Corporate Social Responsibility Report 2014

Eesti Energia

Corporate Social Responsibility Report 2014

JÄTKUSUUTLIKU
ETTEVÕTLUSE INDEKS
HÕBETASE 2014

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Hando Sutter
Chairman of the Management Board

Dear Reader!

Eesti Energia, the country's largest enterprise and oil shale group, perceives its responsibility for natural, economic and social environments. Our operations have impact on more than 6,600 of our employees, 150,000 people living in Ida-Virumaa region, half a million customers and more or less the whole Estonian population.

There is a direct link between the results of Eesti Energia and our motivated and competent employees. As an employer we have to establish a work environment that contributes to the best possible results. Safety and further development potential are integral part of this.

Eesti Energia is a production company and that brings along higher risks. We have implemented strict safety rules and our employees have passed thorough safety trainings. One of our core values states „safety above all". Although the number of accidents at work has declined over last years and the coefficient of accidents at work as reported by Labour Inspectorate is lower in Eesti Energia than on the average in Estonia we are not fully protected from accidents. Unfortunately, we faced a fatal accident in 2014. We do everything to reduce the number of accidents at work. It is the highest priority for the company.

We have developed employee improvement programs to provide our employees further development potential. A good example is the Eesti Energia university for engineers, an initiative from 2014 to educate our engineers. As we expect to hire up to 300 engineers in the next ten years we are closely cooperating with educational institutions. In 2014, 235 interns were working in our companies. We had hired 31 of them by the end of the year.

We have a long-term and consistent experience in handling environmental impacts. In 2014, we invested about 29 million euros to achieve a more environment friendlier oil shale industry through direct and indirect solutions. The significant environmental project reduces nitrogen oxide emissions of Narva power plants almost twice. Including the earlier investments to upgrading Narva power plants we can retain the current oil shale electricity production volume also after stricter environmental requirements in 2016.

As an electricity seller our role is to provide services of quality and convenience. Therefore, we simplified the electricity package replacement and e-service usage and implemented a more personal corporate customer service model. The 2014 customer survey indicated that both household and corporate customers have ranked us higher in all key issues compared to previous surveys.

Ida-Virumaa region is the birthplace of oil shale industry. To benefit the development of the area we a cooperating closely with local municipalities. Youth entrepreneurship program ENTRUM returned Ida-Virumaa region in 2014. Ida-Virumaa Talented Youth Energy Fund, established to support the recreational and learning activities of children and young people, supported 42 young people. More than 3,300 sports fans from Estonia and abroad

attended the fourth Narva Energy Run in 2014. Water-sports centre in former Aidu open-cast mine opened for amateur and professional sportsmen attracted people to visit Ida-Virumaa region.

In 2014, Eesti Energia celebrated its 75th jubilee. Due to new mining and production technologies electricity generation has become cleaner than ever. We know how to extract more energy from oil shale and our knowledge is highly appreciated all over the world. We are striving for environment protection and further development of oil shale industry. Concern and responsibility have become integral part of our daily operations over the last 75 years.

HANDO SUTTER
Chairman of the Management Board

Eesti Energia at a Glance

Eesti Energia is an international energy company that operates in the unified electricity market of the Baltic and Nordic countries. Its sole shareholder is the Republic of Estonia.

Eesti Energia offers energy solutions ranging from electricity, heat and fuel production to sales, customer service and ancillary energy services. Eesti Energia sells electricity to the Baltic retail customers and the wholesale market and Group entity Elektrilevi distributes electricity to customers in Estonia. Outside Estonia, the Group operates under the Enefit brand. With its approximately 6,700 employees, Eesti Energia is one of the largest employers in Estonia.

SALES REVENUES

880.0 million euros

▼ - 86.4 million euros, -8.9%

EBITDA

312.3 million euros

▲ +1.8 million euros, +0.6%

NET PROFIT

159.3 million euros

▼ -0.2 million euros, -0.1%

INVESTMENTS

275.9 million euros

▼ -143.0 million euros, -34.1%

CREDIT RATINGS

BBB+/Baa2

with stable outlook

ELECTRICITY SALES

9.1 TWh

▼ -2.2 TWh, -19.6%

ELECTRICITY DISTRIBUTED

6.3 TWh

▲ +0.01 TWh, +0.2%

SHALE OIL S

230.7 thousand t

▲ +22.6 thousand t, +10.8%

Events and Recognitions in the Financial Year 2014

JANUARY

- Eesti Energia Narva power plants are awarded with ISO 9001:2008 international quality management standard certificate and OHSAS 18001: 2007 occupational health and safety management standard certificate.
- „Around TERRA CUCERSITA" and „From gear to wind turbine", projects to popularise student science and co-conducted by the employees of Eesti Energia Kaevandused, are finished in Virumaa Collage of Tallinn Technical University.

FEBRUARY

- Eesti Energia is awarded with corporate responsibility quality label.
- More than 4,500 amateur sports fans attend the record event "Let's make the track history" and gather a total of 43,000 health kilometres as part of the celebrations of the birthday of Republic of Estonia. We are one of the supporters of the project.

MARCH

- Eesti Energia Testing Centre celebrates 50 years of operations.
- 13th Oil Shale Day, organised by Eesti Energia and discussing the future of oil shale industry and environmental issues, takes place in Sillamäe.
- We are ranked as the second most valued employer following Skype Technologies.

APRIL

- Linnamäe hydro-electric power station on Jägala River, the largest in Estonia, celebrates 90 years since power generation in 1924.
- Eesti Energia Oil Industry, international consulting company Ramboll and Environmental Investment Centre partner in conducting odour survey.
- Eesti Energia and Looduse Omnibuss (Nature Bus) recognise all the participants of the largest nature photo contest „Nature Year Photo 2014".

