Eesti Energia

Interim Report

1 July 2012 – 30 September 2012

Contents

Summary of third quarter 2012 results

- Eesti Energia's **revenues** reached 202 million euros in the third quarter of 2012 (+5.8% compared to same period last year). **Electricity sales** revenues reached 106 million euros.

- The Group's annual **EBIT** growth amounted to 10%, with operating profit reaching 40 million euros in third quarter, whereas **net profit** decreased by 1% to 37 million euros. EBIT growth was mainly affected by increased profitability of **shale oil sales** by 13 million euros. Similarly, an increase in network services profitability had a significant impact on the Group´s results (+3.7 million euros).

- Eesti Energia's **investments** in the third quarter were 111 million euros which is 9.3% less than last year. Decrease in investments is related to completion of one stage of the investment plan. Enefit280 is nearly complete, while Narva and Paldiski wind parks have started operations. Construction of Auvere power plant and Iru waste-to-energy plant continues and so does the installation of desulphurization equipment in Narva Power Plants. Every quarter we also invest to improve distribution networks quality.

Eesti Energia's market share in the Baltic non-regulated market reached approximately 28% in the third quarter. Full electricity market opening in Estonia will take place in less than two months. We work every day to stay successful in the open market and in the first active sales month we signed 18 000 electricity sales contracts.

Results in the third quarter were positively affected mainly by success in our shale oil sales. Hot commissioning in our new Enefit280 plant which doubles our oil production continues and new oil is expected soon.

We are full of hope towards the future and expect good results in all our main business divisions in this year's last quarter in order to make 2012 as successful as the previous year.

CEO and Chairman of the Management Board of Eesti Energia
Sandor Liive

Key Figures and Ratios

		Q3			9 months		
		1 July - 30 September		Change	1 January - 30 September		Change
		2012	2011		2012	2011	
Total electricity sales, of which	GWh	2,441	2,430	0.5%	7,099	7,990	-11.1%
Regulated market	GWh	1,105	1,080	2.3%	4,048	4,000	1.2%
Open market	GWh	1,336	1,350	-1.0%	3,051	3,989	-23.5%
Heat sales	GWh	27	19	41.9%	557	766	-27.4%
Network sales	GWh	1 297	1 266	2.5%	4 590	4 515	1.7%
Distribution losses	%	6.2	6.4	-0.2pp	6.3	6.3	-0.1pp
Oil shale sales (outside the Group)	th t	298	499	-40.3%	1,076	1,652	-34.9%
Shale oil sales (outside the Group)	th t	60	35	68.5%	144	118	22.1%
Average number of employees	No.	7,679	7,744	-0.8%	7,673	7,601	0.9%
Revenues, of which	mln eur	201.6	190.5	5.8%	614.5	633.5	-3.0%
sales	mln eur	198.9	187.9	5.8%	595.5	609.7	-2.3%
EBITDA	mln eur	71.2	60,0	18.6%	223.3	187.3	19.2%
Operating profit	mln eur	39.9	36.2	10.1%	138.7	117.6	17.9%
Net profit	mln eur	37.4	37.7	-0.9%	118.1	101.3	16.6%
Fixed assets as at the end of period	mln eur	2,014.4	1,629.3	23.6%			
Equity as at the end of period	mln eur	1,432.2	1,181.2	21.2%			
Net debt as at the end of period	mln eur	515.0	285.2	80.6%			
Investments	mln eur	110.7	122.0	-9.3%	334.8	349.8	-4.3%
FFO	mln eur	67.1	59.7	12.4%	181.1	151.4	19.7%
Debt/EBITDA[1]	times	2.48	2.11	+0.4p			
Net debt/EBITDA[1]	times	1.71	1.19	+0.5p			
Leverage	%	26.4%	19.5%	+7.0pp			
ROIC	%	8.1%	10.0%	-1.9pp	10.2%	11.4%	-1.2pp
EBITDA/interest cover	times	8.3	11.9	-3.6p	11.2	15.7	-4.5p
FFO/interest expenses	times	8.0	11.8	-3.8p	8.2	7.9	+0.3p
FFO/investments	times	0.7	0.5	+0.2p	0.5	0.4	+0.1p
EBITDA margin	%	35.8%	31.9%	+3.9pp	37.5%	30.7%	+6.8pp
Operating profit margin	%	19.4%	19.3%	+0.1pp	23.3%	19.3%	+4.0pp

[1] EBITDA Rolling 12 months

Debt/ (debt + equity)
Net Debt- Debt (nominal value) minus cash and cash equivalents Leverage – Net debt / (net debt / equity)
ROIC-Return on invested capital
FFO- funds from operations excluding changes in working capital
EBITDA- Earnings before interest, tax, depreciation and amortization
EBITDA margin- Earnings before interest, tax, depreciation and amortization divided sales

Operating environment

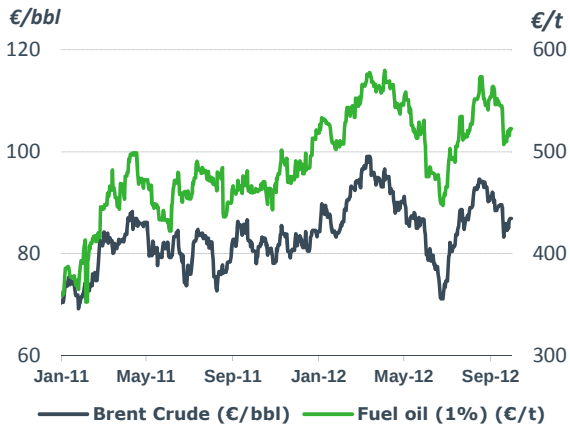
IMF World Economic Outlook[2] published in October reduced 2012 global economic growth forecast by 0.2% to 3.3% in relation to continuing global uncertainty. European Union economy is expected to decline by 0.4% which is 0.3% less than in the previous outlook published in July. Estonian GDP will grow by 2.4% according to the IMF.

Developments affecting financial markets in Q3 2012 were the upholding of the European Stability Mechanism by the German Constitutional Court but as well the announced monetary policy measures by European Central Bank and the Federal Reserve in order to apply economic stimulus in countries involved. Still growing unemployment, budget cuts and weak consumption continued to have a substantial negative impact on the Eurozone economy.

Oil market

Oil prices grew in the third quarter of 2012. Brent opened at 74.6 €/barrel (94.4 $/barrel) and finished the quarter costing 87.0 €/barrel (111.8 $/barrel). Price increased on the constraints in North Sea supply, draws in US crude oil stockpiles and hope for further monetary stimulus from ECB and FED. Furthermore, crude prices increased by hurricane season in Gulf of Mexico, continued tensions in the Middle East and better than expected corporate earnings of companies.

The average price of Brent crude in the third quarter of 2012 was 88.0 €/barrel (108.6 $/barrel) which is 8.7% higher (3.8% lower) compared to Q3 2011. The price rise in euros is due to the annual appreciation of the dollar against the Euro (1.41 EUR/USD in the third quarter of 2012 compared to 1.25 EUR/USD at the same time last year).



Source: Thomson Reuters

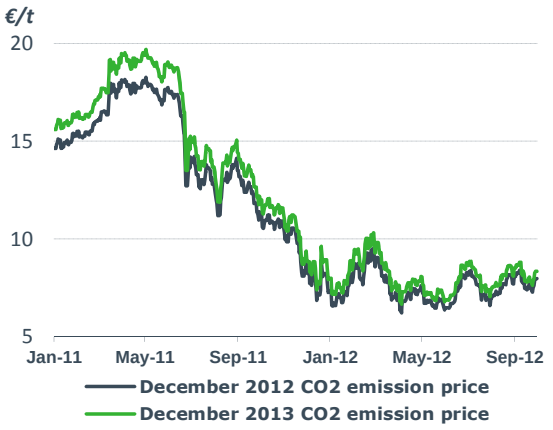
The average price of fuel oil[3] in the third quarter of 2012 was 530.7 €/t (664.4 $/t), which is 13.6% (0.6%) higher than in the third quarter of 2011.

Emissions trading

The average price of December 2012 CO_2 emission allowance futures in the third quarter of 2012 was 7.64 €/t (-41%, -5.2 €/t compared to the previous year) and fluctuated between 6.6 and 8.4 €/t. The closing price at the end of the quarter was 7.96 €/t.

CO_2 prices were driven up by increased demand for relatively cheaper coal and in addition, prices were affected by cooler weather conditions which caused the heating season to start early.

Average price of December 2013 CO_2 allowance futures was 8.1 €/t which is 8% (0.6 €/t) higher compared to previous quarter and fluctuated between 7.0 €/t and 8.9 €/t. This is 5.7 €/t (-41%) lower than in the third quarter of 2011. Annual decrease in prices is related to decreased demand for electricity which in turn has caused lower demand for CO_2 allowances.



