Eesti Energia

Interim Report

1 July 2013 – 30 September 2013

Contents

Summary of Q3 results

Dear reader

In the third quarter of 2013 Eesti Energia increased both oil and electricity production compared to the previous year. Sale of shale oil increased by 5.5% (amounting to 63,000 tonnes) and sale of electricity increased by 3% (amounting to 2.5 TWh). The Group's sales revenue increased by 8.7% and EBITDA by 1.3% compared to the same period in 2012. Cash flows from operating activities increased by 65.6% year-on-year.

In the third quarter, progress was achieved in the commissioning of Enefit280 oil plant. Oil plant is operating on at least 50% capacity during weekly commissioning activities and 85% of designed capacity is reached for a short period. Plant operation stabilisation activities are ongoing and operating capacity is increased gradually. In the third quarter we opened two new wind parks in Paldiski and Narva. Pilot project for installation of first nitrogen removal devices have been completed in Eesti power plant, with the reduction of nitrogen emissions reaching up to two times. The construction of the 300 MW Auvere power plant is ongoing.

One year ago we started to sign client contracts for selling electricity in the Estonian open retail market in 2013. I believe that within this year we have proved that Eesti Energia is also on top of the competition in open electricity market and customers are appreciating our service processes and channels. Customer feedback survey indicated that smaller setbacks that appeared after the market opening are decked and the high rating of our service is restored.

Situation in the Latvian and Lithuanian electricity market is worrisome, though. In order to avoid risks that may lead to losses we were forced to end selling fixed price contracts to retail customers in both Latvia and Lithuania. Baltic electricity markets may seem connected, but in reality there is serious bottleneck in Estonian-Latvian border and there are no instruments to hedge the retail seller against sudden price changes that is required for providing customers long-term fixed price contracts. This is also the reason why we decided to postpone selling electricity to Latvian household consumers from the next spring. We look forward to the Baltic TSOs and regulators finding quick solutions to market failures to allow us to continue offering fixed price contracts to our clients.

The government decided to reduce Eesti Energia dividend payment in 2013 to 34 880 000 euros. In September three new revolving credit facilities for the total amount of 150 million euros were signed. Tenor of the facilities is five years with the availability until September 2018. Renewal of loan contracts with longer maturities indicates a positive situation in the regional banking sector and reduced size of the facilities expresses lower level of capital expenditure in the coming years.

Our expectations towards the financial outcome of last quarter of 2013 are high. Compared to the last year we are expecting growth both in sales revenues and EBITDA.

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

Key figures and ratios

		Q3 2013	Q3 2012	Change	9 months 2013	9 months 2012	Change
Total electricity sales, of which	GWh	2,515	2,441	+3.0%	8,800	7,099	+24.0%
Non-regulated price	GWh	2,515	1,336	+88.2%	8,800	3,051	+188.5%
Regulated price	GWh	0	1,105	-100.0%	0	4,048	-100.0%
Network sales	GWh	1,304	1,297	+0.5%	4,604	4,590	+0.3%
Shale oil sales	th t	63	60	+5.5%	135	144	-6.2%
Oil shale sales	th t	192	298	-35.4%	647	1,076	-39.9%
Heat sales	GWh	47	27	+76.9%	664	557	+19.2%
Distribution grid losses	%	5.2	6.2	-1.0pp	4.8	6.3	-1.4pp
Average number of employees	No.	7,235	7,679	-5.8%	7,403	7,676	-3.6%
Sales revenues	million €	216.3	198.9	+8.7%	710.3	595.5	+19.3%
EBITDA	million €	72.1	71.2	+1.3%	217.4	223.3	-2.6%
Operating profit	million €	42.1	39.9	+5.4%	129.7	138.7	-6.5%
Net Profit	million €	41.8	37.4	+11.8%	109.9	118.1	-6.9%
Fixed assets	million €	2,309.4	2,014.4	+14.6%			
Equity	million €	1,444.3	1,432.2	+0.8%			
Net debt	million €	575.1	491.2	+17.1%			
Investments	million €	125.3	110.7	+13.2%	294.4	334.8	-12.1%
Cash flow from operating activities	million €	85.6	51.7	+65.6%	236.8	157.8	+50.0%
FFO	million €	64.5	64.4	+0.2%	201.9	181.6	+11.2%
Net debt/EBITDA*	times	2.1	1.6	+0.5p			
FFO*/net debt	times	0.40	0.49	-0.09p			
FFO*/interest cover*	times	6.9	8.6	-1.7p			
EBITDA*/interest cover*	times	8.1	10.8	-2.7p			
Leverage	%	28.5	25.5	+2.9pp			
ROIC	%	8.0	8.4	-0.5pp	8.4	10.4	-2.0pp
EBITDA margin	%	33.3	35.8	-2.5pp	30.6	37.5	-6.9pp
Operating profit margin	%	19.5	20.1	-0.6pp	18.3	23.3	-5.0pp

* Rolling 12 months

Net debt - debt obligations at amortized cost, less cash and cash equivalents, units in money market funds, investments into fixed income bonds

Leverage - net debt / (net debt + equity)

ROIC - operating profit / average invested capital

FFO - cash flow from operations, excl. change in working capital and unpaid/unsettled gain/loss on derivatives

Operating environment

In Q3 2013, energy prices were affected by the perceived outlook for the global economy, geopolitical tensions in oil-exporting regions, changing preferences of energy sector companies in fuel usage and the increasingly active intervention by the European Union in the CO_2 emission allowances market. Energy prices were also influenced by seasonal factors such as air temperature, precipitation and summer maintenance works in power stations and networks and in oil transport systems.

The IMF changed its outlook for the global economic growth in 2013 to even more conservative as compared to the July 2013 outlook. In its October 2013 outlook[1], the IMF downgraded its global economic growth forecast by 0.2 percentage points and reduced the GDP growth forecast for the euro area by 0.2 percentage points. Unlike in its July outlook, the IMF highlighted that the economies of developed countries are finally strengthening, but growth in countries of emerging economies has slowed down, often more than expected. In the third quarter, economies of larger member states of the euro area showed signs of improvement, but the IMF attributed it to the increase in consumer spending and not to policy changes.

The IMF estimates that the global economy expanded by 3.2% in 2012 and forecasts global economic growth to be 2.9% in 2013. The IMF expects the economy in the euro area countries to contract by 0.4% (after contracting by an estimated 0.6% in 2012). The Estonian economy will expand by 1.5% in 2013 (3.9% in 2012), according to the IMF forecast. The expectations of the IMF for 2014 are more positive, with the global economy growing 3.6% and the euro area and Estonia growing by 1.0% and 2.5%, respectively.

The outlook for the euro area economy did not change notably in Q3 2013 from Q2. In the opinion of the IMF, economic growth is held back mainly by weak economies in the southern countries of the euro area. High unemployment rate in the euro area remains a concern, having not changed notably in Q3 2013 and remaining at 12% in August that is comparable to the unemployment rate at the end of the previous quarter (12.1%). The banking union necessary for strengthening the financial sector is still in the process of being set up. In September, the European Parliament approved the first pillar of the banking union - a joint supervisory body that is expected to start activities in 2014.

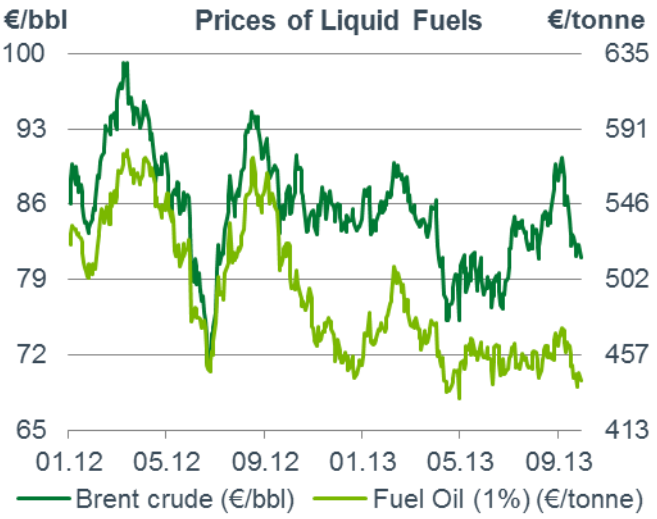
The US economy showed signs of improvement in Q3 2013 in comparison with the previous quarter. During the quarter, the unemployment reached a lower level of 7.2% in September. The US economy was characterized mainly by strong private consumption and the downsizing of the government's fiscal policy. At the same time, markets are increasingly insecure about continuation of the US Federal Reserve's monetary policy. In September 2013, the US Federal Reserve announced that while there were signs of the country's economy strengthening, there was still uncertainty about the sustainability of the recovery and, therefore, purchasing of bonds would not be restricted in the nearest future.

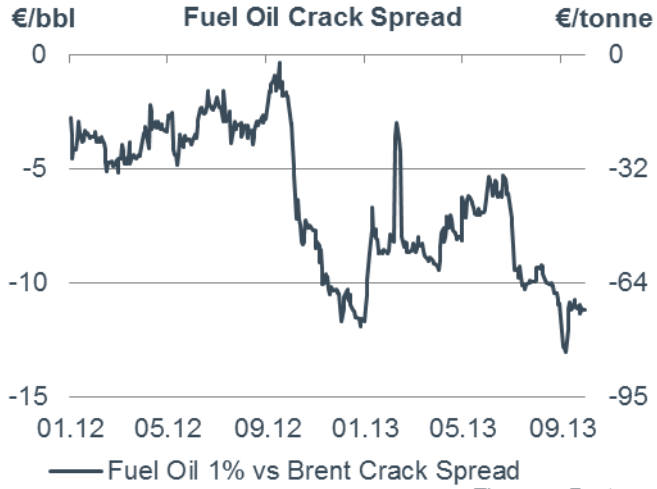
In October 2013 the US federal government was partly shut down under extraordinary circumstances due to a budgetary dispute. Similarly with the autumn of 2011, the issue of raising the US national debt limit has again become acute with regard to the amount of money that the government is allowed to borrow. These events increase uncertainty about the near future, but in the opinion of the IMF both issues will be rapidly resolved, without exceeding critically important dates. The work of the US federal government was restored at October 17 when a proposal to offer both problems a temporary solution was adopted. Democrats and Republicans must reach an agreement at the start of the following year at the latest.

[1] Macroeconomic data are based on IMF estimates. Source: IMF WEO October 2013 (Transitions and Tensions).

Oil Prices

	Min[2]	Max	Average price	Change compared to Q3 2012
Brent crude oil (€/bbl)	79.1	90.4	84.2	-4.3%
Fuel oil (1% sulphur content) (€/tonne)	438.3	473.1	455.9	-14.1%
Fuel oil 1% crack spread (€/bbl)	-13.1	-7.2	-10.3	+307.5%





source: Thomson Reuters

In Q3 2013, Brent crude oil price traded on average 4.3% lower in comparison with Q3 2012 (-3.8 €/bbl). During the third quarter, the price increased from 79.1 €/bbl to 81.0 €/bbl by the end of the quarter.

