Interim report

1 July – 30 September 2020

Eesti Energia

Contents

Letter from the CEO

Dear reader

It will take time before energy demand recovers to its pre-COVID-19 level and the effects of the second wave of the pandemic on our customers, energy production, and employees will become clear in the future.

Despite preventive measures, in the summer 35 staff contracted the coronavirus and at the end of August we were forced to suspend the operation of the Estonia underground mine for ten days. Protecting the health of our people and ensuring the supply of essential services remains a top priority.

Nevertheless, the third quarter also brought positive news. Our ambition to offer useful and convenient energy solutions across the Baltic Sea region has increased our customer base in the Baltics. In Latvia, the number of our household customers has doubled, rising to nearly 20,000. In Lithuania, where the market is becoming deregulated, we have won the trust of around 5,000 household customers within just a few months. A strong value proposition of only locally generated renewable energy attracts customers and supports the achievement of our targets.

We also signed an agreement in Lithuania that is historic in the Baltic context. It enables us to buy all the electricity produced by the 69 MW Telsiai wind farm, scheduled to be launched in 2022, over a period of ten years. This will allow us to further increase our renewable energy offering and to reduce our customers' environmental footprint.

Looking into the future, we acquired the rights to realising the Tolpanvaara wind farm project in Finland. We consistently seek opportunities to expand our renewable energy portfolio in the markets in which we operate, provided there is a favourable investment climate, relevant legislation, and a stable market situation.

The abundance of Nordic hydropower continues to drive down prices on the Nord Pool power exchange. In combination with weaker demand, it has lowered prices in our markets by up to 30% year on year. Our revenue has decreased at a similar rate.

As we are releasing this interim report, the Nordic hydro balance remains high (+17 TWh) and the filling level of the hydro reservoirs is extreme, exceeding 90%. This means that energy prices will remain under pressure until winter. So far, the impact has been mitigated by Sweden's transmission constraints on Norway.

I am pleased to report that in the third quarter our electricity production started to grow again, rising by around 20% year on year to 1,076 GWh. In August, we aptly responded to a regional situation where low wind energy along with transmission constraints and interruptions created demand for all our controllable production capacities for several weeks.

Thanks to a diverse portfolio and the capability to use different fuels we produced 315 GWh of renewable energy, which is 40% more than in the same period last year. Two thirds of this came from our wind farms and the rest mainly from controllable thermal power plants where we have gradually increased the production of renewable electricity from wood waste.

Eesti Energia's third-quarter carbon emissions totalled 1.1 million tonnes, remaining at the same level as last year. Nine-month emissions decreased by 45% compared to 2019. CO_2 emission allowance prices have been volatile, fluctuating between 25 and 30 €/t. The average price for the quarter was 27.4 €/t, compared to 26.9 €/t in the same period last year.

Global oil demand is recovering more slowly than anticipated because the corona crisis is undermining economic activity. Lower demand reduced the quarter's average price of fuel oil with 1% sulphur content by 34% year on year to 223 €/t.

Despite that our third-quarter shale oil output was a record-large 115,000 tonnes. We sold 138,000 tonnes of shale oil, a third more than in the third quarter of 2019 and for the first time our shale oil revenue exceeded 40 million euros.

Capital investments grew by a tenth to 35 million euros. Investments made in the reliability of the distribution network totalled 25 million euros. The Group's third-quarter revenue decreased year on year due to lower energy prices by 5% to 191 million euros. EBITDA grew by 5% to 44 million euros and net loss amounted to 8 million euros (in the same period in 2019 net loss was 9.5 million euros). The loss is mainly attributable to the effects of COVID-19 on the economic environment.

To further streamline and increase the competitiveness of our large-scale energy production business, we decided to merge our mining and energy production operations into a single entity called Enefit Power as from 2021.

Enefit Power will focus on increasing the co-production of shale oil and electricity, which creates more added value, and the use of alternative fuels, including wood waste. The company's vision is to become the engine of Estonia's circular economy and to solve environmental issues by using old tyres and, potentially, plastic waste as alternative fuels in shale oil production.

Another important decision concerns our distribution network operator Elektrilevi. From next year, it is going to offer only the regulated electricity distribution service. Through a demerger, we will create a new open-market network service provider Enefit Connect, which is going to manage electricity networks and a major share of Estonia's street lighting networks, build the internet network, develop an electric vehicle charging network, and offer new cutting-edge energy solutions.

To attract the best talent in the market and industry, we have made extra efforts to further improve the employee experience and develop the employer brand. Our employee value proposition is centred around offering development and career opportunities and the challenges of the new world of energy. We have increased the focus on the work environment because we see that the patterns and ways of working have changed. This is probably one of the positive implications of COVID-19.

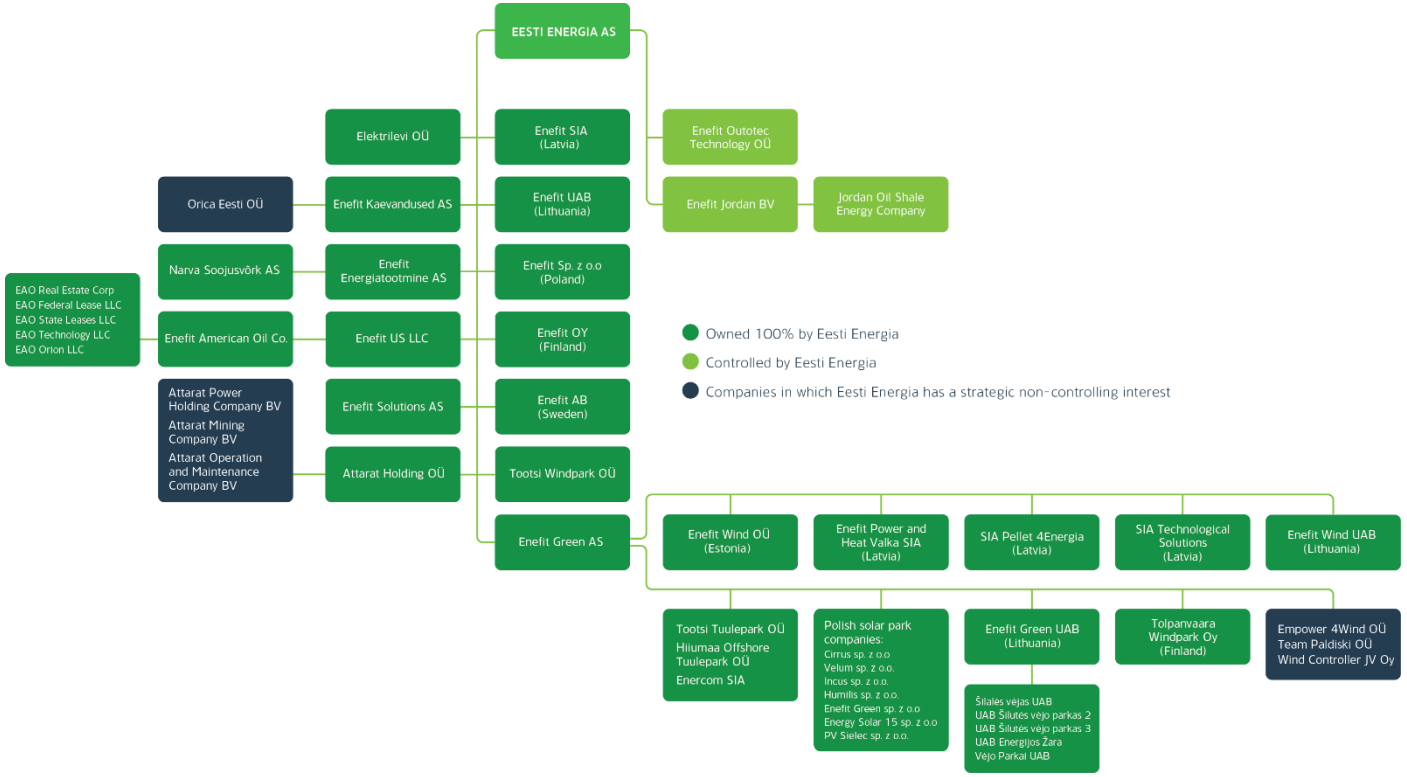
Although the first nine months ended with a small net loss (-3 million euros), we are expecting to end the full year with a net profit. A newly streamlined structure, which has been adjusted to the current operating environment, creates a strong basis for beginning the next year with new energy.

Hando Sutter
Chairman of the Management Board of Eesti Energia

This is Eesti Energia

- Established **in 1939**
- **4,479 employees**
- **100%** owner: **Republic of Estonia**
- **5 home markets:** Estonia, Latvia, Lithuania, Poland, Finland
- **4 business lines:**
  - **Customer services** business line provides customers with useful energy solutions and exceptional customer experience. We sell electricity, heat, gas and energy solutions to both household and corporate customers.
  - **Renewable energy** business line consist of our subsidiary Enefit Green. Our renewable energy production sources are the most diverse in the Baltic Sea region. We produce energy from wind, sun, biomass, municipal waste and water.
  - **Large-scale energy production** business line incorporates our oil shale mining, electricity and oil production and asset management business units.
  - **Network services**: Our subsidiary Elektrilevi delivers electricity to almost all the households and companies in Estonia

The structure of Eesti Energia Group as at 30 September 2020



BUSINESS LINES

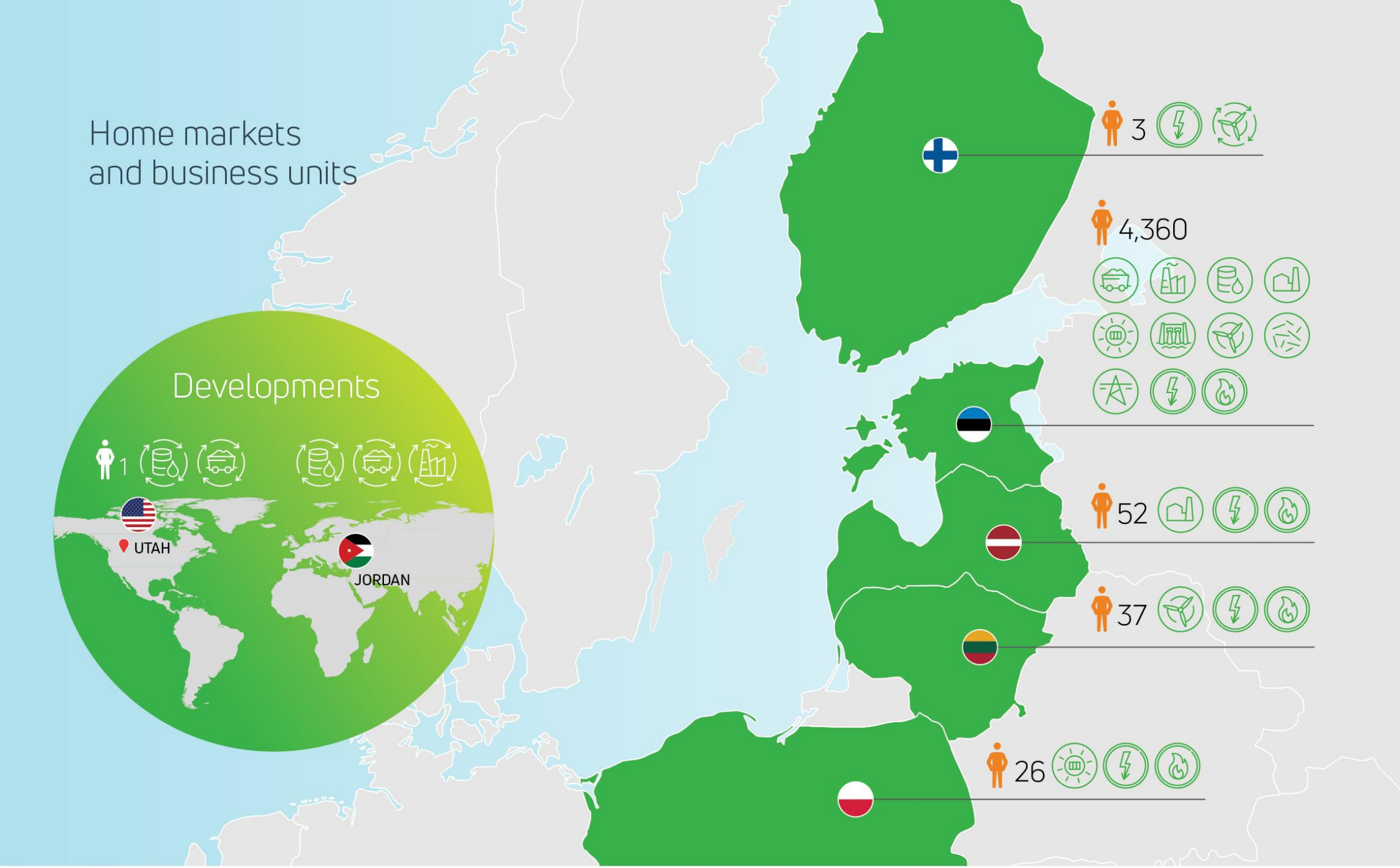
LARGE-SCALE ENERGY PRODUCTION **1.** Oil shale mines | **2.** Thermal power plants | **3.** Oil plants

