Interim report

1 January – 31 March 2021

Eesti Energia

Contents

Letter from the CEO

Dear reader

The beginning of the year has been encouraging in terms of energy demand and there have been several positive developments which support rapid growth of our renewable energy business and the supply of our customers with clean energy.

Our ambition to help customers plan and achieve green transition through convenient and practical energy solutions has added momentum to the development of renewable energy in the Baltic region and is well aligned with the implementation of our corporate strategy.

Within just a few months more than a hundred companies have shown their trust in us by signing long-term fixed-price wind energy purchase contracts with Eesti Energia. The total volume of the new contracts, which may have a term of up to ten years, is 2 TWh already.

This provides assurance for the execution of the wind energy development projects of our renewable energy company Enefit Green as well as other renewable energy development projects. We are hoping to share information about specific investment decisions already in the next quarter.

At the beginning of the year, we undertook to complete the construction of the Purtse wind farm in eastern Estonia. The new wind farm, which will have a capacity of 20 MW, is going to start producing renewable energy for customers in 2023.

We believe that electrification is the fastest way to achieve carbon neutrality and therefore wish to make sure that customers will have access to sufficient volumes of renewable energy. The sale of solar power and heating solutions has been growing steadily and our electric vehicle charging services are ready for the emerging growth in the use of electric cars.

Energy demand resumed growth in the first quarter. This was supported by the weather conditions and the adjustment of the economy to cope with effects of the COVID-19 pandemic. The healthcare system is still fighting the disease but the current pace of vaccination provides grounds to believe that economic confidence will recover by the year-end.

Our first-quarter electricity sales exceeded 2.5 TWh with retail sales breaking an all-time record. In market terms, sales growth was the fastest in Lithuania. Electricity prices on the Nord Pool power exchange were, on average, twice higher than a year earlier, which also contributed to the period's revenue growth.

During a period of cold and windless weather, electricity prices soared and demand for controllable production capacities surged. Our electricity output grew by a third year on year, rising to 1.3 TWh, which helped reduce Estonia's reliance on electricity import and to meet the demand in the other Baltic countries and Finland.

The adverse effects of a rise in CO_2 emission allowance prices, which grew by 65% year on year on average, were mitigated by earlier investments in reducing the carbon intensity of our operations by increasing the capacity of our thermal power plants to use biomass and oil shale gas in their fuel mix. Despite less favourable wind conditions, a diversified power generation portfolio helped maintain our renewable energy output at a level comparable to a year ago, its contribution accounting for 32% of our total electricity output.

The price level on the global liquid fuel market has grown by a tenth year on year. Throughout the COVID-19 pandemic we have not had to restrict our fuel production operations and produced 125,000 tonnes of different liquid fuels in the first three months of the year. An additional Enefit-technology based pyrolysis plant will be completed in 2024: most of the supply contracts required for its construction have been signed.

In March, we finalised negotiations with the Finnish energy group Imatran Seudun Sähkö for the acquisition Imatra Elekter, which provides energy services to 25,000 customers in Estonia, by our distribution network operator Elektrilevi. The transaction is awaiting the approval of the Estonian Competition Authority. When the transaction takes effect, Elektrilevi's share of the Estonian electricity distribution service market will rise to 95%.

Growth in production and sales volumes, a rise in electricity prices and lower fixed costs enabled us to deliver a strong net result. Our first-quarter revenue grew by 31% to 297 million euros and EBITDA improved by 46% to 72.4 million euros. We earned a net profit of 26.5 million euros compared with a net loss of 2 million euros incurred a year ago.

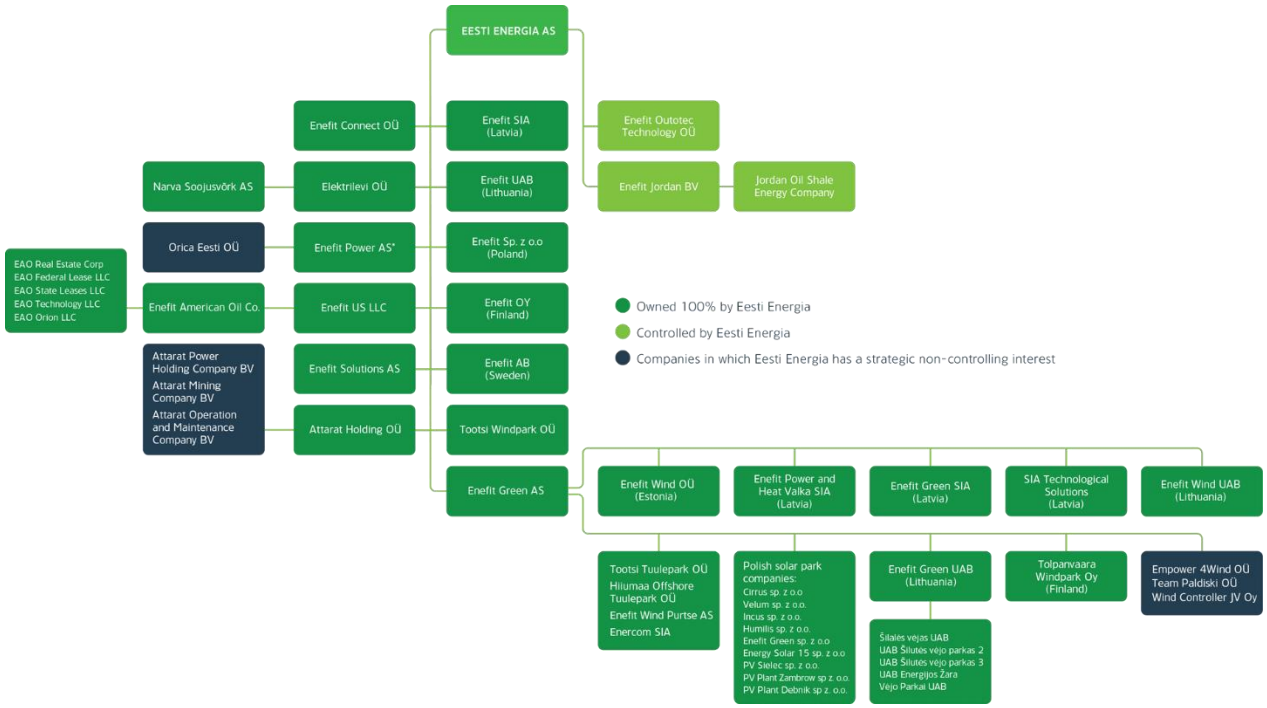
Hando Sutter

Chairman of the Management Board of Eesti Energia

This is Eesti Energia

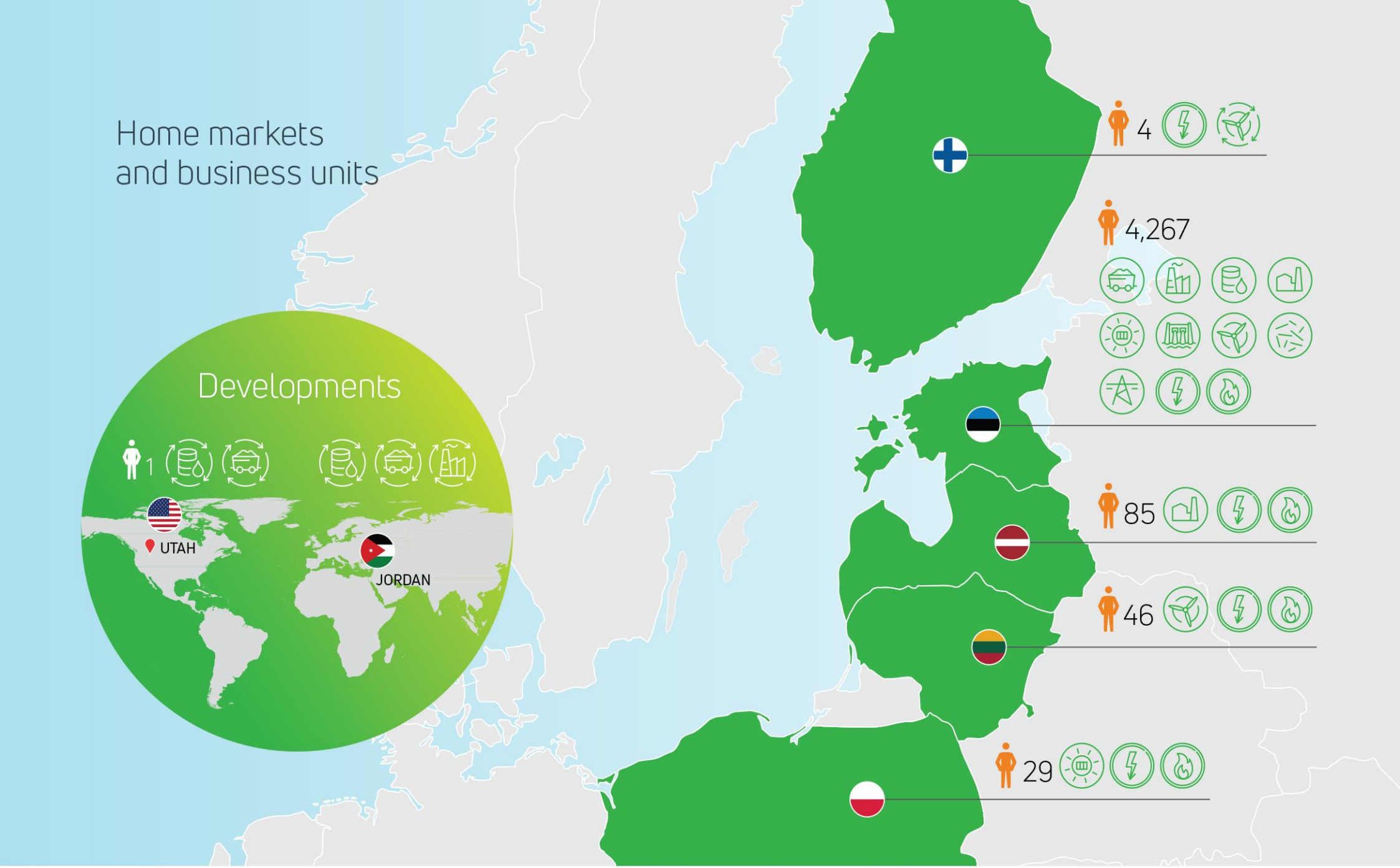
- Established **in 1939**
- **4,432 employees**
- **100%** owner: **Republic of Estonia**
- **5 home markets:** Estonia, Latvia, Lithuania, Poland, Finland
- **4 business lines:**
  - **Customer services** business line provides customers with useful energy solutions and exceptional customer experience. 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 31 March 2021




