Eesti Energia

Interim Report

April 1 2010 – September 30 2010

Summary

The second quarter of fiscal year 2010/11 were successful for Eesti Energia. Its noteworthy that over half of the sales revenue and profit came from the open market, proving our ability to be successful in competitive environment.

We continue to invest our profit in Estonia - into distribution network, development of electricity generation and produciton of liquid fuels. This way we help to creat new jobs and add value to Estonian economy.

Eesti Energia's strength lies in an integrated value chain and flexible production. We utilise our own unique raw material, oil shale, and from this we produce both electricity as well as liquid fuels. Our flexibility allows us to manage our production portfolio in order to maximize our utilization of our oil shale resources depending on market conditions. We own our distribution network and have direct contact with the end clients, as well as an effective sales force.

On 1 April 2010 Estonian electricity market opened partially and Eesti Energia entered this market as a strong and competitive player. Our share of the Estonian open market is 87 per cent.

In Latvia we had 118 clients as of the end of the 2nd quarter and a 17 per cent market share on the open market. At the same time in Lithuania we have grown in both market share as well as the number of clients. By the end of the second quarter we had 83 clients and our approximate market share had reached 17 per cent by the end of the quarter.

I would like to bring out three events of particular importance from the 2nd quarter, events which have a long term effect and which are associated with values important for Eesti Energia: environmentally friendly electricity generation and social responsibility.

In September we signed a contract to build a wind park on the Narva ash fields. This park will be completed by 2012 and will have an annual production capacity of 90 GWh. A place that has up to now been a footprint of oil shale energy will become the foundation for new wind powered generation unit.

Secondly we decided to expand the Aulepa wind park by three new generators. The largest wind park in the Baltics will see its generating capacity increased by 9 MW which will in turn increase annual electricity generation by 23 GWh.

And thirdly we started an entrepreneurship program called Entrum in Ida-Viru county. This is the largest social responsibility program that Eesti Energia has ever undertaken. The goal of the program is to teach young people how to be active and entrepreneurial in life and more than 600 participants signed up.

There are two keywords behind Eesti Energia's success - increased revenues and controll over fixed costs.

Control over fixed costs was of key importance for the entire Group. At the same time we increased our profitability on open markets by expanding our exports of shale oil and by trading electricity on the Baltic markets.

We sold over half the electricity we generated in the open market. In addition to successful trading, increased electricity and network services sales were supported by a more stable economic environment.

Price of crude oil is around levels that support our shale oil business. As of today earnings from shale oil form a significant proportion of Eesti Energia's profit.

In the second quarter of this fiscal year we signed good deals for the sale of energy equipment. Our oil shale sales volumes increased as did those of all other major products and services.

Thanks to strong financial performance and the trust of investors and financial institutions, we can continue to guarantee investments into the development of domestic generation assets as well as increased quality of the distribution network. Investments undertaken in the first half of the year were three times greater than the net income for the same period.

Solid financial performance provides a stable platform from which Eesti Energia can fulfill its investment plans over the coming years.

Key Figures and Ratios

		Q2		Change	6 months		Change
		2010/11	2009/10	%	2010/11	2009/10	%
Total electricity sales, of which	GWh	2 444	2 136	14.4%	4 727	4 196	12.7%
regulated price	GWh	1 083	1 458	-25.7%	2 270	3 081	-26.3%
non-regulated price	GWh	1 361	678	100.7%	2 457	1 115	120.3%
Sales of heat	GWh	50	56	-11.4%	148	161	-7.9%
Sales of oil shale (outside the Group)	th t	489	408	19.8%	923	777	18.9%
Sales of shale oil (outside the Group)	th t	36	31	19.1%	72	71	1.4%
Network sales	GWh	1 279	1 209	5.8%	2 642	2 546	3.8%
Distribution grid losses	%	5.2%	7.1%	-1,9 pp	5.1%	5.4%	-0,3 pp
Average number of employees		7 467	7 708	-3.1%	7 410	7 779	-4.7%
Total revenues and other income, including	MEUR	166	140	18.0%	335	287	16.9%
sales revenue	MEUR	164	139	17.7%	333	279	19.1%
EBITDA	MEUR	45	37	23.2%	106	89	18.4%
EBIT	MEUR	22	14	59.1%	60	43	38.9%
Net profit[1]	MEUR	14	5	216.6%	29	28	2.5%
Fixed Assets	MEUR	1 280	1 324	-3.3%	1 280	1 324	-3.3%
Equity	MEUR	1 107	1 138	-2.7%	1 107	1 138	-2.7%
Net Debt	MEUR	21	213	-90.0%	21	213	-90.0%
Investments	MEUR	48	45	5.0%	86	88	-2.8%
FFO	MEUR	15	38	-59.7%	74	91	-19.5%
Debt / EBITDA[1]	times	1.4	1.9	-0.5 pp	1.4	1.9	-0.5 pp
Net debt / EBITDA[1]	times	0.1	1.1	-1.0 pp	0.1	1.1	-1.0 pp
Leverage[2]	%	24.7%	24.2%	0.5 pp	24.7%	24.2%	0.5 pp
ROIC[1]	%	13.0%	9.0%	4.0 pp	13.0%	9.0%	4.0 pp
EBITDA interest cover	times	11.1	9.0	2.1 pp	13.0	11.1	1.9 pp
FFO/ Interest Expenses	times	3.7	9.2	-5.5 pp	10.6	11.3	-0.7 pp
FFO/ investments	%	32.0%	83.1%	-51.2 pp	85.7%	103.4%	-17.7 pp
EBITDA margin	%	27.6%	26.4%	1.2 pp	31.8%	32.0%	-0.2 pp
EBIT margin	%	13.7%	10.1%	3.6 pp	18.1%	15.5%	2.6 pp

[1] Rolling 12 months

[2] Debt / (debt + equity)