Source: Thomson Reuters

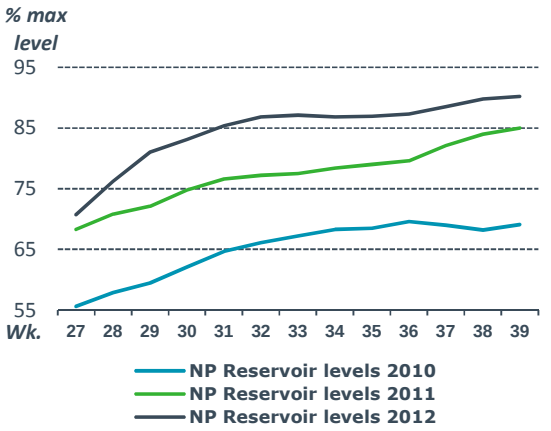
[2] IMF, 2012 October WEO (Coping with high Debt and Sluggish Growth)

[3] Fuel Oil 1% Sulphur Free on Board North West Europe

Electricity prices

The regulated price of electricity in Estonia is fixed at 30.7 €/MWh as approved by the Estonian Competition Authority on June 1st of 2010. After opening of electricity market on 1 January 2013 the electricity prices will be determined by market conditions.

Average daily electricity price in Nord Pool Estonia price area fluctuated between 29.3 €/MWh and 54.3 €/MWh. Average price in the third quarter of 2012 was 39.4 €/MWh, which is 10.1% (4.4 €/MWh) lower compared to 2011 due to high water levels in Nordic hydro reservoirs.

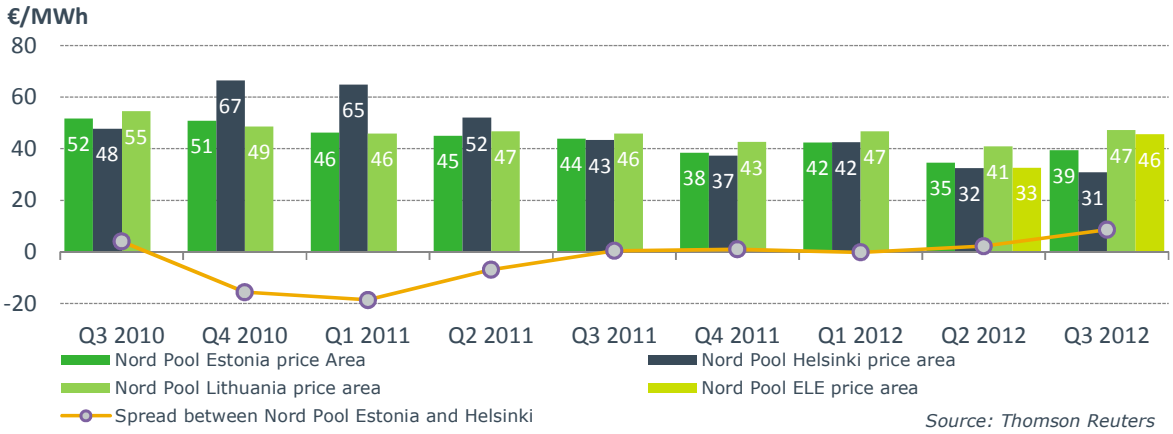


Source: Thomson Reuters

Average electricity price in Nord Pool Finland price area was 30.9 €/MWh which was 28.9% lower (-12.5 €/MWh) than in third quarter the year before. Average Nord Pool system price in the third quarter of 2012 was 20.8 €/MWh which is 42.2% (15.2 €/MWh) lower than last year. Similarly to Estonian price area, Nord Pool Finland price area was also affected by high water levels in Nordic hydro reservoirs.

Price of electricity in Nord Pool ELE area on the Estonian-Latvian border ranged between 30.6 €/MWh and 84.9 €/MWh. Quarterly average price was 45.6 €/MWh which still refers to a bottleneck effect in the area and makes the electricity transmission to Latvia and Lithuania more expensive. Furthermore, differences between Estonia and Lithuania electricity prices have encouraged Estonian electricity exports towards Latvia and Lithuania. Adding to that, the area experienced transmission constraints in third quarter related to line maintenance.

Nord Pool Lithuania's average electricity price in the third quarter of 2012 was 47.3 €/MWh (+3.1%, +1.4 €/MWh) and daily average price ranged from 16.6 €/MWh to 80.1 €/MWh. Full integration of Lithuania and Latvia to Nord Pool system may take place in 2013.



Source: Thomson Reuters

Financial results

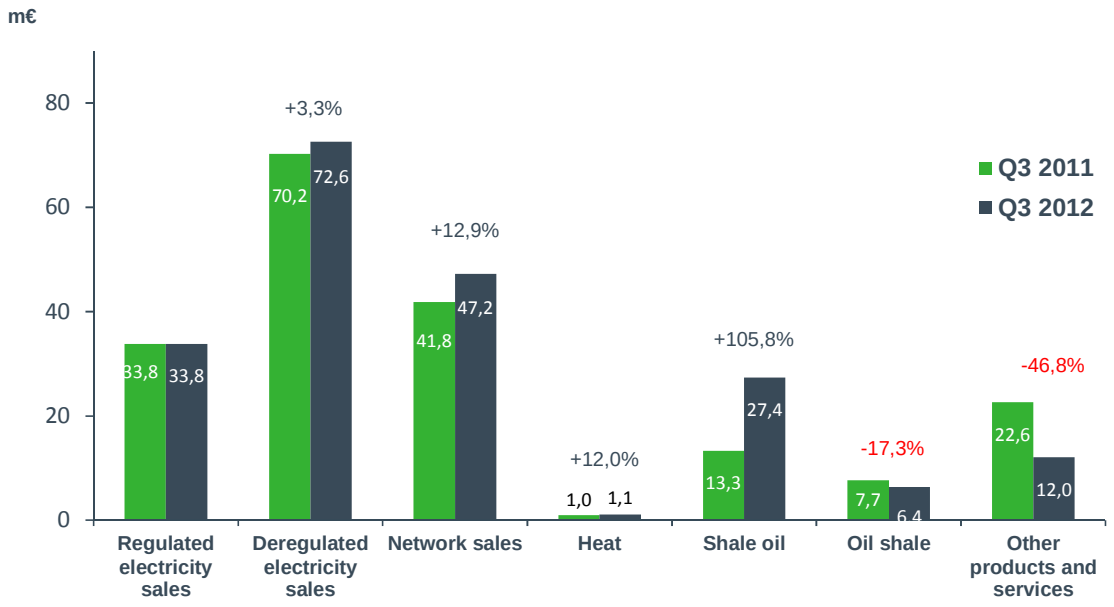
Eesti Energia's 2012 third quarter total revenues were 201.6 million euros (+5.8% compared to the third quarter of 2011, +11.0 million euros), operating profit reached 39.9 million euros (+10.1%, +3.7 million euros) and net profit 37.4 million euros (-0.8%, -0.3 million euros). The results were positively affected by increased profitability in liquid fuels sales (+12.9 million euros) and higher earnings in network services (+3.7 million euros). Higher depreciation and decreased profitability in electricity sales had a negative impact on EBIT by -7.5 million euros and -2.8 million euros respectively.

Revenues for the first nine months of 2012 were 614.5 million euros (-3.0%, -19.0 million euros), EBIT was 138.7 million euros (+17.9%, +21.0 million euros) and net income was 118.1 million euros (+16.6%, +16.8 million euros).

Revenues

The group's total revenues in the third quarter of 2012 reached 201.6 million euros, an increase of 5.8% compared to the same period last year. Results were positively affected by increased sales revenues from liquid fuels sales (+105.8%) and increased network services sales (+15.3%). Revenues were negatively affected by reduced revenues from repair and construction services (-3.5 million euros), sales of electrical equipment (-2.9 million euros) and discontinued telecommunication revenues due to the sale of telecommunication subsidiary (-2.9 million euros).

Electricity sales on the open market made up 68.1% of all electricity sales in third quarter of 2012 (67.5% in the third quarter in 2011).



Revenues in the **retail** division grew to 73.9 million euros in the third quarter (+4.0%, +2.9 million euros compared to 2011). Revenues for the first nine months of 2012 reached 247.4 million euros (+5.2%, +12.2 million euros).

Sales of electricity were 66.2 million euros (+10.3%, +6.2 million euros) of which 33.5 million euros came from the regulated market and 32.6 million euros (+19.9%, +5.4 million euros) from the open market. Regulated market sales volumes reached 1,094 GWh in the third quarter (+2.1%, +22 GWh) while open market sales volume revenues increased to 690 GWh (+18.6%, +108 GWh).

On January 1st 2013 the Estonian electricity market will be deregulated for all consumers. Eesti Energia announced its price plans and started signing contracts on September 25. In addition to fixed price packages up

to three years, Eesti Energia will be selling exchange price driven and combined packages as well. Over the course of the first month, 18 thousand clients have signed electricity purchasing contracts with Eesti Energia. From 2013 the distribution network operator is obligated to supply electricity at the average Nord Pool Spot Estonia monthly price (plus reasonable profit margin) to those customers who have not chosen an electricity supplier.

Eesti Energia's third quarter market share on the Estonian open market was approximately 74%. As of the end of the third quarter of 2012 we had 897 clients (+644) in Latvia and the average market share on the Latvian open market was 28%. In Lithuania we had 297 (+179) customers as of the end of the third quarter and the average market share on the Lithuanian open market was around 9%. Our market share on the Baltic open market as a whole is around 28%.

