Interim Report

April 1 2011 – June 30 2011

SUMMARY

Eesti Energia's 2011 second quarter results remained sound: revenues grew to 206 million euros and the operating profit was 37 million euros.

We earned 32 million euros of operating profit on the open market in the second quarter which makes up about 90% of the group's profits. This shows that Eesti Energia is successful on the open market and can earn profit when there is competition.

We earned over half our electricity revenues on the open market and grew both sales volumes and revenues. In the second quarter of 2011 Eesti Energia's average market share on the Estonian deregulated electricity market was 75%. In Latvia we grew our market share to 14% and in Lithuania it grew to over 7%.

Regulated electricity and distribution services sales remained stable.

In the generation division sales volumes remained flat but the operating profit decreased. The reason behind this was a decrease in the sales margin, lower renewable subsidies and higher than average maintenance costs.

Results in the retail division fell due to low distribution network profitability at current network tariff as well as decreased electricity sales margins.

Profitability in the fuels division continued its upward trend as both shale oil sales volumes and prices grew. The price of crude oil is in a continuous upward trend and has reached a level which ensures profitability, thus providing a platform for the further expansion of the shale oil industry. Significant non-recurring revenues were earned from the sale of a stake in our Jordanian subsidiary.

Eesti Energia is a strong, stable and profitable company. In the second quarter we continued our capital expenditure program. Investments in the second quarter totaled 132 million euros and reached 228 million euros for the first six months of 2011.

The largest investment of 37 million euros was made into the construction of a new shale oil plant in Auvere based on our Enefit technology. The total cost of the project is estimated at 207 million euros and as of today, 96 million have been invested.

In Narva we began the construction of a new power plant which has so far cost 30 million euros. The first power unit is set to be complete by 2015 and the total cost of the project is estimated at 640 million euros. To further increase our electricity generating capacity we are also building a waste to energy power plant in Iru, wind parks in Narva and Paldiski and installing desulphurization equipment in our existing Narva power plants.

We invested 17 million euros into our distribution grid by building new connections and improving reliability.

Substantial cash outflow during the second quarter was expected considering our extensive investments and dividend payments. Taking into account our investment commitments as well as the forecasts of our performance and dividend forecasts, sizeable cash outflow is likely to continue in the following quarters. To maintain reasonable group liquidity we have drawn on the available lines of credit.

The financing of our capital expenditure program has become a very important topic for us. We are actively seeking out various sources of additional debt and equity capital to help finance our investments as well as maintain short term liquidity. Solid financial performance, state support and a conservative financing policy will help us fulfill our investment plan.

Key Figures and Ratios

		Q2			6 months		
		1. April - 30. June		Change	1. Jan - 30. June		Change
		2011	2010		2011	2010	
Total electricity sales, of which	GWh	2478	2282	8.6%	5575	5244	6.3%
Regulated price	GWh	1211	1168	3.7%	2936	3415	-14.0%
Non-regulated price	GWh	1267	1114	13.7%	2639	1829	44.3%
Heat sales	GWh	111	148	-25.0%	747	860	-13.1%
Oil shale sales (outside the Group)	th t	561	434	29.3%	1153	871	32.4%
Shale oil sales (outside the Group)	th t	42	36	17.5%	83	89	-7.1%
Network sales	GWh	1376	1363	+1.0%	3249	3257	-0.4%
Distribution grid losses	%	4.3	4.5	-0.2 pp	6.3	6,4	-0.1pp
Average number of employees	people	7610	7360	3.4%	7601	7362	3.2%
Total revenues, of which	mln eur	206,0	170,0	21.2%	443,0	401,1	10.5%
Net revenues	mln eur	188,3	168,8	11.5%	421,7	387,1	9.0%
EBITDA	mln eur	60,7	60,6	0.1%	127,2	145,5	-12.6%
Operating profit	mln eur	37,3	37,8	-1.4%	81,4	98,2	-17.1%
Net Profit	mln eur	21,2	14,6	45.3%	63,6	101,5	-37.4%
Fixed assets	mln eur	1525.8	1256.3	21.4%	1525.8	1256.3	21.4%
Equity	mln eur	1137.9	1200.7	-5.2%	1137.9	1200.7	-5.2%
Net debt	mln eur	225.1	-99.6	326.1%	225.1	-99.6	326.1%
Investments	mln eur	132.4	39.5	235.2%	227.8	83.0	174.5%
FFO	mln eur	36.3	65.8	-44.8%	100.4	141.0	-28.8%
Debt/EBITDA[1]	times	1.60	1.47	+0.13p	1.60	1.47	+0.13p
Net debt/EBITDA[1]	times	1.0	-0.4	+1.4p	1.0	-0.4	+1.4p
Leverage	%	23.9%	23.2%	+0.7pp	23.9%	23.2%	+0.7pp
ROIC[1]	%	13.7%	13.2%	+0.5pp	13.5%	16.9%	-3.4pp
EBITDA/interest cover	times	14.9	15.0	-0.1pp	15.7	18.1	-2.4pp
FFO/intress expenses	times	8.9	16.3	-7.4p	12.4	17.6	-5.2p
FFO/investments	times	0.3	1.8	-1.5p	0.4	1.8	-1.4p
EBITDA margin	%	32.2%	35.9%	-3.7pp	30.2%	37.6%	-7.4pp
Operating profit margin	%	19.8%	22.4%	-2.6pp	19.3%	25.4%	-6.1pp

Rolling 12 months
Debt/(debt+equity))

FFO – Funds from operations

ROIC- return on invested capital

Net debt – debt minus cash and equivalents

EBITDA margin – earnings before interest, taxes, depreciation and amortization divided by sales revenue

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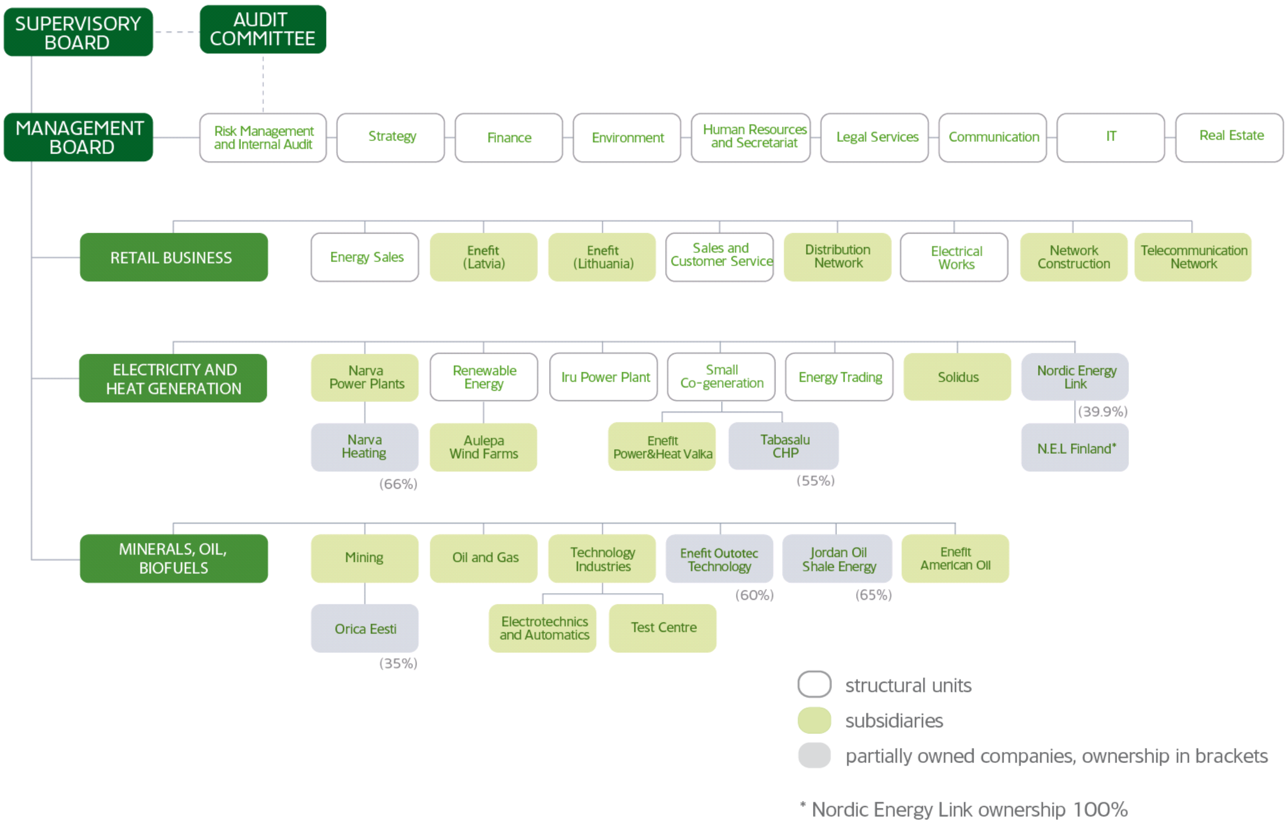
Eesti Energia in Brief

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.