MAY

- Eesti Energia celebrates its 75th anniversary since its foundation as a local electricity company in 1939. We published the first Estonian popular science oil shale book „Kukersite and mudstone: the story of our energy" to celebrate the jubilee.
- Eesti Energia Kaevandused is awarded with the „Environment Act in Mining 2014" title for rehabilitating the former areas of Aidu opencast mine.
- Eesti Energia Kaevandused grants scholarship to the best students of mining specialty.
- The President of Republic of Estonia, Toomas Hendrik Ilves, announces the winners of Eesti Energia's youth entrepreneurship program ENTRUM.

JUNE

- Eesti power plant celebrates 45 years of operations.
- Energy Discovery Centre re-opens its doors to the public. The renovated family centre offers exploring to science fans of all ages.
- Forth Narva Energy Run welcomes more than 3,300 recreational sports fans. Energy Day – a family event takes place in Narva Castle after the competition.
- The employees of Elektrilevi and children's pet Electro Rabbit teaches children to avoid electrical hazards as part of the „Knowledge is a Winner!" safety campaign.

JULY

Turbine of Paide cogeneration plant is synchronised with power grid and the electricity generated in the new plant is delivered to the consumers for the first time.

AUGUST

Eesti Energia Environment Day in Jõhvi focuses on utilisation of mining water.

Eesti Energia launches a smartphone app, which makes submitting power meter reading more convenient.

First Aidu Cup in water moto, rowing and paddling took place in Aidu watersport centre. Hundreds of participants in water tour.

We recognize the best miners in the Miner's Day, a local community event co-arranged with VKG (Viru Keemia Grupp).

SEPTEMBER

Paide cogeneration plant successfully passed network tests and network operator Elektrilevi approved the compliance of new plant to network codes.

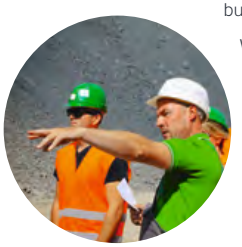
Oil shale and biofuel feeding system and ash removal system - vital for Auvere power plant are completed under the leadership of Eesti Energia Tehnoloogiatööstus (Technology Industry).

Road section using oil shale ash from Eesti Energia Narva power plants, is completed in Lääne-Virumaa region as part of OSAMAT pilot project.

OCTOBER

Inspiring youth entrepreneurship program ENTRUM launched in Jõhvi with 400 students attending from Lääne-Virumaa and Ida-Virumaa regions.

Eesti Energia Kaevandused and Eesti Energia Narva power plants listed in the top of the best enterprises of Ida-Virumaa region by Äripäev business newspaper.



We introduced the opportunities of engineering profession in the education festival held in Ida-Virumaa region.

NOVEMBER

As part of energy saving week we used a real life experiment to show how much a young family can save electricity by following some simple tips.

We upgraded the renewed exposition of Kohtla mining park with 30 m³ of excavated rock. First presentation of theme centre to be opened in spring.

In EBEC engineering competition we challenged the students of Tallinn Technical University with engineering tasks provided by Eesti Energia.

The Management Board of Eesti Energia approves renewed code of ethics.

DECEMBER

Balti power plant, the second largest electricity producer in Estonia, celebrates 55 years of operations.

We granted the scholarships of Energy Fund of Talented Youth from Ida-Virumaa Region.

We were awarded with the title of the most child- and youth-friendly enterprise in Tallinn for steps taken for work-life balance and engaging young people.

We signed diversity agreement to promote the equal treatment subject within the organisation and in the society.

Strategy

Eesti Energia is an energy company that uses oil shale for the production of shale oil, electricity and heat. The company's mission is to derive maximum value from oil shale by using it as efficiently as possible for operations with the highest added value.

According to Eesti Energia's estimates, Estonia's extractable oil shale reserves will last for around 60–70[1] years, depending on the extent of the reserves that are determined to be usable and the rate at which oil shale is used. The resource is limited and must therefore be used in the best possible way. It must also be kept in mind that in order to add maximum value to oil shale, the resource should be used as much as possible in the period in which its value is the highest.

To use oil shale so that we create the highest possible value for the owner, the Republic of Estonia, we aim to increase shale oil production and diversify the portfolio of fuels used for electricity generation by which we expect to make a strong contribution to the Estonian economy. As an oil producer, we intend to increase our shale oil production capabilities. As an electricity producer, we make efficient use of shale oil by-products. New investments are made on the premise that they must generate return in light of the expected oil and fuel oil prices.

EESTI ENERGIA IS THE WORLD LEADER IN OIL SHALE ENERGY

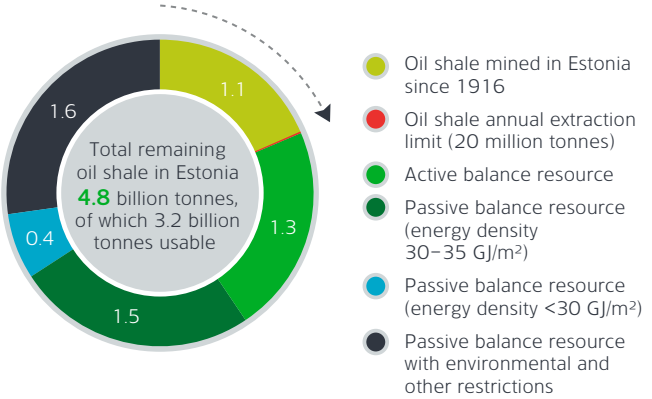
VISION

[1] Based on the total annual permitted oil shale extraction volume of 20 million tonnes (Earth's Crust Act)

We act responsibly. We regard meeting environmental and safety requirements as a top priority. We respect the interests of the community and take responsibility for the development of the local energy industry. In the Ida-Virumaa county alone, oil shale provides jobs for more than 14,000 people, half of whom are directly employed by companies engaged in oil shale extraction and processing while the rest are employed by businesses ancillary to the oil shale industry. In addition, there are oil shale-related jobs in other counties across Estonia. Co-generation of shale oil and electricity will allow Eesti Energia to offer employment to thousands of people also in the future.