FFO - Funds from operations excluding changes in the working capital

ROIC - return on invested capital

EBITDA margin - EBITDA divided by sales revenue

EBIT margin - EBIT divided by sales revenue

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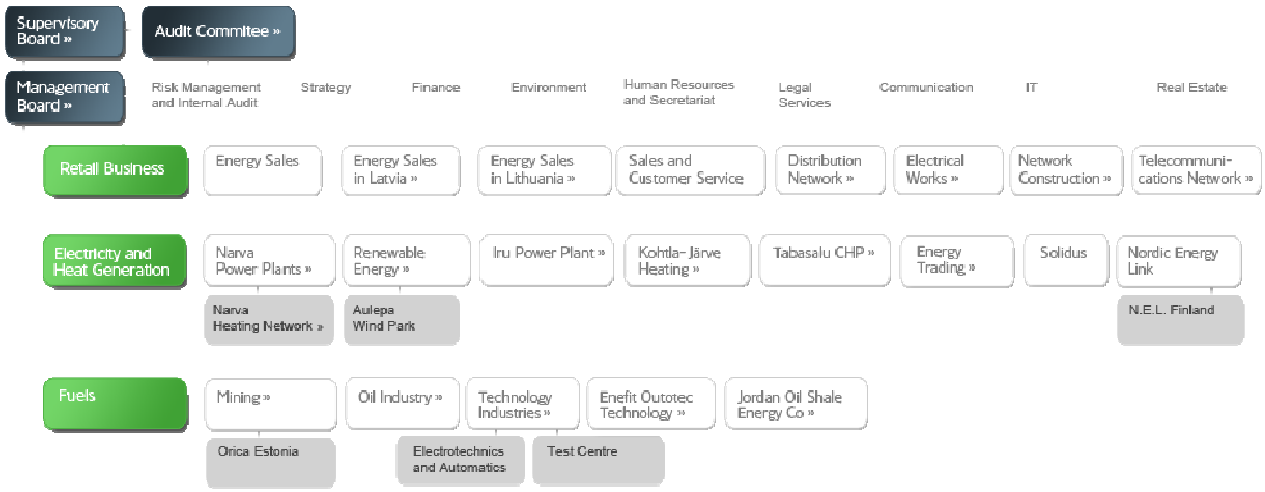
Eesti Energia in Brief

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.

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 sell energy to Latvian and Lithuanian customers as well as introduce our unique, environmentally friendly and efficient integrated oil shale production solution globally.

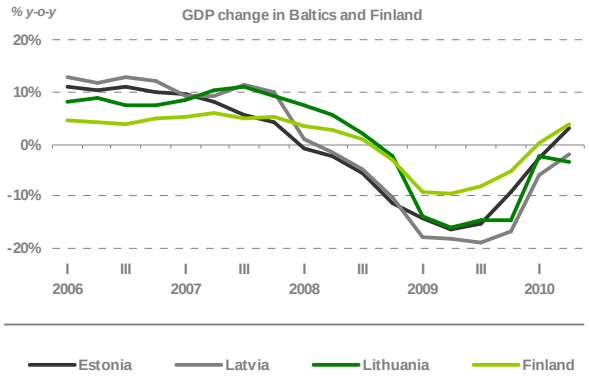


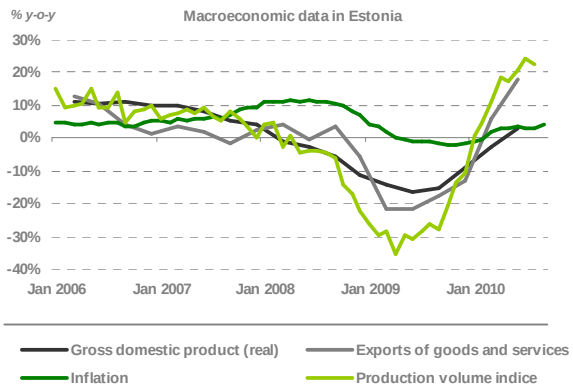
Operating environment

Economic Environment

The improvement in economic conditions in the Baltics and Finland continued in Q2 of 2010. Unlike Q1, GDP grew in Estonia, Latvia and Finland though it showed a decrease in Lithuania. Comparison with the previous year is affected by a low point of comparison.

According to the Estonian Statistics Office, Estonian GDP growth finally reached a positive territory after nine consecutive quarters of decline (compared to the same period in the previous year) and this figure was 3.0% in Q2. Internal demand remains weak and the 2.4% growth is mainly a reflection of higher inventories. Private consumption and investments continued to fall in Q2, 3.2% and 17.1% respectively but compared with the same period last year however the pace of contraction has slowed. Improved conditions abroad have helped exports which grew 18% in Q2.





Source: Estonian, Lativan, Lithuanian, Finland Statistics

The unemployment rate stayed at around 18-19% for the second quarter in a row and was 18.6% in Q2. The five quarter long drop in average salaries turned to growth in Q2 by increasing 1.2% over last year. Inflation has been on the rise since the beginning of 2010 and was around 3% in Q2.

The index for the volume of industrial production (which shows the change in the volume of industrial goods produced) grew 18% in Q2.

Temperature

The average temperature according to the Estonian Meteorological and Hydrological Institute was 17.2 degrees Celsius in Q2 of fiscal year 2010/11. This is 1.8 degrees higher compared to the same period last year and 2 degrees warmer than the average for the past twenty years. While July and August were respectively 4.3 and 1.8 degrees warmer than the average for the past twenty years, September stayed at around average. The average temperature for the first six months of this fiscal year was 13.8 degrees which is 1.1 degrees warmer than the first half of last year. Temperature has an effect on the firm's sales of electricity and heat, especially during the winter.

Electricity markets

The price of regulated electricity in Estonia remained unchanged during Q2. The price approved by the Competition Authority since June 1st 2010 is 30.7 €/MWh.

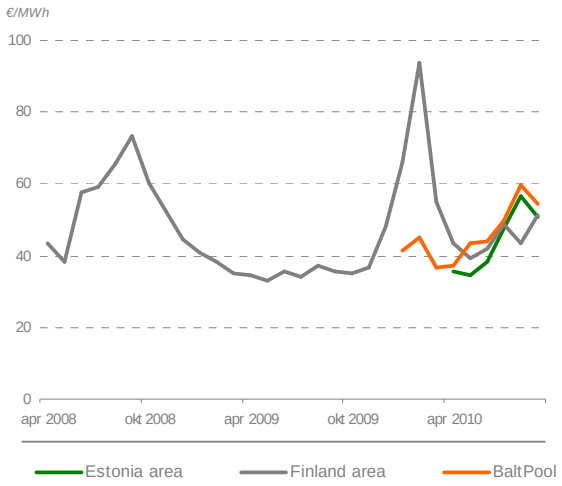
Along with the partial opening up of the electricity market on 1. April, the Nord Pool Spot Estonian price area came into existence where trading began on one day forward deliveries. In Q2 the price in the Estonian price area fluctuated in the broad spectrum between 30.1-462.0 €/MWh and the average price was 51.7 €/MWh. An exceptional price spike occurred on 24 August when low supply combined with exceptional demand drove the average price for the day up to 462 €/MWh, including for five hours the maximum price allowed by the exchange (2000 €/MWh). Excluding that day, the average daily price in Q2 for the Estonian price area was 47.2 €/MWh. Demand for electricity in Q2 was affected by above average temperatures in July-August as well as increased industrial production. The supply side was affected by maintenance work on the Estlink cable, unplanned outages in July, the shortage of low cost generation capabilities in Latvia and Lithuania and low levels of generation in Swedish nuclear plants which decreased the supply of electricity from Finland to Estonia via the Estlink cable. The six months average price for electricity in the Estonian price area was 44.1 €/MWh.