HIGH-SPEED INTERNET, SMART MANAGEMENT OF EQUIPMENT AND CONSUMPTION, MOBILE APP
MICROGENERATION
GREEN ENERGY
EV CHARGING
HEAT (district heating, heat pump, gas)
SMART SOLUTIONS, SMALLER ENVIRONMENTAL FOOTPRINT
ELECTRICAL WORK
INSURANCE
LIGHTING
ENERGY NETWORK
INTEGRATED MANAGEMENT OF MULTIPLE INFRASTRUCTURES (electricity, internet, cable, EV charging)
SOLAR PARKS
STREET LIGHTING
HIGH-QUALITY ELECTRICITY DISTRIBUTION NETWORK
WIND FARMS
SOLAR PARKS
VIRTUAL POWER PLANT
COGENERATION PLANTS
THERMAL POWER PLANTS
LIMESTONE
SHALE ASH
WASTE TYRES
GARBAGE
WAST WOOD
LOW SULPHUR MARINE FUEL
CLEANER PRODUCTION

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

		Q1 2021	Q1 2020	Change
Total electricity sales, of which	GWh	2,519	2,235	+12.7%
wholesale sales	GWh	199	237	-15.9%
retail sales	GWh	2,320	1,998	+16.1%
Electricity distributed	GWh	2,092	1,911	+9.5%
Shale oil sales	th t	112	101	+10.9%
Heat sales	GWh	356	327	+8.7%
Average number of employees	No.	4,432	4,911	-9.8%
Sales revenues	m€	297.3	226.8	+31.1%
EBITDA	m€	72.4	49.7	+45.5%
Operating profit	m€	30.4	5.5	+457.8%
Net profit	m€	26.5	-2.0	+1426.4%
Investments	m€	32.1	68.7	-53.2%
Cash flow from operating activities	m€	120.6	-1.1	-11568.3%
FFO	m€	74.6	8.1	+825.9%
Non-current assets	m€	3,067.2	3,084.7	-0.6%
Equity	m€	1,997.2	1,965.4	+1.6%
Net debt	m€	762.2	1,175.3	-35.1%
Net debt / EBITDA*	times	3.2	5.2	-38.0%
FFO**/ net debt	times	0.3	0.1	+167.9%
FFO**/ interest cover*	times	8.0	4.2	+89.5%
EBITDA**/ interest cover*	times	7.6	6.6	+14.1%
Leverage	%	27.6	37.4	-9.8pp
ROIC*	%	2.7	1.5	+1.2pp
EBITDA margin	%	24.3	21.9	+2.4pp
Operating profit margin	%	10.2	2.4	+7.8pp

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

** rolling 12 months result*

Operating environment

Eesti Energia operates in the Baltic, Finnish and Polish electricity markets and in the international liquid fuels market. Our business is mainly influenced by oil, electricity and emission allowance prices, competition in the energy and customer markets, regulations that govern the energy sector and the development of new technologies.

Market prices which affect our profitability have largely recovered from the effects of restrictions imposed during the first wave of the COVID-19 pandemic but the measures put in place to contain the third wave spreading in Europe continued to weaken demand for our products and services through Q1.

The following market developments influenced our performance in Q1 2021:

- electricity prices increased by 42% in Poland and by 93%, on average, in our other markets compared to the same period in 2020;
- the average emission allowance price grew by 65% year on year;

the prices of crude oil and fuel oil increased by 21% and 30% year on year, respectively

Electricity prices increased compared to the same period in 2020

Estonia participates in the Nord Pool power exchange where electricity producers that sell their electricity on the power exchange trade with electricity suppliers that buy electricity from the power exchange in order to resell it to final consumers. Electricity prices in Estonia, Latvia, Lithuania, and Poland have the strongest effect on our performance because we both produce and sell electricity in those countries. In Q1 2021, we also sold electricity in Finland.

Average electricity price (€/MWh)	Q1 2021	Q1 2020	Change
Estonia	51.8	27.6	87.6%
Latvia	51.8	27.6	87.7%
Lithuania	53.5	27.5	94.2%
Poland	58.0	40.9	41.8%
Finland	48.6	24.0	102.8%
Norway	41.4	15.3	171.1%
Denmark	49.0	21.2	130.9%
Sweden	42.5	17.5	142.4%

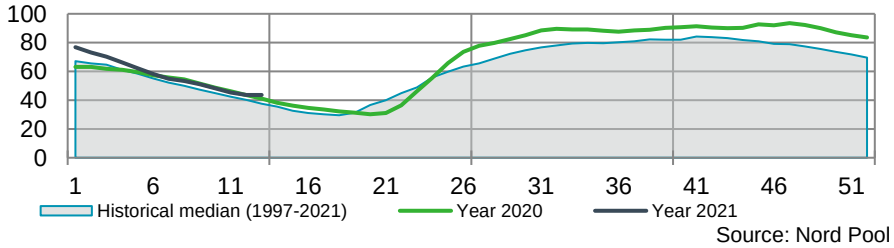
In 2020, electricity prices dropped sharply because the restrictions imposed to contain the first wave of the COVID-19 pandemic substantially lowered electricity consumption. In Q1 2021, demand for energy and electricity continued to be held back by the containment measures of the third wave that is spreading in Europe.

The volatility of the electricity price in Estonia has been increasing due to the decrease in the output of oil shale-based electricity. In Q1 2021, the average daily electricity price was the highest on 11 February, when it was 99.7 €/MWh (the cold spell drove demand to record heights and in the peak hour the price reached 238.7 €/MWh) and the lowest on 21 March, when it was 18.4 €/MWh. In Q1 2020, the highest and lowest average daily electricity price were 44.1 €/MWh and 8.1 €/MWh, respectively.

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 our markets, such as the levels of Norwegian hydro reservoirs and wind conditions in the region.

Weekly levels of Nordic water reservoirs, % of maximum



Source: Nord Pool

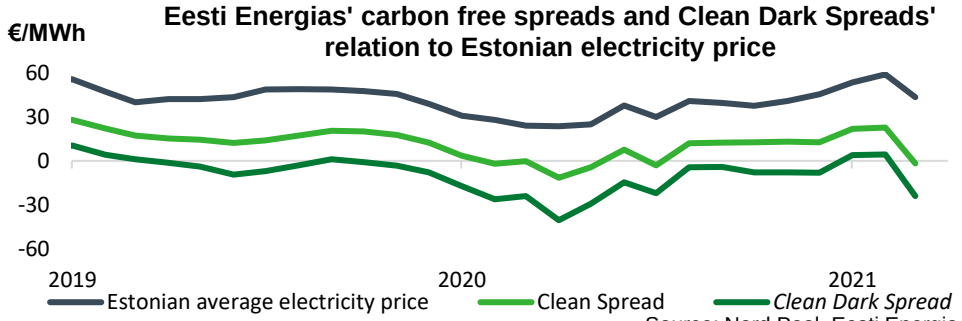
Interconnectors supply the Baltic countries with Nordic hydropower, which is cheaper than other types of electricity. By the end of Q1 2021, the Nordic hydro resources, which dominated the market in 2020 by increasing the output of hydropower, had reached a level close to their historical median. The Q1 average level of the Nordic hydro reservoirs was 57.5% of the maximum, which is 3 percentage points higher than in Q1 2020. The volume of snow and soil accumulated in the reservoirs this winter is 30 TWh lower than last year. Thus, the output of hydropower is expected to decrease in 2021 compared to 2020.

A key indicator in energy production is the clean dark spread (CDS), which reflects an electricity producer's profit margin which remains after fuel and CO_2 emission allowance costs have been deducted from the average market price of electricity. The clean spread reflects the sales margin that remains when CO_2 emission allowance costs have been deducted from the average market price of electricity.

Eesti Energia's clean spread was 15.1 €/MWh in Q1 2021 (+14.6 €/MWh compared to Q1 2020). The increase in the clean spread is mainly attributable to growth in the electricity price in Estonia (+24.2 €/MWh compared to Q1 2020). The CO_2 emission allowance component grew by 9.6 €/MWh compared to Q1 2020.

Eesti Energia's CDS was -3.8 €/MWh in Q1 2021 (+18.7 €/MWh compared to Q1 2020). The oil shale cost component in CDS decreased by 4.1 €/MWh compared to Q1 2020. The combined effect of the change in the CO_2 emission allowance and oil shale cost components was +5.5 €/MWh.

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



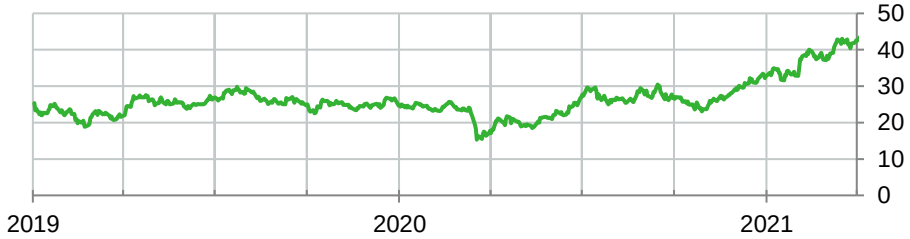
Source: Nord Pool, Eesti Energia

CO_2 emission allowance prices grew

The purpose of the EU Emissions Trading System is to reduce greenhouse gas emissions in Europe by motivating energy producers to use less polluting raw materials and invest in more efficient production technologies. A high CO_2 emission allowance price in combination with a low gas price has created a situation in Europe where the cost price of electricity produced from gas is lower than the cost price of electricity produced from oil shale or coal.

The higher the price of CO_2 emission allowances, the higher the cost of producing electricity from oil shale. The price of CO_2 emission allowances has a strong impact on the cost of electricity produced by the direct burning of oil shale, particularly at our older production facilities whose carbon intensity is higher. At the same time, a higher CO_2 emission allowance price increases the competitiveness of our renewable energy production units.

Prices of CO_2 emission allowances, €/t



Source: Intercontinental Exchange

CO_2 emission allowance prices soared to record heights in Q1 2021: the average price of CO_2 emission allowances was 37.6 €/t, 65% higher than a year earlier (+14.8 €/t). The CO_2 allowance price moved from 33.7 €/t at the beginning of January to 42.6 €/t at the end of the quarter.

The rise is mainly attributable to the fact that this year it is not possible to redeem last year's emissions with allowances allocated this year. Companies that have not purchased the allowances they need in advance have to purchase them by the end of April.

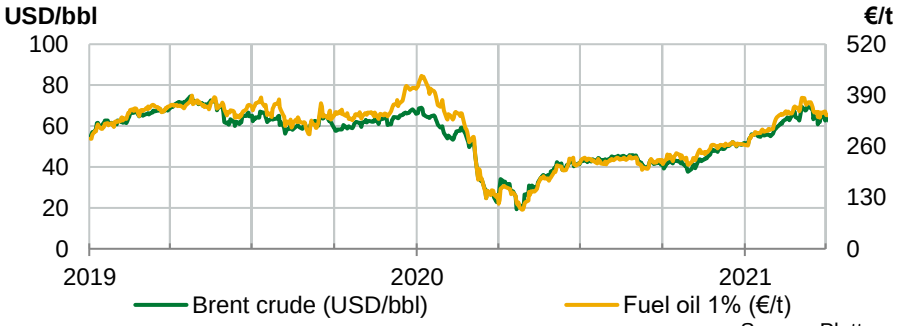
Traders in the CO_2 emission allowances market include not only producers (CO_2 emitters) but also an increasing number of speculators whose behaviour is strongly influenced by public opinion of developments in the European environmental policy.

Even through last year greenhouse gas emissions decreased due to COVID-19 by nearly 14%, high speculative interest does not let the emission allowance prices drop.