Estonian Oil Shale Resource and Mining

Billion Tonnes



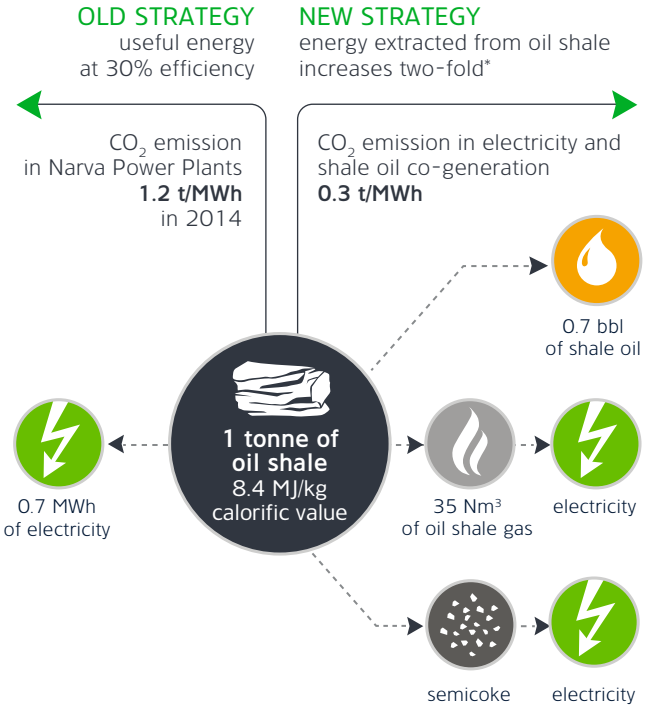
Source: Records of mineral resources of the Environmental Register, Eesti Energia

We act responsibly. We regard meeting environmental and safety requirements as a top priority.

Oil Shale Energy: More Oil = More Electricity

Eesti Energia's strategy is based on adding value to oil shale reserves through the co-generation of shale oil and electricity. The greatest potential for increasing value lies in using oil shale as much as possible for oil production. We have developed Enefit, a unique technology for producing oil-shale based liquid fuels, which allows using all of the extracted oil shale, including fine particles, for industrial purposes. By directing semi-coke and oil shale gas, the by-products of pyrolysis, into electricity production, we derive twice the amount of energy previously obtained from oil shale. It should also be noted that the strategy significantly reduces the environmental impact per unit of production.

Electricity Production from Oil shale *vs* Co-generation of Electricity and Shale Oil



* Net production from co-generation of electricity and shale oil incl. new E280 oil plant and Auvere power plant.
Source: Eesti Energia estimate

Eesti Energia's electricity production capacity, which is based on use of domestic fuels and the by-products of shale oil production, will exceed Estonia's annual electricity consumption for a long term. Thus Eesti Energia makes its contribution to securing Estonia's electricity supply.

To generate electricity at the lowest possible additional costs and CO_2-intensity, and to meet the increasingly stringent requirements of the EU climate policy, we modernise our existing capacities and increase the use of oil shale gas for energy production. Thus, we make maximum use of the potential of our available production capacities. Furthermore, in 2015 we will complete the construction of our new Auvere power plant that uses the more environment-friendly and highly energy efficient circulating fluidised bed technology.

Eesti Energia sells electricity to both the retail and the wholesale market. We help retail customers make well-considered electricity purchase decisions by offering simple electricity products and a convenient service process. We advise residential customers in matters related to energy efficiency.

We Increase the Value of the Distribution Network Operator Elektrilevi by Improving the Quality of the Distribution Network and Increasing Customer Satisfaction.

The priorities of distribution network operator Elektrilevi are effective network management and growth in customer satisfaction. Elektrilevi has to ensure that all market

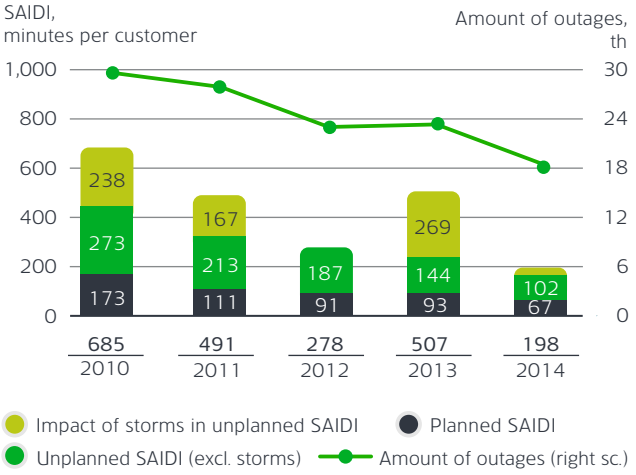
▶▶ All of Elektrilevi's customers will be transferred to the remote reading system by the end of 2016.

participants have equal access to network services and that the quality requirements established by the regulator are met. Customer satisfaction is primarily increased by improving the network's storm resistance, reducing the duration of power outages and implementing smart meters. Elektrilevi consistently develops new solutions that help upgrade the operation, efficiency and reliability of its network.

The distribution network operator continuously invests in network reliability. Even though the number of network service interruptions is extensively influenced by weather conditions, recent years' decrease in the amount and duration of outages suggests that the distribution network has become more reliable.

All of Elektrilevi's customers will be transferred to the remote reading system by the end of 2016. The project involves installing approximately 620,000 smart meters that record electricity consumption on an hourly basis. By the end of 2014, more than half of the smart meters had been installed (58%). The new meters will release customers from the obligation to report readings and will allow them to make more informed decisions about their electricity consumption and selection of electricity packages.