RENEWABLE ENERGY **4.** Hydro power plant | **5.** Cogeneration plants | **6.** Wind farms | **7.** Solar power plants | **8.** Pellet factory

NETWORK SERVICES **9.** Electricity distribution network

CUSTOMER SERVICES **10.** Sales of electricity and gas solutions

Home markets and business units



PRODUCTION UNITS: Oil shale mining, Oil shale electricity, Oil production, Cogeneration, Network services, Wind energy, Solar energy, Hydro energy, Waste-to-energy

DEVELOPMENTS: Oil shale mining, Oil shale electricity, Oil production, Wind energy

ENERGY SALES: Electricity, Gas

Key figures and ratios

		Q3 2020	Q3 2019	Change
Total electricity sales*, of which	GWh	1,678	1,884	-10.9%
wholesale sales*	GWh	130	195	-33.3%
retail sales	GWh	1,548	1,688	-8.3%
Electricity distributed	GWh	1,445	1,472	-1.8%
Shale oil sales	th t	138	101	+36.3%
Heat sales	GWh	56	57	-1.2%
Average number of employees	No.	4,434	5,239	-15.4%
Sales revenues	m€	191.1	201.6	-5.2%
EBITDA	m€	44.4	42.1	+5.3%
Operating profit	m€	0.3	-3.9	-108.6%
Net profit	m€	-8.0	-9.5	-16.1%
Investments	m€	35.0	32.0	+9.4%
Cash flow from operating activities	m€	73.5	5.2	+1327.0%
FFO	m€	19.2	31.8	-39.7%
Non-current assets	m€	3,055.8	3,045.0	+0.4%
Equity	m€	1,982.8	1,803.6	+9.9%
Net debt	m€	931.6	1,053.8	-11.6%
Net debt / EBITDA**	times	4.2	3.7	+14.1%
FFO**/ net debt	times	0.20	0.16	+18.9%
FFO**/ interest cover**	times	5.4	4.8	+14.0%
EBITDA**/ interest cover**	times	6.6	7.8	-16.0%
Leverage	%	32.0	36.9	-4.9pp
ROIC**	%	1.6	3.5	-1.9pp
EBITDA margin	%	23.2	20.9	+2.3pp
Operating profit margin	%	0.2	-1.9	+2.1pp

Definitions of ratios and terms are explained in the Glossary section of the report, page 51

** rolling 12 months result*

Operating environment

Eesti Energia's operations and performance are affected by global as well as regional factors. Our business is strongly influenced by oil, electricity, and emission allowance prices, competition in the energy and customer services markets, the regulations that govern the energy sector, and the growing competitiveness of renewable energy technologies.

Economic growth slowed in Q1 and Q2 2020 because of the COVID-19 pandemic. In Q3, the eurozone's economic growth recovered but remained below the level a year earlier.

The following market developments affected the profitability of Eesti Energia's core products:

- Compared to the same period last year, electricity prices plummeted by 12% in Poland and by 22-31% in our other markets.
- The price of crude oil dropped by 30% and the price of fuel oil fell by 34% year on year.
- Emission allowance prices were very volatile in Q3 but on average at the same level as in Q3 2019.

Electricity prices plummeted compared to Q3 2019

Electricity prices in Estonia, Latvia, Lithuania, and Poland have the most significant effect on our performance because we both produce and sell electricity in those countries. We also sell electricity in Finland.

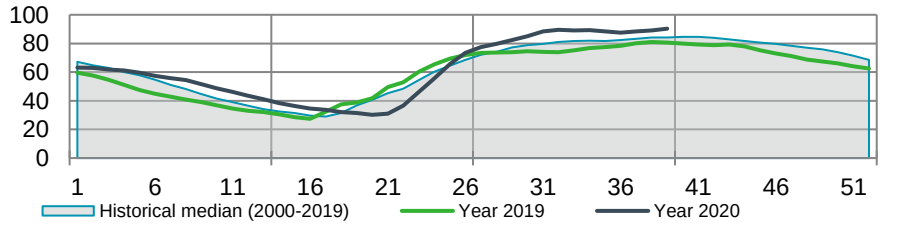
The electricity markets of Estonia and its neighbouring countries are well connected by means of interconnectors. Therefore, electricity production and prices are also affected by various factors outside the markets where we operate, such as water levels at Norwegian hydropower plants and wind conditions in Denmark.

In Q3, electricity prices dropped because Nordic, particularly Norwegian, hydropower plants increased their electricity production volumes. COVID-19 reduced electricity consumption less than anticipated.

Average electricity price (€/MWh)	Q3 2020	Q3 2019	Change
Estonia	36.8	48.9	-24.7%
Latvia	38.4	49.1	-21.9%
Lithuania	38.2	49.0	-22.2%
Poland	51.8	59.0	-12.2%
Finland	32.8	47.8	-31.4%
Norway	5.4	34.0	-84.2%
Denmark	34.0	38.0	-10.7%

The average water level of the Nordic reservoirs was 86.5% of the maximum in Q3 2020, which is 10.1 percentage points higher than in Q3 2019.

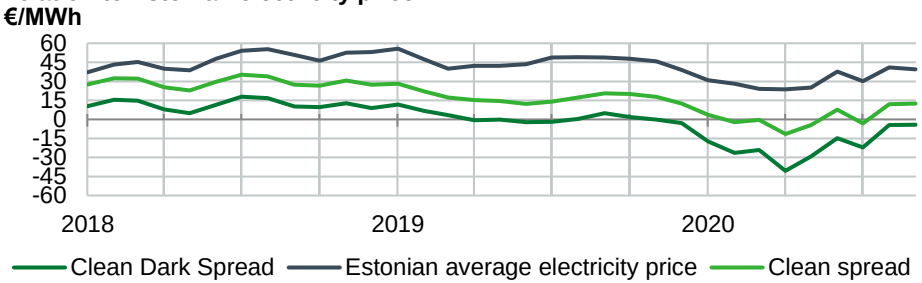
Weekly levels of Nordic water reservoirs, % of maximum



Source: Nord Pool

Eesti Energia's clean spread (the margin between the electricity price and CO_2 costs) for Q3 2020 was +7.6 €/MWh, a decrease of 10.1 €/MWh from Q3 2019 (among other items, CO_2 costs decreased by 2.0 €/MWh and the average price of electricity declined by 12.1 €/MWh).

Eesti Energias' carbon free spreads and Clean Dark Spreads' relation to Estonian electricity price



Source: Nord Pool, Eesti Energia

Eesti Energia's clean dark spread (CDS) for Q3 2020 was -9.4 €/MWh (-6.9 €/MWh compared to Q3 2019).

CO_2 emission allowance prices were volatile

The purpose of the European Union's emissions trading system is to reduce greenhouse gas emissions in Europe. Energy producers are encouraged to use less carbon intensive raw materials and to invest in more efficient production technologies.

High CO_2 emission allowance prices in combination with low gas prices have created a situation in Europe, where gas-fired power plants can produce electricity at a lower cost than oil shale- or coal-fired power plants.

Traders in the CO_2 emission allowances market include not only producers (CO_2 emitters) but also an increasing number of speculators whose behaviour is strongly influenced by public opinion of the developments in the European environmental policy. In July, the presidency of the Council of the European Union was assumed by Germany that has launched an active debate on the reform of the European climate policy.

In Q3 2020, the price of CO_2 emission allowances was volatile, fluctuating between 25.0 €/t and 30.4 €/t. The period's average CO_2 emission allowance price was 27.4 €/t, which is similar to Q3 2019 (+0.5 €/t).

The price of CO_2 emission allowances has a strong effect on the cost of electricity produced from oil shale.

Prices of CO_2 emission allowances, €/t

Source: Intercontinental Exchange

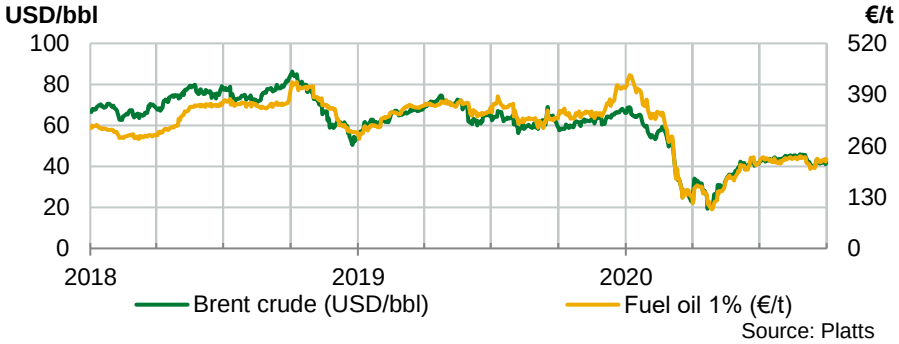
Crude oil and fuel oil prices decreased year on year

A widely-traded oil product that is closest in nature to our shale oil is fuel oil with 1% sulphur content whose price depends mainly on that of Brent crude oil.

In Q3 2020, the average price of Brent crude was 43.4 USD/bbl, 30.0% (-18.6 USD/bbl) lower than in Q3 2019. The price moved from 43.2 USD/bbl in July to 45.1 USD/bbl in August and to 41.9 USD/bbl in September. In Q3, crude oil prices somewhat recovered from their steep fall in Q2 2020.

The prices of oil products and fuel oil trended similarly in Q3 2020. The average price of fuel oil with 1% sulphur content was 223.0 €/t, 34.3% (-116.4 €/t) lower than in Q3 2019.

Liquid fuels prices



Source: Platts

In Q2 2020, prices in the oil market dropped significantly as a result of the Russia-Saudi Arabia oil price war and the impacts of COVID-19.

In April, Saudi Arabia increased its oil production to a record level. The oversupply of oil coincided with the first wave of COVID-19, which triggered a negative demand shock, and the oil price turned negative for the first time in history. In May, OPEC+ reached an agreement on production cuts and the oil price recovered to 40 USD/bbl. The COVID-19 related decrease in demand is keeping liquid fuel prices at a relatively low level.

Key events and highlights of Q3

Customer services

We signed a record-large green power purchase agreement in Lithuania

Eesti Energia signed an agreement with the Lithuanian wind energy company E-energija to purchase all the green electricity produced by its future wind farm. This is the largest-ever green power purchase transaction in the Baltics.

The 68.9 MW Telsiai wind farm that will become operational in 2022 is going to produce 235 GWh of clean electricity per year, which is sufficient to meet the annual electricity needs of around 80,000 households. We are going to supply wind energy to business customers as well as households in order to offer companies better opportunities to make their operations more eco-friendly.

We began to offer a turnkey charging solution to households

Enefit Volt's Charging at Home is the first turnkey electric vehicle charging solution designed for household customers. It consists of the selection and installation of a suitable smart charger and round-the-clock customer support. The chargers available for selection are smart and future-proof, allowing us to offer new functionalities to the customer. They are also compatible with a mobile app, which will be launched soon. Customers can choose between three charger capacities: 7.4 kW, 11 kW, and 22 kW.

Renewable energy

We acquired our first wind farm development project in Finland

Enefit Green acquired the rights to the Tolpanvaara wind farm project from Finland's state forest management company Metsähallitus. The development phase of the project has been completed. The next step is to announce the procurements necessary for the construction phase. When the procurements have been completed, we can start the construction of the wind farm.

The wind farm will be built in a relatively remote area with good wind conditions situated between the forests belonging to Metsähallitus. The wind farm can have up to 22 turbines and a maximum capacity of 100 MW. The holder of the wind farm project is Enefit Green's Finnish subsidiary Tolpanvaara Wind Farm Oy.

Large-scale energy production

We took steps to make our fleet more environmentally friendly

At a presentation in the Narva quarry, Eesti Energia and Baltem showed the Japanese producer Komatsu's brand-new environmentally-friendly 113-tonne bulldozer, which is currently the largest in Europe. Compared to earlier models, the machine's emissions have been reduced to a minimum: its exhaust gas includes around 80% less particulate matter and around 50% less nitrogen emissions, and its productivity is about 10% higher. The bulldozer made at the Osaka plant in Japan is a state-of-the-art achievement of industrial mechanical engineering. We are pleased that the new technology began its conquest of the world at our Narva quarry.

We continued to develop of our liquid fuels business

In August, we broke a new record, producing 24.7 thousand tonnes of shale oil at our Enefit280 oil plant. The total output of our two oil plants was 45.4 thousand tonnes larger than in any previous month. We are on track for a new annual shale oil production record of 450 thousand tonnes.