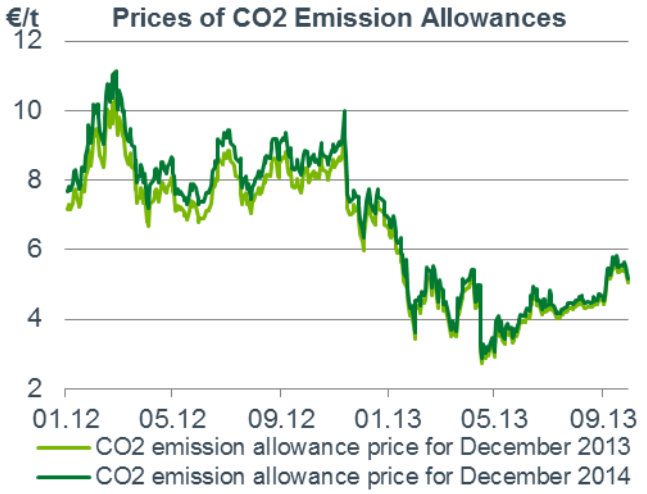
In Q3 2013, Brent crude oil prices were influenced by summer maintenance works in North Sea offshore oil platforms and transport systems. The supply side was influenced by interruptions in exports in Northern African region, especially in Libya where the work of the country's export terminals and oil fields was severely interrupted because of strikes and unrest. The demand for crude oil increased due to stronger-than-expected macroeconomic indicators in US, euro area and China. Speculations about the continuation of the economic incentive programme of the US Federal Reserve influenced the growth of oil price already in mid-quarter. The publication of the official position of the Federal Reserve about the continuation of the programme increased confidence in the markets.

The price of fuel oil (1% sulphur content) decreased by 14.1% (-75.1 €/tonne) in comparison with Q3 2012. During Q3 2013, the price of fuel oil decreased from 448.6 €/tonne to 441.7 €/tonne. Crack spread (describing the price difference between crude oil and fuel oil extracted from it) increased in Q3 2013 further as compared to the same period last year. Since during the quarter the growth in the price of Brent crude oil outperformed the price of fuel oil, the crack spread widened also in comparison with Q2 2013. The price of fuel oil was negatively affected by weaker-than-expected demand in Europe, resulting in the increase of stocks in Q3 2013. The possibility of arbitration to Asia that supported previously the price of fuel oil of the local area, was not used in Q3 2013 due to the fact that local demand for fuel oil has decreased. Instead of burning fuel oil, local energy companies in Japan are switching to cheaper energy carriers, especially coal.

[2] Minimum and maximum daily average closing prices. In case of electricity, minimum and maximum daily average prices are shown.

Emission allowance prices

	Min (€/t)	Max (€/t)	Average price (€/t)	Change compared to Q3 2012
CO_2 December 2013	4.0	5.7	4.6	-42.6%
CO_2 December 2014	4.2	5.8	4.8	-44.4%



source: Thomson Reuters

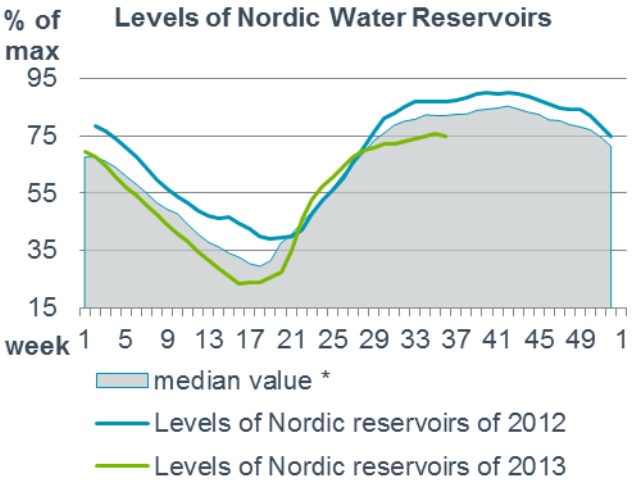
The price of December 2013 CO_2 emission allowance futures traded 42.6% lower in comparison with Q3 2012 (-3.4 €/tonne). Yet, the price of December 2013 emission allowance increased during the quarter from 4.2 €/tonne to 5.0 €/tonne, whereas at the end of the quarter, in September, the price reached even 5.7 €/tonne mark.

On 3 July 2013, the European Parliament narrowly adopted a proposal to postpone the supply of emission allowance by up to 900 million tonnes. Negotiations concerning the regulation of supply of emission allowances between the European Parliament, EU Member States and the European Commission are scheduled to start in the autumn 2013, after German parliamentary elections at the end of September. During the quarter, the market expectation reflected in the price of emission allowances in Q3 2013 was that the proposal will enter into force in the future, after the successful completion of the necessary legislative process. The results of German parliamentary elections that were announced at the end of September sent a signal in support of the possible continuation of the current policy.

At the start of September 2013, the price of December 2013 CO_2 emission allowance futures increased 9% in a day, exceeding again the price level of 5.0 €/tonne where prices were at the start of April 2013. The price increase was influenced by the raise in the price of German electricity futures and the announcement of the European Commission to reduce free emission allowances that the industries of Member States had applied for.

Electricity prices

	Min (€/MWh)	Max (€/MWh)	Average price (€/MWh)	Change compared to Q3 2012
SYS	28.8	42.3	35.8	+72.0%
Finland	28.8	68.5	42.7	+38.4%
Estonia	34.1	68.3	43.7	+10.9%
ELE/Latvia[3]	35.8	86.7	54.1	+18.6%
Lithuania[4]	35.8	78.8	53.8	+13.8%

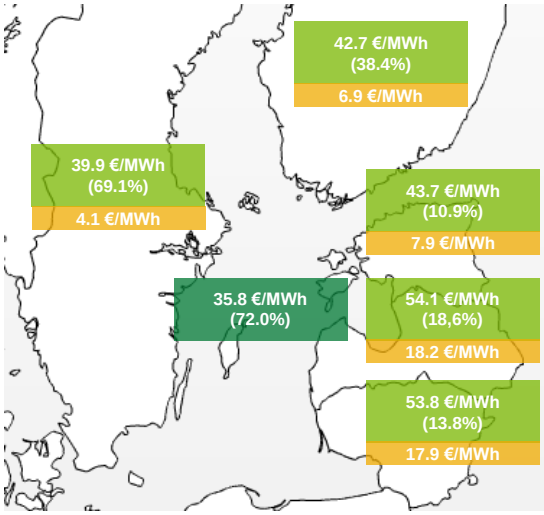


*1990-2012 source: Thomson Reuters

In Q3 2013, electricity prices increased in all Nord Pool price areas as compared to the same period last year. In Q3 2013, the Nord Pool system price increased by 72.0% (+15.0 €/MWh) as compared to Q3 2012. The significant increase in the Nord Pool system price is attributable to the extraordinarily low comparison base from last year (average price for the quarter: 20.8 €/MWh), the low system price of the same period a year earlier was due to historically high level of hydro reservoir levels in the second half of 2012.

The level of hydro reservoirs in the Nordic countries remained lower than the levels of earlier year and from the historic median value. The indicator mainly influences hydro energy production and electricity price

Electricity prices in Finland were also influenced by faults and repairs in Loviisa and Olkiluoto nuclear power stations in August and September 2013, in addition to low supply of hydro energy in Nordic countries. Electricity prices in the Baltic countries were influenced by low production of hydro energy in Latvia due to low precipitation and warn weather and shortage of competitive production capacities in Lithuania that increased the need to import the missing electricity from neighbouring countries. In addition, in Q3 2013 electricity prices in the Baltic states were influenced by maintenance works in Narva Power Stations and limitations in cross-border transmission capacities.



source: Thomson Reuters

In Q3 2013, the price difference between Estonia and Finland was 1.0 €/MWh, having increased by 7.6 €/MWh from the same period a year earlier. The price difference of of 8.6 €/MWh in Q3 2012 was mainly attributable to low electricity price in Finland that was due to cheap prices in Nordic countries resulting from extremely high levels of hydro reservoirs. At the end of October, tests of the Estlink2 cable started that will add additional capacity between Estonia and Finland. The additional transmission capacity that is available during the testing of the cable could influence the price difference between Estonia and Finland already in Q4 2013.

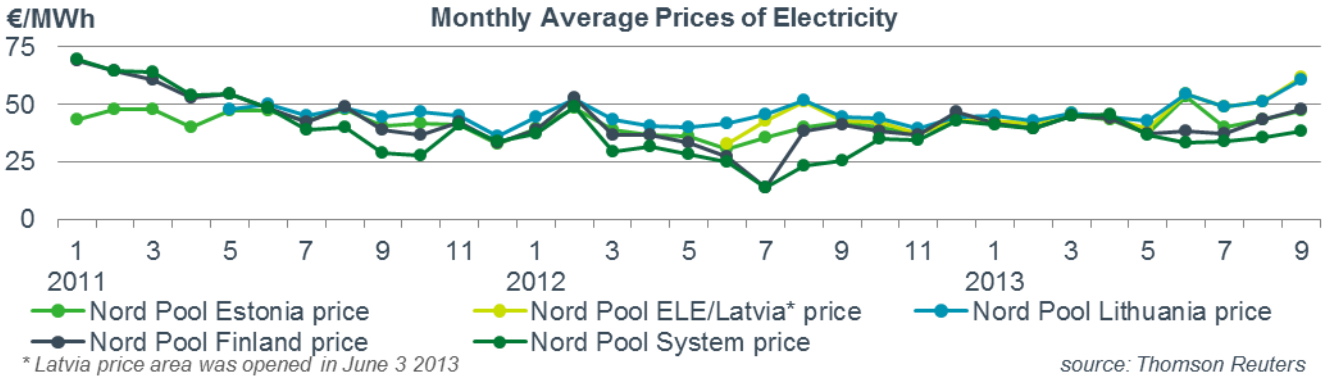
In Q3 2013, the average price difference between Sweden and Finland was -2.8 €/MWh (Q3 2012: -7.2 €/MWh) which means that the bottleneck effect resulting from insufficient transmission capacity between these two areas decreased, but electricity prices during the same period in 2012 were significantly influenced by extremely low hydro reservoir levels.

In June 2012, the ELE price area was established on the Estonian-Latvian border in connection with transmission capacity limitations on the border. On 3 June 2013, the ELE trading area was closed and replaced with the Nord Pool

[3] Latvian price area was opened on 3 June 2013, replacing the former ELE price area.

[4] At 18.06.2012, Nord Pool Lithuanian price area was opened. Earlier, the Lithuanian electricity exchange was operated by Baltpool.

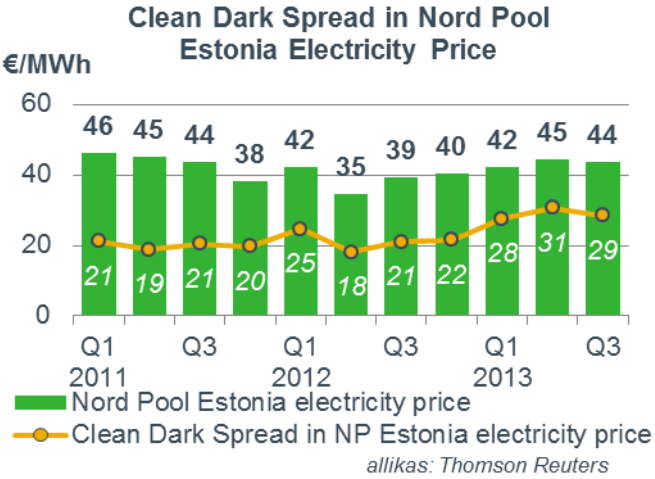
Latvian price area. Average price spread between Estonia and ELE/Latvia was -10.4 €/MWh in Q3 2013, having increased by 4.2 €/MWh as compared to the same period last year.