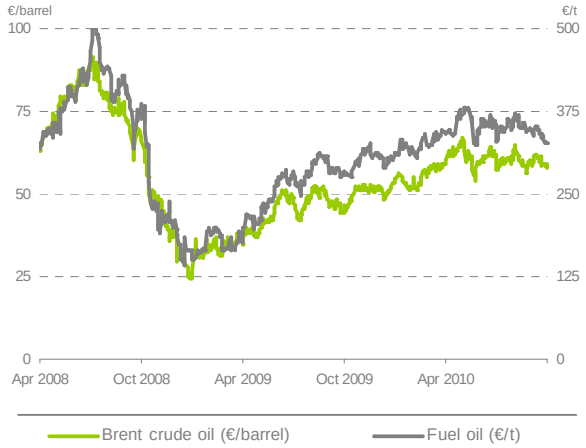
The average price in the Finnish price area of Nord Pool was 47.7 €/MWh (+39.9%, +13.4 €/MWh) in Q2. The convergence of prices between Estonia and Finland is increasing. In Q2 the hourly prices in Estonia and Finland areas were equal for 32% of the time but in Q1 this trend increased to 75%.

The average price on the Lithuanian electricity exchange BaltPool was 54.5 €/MWh in Q2. The price has been elevated due to limitations in CIS, Estonian and Latvian transmission networks as well as low generation levels in Latvian hydropower plants. The six months average price was 48.0 €/MWh.

Emissions trading

The price of December CO_2 emissions quotas was 14.8 €/t in Q2. The price has fallen from a high of 15.4 €/t at the beginning of July to 13.7 €/t towards the end of it. After that the price has increased again, reaching 15.7 €/t by the end of September due to increased electricity prices. The 2010 six months average price of CO_2 emissions was 15.0 €/t.





Allikas: Nord Pool, Reuters

Crude oil and fuel oil

The average price of Brent crude oil was 59.9 €/barrel (77.5 $/barrel) in Q2 which is 25.1% (13.2% in US dollars) higher than the same period last year. Healthier global economic conditions as well as adverse weather conditions in the Gulf of Mexico helped raise the price from 58 €/barrel in the beginning of July to 64 €/barrel by August. Although worse than expected US macro data depressed the oil price back to 59-60 €/barrel by the end of August, the price has been rising thanks to an improved economic outlook in China as well as the US. The average price of Brent in the first half of the fiscal year was 60.7 €/barrel (77.9 $/barrel) which is 33.6% higher than the same period last year. OPEC forecasts the increase in demand for oil to be 1.1% in 2010. This growth is driven predominantly by China and the rest of Asia as well as the US while at the same time demand is set to decrease in Western Europe.

The price of fuel oil in Q2 was 348 €/t (451 $/t). The price has grown 10.1% (21.8%) compared to last year. The demand for heavy fuel oil has remained low in Europe since the beginning of the crisis and this trend continued into Q2 of this year. Eesti Energia trades in heavy fuel oil in the ARA (*Amsterdam-Rotterdam-Antwerp*) region which has been affected by increased inventories and Russian exports. The six months average price of fuel oil was 352 €/t (452 $/t), an increase of 34.2% (22.9%).

Short term outlook

The European Commission's 2010 spring forecast (published on 2 May 2010) predicts a recovery in Europe which is helped by a faster than expected global economic recovery, predominantly in Asia. This forecast predicts 0.9% growth for Estonia and 1.4% growth for Finland in 2010. Latvia and Lithuania are expected to contract by -3.5% and -0.6% respectively.

The forecast published on 25 August 2010 by the Estonian Ministry of Finance predicts a growth of 2.0% in the real GDP for 2010. This growth is driven by increased exports (predicted to be 15.1%) thanks to favorable international conditions. Internal demand is weak due to labor market conditions. Unemployment is expected to be 17.5% and the drop in average salary 0.6% in 2010.

At the end of September futures contracts were entered into in the Finnish price area for energy at a price of 53.4 €/MWh for the period October 2010 - March 2011 (the price is 0.9% higher than the equivalent one last year).

At the end of September 2010 CO_2 emissions allowances were traded at 15.4 €/t. At the same time last year 2010 emissions allowances were traded at 13.6 €/t.

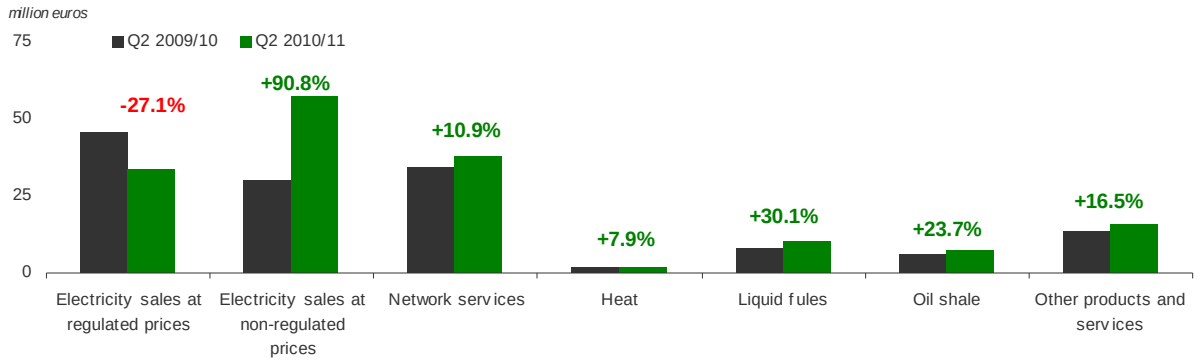
Brent futures contracts for the second half of the fiscal year (October 2010- March 2011) were entered into at a price of 60.6 €/barrel which is 14.3% higher than in the same period last year. Fuel oil futures were entered into at the end of September at a price of 325.6 €/t (5.3% higher).

Financial results

Eesti Energia's revenues for the Q2 of fiscal year 2010/11 were 166 million euros (18.0% growth y-o-y), operating profit 22 million euros (+59.1%) and net income 14 million euros (+216.6%). These figures were influenced the most by higher electricity prices and higher sales volumes, increased profitability in mining and fuels. Revenues for the first half of the year were 335 million euros (+16.9%), operating profit 60 million euros (+38.9%) and net income 29 million euros (+2.5%).

Revenues

The revenues in Q2 of fiscal 2010/11 reached 166 million euros, an increase of 18.0% over the same period last year. The largest proportion of revenues came from unregulated electricity sales (35% of total revenue) which was followed by sales of network services (23%) and regulated electricity sales (20%). The opening up of the electricity markets in Estonia and Lithuania and high prices on the exchanges have increased Group's total revenues from the unregulated market which in Q2 made up 51% of revenues (year ago in Q2 37%).



The **Retail Business** division grew its revenues in Q2 compared to last year by 21.8% (+19 million euros) and they reached 108 million euros. Sales revenue from electricity were 62 million euros (+31.1%, +15 million euros) and from network services 38 million euros (+11.0%, 4 million euros). This growth was fueled by the liberalization of the Estonian electricity market at the beginning of April, increased sales to Lithuanian retail customers thanks to the opening up of the market there on 1 January and increase in network services volume. Revenues for the first six months of the year reached 208 million euros (+10.5%, +20 million euros).