Sales of other services in the retail division were 5.6 million euros (-37.7%, -3.4 million euros). The main reason behind this reduction was exiting the telecommunication business in the first quarter of 2012. During the same period last year Televõrk contributed 3.2 million euros of telecommunication services sales.

	Q3		Change		9 months		Change	
GWh	2012	2011	GWh	%	2012	2011	GWh	%
Electricity sales at regulated prices, of which	1,094	1,070	22	2.1	4,030	3,975	55	1.4
Sales outside the group	999	976	23	2.3	3,692	3,640	51	1.4
Sales on the open market, of which	690	582	108	18.6	1,867	1,752	115	6.6
Estonian open market	303	282	21	7.3	953	911	42	4.6
Sales outside the group	273	253	21	8.2	794	803	-9	-1.2
Latvian open market	259	117	142	121.8	598	305	293	95.8
Lithuanian open market[4]	127	182	-55	-30.2	316	536	-219	-41.0
Total electricity sales	1,782	1,652	130	7.9	5,897	5,727	170	3.0

Distribution Network revenues in the third quarter of 2012 reached 49.5 million euros (+11.9%, +5.3 million euros) and 166.1 million euros (+17.5%, +24.7 million euros) for the first nine months of the year. Compared with last year, revenues have increased due to a rise in distribution tariffs in August 2011 when new tariffs for the 2011-2014 regulatory period came into effect.

Sales of network services grew to 48.1 million euros (+13.2%, +5.6 million euros). The total volume of electricity distributed in the third quarter was 1,349 GWh. In the third quarter distribution volumes on low voltage networks reached 869 GWh (+1.4%, +12 GWh) and 480 GWh (+3.7%, +17 GWh) on medium voltage networks. The average distribution tariff was 35.7 €/MWh (+11.0% compared to the third quarter of 2011.

Distribution losses[5] were 89 GWh in the third quarter of 2012, a decrease of 1 GWh compared to the same period last year. The average loss percentage was 6.2% (-0.2 percentage points compared to last year). For the rolling 12 months losses stand at 5.8% of electricity entering the grid.

The average temperature according to the Estonian Meteorological and Hydrological Institute was +15.4 degrees in the third quarter of 2012 which is 1.4 degrees lower than last year but close to the historical average (0.1 degrees lower)[6]. Temperature affects electricity consumption and hence sales of electricity as well as network services.

	Q3		Change		9 months		Change	
GWh	2012	2011	GWh	%	2012	2011	GWh	%
Sales of distribution services	1,349	1,320	29	2.2	4,773	4,700	73	1.5
Sales outside the group	1,297	1,266	31	2.5	4,590	4,515	75	1.7

[4] Lithuanian open market showed a decrease due to a change in policy on the Baltpool exchange. Numbers are now shown with netting off taken into account. Using the earlier accounting methodology, sales increased by 32.5% (241.7 GWh in Q3 2012 vs 182.4 GWh in Q3 2012).

[5] The distribution loss percentage is obtained by dividing total losses by the amount of electricity 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.

[6] Estonian Meteorological and Hydrological Institute 1992-2011 average

Our **electricity and heat generation** division earned revenues of 113.6 million euros (+4.2%, +4.6 million euros) in the third quarter. Revenues for the first nine months of the year reached 335.5 million euros (-11.3%, -42.7 million euros).

Electricity sales reached 108.3 million euros including renewable energy subsidies, financial hedges and revenue from Estlink underwater power cable (+4.3%, +4.4 million euros) and heat sales 1.4 million euros (+20.1%, +0.2 million euros).

Sales to unregulated markets have increased to 1406 GWh (+5.2%, +70 GWh). Despite a 11% decrease in the NPS Estonia, our average sales price has improved 2.7% due to financial hedges and increased revenue from Estlink underwater power cable (50.0 €/MWh in the third quarter of 2012 vs. 48.6 €/MWh in 2011).

The generation division's results are shown with same hour sales to and purchases from NPS Estonia netted out.

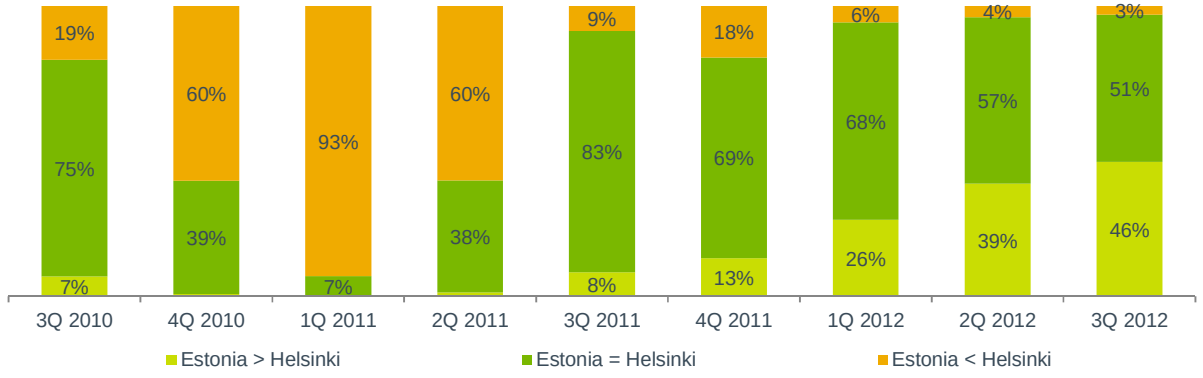
	Q3		Change		9 months		Change	
GWh	2012	2011	GWh	%	2012	2011	GWh	%
Electricity sales at regulated prices, of which	1,193	1,171	22	1.9	4,453	4,272	181	4.2
Sales outside the group	106	104	2	1.9	356	360	-4	-1.1
Electricity sales on open market	1,406	1,336	70	5.2	3,049	4,042	-993	-24.6
Sales outside the group	954	845	109	12.9	1,921	3,068	-1,147	-37.4
Total electricity sales	2,599	2,506	93	3.7	7,502	8,314	-812	-9.8

We received 3.0 million euros (-33.4%, -1.5 million euros) in renewable subsidies in the third quarter of 2012. This decrease was brought about mainly by the discontinuation of electricity generation from biomass in Narva Power Plants from the end of July. As to the current draft amendments to Electricity Market Act, Narva Power Plants will not be receiving renewable energy support for biomass-fired generation in the coming years.

The total amount of generation receiving subsidies was 55.3 GWh (-27.7 GWh). Energy generation from biomass reached 38.2 GWh (-44.0%, -30 GWh) and formed 69.2% of total subsidized generation. In addition to biomass we also produced electricity from wind, water and in cogeneration.

Estlink cable revenues increased sevenfold (4.6 million euros) compared to third quarter 2011. For example, cable usage in July reached 98.4% of total time in Finland-Estonia direction and average price spread was 22.2 €/MWh.

Hourly Estonia-Helsinki price spread dynamics



	Q3		Change		9 months		Change	
GWh	2012	2011	GWh	%	2012	2011	GWh	%
Heat sales, of which	45	32	13	40.6	632	839	-207	-24.7
Sales outside the group	26	19	7	36.8	556	766	-210	-27.4

Heat sales reached 1.4 million euros (+20.1%, +0.2 million euros). Heat sales were positively affected by sales in Paide (+3.1 GWh) and in Painküla (+3.3 GWh). In Latvia we sold 1.2 GWh heat in the third quarter and revenues were 55 thousand euros.

The average sales price of heat sold outside the group was 42.2 €/MWh (-19%, -10.1 €/MWh) in the third quarter. Decline is due to the reduction of tariff at Iru Plant.

Our **fuels** division's revenues in the third quarter of 2012 were 82.9 million euros (+2.4%, +1.9 million euros) of which oil shale revenues made up 40.0 million euros (-5.7%, -2.4 million euros), liquid fuels sales 29.4 million euros (+99.8%, +14.7 million euros), sales of construction and maintenance services 3.3 million euros (-71.1%, -8.1 million euros) and sales of power and industrial equipment 2.8 million euros (-52.1%, -3.1 million euros).

Revenues for the first nine months of the year amounted to 219.1 million euros (-14.3%, -36.5 million euros).

	Q3		Change		9 months		Change	
Thousands of tons	2012	2011	th t	%	2012	2011	th t	%
Intra-Group sales of oil shale (electricity sales)	3,186	3,343	-157	-4.7	9,006	10,619	-1614	-15.2
Intra-Group sales of oil shale (oil production)	445	202	242	119.7	1,340	1,151	190	16.5
External sales of oil shale	298	499	-201	-40.3	1,076	1,652	-576	-34.9
Total oil shale sales	3,928	4,044	-116	-2.9	11,422	13,422	-2,000	-14.9

Oil shale sales decreased due to lower demand in the third quarter and the closure of Aidu opencast mine in July 2012. 4.5 million tons of oil shale was mined in the third quarter (-2.3%, -0.1 million tons).

	Q3		Change		9 months		Change	
Thousands of tons	2012	2011	th t	%	2012	2011	th t	%
Fuel oil sales	63.7	38.5	25.2	65.5	152.7	123.6	29.1	23.6
Of which sales outside the group	59.7	35.4	24.3	68.5	144.1	118.0	26.1	22.1

Sales of fuel oil outside the group were 59.7 thousand tons (+68.5%, +24.3 thousand tons). The increase in sales is due to supply schedule based on previous contracts and maintenance works done in previous quarter compared to third quarter last year.