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 globally.

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.

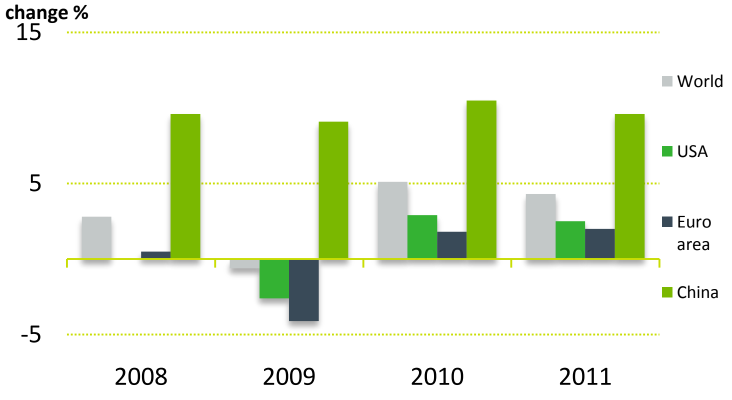


Operating environment

Global environment

The slowdown in the global recovery in the second quarter of 2011 was caused primarily by a weak US economy. The IMF downgraded its global GDP growth forecast for 2011 from 4.5% to 4.4%. The new forecast assumes a 2.2% (-0.2 percentage points) GDP growth in developed countries and a 6.6% (+0.1 percentage points) growth in developing ones. [1]

The economies of developed nations were hit by the drop in consumer purchasing power which is mainly due to high inflation in those countries. IMF has raised its global inflation forecast for 2011 to 4% or 0.25 percentage points higher than in its April forecast. The greatest impact on this change came from the increase commodity prices.

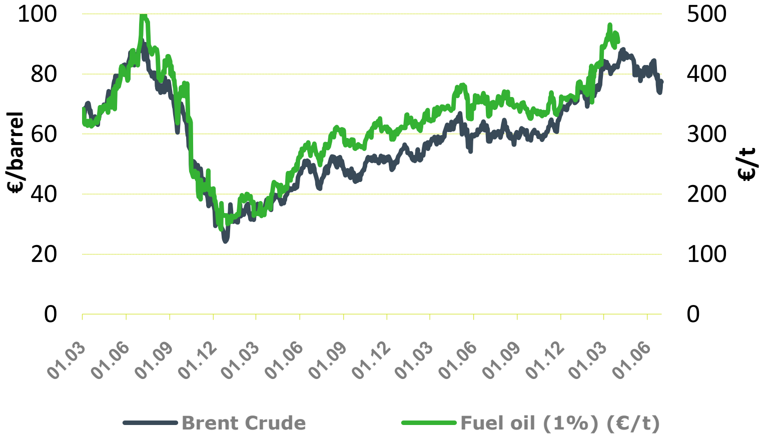


Global GDP growth
Source:IMF
*IMF forecast

America's debt crisis and a need to raise the upper limit on national debt has attracted the attention of credit rating agencies. In mid-July both Standard & Poor´s as well as Moody's warned that they may lower their ratings if problems persist or escalate.

In addition to the problems in the US, global economic growth is also hampered by fiscal problems and the possibility of default of certain EU countries (Greece, Ireland and Portugal) and the possibility of investor distrust spreading to the bonds of Spain and Italy. On 13 June 2011, Standard & Poor´s lowered the Greek credit rating to CCC, believing that there is a high likelihood that the country will not be able to meet its debt obligations.

Growth in the Eurozone is primarily driven by Germany and France, with the main causes being increased investments and industrial production.



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

Prices continued to grow in the global liquid fuels market in April 2011, thanks to a stronger Euro and rising equity markets. May and June saw a drop in prices as the Euro weakened against the dollar. The International Energy Agency (IEA) released 60 million barrels of oil from its reserves onto the world markets and the IMF lowered its growth forecasts for developed nations.

The average price of Brent crude oil in the second quarter of 2011 was 82.0 €/bbl (118.1 $/bbl) which is 33.1% (50.6%) higher when compared to the second quarter of 2010. The average price of Brent in the first 6 months of 2011 was 79.6 €/bbl (111.7 $/bbl), a growth of 36% (43.7%). The average price of fuel oil (1%) was 461.3 €/t (664.1 $/t) in the second quarter of 2011, a growth of 29.5% (46.4%) year on year. The average price of heavy fuel oil in the first six months of 2011 was 439.2 €/t (616.2 $/t), a growth of 28.9% (36.1%).

[1] IMF, 2011 June WEO Update

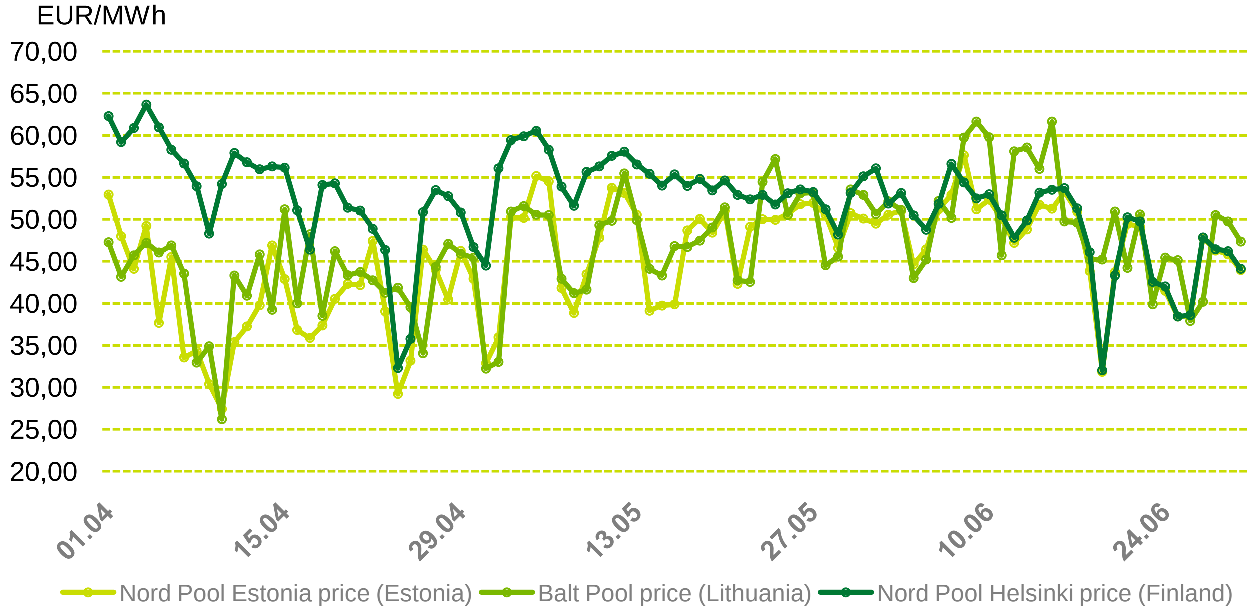
Emissions trading

December 2011 CO_2 emissions futures traded at an average price of 16.4 €/t in the second quarter and the price fluctuated between 12.3-17.4 €/t. The closing price at the end of the quarter was 13.5 €/t and most of the price decrease came in June. The greatest impact on CO_2 prices came from the European Commission's decision to confirm new CO_2 registry rules which give the European Investment Bank the right to sell 300 million EUAs (European Union Allowance for CO_2 emissions). In addition to that, CO_2 prices were impacted by the energy efficiency directive of the European Commission which places greater emphasis on efficiency in the future. The average price of CO_2 emissions in the first half of 2011 was 15.9 €/t. 2012 December CO_2 prices fluctuated between 12.7-18.3 €/t and the closing price at the end of the quarter was 14.2 €/t (-17.9%, -3.1 €/t compared to the first quarter of 2011). At the beginning of 2011, 2012 CO_2 prices stood at 14.8 €/t and reached 14.2 €/t at the end of the second quarter (-4.3%, -0.6 €/t).

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 fluctuated between 27.4-57.6 €/MWh and the average price for the second quarter was 45.1 €/MWh (+24.1% compared to last year). The April price was depressed due to higher flood time hydro generation in Latvia but in the following months, increased demand from Latvia and Lithuania raised the price to levels seen in Finland. The average price for the first six months of 2011 was 45.6 €/MWh (+25.5%).