Crude oil and fuel oil prices increased 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. A rise in the prices of crude oil and fuel oil is positive for Eesti Energia because it raises the price of our shale oil and thus increases our revenue.

Liquid fuels prices



Source: Platts

The average price of Brent crude oil was 61.3 USD/bbl in Q1 2021, which is 21% (+10.4 USD/bbl) higher than in Q1 2020. The price rose from 55.3 USD/bbl in January to 62.2 USD/bbl in February and 65.7 USD/bbl in March.

In Q1 2020, the prices decreased sharply due to the oil price war between Saudi Arabia and Russia and the economic impacts of COVID-19. By Q1 2021, however, the prices of oil products had recovered to their pre-decline levels thanks to a production restriction agreement reached by OPEC+.

The prices of oil products and fuel oil trended similarly in Q1. The period's average price of fuel oil with 1% sulphur content was 331.9 €/t, which is 10% (+30.1 €/t) higher than in Q1 2020.

Average price		Q1 2021	Q1 2020	Q1 2019
Brent crude oil	USD/bbl	61.3	50.8	63.8
Fuel oil 1%	€/t	331.9	301.8	335.8
Euro exchange rate	EUR/USD	1.2	1.1	1.1

Key events and highlights of Q1

Customer services

We sold customers long-term wind energy contracts of nearly 2 TWh

Companies wishing to reduce their environmental footprint are actively seeking solutions across the Baltic region that would enable them to both consume renewable energy and lower their electricity costs. We support green transition by offering customers, among other options, an innovative solution: a long-term wind energy contract.

Long-term wind energy purchase contracts allow customers to buy renewable energy and to fix the electricity price for an extended period on favourable terms. We have signed nearly a hundred contracts with large and medium-sized companies in the Baltic region. Businesses that have opted for a long-term partnership with us include Telia Eesti, Levira, Eesti Pagar, Dagöplast and Jalax. Renewable energy sold across the Baltics under the new contracts amounts to nearly 2 TWh already, being comparable to the annual electricity consumption of half a million Estonian households. The minimum term of a long-term contract is five years and electricity supply under the new contracts will begin in 2023.

Renewable energy

We acquired the wind energy company Raunistal

We consistently seek opportunities to increase the output and supply of environmentally sustainable wind power. At the beginning of March, we finalised a transaction by which our renewable energy company Enefit Green acquired the wind energy company Raunistal and is going to complete the construction of the Purtse wind farm in Ida-Viru county.

The Purtse wind farm will have five wind turbines which will start producing electricity in 2023. The combined capacity of the turbines will extend to nearly 20 MW and the wind farm will produce around 40 GWh of electricity per year. We are soon going to announce the procurement of the wind turbines and will continue with the construction of the wind farm at the end of this year.

Large-scale energy production

We helped meet high demand for electricity during cold winter weather

Enefit Power operated at full capacity during a cold spell at the beginning of the year in order to help meet a major surge in demand. Our thermal power plants near Narva were working at a capacity exceeding 1,000 MW at the time. The plants have not had such a high load for nearly two years. Enefit Power did not cover total electricity consumption in Estonia but mitigated the upsurge in electricity prices during the period of high demand. When the outdoor temperature is below zero, daytime electricity consumption in Estonia is around 1,400 MW, of which nearly 1,050 MW was covered by our controllable production capacities. It should also be noted that around one eighth of the electricity produced by Enefit Power in Q1 was renewable energy generated from biomass.

Network services

In the first three months of this year, we made connecting to the Enefit high-speed internet network available to a record 8,240 addresses

In Q1, connecting to the Enefit high-speed internet network was made available to a record number of addresses: 8,240 households across Harju, Hiiu, Lääne-Viru, Pärnu, Rapla, Tartu and Võru counties of which nearly 2,000 have signed a contract with us. The network is now available to more than 25,000 households all over Estonia. The Group's subsidiary Enefit Connect, which is developing the high-speed internet network in all corners of Estonia, is planning to increase the number of addresses able to connect to nearly 36,000 by the year-end.

We are going to acquire Imatra Elekter

In the first half of March, we completed negotiations with the Finnish energy group Imatran Seudun Sähkö regarding a transaction by which our distribution network operator Elektrilevi is going to acquire Imatra Elekter, which provides energy services to 25,000 customers in Western Estonia and Viimsi.

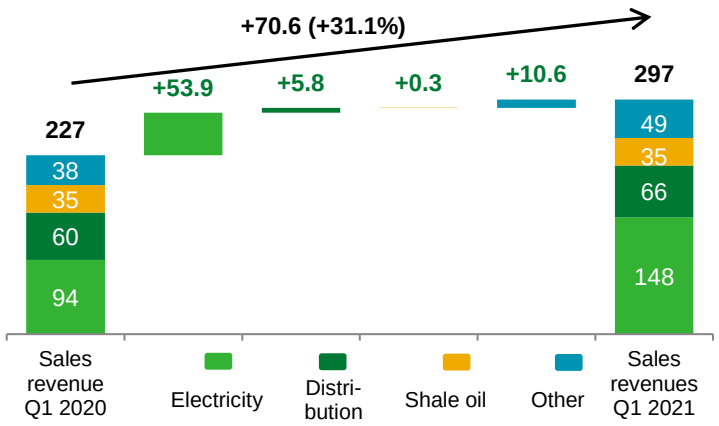
The acquisition of both the distribution and the electricity business requires the approval of the Estonian Competition Authority. If the permission for concentration is obtained, Elektrilevi's share of the overall electricity distribution market in Estonia will increase to 95%. The merger of the two entities and full integration of their systems will take two years, after which the price of the distribution service will equalise. The customers of Imatra Elekter are currently paying around 12% more, on average, in distribution network charges than the customers of Elektrilevi.

Financial results

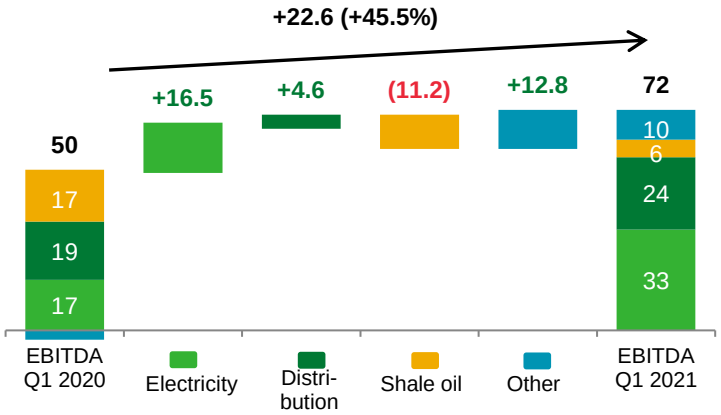
Revenue and EBITDA

Eesti Energia generated revenue of 297.3 million euros in Q1 2021. Revenue grew by 31.1% (+70.6 million euros) year on year.

Group's sales revenue breakdown and change, m€



Group's EBITDA breakdown and change, m€



EBITDA amounted to 72.4 million euros, an increase of 45.5% (+22.7 million euros) year on year. Net profit for the period was 26.5 million euros (+28.5 million euros).

Revenue grew across all product segments. All main product groups also showed year on year growth in sales volume. Revenue growth was driven by electricity sales revenue, which was supported by a larger sales volume, considerably higher sales prices and gains on derivative transactions. The rise in electricity distribution revenue is attributable to a larger sales volume. Shale oil sales revenue grew but the positive effects of a higher sales price and a larger sales volume were offset by a loss on derivative transactions. Revenue from the sale of other products and services grew mainly through larger revenue from the sale of natural gas.

Electricity EBITDA increased and shale oil EBITDA decreased primarily due to the outcomes of derivative transactions. Electricity distribution EBITDA improved, supported by a larger sales volume and lower fixed costs. EBITDA on other products and services grew year on year through higher EBITDA on heat and 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 Q1 2021.

Electricity revenue

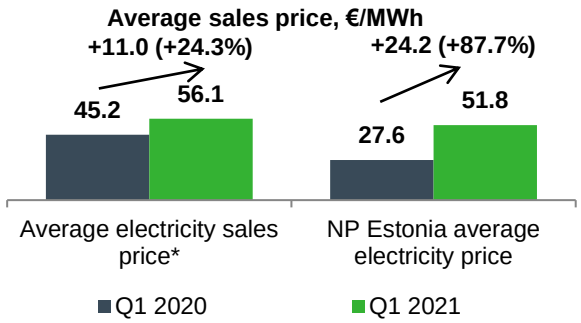
The sales price and sales volume of electricity increased compared with Q1 2020. As a result, electricity sales revenue grew by 57.2% to 148.0 million euros (+53.9 million euros).

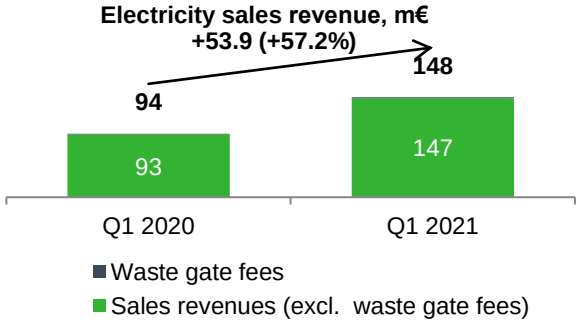
Average sales price of electricity

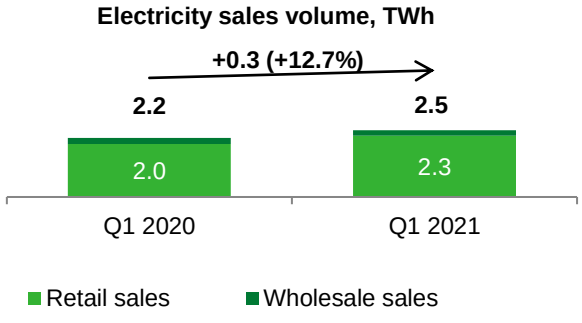
The Group's average sales price of electricity was 56.1 €/MWh in Q1 2021, which was 24.3% (+11.0 €/MWh) higher than in Q1 2020.

The average sales price excludes the impact of derivative transactions. The period's average sales price including the impact of derivatives was 58.4 €/MWh, which was 40.0% (+16.7 €/MWh) higher than in Q1 2020.

Derivative transactions yielded a gain of 5.6 million euros in Q1 2021 compared with a loss of 7.7 million euros in Q1 2020.







* 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 2,519 GWh of electricity in Q1 2021, which was 284 GWh (+12.7%) more than in the same period last year.

Compared with Q1 2020, wholesale sales declined by 38 GWh (-15.9%) to 199 GWh while retail sales grew by 322 GWh (+16.1%) to 2,320 GWh. Retail sales broke down between markets as follows: Estonia 1,234 GWh (+80 GWh), Latvia 300 GWh (+43 GWh), Lithuania 485 GWh (+112 GWh), Poland 286 GWh (+99 GWh) and Finland 14 GWh (+6 GWh).