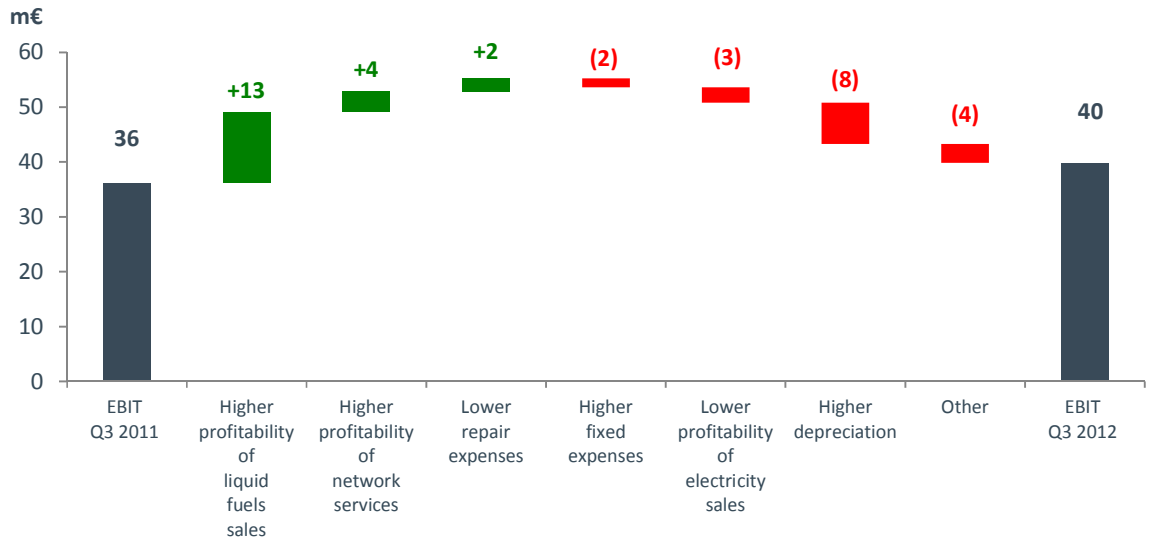
The price of shale oil is tied to the price of heavy fuel oil and has increased alongside the latter. In the third quarter of 2012 the average price of fuel oil was 531 €/t which is 13.6% higher than in the same time last year. The average sales price of liquid fuels outside the group was 458.2 €/t in the third quarter of 2012 or 18.1% higher than a year earlier (505.5 €/t if the effect of hedging is excluded, +17.1% compared to last year).

Our Technology Industry's sales outside of the fuels division were 10.6 million euros which is 11.1 million euros (51.2%) less than the same period last year. This is due to a decrease in workload associated with the construction of new Enefit280 shale oil plant as well as the Narva Power Plants.

Operating profit

The group's third quarter operating profit reached 39.9 million euros (+10.1%, +3.7 million euros compared to the same period last year). EBITDA was 71.2 million euros (+18.6%, +11.1 million euros). The operating profit for the first nine months of 2012 was 138.7 million euros (+17.9%, +21.0 million euros) and EBITDA 223.3 million euros (+19.2%, +36.0 million euros).

The group's profitability was positively affected by increased profitability of oil sales (+12.9 million euros), increase of network services sales margin (+3.7 million euros) and decrease of maintenance expenses (+2.4 million euros). Profitability was reduced mostly by increase of depreciation (-7.5 million euros) and decrease of electricity sales margin (-2.8 million euros).



The **retail** division earned EBIT of 0.5 million euros (+49.5%, +0.2 million euros) in the third quarter and 17.2 million (+21.1 million) in the first nine months of the year including 13.6 million euros from the sale of telecommunication business.

Profitability was increased by higher sales volumes (+0.4 million euros) and margins (+1.4 million euros). Profitability was reduced by increased fixed costs (-1.0 million euros) and sale of telecommunication subsidiary (-0.8 million euros).

The operating profit of **Distribution Network** reached the level of 12.6 million euros (+26.4%, +2.6 million euros) in the third quarter and 35.8 million euros (+73.7%, +15.2 million euros) in the first nine months of the year.

Increased network sales margins had the largest effect on profitability (+3.7 million euros), whereas additional positive impact was realised on the back of an increased sales volumes (+0.7 million euros). The main factor reducing profitability was higher depreciation (-0.5 million euros).

The **electricity and heat generation** division earned an operating profit of 10.0 million euros (-28.8%, -4.0 million euros) in the third quarter of 2012 and the operating profit for the first nine months of the year reached 49.5 million euros (+5.5%, +2.6 million euros).

Profitability was positively affected mainly by higher Estlink cable bottleneck fees (+3.9 million euros), reduction of fixed costs (+4.1 million euros) and higher electricity sales volume (+1.9 million euros). On the other hand, increased depreciation (-4.5 million euros including increased depreciation due to the installation of desulphurization equipment -3.1 million euros), revaluation of derivatives positions (-3.0 million euros) and lower electricity sales margin (-4.3 million euros) had a negative impact on operating profitability of the division. Lower scrap metal sales had a further negative effect of -1.2 million euros.

Operating profit of the **fuels** division amounted to 17.8 million euros (+42.8%, +5.3 million euros) in the third quarter and 38.8 million euros (-29.3%, -16.1 million euros) for the first nine months of the year.

Profitability was improved most by increased liquid fuels sales volume (+7.8 million euros) and sales margin (+2.9 million euros). Profitability was reduced mainly by lower profitability in mining subsidiary (-3.1 million euros).

The operating profit of our mining subsidiary amounted to 2.2 million euros (-57.9%, -3.1 million euros) in the third quarter of 2012. First nine months generated operating profit of 5.7 million euros (-26.7%, -9.6 million euros). Profitability was affected by increased depreciation (-2.4 million euros) and lower oil shale sales volume (-0.7 million euros).

Economic Value Added (EVA)

In the third quarter of 2012 the group's EVA decreased by 7.5 million euros (-9.8 million euros compared to the same period last year). The weighted average cost of capital is 10% which is 0.6% higher than the same period last year. In the first 9 months of the year we added 4.8 million euros (-77.1%, -16.1 million euros) of economic value.

	Q3		Change		9 months		Change	
Millions of euros	2012	2011	m€	%	2012	2011	m€	%
Group's EVA	-7.5	2.3	-9.8	-433.7	4.8	20.8	-16.1	-77.1
Retail business	-0.2	-0.6	0.5	72.6	14.4	-7.1	21.5	302.8
Distribution Network	1.4	-0.4	1.8	470.5	2.9	-10.1	13.0	128.4
Electricity and heat generation	-10.6	-0.3	-10.3	-36X	-7.8	4.7	-12.5	-266.0
Fuels	4.2	4.1	-0.1	-2.2	2.1	34.0	-31.9	-93.8

The retail business's increase in EVA was supported by higher electricity sales margins. Growth in the Distribution Network's EVA mainly originated from an increase in network tariff margins. The electricity and heat generation division experienced a drop in EVA due to higher depreciation as well as the reduced profitability of electricity sales. The fuels division saw its EVA increase mainly due to higher shale oil sales volumes and margins.

Investments

The group's investments in the third quarter were 110.7 million euros (-9.3%, -11.3 million euros). In the first nine months as a whole our capital expenditure reached 334.8 million euros (-4.3%, -15.0 million euros).

	Q3		Change		9 months		Change	
Millions of euros	2012	2011	m€	%	2012	2011	m€	%
Group's investments, of which	110.7	122.0	-11.3	-9.3	334.8	349.8	-15.0	-4.3
Retail business	0.0	0.2	-0.2	-96.8	0.0	0.8	-0.8	-96.8
Distribution Network	26.7	20.2	6.6	32.5	65.2	48.7	16.5	33.9
Electricity and heat generation	50.9	65.6	-14.8	-22.5	173.7	157.5	16.3	10.3
Fuels	26.7	30.9	-4.2	-13.6	76.4	130.7	-54.3	-41.5
of which Mining	9.4	6.2	3.2	52.3	20.0	18.4	1.6	8.9
Other	6.4	5.1	1.3	25.9	19.4	12.2	7.2	59.1

By the end of the third quarter we had invested 523 million euros into power generation projects since the start of each respective project. 160 million of this was invested in renewable energy, 188 million in a new oil shale and biomass fired power plant and 67 million in heat and power cogeneration. 106 million euros is being invested in upgrading existing production capabilities. We have committed to invest a further 575 million euros in generation division. The status of major investment projects in the generation division as of the end of September 2012 is as follows:

- The construction of a new 300MW circulating fluidized bed (CFB) power plant: Construction began in June 2011 and in the third quarter of 2012 major construction works were in full swing at the site. The total cost of the project is budgeted at 638 million euros and as of the end of September 187.9 million euros of this had already been invested.
- The installation of desulphurization units in our Narva Power Plants: The project began in the spring of 2009 and the goal was to install desulphurization equipment on 4 power generating units by 2012. In the third quarter work continued on lime (CaO) injection systems for the four units. In the third quarter work on two 500 m3 lime bunker foundations and the construction of metal frameworks continued. The total cost of the lime injection systems is budgeted at 8 million euros of which 4.9 million had been invested

by the end of the third quarter. The total cost of the desulphurization project is budgeted at 117 million euros and 106.1 million euros of this had already been invested by the end of the third quarter.