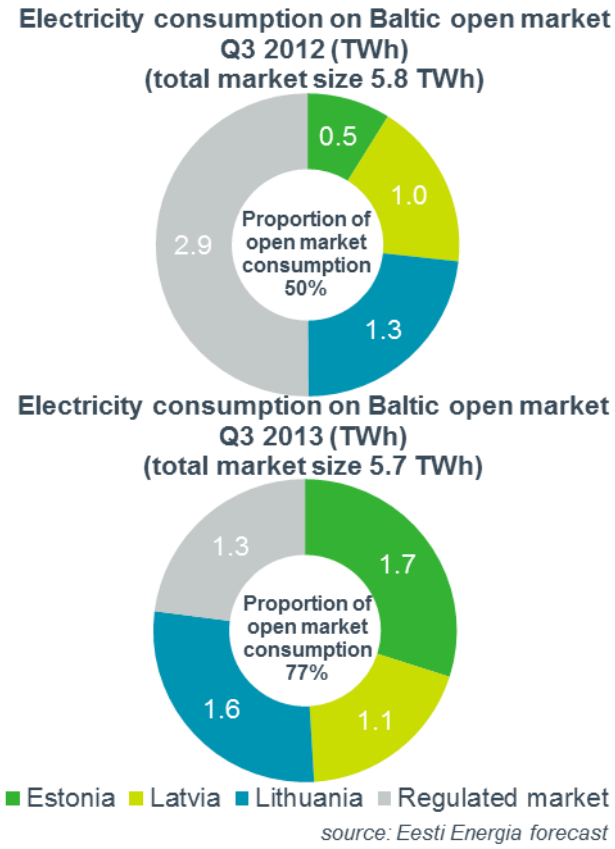


Unlike in the system used in the ELE area, from 3 June the transmission capacities are allocated fully by the so-called implicit auction or energy auction. As a result of the energy auction, the deficit of transmission capacities creates price differences between the regions that will generate revenue for the transmission system operators that manage the price area and not for electricity sellers. Due to the fact that from 3 June electricity sellers cannot hedge border-crossing costs in advance, on 17 September Eesti Energia stopped entering into fixed-price electricity sale contracts in Latvia and Lithuania. The transition to full implicit auction is not permitted under European Union law if significant congestion exists and there are no instruments to manage price risk. Eesti Energia has turned to the Baltic regulators to find a solution to the situation.

In Q3 2013, Eesti Energia clean dark spread (power price excluding oil shale and CO_2 costs) in the Estonian price area rose to 28.5 €/MWh (+7.4 €/MWh, +35% in comparison with Q3 2012). As compared to Q3 2012, the growth was due to the increase in the exchange price of electricity (+4.3 €/MWh) and decrease in CO_2 and oil shale costs (-3.1 €/MWh). CO_2 and oil shale costs dropped by 17% in comparison with Q3 2012 due to the lower price of CO_2 emission allowances. Persisting low price level of CO_2 emission allowances will improve the competitiveness of electricity generated from fossil fuels in comparison with renewable energy production.

The Estonian retail electricity market was fully opened on 1 January 2013 and regulated electricity prices were replaced by market prices. Latvian and Lithuanian electricity markets are only partially open. It is estimated that the Latvian market was open to the extent of 70% of the volume of electricity consumption. The opening of the Latvian electricity market for household consumers that was initially planned to take place on 1 September was postponed by the decision of the Ministry of Economic Affairs in March. In August, the Latvian





government approved the report of the Ministry of Economic Affairs on solutions for the electricity market problems that sent a signal that the market of household consumers will be opened on 1 April 2014. In September, the proposals of legislative amendments on the opening of the Latvian electricity market were approved by the government and will be submitted to the Latvian parliament.

Starting from 2013, all business customers in Lithuania have been buying electricity on the open market. Household consumers have no obligation to buy electricity on the open market and since the regulated electricity tariff offered to them is lower than the open market price, household consumers have no incentive to voluntarily buy electricity from the open market. It is estimated that in Q3 2013, the Lithuanian market was open to the extent of 66% of the volume of electricity consumption.

Financial results

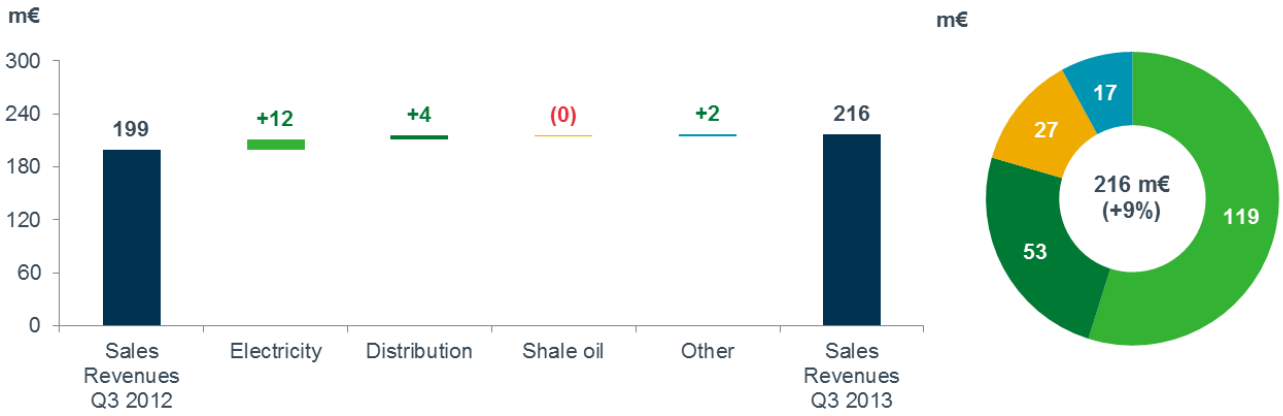
Eesti Energia's Q3 2013 sales revenue was 216.3 million euros (+8.7% as compared to the Q3 2012, +17.4 million euros). EBITDA amounted to 72.1 million euros (+1.3%, +0.9 million euros), operating profit was 42.1 million euros (+5.4%, +2.2 million euros) and net profit reached 41.8 million euros (+11.8%, +4.4 million euros).

In the first nine months, sales revenue was 710.3 million euros (+19.3% as compared to the Q3 2012, +114.8 million euros). EBITDA amounted to 217.4 million euros (-2.6%, -5.8 million euros), operating profit was 129.7 million euros (-6.5%, -9.0 million euros) and net profit amounted to 109.9 million euros (-6.9%, -8.2 million euros).

Group revenues and EBITDA

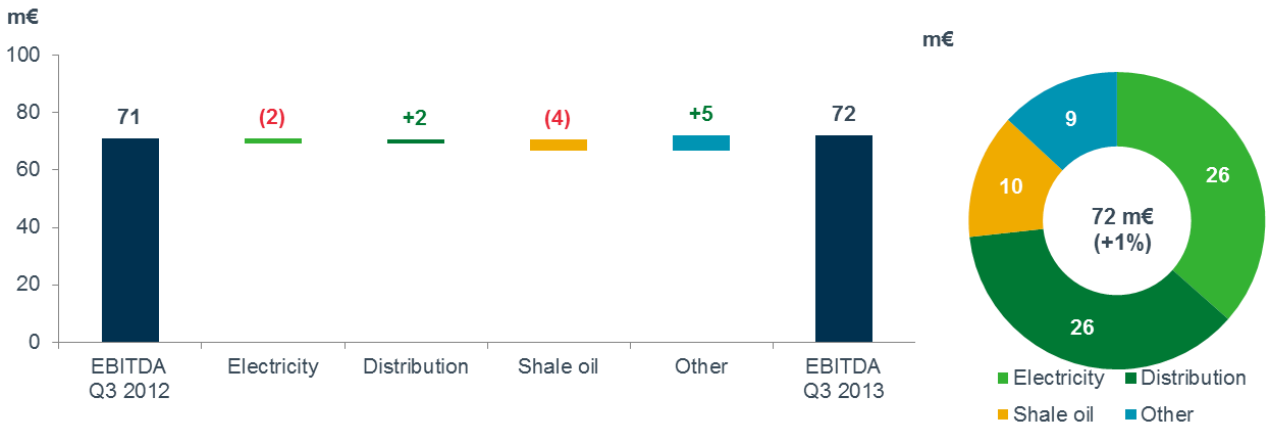
The Group's sales revenue in Q3 2013 was 216.3 million euros, an increase of 8.7% from the same period in 2012 (+17.4 million euros). Sales revenue increased mainly due to higher electricity sales (+11.5%, +12.3 million euros) and sales of the distribution service (+8.0%, +3.9 million euros). Sales revenue decreased due to lower shale oil sales (-1.1%, -0.3 million euros).

Breakdown and Change in Group Sales Revenue



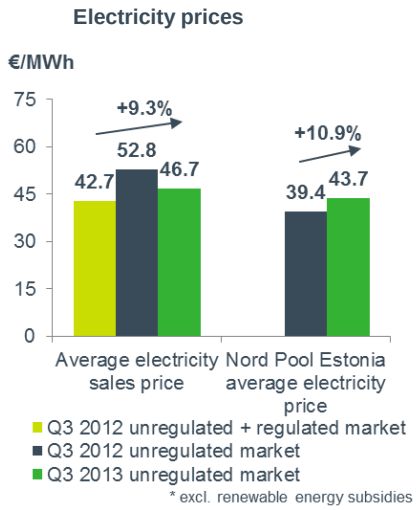
In Q3 2013, the Group's EBITDA amounted to 72.1 million euros (+1.3%, +0.9 million euros). The Group's EBITDA was positively influenced by growth in the profitability of the distribution network (+6.2%, +1.5 million euros). On the other hand, the Group's EBITDA was negatively influenced by lower electricity profitability (-6.9%, -2.0 million euros) and reduced earnings from shale oil (-29.5%, -4.1 million euros). Other additional revenue increased the Group's EBITDA as compared to the same period a year earlier by 5.4 million euros (+134.5%).

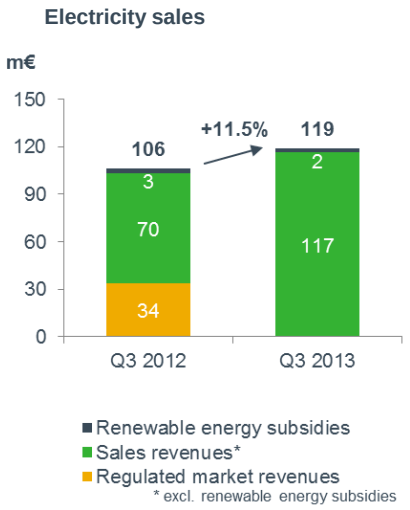
Breakdown and Change in Group EBITDA

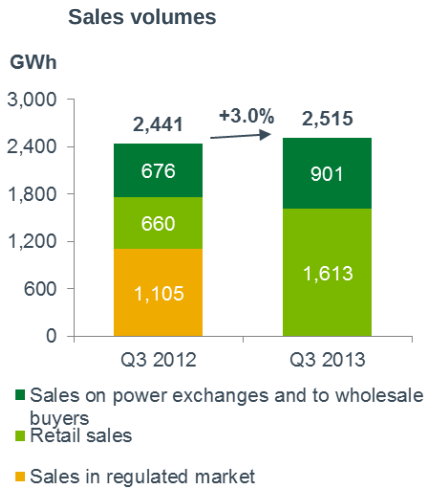


Electricity

Electricity sales revenue totalled 118.7 million euros (+11.5%, +12.3 million euros). In Q3 2013, Eesti Energia sold 2,515 GWh of electricity to clients and electricity exchanges (+3.0%, +74 GWh). Of this, retail sales of electricity amounted to 1,613 GWh (-8.6%, -152 GWh), while electricity wholesale market sales reached 901 GWh (+33.3%; +225 GWh). Average electricity price was 46.7 €/MWh (+4.0 €/MWh, +9.3%).







Electricity wholesale volumes were positively influenced by the increase in the above-average market price that increased 10,9% compared to previous year. The decrease in electricity retail sales volume is due to the full opening of the Estonian electricity market at the start of 2013. As expected, since Eesti Energia had until then been operating as a monopoly, the number of clients and market share decreased after the market opening.