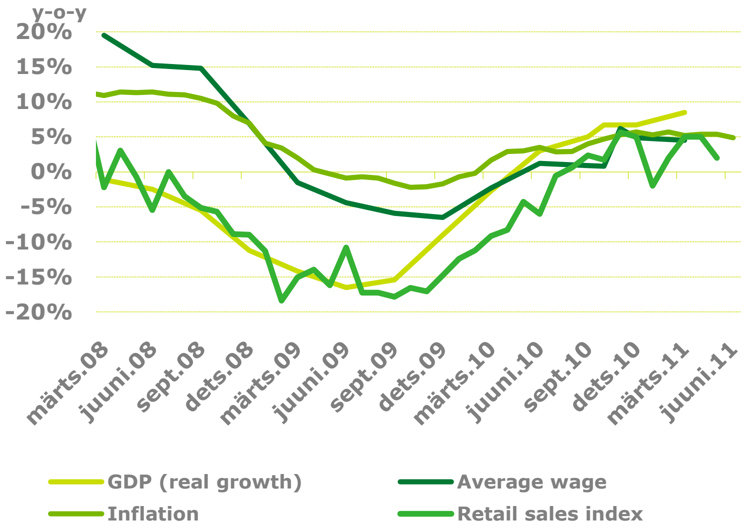
Nord Pool's Finnish price area saw an average price of 52 €/MWh (+24.7%) in the second quarter and the average daily price fluctuated between 32-63.7 €/MWh. Hydropower reserves in the Nordic countries were 0.5% higher[2] than the median which increased production and hence depressed the price. The highest hydropower reserve level in 3 years and lower summer demand also affected the closing price for the quarter which stood at 44.1 €/MWh. The average price for the first half of 2011 was 58.4 €/MWh (+3.9%).

The average price on the Lithuanian electricity exchange BaltPool was 46.7 €/MWh (+12.3%) in the second quarter and the average daily price fluctuated between 26.2-61.6 €/MWh. The average price for the first half of 2011 was 46.3 €/MWh (+12.2%).

[2] Nord Pool Spot median value for 1990-2006

Estonian operating environment

The Estonian Ministry of Finance forecasts a 4% GDP growth rate for the Estonian economy in 2011 which is 2 percentage points higher than what the IMF forecasts for the Eurozone. First quarter GDP growth was 8.5% in Estonia.[3] Growth was driven by exports which increased by 57.4% in the second quarter.



On the Estonian labor market, unemployment has dropped to 8.8% which is 4.5 percentage points lower than the second quarter of last year. The average unemployment rate for the first half of 2011 was 9.5%, which is 4.4 percentage points lower than the first half of 2010.

According to Statistics Estonia, the average inflation rate in the second quarter was 5.2% which is 0.7% higher than the Ministry of Finance's spring forecast but 0.2% lower than in the first quarter of this year. The biggest contributor to this was food which rose 12% but also housing costs which increased by 4.2%.[4]

Temperature

The average temperature according to the Estonian Meteorological and Hydrological Institute was 10.9 degrees Celsius in the second quarter of 2011 which is 0.6 degrees higher than the same period last year. The biggest change came in June when the average temperature was 17.1 degrees, 2.9 degrees higher than last year. The average temperature for the first half of 2011 was 3.1 degrees which is 1.4 degrees higher than the first half of 2010. Temperature affects electricity consumption and through that electricity and network sales.

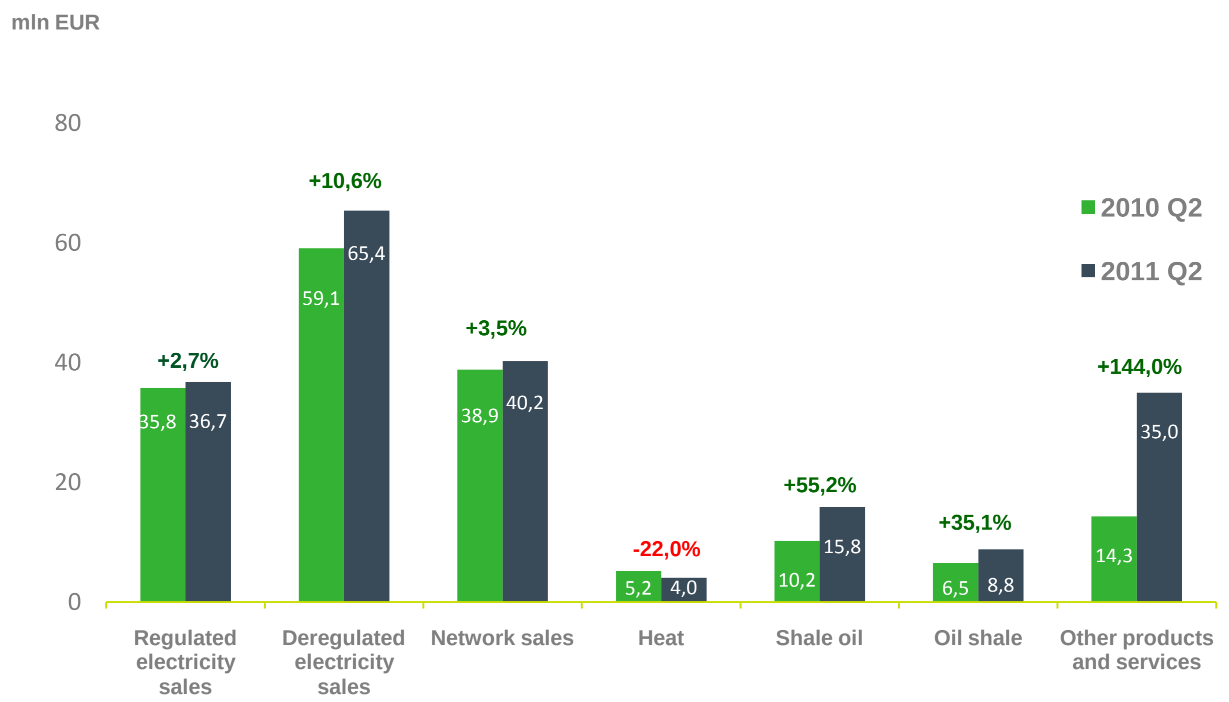
[3] Statistics Estonia
[4] Statistics Estonia

Financial results

Eesti Energia's second quarter revenues for 2011 were 206.0 million euros (+21.2% compared to the second quarter of 2010, +36 million), the operating profit reached 37.3 million euros (-1.4%, -0.5 million) and net income 21.2 million euros (+45.3%, 6,6 million euros). The results were positively affected by the increased sales of power in the deregulated electricity market, higher shale oil prices and sales volumes and one off income from the sale of a stake in our Jordanian business. The results were negatively affected by lower variable profits in the regulated electricity sales and distribution businesses, higher environmental provisions, lower biofuel subsidies and above average maintenance costs. Revenues for the first six months totaled 443.0 million euros (+10.5%, 41.9 million euros), operating profit 81.4 million euros (-17.1%, -16.8 million euros) and net income 63.6 million euros (-37.4%, 37.9 million euros).

Revenues

The group's revenues in the second quarter of 2011 reached 206.0 million euros, a growth of 21.2% year on year. The greatest proportion of revenues, 65.4 million euros (+10.6%, +6.3 million euros) came from unregulated electricity sales. It was followed by network sales of 40.2 million euros (+3.5%, +1.3 million euros) and regulated electricity sales of 36.7 million euros (+2.7%, +0.9 million euros). Significant one off revenues were generated from other operating income of 17.6 million euros (+14.7x, +16.4 million). Electricity sales on the deregulated market, which made up 64.0% of all electricity sales in the second quarter (62.3% same time last year) have increased due to higher prices and sales volumes. As a whole, 61% of revenues in the second quarter came from unregulated markets and 39% from regulated ones.



Revenues for the first six months of 2011 grew to 443 million euros (+10.5%, +41.9 million). Electricity sales for the first half of 2011 totaled 135.1 million euros (+30.3%, +31.4 million) from deregulated markets and 88.8

million euros (-14.5%, -15 million) from regulated market. Network sales were 92.6 million euros (+3.5%, +3.1 million). Revenues of liquid fuels amounted to 29.6 million euros (+21 %, +5.1 million) in the first half of 2011.

The **retail business** grew its revenues in the second quarter to 107 million euros (+7.2%, +7.1 million compared to last year). Sales of electricity reached 59.9 million euros (+13.1%, +6.9 million euros), network services 41 million euros (+4.7%, +1.8 million) and other services of 5.2 million (-24.4%, -1.7 million euros). The growth came from higher electricity revenues from unregulated markets of 25.9 million euros (+39.4%, +7.3 million). Meanwhile electricity revenues from regulated markets dropped to 34 million euros (-1.1%, -0.4 million). Power sales volumes on the unregulated markets reached 572 GWh (+18.9%, +91 GWh) and on regulated market 1103 GWh (+3.3%, +36 GWh). Revenues for the first half of 2011 were 242.1 million euros (+2.8%, +6.7 million euros).