In terms of customers' electricity consumption volumes, Eesti Energia's market share in Estonia was 57% in Q1 2021, 1 percentage point smaller than a year earlier. Our market shares in Latvia and Lithuania were 15.5% and 14.6%, respectively.

Electricity production volume

We produced 1,279 GWh of electricity in Q1 2021, which was 33.6% (+322 GWh) more than in Q1 2020. Output growth was supported by a higher electricity price (+24.2 €/MWh, +87.6%). The price increased due to cold and windless weather as well as tighter integration of the electricity market with the Central European area via the NordLink interconnector.

Our renewable energy output was 406 GWh (-11.3%, -52 GWh), of which 279 GWh was produced at Enefit Green (-35%, -152 GWh). The largest share of renewable energy was generated by wind farms, which produced 248 GWh of electricity (-38%, -149 GWh). The decline in output is mainly attributable to wind conditions, which were less favourable than a year earlier.

Key figures of the electricity product

		Q1 2021	Q1 2020
Return on fixed assets	%	0.2	0.5
Electricity EBITDA	€/MWh	13.1	7.4

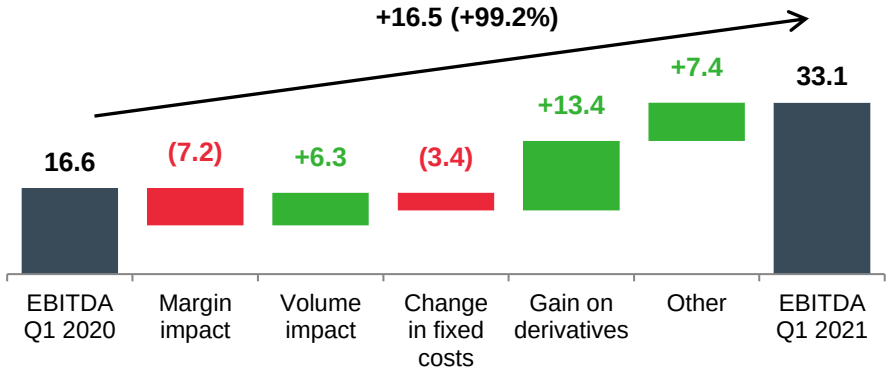
Electricity EBITDA

Electricity EBITDA for Q1 was 33.1 million euros (+99.2%, +16.5 million euros).

The effect of a lower margin on EBITDA development was -7.2 million euros (-2.9 €/MWh). Average electricity sales revenue per megawatt hour (excluding the impact of derivative transactions) grew by 8.3 euros (impact: +20.9 million euros). A rise in average variable costs had an impact of -28.1 million euros.

Growth in electricity sales volume had an impact of +6.3 million euros and derivative transactions had an impact of +13.4 million euros on EBITDA.

Electricity EBITDA development, m€



The impact of a change in fixed costs was -3.4 million euros, the figure including the effects of higher fixed costs in customer services of -1.2 million euros and a change in inventories of -1.8 million euros.

Other impacts of +7.4 million euros resulted from 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 Q1 2021, electricity distribution revenue grew by 9.7% year on year, rising to 65.6 million euros (+5.8 million euros), and sales volume increased by 9.5% year on year, rising to 2,092 GWh (+181 GWh).

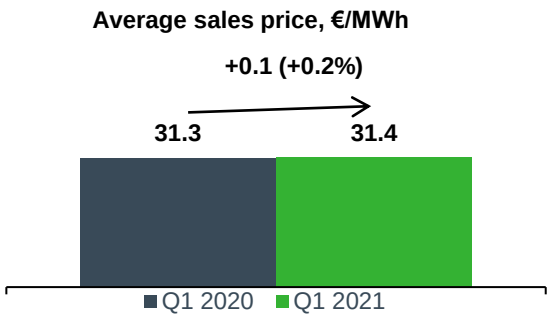
The average price of the distribution service was 31.4 €/MWh, which was 0.1 €/MWh higher than in Q1 2020.

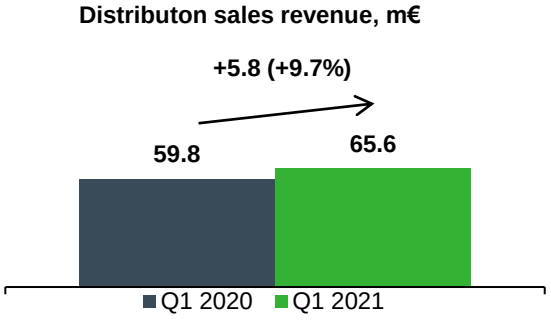
Distribution losses

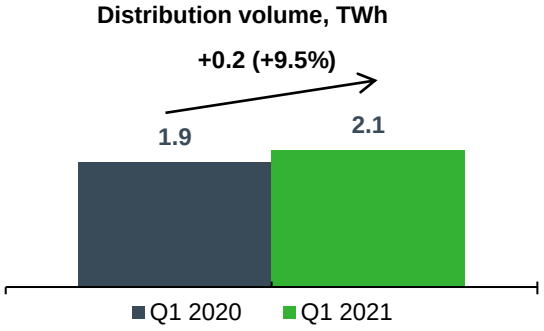
The period's electricity distribution losses totalled 78.4 GWh, accounting for 3.53% of electricity entering the network (Q1 2020: 79.4 GWh and 3.9%).

Supply interruptions

The average duration of unplanned interruptions was 30.1 minutes in Q1 2021 (Q1 2020: 27.1 minutes), The figure increased year on year due to worse weather conditions.







The average duration of planned supply interruptions was 14.2 minutes (Q1 2020: 20.8 minutes). The duration of planned interruptions depends on the volume of planned network maintenance and renewal.

Key figures of the distribution product

		Q1 2021	Q1 2020
Return on fixed assets	%	4,3	3,3
Distribution losses	GWh	78,4	79,4
SAIFI	index	0,45	0,42
SAIDI (unplanned)	index	30,72	27,09
SAIDI (planned)	index	14,20	20,76
Adjusted RAB	m€	820	808

Power outages can be reduced by replacing bare conductors with weatherproof cables. At the end of Q1 2021, 92.2% of our low-voltage distribution network and 41.0% of our medium-voltage distribution network was weatherproof.

Distribution EBITDA

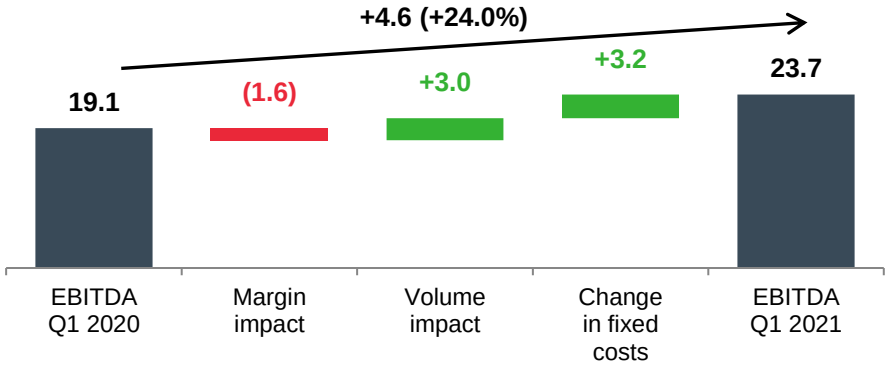
Distribution EBITDA for Q1 2021 was 23.7 million euros (+24.0%, +4.6 million euros). EBITDA growth was underpinned by growth in sales volume and a decrease in fixed costs.

Distribution sales volume grew by 10%, with an impact of +3.0 million euros on distribution EBITDA.

Fixed costs from the distribution service decreased year on year by 3.2 million euros, mainly due to lower repair and maintenance costs.

The margin of the distribution service decreased in Q1 2021 (impact: -1.6 million euros) due to growth in the costs of electricity purchased to cover 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.

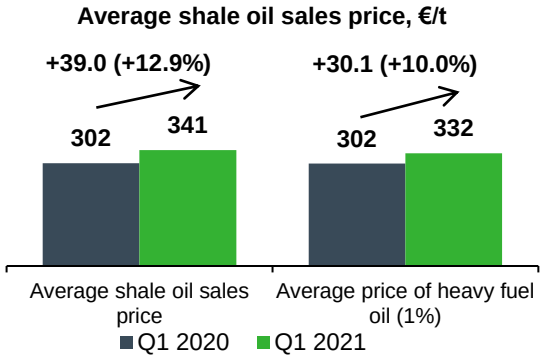
Shale oil revenue and sales volume

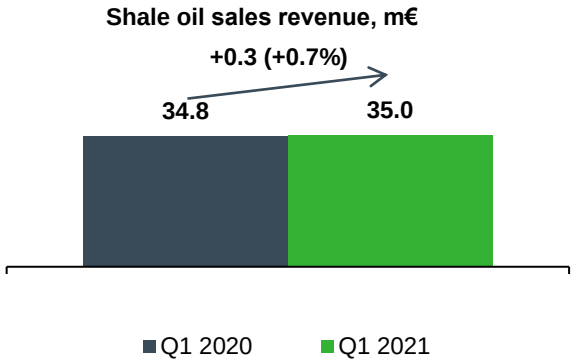
We sold 112.0 thousand tonnes of shale oil in Q1 2021, which generated revenue of 35.0 million euros. Shale oil revenue increased by 0.7% (+0.3 million euros) and shale oil sales volume grew by 10.9% (+11.0 thousand tonnes) compared with a year earlier.

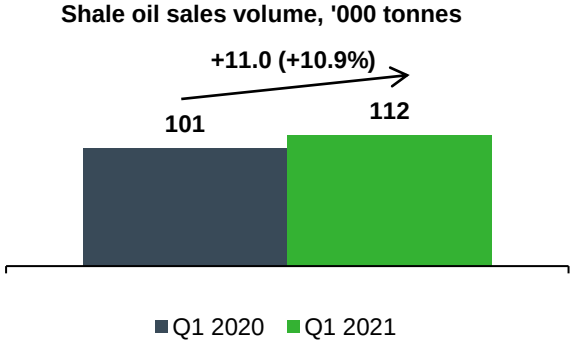
Shale oil revenue grew year on year due to a larger sales volume and higher market prices of liquid fuels.

Shale oil price

In Q1 2021, the average sales price of shale oil (excluding the impact of derivative transactions) increased by 12.9% year on year, rising to 341.4 €/t (+39.0 €/t).







Derivative transactions of the period generated a loss of 28.6 €/t. The Q1 average sales price of shale oil including the impact of derivative transactions was 312.7 €/t (-9.2%, -31.6 €/t compared to Q1 2020).