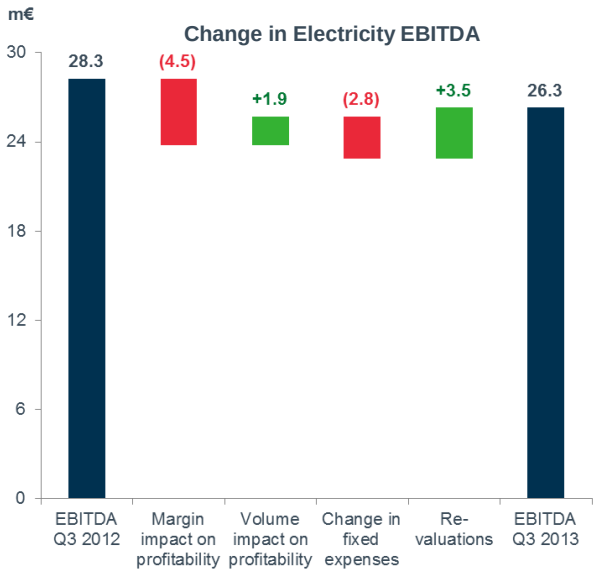
In Q3 2013, the number of contractual customers continued to grow and the number of consumers of universal electricity service fell. In comparison with the end of Q2 2013, the number of contractual customers of Eesti Energia has increased by 6,000 customers and the number of consumers of universal electricity service has decreased by 11,000 customers. At the end of Q3 2013, Eesti Energia had 364 thousand electricity clients[5] in Estonia (-136 thousand clients in comparison with Q3 2012). In addition to contractual clients, as at the end of Q3 2013, Eesti Energia provides the universal electricity service to 109 thousand customers of distribution network operator Elektrilevi. After the opening of the market, Eesti Energia remains the electricity seller with the largest market share in Estonia. In Q3 2013, the market share of Eesti Energia in Estonia by electricity consumption of clients was 71%[6].

In Q3 2013, retail sales of Eesti Energia in Latvia and Lithuania increased as compared to the same period a year earlier. In Latvia and Lithuania where Eesti Energia operates under the trademark of Enefit, the number of new clients continued to increase. By the end of Q3 2013, Eesti Energia had 1,699 open market clients in Latvia (+800 clients from the end of Q3 2012) and 890 clients in Lithuania (+590 clients). Due to the principles of dividing transmission capacities that entered into force in June, it is not possible to fix in advance price difference on the Estonian-Latvian border. In Q3 2013, a significant price difference occurred between the electricity exchanges of Estonia, Latvia and Lithuania. As Eesti Energia does not have substantial electricity generation capacities in Latvia or Lithuania, in order to meet contracts with fixed prices, it was necessary to buy electricity from the electricity exchange at a higher price than the sales price that Groups's power plants have earned in Estonian price area. As a result of price differences, in Q3 2013 Eesti Energia earned a loss of EUR 7 million. For this reason it was decided in October 2013 to postpone the plan to start selling electricity to Latvian household consumers from the spring 2014 and to end selling fixed price contracts to Latvian and Lithuanian retail customers until suitable instruments to manage price risk appear.

[5] 364 thousand electricity consumers have concluded a total of 457 thousand electricity contracts which cover approximately 64% of all Estonian consumption points.

[6] The market share of Eesti Energia by electricity amount (including electricity consumed as a general service and network losses) according to the data of the system operator Elering.

In Q3 2013, we generated a total of 2,569 GWh of electricity[7] (+16.4%, +362 GWh). Volumes of electricity produced from oil shale grew due to higher electricity and lower CO_2 market prices. Electricity generated from renewable sources totalled 44.1 GWh (-38%, -26.8 GWh). Generation of electricity from renewable sources decreased mainly as the Group stopped using biomass in Narva power plants. According to the draft amendments to the Electricity Market Act, Narva Power Stations will not receive renewable energy subsidies for burning biofuel in the coming years. Renewable energy subsidies received by Eesti Energia totalled 2.2 million euros (-26.7%, -0.8 million euros). The majority of energy generated from renewable sources came from wind parks (34.9 GWh, +13%, +3.9 GWh). Growth in the latter is attributable to new wind parks in Narva and Paldiski that were launched in the summer 2012. Eesti Energia is not developing any other wind farm projects.



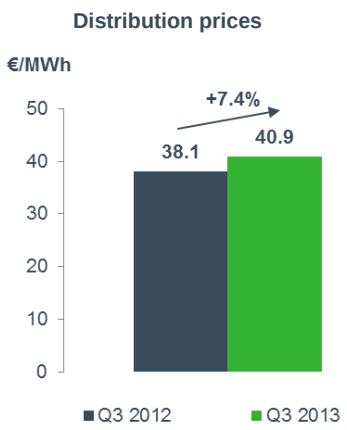
In Q3 2013, **EBITDA from electricity sales** amounted to 26.3 million euros (-6.9%; -2.0 million euros). EBITDA was positively influenced by higher electricity sales volume (+1.9 million euros).

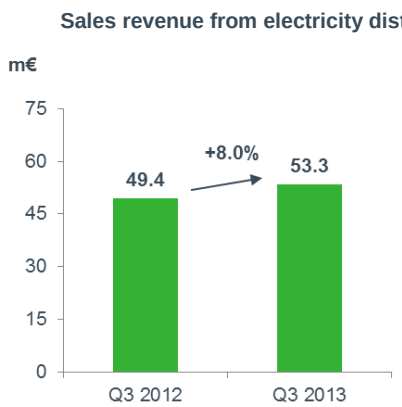
EBITDA was negatively impacted by lower margin (-4.5 million euros). Margin-related revenues compared to Q3 2012 grew due to higher sales price (+7.8 million euros) while variable costs increased 12.2 million euros mainly due to higher CO_2 costs (+17.6 million euros), higher production costs (+5.2 million euros) and higher border crossing costs (+7.0 million euros). Costs of electricity bought decreased by 17.6 million euros.

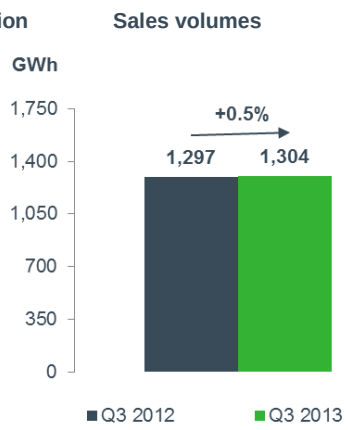
Distribution

Distribution sales revenue amounted to 53.3 million euros (+8.0%; +3.9 million euros). In Q3 2013, volume of electricity distributed increased slightly to 1,304 GWh (+0.5%; +7 GWh). Sales of distribution service was positively influenced due to reduced network losses (-15 GWh).

In Q3 2013, the average price of the distribution service was 40.9 €/MWh (+7.4%, +2.8 €/MWh). The increase in the distribution service tariff is attributable to the regular price correction. A regular price correction took place at the start of 2013 since distribution network started to purchase electricity for network losses at market prices instead of the previously regulated tariff (impact on average sales price +0.9 €/MWh). Another tariff correction took effect at 1 August 2013, when permitted regulated return for distribution companies was reduced by ECA. Whereas in 2012, distribution companies were permitted to earn 7.83% in return from capital invested in the electrical network, the maximum permitted return for 2013 is 6.76%.



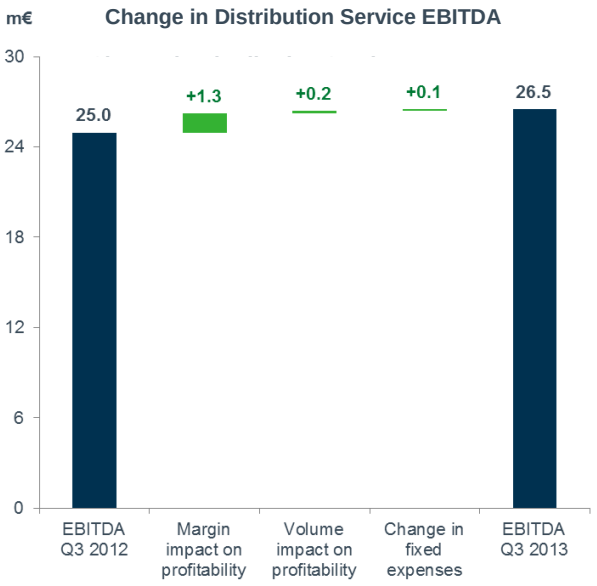




[7] Net production of electricity

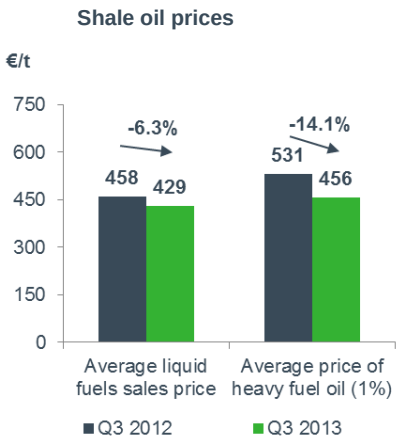
In Q3 2013, distribution network losses amounted to 75 GWh or 5.2%, having decreased by 15 GWh (-1 percentage point) from the same period of 2012. In comparison with the previous year, distribution network reliability has improved. The average duration of unplanned interruptions was 41 minutes (44 minutes in 2012) and average duration of planned interruptions 27 minutes (24 minutes in 2012).

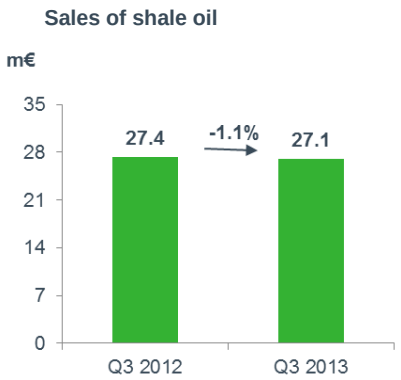
In Q2 2013, **EBITDA from sales of distribution service totalled** 26.5 million euros (+6.2%; +1.5 million euros). Distribution service EBITDA was positively influenced by margin growth (+1.3 million euros), increase in volume (+0.2 million euros) and lower fixed costs (+0.1 million euros). Margin related revenues compared to Q3 2012 grew due to higher sales price (+3.7 million euros) while variable costs increased due to higher transmission costs and expenses for network losses (-2.4 million euros).

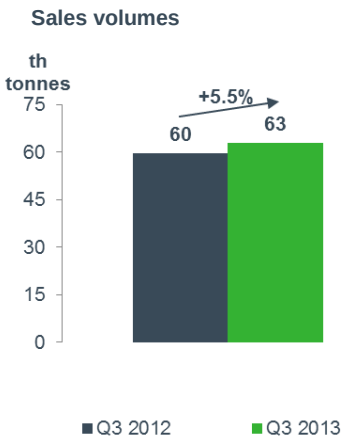


Shale Oil

The sales revenue from the sales of **shale oil** totalled 27.1 million euros (-1.1%; -0.3 million euros). In Q3 2013, Eesti Energia sold 63.0 thousand tonnes of shale oil (+5.5%, +3.3 thousand tonnes).