Network services

We streamlined the process of signing contracts with electricity producers

In agreement with Elering, we simplified the process of connecting producers to the network. Customers can now sign the network contract in the self-service environment. By streamlining the process, we eliminated a number of steps, such as sending of the contract to the customer, waiting for the return of the signed contract, signing of the contract by Elektrilevi, sending the contract back to the customer, and archiving the contract.

The process became quicker for us and easier for the customer who no longer needs to digitally sign and send a separate contract. It is a win-win solution that allows both parties to save time and energy.

We launched an electricity testing solution in our online environment

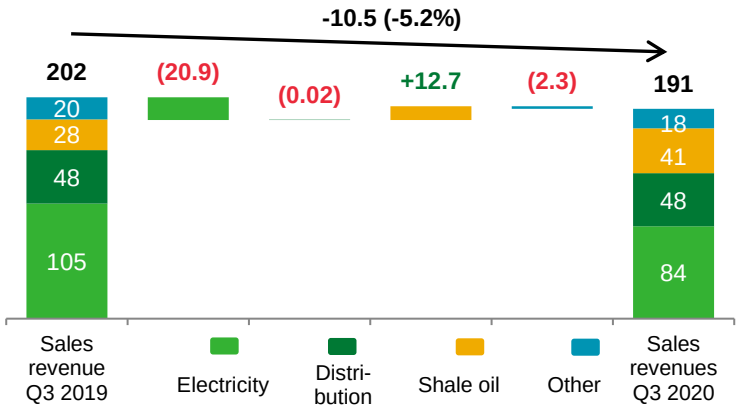
Consumers that wish to use electricity in a carefree manner must have a main circuit breaker with the right amperage. To educate customers and help them determine their needs so that they could prevent or solve their problems, we launched an electricity testing application in the self-service environment. It is a convenient and beneficial option for a quick consultation without calling in an electrician. Customers can test their household appliances' electricity consumption by means of a digital channel. Based on the results, the system will display detailed information about whether the amperage of the main circuit breaker is suitable or the customer should consider changing it.

Financial results

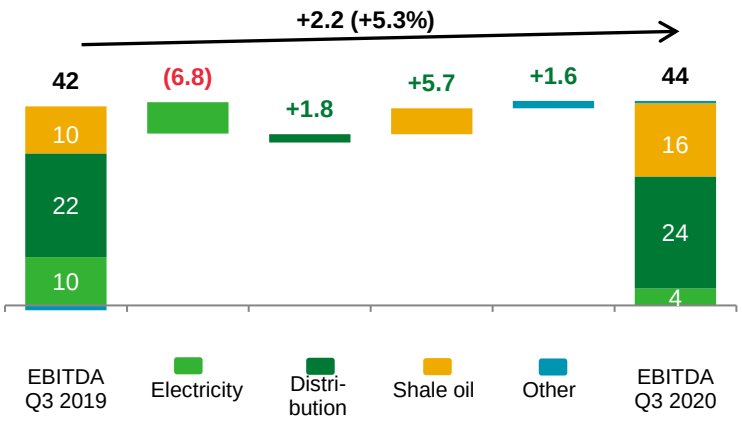
Revenue and EBITDA

Eesti Energia's revenue for Q3 2020 amounted to 191.1 million euros, a decrease of 5.2% (-10.5 million euros) compared to Q3 2019.

Group's sales revenue breakdown and change, m€



Group's EBITDA breakdown and change, m€



EBITDA amounted to 44.4 million euros, an increase of 5.3% (+2.2 million euros) year on year. Net loss for the period was 8.0 million euros (an improvement of 1.5 million euros compared to Q3 2019).

Revenue declined year on year because electricity sales revenue decreased due to lower market prices and a smaller sales volume. Shale oil sales revenue grew, supported by a larger sales volume and realised gains on derivative transactions. Revenue from the provision of electricity distribution service remained stable and revenue from the sale of other products and services decreased.

Electricity EBITDA decreased due to a lower margin and a smaller sales volume. Electricity distribution EBITDA improved, underpinned by a higher margin. Shale oil EBITDA increased due to a larger sales volume. EBITDA on other products and services grew, primarily through earnings from the sale of natural gas.

Electricity

Through the years, electricity has been one of the main sources of Eesti Energia's revenue and profit. We also earned the largest share of our revenue from the sale of electricity in Q3 2020.

Electricity revenue

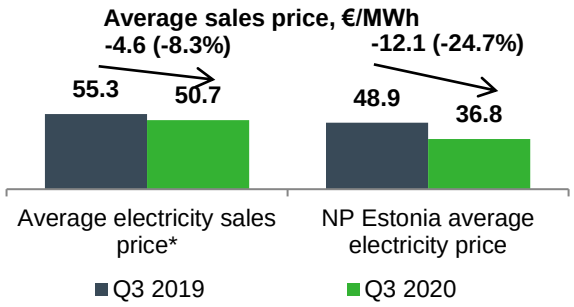
The sales price and sales volume of electricity decreased compared to Q3 2019. As a result, revenue from the sale of electricity declined by 19.9% to 84.0 million euros (-20.9 million euros).

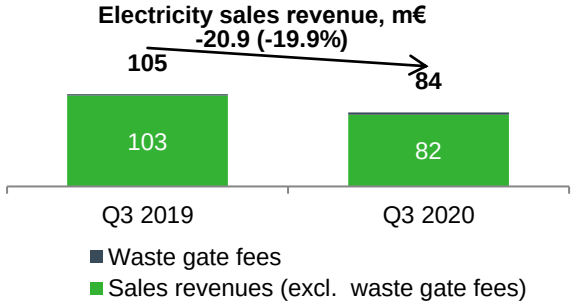
Average sales price of electricity

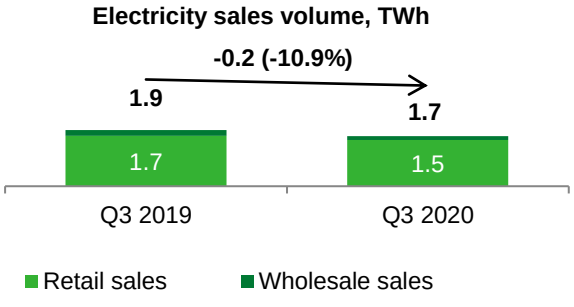
In Q3 2020, the Group's average sales price of electricity was 50.7 €/MWh, 8.3% (-4.6 €/MWh) lower than in Q3 2019.

The average sales price excludes the impact of derivative transactions. The Q3 average sales price including the impact of derivatives was 48.6 €/MWh, 11.3% (-6.2 €/MWh) lower than in Q3 2019.

Derivative transactions yielded a loss of 3.5 million euros in Q3 2020 compared to a loss of 0.8 million euros in Q3 2019.







* Total average sales price of electricity product (including retail sales and wholesale). Average sales price excludes gain on derivatives and municipal waste gate fees

Electricity sales volume and Eesti Energia's market share

We sold 1,678 GWh of electricity in Q3 2020, 205 GWh (-10.9%) less than in the same period last year.

Compared to Q3 2019, wholesale sales decreased by 65 GWh (-33.3%) to 130 GWh and retail sales declined by 140 GWh (-8.3%) to 1,548 GWh. Retail sales broke down between markets as follows: Estonia 817 GWh (-78 GWh), Latvia 250 GWh (+9 GWh), Lithuania 353 GWh (+27 GWh), and Poland 123 GWh (-89 GWh).

Eesti Energia operates in Latvia, Lithuania, Poland, and Finland under the Enefit brand. In terms of customers' electricity consumption volumes, in Q3 2020 Eesti Energia's market share in Estonia was 54%, 2 percentage points smaller than in Q3 2019. Our market shares in Latvia and Lithuania were 15% and 13%, respectively.

Electricity production volume

In Q3 2020, we produced 1,076 GWh of electricity, 14.7% more than in Q3 2019 (+138 GWh). Production volume grew through larger renewable energy output and a considerably higher availability and output of the Auvere power plant.

Our renewable energy output was 315 GWh (+37.6%, +86 GWh), of which 229 GWh was produced at Enefit Green (+10.3%, +21 GWh). The largest share of renewable energy was generated by wind farms, which produced 196 GWh of electricity (+6.0%, +11 GWh). The rise in output is mainly attributable to more favourable wind conditions.

Renewable energy and efficient co-generation subsidies received in Q3 amounted to 6.0 million euros (+1.7 million euros).

Key figures of the electricity product

		Q3 2020	Q3 2019
Return on fixed assets	%	0.1	3.5
Electricity EBITDA	€/MWh	2.2	5.6

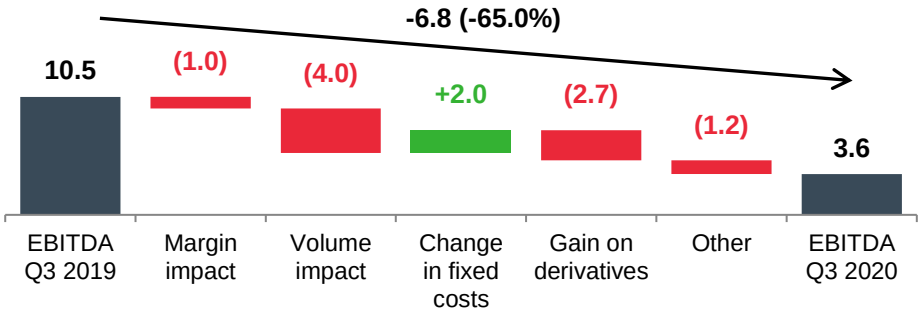
Electricity EBITDA

Electricity EBITDA for Q3 was 3.7 million euros (-65.0%, -6.8 million euros).

The effect of a lower margin on EBITDA development was -1.0 million euros (-0.6 €/MWh). Average electricity sales revenue per megawatt hour (excluding the impact of derivative transactions) decreased by 2.7 euros (impact: -4.3 million euros). The average sales price of electricity declined by 4.6 €/MWh (impact: -7.6 million euros). A decrease in average variable costs had an impact of +3.3 million euros. Variable costs decreased mainly because the Group covered a larger share of its sales volume with self-produced electricity, which lowered electricity purchase costs.

A decrease in electricity sales volume had an impact of -4.0 million euros and derivative transactions had an impact of -2.7 million euros.

Electricity EBITDA development, m€



The impact of a change in fixed costs was +2.0 million euros, the figure reflecting the impacts of lower maintenance and repair costs of +1.6 million euros, smaller labour costs of +1.3 million euros and a change in inventories of -1.1 million euros.

Other impacts of -1.2 million euros comprise changes in the value of derivative financial instruments.

Distribution

Electricity distribution service is another major source of revenue and profit for Eesti Energia.

Distribution revenue, sales volume and price

In Q3 2020, electricity distribution revenue remained at the same level as in Q3 2019, amounting to 48.5 million euros (-0.02 million euros). Sales volume decreased by 1.8% year on year to 1,445 GWh (-26.4 GWh).

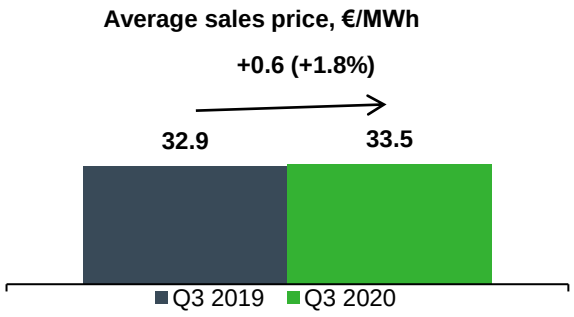
The average price of the distribution service was 33.5 €/MWh, 0.6 €/MWh higher than in Q3 2019.

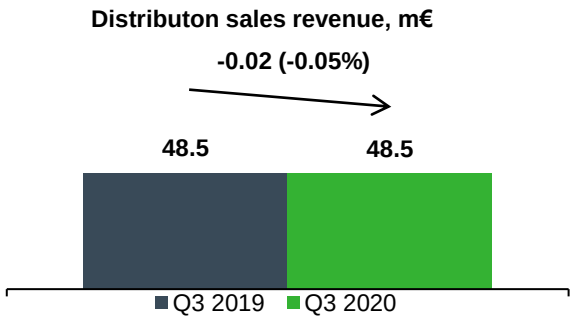
Distribution losses

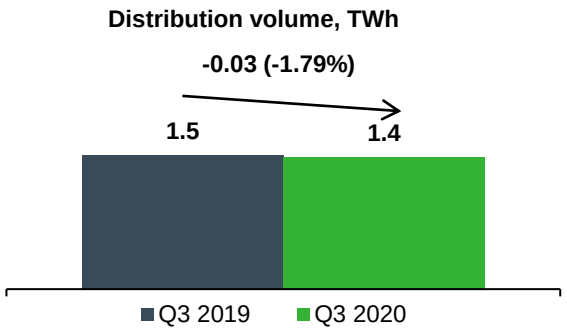
The period's electricity distribution losses totalled 64.5 GWh, accounting for 4.20% of electricity entering the network (Q3 2019: 65.8 GWh and 4.23%).