Shale oil production volume

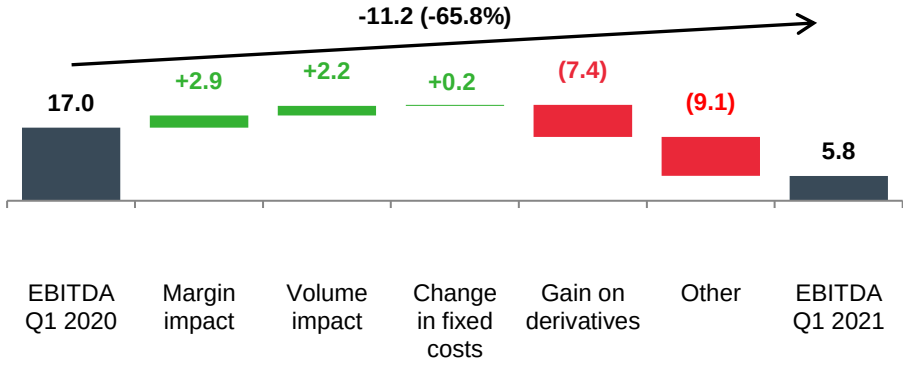
We produced 125.2 thousand tonnes of shale oil in Q1 2021, which is 2.4% (+2.9 thousand tonnes) more than in Q1 2020. The rise in output is attributable to higher availability of the E280 oil plant and the fuel used by the E140 oil plant – E140 is testing the use of oil shale with a higher calorific value.

Key figures of the shale oil product

		Q1 2021	Q1 2020
Return on fixed assets	%	7.4	10.5
Shale oil EBITDA	€/t	52.0	168.6

Shale oil EBITDA

Shale Oil EBITDA development, m€



The impact of a higher margin on EBITDA development was +2.9 million euros (+25.7 €/t). The main contributor to margin growth was a rise in the average sales price (+39.0 €/t).

Shale oil sales volume grew by 11.0 thousand tonnes (+10.9%) year on year, rising to 112.0 thousand tonnes. The impact on shale oil EBITDA was +2.2 million euros.

The fixed costs of the shale oil segment remained at the same level as in Q1 2020 (impact: +0.2 million euros). The outcome of derivative transactions had an impact of -7.4 million euros. Other impacts of -9.1 million euros were mainly attributable to changes in the value of derivative financial instruments.

Other products and services

The segment of other products and services comprises the sale of heat, natural gas and industrial equipment. The effect of non-recurring transactions is also reported within this segment.

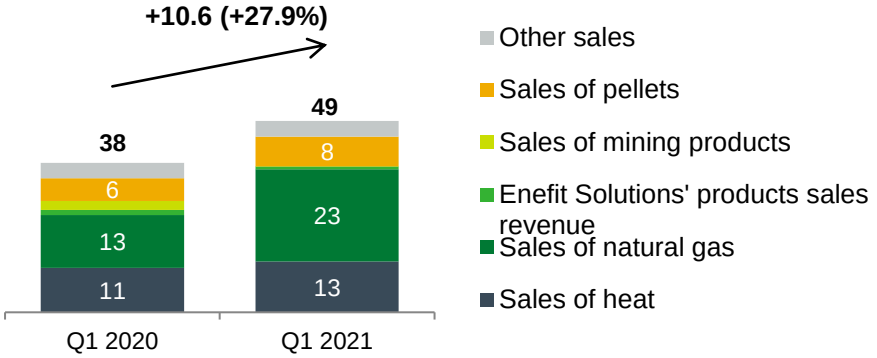
Revenue from the sale of other products and services

Revenue from the sale of other products and services totalled 48.7 million euros in Q1 2021, growing by 27.9% (+10.6 million euros) year on year.

Revenue from the sale of heat grew by 1.6 million euros through a larger sales volume. External heat sales grew by 28.5 GWh (+8.7%).

Revenue from the sale of natural gas grew by 10.0 million euros and revenue from the sale of pellets improved by 1.7 million euros. Revenue from the sale of mining products decreased by 2.2 million euros.

Sales revenue from other products and services, m€

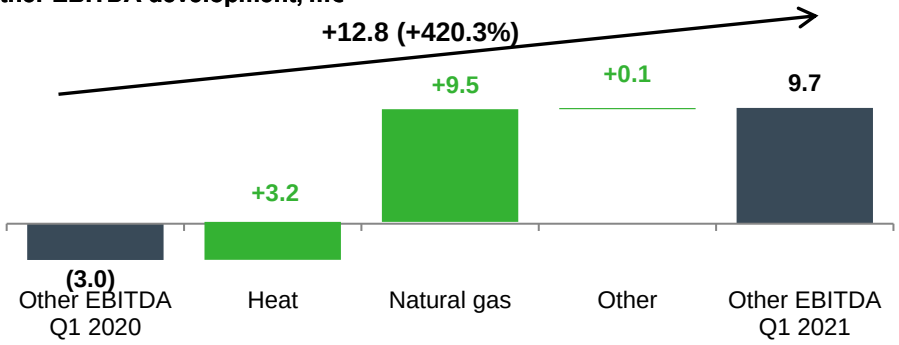


EBITDA on other products and services

In Q1 2021, EBITDA on other products and services grew by 12.8 million euros year on year, rising to 9.7 million euros.

Heat EBITDA increased by 3.2 million euros. Its improvement was supported by a higher revenue and significantly lower fuel costs. Natural gas EBITDA grew by 9.5 million euros through growth in sales volume and the positive impact of derivative transactions. Other impacts on EBITDA totalled +0.1 million euros.

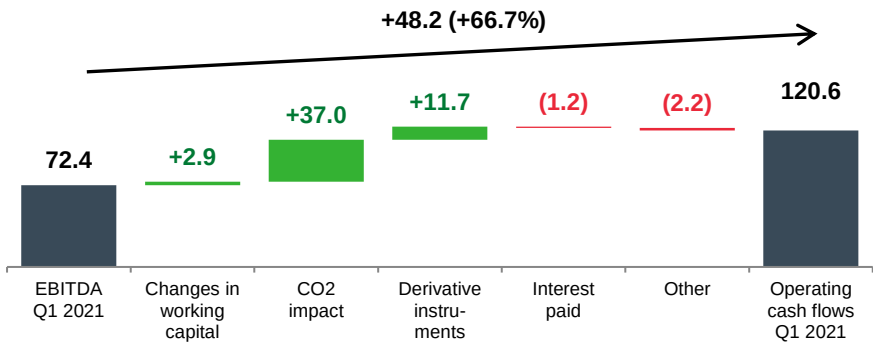
Other EBITDA development, m€



Cash flows

Net operating cash flow for Q1 2021 was 120.6 million euros, 48.2 million euros (+66.7%) larger than EBITDA, which amounted to 72.4 million euros.

EBITDA to operating cash flows development, m€



Changes in working capital increased net operating cash flow by 2.9 million euros compared to EBITDA. The impact of an increase in current liabilities was +2.2 million euros, the impact of a decrease in inventories was +8.6 million euros, the impact of an increase in current receivables was -2.9 million euros and the impact of other movements in working capital was -5.0 million euros.

Settlements related to CO_2 emission allowances increased operating cash flow by 37.0 million euros relative to EBITDA.

The impact of derivative financial instruments (excluding CO_2 instruments) was +11.7 million euros. The figure includes the impacts of electricity derivatives of -1.7 million euros, shale oil derivatives of +13.2 million euros, natural gas derivatives of +0.3 million euros, and other derivatives of -0.1 million euros. The impacts of derivative financial instruments comprise both monetary and non-monetary impacts on EBITDA and operating cash flow.

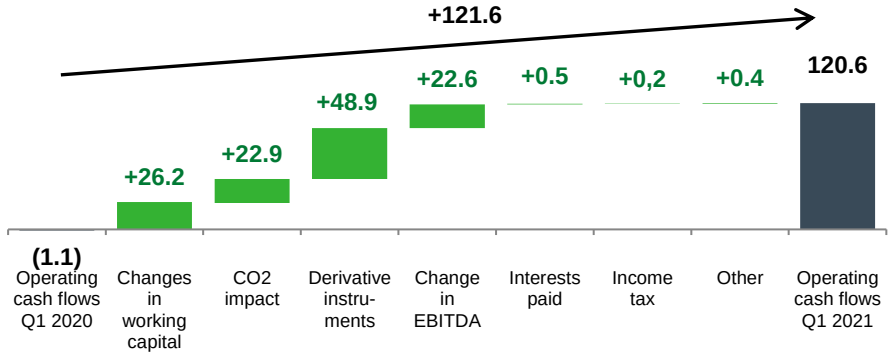
Interest paid on borrowings reduced operating cash flow by 1.2 million euros.

Income tax paid by the Group remained at the same level as in the prior year.

Other impacts totalled -2.2 million euros, including the impacts of the recognition of connection fees of -2.5 million euros.

Net operating cash flow grew by 121.6 million euros compared to Q1 2020.

Operating cash flow changes, m€



Changes in working capital had an impact of +26.2 million euros compared to Q1 2020. The figure includes the impacts of a change in current receivables of -12.9 million euros, a change in inventories of +16.3 million euros, a change in current liabilities of +11.5 million euros and a change in other items of working capital of +11.3 million euros.

Settlements related to CO_2 emission allowances increased operating cash flow compared to Q1 2020 by 22.9 million euros.

The impact of derivative financial instruments (excluding CO_2 instruments) was +48.9 million euros. The figure includes the impacts of electricity derivatives of +55.7 million euros, shale oil derivatives of -2.1 million euros, natural gas derivatives of -4.6 million euros and other derivatives of -0.1 million euros.

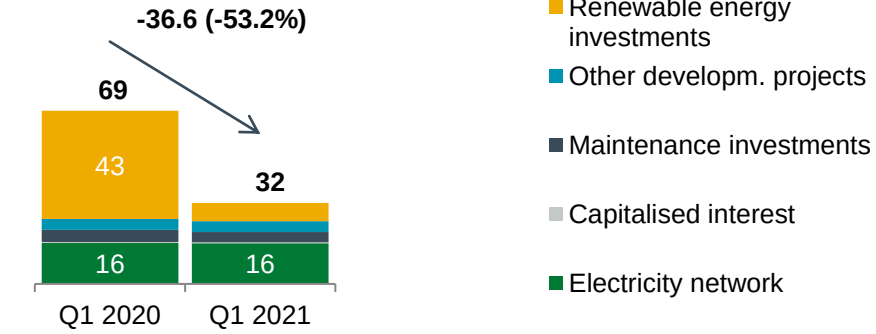
Interest paid on borrowings in Q1 2021 was 0.5 million euros larger than in Q1 2020.

In Q1 2021, the Group paid 0.2 million euros less income tax than in the comparative period.

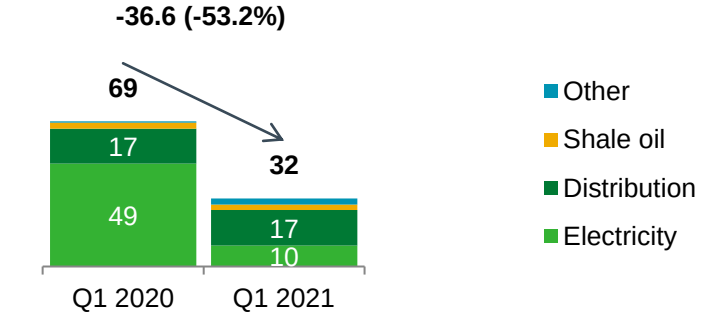
Investment

We invested 32.1 million euros in Q1 2021, 53.2% less than a year earlier (-36.6 million euros). Expenditure on the distribution network amounted to 16.1 million euros (-0.6%, -0.1 million euros) and expenditure on the improvement of existing assets (excluding the distribution network) totalled 3.9 million euros (-34.9%, -2.1 million euros).