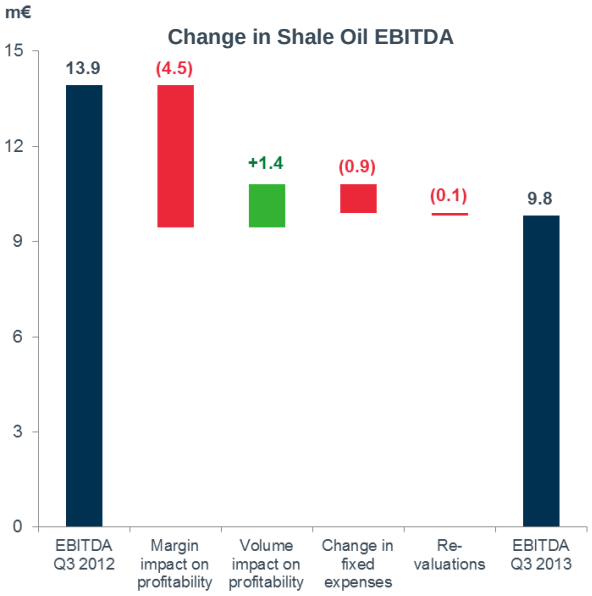




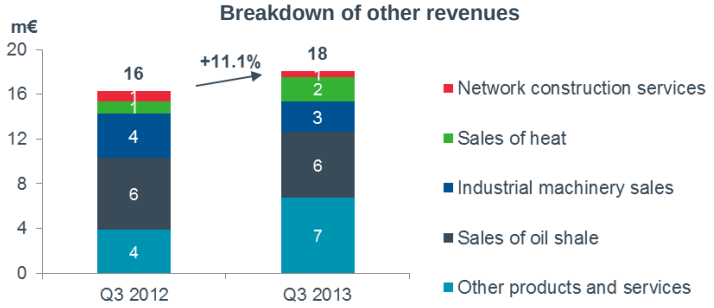
In Q3 2013, the average sales price of shale oil was 429.5 €/tonne (-6.3%, -28.8 €/tonne). As compared to 2012, the average price decreased significantly less than the global market price of heavy fuel oil, a reference product.

The Group's sales price of shale oil is hedged to protect sales against the drop in world market prices. In Q3 2013, the impact of hedging transactions on the sale of shale oil was -0.1 million euros (+2.7 million euros compared to last year, -96%) or -1.8 €/tonne. Excluding the effect of derivative transactions, the sales price of shale oil was 431.2 €/tonne (-14.7%, -74.3 €/tonne).

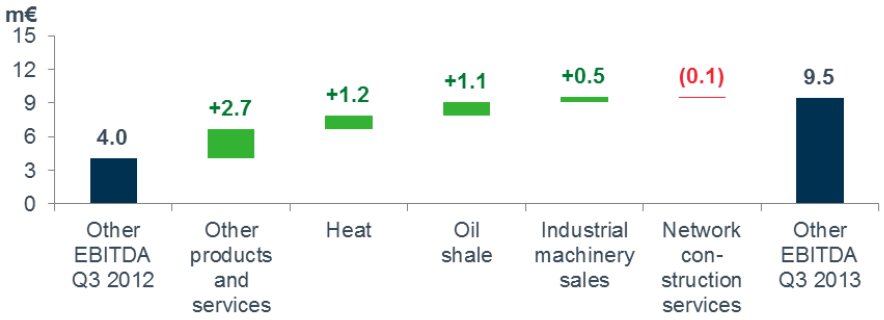
In Q3 2013, **EBITDA from sale of shale oil** totalled 9.8 million euros (-29.5%; -4.1 million euros). EBITDA was negatively influenced by the decline in the sales volume (-4.5 million euros) and lower margin (-0.9 million euros). Growth in sold volume had a positive impact (+1.4 million euros).



Other products and services



In Q3 2013, the **revenue** of Eesti Energia **from sale of other products and services** totalled 18.1 million euros (+11.1%, +1.8 million euros). Growth of other revenue was positively influenced by sale of dismantled equipment from Aidu opencast mine (+1.6 million euros) and heat (+1.0 million euros). Sales volume of heat increased by 77% from the same period a year earlier due to completion of waste-to-energy unit in Iru Power Station. Sales of oil shale decreased by 0.6 million euros. Decline in sales volume (-105,000 tonnes) was offset by higher sales price. Income from industrial machinery sales decreased by 1.2 million euros, which is attributable mainly to the completion of the new oil plant.

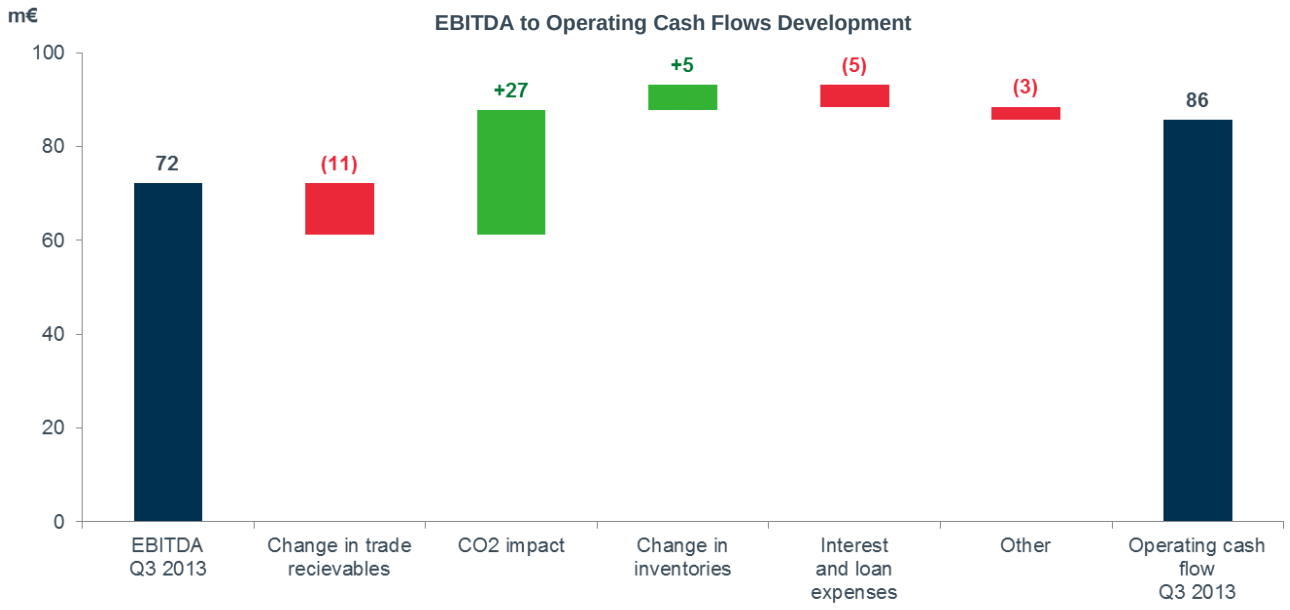


In Q3 2013, **EBITDA of other products** reached 9.5 million euros (+134.5%, +5.4 million euros). The latter was positively influenced by sales of dismantled equipment as well as growth in sales of heat (+1.2 million euros) and oil shale (+1.1 million euros).

Cash flows

In Q3 2013, Eesti Energia's cash flows from operating activities amounted to 85.6 million euros. In comparison with the same period a year before, Eesti Energia's cash flows from operating activities increased by 65.6% year-on-year or by 33.9 million euros.

Main reason for the increase was a positive impact from CO_2 provisions due to timing of the costs and higher sales. From 2013, the Group is not anymore allocated free CO_2 allowances for power generation and the provision for the full expense is created over the course of the year (even though the cash flow impact will only materialise in December at the settlement of the emission allowance futures purchased). Higher CO_2 provision within EBITDA had a positive impact on operating cash flow of 31.5 million euros compared to Q3 2012. Cash flow from operating activities was positively impacted by the higher usage of oil shale inventory (+6.8 million euros) and negatively impacted by the higher payment of tax payables (-4.0 million euros).

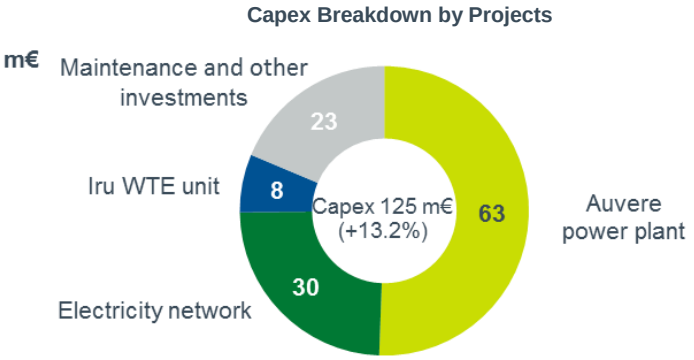


In comparison with the Group's EBITDA (72.1 million euros), cash flows from operating activities increased mainly due to the non-monetary CO_2 provisions (+26.7 million euros) and due to the higher usage of oil shale inventory (+5.5 million euros). Cash flow from operating activities was negatively impacted by the increased trade receivables (-11.1 million euros) and payment of interest and loan expenses (-4.8 million euros).

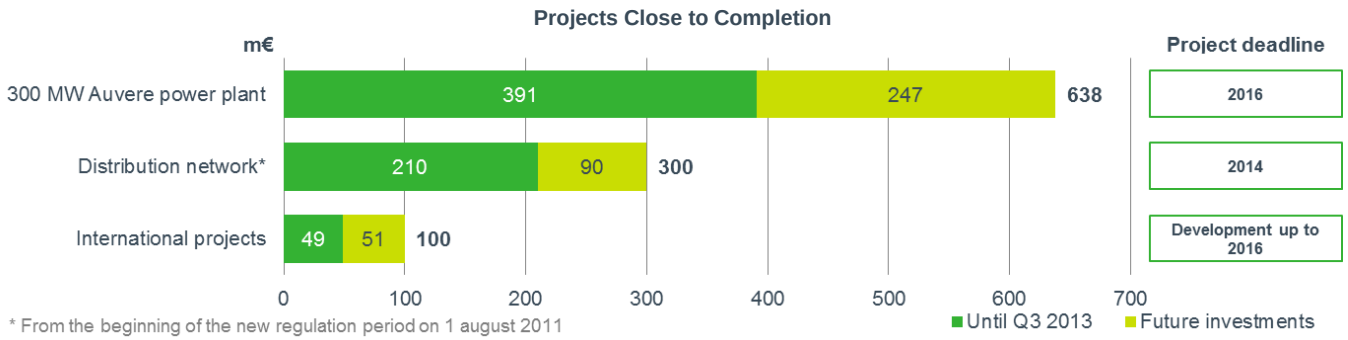
Investments

In Q3 2013, the Group's investments totalled 125.3 million euros, which was 14.6 million euros or 13.2% more than a year earlier. The main investments in Q3 were made in the new 300 MW Auvere power plant and improvements in the quality of distribution network.

The construction of the 300 MW Auvere power plant and pre-development of foreign projects will continue in the upcoming years. In third quarter hot commissioning of the new generation Enefit280 oil plant was still ongoing.



In the first 9 months of 2013, the Group's investments have totalled 294.4 million euros (-12.1%, -40.4 million euros). The lower volume of investments in 2013 is attributable to lower investments in the new Auvere power plant and Enefit280 oil plant.



Construction of a new 300 MW Auvere power plant using circulating fluidized bed (CFB) technology

In the summer of 2011, Eesti Energia started the construction of a new power plant running on the modern circulating fluidized bed (CFB) technology in Auvere. The construction and commissioning of the new Auvere power plant should be completed by 2016. Power plant design allows using up to 50% of biofuel alongside oil shale, which will reduce the plant´s CO2 footprint to the level of a modern gas plant. The maximum annual net generation of the new power plant is 2,192 GWh. For financing the construction of Auvere power plant, the European Commission approved the Government of Estonia´s request to allocate 18 million tonnes of greenhouse gas emission allowances free of charge for 2013-2020 to Eesti Energia as an investment subsidy.

In the third quarter the transportation and installation of necessary equipment for the construction of the power plant continued. In parallel construction continued in the boiler building, turbine building, cooling water pumping station, administrative building, water preparation building and in other smaller buildings. In the third quarter necessary larger equipment required for operations were installed (such as high pressure turbine and stator). The number of workers constructing the power plant surpassed first time the number of thousand people. Construction site passed the boundary of one million working hours without any serious injuries.

Improving the quality of distribution service

For improving the quality of the distribution service, we invested 30 million euros in Q3 2013. During the quarter, 187 substations and 535 kilometres of underground and overhead cables were renovated and built. From the beginning of the new regulation period (1 August 2011 – 1 August 2014), we have invested a total of 210 million euros in the distribution network. The total budget for the investment plan of the regulation period is 300 million euros.