Supply interruptions

The average duration of unplanned interruptions was 88.0 minutes in Q3 2020 (Q3 2019: 20.9 minutes). The figure increased year on year due to worse weather conditions.







The average duration of planned supply interruptions was 15.1 minutes (Q3 2019: 16.9 minutes). The duration of planned interruptions depends on the volume of planned network maintenance and renewal.

Key figures of the distribution product

		Q3 2020	Q3 2019
Return on fixed assets	%	3.5	4.3
Distribution losses	GWh	64.5	65.8
SAIFI	index	0.5	0.4
SAIDI (unplanned)	index	88.0	20.9
SAIDI (planned)	index	15.1	16.9
Adjusted RAB	m€	816	797

Power outages can be reduced by replacing bare conductors with weatherproof cables. At the end of Q3 2020, 91.4% of our low-voltage distribution network and 40.3% of our medium-voltage distribution network was weatherproof

Distribution EBITDA

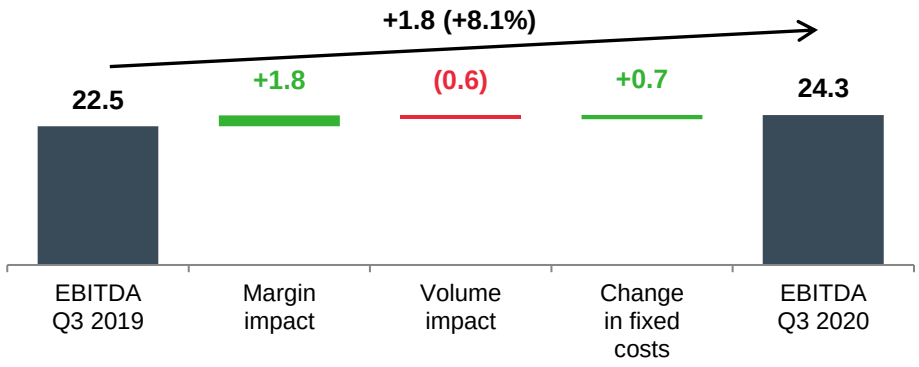
Distribution EBITDA for Q3 2020 was 24.3 million euros (+8.1%, +1.8 million euros). EBITDA growth was underpinned by a higher margin and lower fixed costs.

Distribution sales volume decreased by 2%, which had a -0.6 million euro impact on distribution EBITDA.

Fixed costs from the distribution service decreased year on year due to lower repair and maintenance costs (total impact:+0.7 million euros).

The margin of the distribution service increased in Q3 2020 (impact: +1.8 million euros), based on growth in the average sales price and a decline in distribution losses.

Distribution EBITDA development, m€



Shale oil

Shale oil production is a business line that has great potential but is strongly influenced by fluctuations in relevant market prices.

Shale oil revenue and sales volume

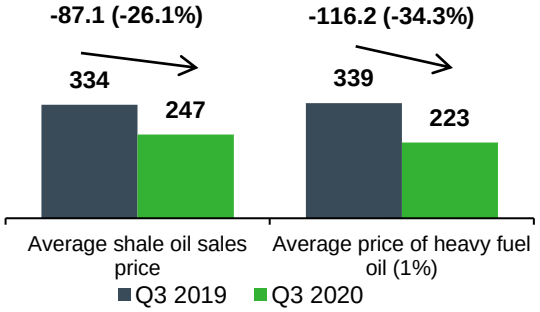
We sold 137.6 thousand tonnes of shale oil in Q3 2020, which generated revenue of 40.8 million euros. Shale oil revenue increased by 45.2% (+12.7 million euros) and shale oil sales volume grew by 36.3% (+36.6 thousand tonnes) compared to the same period in 2019.

Shale oil revenue increased year on year due to a larger sales volume and higher surcharges.

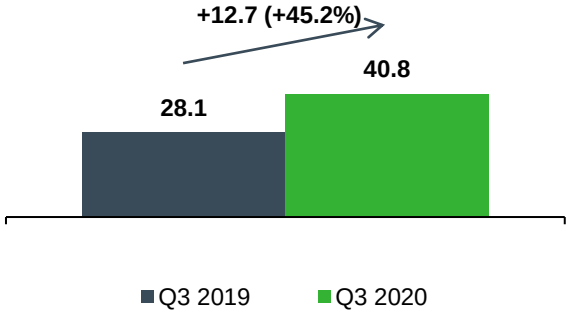
Shale oil price

In Q3 2020, the average sales price of shale oil (excluding the impact of derivative transactions) decreased by 26.1% year on year to 246.6 €/t (-87.1 €/t).

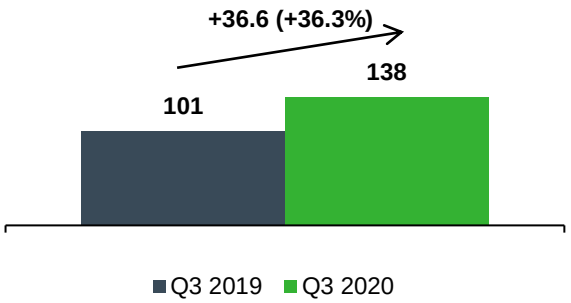
Average shale oil sales price, €/t



Shale oil sales revenue, m€



Shale oil sales volume, '000 tonnes



Derivative transactions of the period generated a gain of 50.3 €/t. The Q3 average sales price of shale oil including the impact of derivative transactions was 297.0 €/t (+6.5%, +18.2 €/t compared to Q3 2019).

Shale oil production volume

We produced 115.3 thousand tonnes of shale oil in Q3 2020, 2.1% (+2.4 thousand tonnes) more than in Q3 2019. The rise in output is attributable to higher availability of the Enefit140 oil plant.

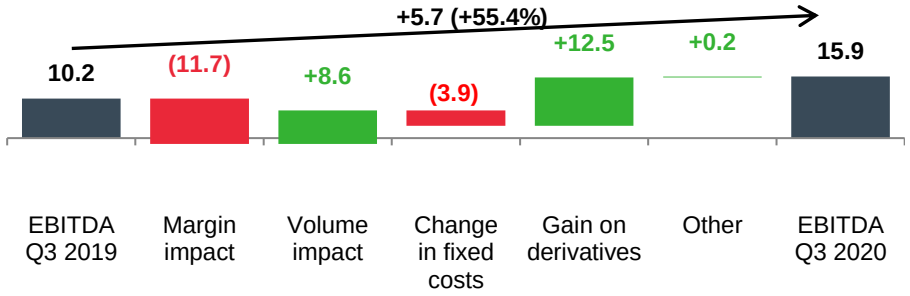
Key figures of the shale oil product

		Q3 2020	Q3 2019
Return on fixed assets	%	12.0	12.4
Shale oil EBITDA	€/t	115.5	101.4

Shale oil EBITDA

Shale oil EBITDA for Q3 2020 was 15.9 million euros (+55.4%, +5.7 million euros).

Shale Oil EBITDA development, m€



The impact of a lower margin on EBITDA development was -11.7 million euros (-85.3 €/t). The main reason for the margin decrease was a decline in the average sales price (-87.1 €/t).

Shale oil sales volume grew by 36.6 thousand tonnes year on year (+36.3%) to 137.6 thousand tonnes. The impact on sale oil EBITDA was +8.6 million euros.

The change in fixed costs had an impact of -3.9 million euros, which is mainly attributable to the change in the fixed cost component of inventories (impact: -4.2 million euros). Gains on derivative transactions improved EBITDA by 12.5 million euros year on year.

Other products and services

Sales of heat, natural gas, new supplementary services, and industrial equipment diversify Eesti Energia's product portfolio and generate additional revenue.

Eesti Energia sells natural gas in Estonia, Latvia, Lithuania, and Poland. In Estonia, we sell gas to both household and corporate customers. In other countries, we focus on corporate customers only.

Our retail sales of natural gas in Estonia totalled 65.3 GWh in Q3 2020 and based on customers' gas consumption volumes, Eesti Energia's Q3 market share was 18.4%

In other countries, our Q3 retail sales of gas totalled 77.8 GWh in Latvia, 23.6 GWh in Lithuania, and 140.3 GWh in Poland. In terms of customers' gas consumption volumes, our Q3 market shares were 3.5% in Latvia, 0.5% in Lithuania, and 0.3% in Poland.

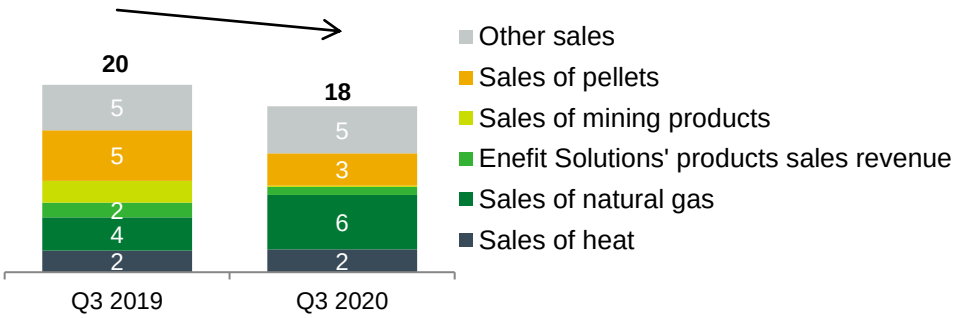
Revenue from the sale of other products and services

Revenue from the sale of other products and services totalled 17.8 million euros in Q3 2020. Revenue decreased by 11.4% (-2.3 million euros) compared to the same period last year.

Revenue from the sale of natural gas grew by 2.3 million euros and revenue from the sale of pellets decreased by 1.9 million euros. Revenue from the sale of heat grew by 0.1 million euros year on year.

Sales revenue from other products and services, m€

-2.3 (-11.4%)

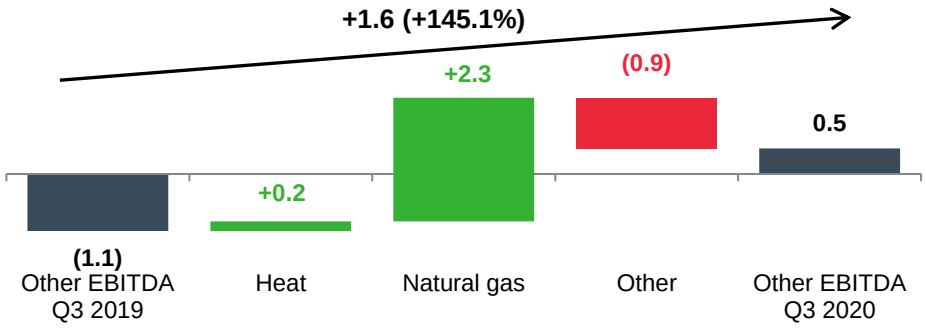


EBITDA on other products and services

EBITDA on other products and services grew by 1.6 million euros year on year, rising to 0.5 million euros.

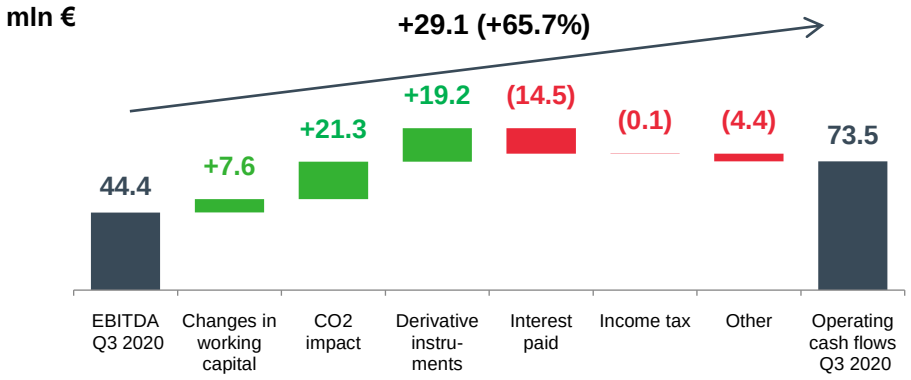
Heat EBITDA grew by 0.2 million euros. Natural gas EBITDA grew by 2.3 million euros through the positive impact of derivative transactions. Other impacts on EBITDA totalled -0.9 million euros, including a decrease in the EBITDA of mining products and the products of Enefit Solutions.

Other EBITDA development, m€



Cash flows

Net operating cash flow for Q3 2020 was 73.5 million euros, 29.1 million euros (+65.7%) larger than EBITDA, which amounted to 44.4 million euros.