Capex breakdown by projects, m€



Investment breakdown by products, m€



Increasing the share of renewable energy

We invested 6.6 million euros in the acquisition of the Purtse wind farm in order to increase our renewable energy production volumes. We will install five wind turbines in the Purtse wind farm that will start producing electricity in 2023. The combined capacity of the turbines will be nearly 20 MW and the wind farm will produce around 40 GWh of electricity per year.

Increasing the efficiency of large-scale energy production

We invested 1.4 million euros in increasing the capacity of the Auvere power plant to use retort gas. After the implementation of the project, oil shale gas will account for up to 35% of the primary energy used by the plant, which will allow increasing its operating efficiency and optimising oil and electricity production.

Additionally, we invested 0.9 million euros in installing a start-up burner on a boiler of the Eesti power plant, which allows starting up the boiler from standstill, that is in a situation where the production units have stopped operating. The investment will further improve the flexibility of energy production.

Improving the quality of the distribution service

Investments made in Q1 2021 to maintain and continuously improve the quality of the electricity distribution service totalled 16.1 million euros (Q1 2020: 16.2 million euros). We built 24 substations and 122 km of network (Q1 2020: 39 substations and 205 km of network).

By the end of Q1, 92.2% of Elektrilevi's low-voltage distribution network was weatherproof (by the end of Q1 2020: 90.4%). Within a year, the weatherproof low-voltage overhead network grew by 637 km and the bare conductor network decreased by 599 km. At the end of Q1, 70.3% of the total low- and medium-voltage distribution network was weatherproof (at the end of Q1 2020: 68.7%).

Financing

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

At the end of Q1 2021, the Group's borrowings totalled 1,011 million euros at nominal value and 987 million euros at amortised cost (at the end of 2020: 1,040 million euros at nominal value and 1,014 million euros at amortised cost).

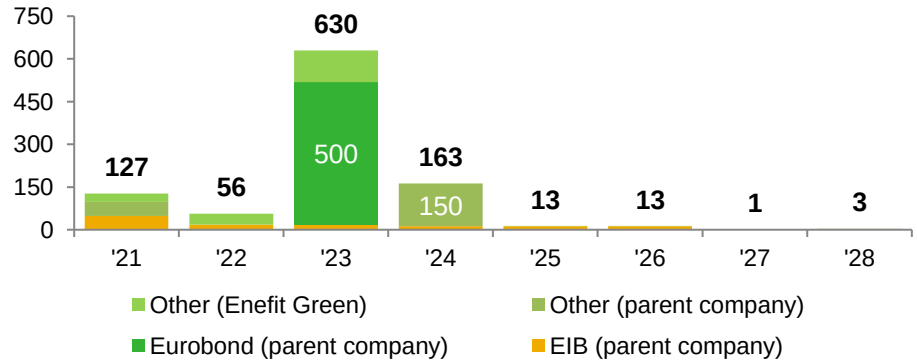
Long-term borrowings as at the reporting date consisted of Eurobonds listed on the London Stock Exchange of 500 million euros, loans from EIB of 121 million euros, a loan from EBRD of 8 million euros (38 million Polish zloty), loans from commercial banks of 376 million euros (including revolving liquidity loans of 50 million euros), long-term lease liabilities for right-of-use assets of 2.2 million euros and other long-term liabilities of 3.0 million euros (all nominal amounts). The Group's loans consisted of loans of 185 million euros taken by Enefit Green (the figure includes the above loan from EBRD) and loans of 200 million euros taken by the parent of the Group from commercial banks. The latter amount comprised a revolving liquidity loan of 50 million euros that had a flexible settlement schedule and a loan of 150 million euros maturing in June 2021, both received from Swedbank. In Q1, we made contractual repayments of Enefit Green's bank loans of 9.3 million euros and settled revolving liquidity loan liabilities of 20 million euros. We also refinanced the 150 million euro loan from Swedbank, extending its maturity date to June 2024.

The Group's liquid assets as at the end of Q1 2021 totalled 225.0 million euros.

At the reporting date, Eesti Energia had undrawn loans of 540 million euros, the figure consisting of revolving liquidity loans of 295 million euros (200 million euros from OP Corporate Bank, 75 million euros from SEB and 20 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. Revolving liquidity loans mature as follows: 120 million euros in September 2023 (70 million euros not in use), 25 million euros in May 2025 (25 million euros not in use) and 200 million euros in September 2025 (200 million euros not in use).

At the end of Q1 2021, the weighted average interest rate of Eesti Energia's borrowings was 1.70% (at the end of 2020: 1.88%).

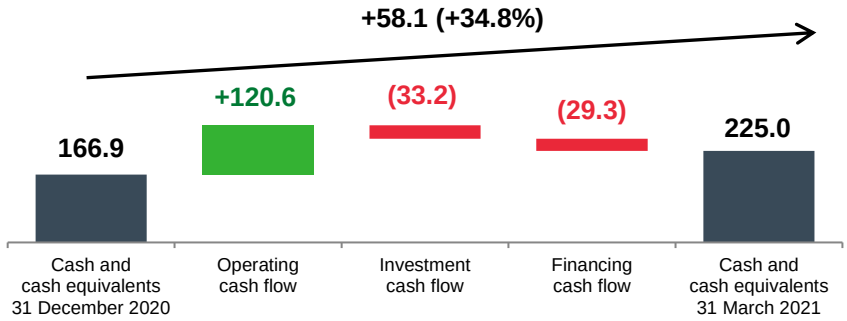
Debt maturity, m€



At the reporting date, the Group had borrowings of 621 million euros with fixed interest rates and borrowings of 385 million euros with floating interest rates (at the end of 2020: borrowings of 621 million euros with fixed interest rates and borrowings of 414 million euros with floating interest rates). Out of total

borrowings, 99% were denominated in euros. One loan liability of 8 million euros (the loan from EBRD) was denominated in Polish zloty.

Liquidity development in 2021, m €

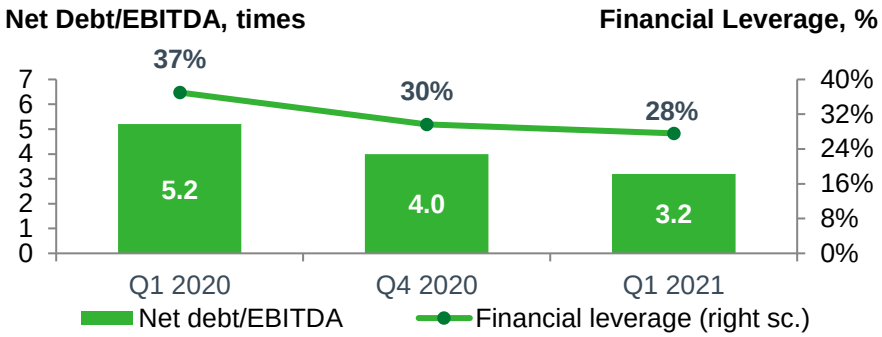


At the end of Q1 2021, the Group's net debt amounted to 762.2 million euros (at the end of 2020: 847.5 million euros) and net debt to EBITDA ratio was 3.2 (at the end of 2020: 4.0).

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.

Eesti Energia's credit ratings as at the end of Q1 2021 were BBB- (Standard and Poor's, outlook 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

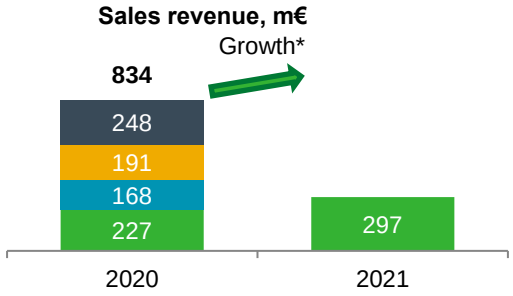


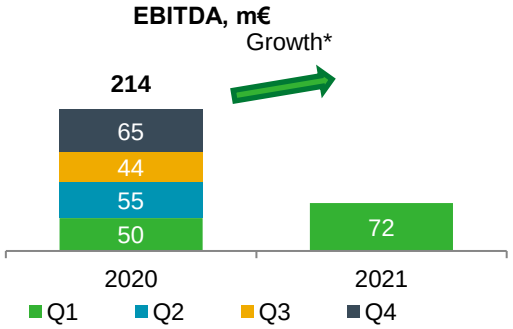
Outlook for 2021

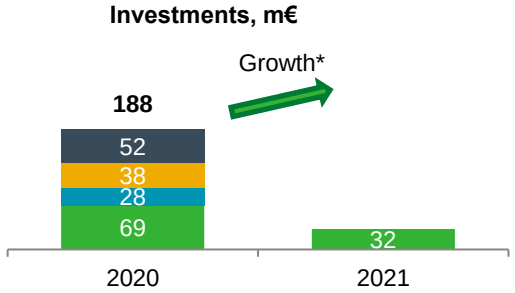
According to our projections, in 2021 economic growth will gradually revive, electricity and electricity distribution sales volumes will recover from the impacts of COVID-19 and the world market prices of energy will also recover. We thus forecast that our revenue, EBITDA and investments will increase compared to 2020.

Electricity sales revenue and EBITDA are expected to be supported by growth in electricity sales volumes and a rise in the average sales price of electricity. However, the positive effect of growth in electricity prices is expected to be weakened by a continuing rise in CO_2 emission allowance prices, resulting from the more ambitious EU climate goals for 2030. We also forecast growth in electricity distribution revenue. Distribution revenue and EBITDA should be supported by the recovery of the distribution sales volume to the pre-COVID-19 level. We expect that shale oil revenue and EBITDA will remain at the same level as in 2020. We expect revenue growth to be supported by the supply of new ancillary services. Our main ancillary services include charging, lighting, solar and flexibility services as well as services related to heating and cooling equipment.

We are planning to increase our investments compared to 2020. The largest development investments will be made in the construction of a new oil plant and the development of the renewable energy portfolio.







* 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 0.1 TWh at an average price of 49.1 €/MWh for 2021. We have signed forward contracts on the retail sale of electricity of 1.2 TWh at an average price of 31.6 €/MWh for 2021 and of 1.8 TWh at an average price of 33.6 €/MWh for 2022.

We have signed hedging contracts on the production shale oil of 262.2 thousand tonnes at an average price of 298.5 €/t for 2021 and of 292.9 thousand tonnes at an average price of 271.7 €/t for 2022. Our CO_2 emission allowance position for 2021 is 2.7 million tonnes at an average price of 23.1 €/t and 0.1 million tonnes at an average price of 31.7 €/t for 2022.