	Q2		Change	6 months		Change
GWh	2010/11	2009/10	%	2010/11	2009/10	%
Regulated electricity sales, incl.	982	1333	-26.3	2050	2832	-27.6
external sales	978	1280	-23.6	2042	2723	-25.0
Unregulated electricity sales, incl.	635	93	582.8	1083	181	498.3
Estonian open market	453	0	-	796	0	-
Latvian open market	83	93	-10.8	171	181	-5.9
Lithuanian open market	99	0	2493x	117	0	1554x
Total electricity sales	1617	1426	13.3	3133	3014	3.9

The approximate market share of Eesti Energia on the Estonian open market is 87%. In Latvia we had on average 118 clients in Q2 which is 4 clients more than the same time last year and the market share of the open market was 17%. The decrease in sales is due to the leaving of certain larger clients. In Lithuania our market share has grown considerably over the past few months. By the end of Q2 we had 83 clients in Lithuania (+82 clients) and an expected market share of the open market of 17% (estimated according to annual consumption of client portfolio).

	Q2		Change	6 months		Change
GWh	2010/11	2009/10	%	2010/11	2009/10	%
Distributed electricity	1330	1255	6.0	2757	2637	4.6

The decrease in sales volume in the distribution network which began at the end of 2008 has now reverted into growth thanks to a cold winter in early 2010 and continued due to improved economic conditions. Medium voltage electricity distribution to business clients grew 6.4% in Q2 (+60 GWh) and 6.2% (+120 GWh) for the first six months. Low voltage electricity distribution to private clients was 320 GWh in Q2 (+4.9%, +15 GWh). The first

six months saw electricity sales of 698 GWh to private clients which is roughly the same as last year. The average network tariff in QII was 5.3% higher and for the first six months 1.7% higher than in the same period last year. On 1 June 2010 distribution network tariffs changed to reflect an 18% increase in transmission grid tariffs.

Distribution network losses were 5.2% in Q2, an improvement of 1.9 percentage points over the same period last year. Last year's June-July losses were affected by the early readings of electric meters in June (which made losses negative) and hence the losses of July were larger. The losses were reduced in Q2 by 24% (-23 GWh). The volume of electricity entering the distribution network increased by 3.5% in Q2 (+48 GWh) compared to the same period last year. The losses in the first half of the year were 5.1% (-0.3 percentage points).

Sales of communication services in Q2 were 3 million euros (+6.6%). As of the end of September 2010 the mobile internet service KÕU had approximately 25,500 active clients which is 3.4% (800 clients) more than last year.

619 clients joined Eesti Energia's Roheline Energia service in Q2 which provides electricity generated from renewable sources. Total sales of this segment were 7 GWh (+81.1%, + 3 GWh).

Electricity and Heat Generation revenues were 99 million euros Q2 (+18.2%, +15 million euros). Sales revenue from electricity were 101 million euros and from heat 2 million euros (+6.5%). The main factors affecting this area were the opening up of the Estonian electricity market on1 April, contracts for the supply of electricity to Lithuania and revenues from the Estlink cable. Revenues for the first half of the year reached 204 million euros (+17.5%, +30 million euros). Generation division power sales and purchases through power exchange have been netted.

	Q2		Change	6 months		Change
GWh	2010/11	2009/10	%	2010/11	2009/10	%
Regulated electricity sales	1 140	1 587	-28.2	2 372	3 292	-27.9
external sales	98	134	-26.9	200	247	-19.0
Unregulated electricity sales	1 385	727	151.9	2 524	1 241	153.6
Total electricity sales	2 525	2 314	28.4	4 896	4 533	21.8

Subsidies for the generation of renewable and cogenerated energy were 1 million euros (-1 million euros) in Q2. This is smaller than in Q1 due to no biofuels being used in the Narva power plants because of maintenance works. A total of 9 million euros of subsidies were received in the first half of the year (+7 million euros).

The transfer of the usage rights of the Estlink undersea cable to Nord Pool Spot enabled Eesti Energia to earn a rental income in Q2 of 2 million euros and a total of 4 million euros over the first six months.

	Q2		Change	6 months		Change
GWh	2010/11	2009/10	%	2010/11	2009/10	%
Heat sales	65	71	-8.9	171	184	-7.0
incl external sales	50	56	-11.4	148	161	-7.9

Heat consumption during the summer period is generally lower and is affected mostly by demand from industrial clients as opposed to temperatures. Low sales in Q2 were due to reduced consumption by a major industrial client. The average sales price in Q2 was 21.7% higher than in the previous year which is mainly due to higher input costs.

Sales in the **Minerals, Oil and Biofuels** division were 66 million euros in Q2 (+45.4%, +20 million euros). Sales revenue from oil shale were 44 million euros (+52.3%, +15 million euros) and from shale oil 12 million euros (+33.5%, +3 million euros). Larger oil shale sales volumes and higher fuel prices. Revenues for the first six months were 123 million euros (+38.4%, +34 million euros).

	Q2		Change	6 months		Change
th t	2010/11	2009/10	%	2010/11	2009/10	%
Intra-Group sales of oil shale (electricity generation)	3 417	2 144	59.0	6 275	4 164	51.0
Intra-Group sales of oil shale (oil production)	379	260	46.0	770	656	17.0
Intra-Group sales of oil shale (heat generation)	21	5	342.0	40	8	383.0
Oil shale external sales	489	408	20.0	923	777	19.0
Total oil shale sales	4 306	2 817	53.0	8 009	5 605	43.0

Oil shale sales for the production of oil and electricity rose due to larger production volumes of shale oil and electricity. Sales to external clients were affected by larger production volumes which enabled us to sell more oil shale concentrate as well as the gaining of a new client. The average sales price for oil shale was 0.9% lower than in Q2 of last year.

th t	Q2 2010/11	Q2 2009/10	Change %	6 months 2010/11	6 months 2009/10	Change %
Fuel oil sales	42	35	20.5	81	79	2.8
incl external sales	36	31	19.1	72	71	1.4

Increased production of liquid fuels has enabled us to grow our sales volumes. The sales price of shale oil is tied to that of heavy fuel oil on the world market and has grown with it: in Q2 the price was 9.2% higher than last year. In Q2 the amount of sales concluded under future contracts were 15 th tons with price of 320 €/tonn.

Export sales of energy equipment and products decreased in Q2 by 57% (-1 million euros) but domestic sales increased by 486.1% (2 million euros) thanks to the construction of a new shale oil plant. Sales of gravel decreased by 25.4%. Larger fuel production volumes brought with it greater retort gas sales (+52.6%). The total sales of other products and services reached 6 million euros in Q2 (+31.0%) and 12 million euros for the first six months (+49.1%).

Operating expenses and profits

Earnings before interest and taxes (EBIT) reached 22 million euros in Q2 (+59.1% compared to last year). Earnings before interest, taxes, depreciation and amortization (EBITDA) was 45 million euros (+23.2%). For the first six months of the current fiscal year Eesti Energia had an EBIT 60 million euros (+38.9%, +17 million euros).