Amount and Duration of Outages in the Distribution Network of Elektrilevi, the Distribution Network Operator



In 1924–1942 four oil plants were built in Kohtla-Järve. At the time a lot of work was done manually including ash removal from generators.

Modern oil plants are managed with numerous sensors, measuring and automatic control equipment. Chief engineers ensure that these systems function flawlessly.

Tax Footprint

Our tax footprint separates taxes paid and taxes collected. Taxes paid represent taxes that are carried by the entities of Eesti Energia Group. Taxes collected represent taxes that are first collected from consumers and employees and then transferred to the tax authority by Eesti Energia.

With 65.7 million euros Eesti Energia Group is by far the largest personnel tax payer of all companies operating in Estonia. The cost of environmental taxes and charges is the largest tax expense besides personnel taxes. Environmental charges are used to finance the preservation of environmental status for specific purposes, reproduction of natural resources and rectification of environmental damage among other things.

Corporate income tax paid by Eesti Energia has grown to 28.8 million euros up 214% or 9.2 million euros year on year. Eesti Energia is committed to pay all taxes correctly and in due time therefore fairly contributing to the economies of those countries it operates. In communication with tax authorities the Group prioritises openness, honesty and transparency.

▶▶ Eesti Energia Group is the largest personnel tax payer of all companies operating in Estonia.

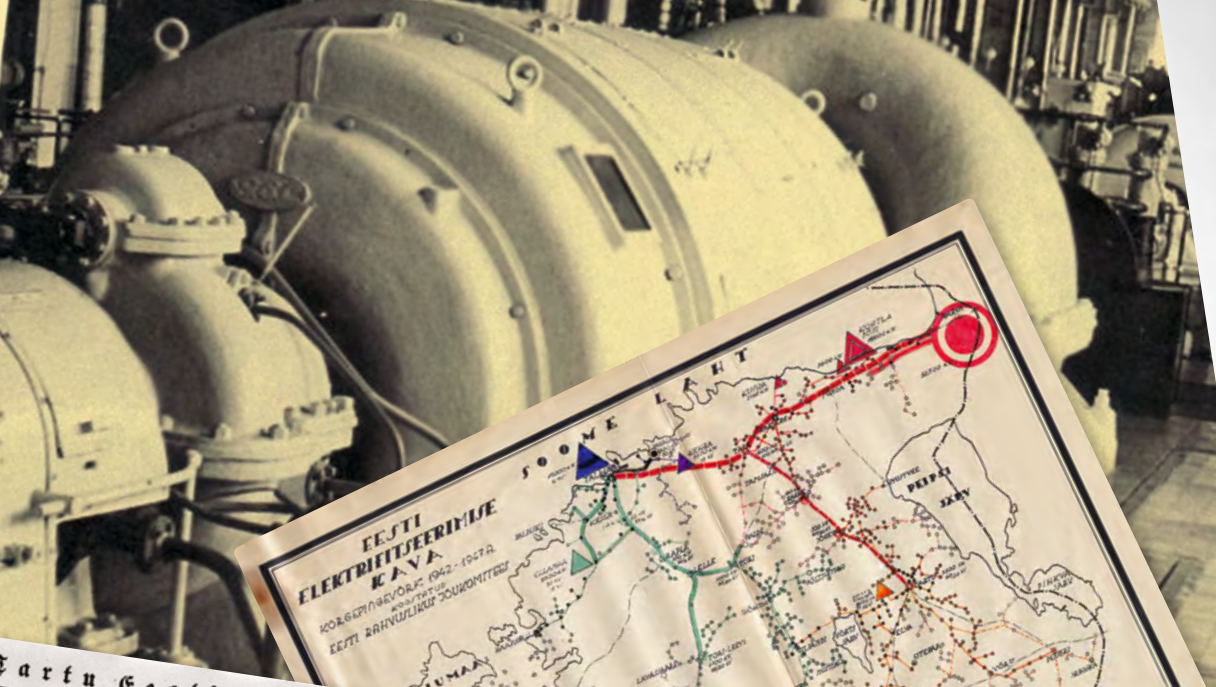
Tax Footprint: Taxes paid by Eesti Energia Group in Estonia* (million €)

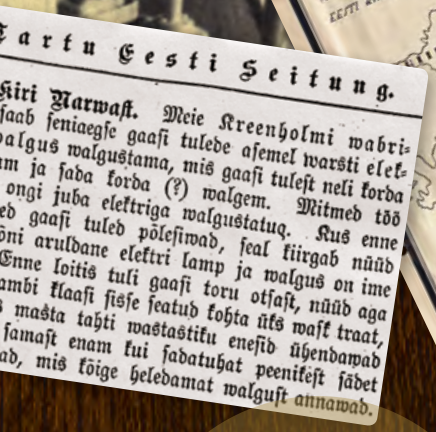
TAXES PAID	IN ESTONIA 2014	IN ESTONIA 2013	CHANGE	CHANGE
Payroll taxes (social taxes, unemployment insurance paid by employer)	40.2	40.7	(0.5)	(1%)
Environmental taxes: resource taxes	25.9	31.6	(5.6)	(18%)
Environmental taxes: pollution charges	28.3	23.6	4.7	20%
Corporate income tax	28.8	9.2	19.6	214%
Customs duty	0.5	0.5	0.0	(4%)
Land tax	0.4	0.3	0.1	27%
TOTAL TAXES PAID	124.1	105.9	18.2	17%
TAXES COLLECTED				
Excise taxes	29.2	29.7	(0.5)	(2%)
Payroll taxes (withholding income tax, unemployment insurance paid by employee, funded pensions)	25.5	25.4	0.0	0%
VAT (balance)	25.1	13.9	11.3	81%
TOTAL TAXES COLLECTED	79.8	69.0	10.8	16%
TOTAL TAXES	203.9	174.9	29.1	17%

*cash-based accounting

"Eesti Energia has a long history. In 2014 we celebrated 75 years since the President of Estonia Konstantin Päts signed founding documents of Elektrikeskus, the predecessor of Eesti Energia, on 8 May 1939."