	Q2		Change		6 months		Change
GWh	2011	2010	GWh	%	2011	2010	%
Electricity sales at regulated prices, of which	1 103	1 067	36	3.3	2 688	3 222	-16.6
Sales outside the group	1 099	1 065	35	3.3	2 680	3 155	-15.1
Electricity sales at unregulated prices, of which	572	481	91	18.9	1 170	762	53.7
Estonian open market	285	355	-70	-19.8	585	402	45.6
Sales outside the group	271	322	-50	-15.7	550	326	68.7
Latvian open market	101	89	12	13	189	172	10.0
Lithuanian open market	186	36	149	409	397	188	110.8
Total electricity sales	1674	1548	126	8	3859	3984	-3

Eesti Energia's second quarter average market share on the Estonian unregulated electricity market was approximately 75.1%. In Latvia we had 235 clients (+114 clients) as of the end of the quarter and the average market share for the quarter was 13.9%. On the Lithuanian market we had 118 clients (+103 clients) as of the end of the quarter and the average market share was around 7.5%.

	Q2		Change		6 months		Change
GWh	2011	2010	GWh	%	2011	2010	%
Distributed electricity	1445	1427	18	1.3	3381	3402	-0.6

Distribution volumes on low voltage networks reached 943 GWh in the second quarter, a growth of 1.1% (+10 GWh) compared to the second quarter of last year. At the same time distribution volumes on medium voltage networks were 502 GWh, a growth of 1.5% (+8 GWh). The average price of distributed electricity was 29.2 €/MWh (+2.6%) in the second quarter.

Distribution losses[5] were 65 GWh in the second quarter, a decrease of 3 GWh compared to 2010. Second quarter losses were 4.3% (-0.2% percentage points compared to 2010).

Our **electricity and heat generation** division generated revenues of 110.1 million euros (+4.4%, +4.7 million) in the second quarter. Electricity sales were 103.2 million euros (+5%, +4.9 million) and heat sales 4.3 million (-21.4%, -1.2 million). The starting up of the Nord Pool Estonian price region on 1 April 2010 helped to better utilize production capabilities as well as transfer some closed market business onto the open market. The generation division's revenues for the first half of 2011 totaled 269.2 million euros (+3.3%, +8.5 million). The results shown here have been presented after netting off the purchases and sales to electricity exchanges in the same hour.

	II kv		Change		6 months		Change
GWh	2011	2010	GWh	%	2011	2010	%
Electricity sales at regulated prices, of which	1 260	1 228	33	2.7	3 101	3 726	-16.8

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

Sales outside the group	112	103	9	8.8	256	260	-1.5
Electricity sales at unregulated prices	1 266	1 170	97	8.3	2 706	1 921	40.9
Total electricity sales	2 527	2 398	129	5.4	5 807	5 647	2.8

We received 5.5 million euros (-35.5%, -3 million) of renewable energy subsidies in the second quarter of 2011. Despite the addition of additional capacity (Aulepa wind park expansion), subsidies decreased due to new regulation regarding what constitutes as electricity produced from biomass. According to an amendment to the Electricity Market Act passed on 28 January 2010, a producer may receive subsidies from 1 July 2010 onwards for electricity only if it has been produced from biomass in cogeneration mode. Before that subsidies were also paid for electricity produced in non-cogeneration condensation units.

	Q2		Change		6 months		Change
GWh	2011	2010	GWh	%	2011	2010	%
Heat sales	132	171.5	-39	-22.8	807	925	-12.7
Of which external sales	112	148.0	-36	-24.3	747	860	-13.1

Heat sales reached 4.3 million euros (-21.4%, -1.2 million) in the second quarter. The decrease in heat sales was due to the cancellation of steam sales to a major client, Kreenholm (-10.5 GWh, -0.3 million) and the sale of our Kohtla-Järve Soojus subsidiary in March 2011 (-36.6 GWh, -0.9 million).

In Latvia we sold 2 GWh of heat in the second quarter with revenues of 0.1 million euros. Eesti Energia acquired a majority stake in a Latvian heat utility which will build a new biofuel fired CHP in the town of Valka. Enefit Heat & Power Valka currently produces heat from two biofuel and fuel oil fired boiler houses.

The average sales price for external heat sales was 36.1 €/MWh (+3%, +1.1 €/MWh) in the second quarter. The average sales price for the first half of 2011 was 34.5 €/MWh (+10.1%, +3.2 €/MWh). This price increase was brought about by higher input costs.

Our **fuels** division's revenues in the first quarter were 92.3 million euros (+61.6%, +35.2 million), including oil shale sales of 41.2 million euros (+11.7%, +4.3 million), sales of liquid fuels of 16.3 million euros (+48.2%, +5.3 million), sales of construction and maintenance services 6.6 million euros (+10x, +6.0 million) and sales of power and industrial equipment 6.1 million euros (+26%, +1.3 million). Higher oil shale sales volumes, higher fuel prices and larger revenues from the sale of products and services were the main factors affecting revenues. Sales of products came from increased domestic sales and sales of services grew thanks to subcontracting work.

	Q2		Change		6 months		Change
Thousands of tons	2011	2010	th t	%	2011	2010	%
Intra-Group sales of oil shale (electricity production)	3 094	2 877	217	7.6	7 275	6 909	5.3
Intra-Group sales of oil shale (oil production)	444	391	53	13.4	948	871	8.8
Oil shale external sales	561	435	127	29.2	1 153	871	32.4
Total oil shale sales	4 099	3 703	397	10.7	9 377	8 652	8.4

The increase in electricity generation and oil production resulted in increased demand for oil shale. Higher intragroup sales also increased external sales since it enabled us to produce and sell more oil shale concentrate.

	Q2		Change		6 months		Change
Thousands of tons	2011	2010	tuh t	%	2011	2010	%
Shale oil sales	43.6	38.9	4.7	12.0	87.1	96.0	-9.2
Of which external sales	42.3	36.0	6.3	17.5	82.6	88.9	-7.1

The sales price of shale oil is tied to that of heavy fuel oil and has grown along with it. In the second quarter the average price of heavy fuel oil was 461.3 €/t which is 29.5% higher than the same period last year. The average sales price of shale oil in the second quarter was 374.9 €/t (423.2 €/t, if the impact of hedging transactions is excluded). The impact of derivatives contracts on shale oil sales was -2 million euros (-262.2%). In the second quarter of last year the effect was -0.6 million euros.

Our Technology Industry division had revenues of 17.2 million euros in the second quarter (+123%, +9.4 million) in the second quarter. Domestic sales increased substantially (+207,8%) but exports fell by 1.4 million (-58,5%). Domestic sales were driven primarily by the construction of a new shale oil plant (6.1 million).

Operating profit

The group's operating profit in the second quarter reached 37.3 million euros (-1.4% compared to the same period last year, -0.5 million). EBITDA was 60.7 million euros (+0.1%, +0.1 million). The operating profit for the first six months of 2011 was 81.4 million euros (-17.1%, -16.8 million) and EBITDA 127.2 million euros (-12.6%, -18.3 million).

The **retail** business had an operating profit of 7.3 million euros (-46.3%, -6.3 million) in the second quarter and 6.4 million (-73.7%, -18 million) for the first half of the year.

Retail's profits were affected by the decrease in electricity sales margins (-0.9 million euros). Retail division profitability was also impacted by our distribution business's second quarter results.

Distribution's profitability decreased to 6.5 million euros (-44.8%, -5.2 million). This was affected by an extension of revenue recognition period for connection fees (-1.6 million), higher transmission costs (-2 million), higher depreciation (-1 million) and higher maintenance costs (-0.7 million).

The **electricity and heat generation** division had an operating profit of 1.5 million euros (-91.9%, -17.5 million) in the first quarter and 32.9 million euros (-43.8%, -25.6 million) in the first half of the year.

Second quarter profitability was affected by higher environmental provisions (-8.7 million euros), maintenance costs (-4.8 million) and decreased renewable energy subsidies (-3.3 million). The profit was positively affected by decreased depreciation and fixed costs (+2.3 million).

The **fuels** division had an operating profit of 27.3 million (+306.7%, +20.6 million euros) in the second quarter and 42.4 million (+120.1%, +23.1 million) for the first half of the year.

The profit grew thanks to higher shale oil prices and sales volumes (+5.6 million euros). On the other hand profits were decreased by higher fixed costs and depreciation (-3.5 million). The sale of a stake and the reevaluation of the remaining stake in our Jordanian oil shale project provided non-recurring revenues of 16.2 million euros.

Our mining division's profit reached 1.6 million euros (-37.2%, -0.9 million) in the second quarter. Profitability was decreased by higher labor costs (-2.3 million) due to a wage increase and the takeover of the fuel supply division from the Narva power plants. The results were positively affected by higher sales volumes (+10.7%, +396 thousand tons).