The **Retail** division's EBIT was 11 million euros in Q2 (+0.8%), which included the distribution network's operating profit reduction to 8 million euros (-8.0%, -1 million euros compared to last year). This result was influenced by increase in sales volumes by 75 GWh (to 1330 GWH), exceptional repair works due to storm damage (+1 million euros), increased planned maintenance costs due to their low levels last year and greater IT costs due to the integration of new software programs and greater depreciation (6.4% in Q2) due to continued large investments.

The profit of electrical works and network construction has been elevated by a reduction of fixed costs. Not all parts of the business were able to adapt to the new economic environment fast enough but as of now the cost base has been significantly reduced. The profitability of electricity sales in Latvia have been influenced by lower margins due to competitor pricing.

Electricity and Heat Generation division's EBIT was 2 million euros in Q2 (+4 million euros). Profitability was influenced by higher electricity prices and greater sales volumes, increase in generation volumes (net electricity generation grew by 0.8 TWh in Q2 compared to the same time last year and reached 2.3 TWh), savings in fixed costs, decrease in electricity bought by 0.6 TWh (last year we bought 0.7 TWh from Lithuania on favorable conditions) and increase in electricity purchase price, no loss from revaluation of CO2 emission allowances, sea cable fee and lower generation of electricity from renewable resources.

Profitability in the first six months has been influenced, in addition to the above, by lower fixed costs in Q1 and greater electricity generation from renewable sources.

The **Minerals, Oil and Biofuels** division saw EBIT growth to 10 million euros in Q2 (+72.8%, +4 million euros). Opertaing profit of mining subsidiary were 7 million euros (+58.6%, +3 million euros) and the growth occurred mainly due to higher sales volumes (+52.9%, +1.5 million tonnes). Profit from the sale of liquid fuels was mainly influenced by higher sales prices (+24 €/t in Q2), improved yield (+0.3 percentage points in Q2) which increased the amount of oil extracted from a given amount of oil shale and better reliability of the Enefit devices (the devices were operational for 40% more time than Q2 of last year). Comparison with the previous period is affected by differences in maintenance schedules. Reliability improvement has been achieved also thanks to investments. Energy equipment sales also saw greater profit margins thanks to the sale of higher value added components. The division has been influenced during first half by the same factors mentioned above.

Economic Value Added

The Group's economic value added (EVA) grew in the second quarter compared to the same period of the previous fiscal year. This ratio is also affected by the seasonality of the Group's operating profit. As of the beginning of the fiscal year 2010/11 the Group's weighted average cost of capital rose from 9.7% to 10.0%.

million euros	Q2 2010/11	Q2 2009/10	Change mil. euros	6 months 2010/11	6 months 2009/10	Change mil. euros
Group's economic value added, incl	-6.5	-12.7	6.2	2.6	-9.9	12.5
Retail business	0.0	0.4	-0.4	2.5	1.4	1.1
Electricity and heat generation	-9.8	-11.9	2.2	-2.5	-8.4	5.9
Fuels	5.0	2.0	2.9	7.0	2.3	4.7

The Minerals, Oil and Biofuels division EVA was boosted by the increased efficiency in oil shale mining and liquid fuels production. Electricity and Heat Generation division profitability continued to grow mainly due to higher sales prices. Retail Business division EVA decreased due to stable profitability but an increase in capital invested compared to previous year.

Investments

The Group's investment's amounted to 48 million euros Q2 and 86 million euros during the first six months of the fiscal year. The investments were made to increase the reliability and quality of the network, to build the new Enefit-technology based oil plant, to implement the desulphurization equipment and to modernize the mines.

	Q2		Change	6 months		Change
million euros	2010/11	2009/10	%	2010/11	2009/10	%
Group's investments, incl	47.6	45.3	5.0	85.9	88.4	-2.8
Retail business	13.1	16.9	-22.4	24.8	33.4	-25.8
Electricity and heat generation	20.4	9.8	107.6	34.3	32.8	4.4
Fuels	11.3	17.3	-34.7	20.7	20.5	1.1

In the **Retail Business** division we invested 12 million euros (23 million euros during the first six months) to finish the new network connections and improve the network's reliability. In the **Electricity and Heat Generation** division we invested 13 million euros (22 million euros) in the implementation of the desulphurization equipment in Narva Power Plants, 1 million euros (3 million euros) in the construction of Ahtme gas boiler-house, 1 million euros (1 million euros) in the erection of new wind mills in Aulepa and 1 million euros (2 million euros) in building the waste-to-energy unit in Iru Plant. In the **Minerals, Oil and Biofuels** division we invested 5 million euros in Q2 (10 million euros during the first six months) in the new oil plant. 4 million euros (9 million euros) were invested in the reconstruction and building of new mining equipment.

Major investments as of September

- Construction of the Enefit-280 oil plant – by the end of September we had invested 33 million euros in the project. The construction works have begun in Narva and while the foundation of the plant is being cast two 10 000m^3 containers for storing products are under construction in the container park. The retort, completed by the Group's Technology Company, will, according to plans, be transported to the plant's territory by the end of October. The construction of the plant is developing according to contracted schedule. We plan to invest 192 million euros and expect the plant to be commissioned in spring 2012.
- Implementation of desulphurization equipment – altogether we have invested 49 million euros in the project. At the end of September some final preparation works for implementing the equipment on the third energy block took place and currently block no. 6 is out of service. We plan to invest total 110 million euros in the project and expect that the equipment will be installed by year 2012.
- Waste-to-energy unit at Iru – by the end of September we had invested 2 million euros. The construction of the unit has been delayed by the legal debate around the project, which aimed at disputing the construction permit including stopping its validity. At the end of September the District Court of Tallinn found it unnecessary to enforce stopping the permit's validity.
- Narva Wind Park – As of September we have not made any investments towards this project. The preparation works for the construction will start in October and the wind mills will be erected on the ash field during 2012. The investment is expected to amount to 58 million euros.

Cash Flows

In Q2 the Group's net cash flow was -152 million euros (-156 million euros compared to the same period of the previous fiscal year).

million euros	Q2 2010/11	2009/10	Change %	6 months 2010/11	2009/10	Change %
Cash flows from operating activities	29	47	-39.0	93	95	-2.3
Purchase of property, plant and equipment and intangible assets	-50	-39	28.5	-97	-87	11.7
Net change in deposits with maturities greater than 3 months	-21	18	-215.8	85	-53	-260.1
Dividends paid	-109	0	-	-109	-21	427.2
Received long-term bank loans	1	0	-	2	40	-95.8
Repayments of bank loans	-1	-1	0.0	-2	-6	-71.1
Other adjustments	-1	-22	-95.7	2	7	-70.6
Net cash flow	-152	4	-4 012.3	-27	-24	9.1

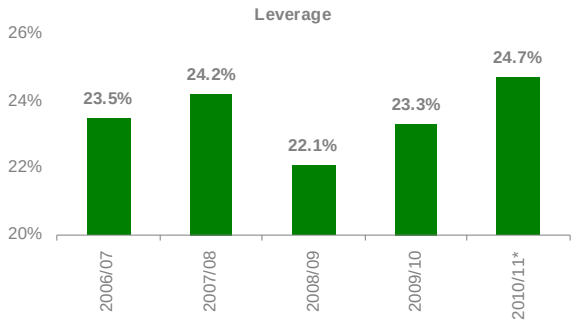
The cash flows from operations in Q2 were affected by the continuously strong result from business operations – the adjusted profit before tax grew by 25.2% (+9 million euros compared to Q2 of the previous fiscal year) and income tax on dividends was 29 million euros (29 million euros). There were no major movements in financing in Q2 of the current fiscal year but we took out a loan from Nordea Bank in the amount of 1 million euros for financing Kohtla-Järve Soojus's construction of boiler house. Other capital expenditure and dividends paid and income tax on dividends were financed from internal funds.

