Eesti Energia

Interim Report

January 1 2011 – March 31 2011

SUMMARY

Eesti Energia's 2011 first quarter results remained solid: revenues grew to 237 million Euros and the operating profit was 44 million Euros.

In the open market we earned over 24 million Euros in the first three months of 2011, which is over half of Eesti Energia's operating profit. More than half of our electricity sales revenue came from the deregulated market. In the first quarter of 2011 our market share on the deregulated market was 70% in Estonia, 11% in Latvia and 7% in Lithuania.

Despite an increase in revenues, our operating profit did not reach the same level as in Q1 2010. This was to be expected since our previous year's results were affected considerably by one off events.

Profitability decreased in the retail and generation divisions due to lower electricity and network sales margins. In the fuels division profitability showed a healthy increase and demand for shale oil outstrips our current production capacity.

We continued our capital expenditure plan in the first quarter by more than doubling our investments to 95 million Euros. Eesti Energia is still the largest investor in Estonia and the main focus of our capital expenditure program is on our domestic market. We invested a total of 65 million Euros into the distribution grid to improve its quality and reliability, into the development of generation and oil production facilities and into the modernization of oil shale mining.

Eesti Energia is a strong, stable and profitable company which stems from success in the deregulated market and revenue growth in the fuels division. Sales revenue has grown on the back of the partial deregulation of the electricity market in Estonia and Lithuania which has allowed us to sell more electricity at real market prices.

Extracting oil from oil shale forms a considerable proportion of Eesti Energia's profits and despite large investments and the construction of a new oil plant, showed strong financial performance. The fuels division is the only business area that showed increased profits compared to the same quarter last year. Crude oil prices on the world market are in an upward trend and at a level which guarantees profitability and supports growth in shale oil sales.

The production volumes in our generating division remained at the same levels as last year but profitability fell due to various one off revenues which distorted last year's results. Our profitability in the retail business also fell. This was mainly due to greater electricity purchase prices, lower distribution volumes and margins and higher maintenance costs.

In assessing our profitability for this quarter one must bear in mind that last year's first quarter results were exceptionally good thanks to high electricity prices and various one off revenues. Taking this into consideration, Eesti Energia's 2011 first quarter results are solid and provide a strong base off of which we can launch our extensive investment program to develop domestic production capabilities and improve the quality of the Estonian electricity grid.

Key Figures and Ratios

		Q1		Change
		2011	2010	%
Total electricity sales, of which	GWh	3097	2978	4.7%
Regulated price	GWh	1725	2247	-23.3%
Non-regulated price	GWh	1372	731	87.7%
Heat sales	GWh	636	712	-10.7%
Oil shale sales (outside the Group)	th t	592	437	35.5%
Shale oil sales (outside the Group)	th t	40,3	52,9	-23.9%
Network sales	GWh	1936	1975	-2.0%
Distribution grid losses	%	7.7	7.7	0.0%
Average number of employees		7591	7362	3.1%
Revenues, of which	mln eur	237,0	231.1	2.6%
sales	mln eur	233,5	218.3	7.0%
EBITDA	mln eur	66.6	84.9	-21.6%
Operating Profit	mln eur	44,1	60.3	-26.9%
Net Profit	mln eur	42,4	86.9	-51.3%
Fixed assets	mln eur	1400.7	1241.1	12.9%
Equity	mln eur	1159.4	1191.6	-2.7%
Net Debt	mln eur	85.0	-90.4	194.0%
Investments	mln eur	95.4	43.5	119.3%
FFO	mln eur	64.1	75.2	-14.8%
Debt/EBITDA[1]	times	1.6	1.5	-0.1 x
Net Debt/EBITDA1	times	0.38	-0.38	200.0%
Leverage	%	23.6%	23.3%	0.3%
ROIC1	%	13.3%	21.5%	-8.2%
EBITDA interest cover	times	16.5	21.3	-4.8 x
FFO/interest expenses	times	15.8	18.8	-3.0 x
FFO/investments	times	0.7	1.0	-0.3 x
EBITDA margin	%	28.5%	38.9%	-10.4%
Operating profit margin	%	18.9%	27.6%	- 8.8 pp

[1]Rolling 12 months

[2]Debt/(debt + equity)

FFO – funds from operations excluding changes in working capital

ROIC – Return on invested capital

Net Debt – Debt minus cash and cash equivalents
EBITDA- Earnings before interest, taxes, depreciation and amortization
EBITDA margin – Earnings before interest, taxes, depreciation and amortization divided by sales

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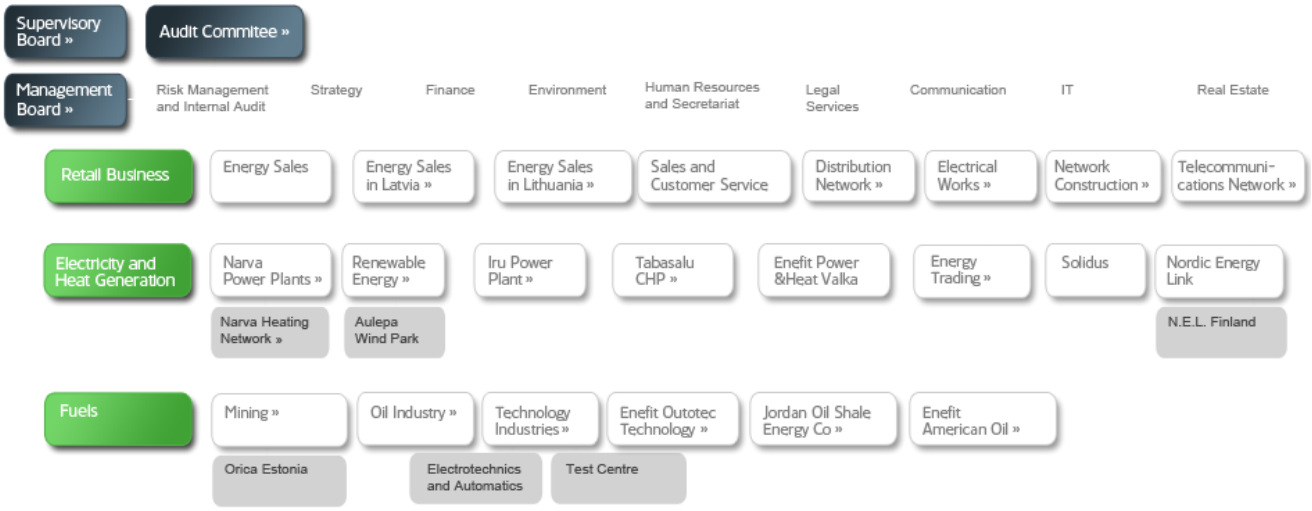
Eesti Energia in Brief

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

Our 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 as well as offering other electricity-related products and services to customers. In foreign markets we operate under the Enefit brand. We sell energy to Latvian and Lithuanian customers as well as introduce our unique and environmentally friendly oil shale processing solutions to customers globay.

Eesti Energia's credit ratings are an A3 (confirmed 14 July 2010) with a stable outlook from Moody's and a BBB+ (confirmed 8 July 2010) with a stable outlook from Standard & Poors.