Condensed consolidated interim income statement and statement of comprehensive income

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

in million EUR	Note	Q1 2021	Q1 2020	12m 2021/20	12m 2020/19
Revenue	3	297.3	226.8	904.2	881.1
Other operating income	4	19.7	14.8	111.8	93.5
Government grants		0.2	0.2	0.1	0.8
Change in inventories of finished goods and work-in-progress		(3.5)	8.5	(7.3)	12.9
Raw materials and consumables used		(190.8)	(144.2)	(585.1)	(546.4)
Payroll expenses		(33.8)	(36.4)	(134.1)	(149.5)
Depreciation, amortisation and impairment		(41.9)	(44.3)	(159.0)	(183.3)
Other operating expenses		(16.8)	(19.9)	(54.3)	(66.6)
OPERATING PROFIT		**30.4**	**5.5**	**77.2**	**42.5**
Financial income		0.2	0.2	0.4	0.2
Financial expenses		(5.1)	(7.9)	(31.6)	(33.2)
Net financial income (expense)		**(4.9)**	**(7.7)**	**(31.2)**	**(33.0)**
Profit from associates using equity method		0.1	0.1	2.6	(0.3)
PROFIT BEFORE TAX		**26.4**	**(2.2)**	**48.6**	**9.2**
CORPORATE INCOME TAX EXPENSE		**0.0**	**0.0**	**(0.8)**	**2.5**
PROFIT FOR THE PERIOD		**26.5**	**(2.2)**	**47.8**	**11.7**
Equity holder of the Parent Company		**26.6**	**(2.2)**	**48.1**	**10.9**
Non-controlling interest		**(0.1)**	**0.2**	**(0.3)**	**0.8**
Basic earnings per share (euros)	9	0.04	(0.0)	0.06	0.02
Diluted earnings per share (euros)	9	0.04	(0.0)	0.06	0.02

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Note	Q1 2021	Q1 2020	12m 2020/19	12m 2019/18
PROFIT FOR THE PERIOD		**26.5**	**(2.0)**	**47.8**	**11.7**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Revaluation of hedging instruments		(38.1)	(33.4)	(12.9)	(35.2)
Currency translation differences attributable to foreign subsidiaries		0.5	0.5	(3.0)	2.2
Other comprehensive income for the period		**(37.6)**	**(32.9)**	**(15.9)**	**(33.0)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(11.1)**	**(34.9)**	**31.9**	**(21.3)**
Equity holder of the Parent Company		**(11.0)**	**(35.1)**	**32.2**	**(22.1)**
Non-controlling interest		**(0.1)**	**0.2**	**(0.3)**	**0.8**

Condensed consolidated interim statement of financial position

in million EUR	Note	31.03.2021	31.03.2020	31.12.2020
Non-current assets				
Property, plant and equipment	6	2,912.5	2,936.0	2,922.7
Right-use-of assets		2.2	2.7	2.2
Intangible assets		82.1	70.9	80.8
Deferred tax assets		1.7	1.9	1.2
Investments in associates		46.6	43.2	46.8
Derivative financial instruments	7	20.8	28.1	23.7
Long-term receivables		1.3	2.0	1.3
Total non-current assets		**3,067.2**	**3,084.7**	**3,078.7**
Current assets				
Inventories		108.7	118.7	117.4
Greenhouse gas allowances and certificates of origin		86.4	76.9	85.3
Trade and other receivables		237.8	328.8	206.1
Derivative financial instruments	7	50.3	75.5	31.7
Cash and cash equivalents		225.0	53.4	166.9
Total current assets		**708.2**	**653.3**	**607.4**
Total assets	**3**	**3,775.3**	**3,738.0**	**3,686.1**

in million EUR	Note	31.03.2021	31.03.2020	31.12.2020
EQUITY				
Capital and reserves attributable to equity holder of the Parent Company				
Share capital	8	746.6	621.6	746.6
Unregistered share capital	8	-	125.0	-
Share premium		259.8	259.8	259.8
Statutory reserve capital		62.1	62.1	62.1
Hedge reserve		(3.9)	9.0	34.2
Unrealised exchange rate differences		6.5	9.5	6.0
Retained earnings		925.0	876.9	898.4
Total equity and reserves attributable to equity holder of the Parent Company		**1,996.1**	**1, 964.0**	**2,007.1**
Non-controlling interest		**1.1**	**1.4**	**1.2**
Total equity		**1,997.2**	**1, 965.4**	**2,008.3**
LIABILITIES				
Non-current liabilities				
Borrowings	10	851.5	917.1	708.7
Deferred tax liabilities		12.6	12.1	12.6
Other payables		0.9	0.5	0.3
Derivate financial instruments	7	16.3	2.6	4.4
Contract liabilities and government grants		267.9	239.7	260.3
Provisions	12	56.2	30.1	28.1
Total non-current liabilities		**1,205.4**	**1,202.1**	**1,014.4**
Current liabilities				
Borrowings	10	135.6	311.6	305.7
Trade and other payables		267.7	129.2	235.9
Derivative financial instruments	7	57.7	38.2	10.3
Contract liabilities and government grants		0.7	0.3	1.0
Provisions	12	111.1	91.3	110.5
Total current liabilities		**572.8**	**570.6**	**663.4**
Total liabilities		**1,778.2**	**1,772.7**	**1,677.8**
Total liabilities and equity		**3,775.3**	**3,73.8**	**3,686.1**

Condensed consolidated interim statement of cash flows

in million EUR	Note	Q1 2021	Q1 2020	12m 2021/20	12m 2020/19
Cash flows from operating activities					
Cash generated from operations	11	121.8	0.7	425.8	82.4
Interest and loan fees paid		(1.2)	(1.7)	(24.3)	(25.3)
Interest received		-	-	-	0.2
Corporate income tax paid		-	(0.2)	(0.2)	(13.7)
Net cash generated from operating activities		**120.6**	**(1.1)**	**401.3**	**43.6**
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(43.7)	(78.4)	(138.8)	(185.4)
Proceeds from connection and other fees		8.6	5.9	30.4	23.0
Proceeds from grants of property, plant and equipment		0.1	2.2	1.8	2.1
Proceeds from sale of property, plant and equipment		0.4	0.3	2.1	5.7
Acquisiton of financial investments		-	-	-	0.4
Loans granted		-	(0.1)	-	(0.1)
Repayments of loans granted		-	-	-	0.6
Contribution to the share capital of associates		-	(1.4)	(3.0)	(4.7)
Acquisiton of subsidiaries, net of cash acquired		-	-	-	(13.8)
Dividends received from long-term financial investments		1.5	1.8	2.5	3.7
Proceeds from repurchase of shares and liquidation of associate		-	-	0.7	0.6
Net cash used in investing activities		**(33.2)**	**(69.8)**	**(104.4)**	**(168.0)**
Cash flows from financing activities					
Received long-term loans		-	100.0	131.9	300.0
Redeemed bonds		-	-	(106.3)	-
Repayments of bank loans		(29.3)	(9.3)	(275.4)	(205.1)
Repayments of other loans		-	(1.0)	(0.2)	(1.0)
Repayments of financial leases		(0.1)	(0.1)	(0.3)	(0.3)
Shareholder contribution		-	-	125.0	-
Dividends paid		-	-	-	(57.0)
Net cash used in financing activities		**(29.3)**	**89.7**	**(125.3)**	**36.6**
Net cash flows		**58.1**	**18.8**	**171.6**	**(87.8)**
Cash and cash equivalents at the beginning of the period		166.9	34.6	53.4	141.2
Cash and cash equivalents at the end of the period		225.0	53.4	225.0	53.4
Net increase / (-) decrease in cash and cash equivalents		**58.1**	**18.8**	**171.6**	**(87.8)**

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 31.12.2019	**621.6**	**-**	**259.8**	**62.1**	**-22.2**	**879.1**	**1,800.4**	**1.2**	**1,801.6**
Profit for the period	-	-	-	-	-	-2.2	-2.2	0.2	-2.0
Other comprehensive income for the period	-	-	-	-	40.7	-	40.7	-	40.7
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**40.7**	**(2.2)**	**38.5**	**0.2**	**38.7**
Increase of share capital	-	-	-	-	-	-	125.0	-	125.0
Total transactions with owners of the company, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**125.0**	**-**	**125.0**
Equity as at 31.03.2020	**621.6**	**125.0**	**259.8**	**62.1**	**18.5**	**876.9**	**1,964.0**	**1.4**	**1,965.4**
Equity as at 31.12.2020	**746.6**	**-**	**259.8**	**62.1**	**40.2**	**898.4**	**2,007.1**	**1.2**	**2,008.3**
Profit for the period	-	-	-	-	-	26.6	26.6	(0.1)	26.5
Other comprehensive income for the period	-	-	-	-	(37.6)	-	(37.6)	-	(37.6)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(37.6)**	**26.6**	**(11.0)**	**(0.1)**	**(11.1)**
Total transactions with owners of the company, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity as at 31.03.2021	**746.6**	**-**	**259.8**	**62.1**	**2.6**	**925.0**	**1,996.1**	**1.1**	**1,997.2**

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 2020, 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 2020.

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 2020.

According to the Management Board the interim report prepared for the period 1 January 2021 - 31 March 2021 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 2020. 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 31 March 2021 and 31 December 2020:

31.03.2021

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 7)	1.1	36.2	15.8	53.1
Cash flow hedges (Note 7)	4.3	13.7	-	18.0
Total financial assets	**5.4**	**49.9**	**15.8**	**71.1**
Liabilities				
Trading derivatives (Note 7)	-	45.6	-	45.6
Cash flow hedges (Note 7)	6.8	21.6	-	28.4
Total financial liabilities	**6.8**	**67.2**	**-**	**74.0**

31.12.2020

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 7)	0.6	8.8	10.9	20.3
Cash flow hedges (Note 7)	3.3	31.8	-	35.1
Total financial assets	**3.9**	**40.6**	**10.9**	**55.4**
Liabilities				
Trading derivatives (Note 7)	-	12.9	-	12.9
Cash flow hedges (Note 7)	-	1.8	-	1.8
Total financial liabilities	**-**	**14.7**	**-**	**14.7**

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. The Group's electricity derivatives that are cleared in Nasdaq OMX are classified as Level 1 instruments.

Valuation techniques and inputs used on measurement in level 2

The fair value of financial instruments that are not traded in an active market are 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 Marcetscani 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

The fair value of financial instruments that are not traded in an active market are 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 3 if one or more significant inputs are not based on observable market data. The Group classifies power purchase agreements ("PPA") as level 3 financial instruments. It is concluded that the agreement is in scope of IFRS 9 Financial instruments as the contract can be net settled and not held for own use. The fair values of the level 3 instruments have been estimated using a combination of market prices, mathematical models, and assumptions based on market and other relevant data. The most significant input of the fair value of the PPA is the long-term electricity price. The Group has determined the underlying price for the calculation of fair value based on a long-term price curve for the Lithuanian electricity market. If the estimated prices change +/- 10% the impact to the Group's net profit would be impacted by +/- EUR 10 million.

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	31.03.2021	31.12.2020
Nominal value of bonds	500.0	500.0
Market value of bonds on the basis of quoted sales price	526.8	528.3
Nominal value of bank loans with fixed interest rate	120.8	120.8
Fair value of bank loans with fixed interest rate	123.8	123.7
Nominal value of bank loans with floating interest rate and finance lease liabilities	386.9	416.3
Fair value of bank loans with floating interest rate and finance lease liabilities	386.9	416.3

The bond is denominated in euros and listed on the London Stock Exchange. The fair value of the bond 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 generate external revenues and profit, and built up a methodology of allocating revenues, 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 products and services (including production and sale of heat, construction of power engineering equipment and services, sale of old metal, sale of mining products, sale of gas, sale of other products and services).