Economic Value Added (EVA)

In the second quarter of 2011 the group's EVA increased by 14.4 million euros (+57.6%, +5.2 million). Since the beginning of 2011, the group's weighted average cost of capital changed from 10% in 2010 to 9.4%. Over the course of the first half of 2011, 27.3 million euros (-34.2%, -14.2 million) worth of EVA was generated.

	Q2		Change		6 months		Change
Millions of euros	2011	2010	mln eur	%	2011	2010	mln eur
Group's economic value added, including	14.4	9.1	5.2	57.6	27.3	41.5	-14.2
Retail business	-3.9	2.2	-6.2	-278.4	-16.2	1.3	-17.5
Electricity and heat generation	-3.2	7.2	-10.4	-143.7	13.6	35.9	-22.3
Fuels	19.9	2.1	17.9	869.5	29.4	10.1	19.3

The increase in EVA in the fuels division came from higher mining volumes, larger fuel prices and the sale of a stake in our Jordanian subsidiary. The generation division's decrease in EVA came primarily from increased provisions. The retail business's decrease in EVA was caused primarily by a decrease in the profits of our distribution network which was caused by higher transmission fees which aren't yet reflected in distribution fees.

Investments

The group's investments in the second quarter of 2011 were 132.4 million euros (+207.9%, +89.4 million). Investments were targeted at improving the reliability and quality of the distribution grid, the construction of a new shale oil plant based on our Enefit technology, the construction of a waste to energy production unit, the construction of a new circulating fluidized bed power plant, the installation of desulphurization equipment and the modernization of mines.

	Q2		Change		6 months		Change
Millions of euros	2011	2010	mln eur	%	2011	2010	%
Group's investments, including	132.4	43.0	89.4	207.9	227.8	85.6	169.3
Retail business	17.6	11.9	5.7	47.9	29.1	26.8	8.6
Electricity and heat generation	63.7	20.4	165	107.6	91.8	31.3	193.3
Fuels	47.1	9.8	40	408.2	99.8	24.4	320.1
Other	4.0	0.9	3.1	344.4	2.3	3.0	-23.3

In the **retail** business we invested 17.3 million euros in building new connections and improving grid reliability during the second quarter. In the **generation** division we invested 28.9 million euros into the construction of a new oil shale fired power plant in Narva, 12.3 million euros in a new waste to energy power unit in Iru, 10.9 million euros into the construction of Narva Wind Park, 3.9 million in desulphurization equipment at our Narva power plants and 2.4 million into the installation of new wind turbines at our Aulepa wind park. In our **fuels** division we invested 36.6 million euros in the construction of a new shale oil plant, 4.2 million into a fuel supply complex and 5.7 million euros into our mines.

Status of major investment projects:

- The construction of the new 300 MW circulating fluidized bed (CFB) electricity generation units began in June 2011. At the moment the construction site is being prepared and actual construction is set to begin in November-December of this year. The total cost is estimated to be 640 million euros and as of the end of June, 30 million had already been invested.

- Construction of the Enefit 280 shale oil plant in Auvere- by the end of June we had invested 96 million euros. We have completed work on the retort building and are currently setting up metal constructions and installing equipment. At the same time two 10 000 cubic meter storage tanks have been completed as well as a loading dock for trucks. We have begun excavation works for the foundations of the feeder system and cooling water canals. Construction is proceeding according to schedule. The total cost of the project is estimated at 207 million euros and the testing of the plant will begin in spring 2012.

- Shale oil industry support infrastructure development in Auvere- investments into the infrastructure supporting the new as well as existing shale oil plant. As of the end of June we had invested 4.5 million euros into this and the total cost of the project is budgeted at 20.7 million.

- USA oil project development- we have currently invested 30 million euros into this project of which 29 million was the acquisition of oil shale reserves. The predevelopment stage of the project is set to last till 2016 during which time we plan to invest a further 47 million euros

- Jordanian oil and electricity project development- as of now we have invested 3 million and the predevelopment stage is set to last till 2016 during which time we plan to invest a further 23 million euros.

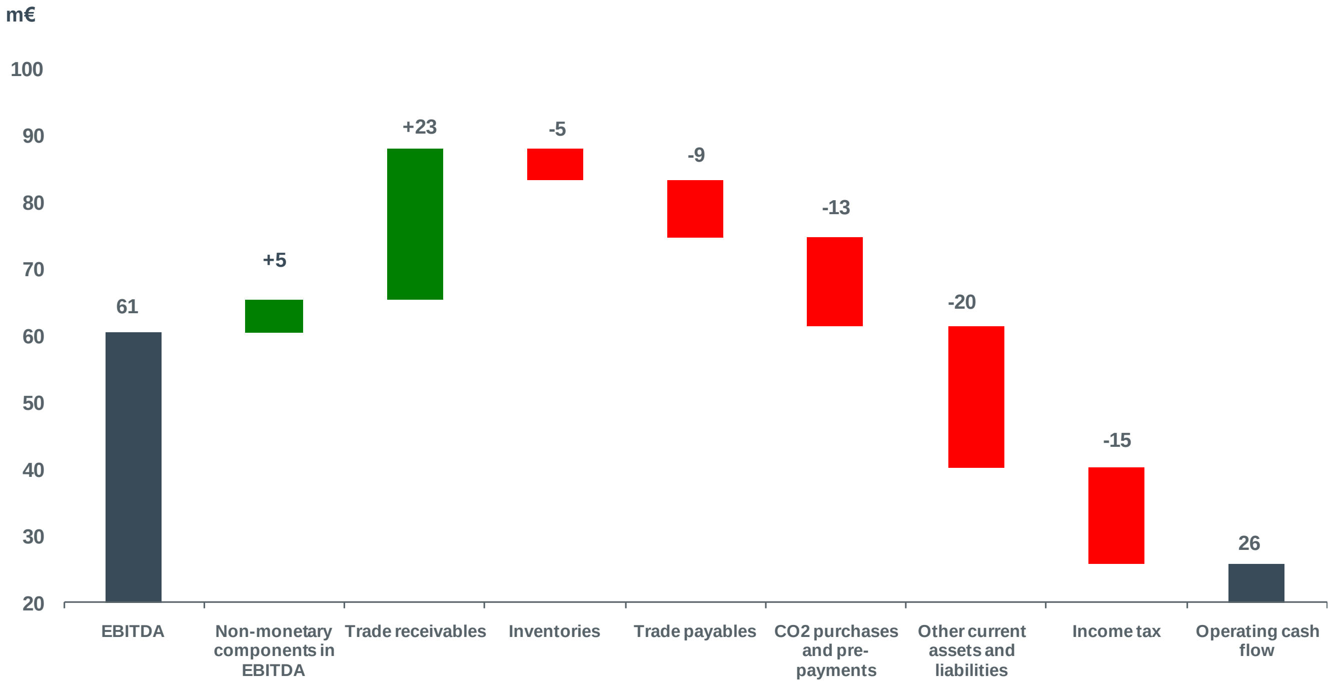
- Narva wind park- We have completed works on twelve 82 meter concrete towers. We have completed most of the accompanying substation and 110 kV cable. By the end of June we have invested 17.1 million euros into the project and the total cost is estimated to be 58.9 million euros.

- Paldiski wind park- all necessary permits have been issued, currently we are in the process of designing the necessary support infrastructure. Construction is set to begin this fall and in spring 2012 we plan to install the turbines. As of now 5.6 million euros have been invested into the project out of a total estimated 33 million. The park is set to be complete by June 2012.

- Iru waste to energy power unit construction- by the end of June we have invested 27.6 million euros into this project. The construction is proceeding according to schedule and within the estimated budget. By the end of the quarter, storage bunkers for waste and ash had been completed and foundations laid for the incineration unit. At the moment key equipment for the block is being manufactured in factories around Europe. The total size of the investment is set to be 104.6 million euros.

Cash flows

In the second quarter of 2011 Eesti Energia's cash flows from operating activities reached 25.9 million euros. Starting from the group's EBITDA (60.7 million euros), operating cash flows were affected by a seasonal reduction in receivables (+23 million), purchase of and prepayment for CO_2 emission allowances (-13 million), increased working capital due to VAT prepayments driven by higher investments (-20 million) and corporate income tax paid on dividends (-15 million).



Cash flow from operating activities decreased compared to the same period last year by 62.2% (-42.6 million euros). It was reduced by corporate income tax payments due to the payment of dividends (-15 million), the purchase of and prepayment for CO_2 emission allowances (-13 million) and the prepayment of VAT which is driven by higher investments (-9 million). Operating cash flows for the first six months were 130.8 million euros, a decrease of 30.5 million (-18.9%) compared to last year.