Hando Sutter
Eesti Energia,
Chairman of the Management Board




Tartu Eesti Seitung.

Kiri Narwast. Meie Kreenholmi wabri-
saab feniaegse gaasi tulede asemel warsti elek-
algus walgustama, mis gaasi tuleft neli korda
m ja fada korda (?) walgem. Mitmed töö
ongi juba elektriga walgustatuq. Kus enne
ed gaasi tuled põlesiwad, seal kiirgab nüüd
öni aruldane elektri lamp ja walgus on ime
Enne loitis tuli gaasi toru otsast, nüüd aga
ambi klaasi sisse seatud kohta üks wask traat,
maśta tahti wastastiku enesid ühendawad
famast enam kui sadatuhat peenikeft sädet
ad, mis kõige heledamat walguft annawad.


VABARIIGI VALITSUSE OTSUS

8. mail 19 39 a.

Teha Vabariigi Presidendile esitis kuulutada välja Aktsiaseltsi "Elektrikeskus" seadus, mis on vastu võetud Riigivolikogu poolt 25.aprillil 1939 ja Riigin Sukogu poolt 2.mail 1939.

K. Eenpalu,
Peaminister

Majandusminister

Riigisekretär

1882

TARTU EESTI SEITUNG, A REGIONAL NEWSPAPER, PUBLISHES THE FIRST NEWS ABOUT THE PRACTICAL USE OF ELECTRICITY IN ESTONIA. FIRST GENERATORS AND ARC LAMPS ARE INSTALLED FOR LIGHTING THE FACILITIES OF WIEGAND FACTORY IN TALLINN AND NARVA KREENHOLM.

1907

FIRST POWER PLANT IN ESTONIA FOR PUBLIC USAGE COMMISSIONED IN PÄRNU.

1917

FIRST OIL SHALE MINE OPENED IN ESTONIA.

1919

TALLINNA RIIGI SADAMATEHAS IS THE FIRST TO ATTEMPT PRODUCING OIL FROM OIL SHALE.

1937

ESTONIA IS GRANTED A FULL MEMBERSHIP OF WORLD ENERGY COUNCIL (WEC) DURING THE INTERNATIONAL POWER CONFERENCE IN PARIS.

1939

ELEKTRIKESKUS, THE PREDECESSOR OF EESTI ENERGIA GROUP, IS FOUNDED

The role of Elektrikeskus was to implement the Estonian electrification plan and build the energy system.

Although Elektrikeskus was only named Eesti Energia in 1945, it's founding marks the beginning of the Eesti Energia group.

The founding documents were signed by the President on Estonia Konstantin Päts.

1940

60% OF THE ANNUAL OUTPUT OF 1,870,000 TONNES OF OIL SHALE WAS USED FOR OIL PRODUCTION AND ONLY 40% FOR HEATING.

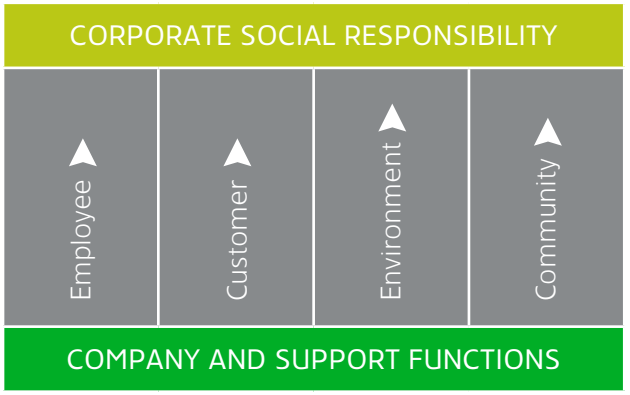
Corporate Governance and Risk Management

The sole shareholder of Eesti Energia is the Republic of Estonia. Because of the ownership structure and the fact that the Eurobonds issued by Eesti Energia are listed on the London Stock Exchange, the governance of the company is based on the following guidelines, laws and regulations:

- The UK Corporate Governance Code issued by the Financial Reporting Council of the United Kingdom,
- Baltic Guidance on the Governance of Government-owned Enterprises issued by the Baltic Institute of Corporate Governance insofar as it relates to what is expected of the executive management, reporting and auditing,
- the State Assets Act,
- the Commercial Code,
- the Articles of Association of Eesti Energia.

For transparent and sound governance of Eesti Energia, we have developed a corporate governance model, which integrates the following elements:

- a clear management structure and understanding of rights and obligations,
- firm and recognised management principles,
- agreed reporting principles,
- effective supervision,
- conscious risk management.



The results of our activities and the expectations set on us are directly related. We have implemented internal procedures on various levels to measure and acknowledge these expectations.

Principles

Our principles of social responsibility can be described on two levels. The first level combines our values and code of ethics, and the second level contains processes, i.e. the management and operations of the organisation.

Corporate core values are the agreed principles we base our daily work-related decisions. These principles support our investment-related decisions but also any decisions we have to make in our work.

▶▶ We set our social responsibility goals in four firm principle categories: employee, customer, environment and community.

Values

Eesti Energias' Code of Ethics is a set of rules of professional conduct. We expect all our employees, members of Management Board and Supervisory Board (incl. board committees) and co-operation partners to follow the principles of Code of Ethics. We believe that by following the principles of Code of Ethics we increase the value of the Group. At the same time by ignoring such values we may damage the Group's reputation.

Eesti Energia's Code of Ethics reflects the vision, values and best practice of Eesti Energia. As the employees of Eesti Energia we follow the corporate interests and do our best to increase the Group value. All we do has to be based on mutual respect and comply with laws, rules and current Code of Ethics. The compliance with ethical beliefs makes Eesti Energia the employer to work for and to stay with.