Financing

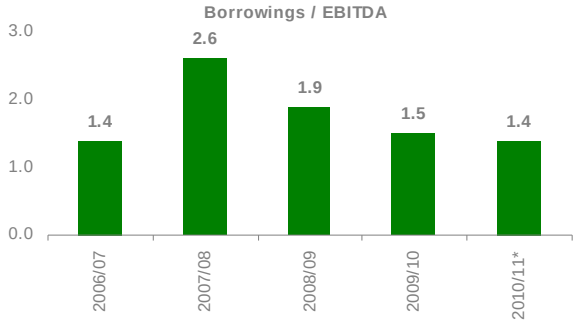
Eesti Energia's balance sheet has remained conservative. As of the end of September 2010 the debt/(debt + equity) ratio was 24.7% (an increase of 1.5% percentage points compared to the balance sheet as of 30 June 2010).

Debt/EBITDA (12 months) has decreased from 1.6 to 1.4 in a year due to an increase in EBITDA.

The Goup's liquidity position remains solid. The working capital as of September 2010 was 339 million euros (-26.1%, -121 million euros compared to June 2010). The Group's net debt was 21 million euros (-119.34%, +191 million euros) including the deposits at banks with maturities of more than three months. The debt level has remained stable compared to June 2010 (+0.2%).



** - as at 30 September 2010*



** - as at 30 September 2010*

As of September 30th 2010 the weighted average interest rate of Eesti Energia's debt was 4.1% - remaining on the same level compared to the same date of the previous fiscal year. The base currency of Eesti Energia's debt is euro.

The majority of the Group's long term debt is made up of Eurobonds, worth of 300 million euros and with a fixed interest rate of 4.5%, which have a maturity date in 2020. The debt portfolio also includes loans from the Nordic Investment Bank, which have a remaining balance of 59 million euros, as of September 2010; a loan from the European Investment Bank with a remaining balance of 12 million euros and a loan from Nordea with a remaining balance of 3 million euros. 80% of the loans in out portfolio have a fixed interest rate and 20% have a floating interest rate. As of September 2010 we had undrawn credit facilities in the amount of 136 million euros.

Credit ratings

Eesti Energia's credit ratings are A3 stable outlook according to Moody's and are BBB+ stable outlook according to Standard & Poor's. Moody's lowered the long term debt rating on July 14th 2010 due to assumed decrease in government support, which is partially connected to the separation of the Transmission Business Elering from the rest of the Group. Standars & Poor's adjusted their rating on July 8th 2010, explaining this with the separation of Elering and assumed increase in debt obligations due to the large scale investment plan.

Lowering the credit ratings has not had a big impact on neither Eesti Energia's financial abilities nor access to borrowing and the current ratings assure the necessary financial flexibility.

Consolidated income statement

in million EUR	3 months 1 July - 30 September 2010	3 months 1 July - 30 September 2009	6 months 1 July - 30 September 2010	6 months 1 July - 30 September 2009	12 months 1 July - 30 September 2009/10	12 months 1 July - 30 September 2008/09	*Note*
CONTINUING OPERATIONS							
Revenue	163.9	139.2	332.7	279.5	731.0	659.6	*2*
Other operating income	1.4	1.0	2.5	7.5	18.7	9.7	
Government grants	0.2	-	0.2	-	0.3	1.3	
Change in inventories of finished goods and work-in-progress	-1.8	2.6	0.0	3.6	3.6	4.7	
Raw materials and consumables used	-75.4	-52.7	-141.7	-104.9	-314.8	-288.1	
Payroll expenses	-30.6	-29.4	-61.3	-57.6	-126.8	-125.1	
Depreciation, amortisation and impairment	-22.8	-22.6	-45.5	-45.9	-106.9	-99.2	
Other operating expenses	-12.5	-24.1	-26.7	-38.7	-57.5	-68.1	
OPERATING PROFIT	**22.4**	**14.1**	**60.3**	**43.4**	**147.6**	**94.7**	*2*
Financial income	1.8	3.4	3.9	6.7	9.1	13.7	
Financial expenses	-3.2	-3.7	-6.5	-7.2	-13.4	-11.9	
Net financial income (-expense)	**-1.4**	**-0.3**	**-2.6**	**-0.5**	**-4.3**	**1.9**	
Gain from associates using equity method	-	-	-	-	1.4	1.7	
PROFIT BEFORE TAX	**21.0**	**13.8**	**57.7**	**42.9**	**144.6**	**98.3**	
CORPORATE INCOME TAX EXPENSE	**-6.6**	**-9.2**	**-28.7**	**-14.7**	**-28.8**	**-14.7**	
PROFIT FROM CONTINUING OPERATIONS	**14.4**	**4.5**	**29.0**	**28.3**	**115.8**	**83.6**	
PROFIT/LOSS FROM DISCONTINUED OPERATIONS	**-**	**-9.5**	**-**	**-11.7**	**40.2**	**8.1**	*11*
PROFIT FOR THE YEAR	**14.4**	**-5.0**	**29.0**	**16.6**	**156.0**	**91.7**	
ATTRIBUTABLE TO:							
Equity holders of the Parent Company	**15.0**	**-4.3**	**29.9**	**17.5**	**155.8**	**91.9**	
Minority interest	**-0.6**	**-0.6**	**-0.9**	**-0.9**	**0.2**	**-0.2**	
Basic earnings per share (euros)	*0.20*	*-0.06*	*0.41*	*0.24*	*2.11*	*1.24*	*7*
Diluted earnings per share (euros)	*0.20*	*-0.06*	*0.41*	*0.24*	*2.11*	*1.24*	*7*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	3 months 1 July - 30 September 2010	3 months 1 July - 30 September 2009	6 months 1 July - 30 September 2010	6 months 1 July - 30 September 2009	12 months 1 July - 30 September 2009/10	12 months 1 July - 30 September 2008/09
PROFIT FOR THE YEAR	**14.4**	**-5.0**	**29.0**	**16.6**	**156.0**	**91.7**
Other comprehensive income						
Revaluation of risk hedge instruments	2.8	0.6	-2.8	-17.8	-11.3	62.0
Other comprehensive income for the year	**2.8**	**0.6**	**-2.8**	**-17.8**	**-11.3**	**62.0**
COMPREHENSIVE INCOME FOR THE YEAR	**17.2**	**-4.4**	**26.2**	**-1.2**	**144.7**	**153.7**
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**17.8**	**-3.8**	**27.1**	**-0.2**	**144.4**	**153.9**
Minority interest	**-0.6**	**-0.6**	**-0.9**	**-0.9**	**0.2**	**-0.2**