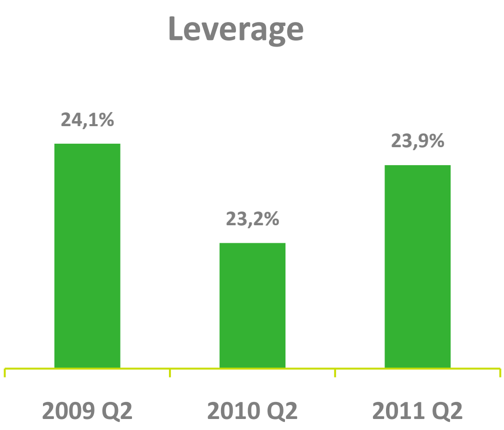
Net cash flows in the second quarter were 13 million euros (-89.7%, -112.7 million compared to last year) and net cash flows for the first six months were 33.2 million euros (-79.5%, 128.4 million). In addition to operating activities, net cash flow was also affected by larger capital expenditures which grew 207.9% compared to last year and the payment of dividends in the amount of 56.1 million euros (in 2010 dividends were paid in the third quarter).

Millions of euros	Q2 2011	Q2 2010	Change mln eur	Change %	6 months 2011	6 months 2010	Change %
Cash flows from operating activities	**25.9**	**68.5**	**-42.6**	**-62.2**	**130.8**	**161.3**	**-18.9**
Cash flows from investments, including	**43.0**	**57.9**	**-14.9**	**-25.7**	**-41.7**	**-5.5**	**ˇ-658.2**
Purchase of property, plant and equipment	-117.3	-47.0	-70.3	149.6	-189.2	-85.6	121.0
Net change in deposits with maturities over 3 months	143.0	106.1	36.9	34.8	126.4	-269.7	-146.9
Net change in restricted cash	18.1	-4.4	22.5	-511.4	41.1	-6.3	-752.4
Acquisition of new businesses	-1.4	0	-1.4	-	-30.2	0	-
Deposits from sale of business						166	
Change in overdraft given to discontinued operations						187.6	
Cash flows from financing, including	**-55.8**	**-0.7**	**-55.2**		**-55.9**	**5.8**	
Dividend payments	-56-1	0	-56.1	-	-56.1	0	-
Net cash flow	**13.0**	**125.7**	**-112.7**	**-89.7**	**33.2**	**161.6**	**-79.5**

Financing and liquidity

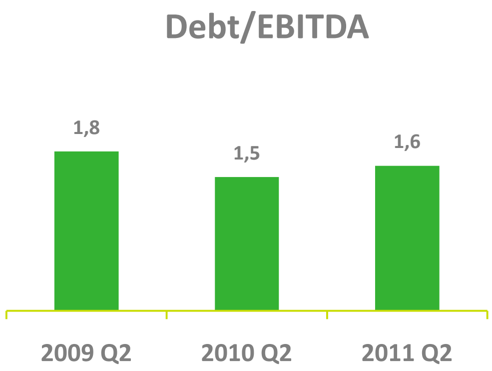
Eesti Energia’s extensive investment plan increases the importance of liquidity and the financing of investments. As of the end of June 2011, Eesti Energia had 161.5 million euros worth of liquid assets (including deposits with maturities over 3 months and various financial assets).

To improve the group´s liquidity position, Eesti Energia has initiated negotiations with regional and international banks for signing revolving credit facilities in the amount of around 300 million euros. Additionally, negotiations are ongoing with the European Investment Bank for the drawdown of an additional investment loan as well as with the sole shareholder for the injection of additional equity capital in 2012.



*-30.06.2011

Eesti Energia’s balance sheet has remained conservative. As of the end of June 2011, our ratio of debt to debt+equity was 23.9% (+0.73% percentage points compared to 30 June 2010).



*-30.06.2011

Our Debt/EBITDA (rolling 12 months) ratio in the second quarter of this year has grown from 1.54 to 1.6 compared to the first quarter of 2011 due to a slight decrease in EBITDA.

Our liquidity multiplier was 1.4 at the end of the second quarter. Working capital was 107 million euros (-56.5%, -138.8 million) compared to 31 March 2011. Net debt stood at 225.1 million € (+136.7%, +130.0 million € compared to 31 March 2011) at the end of the quarter if deposits with maturities over 3 months are taken into account. Debt levels as of the end of June have decreased compared to March of this year (-0.2%).

As of 30 June 2011, the weighted average interest rate of Eesti Energia’s debt obligations stood at 4.3%, an increase of 0.2% 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 maturing in 2020. We also have 56.4 million € worth of loans from the Nordic

Investment Bank and 10.9 million € worth of loans from the European Investment Bank. 82% of the loan portfolio bears a fixed interest rate and 18% a floating one. As of the end of June 2011, we had 136 million euros worth of undrawn credit facilities, which were disbursed on 20 July 2011.

Consolidated income statement

in million EUR

	3 months		6 months		12 months		*Note*
	1 April - 30 June		1 January - 30 June		1 July - 30 June		
	2011	2010	2011	2010	2010/11	2009/10	
CONTINUING OPERATIONS							
Revenue	188,3	168,8	421,7	387,1	818,8	706,3	*2*
Other operating income	17,6	1,2	21,1	13,9	19,0	18,3	
Government grants	0,1	-	0,1	-	0,4	0,1	
Change in inventories of finished goods and work-in-progress	3,8	1,8	2,7	-1,9	-4,7	8,0	
Raw materials and consumables used	-93,3	-66,3	-213,4	-160,3	-401,2	-292,1	
Payroll expenses	-31,9	-30,7	-64,2	-62,8	-131,9	-125,6	
Depreciation, amortisation and impairment	-23,3	-22,8	-45,8	-47,3	-91,9	-106,7	
Other operating expenses	-23,9	-14,2	-40,7	-30,5	-76,4	-69,1	
OPERATING PROFIT	**37,4**	**37,8**	**81,5**	**98,2**	**132,1**	**139,2**	*2*
Financial income	0,8	2,2	1,8	4,1	5,1	10,7	
Financial expenses	-2,5	-3,3	-5,2	-6,7	-11,2	-13,9	
Net financial income (-expense)	**-1,7**	**-1,1**	**-3,4**	**-2,6**	**-6,1**	**-3,2**	
Gain from associates using equity method	-	-	-	0,7	1,5	1,4	5
Other gain from associates	0,1	-	0,1	-	0,1	-	
PROFIT BEFORE TAX	**35,8**	**36,7**	**78,2**	**96,3**	**127,6**	**137,4**	
CORPORATE INCOME TAX EXPENSE	**-14,6**	**-22,1**	**-14,6**	**-22,2**	**-21,2**	**-31,4**	
PROFIT FROM CONTINUING OPERATIONS	**21,2**	**14,6**	**63,6**	**74,1**	**106,4**	**106,0**	
PROFIT/LOSS FROM DISCONTINUED OPERATIONS	**-**	**-**	**-**	**27,4**	**-**	**30,7**	*14*
PROFIT FOR THE YEAR	**21,2**	**14,6**	**63,6**	**101,5**	**106,4**	**136,7**	
ATTRIBUTABLE TO:							
Equity holders of the Parent Company	**21,3**	**14,9**	**63,5**	**101,1**	**106,7**	**136,5**	
Non-controlling interest	**-0,1**	**-0,3**	**0,1**	**0,4**	**-0,3**	**0,2**	
Basic earnings per share (euros)	*0,05*	*0,03*	*0,13*	*0,21*	*0,23*	*0,29*	*8*
Diluted earnings per share (euros)	*0,05*	*0,03*	*0,13*	*0,21*	*0,23*	*0,29*	*8*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	3 months		6 months		12 months	
	1 April - 30 June		1 January - 30 June		1 July - 30 June	
	2011	2010	2011	2010	2010/11	2009/10
PROFIT FOR THE YEAR	**21,2**	**14,6**	**63,6**	**101,5**	**106,4**	**136,7**
Other comprehensive income						
Revaluation of risk hedge instruments	13,5	-5,6	24,9	-4,3	-2,3	-13,6
Currency translation differences attributable to foreign subsidiaries	0,3	-	0,2	-	0,2	-
Other comprehensive income for the year	13,8	-5,6	25,1	-4,3	-2,1	-13,6
COMPREHENSIVE INCOME FOR THE YEAR	**35,0**	**9,0**	**88,7**	**97,2**	**104,3**	**123,1**
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**35,1**	**9,3**	**88,6**	**96,8**	**104,6**	**122,9**
Non-controlling interest	**-0,1**	**-0,3**	**0,1**	**0,4**	**-0,3**	**0,2**