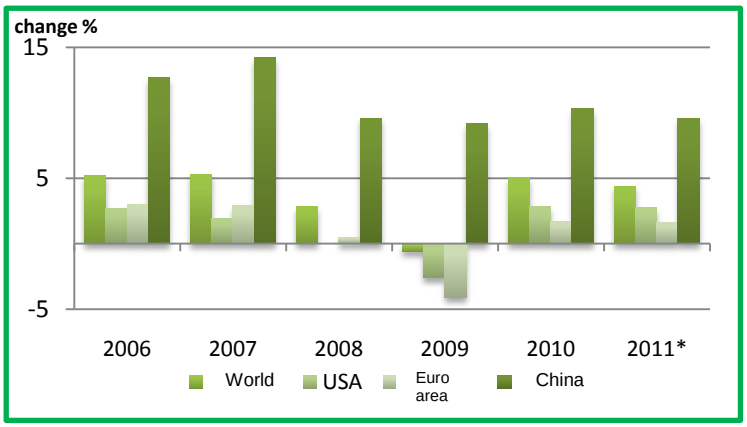
Operating environment

Global environment

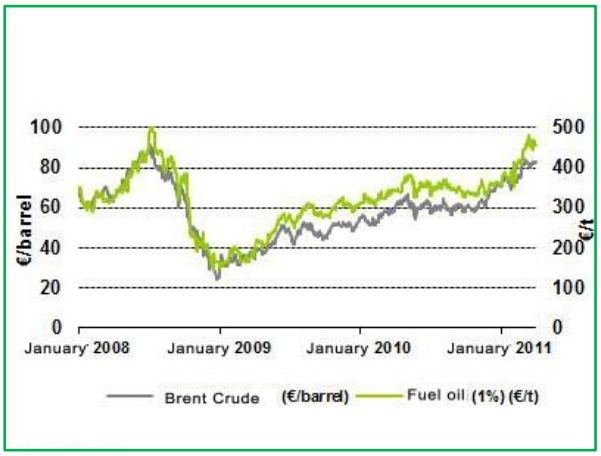
The global economic recovery continued in the first quarter of 2011 mostly due to the USA's fiscal stimulus. The forecast for global GDP growth in 2011 is 4.5% which is a combination of the developed countries 2.5% growth and developing countries 6.5% growth. [1]

In developed countries economic growth is around 2.5% but in developing ones the growth is faster, adding greater inflationary pressures. The increase of inflation is faster in developing nations and this is mainly due to the rise in price of consumer goods which make up the majority of consumer spending.

The European economy is continuing its growth mainly thanks to exports but it is being further helped by increased investments. A study by the European Commission on companies' plans shows substantial investment plans for 2011. At the same time however internal demand in Europe has weakened due to higher unemployment, greater savings and the accessibility of credit.



Gobal GDP growth
Source:IMF ***IMF forecast**



Fuel prices*
End of day closing prices **Source: Reuters**

The global liquid fuels market has seen an increase in prices in the first quarter of 2011, partly thanks to global economic recovery. It has also been affected by political unrest in the major oil producing regions of North Africa and the Middle East. The average price of Brent crude in the first quarter of 2011 was 77.3 €/bbl (105 $/bbl) which is 39.4% (37.5%) higher than in the first quarter of 2010. The average price of heating oil (1%) in the first quarter was 416.7 €/t (569 $/t) which is 27.9% (26.3%) higher than a year before. According to OPEC this growth is increasing inflation in developed nations and in the long run may affect economic growth.

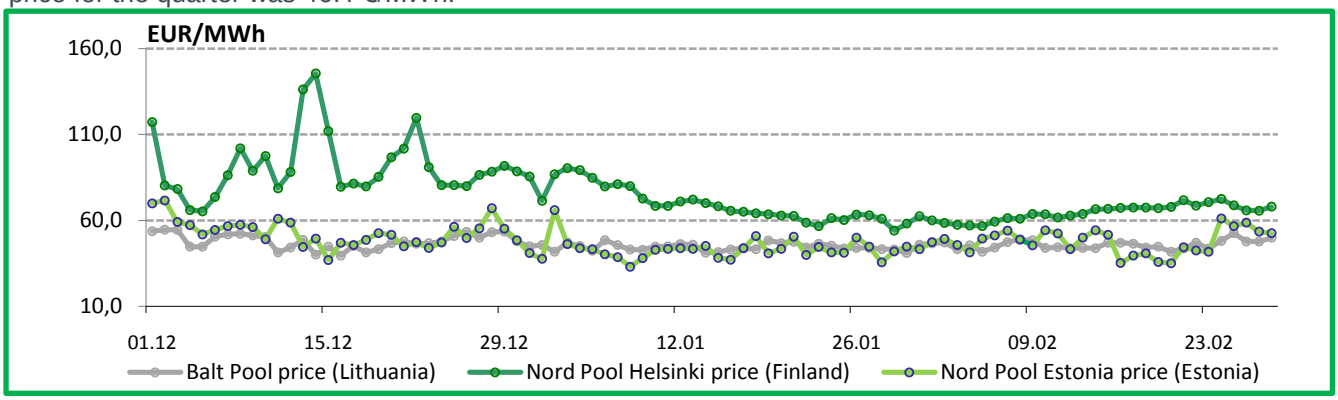
Emissions trading

December 2011 CO2 emissions futures traded at an average price of 15.3 €/t in the first quarter. The biggest price increase during the quarter came in March with the Japanese nuclear catastrophe due to which Germany decided to close its older nuclear power plants for a 3 month safety check. The latter increased CO2 demand on the market, which in turn raised its price by around 2 €/t.

[1] IMF, 2011 April WEO Update

Regional operating environment

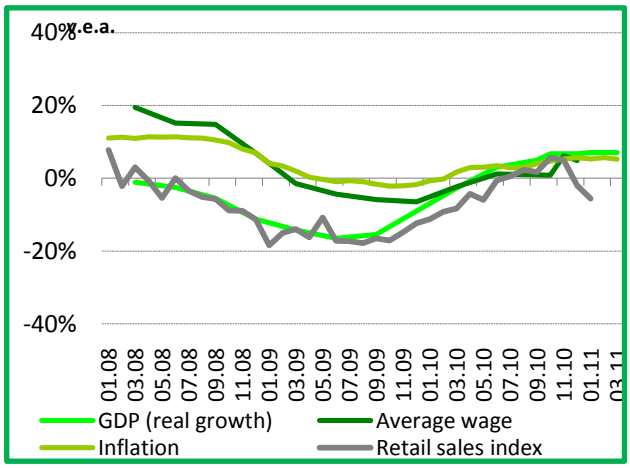
The regulated price of electricity in Estonia is set at 30.7 €/MWh which was approved by the competition authority on 1 June 2010.
The average daily price in the Nord Pool Estonia price area was in the 33-65.9 €/MWh range and the average price for the quarter was 46.1 €/MWh.



Nord Pool's Finnish price area´s average price in the first quarter was 64.7 €/MWh and the daily price fluctuated between 53.7-90.3 €/MWh. Hydropower reserves in the Nordic countries were 17.6%[2] lower than the median and this has reduced electricity supply, hence pushing up the price.