Consolidate balance sheet

in million EUR ASSETS	30 September 2010	30 September 2009	31 March 2010	Note
Non-current assets				
Property, plant and equipment	1 244.3	1 166.6	1 208.3	4
Intangible assets	20.5	12.7	16.7	
Investments in associates	11.6	11.4	11.6	
Derivative financial instruments	0.7	1.7	0.9	5
Long-term receivables	2.5	131.2	2.5	
Total non-current assets	**1 279.7**	**1 323.5**	**1 239.9**	
Current assets				
Inventories	35.0	32.8	34.2	
Trade and other receivables	94.2	115.8	101.1	
Derivative financial instruments	0.5	5.9	5.0	5
Financial assets at fair value through profit or loss	4.4	2.4	1.1	
Deposits with maturities greater than three months at banks	296.1	78.0	380.9	
Cash and cash equivalents	45.5	72.8	72.1	
Total current assets	**475.7**	**307.7**	**594.4**	
Discontinuing operation	**-**	**346.6**	**-**	
Total assets	**1 755.4**	**1 977.8**	**1 834.3**	
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	-4.6	6.8	-1.8	
Retained earnings	330.8	350.4	410.1	
Total equity and reserves attributable to equity holder of the P	**1 104.9**	**1 135.9**	**1 186.9**	
Minority interest	**2.5**	**2.3**	**3.5**	
Total equity	**1 107.5**	**1 138.2**	**1 190.4**	
LIABILITIES				
Non-current liabilities				
Borrowings	359.2	352.7	359.0	8
Trade payables	0.2	0.1	0.1	
Derivate financial instruments	3.1	0.6	5.0	5
Deferred income	117.3	116.0	116.5	
Provisions	28.9	20.9	28.2	
Total non-current liabilities	**508.8**	**490.3**	**508.8**	
Current liabilities				
Borrowings	3.7	10.9	3.5	8
Trade and other payables	97.6	113.9	114.8	
Derivative financial instruments	3.4	0.1	2.8	5
Deferred income	0.3	0.2	0.2	
Provisions	34.1	10.5	13.7	
Total current liabilities	**139.1**	**135.6**	**135.1**	
Discontinuing operation	**-**	**213.7**	**-**	
Total liabilities	**647.9**	**839.7**	**643.9**	
Total liabilities and equity	**1 755.4**	**1 977.8**	**1 834.3**	

Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS
in million EUR

	3 months 1 July - 30 September		6 months 1 April - 30 September		12 months 1 October - 30 September	
	2010	2009	2010	2009	2009/10	2008/09
Cash flows from operating activities						
Cash flows from operating activities from continuing operations						
Cash generated from operations	56.7	44.0	120.9	88.8	267.0	159.5
Interest and loan fees paid	-0.1	-0.1	-1.0	-0.9	-15.6	-15.6
Interest received	0.9	3.5	1.9	7.3	6.5	15.0
Corporate income tax paid	-28.7	-0.1	-28.8	-0.1	-43.5	-10.8
Net cash generated from operating activities from continuing operations	**28.8**	**47.3**	**93.0**	**95.2**	**214.4**	**148.1**
Net cash generated from operating activities from discontinued operations	**-**	**3.0**	**-**	**11.7**	**-2.2**	**42.8**
Net cash generated from operating activities	**28.8**	**50.3**	**93.0**	**106.9**	**212.2**	**190.9**
Cash flows from investing activities						
Cash flows from investing activities from continuing operations						
Purchase of property, plant and equipment and intangible assets	-50.3	-39.1	-97.3	-87.1	-204.3	-188.1
Proceeds from connection and other fees	1.9	3.2	4.7	6.4	9.1	13.8
Proceeds from sale of property, plant and equipment	0.2	0.5	0.7	0.6	5.8	2.1
Net change in deposits with maturities greater than 3 months	-21.3	18.4	84.8	-52.9	-218.1	-8.9
Purchase of short-term financial investments	-5.8	-4.6	-10.8	-9.8	-22.0	-20.7
Dividens received from long-term financial investments	-	30.7	-	31.8	-29.5	31.8
Change in overdraft granted to discontinued operations	-	-35.6	-	-31.2	170.7	-12.1
Proceeds from sale and redemption of short-term financial investments	2.7	4.5	7.5	9.5	20.0	22.6
Net cash used in investing activities from continuing operations	**-72.6**	**-22.0**	**-10.4**	**-132.8**	**-268.3**	**-159.5**
Net cash used in investing activities from discontinued operations	**-**	**-7.9**	**-**	**-12.2**	**-14.6**	**-24.2**
Dividends collected from discontinued operations	**-**	**-**	**-**	**-**	**30.7**	**-**
Proceeds from sale of discontinued operations	**-**	**-**	**-**	**-**	**166.0**	**-**
Net cash used in investing activities	**-72.6**	**-29.9**	**-10.4**	**-145.0**	**-86.3**	**-183.7**
Cash flows from financing activities						
Cash flows from financing activities from continuing operations						
Received long-term bank loans	1.2	-	1.7	40.0	3.3	40.0
Repayments of bank loans	-0.7	-0.7	-1.8	-6.1	-4.7	-9.9
Dividends paid	-109.2	-20.7	-109.2	-20.7	-175.4	-62.4
Net cash used in financing activities from continuing operations	**-108.6**	**-21.4**	**-109.2**	**13.2**	**-176.7**	**-33.3**
Net cash used in financing activities from discontinued operations	**-**	**4.9**	**-**	**0.5**	**23.5**	**-18.6**
Net cash used in financing activities	**-108.6**	**-16.5**	**-109.2**	**13.8**	**-153.3**	**-51.9**
Net cash flows	**-152.3**	**3.9**	**-26.6**	**-24.4**	**-27.3**	**-44.7**
Cash and cash equivalents at the beginning of the period	197.8	68.9	72.1	97.2	72.8	117.5
Cash and cash equivalents at the end of the period	45.5	72.8	45.5	72.8	45.5	72.8
Net increase/(-)decrease in cash and cash equivalents	**-152.3**	**3.9**	**-26.6**	**-24.4**	**-27.3**	**-44.7**

Consolidated statement of changes in equity

in million EUR

	Attributable to equity holder of the Company							Minority interest	Total equity
	Share capital (Note 6)	Unregistered share capital	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	-	-	-	-	-17.8	17.5	-0.2	-0.9	-1.2
Reduction of the share capital (according to Government order No. 502 from 11th December 2008)	-0.2	-	-	-	-	-	-0.1	-	-0.1
Dividends paid	-	-	-	-	-	-20.7	-20.7	-	-20.7
Total transactions with owner	**-**	**-**	**-**	**-**	**-**	**-20.7**	**-20.7**	**-**	**-20.7**
Equity as at 30 September 2009	**471.6**	**-**	**259.8**	**47.2**	**6.8**	**350.4**	**1 135.9**	**2.3**	**1 138.2**
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	-	-	-	-	-2.8	29.9	27.1	-0.9	26.2
Dividends paid	-	-	-	-	-	-109.2	-109.2	-	-109.2
Total transactions with owner	***-***	***-***	***-***	***-***	***-2.8***	***-79.3***	***-82.0***	***-0.9***	***-82.9***
Equity as at 30 September 2010	**471.6**	**-**	**259.8**	**47.2**	**-4.6**	**330.8**	**1 104.9**	**2.5**	**1 107.5**

Notes to the 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 September 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 in the consolidated income statement and the segment reporting.