Consolidated balance sheet

ASSETS	30 June 2011	30 June 2010	31 December 2010	Note
Non-current assets				
Property, plant and equipment	1 469,5	1 222,1	1 293,6	4
Intangible assets	24,2	19,2	23,3	
Investments in associates	25,0	11,6	11,8	5
Derivative financial instruments	1,9	1,0	0,3	6
Long-term receivables	5,2	2,4	0,4	
Total non-current assets	**1 525,8**	**1 256,3**	**1 329,4**	
Current assets				
Inventories	34,7	37,2	29,1	
Greenhouse gas allowances	-	-	45,2	
Trade and other receivables	99,8	92,0	169,9	
Derivative financial instruments	0,4	1,3	0,4	6
Available-for-sale financial assets	10,1	-	10,0	
Financial assets at fair value through profit or loss	9,1	1,3	3,2	
Deposits with maturities greater than three months at bank	55,0	274,8	181,4	
Cash and cash equivalents	87,3	197,8	54,8	
Total current assets	**296,4**	**604,4**	**494,0**	
Assets of disposal group classified as held-for-sale	**-**	**-**	**20,7**	
Total assets	**1 822,2**	**1 860,7**	**1 844,1**	
EQUITY				
Capital and reserves attributable to equity holder of the Parent Company				
Share capital	471,6	471,6	471,6	7
Share premium	259,8	259,8	259,8	
Statutory reserve capital	47,2	47,2	47,2	
Hedge reserve	-9,7	-7,4	-34,6	
Unrealised exchange rate differences	0,2	-	-	
Retained earnings	367,7	426,3	360,3	
Total equity and reserves attributable to equity holder of t	**1 136,8**	**1 197,5**	**1 104,3**	
Non-controlling interest	**1,1**	**3,1**	**2,8**	
Total equity	**1 137,9**	**1 200,6**	**1 107,1**	
LIABILITIES				
Non-current liabilities				
Borrowings	330,6	358,6	331,9	9
Other payables	0,3	0,2	0,3	
Derivate financial instruments	4,9	6,5	4,9	6
Deferred income	121,1	117,3	118,6	
Provisions	38,0	28,6	28,6	10
Total non-current liabilities	**494,9**	**511,2**	**484,3**	
Current liabilities				
Borrowings	26,8	3,6	26,8	9
Trade and other payables	125,5	121,1	132,7	
Derivative financial instruments	7,5	3,4	31,8	6
Deferred income	0,5	0,2	0,5	
Provisions	29,1	20,6	49,9	10
Total current liabilities	**189,4**	**148,9**	**241,7**	
Liabilities of disposal group classified as held-for-sale	**-**	**-**	**11,0**	
Total liabilities	**684,3**	**660,1**	**737,0**	
Total liabilities and equity	**1 822,2**	**1 860,7**	**1 844,1**	

Consolidated cash flow statement

in million EUR

	3 months		6 months		12 months		Note
	1 April - 30 June		January - 31 Marc		1 April - 31 March		
	2011	2010	2011	2010	2010/11	2009/10	
Cash flows from operating activities							
Cash flows from operating activities from continuing operations							
Cash generated from operations	40,2	68,5	142,2	156,8	175,2	255,6	
Interest and loan fees paid	-0,9	-0,9	-1,0	-1,0	-15,4	-15,7	
Interest received	1,2	0,9	4,2	2,1	7,3	9,1	
Corporate income tax paid	-14,6	-	-14,6	-	-43,4	-14,8	
Net cash generated from operating activities from continuing opera	**25,9**	**68,5**	**130,8**	**157,9**	**123,7**	**234,2**	
Net cash generated from operating activities from discontinued ope	**-**	**-**	**-**	**3,4**	**-**	**0,8**	
Net cash generated from operating activities	**25,9**	**68,5**	**130,8**	**161,3**	**123,7**	**235,0**	
Cash flows from investing activities							
Cash flows from investing activities from continuing operations							
Purchase of property, plant and equipment and intangible assets	-117,3	-47,0	-189,2	-85,6	-308,4	-193,7	
Proceeds from connection and other fees	2,6	2,8	4,8	4,4	9,8	10,5	
Proceeds from sale of property, plant and equipment	0,1	0,6	1,0	1,1	1,2	6,6	
Net change in deposits with maturities greater than 3 months	143,0	106,1	126,4	-269,7	219,8	-178,4	
Net change in cash restricted from being used	18,0	-4,4	41,0	-6,3	47,4	-1,4	
Purchase of short-term financial investments	-4,1	-5,0	-9,8	-11,4	-35,8	-20,7	
Loans granted	-2,4	-	-2,5	-	-2,5	-	
Loan repayments received	-	-	5,2	-	5,2	-	
Dividens received from long-term financial investments	1,3	-	1,3	1,2	1,3	1,2	
Change in overdraft granted to discontinued operations	-	-	-	187,6	-	135,1	
Acquisiton of subsidiaries, net of cash acquired	-1,4	-	-30,2	-	-30,2	-	
Proceeds from disposal of subsidiary	2,2	-	6,3	-	6,3	-	*5,13*
Proceeds from sale and redemption of short-term financial investmen	1,0	4,8	4,0	10,5	18,1	21,7	
Net cash used in investing activities from continuing operations	**43,0**	**57,9**	**-41,7**	**-168,2**	**-67,8**	**-219,1**	
Net cash used in investing activities from discontinued operations	**-**	**-**	**-**	**-3,3**	**-**	**-22,5**	
Dividends collected from discontinued operations	**-**	**-**	**-**	**-**	**-**	**30,7**	
Proceeds from sale of discontinued operations	**-**	**-**	**-**	**166,0**	**-**	**166,0**	*14*
Net cash used in investing activities	**43,0**	**57,9**	**-41,7**	**-5,5**	**-67,8**	**-44,9**	
Cash flows from financing activities							
Cash flows from financing activities from continuing operations							
Received long-term bank loans	1,3	0,4	1,5	1,0	2,8	2,0	
Other borrowings received	-	-	-	-	0,2	-	
Repayments of bank loans	-1,1	-1,1	-1,9	-1,7	-3,7	-4,7	
Proceeds from non-controlling interest	-	-	0,6	-	0,6	-	
Dividends paid	-56,1	-	-56,1	-	-165,3	-86,9	
Net cash used in financing activities from continuing operations	**-55,9**	**-0,7**	**-55,9**	**-0,7**	**-165,4**	**-89,6**	
Net cash used in financing activities from discontinued operations	**-**	**-**	**-**	**6,5**	**-**	**28,4**	
Net cash used in financing activities	**-55,9**	**-0,7**	**-55,9**	**5,8**	**-165,4**	**-61,2**	
Net cash flows	**13,0**	**125,7**	**33,2**	**161,6**	**-109,5**	**128,9**	
Cash and cash equivalents at the beginning of the period	75,3	72,1	54,8	36,2	197,8	68,9	
Cash and cash equivalents classified as held for sale	-	-	*0,3*	-	-	-	
Cash and cash equivalents of subsidiaries classified as associates	*-1,0*	-	*-1,0*	-	*-1,0*	-	
Cash and cash equivalents at the end of the period	87,3	197,8	87,3	197,8	87,3	197,8	
Net increase/(-)decrease in cash and cash equivalents	**13,0**	**125,7**	**33,2**	**161,6**	**-109,5**	**128,9**	

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	-	-	-	-4,3	101,1	96,8	0,4	97,2
Total transactions with owner	*-*	*-*	*-*	*-4,3*	*101,1*	*96,8*	*0,4*	*97,2*
Equity as at 30 June 2010	**471,6**	**259,8**	**47,2**	**-7,4**	**426,3**	**1 197,5**	**3,1**	**1 200,6**
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	-	-	-	25,1	63,5	88,6	0,1	88,7
Dividends paid	-	-	-	-	-56,1	-56,1	-	-56,1
Decrease in non-controlling interest due to the disposal and reclassification of the subsidiaries (Note 2)	-	-	-	-	-	-	-2,5	-2,5
Increase in non-controlling interest due to the acqusition of a subsidiary	-	-	-	-	-	-	0,1	0,1
Proceeds from non-controlling interest	-	-	-	-	-	-	0,6	0,6
Total transactions with owner	***-***	***-***	***-***	***25,1***	***7,4***	***32,5***	***-1,7***	***30,8***
Equity as at 30 June 2011	**471,6**	**259,8**	**47,2**	**-9,5**	**367,7**	**1 136,8**	**1,1**	**1 137,9**

Notes to the financial statements

1 Accounting policies

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 December 2010 (except as described below).
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.

In this interim report the presentation of the net change in cash restricted of being used has been changed compared to earlier and as the result the net change in cash restricted from being used is recognised as cash flows from investing activities (previously it was recognised as cash flows from operating activities). The comparatives have also been re-stated.

According to the Management Board the Interim Report prepared for the period 1 January 2011 - 30 June 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, Enefit Outotec Technology OÜ, 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 13). Until its disposal, AS Kohtla-Järve Soojus was part of the Electricity and Heat Generation segment.