- Iru waste to energy plant construction: Construction began in the spring of 2010 and as of the end of September a total of 50.7 million euros had been invested. In the third quarter 2012 last main necessary equipment has been supplied and installed. Preparations for testing the installed equipment and systems begun. The total cost is set to be 104.6 million euros.
- Narva wind park: Construction began in the fall of 2010. On July 18th 2012 testing of the wind park commenced. As of the end of the third quarter, 55.5 million euros have been invested and the total cost is budgeted at 59.4 million euros. Last instalment will be made in December at the end of testing. Wind park has an annual projected output of 90 GWh
- Paldiski wind park: testing of the wind park began 17th September 2012. Construction began in the summer of 2011 and as of the end of the quarter, 25.9 million euros have been invested and the total cost of the project is budgeted at 29 million euros. Its 22.5 MW turbines have an annual projected output of 66 GWh.

The total amount of investments relating to liquid fuels production is 240 million euros of which 221 million euros have been invested as of the end of the third quarter, including:

- The construction of a new Enefit280 shale oil plant in Auvere: Construction began in the summer of 2009 and as of the end of September 203.5 million euros have been invested. In the third quarter this year we started with hot commissioning procedures. First output is expected in Q4 2012. We plan to invest a total of 215 million euros in this project.
- Development of the oil shale industry infrastructure in Auvere: Fuel handling system is under construction for supplying the existing shale oil plant, the new Enefit280 plant as well as CFB power station with oil shale. In the third quarter of 2012 testing of the systems has commenced. As of the end of September 17.6 million euros have been invested and the total project is budgeted at 25 million euros.

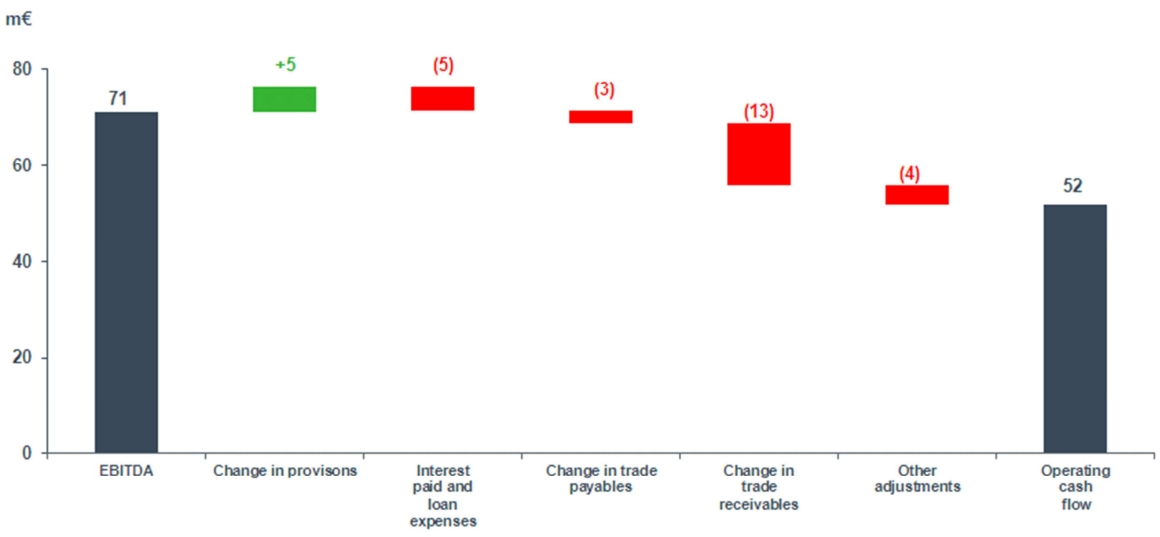
We have budgeted a total of 105.8 million euros for oil shale development projects, of which 44.0 million euros have already been invested by the end of the third quarter, including:

- Pre-development of oil production in the US: as of now 33.3 million euros have been invested, of which 29.6 million euros (based on the exchange rate at the time of the transaction) was spent on the acquisition of oil shale deposits. The pre-development stage of the project is set to last until 2016 and during this period we plan to invest a further 37.0 million euros. In this stage of the project we have commenced with geological, environmental and market surveys, the planning of mines and gathering meteorological and air quality data.
- Pre-development of oil and electricity production in Jordan: In the third quarter of 2012 Eesti Energia finished geological field surveys at the Attarat oil shale deposits that started in the first quarter. At the same time work is continuing on detailed structural-geological and modelling work to complete an all-encompassing 3D geological model of the Attarat deposits. Concerning the oil project preparation of oil shale area report was started and a preliminary tender for hydrogen recovery technology supplier was announced. As part of the electricity generation project, confirmations of interest for the tenderof a power plant construction were analysed, and procurement for mining was prepared. The total cost of the pre-development project is budgeted at 30 million euros. As of the end of the third quarter, 8.0 million euros have been invested in the Jordan development projects. The pre-development stage of the oil project is set to last until 2016 and the electricity project potentially until 2013.

At the same time investments continue to improve the quality of the distribution network (26.7 million euros in the third quarter). Since the beginning of the new regulatory period (August 1st 2011- August 1st 2014) we have invested 104.4 million euros into the grid. The total cost of the investment plan over the course of the regulatory period is set at 300 million euros.

Cash flows

In the third quarter of 2012 Eesti Energia's cash flows from operations reached 51.8 million euros. Compared with the group's EBITDA (69.7 million euros), the main factors affecting cash flows were change in provisions (+5.0 million euros, including CO_2 provisions +4.3 million euros) and increased trade receivables (-13.0 million euros due to increased liquid fuels sales).

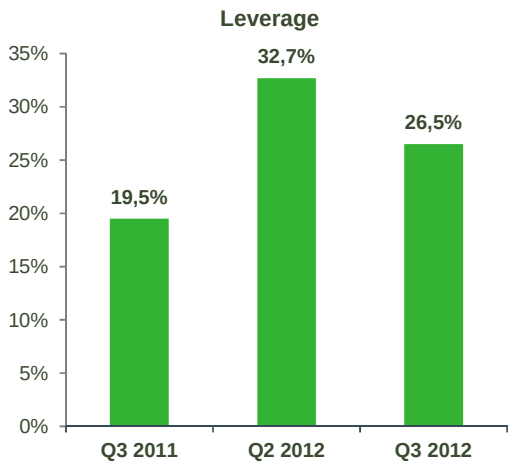


In the third quarter of 2012 cash flows from operating activities decreased by 0.7% (-0.4 million euros) compared to the same period last year. Cash flows from operating activities were affected by change in EBITDA (+9.7 million euros), decrease of other current assets (+9.9 million euros including reduced CO_2 prepayments +8.9 million euros) and increased trade receivables due to increased liquid fuels sales (-10.5 million euros)

Net cash flows in the third quarter reached 26.9 million euros (+2.5 million euros compared to the same period last year). In addition to the aforementioned factors, the group's cash flows were also affected by investments (110.7 million euros) which were 11.3 million euros smaller than during the same period last year and an increase of share capital by 150 million euros.

Financing and liquidity

Eesti Energia's extensive capital expenditure program drives the need for raising additional capital as well as the creation of a sufficient liquidity buffer.



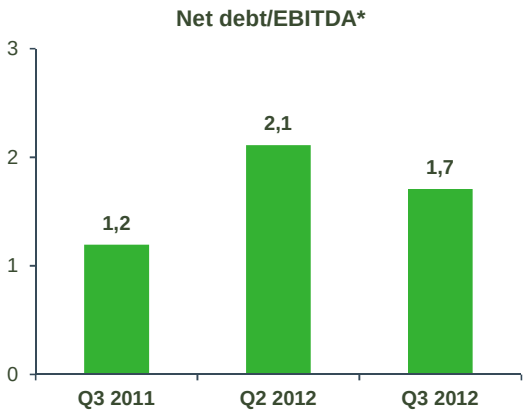
As of the end of September 2012, Eesti Energia had 241.0 million euros worth of liquid assets (including over 3 month deposits and liquid financial assets). In addition to the liquid assets the group's liquidity buffer also included undrawn loans of 595 million euros. Eesti Energia had 95 million euros worth of long term investment loans from the European Investment Bank. The Group also had 500 million euros worth of revolving credit facilities which were obtained in an agreement with five Scandinavian banks, signed in the third quarter of 2011. As of the end of September those credit facilities were completely unused and current liquidity buffer is more than sufficient. In October 2012 revolving credit facilities were reduced by 100 million euros.

Eesti Energia's long term debt at the end of the third quarter was composed mainly of 600 million euros worth of eurobonds, composed of two 300 million euro issues that mature in 2018 and 2020. In addition Eesti Energia has 144.9 million euros worth of loans outstanding from the European Investment Bank. Of the long term debt obligations, 99% were with a fixed interest rate and 1% with a variable one. The weighted average interest rate of all long term debt obligations stood at 4.12% as of the end of the quarter. The base currency of all debt is the euro.