According to the Management Board the Interim Report prepared for the period 1 April 2010 - 30 September 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 September 2010
in million EUR

	Retail Business	Electricity and Heat Generation	Minerals, Oil, Biofuels	Corporate Functions	Elimi-nations	Total
Total revenue	206,7	231,8	121,5	7,4	-234,7	332,7
Inter-segment revenue	-8,6	-83,0	-76,1	-7,0	174,7	-
Revenue from external customers	198,1	148,7	45,4	0,4	-60,0	332,7
Operating profit	24,8	21,2	16,6	-3,4	1,2	60,3

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

	Retail Business	Electricity and Heat Generation	Minerals, Oil, Biofuels	Corporate Functions	Elimi-nations	Total
Total revenue	187,3	168,1	87,6	6,2	-169,7	279,5
Inter-segment revenue	-6,7	-107,0	-50,5	-5,5	169,7	-
Revenue from external customers and discontinued operations	180,6	61,1	37,1	0,7	-	279,5
Operating profit	22,8	12,7	9,7	-1,7	-	43,4

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

	3 months 1 April - 30 September 2010	2009
Segment operating profits for reportable segments	62,5	45,1
Operating profit of Corporate Functions	-3,4	-1,7
Eliminations:		
Profits/losses from intra-segment sales of property, plant and equipment	-	-0,2
Change in price difference of inventories	-0,5	0,2
Impairment loss of investment in subsidiary	1,8	-
Other eliminations	-0,1	-
Total operating profit per consolidated income statement	**60,3**	**43,4**

3. Seasonality of the 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 September 2010						
Purchases of property, plant and equipment	-	0.9	14.8	65.6	0.1	81.4
Depreciation charge	-	-2.1	-10.7	-31.9	-0.2	-44.9
Net book amount of non-current assets disposed	-0.5	-	-	-	-	-0.5
Movements 1 April - 30 September 2010	**-0.5**	**-1.2**	**4.1**	**33.7**	**-0.0**	**36.1**
Property, plant and equipment as at 30 September 2010						
Cost	41.3	150.0	713.2	1 176.8	5.0	2 086.3
Accumulated depreciation	-	-85.5	-294.9	-588.9	-4.3	-973.6
Net book amount	41.3	64.5	418.4	587.9	0.7	1 112.7
Construction in progress	-	1.1	21.9	79.3	-	102.3
Prepayments	-	-	2.3	27.1	-	29.4
Total property, plant and equipment as at 30 September 2010	**41.3**	**65.6**	**442.5**	**694.3**	**0.7**	**1 244.3**

5. Derivative financial instruments

in million EUR	30 September 2010		30 September 2009	
	Assets	Liabilities	Assets	Liabilities
Forward contracts for buying and selling electricity as cash flow hedges	-	1.0	3.9	-
Forward and option contracts for buying and selling electricity as trading derivatives	-	0.7	-	0.1
Option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	1.0	-	-	-
Swap and futures contracts for selling shale oil as cash flow hedges	0.2	4.9	3.6	0.6
Total derivative financial instruments	**1.2**	**6.5**	**7.6**	**0.6**
including non-current portion:				
Forward contracts for buying and selling electricity as cash flow hedges	-	-	0.2	-
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	-	3.1	1.5	0.6
Total non-current portion	**0.7**	**3.1**	**1.7**	**0.6**
Total current portion	**0.5**	**3.4**	**5.9**	**0.1**

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 September** **2010**	 **2009**
Fair value at the beginnig of the period	**4.4**	**9.2**
Change in fair value, including	-7.6	0.7
change in fair value of trading derivatives recognised in other operating income or expenses	0.1	0.2
change in fair value of cash flow hedges recognised in other comprehensive income	-7.7	0.5
Settled in cash (+paid/-collected)	1.6	-6.0
Fair value at the end of the period	**-1.6**	**3.9**

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 recognized 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 September** **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	0.4	-13.5
Settled in cash (+paid/-collected)	-	13.0
Fair value at the end of the period	**1.0**	**-**

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 September 2010	2009
Fair value at the beginnig of the period	**-6.8**	**15.7**
Change in fair value, including	1.1	-9.7
change in fair value of cash flow hedges recognised in other comprehensive income	1.2	-9.8
Settled in cash (+paid/-collected)	1.0	-2.9
Fair value at the end of the period	**-4.7**	**3.1**

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 ordinasry shares, diluted earnings per share equal to basic earnings per share all the periods.

	3 months 1 July - 30 September		6 months 1 April - 30 September		12 months 1 October - 30 September	
	2010	2009	2009/10	2008/09	2009/10	2008/09
Profit attributable to the equity holders of the company (million EUR)	15.0	-4.3	29.9	17.5	155.8	91.9
Weighted average number of shares (million)	74	74	74	74	74	74
Basic earnings per share (EUR)	0.20	-0.06	0.41	0.24	2.11	1.24
Diluted earnings per share (EUR)	0.20	-0.06	0.41	0.24	2.11	1.24

8. Nominal Value and Amortised Cost of Borrowings

in million EUR

	30 September 2010		30 September 2009	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Current portion of long-term bank loans	3.7	3.7	10.9	10.9
Total short-term borrowings	**3.7**	**3.7**	**10.9**	**10.9**
Long- term borrowings				
Bank loans	69.8	69.6	63.9	63.8
Bonds issued	300.0	289.6	300.0	288.9
Total long- term borrowings	**369.8**	**359.2**	**363.9**	**352.7**
Total borrowings	**373.5**	**362.9**	**374.9**	**363.6**

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 September**	
	2010	**2009**
Transactions with associates		
Purchase of goods and services	11.0	7.6
Proceeds from sale of goods and services	1.2	1.5

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	**1 April - 30 September**	
in million EUR	**2010**	**2009**
Revenue	-	24.4
Expenses	-	-36.1
Profit before tax of discontinued operations	-	-11.7
Profit after tax of discontinued operations	**-**	**-11.7**

Assets and liabilities of discontinued operations	**30 September**	
in million EUR	**2010**	**2009**
Trade and other receivables	-	7.1
of which receivables from continuing operations	-	*4.7*
Property, plant and equipment	-	339.5
Trade and other payables	-	-200.6
of which payables to continuing operations	-	*-174.2*
Deferred income	-	-13.1
Total assets and liabilities of discontinued operations	**-**	**132.9**