Code of Ethics

1. We will be honest and reliable and agree only with legally binding agreements and transactions.
2. We will use the assets prudently and economically.
3. We will treat everybody with courtesy, respect and consideration.
4. We will avoid from relations with public, customers, partners, competitors and colleagues that are or seem to impact our independence.
5. We will not compete with the employer nor damage the employer by your our own business.
6. We will follow Code of Ethics in our daily work.

▶▶ The compliance with ethical beliefs makes Eesti Energia the employer to work for and to stay with.


MAKING IT EASY
We take something complicated and make it easy and clear
ADDING VALUE
Above all, we focus on the activities that create maximum value.
SAFETY ABOVE ALL
Our operations have always been associated with risks to the environment and personal health, so we always uphold occupational safety, health and the environment.
USEFUL TO CUSTOMERS
We can only enjoy success if we create customer value.
IT DEPENDS ON ME
My energy, will and responsibility ensure our common goals are achieved.
märkide saavutamise.

Organisational Structure

We strive to keep the organisational structure of Eesti Energia simple and to consider, above all, the Group's goals and needs.

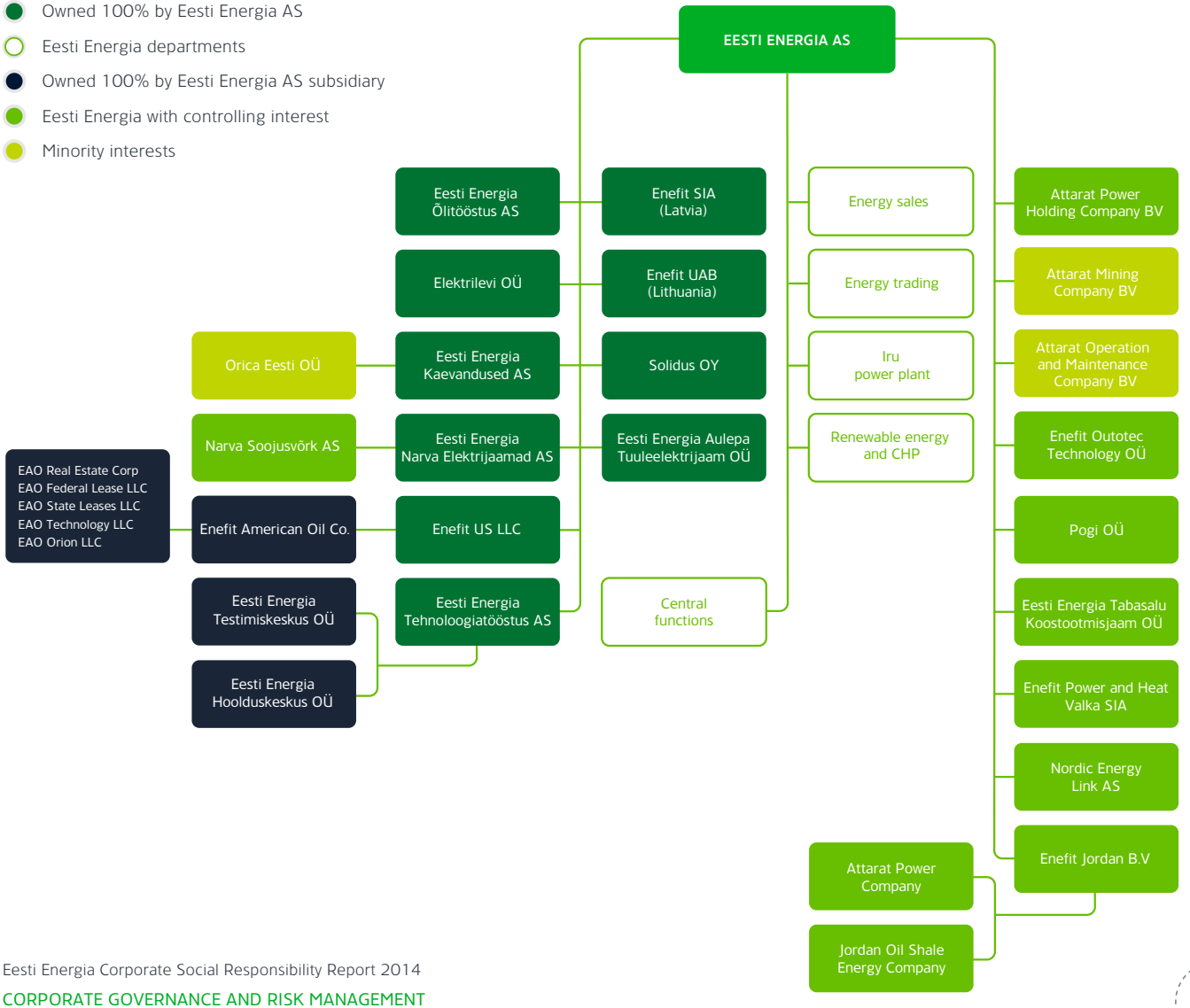
The governing bodies of Eesti Energia are the General Meeting, the Supervisory Board, the Management Board and the Audit Committee. The General Meeting is the highest governing body that appoints the members of the company's Supervisory Board. The Supervisory Board appoints the members and supervises the activities of the Management Board. The Audit Committee advises the Supervisory Board in matters related to supervision.

General Meeting

The General Meeting is the highest governing body of Eesti Energia that decides, among other things, the establishment and acquisition of new companies, dissolution of existing entities, election and removal of members of the Supervisory Board, major investments, appointment of the auditor, and approval of the results for the financial year. General meetings are called at least once a year.

The shares in Eesti Energia are held by the Ministry of Finance that is represented at the General Meeting by the Minister of Finance.