The average price on the Lithuanian electricity exchange BaltPool was 45.8 €/MWh in the first quarter and the average daily price fluctuated between 32.6-55 €/MWh.

Estonian operating environment

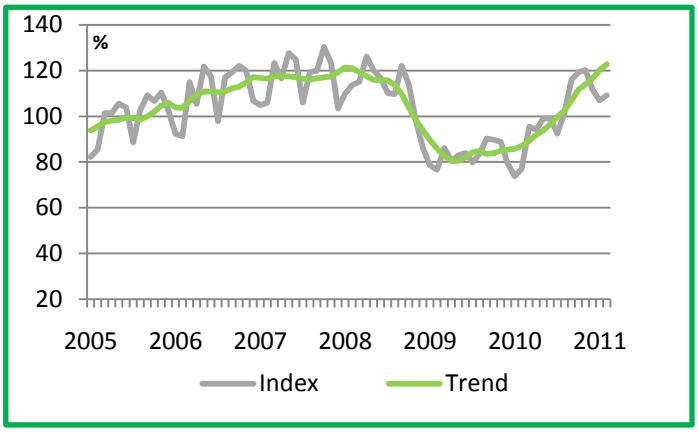


Economic indicators
Source: Statistics Estonia

The Estonian economy is recovering along with the rest of the word and growth of 4%[3] is expected for 2011, mainly thanks to strong exports. Compared to the first two months of 2010, exports this year have grown by 44%. The biggest export article is electronics which make up 16.7% of all exports.

The Ministry of Finance is forecasting[3] 2.2% growth in consumer spending for 2011 and a growth in investments of 8%. In 2012 internal demand should start having a greater impact on economic growth due to expected greater demand and investments.

Industrial production is characterized by a growth in volume in 2011 and increased foreign demand. The surge in production has increased the demand for new employees which helps alleviate unemployment in Estonia.
Unemployment has fallen to 10.2% which compared to the same period last year is 4.2% lower. The real wage is expected to drop by 1% due to inflation edging higher.



Industrial production volume index and trend (2005=100)
Source: Statistics Estonia

[2] Nord Pool Spot
[3] Rahandusministeeriumi prognoos „2011 Kevadine prognoos"

Several external factors have pushed up prices and hence affected Estonian consumer. According to Statistics Estonia the average inflation in the first quarter of 2011 was 5.4% which is 2.9% higher than the 2010 summer forecast by the Ministry of Finance. The largest influencing factor was the price of food which rose by 12.1% in the first quarter. Another important contributor was transportation costs which rose by 6.2%.

Temperature

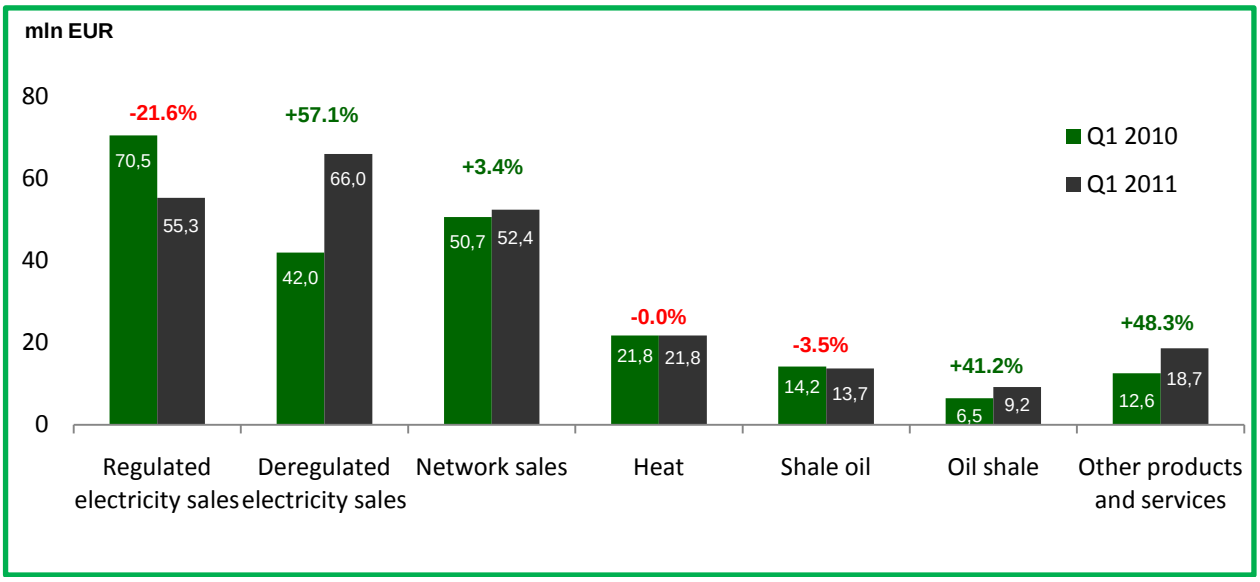
The average temperature according to the Estonian Meteorological and Hydrological Institute was -5.1 degrees Celsius in the first quarter of 2011 which is 2.3 degrees warmer than the equivalent period last year. The largest difference was in January when the average temperature was -3.7 degrees which is 5.8 degrees warmer than last year. Temperature affects electricity consumption and through that electricity and network sales.

Financial results

Eesti Energia's first quarter revenues for 2011 were 237.1 million Euros (2.5% more than the first quarter of 2010), operating profit 44.1 million Euros (-26.9% year-on-year) and net income 42.4 million Euros (-51.2%). The results were positively affected by the deregulation of electricity market. Negative effects came from lower variable profits from our electricity sales and distribution division and a decrease in one off revenues.

Revenues

The group's revenues in the first quarter of 2011 were 237.1 million Euros, a growth of 2.5% year on year. The greatest proportions of revenues, 55.9 million Euros, came from unregulated electricity sales (grew by 32.2%, 13.6 million), regulated electricity sales of 45 million Euros (-22.2%, -12.9 million) and network sales 52.4 million Euros (+3.5%, +1.7 million Euros). The deregulation of the electricity markets in Estonia and Lithuania have increased revenues from unregulated markets which in the first quarter made up 54.4% of total revenues (37.3% share in Q1 2010).



The **retail business** division had revenues of 135.1 million Euros in the first quarter of 2011, a decrease of 0.4% (-0.5 million Euros) compared to last year. Sales of electricity reached 75.4 million Euros (-2.4%, -1.9 million Euros), network services 53.1 million Euros (+3.2%, +1.7 million Euros) and other services 5.8 million Euros (-4.2%, -0.3 million Euros) . The decrease was due to a decrease in regulated electricity sales revenue of 16.5 million Euros (-28.2%) and a drop in volume of 570 GWh (-26.4%) on the regulated market. At the same time unregulated revenues grew to 27.5 million Euros (+137.7%) and volumes by 317 GWh (+112.9%).