Changes in working capital increased net operating cash flow by 7.6 million euros compared to EBITDA. The impact of a decrease in current liabilities was +9.0 million euros, the impact of a decrease in inventories was +5.3 million euros, the impact of a decrease in current receivables was +1.0 million euros, and the impact of other movements in working capital was -7.7 million euros.

Settlements related to CO_2 emission allowances increased operating cash flow by 21.3 million euros relative to EBITDA.

The impact of derivative financial instruments (excluding CO_2 instruments) was +19.2 million euros. The figure includes the impacts of electricity derivatives of +19.5 million euros, shale oil derivatives of +4.9 million euros, natural gas derivatives of -5.6 million euros, and other derivatives of +0.3 million euros.

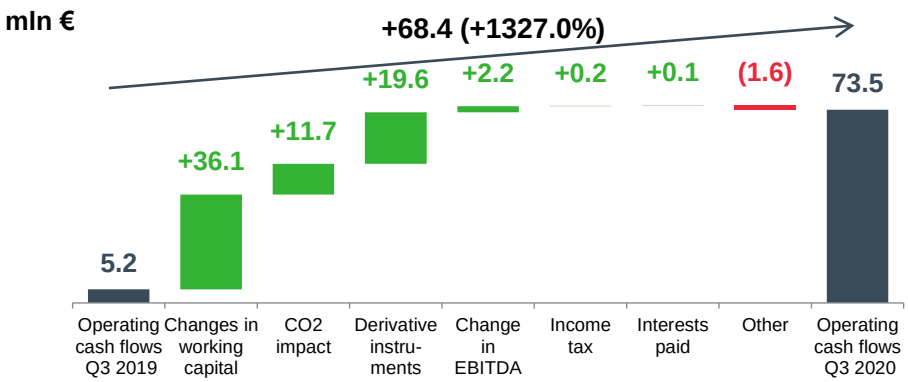
The impacts of derivative financial instruments comprise both monetary and non-monetary impacts on EBITDA and operating cash flow.

Interest paid on borrowings reduced operating cash flow by 14.5 million euros.

Income tax paid by the Group amounted to 0.1 million euros.

Other impacts totalled -4.4 million euros, including the impacts of the recognition of connection fees of -2.4 million euros.

Compared to Q3 2019, net operating cash flow increased by 68.4 million euros (+1,327.0%).



Changes in working capital had an impact of +36.1 million euros compared to Q3 2019. The figure includes the impacts of a change in current receivables of +21.8 million euros, a change in inventories of +11.7 million euros, a change in current liabilities of +10.7 million euros, and other changes in working capital of -8.0 million euros.

Settlements related to CO_2 emission allowances increased operating cash flow compared to Q3 2019 by 11.7 million euros.

The impact of derivative financial instruments (excluding CO_2 instruments) was +19.6 million euros. The figure includes the impacts of electricity derivatives of +24.3 million euros, shale oil derivatives of -2.4 million euros, natural gas derivatives of -2.7 million euros, and other derivatives of +0.3 million euros.

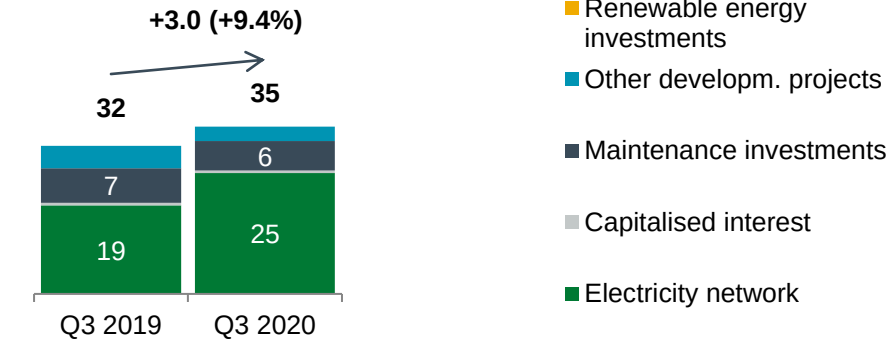
Interest paid on borrowings in Q3 2020 was 0.1 million euros smaller than in Q3 2019.

In Q3 2020, the Group paid 0.2 million euros less income tax than in the comparative period.

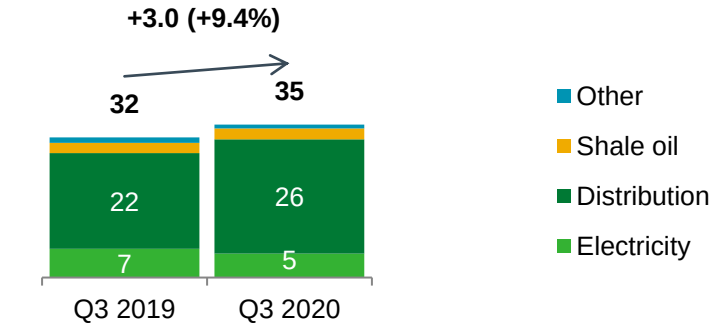
Investment

Our capital expenditures totalled 35.0 million euros in Q3 2020, a 9.4% increase (+3.0 million euros) on Q3 2019. Distribution network expenditures amounted to 24.5 million euros (+36.0%, +6.5 million euros) and maintenance and repair expenditures (excluding the distribution network) totalled 6.9 million euros (-10.2%, -0.8 million euros).

Capex breakdown by projects, m€



Investment breakdown by products, m€



Increasing efficiency in large-scale energy production

In Q3 2020, we invested 1.1 million euros in increasing the capacity of boiler 5A of the Eesti power plant to use oil shale gas so that we could increase the amount of oil shale gas used in electricity production. The purpose is to utilise the energy stored in oil shale to the maximum and thus reduce the environmental impacts of electricity production.

We also invested 0.6 million euros in the installation of a start-up burner for boiler 5B of the Eesti power plant, which allows start-up from standstill, for example in a situation where production units stop operating. The aim of the investment is to further improve the flexibility of our energy production operations.

Improving the quality of the distribution service

Investments made to maintain and continuously improve the quality of the distribution service totalled 25.3 million euros in Q3 2020 (Q3 2019: 18.5 million euros). During the period, we built 48 substations and 222 km of the distribution network (Q3 2019: 69 substations and 283 km of the distribution network).

By the end of Q3 2020, 91.4% of Elektrilevi's low-voltage distribution network was weatherproof (by the end of Q3 2019: 89.6%). Compared to the same period last year, the weatherproof low-voltage distribution network increased by 392 km and the bare conductor distribution network decreased by 595 km.

At the end of Q3, 69.5% of our total low- and medium-voltage distribution network was weatherproof (at the end of Q3 2019: 68.0%).

Financing

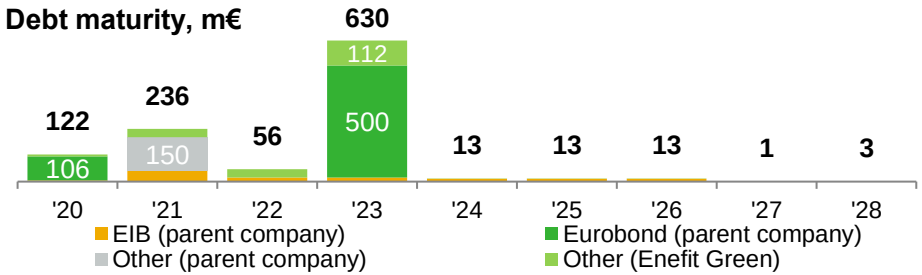
Eesti Energia's main sources of debt capital are the international bond market and investment loans from the European Investment Bank (EIB) and commercial banks. These are complemented with liquidity loans and guarantee facilities obtained from regional banks. In Q2 2020, we included the European Bank for Reconstruction and Development (EBRD) among our financing providers.

At the end of Q3 2020, the Group's borrowings totalled 1.09 billion euros at nominal value and 1.06 billion euros at amortised cost (at the end of Q2 2020: 1.14 billion euros at nominal value and 1.11 billion euros at amortised cost).

Long-term borrowings as at the reporting date consisted of Eurobonds listed on the London Stock Exchange of 606 million euros, loans from EIB of 126 million euros, loans from EBRD of 9.1 million euros (40 million Polish zloty), loans from commercial banks of 345 million euros, and long-term lease liabilities for right-of-use assets of 2.3 million euros (all nominal amounts). The Group's loans consisted of loans of 204 million euros taken by Enefit Green (the figure includes the above loan from EBRD) and loans of 150 million euros taken by the parent of the Group from commercial banks (Swedbank). In Q3, we made a contractual principal repayment of 12.4 million euros to EIB and repayments of Enefit Green's bank loans of 9.3 million euros, and repaid revolving liquidity loans of 30 million euros in total.

The Group's liquid assets as at the end of Q3 2020 totalled 129.1 million euros. At the reporting date, Eesti Energia had undrawn loans of 590 million euros, consisting of revolving liquidity loans of 345 million euros (75 million euros from SEB, 200 million euros from OP Corporate Bank, and 70 million euros from Swedbank) and long-term investment loans of 245 million euros. Long-term undrawn investment loans comprise loans raised under loan agreements signed between Eesti Energia and EIB in December 2019 and June 2020 of 175 million euros and 70 million euros, respectively. In Q3 2020, the Group signed new revolving liquidity loan agreements of 320 million euros. Out of this amount, 200 million euros that can be drawn down until September 2025 was raised from OP Corporate Bank and 120 million euros that can be drawn down September 2023 was raised from SEB and Swedbank, which granted 50 million euros and 70 million euros, respectively. On signing the new loan agreements, the Group cancelled previous loan agreements on 150 million euros that could be drawn down until June 2021. Undrawn loans also include a revolving liquidity loan of 25 million euros that can be drawn down until May 2025, which Enefit Green raised from SEB in Q2.

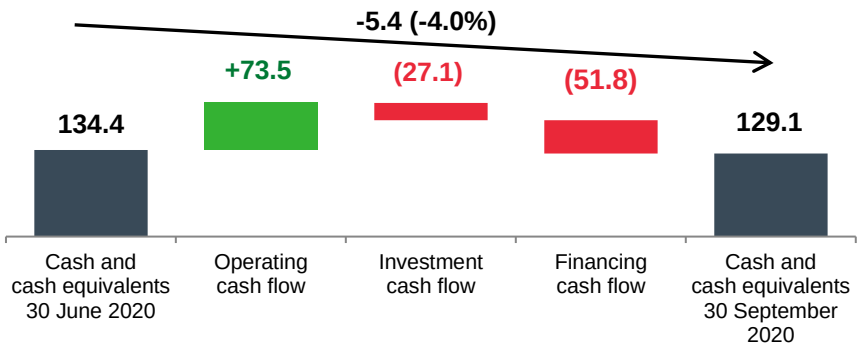
At the end of Q3 2020, the weighted average interest rate of Eesti Energia's borrowings was 2.05% (2.02% at the end of Q2 2020).



At the reporting date, borrowings of 733 million euros had fixed base rates and borrowings of 354 million euros had floating base rates (at the end of Q2 2020 borrowings of 745 million euros had fixed base rates and borrowings of 394 million euros had floating base rates).

The Group's borrowings are predominantly denominated in euros (1.08 billion euros). Borrowings denominated in Polish zloty amount to 9 million euros (the EBRD loan of 40 million Polish zloty).

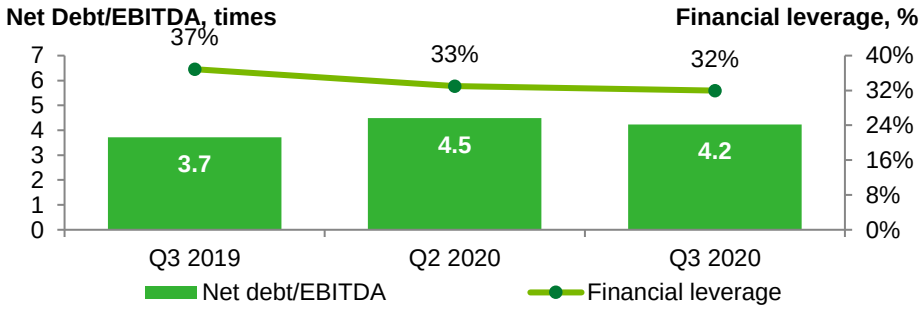
Liquidity development in Q3 2020, m€



At the end of Q3 2020, the Group's net debt amounted to 932 million euros (976 million euros at the end of Q2 2020) and net debt to EBITDA ratio was 4.2 (4.5 at the end of Q2 2020). The current net debt to EBITDA ratio is above the target ceiling of 3.5 set out in the Group's financing policy. Eesti Energia's strategy sets out the measures for bringing the ratio to the target level.

In Q3 2020, the international rating agencies Standard and Poor's and Moody's released updated analyses of Eesti Energia's credit rating. The Group's credit ratings remained at their previous levels: BBB- (Standard and Poor's, outlook was revised from stable to negative) and Baa3 (Moody's, outlook stable). Eesti Energia's financing policy is aimed at maintaining investment grade credit ratings from international rating agencies.