In 2013-16, remote power meters will be installed in all consumption sites in Estonia. Since last November, distribution network and its cooperation partners have installed more than 106,000 new hourly remote power meters. In four years, about 630,000 power meters will be replaced.

Preliminary development of the Jordanian electricity and oil projects

Eesti Energia owns 65% of the Jordanian electricity and oil projects. Project partners are Malaysian YTL Power International Berhad with a holding of 30% and Jordanian partner Near East Investment with a holding of 5%.

In Q3 2013, the technical, legal and commercial analysis of the bids received in the procurement for the construction for the Jordanian power plant was continued. Based on the analysis, two bidders – GPEC from China and Hyundai/LG from Korea – were selected and negotiations with them are ongoing. In parallel, negotiations have been held with different banks and export credit agencies for financing the project.

In Q3 2013, the environmental impact assessment of the electricity project was approved by the Ministry of the Environment of Jordan. The planned capacity of the Jordanian first oil shale power plant is 500 MW and its completion is planned to take place in 2017.

The preliminary development of the Jordanian oil project is expected to last until 2016. During the preliminary development phase, Eesti Energia will develop a part of the Attarat Um Ghudran mine. The area under research is estimated to contain 3.5 billion tonnes[8] of oil shale of which 0.9 billion tonnes represents measured resource for developing electricity project. In the third quarter 2013 further technical studies were carried out to adapt Enefit technology more suitable for Jordanian oil shale.

Preliminary development of US oil production project

In March 2011, Eesti Energia acquired the oil shale resource in Uintah County, Utah (USA), estimated at 6.6 billion tonnes[9]. In Utah, we continue to operate under the name of Enefit American Oil (EAO). We plan to use our oil shale resources in Utah as a base to develop a liquid fuel industry with a capacity of 50,000 barrels of shale oil per day.

In Q3 2013 the Frankfurt pilot plant started testing of Utah oil shale. EAO also completed a project wide +/-30% prefeasibility engineering and cost study (including mining, retorting, upgrading, offsites and utilities, etc). Significant progress was made on environmental studies, including completing 1.5 years of baseline data collection on meteorology and air quality, which is a prerequisite to start air permitting. We have also completed baseline data collection for biological resources, cultural and paleontological resources, and have surface and groundwater monitoring networks in place with sampling ongoing. The Bureau of Land Management (BLM) has also moved forward on EAO's ongoing environmental impact statement (EIS) by issuing the scoping report in September.

[8] High reliability of 0.9 billion tonnes (reserves are part of explored geological reserves which have been determined using known technical, environmental and socio-economic restrictions), forecast of 2.6 billion tonnes (reserves constitute the volume of underground oil shale of high economic potential determined on the basis of geological surveys, which have not taken into account potential restrictions limiting their use).

[9] High reliability of 3.7 billion tonnes, reliable .2.5 billion tonnes, forecast of 0.4 billion tonnes (reserves constitute the volume of underground oil shale of high economic potential determined on the basis of geological surveys, which have not taken into account potential restrictions limiting their use).

Financing

Eesti Energia's credit ratings are at the investment grade level that allows the Group to access debt capital markets if needed. As at 30 September 2013, Eesti Energia's credit rating was BBB+ with a stable outlook from Standard & Poor's and Baa1 with a negative rating outlook from Moody's.

Eesti Energia's capital expenditure program drives the need for raising additional capital as well as maintaining sufficient liquidity buffer. As at 30 September, the Group's balance of liquid assets was 158 million euros (including deposits with maturities of more than three months and liquid financial assets).

As at the end of Q3 2013, Eesti Energia's total borrowings in nominal value amounted to 743.5 million euros (-0.7 million euros from the end of Q2 2013). The borrowings amounted to 732.7 million euros (-0.3 million euros from the end of Q2 2013), using the amortised cost method. The significant borrowings of the Group included:

- Eurobonds listed on the London Stock Exchange in the nominal value of 600 million euros.
- Loans received from the European Investment Bank accounted for 143.5 million euros of borrowings in nominal value.

The Group's undrawn loans amounted to 290 million euros at the date of publishing this report

- During the quarter, the process of renewing liquidity loans was completed. As a result, bilateral liquidity loan contracts for the total amount of 150 million euros were signed in September with three regional banks (SEB, Pohjola and Nordea). The due date of the contracts is September 2018. At the same time existing liquidity loan contracts in the amount of 300 million euros were terminated. Since in the nearest few years the Group's investment volume will decrease, the need for the liquidity buffer will also decrease. At present the loans are fully undrawn.
- In October we completed negotiations for a new long-term loan with the European Investment Bank for financing the investments of Elektrilevi and signed the loan contract in the amount of 100 million euros. The loan is undrawn at present.
- In December 2011, we signed two loan agreements for 95 million euros with the European Investment Bank. Of this amount we have agreed to draw in 50 million euros in November 2013. Drawing in the remaining 45 million euros is possible until December 2013.

As at 30 September, the weighted average interest rate of the Group's borrowings was 4.13% (end of Q2 2013: 4.12%). The weighted average rate of borrowings with fixed interest rates was 4.16% and that for borrowings with floating interest rates was 0.80% (including the base rate). Borrowings with fixed interest rate made up 99% of the total Group's debt as at the end of the Q3. All borrowings are denominated in euros.

As at 30 September 2013, the equity of Eesti Energia amounted to 1,444 million euros. 100% of the shares of Eesti Energia are owned by the Republic of Estonia.

As at 30 September, the Group's net debt[10] was 575 million euros, having increased by 84 million euros during the quarter. As at 30 September, the ratio of EBITDA to net debt was 2.1 (2.0 at the end of Q2 2013). The financial leverage reached 28% at the end of Q3, a raise of 0.5 percentage points as compared to the previous quarter. According to its loan agreements, Eesti Energia is bound to comply with certain financial covenants. As at the end of Q3, the Group complied with these financial covenants.

In October 2013 the government decided to reduce Eesti Energia dividend payment in 2013 to 34 880 000 euros.

[10] Net debt – debt obligations at amorized cost, less cash and cash equivalents (incl. deposits with a term of more than 3 months)

Outlook for 2013

Eesti Energia Group's performance in the first 9 months of the year indicated the revenue increase by 19.3% to 710 million euros compared to the same period last year. At the same time the group earned 217.4 million euros of EBITDA, which is 2.6% less than in the first 9 months of 2012. Last year's results were supported by the sale of Televõrgu AS in the first quarter of 2012.

Group revenues and EBITDA for 2013 are expected to increase compared to FY2012. Group electricity generation and sales volumes are expected to increase by more than previously envisaged and are expected to compensate lower than envisaged income from oil production due to delays of Enefit280 oil plant.

Eesti Energia has sold forward 2.2 TWh of power for the last quarter of 2013 (at the average price of 45.7 €/MWh) and has also hedged 39 thousand tonnes of shale oil production (at the average price of 464 €/tonne). Group´s CO_2 emissions exposure for the whole 2013 has been hedged via forward purchases for 12.9 million tonnes (at the average price of 8.2 €/tonne).

Consolidated statement of comprehensive income

in million EUR

	3 months 1 July - 30 September 2013	3 months 1 July - 30 September 2012	9 months 1 January - 30 September 2013	9 months 1 January - 30 September 2012	12 months 1 October - 30 September 2012/13	12 months 1 October - 30 September 2011/12	*Note*
Revenue	216,3	198,9	710,3	595,5	936,9	817,8	*2*
Other operating income	1,6	2,6	8,0	18,8	35,1	20,3	
Government grants	-	0,1	0,2	0,1	0,5	0,3	
Change in inventories of finished goods and work-in-progress	-5,6	0,5	-10,0	16,5	-16,6	17,1	
Raw materials and consumables used	-93,3	-79,8	-332,0	-258,6	-453,7	-348,1	
Payroll expenses	-32,0	-32,5	-102,2	-101,5	-152,3	-143,0	
Depreciation, amortisation and impairment	-30,0	-31,3	-87,7	-84,5	-181,5	-112,0	
Other operating expenses	-14,9	-18,6	-56,9	-47,6	-77,3	-63,3	
OPERATING PROFIT	**42,1**	**39,9**	**129,7**	**138,7**	**91,1**	**189,1**	*2*
Financial income	0,7	1,0	2,1	2,3	3,0	3,3	
Financial expenses	-1,0	-3,3	-3,1	-5,8	-5,6	-8,3	
Net financial income (-expense)	**-0,3**	**-2,3**	**-1,0**	**-3,5**	**-2,6**	**-5,0**	
Gain from associates using equity method	-	-	-	-	-0,2	-0,9	
PROFIT BEFORE TAX	**41,8**	**37,6**	**128,7**	**135,2**	**88,3**	**183,2**	
CORPORATE INCOME TAX EXPENSE	**-**	**-0,2**	**-18,8**	**-17,1**	**-19,6**	**-17,2**	
PROFIT FOR THE YEAR	**41,8**	**37,4**	**109,9**	**118,1**	**68,7**	**166,0**	
ATTRIBUTABLE TO:							
Equity holders of the Parent Company	**41,9**	**38,0**	**109,7**	**118,7**	**68,3**	**166,6**	
Non-controlling interest	**-0,1**	**-0,6**	**0,2**	**-0,6**	**0,4**	**-0,6**	
Basic earnings per share (euros)	*0,07*	*0,06*	*0,18*	*0,21*	*0,11*	*0,31*	*7*
Diluted earnings per share (euros)	*0,07*	*0,06*	*0,18*	*0,21*	*0,11*	*0,31*	*7*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
in million EUR

	3 months 1 July - 30 September 2013	3 months 1 July - 30 September 2012	9 months 1 January - 30 September 2013	9 months 1 January - 30 September 2012	12 months 1 October - 30 September 2012/13	12 months 1 October - 30 September 2011/12
PROFIT FOR THE YEAR	**41,8**	**37,4**	**109,9**	**118,1**	**68,7**	**166,0**
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Revaluation of risk hedge instruments	-26,9	-11,9	-0,5	-7,4	18,8	-4,0
Currency translation differences attributable to foreign subsidiaries	-1,3	-0,9	-1,1	0,1	-2,3	3,7
Other comprehensive income for the year	-28,2	-12,8	-1,6	-7,3	16,5	-0,3
COMPREHENSIVE INCOME FOR THE YEAR	**13,6**	**24,6**	**108,3**	**110,8**	**85,2**	**165,7**
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**13,7**	**25,2**	**108,1**	**111,4**	**84,8**	**166,3**
Non-controlling interest	**-0,1**	**-0,6**	**0,2**	**-0,6**	**0,4**	**-0,6**