As of September 30st 2012, Eesti Energia's net debt[7] stood at 515.0 million euros (an increase of 229.8 million euros compared to the same time last year and a decrease of 97.1 million compared to 30th June 2012). The net debt/EBITDA (rolling 12 months) ratio was 1.7 as of the end of the third quarter.

Eesti Energia has undertaken obligations as part of loan agreements not to exceed certain financial ratios. As of the end of the third quarter all ratios were in accordance with the set covenants.

In the third quarter the firm's share capital increased from 471.6 million euros to 621.6 million euros. General meeting of the shareholders decided to increase the firm's equity via a 150 million euro cash injection. 150 million euros was transferred to Eesti Energia on July 10th 2012.



*-rolling 12 months

Eesti Energia's credit rating was BBB+ from Standard & Poor's and Baa1 from Moody's as of the end of the third quarter with both giving the Group credit rating a stable outlook.

2012 and 2013 outlook

Eesti Energia's revenues and profitability are directly related to prices in Nord Pool spot power exchange, CO_2 allowance price levels and 1% sulphur Fuel Oil prices in NWE ARA area. The group has hedged our production assets at following volumes and prices.

	4Q 2012 closed position quantities	4Q 2012 closed position average price	2013 closed position quantities	2013 closed position average price
Electricity production	2.8 TWh	36.5 €/MWh	3.3 TWh	45.8 €/MWh
CO_2 allowance[8]	1.2 million tonnes	9.4 €/t	7.1 million tonnes	9.4 €/t
Shale oil production	38.1 thousand tonnes	463.3 €/t	126.7 thousand tonnes	451.4 €/t

From 2013, the group will purchase all CO_2 allowances to cover generation emissions from the market, free allowances are permitted to be allocated only to support investment in the Auvere power station currently under construction. In addition, Eesti Energia operations in 2013 will be affected by full opening of electricity market in Estonia. As a result, 2013 closed electricity production position will not include electricity sales in regulated market.

In the final quarter of 2012 Eesti Energia will continue the fulfilment of its extensive capital expenditure program. Total budgeted investments for 2012 stand at 539 million euros of which 334.8 million euros has been invested so far. The biggest investments in the fourth quarter of 2012 are the construction of a new 300 MW power plant in Auvere (94.9 million euros in total Q4 2012), the completion of our Enefit280 shale oil plant (11.5 million euros in Q4 2012), construction of Iru waste to energy plant (15.9 million euros in Q4 2012) and the modernization of the distribution grid (33.6 million euros in Q4 2012).

Final tests in Narva and Paldiski wind parks (annual production capability 156 GWh) began in the third quarter of 2012 and oil production in Enefit280 oil plant is expected to commence in the fourth quarter of 2012. These events affect the Group´s revenues and profitability in the final quarter of 2012 and beyond.

7 Net debt – nominal value of debt less cash and liquid assets (including deposits of maturities over 3 months)

8 CO_2 necessary for generation is covered with free CO2 allowances in addition to closed positions

Following the first nine months of 2012 we expect group's revenues for the full financial year 2012 to remain on the same level as year 2011, whereas we expect the profitability to increase. 2013 outlook will be published in group's 2012 annual report on the 1th of March 2013.

	2011	2012
Revenues	858 million euros	Stable
EBITDA	265 million euros	Growth
Operating profit	168 million euros	Growth

Consolidated statement of comprehensive income

in million EUR

	3 months 1 July - 30 September 2012	3 months 1 July - 30 September 2011	9 months 1 January - 30 September 2012	9 months 1 January - 30 September 2011	12 months 1 October - 30 September 2011/12	12 months 1 October - 30 September 2010/11	*Note*
Revenue	198,9	187,9	595,5	609,7	817,8	842,8	*2*
Other operating income	2,6	2,5	18,8	23,7	20,3	20,2	
Government grants	0,1	0,1	0,1	0,2	0,3	0,3	
Change in inventories of finished goods and work-in-progress	0,5	0,7	16,5	3,3	17,1	-2,2	
Raw materials and consumables used	-79,8	-86,7	-258,6	-300,1	-348,1	-412,5	
Payroll expenses	-32,5	-29,9	-101,5	-94,1	-143,0	-131,2	
Depreciation, amortisation and impairment	-31,3	-23,8	-84,5	-69,6	-112,0	-92,9	
Other operating expenses	-18,6	-14,6	-47,6	-55,4	-63,3	-78,4	
OPERATING PROFIT	**39,9**	**36,2**	**138,7**	**117,7**	**189,1**	**146,1**	*2*
Financial income	1,0	1,1	2,3	3,0	3,3	4,6	
Financial expenses	-3,3	0,4	-5,8	-4,8	-8,3	-7,7	
Net financial income (-expense)	**-2,3**	**1,5**	**-3,5**	**-1,8**	**-5,0**	**-3,1**	
Gain from associates using equity method	-	-	-	-	-0,9	1,5	
PROFIT BEFORE TAX	**37,6**	**37,7**	**135,2**	**115,9**	**183,2**	**144,5**	
CORPORATE INCOME TAX EXPENSE	**-0,2**	**-**	**-17,1**	**-14,6**	**-17,2**	**-14,6**	
PROFIT FOR THE YEAR	**37,4**	**37,7**	**118,1**	**101,3**	**166,0**	**129,9**	
ATTRIBUTABLE TO:							
Equity holders of the Parent Company	**38,0**	**37,9**	**118,7**	**101,5**	**166,6**	**129,7**	
Non-controlling interest	**-0,6**	**-0,2**	**-0,6**	**-0,2**	**-0,6**	**0,2**	
Basic earnings per share (euros)	*0,06*	*0,08*	*0,21*	*0,22*	*0,31*	*0,27*	*7*
Diluted earnings per share (euros)	*0,06*	*0,08*	*0,21*	*0,22*	*0,31*	*0,27*	*7*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
in million EUR

	3 months 1 July - 30 September 2012	3 months 1 July - 30 September 2011	9 months 1 January - 30 September 2012	9 months 1 January - 30 September 2011	12 months 1 October - 30 September 2011/12	12 months 1 October - 30 September 2010/11
PROFIT FOR THE YEAR	**37,4**	**37,7**	**118,1**	**101,3**	**166,0**	**129,9**
Other comprehensive income						
Revaluation of risk hedge instruments	-11,9	5,9	-7,4	30,8	-4,0	0,8
Currency translation differences attributable to foreign subsidiaries	-0,9	-0,3	0,1	-0,1	3,7	-0,1
Other comprehensive income for the year	-12,8	5,6	-7,3	30,7	-0,3	0,7
COMPREHENSIVE INCOME FOR THE YEAR	**24,6**	**43,3**	**110,8**	**132,0**	**165,7**	**130,6**
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**25,2**	**43,5**	**111,4**	**132,2**	**166,3**	**130,4**
Non-controlling interest	**-0,6**	**-0,2**	**-0,6**	**-0,2**	**-0,6**	**0,2**

Consolidated statement of financial position

in million EUR

ASSETS	30 September 2012	30 September 2011	31 December 2011	Note
Non-current assets				
Property, plant and equipment	1 904,8	1 539,4	1 658,6	4
Intangible assets	59,7	53,9	56,1	
Investments in associates	23,3	25,0	23,3	
Derivative financial instruments	7,5	1,5	13,6	5
Long-term receivables	19,1	9,4	17,9	
Total non-current assets	**2 014,4**	**1 629,2**	**1 769,5**	
Current assets				
Inventories	56,7	36,3	37,9	
Greenhouse gas allowances	26,6	15,0	28,0	
Trade and other receivables	119,4	108,0	125,2	
Derivative financial instruments	5,3	4,5	8,1	5
Available-for-sale financial assets	5,2	10,1	10,2	
Financial assets at fair value through profit or loss	3,3	2,5	4,9	
Deposits with maturities greater than three months at bank	135,0	106,0	-	
Cash and cash equivalents	97,5	111,7	40,9	
Total current assets	**449,0**	**394,1**	**255,2**	
Assets of disposal group classified as held-for-sale	**-**	**-**	**11,8**	
Total assets	**2 463,4**	**2 023,3**	**2 036,5**	
EQUITY				
Capital and reserves attributable to equity holder of the Parent Company				
Share capital	621,6	471,6	471,6	6
Share premium	259,8	259,8	259,8	
Statutory reserve capital	47,2	47,2	47,2	
Hedge reserve	-7,8	-3,8	-0,4	
Unrealised exchange rate differences	3,6	-0,1	3,5	
Retained earnings	507,0	405,7	453,5	
Total equity and reserves attributable to equity holder of t	**1 431,4**	**1 180,4**	**1 235,2**	
Non-controlling interest	**0,8**	**0,8**	**1,4**	
Total equity	**1 432,2**	**1 181,2**	**1 236,6**	
LIABILITIES				
Non-current liabilities				
Borrowings	730,9	465,5	434,7	8
Other payables	2,7	0,3	0,4	
Derivate financial instruments	2,7	2,4	1,9	5
Deferred income	134,4	123,6	126,4	
Provisions	32,4	38,7	31,1	
Total non-current liabilities	**903,1**	**630,5**	**594,5**	
Current liabilities				
Borrowings	1,4	26,8	1,5	8
Trade and other payables	110,1	138,6	176,1	
Derivative financial instruments	8,1	7,4	9,2	5
Deferred income	2,1	0,5	0,2	
Provisions	6,4	38,3	14,4	
Total current liabilities	**128,1**	**211,6**	**201,4**	
Liabilities of disposal group classified as held-for-sale	**-**	**-**	**4,0**	
Total liabilities	**1 031,2**	**842,1**	**799,9**	
Total liabilities and equity	**2 463,4**	**2 023,3**	**2 036,5**	