Net debt/EBITDA ratio and financial leverage



Outlook for 2020

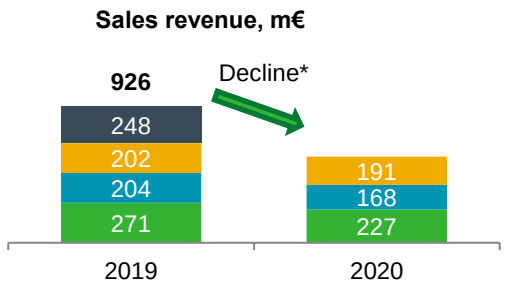
The COVID-19 pandemic has had a major impact on energy markets in 2020. Therefore, we forecast that our revenue and EBITDA will decrease compared to 2019.

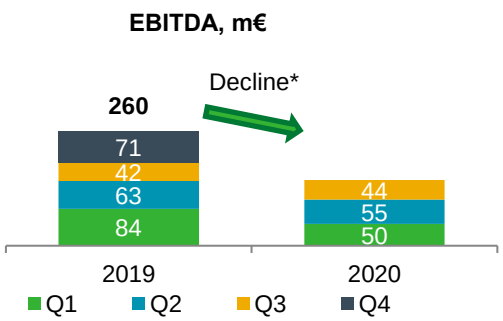
Electricity revenue and EBITDA will decline because the market prices of electricity are lower. We also expect a decrease in shale oil revenue and EBITDA because the demand for oil products has weakened and relevant market prices have dropped significantly.

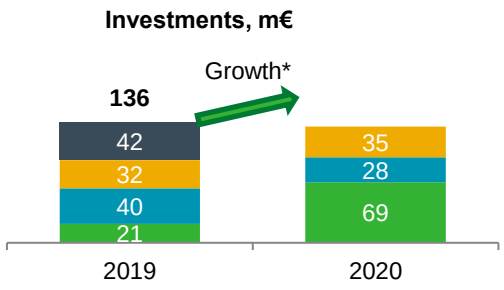
We expect that distribution service revenue and EBITDA will remain at the level of 2019. The sale of new supplementary services should have a positive impact on revenue.

Our largest investments of 2020 will be made in the development of our renewable energy portfolio and the quality of the distribution service. Investments in the oil shale sector will decrease significantly.

We will not pay the owner a dividend for 2019.







* Slight growth / slight decline ≤ 5%, growth / decline > 5%

Hedging transactions

Eesti Energia's revenues from the sale of electricity and shale oil depend on global market prices. We hedge the risks resulting from fluctuations in market prices by entering into derivative transactions. We have signed hedging contracts for the production of electricity of 0.2 TWh at an average price of 38.5 €/MWh for 2020. We have signed forward contracts on the retail sale of electricity of 0.7 TWh at an average price of 37.6 €/MWh for 2020 and of 2.3 TWh at an average price of 35.2 €/MWh for 2021. We have signed hedging contracts on the production shale oil of 87.7 thousand tonnes at an average price of 314.8 €/t for 2020 and of 326.9 thousand tonnes at an average price of 306.5 €/t for 2021. Our CO_2 emission allowance position for 2020 amounts to 3.1 million tonnes at an average price of 19.5 €/t. Our CO_2 emission allowance position for 2021 is 0.9 million tonnes.

Condensed consolidated interim income statement and statement of comprehensive income

in million EUR	Note	Q3 2020	Q3 2019	9m 2020	9m 2019	12m 2020/19	12m 2019/18
Revenue	3	191.1	201.6	585.9	677.6	834.2	938.6
Other operating income	4	12.0	7.1	50.9	34.9	107.9	40.8
Government grants		0.2	0.1	0.6	0.5	0.7	0.7
Change in inventories of finished goods and work-in-progress		(8.4)	0.8	5.7	18.5	1.3	21.9
Raw materials and consumables used		(105.5)	(124.5)	(353.1)	(386.3)	(510.3)	(501.7)
Payroll expenses		(30.9)	(33.4)	(101.5)	(116.7)	(143.2)	(162.9)
Depreciation, amortisation and impairment		(44.0)	(46.0)	(129.2)	(142.6)	(174.6)	(187.4)
Other operating expenses		(14.2)	(9.6)	(39.6)	(39.6)	(70.8)	(53.5)
OPERATING PROFIT		**0.3**	**(3.9)**	**19.7**	**46.3**	**45.2**	**96.5**
Financial income		-	0.1	0.2	0.2	-	0.2
Financial expenses		(8.8)	(8.2)	(25.5)	(28.2)	(34.3)	(42.0)
Net financial income (expense)		**(8.8)**	**(8.1)**	**(25.3)**	**(28.0)**	**(34.3)**	**(41.8)**
Profit from associates using equity method		0.5	2.1	1.9	3.0	(0.1)	7.8
PROFIT BEFORE TAX		**(8.0)**	**(9.9)**	**(3.9)**	**21.3**	**10.8**	**62.5**
CORPORATE INCOME TAX EXPENSE		**-**	**0.4**	**0.9**	**(11.9)**	**(0.1)**	**(13.0)**
PROFIT FOR THE PERIOD		**(8.0)**	**(9.5)**	**(2.9)**	**9.4**	**10.7**	**49.5**
Equity holder of the Parent Company		**(8.0)**	**(9.5)**	**(3.0)**	**9.0**	**10.6**	**49.0**
Non-controlling interest		**-**	**-**	**0.1**	**0.4**	**0.1**	**0.5**
Basic earnings per share (euros)	9	(0.01)	(0.02)	(0.00)	0.01	0.01	0.08
Diluted earnings per share (euros)	9	(0.01)	(0.02)	(0.00)	0.01	0.01	0.08

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Note	Q3 2020	Q3 2019	9m 2020	9m 2019	12m 2020/19	12m 2019/18
PROFIT FOR THE PERIOD		**(8.0)**	**(9.5)**	**(2.9)**	**9.4**	**10.7**	**49.5**
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Revaluation of hedging instruments		62.2	15.7	103.7	(9.3)	47.8	24.7
Currency translation differences attributable to foreign subsidiaries		(3.0)	0.6	(3.8)	1.0	(3.3)	1.1
Other comprehensive income for the period		**59.2**	**16.3**	**99.9**	**(8.3)**	**44.5**	**25.8**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**51.2**	**6.8**	**97.0**	**1.1**	**55.2**	**75.3**
Equity holder of the Parent Company		**51.2**	**6.8**	**96.9**	**0.7**	**55.1**	**74.8**
Non-controlling interest		**-**	**-**	**0.1**	**0.4**	**0.1**	**0.5**

Condensed consolidated interim statement of financial position

in million EUR	Note	30.09.2020	30.09.2019	31.12.2019
ASSETS				
Non-current assets				
Property, plant and equipment	6	2,911.2	2,913.1	2,913.4
Right-use-of assets		2.3	-	2.7
Intangible assets		75.3	65.1	69.2
Deferred tax assets		1.9	1.1	1.8
Investments in associates		45.9	48.5	43.5
Derivative financial instruments	7	18.0	15.6	4.3
Long-term receivables		1.3	1.6	1.8
Total non-current assets		**3,055.8**	**3,045.0**	**3,036.7**
Current assets				
Inventories		125.5	122.3	111.0
Greenhouse gas allowances	0	11.7	50.7	76.1
Trade and other receivables		179.5	147.6	199.7
Derivative financial instruments	7	58.3	30.1	10.0
Cash and cash equivalents		129.1	41.9	34.6
Total current assets		**504.1**	**392.6**	**431.4**
Total assets	**3**	**3,559.9**	**3,437.6**	**3,468.1**

in million EUR	Note	30.09.2020	30.09.2019	31.12.2019
EQUITY				
Capital and reserves attributable to equity holder of the Parent Company				
Share capital	8	746.6	621.6	621.6
Unregistered share capital	8		-	-
Share premium		259.8	259.8	259.8
Statutory reserve capital		62.1	62.1	62.1
Hedge reserve		29.7	(18.1)	(32.5)
Unrealised exchange rate differences		7.3	10.6	10.3
Retained earnings		876.2	865.7	879.1
Total equity and reserves attributable to equity holder of the Parent Company		**1,981.7**	**1,801.7**	**1,800.4**
Non-controlling interest		**1.1**	**1.9**	**1.2**
Total equity		**1,982.8**	**1,803.6**	**1,801.6**
LIABILITIES				
Non-current liabilities				
Borrowings	10	761.6	1,040.6	924.1
Deferred tax liabilities		11.8	12.5	12.2
Other payables		0.5	1.5	0.5
Derivate financial instruments	7	3.0	12.0	6.1
Deferred income		252.0	228.2	234.7
Provisions	12	28.8	31.6	29.9
Total non-current liabilities		**1,057.7**	**1,326.4**	**1,207.5**
Current liabilities				
Borrowings	10	299.1	55.1	211.7
Trade and other payables		152.4	181.0	147.5
Derivative financial instruments	7	11.8	9.6	24.1
Deferred income		0.1	0.2	-
Provisions	12	56.1	61.7	75.7
Total current liabilities		**519.5**	**307.6**	**459.0**
Total liabilities		**1,577.2**	**1,634.0**	**1,666.5**
Total liabilities and equity		**3,559.9**	**3,437.6**	**3,468.1**

Condensed consolidated interim statement of cash flows

in million EUR	Note	Q3 2020	Q9 2019	9m 2020	9m 2019	12m 2020/19	12m 2019/18
Cash flows from operating activities							
Cash generated from operations	11	87.9	20.0	181.6	159.2	212.2	199.0
Interest and loan fees paid		(14.4)	(14.6)	(17.4)	(17.1)	(25.1)	(27.8)
Interest received		-	0.1	-	0.2	-	0.2
Corporate income tax paid		-	(0.3)	(0.3)	(11.3)	(6.2)	(11.5)
Net cash generated from operating activities		**73.5**	**5.2**	**163.9**	**131.0**	**180.9**	**159.9**
Cash flows from investing activities							
Purchase of property, plant and equipment and intangible assets		(35.1)	(41.3)	(134.9)	(109.3)	(169.2)	(154.3)
Proceeds from connection and other fees		8.6	5.1	20.3	16.4	26.2	23.5
Proceeds from grants of property, plant and equipment		0.2	(0.1)	2.3	(0.1)	2.3	(0.1)
Proceeds from sale of property, plant and equipment		0.3	0.3	1.0	1.8	5.3	2.5
Acquisiton of financial investments		-	-	-	(0.9)	0.9	(0.9)
Loans granted		-	-	(0.1)	-	0.1	-
Repayments of loans granted		-	0.4	-	0.6	-	0.6
Contribution to the share capital of associates		(1.0)	(1.2)	(3.3)	(3.2)	(4.3)	(3.2)
Acquisiton of subsidiaries, net of cash acquired		-	0.4	-	(6.9)	(6.8)	(256.8)
Dividends received from long-term financial investments		-	1.8	2.8	4.0	2.8	3.9
Proceeds from repurchase of shares and liquidation of associate		-	-	-	-	0.1	-
Net cash used in investing activities		**(27.1)**	**(34.7)**	**(111.9)**	**(97.6)**	**(142.6)**	**(384.8)**
Cash flows from financing activities							
Received long-term loans			-	109.0	290.0	308.9	560.0
Redeemed bonds		-	-	-	-	-	(48.5)
Repayments of bank loans		(51.7)	(21.7)	(190.3)	(303.4)	(355.1)	(351.2)
Repayments of other loans			-	(1.0)	-	(1.0)	-
Repayments of financial leases		(0.1)	-	(0.2)	(11.0)	(0.4)	(11.5)
Shareholder contribution		-	-	-	-	-	-
Acquisition of non-controlling interest in a subsidiary		-	-	-	(0.1)	125.0	(1.8)
Dividends paid		-		-	(28.5)	(28.5)	(44.3)
Net cash used in financing activities		**(51.8)**	**(21.7)**	**42.5**	**(53.0)**	**48.9**	**102.7**
Net cash flows		**(5.4)**	**(51.2)**	**94.5**	**(19.7)**	**87.2**	**(122.2)**
Cash and cash equivalents at the beginning of the period		134.5	93.1	34.6	61.5	41.9	164.1
Cash and cash equivalents at the end of the period		129.1	41.9	129.1	41.9	129.1	41.9
Net increase / (-) decrease in cash and cash equivalents		**(5.4)**	**(51.2)**	**94.5**	**(19.6)**	**87.2**	**(122.2)**

Condensed consolidated interim statement of changes in equity

in million EUR	Attributable to equity holder of the Parent Company							Non-control-ling interest	Total
	Share capital (Note 8)	Unregistered share capital (Note 8)	Share premium	Statutory legal reserve	Other reserves	Retained earnings	Total		
Equity as at 31.12.2018	**621.6**	**-**	**259.8**	**62.1**	**0.8**	**913.7**	**1,858.0**	**1.6**	**1,859.6**
Profit for the period	-	-	-	-	-	9.0	9.0	0.4	9.4
Other comprehensive income for the period	-	-	-	-	(8.3)	-	(8.3)	-	(8.3)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(8.3)**	**9.0**	**0.7**	**0.4**	**1.1**
Dividends declared (Note 8)	-	-	-	-	-	(57.0)	(57.0)	-	(57.0)
Acquisition of non-controlling interest of subsidiary	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Total transactions with owners of the company, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**(57.1)**	**(57.1)**	**-**	**(57.1)**
Equity as at 30.09.2019	**621.6**	**-**	**259.8**	**62.1**	**(7.5)**	**865.6**	**1,801.6**	**1.9**	**1,803.6**
Equity as at 31.12.2019	**621.6**	**-**	**259.8**	**62.1**	**(22.2)**	**879.1**	**1,800.4**	**1.2**	**1,801.6**
Profit for the period	-	-	-	-	-	(2.9)	(2.9)	(0.1)	(3.0)
Other comprehensive income for the period	-	-	-	-	59.2	-	59.2	-	59.2
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**59.2**	**(2.9)**	**56.3**	**(0.1)**	**56.2**
Increase of share capital	-		-	-	-	-	125,0	-	125,0
Total transactions with owners of the company, recognised directly in equity	**125.0**	**-**	**-**	**-**	**-**	**-**	**125.0**	**-**	**125.0**
Equity as at 30.09.2020	**746.6**	**-**	**259.8**	**62.1**	**37.0**	**876.2**	**1,981.7**	**1.1**	**1,982.8**

Notes to the condensed interim consolidated financial statement

1. Accounting policies

These condensed consolidated interim financial statements have 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". The consolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as adopted by the EU.