▶▶ We strive to keep the organisational structure of Eesti Energia simple and to consider, above all, the Group's goals and needs.


Owned 100% by Eesti Energia AS
Eesti Energia departments
Owned 100% by Eesti Energia AS subsidiary
Eesti Energia with controlling interest
Minority interests
EESTI ENERGIA AS
Eesti Energia Ölitööstus AS
Enefit SIA (Latvia)
Energy sales
Attarat Power Holding Company BV
Elektrilevi OÜ
Enefit UAB (Lithuania)
Energy trading
Attarat Mining Company BV
Orica Eesti OÜ
Eesti Energia Kaevandused AS
Solidus OY
Iru power plant
Attarat Operation and Maintenance Company BV
Narva Soojusvõrk AS
Eesti Energia Narva Elektrijaamad AS
Eesti Energia Aulepa Tuuleelektrijaam OÜ
Renewable energy and CHP
Enefit Outotec Technology OÜ
EAO Real Estate Corp
EAO Federal Lease LLC
EAO State Leases LLC
EAO Technology LLC
EAO Orion LLC
Enefit American Oil Co.
Enefit US LLC
Pogi OÜ
Eesti Energia Testimiskeskus OÜ
Eesti Energia Tehnoloogiatööstus AS
Central functions
Eesti Energia Tabasalu Koostootmisjaam OÜ
Eesti Energia Hoolduskeskus OÜ
Enefit Power and Heat Valka SIA
Nordic Energy Link AS
Enefit Jordan B.V
Attarat Power Company
Jordan Oil Shale Energy Company

Supervisory Board

The Supervisory Board of Eesti Energia has eight members who are appointed by the resolution of the Minister of Finance that represents the sole shareholder. Half of the members of the Supervisory Board are appointed by the Minister of Finance based on the proposal of the Minister of Economic Affairs and Infrastructure.

Members of the Supervisory Board of Eesti Energia have to meet the requirements and expectations set out in the Commercial Code and the special requirements set out in the State Assets Act. In addition, in conducting its activities the Supervisory Board has to observe the Articles of Association of Eesti Energia AS and the rules of procedure approved by the sole shareholder. The primary functions of the Supervisory Board are as follows:

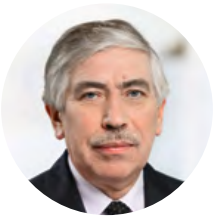
- representing the strategy approved by the sole shareholder and supervising its implementation,
- planning the activity of Eesti Energia, adopting the Group's major strategic decisions, organising the company's management and supervising the activity of the Management Board. The results of the supervision are communicated to the sole shareholder.

The work of the Supervisory Board is led by the Chairman of the Supervisory Board. In 2014, the composition of the Supervisory Board of Eesti Energia changed. Based on a resolution of the General Meeting, in June Toomas Tauts and Andres Saame were removed from the Supervisory Board and Danel Tuusis and Indrek Kaju were appointed as new members of the Supervisory Board. In August, Meelis Atonen and Jüri Käo were removed from the Supervisory Board and Erkki Raasuke and Meelis Virkebau were appointed as new members of the Supervisory Board. In September, Indrek Kaju and Olari Taal were removed from the Supervisory Board and Randel Länts and Peep Siitam were appointed as new members of the Supervisory Board. On 1 September 2014, the Supervisory Board of Eesti Energia resolved to elect Erkki Raasuke as the new Chairman of the Supervisory Board.

Overview of the members of Supervisory Board, their rights and obligations, attendance in Supervisory Board meetings, remuneration and decisions approved during the financial year are presented in the Annual Report 2014 and at the website of Eesti Energia.

SUPERVISORY BOARD

ERKKI RAASUKE
Chairman of the Supervisory Board



MEELIS VIRKEBAU
Member of the Supervisory Board

KALLE PALLING
Member of the Supervisory Board

TOOMAS LUMAN
Member of the Supervisory Board

DANEL TUUSIS
Member of the Supervisory Board

RANDEL LÄNTS
Member of the Supervisory Board

MÄRT VOOGLAID
Member of the Supervisory Board

PEEP SIITAM
Member of the Supervisory Board

Supervisory Boards of Subsidiaries and Associates

The powers and responsibilities of members of the Supervisory Boards of Eesti Energia's subsidiaries and associates are based on their Articles of Association. The Supervisory Boards are generally comprised of members of the Management Board of Eesti Energia.

Management Board

Executive management is the responsibility of the Management Board of Eesti Energia. At the end of 2014, the Management Board had five members. Members of the Management Board are appointed by the Supervisory Board. The Chairman of the Management Board, who also performs the functions of the Chief Executive Officer, is separately appointed by the Supervisory Board.

In connection with the expiry of the service contract of the Chairman of the Management Board, Sandor Liive, in July 2014 the Supervisory Board of Eesti Energia announced a competition for finding the Chairman of the Management Board. On 2 October 2014, the Supervisory Board of Eesti Energia decided to appoint Hando Sutter as the new Chairman of the Management Board of Eesti Energia, effective from 1 December 2014. The service contract of the Chairman of the Management Board is effective until 30 November 2017.

On 27 November the Supervisory Board of Eesti Energia approved the new composition of the Management Board, effective from 1 December 2014. Former members of the Management Board Sandor Liive and Margus Kaasik stepped down from the Management Board of Eesti Energia. Margus Vals and Andres Vainola joined the Management Board as new members.

The principles of remunerating members of the Management Board of Eesti Energia are regulated by the State Assets Act, under which the amount of remuneration is decided by the Supervisory Board.