	Q1		Change	
GWh	2011	2010	GWh	%
Electricity sales at regulated prices, of which	1 586	2 155	-570	-26.4
Sales outside the group	1 580	2 090	-510	-24.4
Electricity sales at unregulated prices, of which	598	281	317	112.9
Estonian open market	300	47	253	-
Sales outside the group	279	4	275	-
Latvian open market	88	83	5	6.5
Lithuanian open market	210	152	59	38.7
Total electricity sales	2 184	2 436	-252	-10.3

Eesti Energia's market share in the Estonian deregulated electricity market was approximately 70% in the first quarter of 2011. In Latvia we had 113 clients in the quarter and the average market share on the unregulated market was 11%. On the Lithuanian open market we have seen a sharp increase in the number of clients. In the first quarter we had 112 clients in Lithuania (+106 clients) and the average market share was about 7%.

GWh	Q1 2011	Q1 2010	Change GWh	Change %
Distributed electricity	1936	1975	-39	-2.0

The average temperature during the first quarter of 2011 was 2.3 degrees higher compared to the same period last year. This was the main reason behind the decrease in network sales compared to last year (-2.0%, -39 GWh). Low voltage electricity distribution in the first quarter of 2011 was 1327 GWh, a decrease of 3.4% (44 GWh) compared to last year. The increase in economic activity is visible in the growth in medium voltage electricity distribution which was 610 GWh in the first quarter, a growth of 0.9% (6 GWh) year on year. The average network tariff in the first quarter was 27.8 €/MWh (+5.8%).

Distribution losses in the first quarter[4] were 162 GWh, a decrease of 2 GWh compared to last year. Due to greater sales volumes during this period, first quarter distribution losses are always higher than the yearly average. First quarter losses in 2011 were 7.7%, the same as the equivalent period last year.

Our **electricity and heat generation** division generated revenues of 159.1 million Euros (+2.5%, +3.8 million Euros compared to last year) in the first quarter. Electricity sales revenues reached 132,2 million Euros (+10.5%, +12.6 million Euros) and heat sales 22.4 million Euros (-0.2% year-on-year). The starting up of Nord Pool Estonian price region on 1 April 2010 helped transfer some closed market business onto the open market.. Generation division results have been presented after netting off the purchases and sales to electricity exchanges in the same hour.

GWh	Q1 2011	Q1 2010	Change GWh	Change %
Total electricity sales	3 281	3 249	32	1,0

We received 3,2 million Euros (+27,5%) in renewable energy subsidies in the first quarter. This increase is due to a growth in electricity generated from renewable sources.

GWh	Q1 2011	Q1 2010	Change GWh	Change %
Heat sales	676	754	-78	-10.4
Of which external sales	636	712	-76	-10.7

The decrease in heat sales is due to the cancellation of steam sales to a major client, Kreenholm (-18.1 GWh, -0,5 million Euros) as well as the disposal of Kohtla-Järve Soojus shares in March 2011 (which decreased sales by -26.6 GWh and -0.9 million Euros).

In Latvia, we sold 7.7 GWh of heat, with revenues reaching 0.3 milion Euros in the first quarter. In January 2011, Eesti Energia acquired a majority share in the Valka heating company which in 2012 will build a new biofuel fired CHP. Enefit Heat & Power Valka currently produces heat from two biofuel and fuel oil fired boiler houses.

The average sales price for external heat sales in the first quarter was 34.2 €/MWh (+12%, +3.7 €/MWh). This price increase was brought about by higher input costs.

Our **fuels** division's revenues in the first quarter were 82,3 million Euros (+12.1%) including sales of oil shale of 53.4 million Euros (+8.9%) and shale oil of 14,4 million Euros (-3.9%). The main factors affecting our results were greater oil shale sales volumes and higher sales prices. Sales of products and services grew thanks to subcontracting work.

[4] The distribution loss percentage by dividing total losses by the amount of electricity entering the grid. The loss number is gotten by difference between the amount of electricity consumed in the grid and the amount that entered it.

Thousands of tons	Q1 2011	Q1 2010	Change th t	Change %
Intra-Group sales of oil shale (electricity generation)	4 181	4 032	149	3.7
Intra-Group sales of oil shale (oil production)	505	480	24	5.1
Oil shale external sales	592	437	155	35.5
Total oil shale sales	5 277	4 949	328	6.6

The increase in electricity generation and oil production resulted in increased demand for oil shale. Higher internal sales also helped increase external sales since it enabled us to produce and sell greater quantities of oil shale concentrate. Starting from September 2010 we have an additional buyer for our oil shale concentrate. The average sales price of oil shale was 1.6% higher in the first quarter due to these new concentrate sales.

Thousands of tons	Q1 2011	Q1 2010	Change th t	Change %
Fuel oil sales	43.6	57.1	-14	-23.7
Of which external sales	40.3	52.9	-13	-23.9

Shale oil production volumes increased by 5.3% in the first quarter of 2011 compared to the previous year. The sales price of shale oil is tied to that of heavy fuel oil and has increased hand in hand with that. In the first quarter the average price was 34.7 % higher than last year.

Our Technology Industry's exports decreased in the first quarter by 1.9 million Euros (-51.2%) but domestic sales increased by 4.0 million Euros (+240.2%) which is mostly due to the construction of a new shale oil plant in Narva. The total sales of other products and services was 13.4 million Euros (+74.8%) in the first quarter.

Operating profit

The operating profit in the first quarter was 44.1 million Euros (-26.9% compared to same period last year), while Group EBITDA reached 66.6 million Euros (-21.6%).

The **retail** business registered an operating loss of 1 million Euros (-108.9%, -11.6 million Euros) in the first quarter. The retail business's first quarter profitability was mostly impacted by higher electricity purchase costs of 6.8 million Euros which decreased the sales margin.

The distribution network's profitability fell by 53.4% (-4.8 million Euros) to 4.2 million Euros in the first quarter. Retail divisions profitability was affected by decreased distribution network sales volumes of 1936 GWh (-39 GWh), increase in transmission grid costs due to Elering's price increase (impact of 2.9 million Euros) and higher repair costs (-0,3 million euros).

The **electricity and heat generation** division's operating profit was 31.3 million Euros (-20.5%, -8.1 million Euros) in the first quarter.

First quarter results were affected by the deregulation of the market (+5.3 million Euros), a reduction in one off revenues (-9.1 million Euros), a reduced sales margin (-5.2 million Euros), maintenance work at the Narva power plant (+3.4 million Euros), a reduction in depreciation (-2.6 million Euros) and savings in fixed costs (+1.8 million Euros).

The **fuels** division had an operating profit of 15.1 million Euros (+20.4%, +2.6 million Euros) in the first quarter.

Mining subsidiary's operating profit in the first quarter was 8,4 million Euros (+16.3%, +1.2 million Euros). This was mainly due to higher sales volumes (+8.3%, +328 thousand tons).

The profit grew thanks to exports of electrical equipment and the building of our new shale oil plant.

Economic Value Added (EVA)

The first quarter of 2011 decreased the Group's EVA by 19,4 million Euros. The weighted average cost of capital in the first quarter of 2011 was 9.4% compared to 10% in 2010.

	Q1		Change	
mln eur	2011	2010	mln eur	%
Group's economic value added, incl	12.9	32.4	-19.4	-60.1
Retail business	-12.3	-0.9	-11.4	-1 270.2
Electricity and heat generation	16.7	28.7	-11.9	-41.6
Fuels	9.5	8.1	1.4	17.7

The fuels division's EVA growth was supported by larger production volumes, higher oil prices and greater profits in the Technology Industry. Generation's EVA decreased mainly due to higher production costs. Retail business's EVA fell due to higher electricity purchase costs and higher transmission costs which weren't passed on to the end consumer.