Accounting policies and presentation of financial statements applied to this interim report were consistent with those used in financial statements for the financial year that ended on 31 December 2019.

Other new International Financial Reporting Standards adopted, amendments to and International Financial Reporting Interpretations Committee interpretations that became mandatory for the Group from 1 January 2020 did not have any impact to the Group's accounting policies and financial statements.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

According to the Management Board the interim report prepared for the period 1 January 2019 – 30 September 2020 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 or otherwise verified by auditors.

2. Financial risk management

2.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2019. There have been no material changes in any risk management policies compared to the previous year end.

2.2. Fair value estimation

The tables below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2);
- inputs for the asset or liability that are not based on observable market data (Level 3).

The following tables present the Group's assets and liabilities that are measured at fair value by the level in the fair value hierarchy as at 30 September 2020 and 31 December 2019:

30.09.2020

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 7)	-	25.4	-	25.4
Cash flow hedges (Note 7)	-	50.9	-	50.9
Total financial assets	**-**	**76.3**	**-**	**76.3**
Liabilities				
Trading derivatives (Note 7)	-	13.7	-	13.7
Cash flow hedges (Note 7)	-	1.1	-	1.1
Total financial liabilities	**-**	**14.8**	**-**	**14.8**

31.12.2019

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 7)	-	13.5	-	13.5
Cash flow hedges (Note 7)	0.1	0.7	-	0.8
Total financial assets	**0.1**	**14.2**	**-**	**14.3**
Liabilities				
Trading derivatives (Note 7)	5.0	18.7	-	23.7
Cash flow hedges (Note 7)	0.1	6.4	-	6.5
Total financial liabilities	**5.1**	**25.1**	**-**	**30.2**

2. Financial risk management , cont.

2.2. Fair value estimation, cont.

Valuation techniques and inputs used on measurement in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. In level 1 are classified the Group's electricity derivatives that have been cleared in Nasdaq OMX.

Valuation techniques and inputs used on measurement in level 2

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. An instrument is included in level 2 if all the significant inputs required to establish the fair value of the instrument are observable. If one or more significant inputs are not based on observable market data, an instrument is included in level 3. The value of trading derivatives and cash flow hedges are found using notations of Nasdaq OMX, ICE, Platt's European Marketscan and Nymex.

- The fair value of forward, swap and future contracts is determined using forward prices at the balance sheet date, with the resulting value discounted back to present value.

Valuation techniques and inputs used on measurement in level 3

At the end of reporting period the Group had no financial instruments in level 3.

2. Financial risk management , cont.

2.3. Fair value of financial assets and liabilities measured at amortised cost

The fair value of bonds, bank loans and finance lease liabilities:

in million EUR	30.09.2020	31.12.2019
Nominal value of bonds	606.3	606.3
Market value of bonds on the basis of quoted sales price	630.6	642.1
Nominal value of bank loans with fixed interest rate	138.8	138.8
Fair value of bank loans with fixed interest rate	142.9	142.0
Nominal value of bank loans with floating interest rate and finance lease liabilities	396.1	425.8
Fair value of bank loans with floating interest rate and finance lease liabilities	396.1	425.8

The bonds are denominated in euros and listed on the London Stock Exchange. The fair value of the bonds is based on the input that is within level 1 of the fair value hierarchy; the fair value of bank loans with fixed interest rate is based on the cash flows discounted using input that is within level 3 of the fair value hierarchy. Management estimates that the fair value of the loans with a floating interest rate at the end of comparative period does not differ from their carrying amounts as the risk margins have not changed.

Other financial assets and liabilities of which fair value is approximate to their carrying amount:

- Trade and other receivables
- Deposits not recognised as cash equivalents
- Cash and cash equivalents
- Trade and other payables

3. Segment reporting

For the purposes of monitoring the Group's performance and making management decisions, the management board uses product-based reporting. The Group has determined main products and services, i.e. value-creating units that generated external revenues and profit, and has built up a methodology of allocation of revenues and expenses, and assets to the products.

The Group has distinguished three main products and services, which are presented as separately reportable segments, and a number of minor products and services that are presented together as "Other segments":

1) electricity (production and sale of electricity generated from renewable and non-renewable sources, and electricity trading);
2) distribution (sale of electricity distribution network services on regulated market and sale of additional services by Elektrilevi);
3) shale oil (production and sale of liquid fuels);
4) Other segments (including production and sale of heat, construction of power engineering equipment and services, sale of old metal, sale of mining products, sale of gas, other products and services).

Other segments include co-products which individual share of the Group's revenue and EBITDA is immaterial. None of these co-products meet the quantitative thresholds that would require reporting separate information.

Segment revenues include revenues from external customers only, generated by the sale of respective products or services.

All operating expenses of the Group are allocated to the products and services to which they relate. If a product (e.g. electricity) is created by several Group entities in a vertically integrated chain, then the related expenses include the production cost of each entity involved in preparation of the product (e.g. the cost of electricity includes the cost of oil shale used for its production). Group overheads are allocated to products and services proportionally to the services provided.

The management board assesses the performance of the segments primarily based on EBITDA and it also monitors operating profit. Finance income and expenses, and income tax are not allocated to the segments.

The Group's assets are allocated to the segments based on their purpose of use. Liabilities are not allocated to the segments as they are managed centrally by the Group’s finance department.

As the segments are based on externally sellable products and services (as opposed to legal entities), there are no transactions between segments to be eliminated.

The sales prices of network charges need to be approved by the Estonian Competition Authority as stipulated by the Electricity Market Act of Estonia. The Estonian Competition Authority has an established methodology for approving the prices that considers the costs necessary to fulfil the legal obligations and ensures justified profitability on invested capital. Generally, the Estonian Competition Authority considers the annual average carrying amount of non-current assets plus 5% of external sales revenue as invested capital. The rate for justified profitability is the Company's weighted average cost of capital (WACC). The sales prices for all other segments are not regulated by the law.

Also according to the District Heating Act the heating undertakings which sell heat to customers or to network operators who sell heat to customers or produce heat in the process of combined generation of heat and power must obtain the approval of the Competition Authority regarding the maximum price of the heat to be sold.

3. Segment reporting, cont.

Revenue

The revenue from external customers reported to the management board of the Parent Company is measured in a manner consistent with that in the consolidated income statement.

REVENUE FROM EXTERNAL CUSTOMERS

in million EUR	Q3 2020	Q3 2019*	9m 2020	9m 2019
Electricity	84.0	104.9	249.8	354.9
Distribution	48.5	48.5	158.4	161.6
Shale oil	40.8	28.1	101.3	89.5
Other products and services	17.8	20.1	76.4	71.5
Total	**191.1**	**201.6**	**585.9**	**677.5**

*Comparative information in electricity segment has been adjusted due to a change in the distribution of income. Additional information is disclosed in Note 14.

ASSETS

in million EUR	30.06.2020	30.09.2019	31.12.2019
Electricity	1,599.8	1,640.6	1,649.3
Distribution	1,134.7	1,052.6	1,075.4
Shale oil	353.4	338.4	339.4
Other products and services	472.0	406.0	404.0
Total	**3,559.9**	**3,437.6**	**3,468.1**

EBITDA

in million EUR	Q3 2020	Q3 2019*	9m 2020	9m 2019
Electricity	3.7	10.5	28.3	91.1
Distribution	24.3	22.5	66.5	64.5
Shale oil	15.9	10.2	42.1	33.3
Other products and services	0.5	(1.1)	12.0	-
Total	**44.4**	**42.1**	**148.9**	**188.9**
Depreciation and amortisation	(44.0)	(46.0)	(129.2)	(142.6)
Net financial income (expense)	(8.9)	(8.1)	(25.4)	(28.0)
Profit from associates using equity method	0.5	2.1	1.9	3.0
Profit before tax	**(8.0)**	**(9.9)**	**(3.9)**	**21.3**

4. 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.

5. Other operating income

in million EUR	Q3 2020	Q3 2019	9m 2020	9m 2019
Renewable energy grant	8.0	4.3	28.6	30.0
Gain from revaluation of derivatives	1.0	1.6	3.1	2.2
Fines, penalties and compensations	0.8	0.6	2.4	1.2
Other operating income	2.2	0.6	16.7	1.5
Total other operating income	**12.0**	**7.1**	**50.9**	**34.9**

6. Property, plant and equipment

in million EUR	Land	Buildings	Const-ruction	Plant and equipment	Other	Construction in progress and prepayments	Total
Property, plant and equipment as at 31.12.2019							
Cost	44.4	330.0	1,196.8	3,140.9	6.1	74.6	4,792.8
Accumulated depreciation	-	(118.1)	(486.9)	(1,269.1)	(5.3)	-	(1,879.4)
Net book amount	44.4	211.9	709.9	1,871.8	0.8	74.6	2,913.4
Total property, plant and equipment as at 31.12.2019	**44.4**	**211.9**	**709.9**	**1,871.8**	**0.8**	**74.6**	**2,913.4**
Movements in the reporting period							
Purchases of property, plant and equipment	43.0	0.1	0.4	3.9	(0.5)	79.3	126.2
Depreciation charge	-	(2.8)	(7.5)	(30.9)	(0.1)	-	(41.3)
Exchange differences	(0.1)	-	-	(0.9)	-	-	(1.0)
Transfers	0.3	(2.5)	16.4	(33.2)	0.1	(67.2)	(86.1)
Total movements in 9m 2020 period	**43.2**	**(5.2)**	**9.3**	**(61.1)**	**(0.5)**	**12.1**	**(2.2)**
Property, plant and equipment as at 30.09.2020							
Cost	87.6	329.6	1,229.6	3,169.6	5.5	86.7	4,908.6
Accumulated depreciation	-	(122.9)	(510.4)	(1,358.9)	(5.2)	-	(1,997.4)
Net book amount	87.6	206.7	719.2	1,810.7	0.3	86.7	2,911.2
Total property, plant and equipment as at 30.09.2020	**87.6**	**206.7**	**719.2**	**1,810.7**	**0.3**	**86.7**	**2,911.2**

As at 30 September 2020, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 45.9 million (31 December 2019 EUR 37.3 million).

7. Derivative financial instruments

in million EUR	30.09.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
Forward- and future contracts for buying and selling electricity as cash flow hedges	5.1	1.1	0.6	0.2
Forward- and future contracts for buying and selling electricity as trading derivatives	4.8	2.5	0.2	8.0
Future contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	0.3	0.2	0.1	0.2
Swap and future contracts for buying and selling gas as trading derivatives	20.2	10.4	11.0	13.5
Swap and forward contracts for selling fuel oil as cash flow hedges	45.8	-	0.1	6.3
Swap and forward contracts for selling fuel oil as trading derivatives	0.1	0.6	2.2	2.0
Total derivative financial instruments	**76.3**	**14.8**	**14.3**	**30.2**
including non-current portion:				
Swap, forward and option contracts for selling fuel oil as cash flow hedges	0.1	0.7	0.1	-
Forward- and future contracts for buying and selling electricity as cash flow hedges	0.1	0.3	-	0.4
Future contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	-	-	0.1	0.2
Swap and future contracts for buying and selling gas as trading derivatives	1.9	2.0	4.0	4.2
Swap and forward contracts for selling fuel oil as trading derivatives	15.9	-	0.1	1.3
Total non-current portion	**18.0**	**3.0**	**4.3**	**6.1**
Total current portion	**58.3**	**11.8**	**10.0**	**24.1**

8. Share capital and dividends

As at 31 March 2020, Eesti Energia AS had 621 645 750 registered shares (31 December 2019: 621 645 750 registered shares). The nominal value of each share is 1 euro.