Consolidated statement of financial position

in million EUR

ASSETS	30 September 2013	30 September 2012	31 December 2012	*Note*
Non-current assets				
Property, plant and equipment	2 179,5	1 904,8	1 988,4	*4*
Intangible assets	64,4	59,7	58,7	
Investments in associates	21,3	23,3	21,3	
Derivative financial instruments	1,5	7,5	7,5	*5*
Long-term receivables	42,7	19,1	26,0	
Total non-current assets	**2 309,4**	**2 014,4**	**2 101,9**	
Current assets				
Inventories	41,9	56,7	48,3	
Greenhouse gas allowances	11,6	26,6	11,6	
Trade and other receivables	165,8	119,4	174,6	
Derivative financial instruments	16,5	5,3	9,2	*5*
Available-for-sale financial assets	-	5,2	-	
Financial assets at fair value through profit or loss	-	3,3	1,7	
Deposits with maturities greater than three months at bank	35,0	135,0	90,0	
Cash and cash equivalents	122,5	97,5	60,1	
Total current assets	**393,3**	**449,0**	**395,5**	
Total assets	**2 702,7**	**2 463,4**	**2 497,4**	
EQUITY				
Capital and reserves attributable to equity holder of the Parent Company				
Share capital	621,6	621,6	621,6	*6*
Share premium	259,8	259,8	259,8	
Statutory reserve capital	51,0	47,2	47,2	
Hedge reserve	11,0	-7,8	11,5	
Unrealised exchange rate differences	1,3	3,6	2,4	
Retained earnings	498,0	507,0	465,6	
Total equity and reserves attributable to equity holder of t	**1 442,7**	**1 431,4**	**1 408,1**	
Non-controlling interest	**1,6**	**0,8**	**1,0**	
Total equity	**1 444,3**	**1 432,2**	**1 409,1**	
LIABILITIES				
Non-current liabilities				
Borrowings	731,3	730,9	731,4	*8*
Other payables	3,3	2,7	2,4	
Derivate financial instruments	1,1	2,7	0,3	*5*
Deferred income	147,1	134,4	136,6	
Provisions	26,5	32,4	23,9	
Total non-current liabilities	**909,3**	**903,1**	**894,6**	
Current liabilities				
Borrowings	1,4	1,4	1,4	*8*
Trade and other payables	263,8	110,1	174,9	
Derivative financial instruments	1,1	8,1	2,1	*5*
Deferred income	3,0	2,1	2,4	
Provisions	79,8	6,4	12,9	
Total current liabilities	**349,1**	**128,1**	**193,7**	
Total liabilities	**1 258,4**	**1 031,2**	**1 088,3**	
Total liabilities and equity	**2 702,7**	**2 463,4**	**2 497,4**	

Consolidated statement of cash flows

in million EUR

	3 months 1 July - 30 September 2013	3 months 1 July - 30 September 2012	9 months 1 January - 30 September 2013	9 months 1 January - 30 September 2012	12 months 1 October - 30 September 2012/13	12 months 1 October - 30 September 2011/12	*Lisa*
Cash flows from operating activities							
Cash generated from operations	91,2	56,4	242,6	180,4	289,7	173,8	*9*
Interest and loan fees paid	-4,8	-4,8	-5,3	-6,0	-25,5	-21,4	
Interest received	0,1	0,3	0,5	0,6	1,0	1,5	
Corporate income tax paid	-0,9	-0,2	-1,0	-17,2	-1,0	-17,2	
Net cash generated from operating activities	**85,6**	**51,7**	**236,8**	**157,8**	**264,2**	**136,7**	
Cash flows from investing activities							
Purchase of property, plant and equipment and intangible assets	-104,5	-105,8	-268,2	-372,0	-395,6	-489,7	
Proceeds from connection and other fees	3,4	3,4	9,8	11,2	13,6	15,2	
Proceeds from sale of property, plant and equipment	0,6	0,1	13,2	1,1	17,1	1,7	
Proceeds from grants of property, plant and equipment	-	0,9	3,5	1,6	4,1	1,6	
Net change in deposits with maturities greater than 3 months	38,0	-70,0	55,0	-135,0	100,0	-29,0	
Net change in cash restricted from being used	-2,0	3,2	13,2	-12,2	8,9	-9,1	
Purchase of short-term financial investments	-	-10,1	-4,7	-21,2	-9,0	-40,8	
Loans granted	-1,0	-0,3	-2,7	-4,8	-3,1	-6,4	
Loan repayments received	-	-	-	3,0	-	3,0	
Dividens received from long-term financial investments	-	-	1,5	1,4	1,5	1,4	
Acquisiton of subsidiaries, net of cash acquired	-	-	-0,2	-	-0,2	-1,2	
Proceeds from disposal of subsidiary	-	-	-	22,1	-	22,1	*12*
Proceeds from sale and redemption of short-term financial investment	-	4,0	6,4	21,6	23,8	54,0	
Net cash used in investing activities	**-65,5**	**-174,6**	**-173,2**	**-483,2**	**-238,9**	**-477,2**	
Cash flows from financing activities							
Received long-term bank loans	0,6	0,5	1,0	26,7	1,9	27,4	
Proceeds from bonds issued	-	-	-	297,0	-	297,0	*8*
Repayments of bank loans	-0,7	-0,7	-1,4	-26,5	-1,4	-83,0	
Repayments of other loans	-0,8	-	-0,8	-	-0,8	-	
Proceeds from non-controlling interest	-	-	-	-	-	0,1	
Contribution to the share capital	-	150,0	-	150,0	-	150,0	
Dividends paid	-	-	-	-65,2	-	-65,2	
Net cash used in financing activities	**-0,9**	**149,8**	**-1,2**	**382,0**	**-0,3**	**326,3**	
Net cash flows	**19,2**	**26,9**	**62,4**	**56,6**	**25,0**	**-14,2**	
Cash and cash equivalents at the beginning of the period	103,3	70,6	60,1	40,9	97,5	111,7	
Cash and cash equivalents at the end of the period	122,5	97,5	122,5	97,5	122,5	97,5	
Net increase/(-)decrease in cash and cash equivalents	**19,2**	**26,9**	**62,4**	**56,6**	**25,0**	**-14,2**	

Consolidated statement of changes in equity

in million EUR

	Attributable to equity holder of the Company						Non-control-ling interest	Total equity
	Share capital (Note 6)	Share premium	Statutory legal reserve	Other reserves	Retained earnings	Total		
Equity as at 31 December 2011	**471,6**	**259,8**	**47,2**	**3,1**	**453,5**	**1 235,2**	**1,4**	**1 236,6**
Income for the year	-	-	-	-	118,7	118,7	-0,6	118,1
Comprehensive income for the year	-	-	-	-7,3	-	-7,3	-	-7,3
Comprehensive income for the year	**-**	**-**	**-**	**-7,3**	**118,7**	**111,4**	**-0,6**	**110,8**
Contribution to the share capital	150,0	-	-	-	-	150,0	-	150,0
Dividends paid	-	-	-	-	-65,2	-65,2	-	-65,2
Total transactions with owners of the company, recognised directly in equity	**150,0**	**-**	**-**	**-**	**-65,2**	**84,8**	**-**	**84,8**
Equity as at 30 September 2012	**621,6**	**259,8**	**47,2**	**-4,2**	**507,0**	**1 431,4**	**0,8**	**1 432,2**
Equity as at 31 December 2012	**621,6**	**259,8**	**47,2**	**13,9**	**465,6**	**1 408,1**	**1,0**	**1 409,1**
Income for the year	-	-	-	-	109,7	109,7	0,2	109,9
Comprehensive income for the year	-	-	-	-1,6	-	-1,6	-	-1,6
Comprehensive income for the year	**-**	**-**	**-**	**-1,6**	**109,7**	**108,1**	**0,2**	**108,3**
Dividends declared (Note 14)	-	-	-	-	-73,5	-73,5	-	-73,5
Transfer of retained earning to statutory reserve capital	-	-	3,8	-	-3,8	-	-	-
Increase of non-controlling interest due to the conversion of subsidiary's debt into equity	-	-	-	-	-	-	0,4	0,4
Total transactions with owners of the company, recognised directly in equity	**-**	**-**	**3,8**	**-**	**-77,3**	**-73,5**	**0,4**	**-73,1**
Equity as at 30 September 2013	**621,6**	**259,8**	**51,0**	**12,3**	**498,0**	**1 442,7**	**1,6**	**1 444,3**

Notes to the financial statements

1 Accounting policies

This consolidated interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union. These consolidated interim condensed financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting".

Accounting policies and presentation of financial statements applied to this interim report were identical to those used in financial statements for the financial year that ended on 31 December 2012, except segment reporting and presentation of the statement of comprehensive income. Presentation of the statement of comprehensive income has been changed according to amendment of International Financial Reporting Standards IAS 1 - Presentation of Items of Other Comprehensive Income, that became mandatory for the Group from 1 January 2013. The amendment does not have any impact on measurement of transactions and balances. Changes of presentation of segment reporting are described in Note 2.

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 2013 did not have any impact to the Group's accounting policies and financial statements.

According to the Management Board the Interim Report prepared for the period 1 January 2013 - 30 September 2013 presents a true and fair view of the financial position, the cash flows and the results of operations of Eesti Energia AS and its subsidiaries (Group).

The information contained in the Interim Financial Statements has not been audited.

2 Segment reporting

For segment reporting purposes, the Group uses from 1 January 2013 product-based reporting instead of internal management structure reporting. The Group has built up a methodology, which is the basis for the calculation of Group's main products' revenues, expenses and operating profits and dividing assets on the balance sheet among main products, including in detail selected assets' and liabilities' groups, which are relevant or have significant impact of understanding the Group's financial statements.

For segment reporting purposes, the division into operating segments is based on the Group's main products' groups, which is the basis for the reporting system and performance assessment by the chief operating decision maker – the parent company's management board. In the segment reporting the relevant financial measures are presented that are regularly provided to the parent company's management board and evaluated by the parent company's management board.

On the basis of Group's main product groups 13 operating segments are distinguished, which are summarized into four segments:

1. Electrical Energy
2. Network Services
3. Liquid Fuels
4. Other (remaining products - heat, oil-shale, construction of electrical power network, power engineering equipment and -services, services of Televõrk, old metal, ash of oil-shale, other products and goods, other services, other operating income and expenses)

Product Electrical Energy involves entire Group's production and sale activities of electricity produced from renewable and non-renewable sources and production and sale activites of electricity purchased for resale.
Network Services covers offering electrical power network and related services on regulated market.
Product Liquid Fuels involves production and sale of liquid fuels in Estonia and in foreign countries and development of technology of liquid fuels in Estonia and in foreign countries.
Segment "Other" covers all the other Group's operating activities, which are not recognized in segments above.

Revenues from operating activities are divided by direct method between products and only non-group revenues are taken into account. All revenues and other operating incomes, which are related to specific product sale activity, are recognized as product revenues.

Operating expenses are divided between segments based on how much expenses have been made for production of one or another product on the Group's view. Not only the expenses of the company that has produced the final product are taken into consideration, but all the expenses of all the companies in the Group which have been involved in the process of given product's production.

Under the Electricity Market Act of Estonia, the prices of network services need to be approved by the Estonian Competition Authority. The Estonian Competition Authority has an established methodology for approving the prices. When granting approval for these prices, the Estonian Competition Authority considers the costs which allow companies to fulfill the legal obligations and conditions attached to their activity licences and ensure justified profitability on invested capital. The Estonian Competition Authority considers the annual average residual value of non-current assets plus 5% of non-group sales revenue as invested capital. The rate for justified profitability is the Company's weighted average cost of capital (WACC).

2 Segment reporting, cont.

Segment information for reportable segments for the period 1 July 2013 - 30 September 2013
in million EUR

	Electrical Energy	Network Services	Liquid Fuels	Other	Total
Total revenue	118,7	53,3	29,9	14,4	216,3
Revenue from external customers	118,7	53,3	29,9	14,4	216,3
Operating profit	10,7	12,8	7,5	11,1	42,1

Segment information for reportable segments for the period 1 July 2012 - 30 September 2012
in million EUR

	Electrical Energy	Network Services	Liquid Fuels	Other	Total
Total revenue	106,4	49,4	24,6	18,5	198,9
Revenue from external customers	106,4	49,4	24,6	18,5	198,9
Operating profit	12,2	13,3	12,3	2,1	39,9

Segment information for reportable segments for the period 1 January 2013 - 30 September 2013
in million EUR

	Electrical Energy	Network Services	Liquid Fuels	Other	Total
Total revenue	407,8	179,6	60,2	62,7	710,3
Revenue from external customers	407,8	179,6	60,2	62,7	710,3
Operating profit	45,8	38,6	13,1	32,2	129,7

Segment information for reportable segments for the period 1 January 2012 - 30 September 2012
in million EUR

	Electrical Energy	Network Services	Liquid Fuels	Other	Total
Total revenue	301,9	164,2	57,4	72,0	595,5
Revenue from external customers	301,9	164,2	57,4	72,0	595,5
Operating profit	51,4	38,1	23,9	25,3	138,7

3 Seasonality of operating profit

Temperature is the most important factor influencing the domestic electricity and heat demand. Lower temperatures in winter induce higher energy consumption and thus higher revenues from operating activities and operating profit. In summer, higher temperatures lead to lower electricity and heat consumption and correspondingly to lower revenues from operating activities and lower operating profit.