On 28 April 2011 the transaction of the sale of 11% shareholding in Enefit Jordan B.V. was completed after which the Group does not have control over Enefit Jordan B.V. and its subsidiaries (Jordan Oil Shale Energy Company and Attarat Power Company) any more. As the result Enefit Jordan B.V. and its subsidiarieas are recognised as associates (Note 5).

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 the Group to the Estonian Government in January 2010 (Note 14). 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 - 30 June 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	240,8	*97,1*	266,0	157,6	*111,4*	9,0	-251,7	421,7
Inter-segment revenue	-6,9	*-2,0*	-113,8	-91,0	*-92,7*	-8,7	220,4	-
Revenue from external customers	233,9	*95,1*	152,2	66,6	*18,7*	0,3	-31,3	421,7
Operating profit	6,4	*10,6*	32,9	42,4	*10,0*	-1,0	0,8	81,5

Segment information for reportable segments for the period 1 January 2010 - 30 June 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	234,2	*95,2*	248,9	129,7	*99,6*	7,4	-233,1	387,1
Inter-segment revenue	-14,0	*-1,9*	-119,3	-80,6	*-85,5*	-6,9	220,8	-
Revenue from external customers	220,2	*93,3*	129,6	49,1	*14,1*	0,5	-12,3	387,1
Operating profit	24,3	*20,6*	58,5	19,3	*9,8*	33,9	-37,8	98,2

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

	6 months 1 January - 30 June 2011	6 months 1 January - 30 June 2010
Segment operating profits for reportable segments	81,7	102,1
Operating profit of Corporate Functions	-1,0	33,9
Eliminations:		
Profits/losses from intra-segment sales of property, plant and equipment	-	-38,3
Change in price difference of inventories	1,1	0,5
Other eliminations	-0,3	-
Total operating profit per consolidated income statement	**81,5**	**98,2**

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	2 115,7
Accumulated depreciation	-	-84,8	-297,0	-600,4	-4,3	-986,5
Net book amount	41,2	64,3	422,5	600,6	0,6	1 129,2
Construction in progress	-	0,7	21,8	98,8	-	121,3
Prepayments	-	-	0,3	42,8	-	43,1
Total property, plant and pquipment as at 31 December 2010	**41,2**	**65,0**	**444,6**	**742,2**	**0,6**	**1 293,6**
Movements 1 January - 30 June 2011						
Purchases of property, plant and equipment	-	1,2	17,9	173,4	0,1	192,6
Acquisition of subsidiary (Note 15)	29,4	-	0,3	0,2	-	
Depreciation charge	-	-2,2	-10,8	-31,4	-0,1	-44,5
Net book amount of non-current assets disposed	-0,4	-0,1	-	-0,2	-	-0,7
Classified as property, plant and equipment of associates (Note 5	-	-	-0,2	-	-	-0,2
Classified as held-for-sale	-	-	2,3	-3,2	-	-0,9
Exchange differencies	-0,3	-	-	-	-	-0,3
Movements 1 January - 30 June 2011	**28,7**	**-1,1**	**9,5**	**138,8**	**-**	**175,9**
Property, plant and equipment as at 30 June 2011						
Cost	69,9	149,5	732,2	1 225,6	4,9	2 182,1
Accumulated depreciation	-	-86,7	-305,5	-619,7	-4,3	-1 016,2
Net book amount	69,9	62,8	426,7	605,9	0,6	1 165,9
Construction in progress	-	1,1	27,4	185,8	-	214,3
Prepayments	-	-	-	89,3	-	89,3
Total property, plant and equipment as at 30 June 2011	**69,9**	**63,9**	**454,1**	**881,0**	**0,6**	**1 469,5**

5 Investments in associates

On 28 April 2011 the transaction of the sale of 11% shareholding in Enefit Jordan B.V. was completed after which the Group does not have control over Enefit Jordan B.V. and its subsidiaries (Jordan Oil Shale Energy Company and Attarat Power Company) any more. As the result Enefit Jordan B.V. and its subsidiarieas are recognised as associates.

Reclassified assets and liabilities in million EUR	**28 April 2011**
Cash and cash equivalents	1,0
Trade and other receivables	3,2
Property, plant and equipment (Note 4)	0,2
Intangible assets	2,7
Trade and other payables	-7,6
Non-controlling interest	-0,6
Unrealised exchange rate differences	0,2
Total reclassified assets and liabilities	-0,9
Fair value of the associates	13,2
Sales revenue	2,2
Gain on sale and reclassification	16,3

Change in investments in associates in million EUR	**6 months 1 January - 30 June 2011**	**2010**
Book value at the beginning of the period	**11,8**	**12,1**
Fair value of the subsidiaries classified as associates	13,2	**-**
Profit from associates using equity method	-	0,7
Dividends declared by the associate	-	-1,2
Book value at the end of the period	**25,0**	**11,6**

6 Derivative financial instruments

in million EUR	30 June 2011		30 June 2010	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward contracts for buying and selling electricity as cash flow hedges	1,7	-	1,0	-
Forward and option contracts for buying and selling electricity as trading derivatives	0,1	-	-	1,2
Option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	0,3	-	1,2	-
Swap and futures contracts for selling shale oil as cash flow hedges	0,2	12,4	0,1	8,7
Total derivative financial instruments	**2,3**	**12,4**	**2,3**	**9,9**
including non-current portion:				
Forward contracts for buying and selling electricity as cash flow hedges	1,1	-	0,3	-
Forward and option contracts for buying and selling electricity as trading derivatives	0,3	-	-	0,8
Option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	0,3	-	0,7	-
Swap and futures contracts for selling shale oil as cash flow hedges	0,2	4,9	-	5,7
Total non-current portion	**1,9**	**4,9**	**1,0**	**6,5**
Total current portion	**0,4**	**7,5**	**1,3**	**3,4**

7 Share capital

As of 30 June 2011, Eesti Energia AS had 471 645 750 registered shares (30 June 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.

8 Earnings per share

Basic earnings per share are calculated by dividing profit attributable to the equity holders of the company by the weighted average number of ordinary shares outstanding. As there are no potential ordinary shares, diluted earnings per share equal to basic earnings per share all the periods.
Due to the change in the nominal value of a share (Note 7), the number of the ordinary shares in earlier periods is adjusted for the proportionate change in the number of ordinary shares outstanding.

	3 months		6 months		12 months	
	1 April - 30 June		1 January - 30 June		1 July - 30 June	
	2011	**2010**	**2011**	**2010**	**2010**	**2009**
Profit attributable to the equity holders of the	21,3	14,9	63,5	101,1	106,7	136,5
Weighted average number of shares (millior	471,6	471,6	471,6	471,6	471,6	471,6
Basic earnings per share (EUR)	0,05	0,03	0,13	0,21	0,23	0,29
Diluted earnings per share (EUR)	0,05	0,03	0,13	0,21	0,23	0,29

9 Nominal value and amortized cost of borrowings

in million EUR

	30 June 2011		30 June 2010	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Current portion of long-term bank loans	26,8	26,8	3,6	3,6
Total short-term borrowings	**26,8**	**26,8**	**3,6**	**3,6**
Long- term borrowings				
Bank loans	40,6	40,3	69,4	69,1
Bonds issued	300,0	290,3	300,0	289,5
Total long- term borrowings	**340,6**	**330,6**	**369,4**	**358,6**
Total borrowings	**367,4**	**357,4**	**373,0**	**362,2**

10 Provisions

in million EUR

	Opening balance 31 December 2010	Recognition and change in provisions	Interest charge	Use	Closing balance 30 June 2011	
					Short-term provision	Long-term provision
Environmental protection provisions	15,0	8,9	0,4	-0,4	1,8	22,1
Provision for termination of mining operatic	9,9	-	0,3	-	-	10,2
Employee related provisions	3,9	-0,5	0,1	-0,2	0,2	3,1
Provision for dismantling cost of assets	2,6	-	-	-	-	2,6
Provision for greenhouse gas emissions	47,1	29,1	-	-49,1	27,1	-
Total provisions	**78,5**	**37,5**	**0,8**	**-49,7**	**29,1**	**38,0**

In the reporting period an additional environmental provision was set up for maintenance of ash fields in Narva power plants and the settlement periods of closing ash fields were adjusted in the total amount of EUR 8.7 million. In additioı the provision for cleaning condaminated land surface in Iru power plant was increased by EUR 0.2 million.

11 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.

12 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 - 30 June**	
	2011	**2010**
Transactions with associates		
Purchase of goods and services	14,6	12,8
Proceeds from sale of goods and services	1,1	2,0
Financial income	0,1	-

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.

13 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

14 Discontinued operations

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**

15 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, afte 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.

16 Events after the reporting period

On 20 July 2011 a loan granted by the European Investment Bank of EUR 136 million was drawn by the Group.