Consolidated cash flow statement

in million EUR

	3 months 1 July - 30 September 2012	3 months 1 July - 30 September 2011	9 months 1 January - 30 September 2012	9 months 1 January - 30 September 2011	12 months 1 October - 30 September 2011/12	12 months 1 October - 30 September 2010/11	*Note*
Cash flows from operating activities							
Cash generated from operations	56,4	52,3	180,4	194,6	173,8	213,3	*9*
Interest and loan fees paid	-4,8	-0,7	-6,0	-1,7	-21,4	-16,0	
Interest received	0,3	0,5	0,6	4,7	1,5	6,8	
Corporate income tax paid	-0,2	-	-17,2	-14,6	-17,2	-14,6	
Net cash generated from operating activities	**51,7**	**52,1**	**157,8**	**183,0**	**136,7**	**189,5**	
Cash flows from investing activities							
Purchase of property, plant and equipment and intangible assets	-105,8	-110,4	-372,0	-299,7	-489,7	-368,6	
Proceeds from connection and other fees	3,4	3,6	11,2	8,4	15,2	11,5	
Proceeds from sale of property, plant and equipment	0,1	1,2	1,1	2,1	1,7	2,2	
Proceeds from grants of property, plant and equipment	0,9	-	1,6	-	1,6	-	
Net change in deposits with maturities greater than 3 months	-70,0	-51,0	-135,0	75,4	-29,0	190,1	
Net change in cash restricted from being used	3,2	1,9	-12,2	43,0	-9,1	6,9	
Purchase of short-term financial investments	-10,1	-18,4	-21,2	-28,2	-40,8	-48,4	
Loans granted	-0,3	-	-4,8	-2,5	-6,4	-2,5	
Loan repayments received	-	0,1	3,0	5,3	3,0	5,3	
Dividens received from long-term financial investments	-	-	1,4	1,3	1,4	1,3	
Acquisiton of subsidiaries, net of cash acquired	-	-	-	-30,2	-1,2	-30,2	
Proceeds from disposal of subsidiary	-	-	22,1	6,3	22,1	6,3	*12*
Contribution to the share capital	150,0	-	150,0	-	150,0	-	
Proceeds from sale and redemption of short-term financial investmen	4,0	10,0	21,6	14,0	54,0	25,3	
Net cash used in investing activities	**-24,6**	**-163,0**	**-333,2**	**-204,8**	**-327,2**	**-200,8**	
Cash flows from financing activities							
Received long-term bank loans	0,5	136,0	26,7	137,5	27,4	137,7	
Proceeds from bonds issued	-	-	297,0	-	297,0	-	
Repayments of bank loans	-0,7	-0,7	-26,5	-2,6	-83,0	-3,7	
Proceeds from non-controlling interest	-	-	-	0,6	0,1	0,6	
Dividends paid	-	-	-65,2	-56,1	-65,2	-56,1	
Net cash used in financing activities	**-0,2**	**135,3**	**232,0**	**79,4**	**176,3**	**78,5**	
Net cash flows	**26,9**	**24,4**	**56,6**	**57,6**	**-14,2**	**67,2**	
Cash and cash equivalents at the beginning of the period	70,6	87,3	40,9	54,8	111,7	45,5	
Cash and cash equivalents classified as held for sale	-	-	-	*0,3*	-	-	
Cash and cash equivalents of subsidiaries classified as associates	-	-	-	*-1,0*	-	*-1,0*	
Cash and cash equivalents at the end of the period	97,5	111,7	97,5	111,7	97,5	111,7	
Net increase/(-)decrease in cash and cash equivalents	**26,9**	**24,4**	**56,6**	**57,6**	**-14,2**	**67,2**	

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 2010	**471,6**	**259,8**	**47,2**	**-34,6**	**360,3**	**1 104,3**	**2,8**	**1 107,1**
Income for the year	-	-	-	-	101,5	101,5	-0,2	101,3
Comprehensive income for the year	-	-	-	30,7	-	30,7	-	30,7
Comprehensive income for the year	**-**	**-**	**-**	**30,7**	**101,5**	**132,2**	**-0,2**	**132,0**
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	**-**	**-**	**-**	**-**	***-56,1***	***-56,1***	***-1,8***	***-57,9***
Equity as at 30 September 2011	**471,6**	**259,8**	**47,2**	**-3,9**	**405,7**	**1 180,4**	**0,8**	**1 181,2**
Equity as at 31 December 2011	**471,6**	**259,8**	**47,2**	**3,1**	**453,5**	**1 235,2**	**1,4**	**1 236,6**
Income for the year	-	-	-	-	118,7	118,7	-0,6	118,1
Comprehensive income for the year	-	-	-	-7,3	0,0	-7,3	-	-7,3
Comprehensive income for the year	**-**	**-**	**-**	**-7,3**	**118,7**	**111,4**	**-0,6**	**110,8**
Contribution to the share capital	150,0	-	-	-	-	150,0	-	150,0
Dividends paid	-	-	-	-	-65,2	-65,2	-	-65,2
Total transactions with owners of the company, recognised directly in equity	**150,0**	**-**	**-**	**-**	**-65,2**	**84,8**	**-**	**84,8**
Equity as at 30 September 2012	**621,6**	**259,8**	**47,2**	**-4,2**	**507,0**	**1 431,4**	**0,8**	**1 432,2**

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 December 2011.

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 2012 did not have any impact to the Group's accounting policies and financial statements.

According to the Management Board the Interim Report prepared for the period 1 January 2012 - 30 September 2012 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.
In the segment reporting the relevant financial measures are presented that are regularly provided to the parent company's management board and evaluated by the parent company's management board.
The internal management structure of the Group is divided into four 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 Võrguehitus AS);
- Distribution (consisting of company Elektrilevi OÜ);
- Electricity and Heat Generation (consisting of companies and business units Eesti Energia Narva Elektrijaamad AS, Taastuv-energia ja Väikekoostootmine, Iru Elektrijaam, Energiakaubandus, Solidus Oy, AS Narva Soojusvõrk, Eesti Energia Aulepa Tuuleelektrijaam OÜ, Eesti Energia Tabasalu Koostootmisjaam OÜ, SIA Enefit Power & Heat Valka, OÜ Pogi);
- 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, electrical installation work and other services to end consumers.
Electrical energy is sold in Estonia, Latvia and Lithuania.
Elektrilevi involves regulated business in providing distribution services and other related services.
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.

For the benefits of the users of the financial statements additional information has been disclosed on regulated business of Mining in Minerals, Oil and Biofuels segment, although it is not treated as operating segment in the management structure.

On 8 March 2011 the transaction of the sale of the shareholding in AS Kohtla-Järve Soojus was completed.
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. Group is recognised as associate.

On 17 February 2012 the transaction of the sale of the 100% shareholding in Televõrgu AS was completed (Note 12). Until its disposal, Televõrgu AS was part of the Retail Business segment.

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 2012 - 30 September 2012
in million EUR

	Retail Business	Distri-bution	Electricity and Heat Generation	Minerals, Oil, Biofuels Total	*of which Mining*	Corporate Functions	Elimi-nations	Total
Total revenue	232,2	165,9	333,8	217,0	*143,1*	20,8	-374,2	595,5
Inter-segment revenue	-33,9	-3,4	-175,4	-117,7	*-120,0*	-20,4	350,8	-
Revenue from external customers	198,3	162,5	158,4	99,3	*23,1*	0,4	-23,4	595,5
Operating profit	17,2	35,8	49,5	38,8	*5,7*	-1,5	-1,1	138,7

Segment information for reportable segments for the period 1 January 2011 - 30 September 2011
in million EUR

	Retail Business	Distri-bution	Electricity and Heat Generation	Minerals, Oil, Biofuels Total	*of which Mining*	Corporate Functions	Elimi-nations	Total
Total revenue	233,5	141,2	373,9	237,9	*160,2*	14,2	-391,0	609,7
Inter-segment revenue	-34,5	-3,0	-157,9	-137,9	*-133,0*	-13,6	346,9	-
Revenue from external customers	199,0	138,2	216,0	100,0	*27,2*	0,6	-44,1	609,7
Operating profit	-3,9	20,6	46,9	54,9	*15,3*	-1,4	0,6	117,7

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

	9 months 1 January - 30 September 2012	2011
Segment operating profits for reportable segments	141,3	118,5
Operating profit of Corporate Functions	-1,5	-1,4
Eliminations:		
Change in price difference of inventories	0,5	1,0
Other eliminations	-1,6	-0,4
Total operating profit per consolidated income statement	**138,7**	**117,7**