4 Property, plant and equipment

in million EUR

	Land	Buildings	Const-ruction	Plant and equipment	Other	Total
Property, plant and equipment as at 31 December 2012						
Cost	42,7	157,1	815,3	1 455,6	5,5	2 476,2
Accumulated depreciation	-	-95,9	-321,5	-726,7	-4,5	-1 148,6
Net book amount	42,7	61,2	493,8	728,9	1,0	1 327,6
Construction in progress	-	0,9	36,9	581,4	-	619,2
Prepayments	-	-	-	41,6	-	41,6
Total property, plant and pquipment as at 31 December 2012	**42,7**	**62,1**	**530,7**	**1 351,9**	**1,0**	**1 988,4**
Movements 1 January - 30 september 2013						
Purchases of property, plant and equipment	-	14,4	33,9	235,0	0,3	283,6
Depreciation charge	-	-3,6	-17,7	-62,0	-0,2	-83,5
Net book amount of non-current assets disposed	-0,5	-7,8	-0,1	-0,4	-	-8,8
Exchange differences	-0,1	-	-	-0,1	-	-0,2
Movements 1 January - 30 September 2013	**-0,6**	**3,0**	**16,1**	**172,5**	**0,1**	**191,1**
Property, plant and equipment as at 30 September 2012						
Cost	42,1	160,4	842,9	1 615,1	5,5	2 666,0
Accumulated depreciation	-	-97,1	-337,0	-769,3	-4,4	-1 207,8
Net book amount	42,1	63,3	505,9	845,8	1,1	1 458,2
Construction in progress	-	1,8	40,9	636,2	-	678,9
Prepayments	-	-	-	42,4	-	42,4
Total property, plant and equipment as at 30 September 2013	**42,1**	**65,1**	**546,8**	**1 524,4**	**1,1**	**2 179,5**

5 Derivative financial instruments

in million EUR	30 September 2013		30 September 2012	
	Assets	Liabilities	Assets	Liabilities
Forward contracts for buying and selling electricity as cash flow hedges	5,3	1,8	4,5	-
Option contracts for buying and selling electricity as trading derivatives	-	-	1,3	-
Forward and option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	9,3	-	7,0	-
Swap, futures and option contracts for selling shale oil as cash flow hedges	3,0	0,4	-	10,8
Option contracts for selling shale oil as trading derivatives	0,4	-	-	-
Total derivative financial instruments	**18,0**	**2,2**	**12,8**	**10,8**
including non-current portion:				
Forward contracts for buying and selling electricity as cash flow hedges	-	1,1	0,5	-
Forward and option contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	-	-	7,0	-
Swap, futures and option contracts for selling shale oil as cash flow hedges	1,5	-	-	2,7
Total non-current portion	**1,5**	**1,1**	**7,5**	**2,7**
Total current portion	**16,5**	**1,1**	**5,3**	**8,1**

6 Share capital

As at 30 September 2013, Eesti Energia AS had 621 645 750 registered shares (30 September 2012: 621 645 750 registered shares). The nominal value of each share is 1 euro.

7 Earnings per share

Basic earnings per share are calculated by dividing profit attributable to the equity holders of the company by the weighted average number of ordinary shares outstanding. As there are no potential ordinary shares, diluted earnings per share equal to basic earnings per share all the periods.

	3 months 1 July - 30 September		9 months 1 January- 30 September		12 months 1 October - 30 September	
	2013	2012	2013	2012	2013/12	2012/11
Profit attributable to the equity holders of the	41,9	38,0	109,7	118,7	68,3	166,6
Weighted average number of shares (million	621,6	621,6	621,6	554,3	621,6	533,5
Basic earnings per share (EUR)	0,07	0,06	0,18	0,21	0,11	0,31
Diluted earnings per share (EUR)	0,07	0,06	0,18	0,21	0,11	0,31

8 Nominal value and amortised cost of borrowings

in million EUR

	30 September 2013		30 September 2012	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Current portion of long-term bank loans	1,4	1,4	1,4	1,4
Total short-term borrowings	**1,4**	**1,4**	**1,4**	**1,4**
Long- term borrowings				
Bank loans	142,1	142,0	143,5	142,9
Bonds issued	600,0	589,3	600,0	588,0
Total long- term borrowings	**742,1**	**731,3**	**743,5**	**730,9**
Total borrowings	**743,5**	**732,7**	**744,9**	**732,3**

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

In February 2013 the Group decreased undrawn liquidity loan facilities by EUR 100.0 million.
In September 2013 the Group ended liquidity loan agreements with Swedbank, SEB, Pohjola and Danske bank and contracted new liquidity loan agreements with Nordea, SEB and Pohjola bank.
As at 30 September 2013 the Group had undrawn loan facilities of EUR 245.0 million (30 September 2012: EUR 595.0 million), of which EUR 150.0 million can be taken into use until August 2018 and has a floating interest rate.
On 29 August 2013 the Group made application to EIB to take into use long-term loan of EUR 50 million, fixed interest rate for the loan is 2.528%. Loan disbursement will take place in November 2013, the repayments of principal will take place in annual equal instalments during the period November 2015-2013
The decision regarding the remaining undrawn loan facilities of EUR 45 million must be made by 7 December 2013.
The decision whether to fix the interest or not will be made when the loan is taken into use.

9 Cash from operating activities

in million EUR

	3 months 1 July - 30 September 2013	3 months 1 July - 30 September 2012	9 months 1 January - 30 September 2013	9 months 1 January - 30 September 2012	12 months 1 October - 30 September 2012/13	12 months 1 October - 30 September 2011/12	*Note*
Profit before tax	41,8	37,6	128,7	135,2	88,3	183,2	
Adjustments							
Depreciation and impairment of property, plant and equipme	28,5	30,2	83,5	81,8	175,4	107,8	
Amortisation of intangible assets	1,5	1,1	4,2	2,7	6,1	4,2	
Deferred income from connection and other service fees	-1,4	-1,2	-4,0	-3,5	-5,3	-4,8	
Gain on disposal of subsidiaries	-	-	-	-13,6	-	-13,4	*12*
Gain on disposal of property, plant and equipment	-0,2	-0,1	-4,4	-0,6	-6,8	-1,0	
Amortisation of government grant received to purchase non-	-	-	-0,1	-	-0,2	-0,1	
Profit/loss from associates using equity method	-	-	-	-	0,2	0,9	
Other gains from investments	-	-	-	-	-0,1	-	
Unpaid/unsettled gain/loss on derivatives	-14,5	2,7	-2,1	1,0	5,0	-9,8	
Foreign exchange loss (gain) from loans in foreign currency	0,6	-	0,5	-	0,5	-	
Interest expense on borrowings	-	2,5	1,6	4,5	3,3	5,2	
Interest and other financial income	-0,7	-1,0	-2,2	-2,3	-3,0	-3,0	
Adjusted net profit before tax	**55,6**	**71,9**	**205,7**	**205,2**	**263,4**	**269,3**	
Net change in current assets relating to operating activities	-	-	-	-	-	-	
Change in receivables related to operating activities	-9,7	-13,0	15,6	10,2	-6,4	-18,2	
Change in inventories	5,5	-0,8	6,4	-18,7	14,8	-20,1	
Net change in other current assets relating to operating activ	21,2	-4,0	-33,5	15,0	-58,9	-6,8	
Total net change in current assets relating to operating ac	**17,0**	**-17,8**	**-11,5**	**6,5**	**-50,5**	**-45,1**	
Net change in current liabilities relating to operating activities	-	-	-	-	-	-	
Change in provisions	21,3	3,5	69,5	-6,6	67,5	-38,2	
Change in trade payables	2,9	-2,7	-8,6	-14,2	6,7	-10,1	
Net change in liabilities relating to other operating activities	-5,6	1,5	-12,5	-10,5	2,6	-2,1	
Total net change in liabilities relating to operating activities	18,6	2,3	48,4	-31,3	76,8	-50,4	
Cash generated from operations	**91,2**	**56,4**	**242,6**	**180,4**	**289,7**	**173,8**	

10 Contingent liabilities

Contingent liabilities arising from potential tax audit

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

Collaterals, guarantees and court actions

The loan agreements concluded by the Group set certain covenants on the Group's consolidated financial indicators. The covenants have been adhered to.

The Group has granted a guarantee of up to 39.9% for the obligations arising from the loan contracts entered into between its associate AS Nordic Energy Link and the banks if the banks should require full payment of loans from AS Nordic Energy Link due to breach of contractual terms. As at 30 September 2013, AS Nordic Energy Link had drawn loans of EUR 48.4 million (as at 30 September 2012: EUR 53.9 million).

11 Related party transactions

in million EUR

The sole shareholder of Eesti Energia AS is the Republic of Estonia. In preparing the Group's financial statements, the related parties include associates, members of the management and supervisory boards of the parent company, and other companies over which these persons have significant influence.
Related parties also include entities under the control or significant influence of the state.

	1 January - 30 September	
	2013	2012
Transactions with associates		
Purchase of goods and services	19,4	19,6
Proceeds from sale of goods and services	3,7	2,2
Financial income	1,7	0,8
Loans granted	2,7	4,2

No impairment loss from receivables was recognised in the reporting period and in the comparable period.

Upon premature termination of the service contract with a member of the Management Board, the service contracts stipulate the payment of 3 months' remuneration as termination benefits.

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

12 Disposal of subsidiary

On 17 February 2012 the transaction of the sale of the 100% shareholding in Televõrgu AS was completed.

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

13 Effects of changes in cash flow statement

Following reclassifications have been made in cash flow statement retroactively:

	3 months 1 July - 30 September		
	2012 changed	2012 before	difference
Cash flows from investing activities			
Contribution to the share capital	-	150,0	-150,0
Net cash used in investing activities	-174,6	-24,6	-150,0
Cash flows from financing activities			
Contribution to the share capital	150,0	-	150,0
Net cash used in financing activities	149,8	-0,2	150,0

	9 months 1 January - 30 September		
	2012 changed	2012 before	difference
Cash flows from investing activities			
Contribution to the share capital	-	150,0	-150,0
Net cash used in investing activities	-483,2	-333,2	-150,0
Cash flows from financing activities			
Contribution to the share capital	150,0	-	150,0
Net cash used in financing activities	382,0	232,0	150,0

	12 months 1 October - 30 September		
	2011/12 changed	2011/12 before	difference
Cash flows from investing activities			
Contribution to the share capital	-	150,0	-150,0
Net cash used in investing activities	-477,2	-327,2	-150,0
Cash flows from financing activities			
Contribution to the share capital	150,0	-	150,0
Net cash used in financing activities	326,3	176,3	150,0

14 Events after the balance sheet date

Under Order No. 451 of the Government of Estonia of 17 October 2013 the amount of dividend payment of Eesti Energia AS for the year 2013 was decreased by EUR 38.6 million. The new dividend amount is EUR 34.9 million.

Summary

Eesti Energia is an international energy company operating in the Baltic and in Nordic countries' energy markets. Eesti Energia is the largest Estonian energy company, which is engaged in oil shale mining, energy and heat generation, shale oil production as well as offering other electricity-related products and services to customers.

In foreign markets we operate under the Enefit brand. We sell energy to Latvian and Lithuanian customers as well as offer our unique and environmentally friendly oil shale processing solutions to customers globally.

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