Investments

The Group's investments in the first quarter were 95.4 million Euros (+119.3%). Investments were targeted at improving the reliability and quality of the distribution grid, the construction of a new shale oil plant, construction of a waste to energy production unit, the installation of desulphurization equipment, the modernization of mines and the acquisition of oil shale reserves in the USA.

	Q1		Change	
mln eur	2011	2010	mln eur	%
Group's investments, including	95.4	43.5	51.9	119.3
Retail business	11.4	14.8	-3.4	-22.9
Electricity and heat generation	28.2	12.4	16.2	149.1
Fuels	52.7	14.6	8.3	295.5
Other	3.1	1.7	1.4	82.4

In the **retail** business we invested 11.2 million Euros in building new connections and improving grid reliability. In the **generation** division we invested into the installation of desulphurization units at our Narva power plants (11 million Euros), the installation of new wind turbines at our Aulepa wind park (3.8 million Euros) and a waste to energy block at our Iru power plant (5.1 million Euros). In the **fuels** division we invested 13 million Euros into the construction of a new shale oil plant and 6.5 million into improving mines. We also spent 29 million Euros on acquiring oil shale deposits in the US state of Utah.

Status of major investment projects:

- Construction of Enefit 280 shale oil plant in Auvere: By the end of March we had invested 59.8 million Euros into it. Foundation works have been completed and currently metal constructions are being built and equipment is being installed. At the same time two 10 000 cubic meter storage tanks have been completed as well as a loading dock. We have begun excavation works for the foundation of the turbine building and cooling water canals. Construction is proceeding according to schedule. The total cost of the project we estimate to be at around 190 million Euros and it should be completed in the spring of 2012.
- Developing and building oil shale industry infrastructure in Auvere: Investments into developing an oil shale complex and maintenance work on the existing oil pant totaling 2.4 million Euros so far. We plan to invest a total of 20.7 million Euros into this project.
- Installation of desulphurization units: We have invested a total of 72.5 million Euros into this project. On the 3rd production block various demonstration and guarantee tests are being run. On the 4th, 5th and 6th block construction is underway. We plan to invest a total of 104 million Euros into this project and works should be completed by 2012.
- Iru waste to energy block construction: By the end of March we had invested 15.2 million Euros into this project and construction is proceeding according to schedule. By the end of the quarter, the foundations for the waste and ash storage facilities had been completed. We plan to invest a total of 104.6 million Euros into this project.

- Narva wind park: The Narva city council issued permits for the construction of turbines, cables and access roads. By the end of March we had completed the foundation works for 10 turbines. By the end of the first quarter we had invested a total of 6.6 million Euros into this project and the total estimated cost is 58.9 million Euros.
- Jordanian oil and electricity project development: We have begun geological surveys and talks are underway with the Jordanian government regarding electricity purchases and the issuance of a mining permit. We are working on the construction documentation of the power plant as well as the mines supporting it. The development stage, set to last till 2016 has a budget of 38 million dollars.
- USA oil project development: Currently the development plan is being put together. The development phase is set to last until 2016 during which time we plan to invest 113 million dollars (inclusive of oil shale resources acquisition).

Cash flows

In the first quarter of 2011 we had net cash flow s of 20.2 million Euros (-43.7%, -15.7 million Euros compared to last year).

	Q1		Change	
mln eur	2011	2010	mln eur	%
Cash flows from operating activities	128.0	87.5	40.5	46.3
Purchase of property, plant and equipment	-71.9	-38.6	-33.3	86.3
Net change in deposits with maturities over 3 months	-16.6	-375.8	359.2	-95.6
Acquisition of new businesses	-28.8	-	-28.8	-
Received bank loans	0.1	0.6	-0.5	-83.3
Repayments of bank loans	-0.9	-0.6	-0.3	50.0
Other adjustments	10.3	2.6	7.7	296.2
Discontinued operations	-	360.2	-360.2	-
Net cash flow	20.2	35.9	-15.7	-43.7

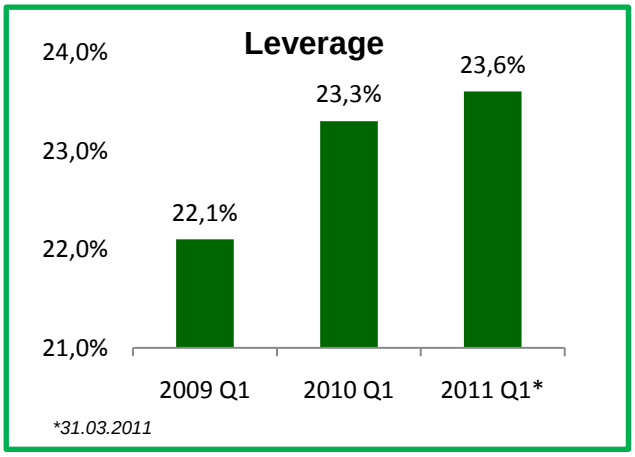
Cash flows from operating activities in the first quarter were positively affected by lower collateral requirements (+24.9 million Euros) and better income from receivables (+297.9%, +20.5 million Euros). The latter was largely thanks to the efficiency of the retail business's debt collection efforts (+233.6%, +6.5 million Euros) and an increase in receivables received by the generating unit (+468.1%, 13.2 million Euros). Cash flows in the first quarter were affected by higher investments which grew by 119.3% compared to the same period last year.

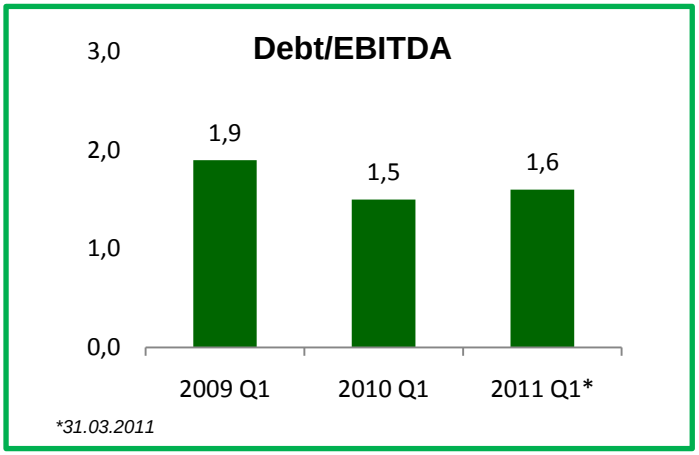
Financing

Eesti Energia's balance sheet has remained conservative. At the end of March 2011 our ratio of debt to debt+equity was 23.6% (+0.27 percentage points compared to one year ago).

Our Debt/EBITDA ratio (12 months) has grown from 1.5 to 1.6 due to a reduction in EBITDA.

Our liquidity multiplier was 1.9 at the end of the first quarter. Working capital was 245.8 million at the end of March (-46.5%, -213.5 million Euros compared to March 2010). Net debt at the end of the quarter was 85 million Euros (+194%, +175.4 million Euros) if deposits with maturities over 3 months are taken into account. Debt levels have fallen -2.6% compared to the end of March 2010.