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

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

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 revenue obtained in relation to these costs.

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. EBITDA is not a defined performance measure under IFRS. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

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	Q1 2021	Q1 2020
Electricity	148.0	94.2
Distribution	65.6	59.8
Shale oil	35.0	34.8
Other products and services	48.7	38.1
Total	**297.3**	**226.8**

ASSETS

in million EUR	31.03.2021	31.03.2020	31.12.2020
Electricity	1,695.0	1,757.8	1,704.2
Distribution	1,165.5	1,133.5	1,162.6
Shale oil	400.7	363.3	379.4
Other products and services	514.2	483.4	439.9
Total	**3,775.3**	**3,738.0**	**3,686.1**

EBITDA

in million EUR	Q1 2021	Q1 2020
Electricity	33.1	16.6
Distribution	23.7	19.1
Shale oil	5.8	17.0
Other products and services	9.7	(3.0)
Total	**72.4**	**49.7**
Depreciation and amortisation	(41.9)	(44.3)
Net financial income (expense)	-4,9	-7.7
Profit from associates using equity method	1.0	0.1
Profit before tax	**26.4**	**(2.2)**

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	Q1 2021	Q1 2020
Renewable energy grant	7.7	12.6
Gain on greenhouse gas emission allowances sold	1.1	-
Gain on disposal of property, plant and equipment	0.4	-
Gain from revaluation of derivatives	9.2	1.0
Fines, penalties and compensations	0.8	0.8
Other operating income	0.4	0.3
Total other operating income	**19.6**	**14.8**

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 31.12.2020							
Cost	87.7	331.9	1,252.6	3,226.7	5.3	73.9	4,978.1
Accumulated depreciation	-	(125.5)	(526.2)	(1,398.6)	(5.0)	-	(2,055.4)
Net book amount	87.7	206.4	726.4	1,828.1	0.3	73.9	2,922.7
Total property, plant and equipment as at 31.12.2020	**87.7**	**206.4**	**726.4**	**1,828.1**	**0.3**	**73.9**	**2,922.7**
Movements in the reporting period							
Purchases of property, plant and equipment	-	-	-	0.4	-	30.3	30.7
Depreciation charge	-	(1.7)	(7.7)	(31.5)	(0.1)	-	(41.0)
Disposals (at carrying amount)	-	-	-	-	-	-	-
Exchange differences	0.1	-	-	(0.2)	-	-	(0.1)
Transfers	0.2	1.0	10.4	14.1	1.0	(26.6)	0.1
Total movements in Q1 2021 period	**0.3**	**(0.7)**	**2.7**	**(17.2)**	**0.9**	**3.7**	**(10.3)**
Property, plant and equipment as at 31.03.2021							
Cost	88.0	332.9	1,263.0	3,238.2	6.2	77.6	5,005.9
Accumulated depreciation	-	(127.2)	(533.9)	(1,427.3)	(5.0)	-	(2,093.4)
Net book amount	88.0	205.7	729.1	1,810.9	1.2	77.6	2,912.5
Total property, plant and equipment as at 31.03.2021	**88.0**	**205.7**	**729.1**	**1,810.9**	**1.2**	**77.6**	**2,912.5**

As at 31 March 2021, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 56.9 million

(31 December 2020 EUR 47.1 million).

7. Derivative financial instruments

in million EUR	31.03.2021		31.12.2020	
	Assets	Liabilities	Assets	Liabilities
Forward- and future contracts for buying and selling electricity as cash flow hedges	17.7	6.8	7.3	0.3
Forward- and future contracts for buying and selling electricity as trading derivatives	16.9	1.7	11.8	2.0
Future contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	-	-	-	-
Swap and future contracts for buying and selling gas cash flow hedges	-	-	2.4	-
Swap and future contracts for buying and selling gas as trading derivatives	35.9	33.5	8.4	8.2
Swap and forward contracts for selling fuel oil as cash flow hedges	0.4	21.6	25.4	1.5
Swap and forward contracts for selling fuel oil as trading derivatives	0.1	10.0	0.1	2.2
Other derivatives	-	0.4	-	0.5
Total derivative financial instruments	**71.0**	**74.0**	**55.4**	**14.7**
including non-current portion:				
Forward- and future contracts for buying and selling electricity as cash flow hedges	3.8	0.2	1.0	0.1
Forward contracts for buying and selling electricity as trading derivatives	15.4	0.4	10.9	0.3
Future contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	-	-	-	-
Swap and future contracts for buying and selling gas as cash flow hedges	-	-	0.1	0.1
Swap and future contracts for buying and selling gas as trading derivatives	1.4	1.3	2.5	2.6
Swap and forward contracts for selling fuel oil as cash flow hedges	-	4.0	9.1	0.8
Swap and forward contracts for selling fuel oil as trading derivatives	0.2	10.4	0.1	0.5
Total non-current portion	**20.8**	**16.3**	**23.7**	**4.4**
Total current portion	**50.3**	**57.7**	**31.7**	**10.3**

8. Share capital and dividends

As at 31 March 2021, Eesti Energia AS had 746 645 750 registered shares (31 December 2020: 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.

	Q1 2021	Q1 2020	12m 2021/20	12m 2020/19
Profit attributable to the equity holders of the company (million EUR)	26.6	(2.2)	48.1	10.9
Weighted average number of shares (million)	746.6	621.6	746.6	621.6
Basic earnings per share (EUR)	0.04	(0.00)	0.06	0.02
Diluted earnings per share (EUR)	0.04	(0.00)	0.06	0.02

10. Borrowings at amortised cost

in million EUR	Short-term borrowings			Long-term borrowings				Total
	Bank loans	Bonds issued	Lease liabilities	Bank loans	Bonds issued	Lease liabilities	Other loans	
Borrowings at amortised cost 31.12.2020	**305.5**	**-**	**0.2**	**229.4**	**474.3**	**2.0**	**3.0**	**1,014.4**
Changes occurred in the reporting period								
Amortisation of borrowing expenses	-	-	-	0.1	2.2	-	-	2.3
Borrowings received	-	-	-	-	-	-	-	-
Repayments of borrowings	(20.0)	-	(0.1)	(9.3)	-	-	-	(29.4)
Transfers	(150.0)	-	-	150.0	-	-	-	-
Revaluation	-	-	-	(0.2)	-	-	-	(0.2)
Total changes occurred in Q1 2021	**(170.0)**	**-**	**(0.1)**	**140.6**	**2.2**	**-**	**-**	**(27.3)**
Borrowings at amortised cost 31.03.2021	**135.4**	**-**	**0.2**	**370.0**	**476.5**	**2.0**	**3.0**	**987.1**

As at 31 March 2021 the Group had undrawn loan facilities of EUR 540.0 million (31 December 2020: EUR 520.0 million). Consisting of liquidity loans of EUR 295.0 million (EUR 75 million from SEB, EUR 20 million from Swedbank and EUR 200 million from OP Corporate Bank) and long-term loans of EUR 245 million. There are EUR 70 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	Q1 2021	Q1 2020	12m 2021/20	12m 2020/19
Profit before tax	**26.4**	**(2.2)**	**4.9**	**4.9**
Adjustments				
Depreciation and impairment of property, plant and equipment	41.0	43.6	156.3	180.9
Amortisation and impairment of intangible assets	0.9	0.7	2.7	2.4
Deferred income from connection and other service fees	(2.5)	(2.3)	(9.8)	(9.2)
Gain on disposal of property, plant and equipment	(0.4)	(0.3)	(1.5)	(4.4)
Loss on disposal of associate	-	-	(0.7)	1.4
Amortisation of government grant received to purchase non-current assets	(0.2)	(0.2)	(0.7)	(0.7)
Profit/loss from associates using equity method	(1.3)	(0.1)	(2.9)	0.3
Unpaid/unsettled gain/loss on derivatives	5.7	(37.2)	53.0	(29.8)
Profit (loss) from other non-cash transactions	(0.2)	-	(0.4)	0.1
Interest expense on borrowings	6.4	7.8	29.1	32.2
Interest and other financial income	-	-	(0.1)	(0.1)
Adjusted net profit before tax	**75.8**	**9.8**	**273.6**	**221.7**
Net change in current assets relating to operating activities				
Change in receivables related to operating activities	(17.4)	10.0	(28.8)	(8.8)
Change in inventories	8.6	(7.7)	10.0	(16.8)
Net change in other current assets relating to operating activities	(15.7)	(17.5)	(15.0)	2.7
Total net change in current assets relating to operating activities	**(24.5)**	**(15.2)**	**(33.8)**	**(22.9)**
Net change in current liabilities relating to operating activities				
Change in provisions	56.7	15.7	45.9	(34.4)
Change in trade payables	(4.2)	(11.0)	(0.9)	(14.0)
Net change in liabilities relating to other operating activities	17.9	1.4	141.0	(28.5)
Total net change in liabilities relating to operating activities	**70.4**	**6.1**	**186.0**	**(76.9)**
Cash generated from operations	**121.8**	**0.7**	**425.8**	**121.8**

12. Provisions

in million EUR	Opening balance 31.12.2020	Recognition and reversal of provisions	Interest charge	Use	Closing balance 31.03.2021	Closing balance 31.03.2021
					Short term provision	Long term provision
Environmental protection provisions	20.3	-	0.1	(0.1)	2.5	17.8
Employee related provisions	6.2	-	-	(0.1)	1.5	4.6
Provision for dismantling cost of assets	5.7	-	0.1	-	-	5.8
Provision for greenhouse gas emissions	76.2	27.5	-	-	103.7	-
Provision for onerous contracts	0.1	-	-	-	0.1	-
Provision for obligations arising from treaties	28.2	-	-	(0.1)	0.1	28.0
Provision for renewable energy certificates	1.8	1.7	-	(0.3)	3.2	-
Total provisions	**138.6**	**29.2**	**0.2**	**(0.6)**	**111.1**	**56.2**

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	Q1 2021	Q1 2020
Purchase of goods	0.1	2,4
Purchase of services	0.4	0,2
Purchase of property, plant and equipment and prepayments	-	0,1
Loans granted	-	0,1

RECEIVABLES FROM ASSOCIATES AND PAYABLES TO ASSOCIATES

in million EUR	31.03.2021	31.12.2020
Receivables	11.3	12.1
incl long-term loan receivables	11.3	12.1
Allowance for doubtful loan receivables	(11.2)	(12.0)
Payables	1.1	0.4

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 - 31 March 2021 remuneration to management and supervisory boards amounted to EUR 0.9 million (1 January - 31 March 2020: EUR 1.1 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	Q1 2021	Q1 2020
Purchase of services	28.4	26.2
Purchase of goods	2.4	4.0
Purchase of property, plant and equipment and prepayments	0.4	0.1
Sale of goods and services (incl. renewable energy grant)	11.2	14.8

RECEIVABLES FROM ELERING AS AND PAYABLES TO ELERING AS

in million EUR	31.03.2021	31.12.2020
Receivables	2.3	1.9
Payables	0.7	21.4

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