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 2011						
Cost	42,2	150,6	756,8	1 289,2	4,9	2 243,7
Accumulated depreciation	-	-87,8	-311,6	-627,9	-4,3	-1 031,6
Net book amount	42,2	62,8	445,2	661,3	0,6	1 212,1
Construction in progress	-	1,3	33,3	355,7	-	390,3
Prepayments	-	-	-	56,2	-	56,2
Total property, plant and pquipment as at 31 December 2011	**42,2**	**64,1**	**478,5**	**1 073,2**	**0,6**	**1 658,6**
Movements 1 January - 30 september 2012						
Purchases of property, plant and equipment	0,1	7,1	61,7	259,0	0,5	328,4
Depreciation charge	-	-3,8	-19,4	-58,4	-0,2	-81,8
Net book amount of non-current assets disposed	-0,1	-	-	-0,3	-	-0,4
Movements 1 January - 30 september 2012	**-**	**3,3**	**42,3**	**200,3**	**0,3**	**246,2**
Property, plant and equipment as at 30 September 2012						
Cost	42,2	154,8	805,5	1 442,1	5,4	2 450,0
Accumulated depreciation	-	-90,9	-323,7	-671,7	-4,5	-1 090,8
Net book amount	42,2	63,9	481,8	770,4	0,9	1 359,2
Construction in progress	-	3,5	39,0	454,3	-	496,8
Prepayments	-	-	-	48,8	-	48,8
Total property, plant and equipment as at 30 September 2012	**42,2**	**67,4**	**520,8**	**1 273,5**	**0,9**	**1 904,8**

5 Derivative financial instruments

in million EUR	30 September 2012		30 September 2011	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward contracts for buying and selling electricity as cash flow hedges	4,5	-	4,0	-
Option contracts for buying and selling electricity as trading derivatives	1,3	-	0,6	-
Option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	7,0	-	0,1	-
Swap, futures and option contracts for selling shale oil as cash flow hedges	-	10,8	1,3	9,8
Total derivative financial instruments	**12,8**	**10,8**	**6,0**	**9,8**
including non-current portion:				
Forward contracts for buying and selling electricity as cash flow hedges	0,5	-	0,1	-
Option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	7,0	-	0,1	-
Swap, futures and option contracts for selling shale oil as cash flow hedges	-	2,7	1,3	2,4
Total non-current portion	**7,5**	**2,7**	**1,5**	**2,4**
Total current portion	**5,3**	**8,1**	**4,5**	**7,4**

6 Share capital

As at 30 September 2012, Eesti Energia AS had 621 645 750 registered shares (30 September 2011: 471 645 750 registered shares). The nominal value of each share is 1 euro.

7 Earnings per share

Basic earnings per share are calculated by dividing profit attributable to the equity holders of the company by the weighted average number of ordinary shares outstanding. As there are no potential ordinary shares, diluted is adjusted for the proportionate change in the number of ordinary shares outstanding.

	3 months		9 months		12 months	
	1 July - 30 September		1 January- 30 September		1 October - 30 September	
	2012	2011	2012	2011	2012/11	2011/10
Profit attributable to the equity holders of the	38,0	37,9	118,7	101,5	166,6	129,7
Weighted average number of shares (millior	621,6	471,6	554,3	471,6	533,5	471,6
Basic earnings per share (EUR)	0,06	0,08	0,21	0,22	0,31	0,27
Diluted earnings per share (EUR)	0,06	0,08	0,21	0,22	0,31	0,27

8 Nominal value and amortized cost of borrowings

in million EUR

	30 September 2012		30 September 2011	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Current portion of long-term bank loans	1,4	1,4	26,8	26,8
Total short-term borrowings	**1,4**	**1,4**	**26,8**	**26,8**
Long- term borrowings				
Bank loans	143,5	142,9	175,9	175,0
Bonds issued	600,0	588,0	300,0	290,5
Total long- term borrowings	**743,5**	**730,9**	**475,9**	**465,5**
Total borrowings	**744,9**	**732,3**	**502,7**	**492,3**

On 2 April 2012 the Group issued bonds in the nominal value of EUR 300 million with the coupon rate of 4.25% and maturity date in 2018.

9 Cash generated from operations

in million EUR

	3 months 1 July - 30 September 2012	3 months 1 July - 30 September 2011	9 months 1 January - 30 September 2012	9 months 1 January - 30 September 2011	12 months 1 October - 30 September 2011/12	12 months 1 October - 30 September 2010/11	Note
Profit before income tax	37,6	37,7	135,2	115,9	183,2	144,5	
Adjustments							
Depreciation and impairment of property, plant and equipment	30,2	22,9	81,8	67,4	107,8	90,2	
Amortisation of intangible assets	1,1	0,9	2,7	2,2	4,2	2,7	
Deferred income from connection and other service fees	-1,2	-1,1	-3,5	-3,3	-4,8	-5,4	
Gain on disposal of subsidiaries	-	-	-13,6	-2,6	-13,4	-2,6	12
Gain on disposal of property, plant and equipment	-0,1	-0,7	-0,6	-1,0	-1,0	-1,1	
Amortisation of government grant received to purchase non-current assets	-	-	-	-	-0,1	-0,0	
Profit/loss from associates using equity method	-	-	-	-	0,9	-1,5	
Other gains from investments	-	-	-	-16,2	-	-16,2	
Unpaid/unsettled gain/loss on derivatives	2,7	-0,3	1,0	-1,4	-9,8	-0,8	
Interest expense on borrowings	2,5	1,4	4,5	4,7	5,2	7,2	
Interest and other financial income	-1,0	-0,9	-2,3	-2,7	-3,0	-4,2	
Adjusted net profit before tax	**71,9**	**59,9**	**205,2**	**163,0**	**269,3**	**212,7**	
Net change in current assets relating to operating activities	-	-	-	-	-	-	
Change in receivables related to operating activities	-13,0	-2,5	10,2	33,8	-18,2	-3,9	
Change in inventories	-0,8	-1,5	-18,7	-7,1	-20,1	-1,4	
Net change in other current assets relating to operating activities	-4,0	-13,8	15,0	20,5	-6,8	-27,2	
Total net change in current assets relating to operating activities	**-17,8**	**-17,8**	**6,5**	**47,2**	**-45,1**	**-32,5**	
Net change in current liabilities relating to operating activities	-	-	-	-	-	-	
Change in provisions	3,5	9,8	-6,6	-1,4	-38,2	19,5	
Change in trade payables	-2,7	6,4	-14,2	-3,6	-10,1	18,3	
Net change in liabilities relating to other operating activities	1,5	-6,0	-10,5	-10,6	-2,1	-4,8	
Total net change in liabilities relating to operating activities	2,3	10,2	-31,3	-15,6	-50,4	33,1	
Cash generated from operations	**56,4**	**52,3**	**180,4**	**194,6**	**173,8**	**213,3**	

10 Contingent liabilities

Contingent liabilities arising from potential tax audit

Tax authorities have neither started nor performed any tax audits at the Company or single case audits at any group company. Tax authorities have the right to review the Company's tax records within 6 years after the reported tax year and if they find any errors they may impose additional taxes, interest and fines. The Group's management considers that there are not any circumstances which may give rise to a potential material liability in this respect.

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.

The Group has granted a guarantee of up to 39.9% for the obligations arising from the loan contracts entered into between its associate AS Nordic Energy Link and the banks if the banks should require full payment of loans from AS Nordic Energy Link due to breach of contractual terms. As at 30 September 2012, AS Nordic Energy Link had drawn loans of EUR 53.9 million (as at 30 September 2011: EUR 59.0 million).

11 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.

	1 January - 30 September	
	2012	2011
Transactions with associates		
Purchase of goods and services	19,6	20,6
Proceeds from sale of goods and services	2,2	2,5
Financial income	0,8	0,3
Loans granted	4,2	2,4

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.

12 Disposal of subsidiary

On 17 February 2012 the transaction of the sale of the 100% shareholding in Televõrgu AS was completed. Until its disposal, Televõrgu AS was part of the Retail Business segment.

Net assets of the subsidiary disposed in million EUR	**17 February 2012**
Cash and cash equivalents	0,3
Trade and other receivables	2,0
Inventories	0,1
Property, plant and equipment	10,2
Intangible assets	0,1
Trade and other payables	-3,9
Total net assets of th subsidiary disposed	8,8
Sales price	22,4
Gain on sale (Note 9)	13,6
Cash in flows in transaction	
Proceeds from sale	22,4
Cash and cash equivalents of subsidiary in bank accounts	-0,3
Total cash inflows in transaction	22,1

Eesti Energia in Brief

Eesti Energia is an international energy company operating in the Baltic and in Nordic countries' energy markets. Eesti Energia is the largest Estonian energy company, which is engaged in oil shale mining, energy and heat generation, 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 offer our unique and environmentally friendly oil shale processing solutions to customers globally.

Eesti Energia operates openly and responsibly with a clear emphasis on complying with environmental and safety regulations. As one of the largest companies and employers in Estonia, the actions of Eesti Energia have an impact on employees, clients and partners as well as the society as a whole. Eesti Energia considers the effects of Group's operations in regard to the stakeholders in the community while developing energy research and contributing to the developments in society.