On 31 March 2011, the average weighted interest rate for Eesti Energia's loans was 4.2%, a growth of 0.1% compared to last year. The base currency of the debt is the Euro.

The largest part of Eesti Energia's long term debt is made up of 300 million Euros worth of Eurobonds, bearing a 4.5% fixed interest rate and which mature in 2020. We also have 57.5 million Euros worth of loans from the Nordic Investment Bank and 10.9 million Euros worth of loans from the European Investment Bank. 81% of the loan portfolio bears a fixed interest rate while as 19% has a floating one. As of March 2011, we had undrawn credit facilities of 136 million Euros.

Consolidated income statement

In million EUR	3 months 1 January - 31 March 2011	3 months 1 January - 31 March 2010	12 months 1 April- 31 March 2010/11	12 months 1 April- 31 March 2009/10	*Note*
CONTINUING OPERATIONS					
Revenue	233.5	218.3	799.3	677.7	*2*
Other operating income	3.5	12.8	2.5	23.7	
Government grants	-	-	0.3	0.1	
Change in inventories of finished goods and work-in-progress	-1.1	-3.8	-6.6	7.1	
Raw materials and consumables used	-120.1	-94.0	-374.2	-278.0	
Payroll expenses	-32.3	-32.1	-130.6	-123.1	
Depreciation. amortization and impairment	-22.5	-24.6	-91.3	-106.1	
Other operating expenses	-16.9	-16.3	-66.7	-69.5	
OPERATING PROFIT	**44.1**	**60.3**	**132.7**	**131.9**	*2*
Financial income	1.0	2.1	6.4	11.9	
Financial expenses	-2.7	-3.4	-12.1	-14.1	
Net financial income (-expenses)	**-1.7**	**-1.3**	**-5.7**	**-2.2**	
Gain from associates using equity method	-	0.6	1.5	1.4	
PROFIT BEFORE TAX	**42.4**	**59.6**	**128.5**	**131.1**	
CORPORATE INCOME TAX EXPENSE	**-**	**-0.1**	**-28.7**	**-14.8**	
PROFIT FROM CONTINUING OPERATIONS	**42.4**	**59.5**	**99.8**	**116.3**	
PROFIT/LOSS FROM DISCONTINUED OPERATIONS	**-**	**27.4**	**-**	**28.5**	*12*
PROFIT FOR THE YEAR	**42.4**	**86.9**	**99.8**	**144.8**	
ATTRIBUTABLE TO					
Equity holders fo the Parent Company	**42.2**	**86.1**	**100.3**	**144.6**	
Minority interest	**0.2**	**0.8**	**-0.5**	**0.2**	
Basic earnings per share (euros)	*0.09*	*0.18*	*0.21*	*0.31*	*7*
Diluted earnings per share (euros)	*0.09*	*0.18*	*0.21*	*0.31*	*7*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In million EUR	3 months 1 January- 31 March 2011	3 months 1 January- 31 March 2010	12 months 1 April- 31 March 2010	12 months 1 April- 31 March 2009
PROFIT FOR THE YEAR	**42.4**	**86.9**	**99.8**	**144.8**
Other comprehensive income				
Revaluation of risk hedge instruments	11.4	1.3	-21.4	-26.3
Profit/loss from exchange rates	-0.1	-	-0.1	-
Other Comprehensive income for the year	**11.3**	**1.3**	**-21.5**	**-26.3**
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:	**53.7**	**88.2**	**78.3**	**118.5**
Equity holders of the Parent Company	**53.5**	**87.4**	**78.8**	**118.3**
Minority interest	**0.2**	**0.8**	**-0.5**	**0.2**

Consolidated balance sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
in million EUR

	31 March		31 December	Note
ASSETS	**2011**	**2010**	**2010**	
Non-current assets				
Property. plant and equipment	1 361.8	1 209.5	1 293.6	*4*
Intangible assets	26.3	16.7	23.3	
Investments in associates	11.8	11.6	11.8	
Derivative financial instruments	0.6	0.9	0.3	*5*
Long-term receivables	0.2	2.4	0.4	
Total non-current assets	**1 400.7**	**1 241.1**	**1 329.4**	
Current assets				
Inventories	30.1	34.2	29.1	
Greenhouse gas allowances	45.2	-	45.2	
Trade and other receivables	131.3	101.1	169.9	
Derivative financial instruments	0.1	5.0	0.4	*5*
Available-for-sale financial assets	10.1	-	10.0	
Financial assets at fair value through profit or loss	5.9	1.1	3.2	
Deposits with maturities greater than three months at banks	198.0	380.9	181.4	
Cash and cash equivalents	75.3	72.1	54.8	
Total current assets	**496.0**	**594.4**	**494.0**	
Assets of disposal group classified as held-for-sale	**-**	**-**	**20.7**	
Total assets	**1 896.7**	**1 835.5**	**1 844.1**	
EQUITY				
Capital and reserves attributable to equity holder of the Parent Company				
Share capital	471.6	471.6	471.6	*6*
Share premium	259.8	259.8	259.8	
Statutory reserve capital	47.2	47.2	47.2	
Hedge reserve	-23.2	-1.8	-34.6	
Unrealised exchange rate differences	-0.1	-	-	
Retained earnings	402.5	411.3	360.3	
Total equity and reserves attributable to equity holder of the Parent Company	**1 157.8**	**1 188.1**	**1 104.3**	
Non-controlling interest	**1.6**	**3.5**	**2.8**	
Total equity	**1 159.4**	**1 191.6**	**1 107.1**	
LIABILITIES				
Non-current liabilities				
Borrowings	331.4	359.0	331.9	*8*
Other payables	1.4	0.1	0.3	
Derivate financial instruments	7.1	5.0	4.9	*5*
Deferred income	118.8	116.5	118.6	
Provisions	28.5	28.2	28.6	

Total non-current liabilities	**487.2**	**508.8**	**484.3**	
Current liabilities				
Borrowings	26.8	3.5	26.8	*8*
Trade and other payables	138.5	114.9	132.7	
Derivative financial instruments	18.5	2.8	31.8	*5*
Deferred income	0.5	0.2	0.5	
Provisions	65.8	13.7	49.9	
Total current liabilities	**250.1**	**135.1**	**241.7**	
Liabilities of disposal group classified as held-for-sale	**-**	**-**	**11.0**	
Total liabilities	**737.3**	**643.9**	**737.0**	
Total liabilities and equity	**1 896.7**	**1 835.5**	**1 844.1**	

Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS
in million EUR

	3 months 1 January - 31 March		12 months 1 April - 31 March		*Note*
	2011	**2010**	**2010/11**	**2009/10**	
Cash flows from operating activities					
Cash flows from operating activities from continuing operations					
Cash generated from operations	125.0	86.4	228.4	233.7	
Interest and loan fees paid	-0.1	-0.1	-15.4	-15.5	
Interest received	3.1	1.2	7.1	12.0	
Corporate income tax paid	-	-	-28.8	-14.8	
Net cash generated from operating activities from continuing operations	**128.0**	**87.5**	**191.3**	**215.4**	
Net cash generated from operating activities from discontinued operations	**-**	**3.4**	**-**	**9.5**	
Net cash generated from operating activities	**128.0**	**90.9**	**191.3**	**224.9**	
Cash flows from investing activities					
Cash flows from investing activities from continuing operations					
Purchase of property. plant and equipment and intangible assets	-71.9	-38.6	-238.6	-193.4	
Proceeds from connection and other fees	2.2	1.6	10.0	10.8	
Proceeds from sale of property. plant and equipment	0.9	0.5	2.3	6.1	
Net change in deposits with maturities greater than 3 months	-16.6	-375.8	182.9	-355.8	
Purchase of short-term financial investments	-5.7	-6.4	-36.7	-20.9	
Loans granted	-0.1	-	-0.1	-	
Loan repayments received	5.3	-	5.3	-	
Dividens received from long-term financial investments	-	1.2	-	2.3	
Change in overdraft granted to discontinued operations	-	187.6	-	139.5	
Acquisiton of subsidiaries. net of cash acquired	-28.8	-	-28.8	-	
Proceeds from disposal of subsidiary	4.1	-	4.1	-	*11*
Proceeds from sale and redemption of short-term financial investments	3.0	5.7	21.9	21.9	
Net cash used in investing activities from continuing operations	**-107.6**	**-224.2**	**-77.7**	**-389.5**	
Net cash used in investing activities from discontinued operations	**-**	**-3.3**	**-**	**-26.9**	
Dividends collected from discontinued operations	**-**	**-**	**-**	**30.7**	
Proceeds from sale of discontinued operations	**-**	**166.0**	**-**	**166.0**	*12*
Net cash used in investing activities	**-107.6**	**-61.5**	**-77.7**	**-219.7**	
Cash flows from financing activities					
Cash flows from financing activities from continuing operations					
Received long-term bank loans	0.1	0.6	2.0	41.6	
Repayments of bank loans	-0.9	-0.6	-3.8	-9.0	
Proceeds from non-controlling interest	0.6	-	0.6	-	
Dividends paid	-	-	-109.2	-86.9	
Net cash used in financing activities from continuing operations	**-0.2**	**-**	**-110.4**	**-54.3**	
Net cash used in financing activities from discontinued operations	**-**	**6.5**	**-**	**24.0**	
Net cash used in financing activities	**-0.2**	**6.5**	**-110.4**	**-30.3**	
Net cash flows	**20.2**	**35.9**	**3.2**	**-25.1**	
Cash and cash equivalents at the beginning of the period	55.1	36.2	72.1	97.2	
Cash and cash equivalents classified as held for sale	*-0.3*	-	-	-	
Cash and cash equivalents at the end of the period	75.3	72.1	75.3	72.1	
Net increase/(-)decrease in cash and cash equivalents	**20.2**	**35.9**	**3.2**	**-25.1**	

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
in million EUR

	Attributable to equity holder of the Company						Non-controlling interest	Total equity
	Share capital (Note 6)	Share premium	Statutory legal reserve	Other reserves	Retained earnings	Total		
Equity as at 31 December 2009	**471.6**	**259.8**	**47.2**	**-3.1**	**325.2**	**1 100.7**	**2.7**	**1 103.4**
Comprehensive income								
Comprehensive income for the year	-	-	-	1.3	86.1	87.4	0.8	88.2
Total transactions with owner	-	-	-	*1.3*	*86.1*	*87.4*	*0.8*	*88.2*
Equity as at 31 March 2010	**471.6**	**259.8**	**47.2**	**-1.8**	**411.3**	**1 188.1**	**3.5**	**1 191.6**
Equity as at 31 December 2010	**471.6**	**259.8**	**47.2**	**-34.6**	**360.3**	**1 104.3**	**2.8**	**1 107.1**
Comprehensive income								
Comprehensive income for the year	-	-	-	11.3	42.2	53.5	0.2	53.7
Change in non-controlling interest due to the disposal of a subsidiary	-	-	-	-	-	-	-2.0	-2.0
Proceeds from non-controlling interest	-	-	-	-	-	-	0.6	0.6
Total transactions with owner	**-**	**-**	**-**	***11.3***	***42.2***	***53.5***	***-1.2***	***52.3***
Equity as at 31 March 2011	**471.6**	**259.8**	**47.2**	**-23.3**	**402.5**	**1 157.8**	**1.6**	**1 159.4**

Notes to the financial statements

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".

1 Accounting policies

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 December 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 January 2011 have been published in the financial statements for the financial year ended on 31 December 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.

According to the Management Board the Interim Report prepared for the period 1 January 2011 - 31 March 2011 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, Enefit UAB, Enefit SIA, 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, Taastuv-energia, Iru Elektrijaam, Energiakaubandus, Solidus Oy, AS Narva Soojusvõrk, Eesti Energia Aulepa Tuuleelektrijaam OÜ, Eesti Energia Tabasalu Koostootmisjaam OÜ, SIA Enefit Power & Heat Valka);
- Minerals, Oil, Biofuels (consisting of companies and business units Eesti Energia Kaevandused Group, Eesti Energia Õlitööstus AS, Eesti Energia Tehnoloogiatööstus Group, Jordan Oil Shale Energy Company, Enefit Outotec Technology OÜ, Enefit Jordan B.V., Enefit U.S., LLC, Enefit American Oil Group).

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.

On 8 March 2011 the transaction of the sale of the shareholding in AS Kohtla-Järve Soojus was completed (Note 11). Until its disposal, AS Kohtla-Järve Soojus was part of the Electricity and Heat Generation segment.

In these 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 12). For this reason Electricity transmission has been excluded from 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 January 2011 - 31 March 2011
in million EUR

	Retail Business Total	*of which Distribution*	Electricity and Heat Generation	Minerals, Oil, Biofuels Total	*of which Mining*	Corporate Functions	Elimi-nations	Total
Total revenue	134,5	*55,4*	156,5	82,0	*61,9*	4,2	-143,7	233,5
Inter-segment revenue	-4,1	*-1,0*	-67,0	-51,3	*-52,4*	-4,0	126,4	-
Revenue from external customers	130,4	*54,4*	89,5	30,7	*9,5*	0,2	-17,3	233,5
Operating profit	-0,9	*4,2*	31,3	15,1	*8,4*	-0,8	-0,6	44,1

Segment information for reportable segments for the period 1 January 2010 - 31 March 2010
in million EUR

	Retail Business Total	*of which Distribution*	Electricity and Heat Generation	Minerals, Oil, Biofuels Total	*of which Mining*	Corporate Functions	Elimi-nations	Total
Total revenue	135,0	*53,7*	143,4	73,1	*56,4*	3,7	-136,9	218,3
Inter-segment revenue	-10,3	*-0,9*	-76,5	-46,7	*-49,6*	-3,4	136,9	-
Revenue from external customers	124,7	*52,8*	66,9	26,4	*6,8*	0,3	-	218,3
Operating profit	10,6	*8,9*	39,4	12,5	*7,3*	36,0	-38,2	60,3