The sole shareholder of Eesti Energia, the Republic of Estonia, has given a mandate on 27 March 2020 to the Extraordinary General Meeting of Eesti Energia to pass the resolution by which the share capital of the company will be increased by EUR 125.0 million. The company's share capital increases from EUR 621.6 million to EUR 746.6 million through issue of 125 million new shares with nominal value of 1 euro. Capital increase was entry to Commercial Register on 3 April 2020.

As at 30 September 2020, Eesti Energia AS had 746 645 750 registered shares. The nominal value of each share is 1 euro.

9. Earnings per share

Basic earnings per share are calculated by dividing profit attributable to the equity holder of the Parent 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.

	Q3 2020	Q3 2019	9m 2020	9m 2019	12m 2020/19	12m 2019/18
Profit attributable to the equity holders of the company (million EUR)	(8.0)	(9.5)	(3.0)	9.0	10.6	49.0
Weighted average number of shares (million)	746.6	621.6	746.6	621.6	746.6	621.6
Basic earnings per share (EUR)	(0.01)	(0.02)	(0.00)	0.01	0.01	0.08
Diluted earnings per share (EUR)	(0.01)	(0.02)	(0.00)	0.01	0.01	0.08

10. Borrowings at amortised cost

in million EUR	Bank loans	Bonds issued	Lease liabilities	Bank loans	Bonds issued	Lease liabilities	Total
Borrowings at amortised cost 31.12.2019	**105.1**	**106.3**	**0.3**	**456.3**	**465.1**	**2.7**	**1,135.8**
Movements in the reporting period							
Amortization of borrowing expenses	-	-	-	-	6.8	-	6.8
Borrowings received	100.0	-	-	9.0	-	-	109.0
Repayments of borrowings	(181.0)	-	(0.5)	(9.3)	-	-	(190.8)
Transfers	168.7	-	0.3	(168.7)	-	(0.3)	0.0
Total movements in 9m 2020 period	**87.6**	**-**	**(0.2)**	**(169.0)**	**6.8**	**(0.3)**	**(75.0)**
Borrowings at amortised cost 30.09.2020	**192.7**	**106.3**	**0.1**	**287.3**	**471.9**	**2.4**	**1,060.7**

As at 30 September 2020 the Group had undrawn loan facilities of EUR 590.0 million (31 December 2019: EUR 425,0 million).
Consisting of liquidity loans of EUR 345.0 million (EUR 75 million from SEB, EUR 70 million from Swedbank and EUR 200 million from OP Corporate Bank) and long-term loans of EUR 245 million. There are EUR 120 million of undrawn liquidity loans with a maturity of September 2023, EUR 25 million with a maturity of May 2025 and EUR 200 million with a maturity of September 2025.
Long-term loans comprised a loan of EUR 175.0 million raised from the EIB under an agreement signed in December 2019 and in addition EUR 70.0 million in June 2020, which at the date of release of this report has not been drawn down.

11. Cash generated from operations

in million EUR	Q3 2020	Q3 2019	9m 2020	9m 2019	12m 2020/19	12m 2019/18
Profit before tax	**(8.0)**	**(9.9)**	**(3.9)**	**21.3**	**10.8**	**62.5**
Adjustments						
Depreciation and impairment of property, plant and equipment	43.3	45.4	126.5	141.0	174.6	185.1
Amortisation and impairment of intangible assets	0.7	0.6	2.7	1.6	-	2.3
Deferred income from connection and other service fees	(2.4)	(2.3)	(7.1)	(6.7)	(9.4)	(8.9)
Gain on disposal of property, plant and equipment	(0.3)	(0.1)	(0.7)	(0.5)	(4.4)	(1.0)
Loss on disposal of associate	-	-	-	(0.5)	1.4	-
Amortisation of government grant received to purchase non-current assets	(0.2)	(0.1)	(0.6)	(3.0)	(0.7)	(0.6)
Profit/loss from associates using equity method	(0.5)	(2.1)	(1.9)	(6.3)	(0.1)	(7.8)
Unpaid/unsettled gain/loss on derivatives	(6.4)	7.2	(16.0)	-	9.7	(57.9)
Profit (loss) from other non-cash transactions	(0.2)	-	(0.2)	-	-	(0.9)
Interest expense on borrowings	7.7	8.0	23.5	27.6	31.7	40.5
Interest and other financial income	-	(0.1)	-	(0.8)	-	(0.8)
Adjusted net profit before tax	**33.7**	**46.7**	**122.4**	**173.7**	**213.6**	**212.5**
Net change in current assets relating to operating activities						
Change in receivables related to operating activities	1.0	(20.8)	37.0	14.7	9.7	(18.8)
Change in inventories	5.3	(6.4)	(14.4)	(31.7)	(3.2)	(33.7)
Net change in other current assets relating to operating activities	7.5	(1.7)	44.6	79.2	(4.1)	75.8
Total net change in current assets relating to operating activities	**13.8**	**(28.9)**	**67.2**	**62.2**	**2.4**	**23.3**
Net change in current liabilities relating to operating activities						
Change in provisions	22.9	10.4	(21.0)	(33.1)	(8.6)	(27.1)
Change in trade payables	3.6	1.5	(20.3)	(14.7)	(12.5)	2.1
Net change in liabilities relating to other operating activities	13.9	(9.7)	33.5	(28.9)	17.3	(11.8)
Total net change in liabilities relating to operating activities	**40.4**	**2.2**	**(7.8)**	**(76.7)**	**(3.8)**	**(36.8)**
Cash generated from operations	**87.9**	**20.0**	**181.6**	**159.2**	**212.2**	**199.0**

12. Provisions

in million EUR	Opening balance 31.12.2019	Recognition and reversal of provisions	Interest charge	Use	Closing balance 30.09.2020	Closing balance 30.09.2020
					Short term provision	Long term provision
Environmental protection provisions	22.4	(1.5)	0.3	(0.6)	2.0	18.6
Provision for termination of mining operations	0.7	-	-	(0.7)	-	-
Employee related provisions	6.4	-	-	(0.8)	1.0	4.6
Provision for dismantling cost of assets	5.4	-	0.2	-	-	5.6
Provision for greenhouse gas emissions	69.2	51.0	-	(69.2)	51.0	-
Provision for onerous contracts	0.2	-	-	-	0.2	-
Provision for obligations arising from treaties	0.1	-	-	-	0.1	-
Provision for renewable energy certificates	1.2	0.6	-	-	1.8	-
Total provisions	**105.6**	**50.2**	**0.5**	**(71.3)**	**56.1**	**28.8**

13. 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.

TRANSACTIONS WITH ASSOCIATES

in million EUR	9m 2020	9m 2019
Purchase of goods	6.3	9.5
Purchase of services	0.4	0.5
Purchase of property, plant and equipment and prepayments	0.1	0.1
Proceeds from sale of services	-	-
Loans granted	0.1	-

RECEIVABLES FROM ASSOCIATES AND PAYABLES TO ASSOCIATES

in million EUR	30.09.2020	31.12.2019
Receivables	11.4	11.8
incl long-term loan receivables	11.4	11.7
Allowance for doubtful loan receivables	(11.2)	(11.7)
Payables	1.0	0.5

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. During the period 1 January – 30 September 2020 remuneration to management and supervisory boards amounted to EUR 2.3 million (1 January – 30 September 2019: EUR 2.5 million).

In purchasing and selling network services, the prices set by the Estonian Competition Authority are used. All other transactions are concluded using agreed prices.

The sales of electricity, network services and heat to the entities over which the state has control or significant influence have been taken place under normal business activity. The Group has performed in the reporting and comparative period purchase and sales transactions in the material amounts with Elering AS, which is fully state-owned enterprise.

TRANSACTIONS WITH ELERING AS

in million EUR	9m 2020	9m 2019
Purchase of services	50.0	52.4
Purchase of goods	11.4	9.4
Purchase of property, plant and equipment and prepayments	7.3	3.9
Sale of goods and services (incl. renewable energy grant)	33.2	26.6

RECEIVABLES FROM ELERING AS AND PAYABLES TO ELERING AS

in million EUR	30.09.2020	31.12.2019
Receivables	6.7	6.3
Payables	13.1	19.8

14. Effects of changes in the comparative figures

Due to the change in the distribution of income, as a result of which the renewable energy grant is recognized in the line Other operating income, following reclassifications have been made in income statement retroactively:

in million EUR	9m 2019 changed	9m 2019 before	difference
Revenue	677.6	698.9	(21.3)
Other operating income	34.9	13.6	21.3

in million EUR	12m 2019/2018 changed	12m 2019/2018 before	difference
Revenue	938.6	959.9	(21.3)
Other operating income	40.8	19.5	21.3

Glossary

Circulating fluidised bed (CFB) technology – Circulating fluidised bed combustion technology whereby larger (unburnt) particles are returned to the furnace

Clean Dark Spread (CDS) – Eesti Energia's margin between the price of electricity (in NP Estonia) and oil shale costs and CO_2 costs (taking into account the price of CO_2 allowance futures maturing in December and the amount of CO_2 emitted in the generation of a MWh of electricity)

CO_2 emission allowance – According to the European Union Emissions Trading System (ETS), one emission allowance gives the holder the right to emit one tonne of carbon dioxide (CO_2). The limit on the total number of emission allowances available gives them a monetary value

Controllable production assets – Production assets which operate on energy sources such as oil shale, oil shale gas, wood chips, peat and tyre chips

EBITDA – Earnings before interest, taxes, depreciation and amortisation

EBITDA margin – Earnings before interest, taxes, depreciation and amortisation divided by revenue

FFO – Funds from operations. Cash flow from operations, excluding changes in working capital

Financial leverage – Net debt divided by the sum of net debt and equity

Future – A contract between counterparties which obligates to buy or sell an underlying asset (e.g. a commodity) at a pre-agreed price

Green paper on industrial policy – A document prepared by the state and employers' associations which outlines the bottlenecks of industrial development and suggests solutions for their elimination and improving industrial development

Level of water reservoirs – The level of water in the reservoirs of hydro power plants as a percentage of the maximum possible level. Most of the Nordic countries' electricity production is based on hydro power whose output depends on the level of water reservoirs

Liquidity – Amount of liquid assets. Sum of cash and cash equivalents, short-term financial investments and deposits with a maturity of more than 3 months

Maintenance and repair expenditures – Expenditures incurred to maintain the existing production capacities

MWh – megawatt hour. 1 MWh is the unit of energy generated (or consumed) in one hour by a device operating at a constant power of 1 MW (megawatt)

1,000,000 MWh = 1,000 GWh = 1 TWh

Net debt – Debt obligations (amortised) less cash and cash equivalents (incl. bank deposits with maturities exceeding 3 months), units in money market funds and investments in fixed income bonds

Network losses – The amount of electricity delivered to customers is somewhat smaller than the amount supplied from power plants to the network because during transfer a part of electricity in the power lines and transformers converts into heat. To a lesser extent, network losses are caused by power theft and incorrect measuring. The network operator has to compensate energy losses and for this a corresponding amount of electricity has to be purchased every hour

NP system price – The price on the Nord Pool power exchange that is calculated on the basis of all purchase and sale bids without taking into account transmission capacity limitations

OHSAS, ISO 14001 – International standards which deal with risk management in the area of occupational health and safety, the environment management system, and accident prevention

Oil shale resource charge – A charge to be paid to the state for the use of 1 tonne of oil shale located in the mineral deposit

Position hedged with forward transactions – The quantity of electricity and shale oil to be sold and emission allowances to be purchased in future periods whose average price is previously fixed

RAB – Regulated Asset Base, which represents the value of assets used to provide regulated services

Return on Fixed Assets (ROFA) – Operating profit (rolling 12 months) divided by average fixed assets excluding assets under construction (allocated to specific products)

ROIC – Return on Invested Capital, calculated by dividing operating profit by average invested capital

SAIDI – System Average Interruption Duration Index. The sum of all customer interruption durations in minutes divided by the total number of customers served

SAIFI – System Average Interruption Frequency Index. The total number of customer interruptions divided by the total number of customers served

Tax footprint – An indicator which reflects the contribution made to society through taxes

Variable profit – Profit after deducting variable costs from sales revenue