for buying and selling greenhouse gas emissions allowances

The option contracts for buying and selling greenhouse gas emission allowances are classified as trading derivatives. The fair value changes of these transactions are recognised as gains or losses in the income

statement. The basis for determining the fair value of transactions is the quotes of SEB Futures. The prices are denominated in euros.

Changes in option contracts for buying and selling greenhouse gas emissions allowances in million EUR	**1 April - 30 June** **2010**	 **2009**
Fair value at the beginnig of the period	**0.5**	**0.4**
Change in fair value of trading derivatives recognised in other operating income or expenses	0.5	-0.2
Settled in cash (+paid/-collected)	0.1	-0.2
Fair value at the end of the period	**1.1**	**0.1**

Swap and futures contracts for selling shale oil

The goal of the swap and futures contracts for buying and selling shale oil is to hedge the risk of price changes for shale oil or earn income on changes in the price of shale oil. The transactions, the goal of which is to hedge the risk in the price of shale oil, have been concluded for the sale of a specified volume of shale oil in future periods and they are designated as cash flow hedging instruments, where the underlying instrument to be hedged is highly probable shale oil sales transactions. The basis for determining the fair value of transactions is the quotes by Platt´s European Marketscan and Nymex. Those transactions which are entered into for the purpose of earning income from the change in the price of shale oil are classified as trading derivatives at fair value with changes through profit or loss. The prices are denominated in euros or US dollars.

Changes in swap and futures contracts for selling shale oil in million EUR	**1 April - 30 June** **2010**	 **2009**
Fair value at the beginnig of the period	**-6.8**	**15.7**
Change in fair value, including	-2.3	-12.6
change in fair value of cash flow hedges recognised in other comprehensive income	-2.2	-12.7
Settled in cash (+paid/-collected)	0.5	-2.3
Fair value at the end of the period	**-8.6**	**0.8**

6. Decreasing the share capital

Entry for decreasing Eesti Energia AS share capital was made in the commercial register in June 2009. Share capital was decreased by EUR 171 thousand to 471 645 725 Euros by abolishing 267 420 share with nominal value of 100 EEK.

In September 2009 a non-monetary disbursement was made by Eesti Energia to Estonian Republic by delivering building on Telliskivi street in Tallinn with nominal value of EUR 171 thousand.

7. Earnings per share

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

	3 months **1 April - 30 June** **2010**	 **2009**	**12 months** **1 July - 30 June** **2009/10**	 **2008/09**
Profit attributable to the equity holders of the company (million EUR)	14.9	21.9	136.5	96.7
Weighted average number of shares (million)	74	74	74	74
Basic earnings per share (EUR)	0.20	0.30	1.85	1.31
Diluted earnings per share (EUR)	0.20	0.30	1.85	1.31

8. Nominal Value and Amortised Cost of Borrowings

Nominal Value and Amortised Cost of Borrowings
in million EUR

	30 June 2010		30 June 2009	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Current portion of long-term bank loans	3.6	3.6	10.9	10.9
Total short-term borrowings	**3.6**	**3.6**	**10.9**	**10.9**
Long- term borrowings				
Bank loans	69.4	69.1	64.6	64.5
Bonds issued	300.0	289.4	300.0	288.7
Total long- term borrowings	**369.4**	**358.6**	**364.6**	**353.2**
Total borrowings	**373.0**	**362.1**	**375.6**	**364.1**

9. Contingent liabilities

Collaterals, guarantees and court actions

The loan agreements concluded by the Group set certain covenants on the Group's consolidated financial indicators. The covenants have been adhered to. On 29 January 2010 the arbitrage court of London delivered judgement over the commercial dispute between Foster Wheeler Energia Oy and Eesti Energia Narva Elektrijaamad AS. The arbitrage judgment determined the amount payable to Foster Wheeler Energia Oy, but did not resolve the interest calculation on the payable nor the reimbursement of legal expenses. The amount determined by the arbitrage judgement was paid in April 2010 along with interest accrued from 29 January 2010.

10. Related party transactions

The sole shareholder of Eesti Energia AS is the Republic of Estonia. In preparing the Group's financial statements, the related parties include associates, members of the management and supervisory boards of the parent company, and other companies over which these persons have significant influence. Related parties also include entities under the control or significant influence of the state.

Continuing operations	1 April - 30 June	
	2010	2009
Transactions with associates		
Purchase of goods and services	6.1	4.5
Proceeds from sale of goods and services	0.8	0.8

No impairment loss from receivables was recognised in the reporting period and in the comparable period. Upon premature termination of the service contract with a member of the Management Board, the service contracts stipulate the payment of 3 months' remuneration as termination benefits. In purchasing and selling electricity on the closed market, the prices set by the Estonian Competition Authority are used. All other transactions are concluded using agreed prices.

11. Discontinued operations

In August 2009 the Government of Estonia approved the plan to buy 100% of the shares of Elering OÜ from the Group. The transaction was completed on 27 January 2010. Until its disposal, Elering OÜ represented the electricity transmission segment of the Group and is presented in the comparative information as a discontinued operation.

Analysis of the results of discontinued operations in million EUR	**1 April - 30 June** **2010**	 **2009**
Revenue	-	12.7
Expenses	-	-14.9
Profit before tax of discontinued operations	-	-2.2
Profit after tax of discontinued operations	**-**	**-2.2**

Assets and liabilities of discontinued operations in million EUR	**30 June** **2010**	 **2009**
Trade and other receivables	-	6.5
of which receivables from continuing operations	-	*4.6*
Property, plant and equipment	-	333.5
Trade and other payables	-	-154.5
of which payables to continuing operations	-	*-136.7*
Deferred income	-	-12.6
Total liabilities of discontinued operations	-	**172.8**