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

	3 months January - 31 Marc 2011	2010
Segment operating profits for reportable segments	-0,8	36,0
Operating profit of Corporate Functions	45,5	62,5
Eliminations:		
Profits/losses from intra-segment sales of property, plant and equipment	-	-38,3
Change in price difference of inventories	-0,5	-
Other eliminations	-0,1	0,1
Total operating profit per consolidated income statement	**44,1**	**60,3**

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 December 2010						
Cost	41,2	149,1	719,5	1 201,0	4,9	2 116
Accumulated depreciation	-	-84,8	-297,0	-600,4	-4,3	-987
Net book amount	41,2	64,3	422,5	600,6	0,6	1 129
Construction in progress	-	0,7	21,8	98,8	-	121
Prepayments	-	-	0,3	42,8	-	43
Total property, plant and pquipment as at 31 December 2010	**41,2**	**65,0**	**444,6**	**742,2**	**0,6**	**1 294**
Movements 1 January - 31 March 2011						
Purchases of property, plant and equipment	-	0,6	3,1	58,3	-	62
Acquisition of subsidiary (Note 13)	29,4	-	0,3	0,2	-	30
Depreciation charge	-	-1,1	-5,4	-15,5	-0,1	-22
Net book amount of non-current assets disposed	-0,4	-0,1	-	-0,2	-	-1
Classified as held-for-sale	-	-	2,3	-3,2	-	-1
Movements 1 January - 31 March 2011	**29,0**	**-0,6**	**0,3**	**39,6**	**-0,1**	**68**
Property, plant and equipment as at 31 March 2011						
Cost	70,2	149,2	723,3	1 211,4	4,9	2 159
Accumulated depreciation	-	-85,7	-300,1	-609,6	-4,4	-1 000
Net book amount	70,2	63,5	423,2	601,8	0,5	1 159
Construction in progress	-	0,9	21,5	132,5	-	155
Prepayments	-	-	0,2	47,5	-	48
Total property, plant and equipment as at 31 March 2011	**70,2**	**64,4**	**444,9**	**781,8**	**0,5**	**1 362**

5 Derivative Financial Instruments

in million EUR	31 March 2011		31 March 2010	
	Assets	Liabilities	Assets	Liabilities
Forward contracts for buying and selling electricity as cash flow hedges	-	9,1	5,0	-
Forward and option contracts for buying and selling electricity as trading derivatives	-	1,7	-	0,5
Option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	0,7	-	0,5	-
Swap and futures contracts for selling shale oil as cash flow hedges	-	14,8	0,4	7,3
Total derivative financial instruments	**0,7**	**25,6**	**5,9**	**7,8**
including non-current portion:				
Forward contracts for buying and selling electricity as cash flow hedges	-	0,4	0,5	-
Forward and option contracts for buying and selling electricity as trading derivatives	-	-	-	0,4
Option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	0,6	-	0,4	-
Swap and futures contracts for selling shale oil as cash flow hedges	-	6,7	-	4,6
Total non-current portion	**0,6**	**7,1**	**0,9**	**5,0**
Total current portion	**0,1**	**18,5**	**5,0**	**2,8**

6 Share capital

As at 31 March 2011, Eesti Energia AS had 471 645 750 registered shares (31 March 2010: 73 796 524 registered shares). The nominal value of each share is 1 euro. The nominal value of a share was changed in December 2010 when the share capital was converted into euros, until then the nominal value of each share was 100 kroons. The sole shareholder is the Republic of Estonia.

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.
Due to the change in the nominal value of a share (Note 6), the number of the ordinary shares in earlier periods is adjusted for the proportionate change in the number of ordinary shares outstanding.

	3 months 1 January - 31 March		12 months 1 April - 31 March	
	2011	2010	2010	2009
Profit attributable to the equity holders of the	42,2	86,1	100,3	144,6
Weighted average number of shares (millior	472	472	472	472
Basic earnings per share (EUR)	0,09	0,18	0,21	0,31
Diluted earnings per share (EUR)	0,09	0,18	0,21	0,31

8 Nominal Value and Amortised Cost of Borrowings

in million EUR

	31 March 2011		31 March 2010	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Current portion of long-term bank loans	26,8	26,8	3,5	3,5
Total short-term borrowings	**26,8**	**26,8**	**3,5**	**3,5**
Long- term borrowings				
Bank loans	41,6	41,4	70,1	69,8
Bonds issued	300,0	290,0	300,0	289,2
Total long- term borrowings	**341,6**	**331,4**	**370,1**	**359,0**
Total borrowings	**368,4**	**358,2**	**373,6**	**362,5**

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

in million EUR

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 January - 31 March**	
	2011	**2010**
Transactions with associates		
Purchase of goods and services	7,1	6,8
Proceeds from sale of goods and services	0,5	1,2

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 Disposal of subsidiary

On 8 March 2011 the transaction of the sale of the shareholding in AS Kohtla-Järve Soojus was comple
Until its disposal, AS Kohtla-Järve Soojus was part of the Electricity and Heat Generation segment.

Net assets of the subsidiary disposed in million EUR	**8 March 2011**
Cash and cash equivalents	1,0
Trade and other receivables	4,8
Inventories	0,2
Property, plant and equipment	16,0
Borrowings	-3,4
Trade and other payables	-7,7
Deferred income	-0,1
Provisions	-5,8
Total net assets of th subsidiary disposed	5,0
Non-controlling interest's share of the net assets	-2,0
Sales price	5,6
Gain on sale	2,6
Cash in flows in transaction	
Proceeds from sale	5,6
Cash and cash equivalents of subsidiary in bank accounts	-1,5
Total cash inflows in transaction	4,1

12 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 January - 27 January 2010**
Revenue	10,0
Expenses	-4,0
Profit before tax of discontinued operations	6,0
Profit from discontinued operations	**27,4**

Assets and liabilities of discontinued operations in million EUR	**27 January 2010**
Cash and cash equivalents	6,6
Trade and other receivables	20,3
Property, plant and equipment and intangible assets	351,5
Total assets of discontinued operations	**378,4**
Borrowings	(192,3)
Trade and other payables	(21,9)
Deferred income (Note 24)	(13,0)
Total liabilities of discontinued operations	**(227,2)**
Net assets	**151,2**
Sales price	172,6
Gain on sale	21,4
Cash inflows in transaction	
Proceeds from sale	172,6
Cash and cash equivalents of subsidiary	(6,6)
Total cash inflows in transaction	**166,0**

13 Business combinations and acquisition of subsidiaries

(a) Business combinations

On 17 January 2011 the Group acquired 75% of the shares of Latvian company SIA "Valkas Bioenergo Kompanija" (new name SIA Enefit Power&Heat Valka) for the purchase price of EUR 0.8 million and increased the share capital, after which the Group owns 90% of the enterprise.The acquired company generates thermal energy in two boiler plants that operate on biofuel and fuel oil and has developed a new biofuel-fired co-generatio plant. The new co-generation plant will be completed in 2012.

(b) Other transactions

On 14 January 2011 the Group signed a contract for acquiring 100% of the shares of the Oil Shale Exploration Company (new name Enefit American Oil) in the USA for the purchase price of USD 42 million. The transaction was completed on 30 March 2011. The management estimates that the transaction was not a business combination as the assets were acquired that do not constitue a business.