Management Principles

Eesti Energia applies an integrated set of clear and simple management principles that support multi-directional exchange of information. Ensuring the existence, development and enforcement of those principles is the

MANAGEMENT BOARD

HANDO SUTTER
Chairman of the Management Board

MARGUS RINK
Member of the Management Board

RAINE PAJO
Member of the Management Board

MARGUS VALS
Member of the Management Board

ANDRES VAINOLA
Member of the Management Board

SANDOR LIIVE
Chairman of the Management Board until 30 November 2014

MARGUS KAASIK
Member of the Management Board, CFO until 30 November 2014

responsibility of the Group's Management Board. The principles are aimed at increasing efficiency, making better use of the Group's resources and achieving optimal outsourcing of services. In 2014 there were no significant changes in the Group's management principles.

Owner's Expectations

In February 2014, the General Meeting of Eesti Energia approved the owner's expectations of the company's Supervisory Board and Management Board. The expectations outline the principles that the Supervisory Board and the Management Board have to observe in designing the company's strategy and action plan and the company's strategic objectives and financial targets.

The Republic of Estonia maintains an ownership interest in Eesti Energia based on the following considerations:

- to ensure that maximum value is added to oil shale and other natural resources,
- to increase the value of the company and earn stable dividend income,
- to ensure, both as an electricity producer and the owner of the distribution network, reliability of supply,
- to provide employment for regional labour resources and reduce environmental impacts.

The owner's strategic expectations of the company are as follows:

- to maintain a significant market share in the regional electricity market,
- to reduce CO_2 emissions in power generation,
- to develop oil production and other methods of adding value to oil shale,
- to reinforce the position of Eesti Energia as a competent authority on matters pertaining to oil shale energy,
- to improve the quality of the distribution network service,
- to minimise the environmental impacts of the company's operations.

Extended Management Board and Management Groups

The Group has implemented a value chain-based management model. The value chain management model comprises of three bodies: the Extended Management Board, the Oil Shale Management Group and the Customer Offers Management Group.

The Extended Management Board comprises of the Group's Management Board and the managers of major Group companies and Central Functions. The role of the Extended Management Board is to enforce the Group's policies, agree and approve goals and targets and monitor performance. In general, the Extended Management Board meets once a month.

The Oil Shale Management Group is responsible for developing and increasing the efficiency of the Group's oil shale value chain. The Management Group includes members of the Management Board and the managers of Group entities that extract and use oil shale. In general, the Oil Shale Management Group meets once a week.

The Customer Offers Management Group is responsible for integrating activities aimed at the Group's retail customers. The Management Group includes members of the Management Board and managers of Energy Sales, Energy Trading, Elektrilevi, Business and Information Technology and Communication. In general, the Customer Offers Management Group meets once a week.

Central Functions

The following functions that support achievement of the Group's business objectives have been centralised and operate Group-wide:

- strategy design,
- human resource management and training,
- environmental safety management,
- risk management,
- internal audit,
- real estate and vehicle management,
- fire safety, rescue and security services,
- treasury and financial and management accounting,
- IT management and development,
- legal services,
- communication and marketing.

Differences Applying to Management of the Distribution Network Operator

Under the Electricity Market Act, Elektrilevi as the distribution network operator has to ensure, among other things, that the network operators' and electricity sellers' access to customer and business information is separated using appropriate processes and IT solutions. For this, Eesti Energia has put in place differences applying to the management of the distribution network operator, which ensure its independence in adopting investment decisions, conducting procurements and maintaining the confidentiality of information pertaining to market participants and customer contracts.

Agreed Reporting Principles

Quality management decisions are underpinned by adequate and timely information. It is essential that reporting should be both factual and forward-looking. This allows using the best knowledge to prevent potential risks from realising and turn them into competitive advantages.

Financial reporting mainly focuses on reporting the consolidated financial results of Group entities. Management reporting is mainly designed for intra-Group use. Reporting principles are described in more detail in the Annual Report 2014. The prerequisite for any action and decision is the measurement of the effects of corporate social responsibility.

Effective Supervision

Eesti Energia Group has implemented a multi-level and balanced chain of supervision, which is focused on the most critical risks. The risks determine what needs to be done to be able to adapt operations and help the Group best achieve its objectives.

▶▶ The prerequisite for any action and decision is the measurement of the effects of corporate social responsibility.

Audit Committee

The primary function of the Audit Committee is to advise the Supervisory Board in supervision-related matters.

The Committee supervises adherence to accounting policies, preparation and approval of the financial budget and statements, sufficiency and efficacy of the external audit, development and functioning of the internal audit system (including risk management) and legal compliance of the company's activities. The Committee participates in ensuring the independence of the external audit and in planning and assessing the internal audit work. The work of the Committee is organised by the director of Eesti Energia's Risk Management and Internal Audit Service. The Group's internal audit function provides the Audit Committee with the information required for making assessments in respect of the subsidiaries.

The work procedures of Audit Committee are described in more detail in the Annual Report 2014 and Eesti Energia website.

Eesti Energia's financial statements are audited in accordance with International Standards on Auditing. Eesti Energia considers it important to help ensure the independence of the auditor of the financial statements and avoid conflicts of interest.

Internal Audit

The Group's internal audit function has been organised and carries out is responsibilities in accordance with the International Professional Practices Framework that sets out international standards for internal auditing. The work of the internal audit function covers the activities of the whole Group.

Ensuring effective operation of the internal audit function is the responsibility of the Internal Audit Department. The role of the Internal Audit Department is to contribute to improving the internal control environment, risk management and business management culture.

The Group has established a system for disclosing economic interests by which employees who may have conflicts of interest in fulfilling their responsibilities disclose

their economic interests and confirm their independence through regular self-assessment.

Handling of inside information is regulated by Eesti Energia's inside information handling rules because the Group has issued Eurobonds listed on the London Stock Exchange. Proper handling of inside information is essential for protecting the interests of bondholders and ensuring fair and orderly trade of the bonds.

Risk Management

The Group's operations are accompanied by various strategic, financial, market and operational risks. To minimise the impacts of those risks, the Group continuously develops and enhances its risk management process.

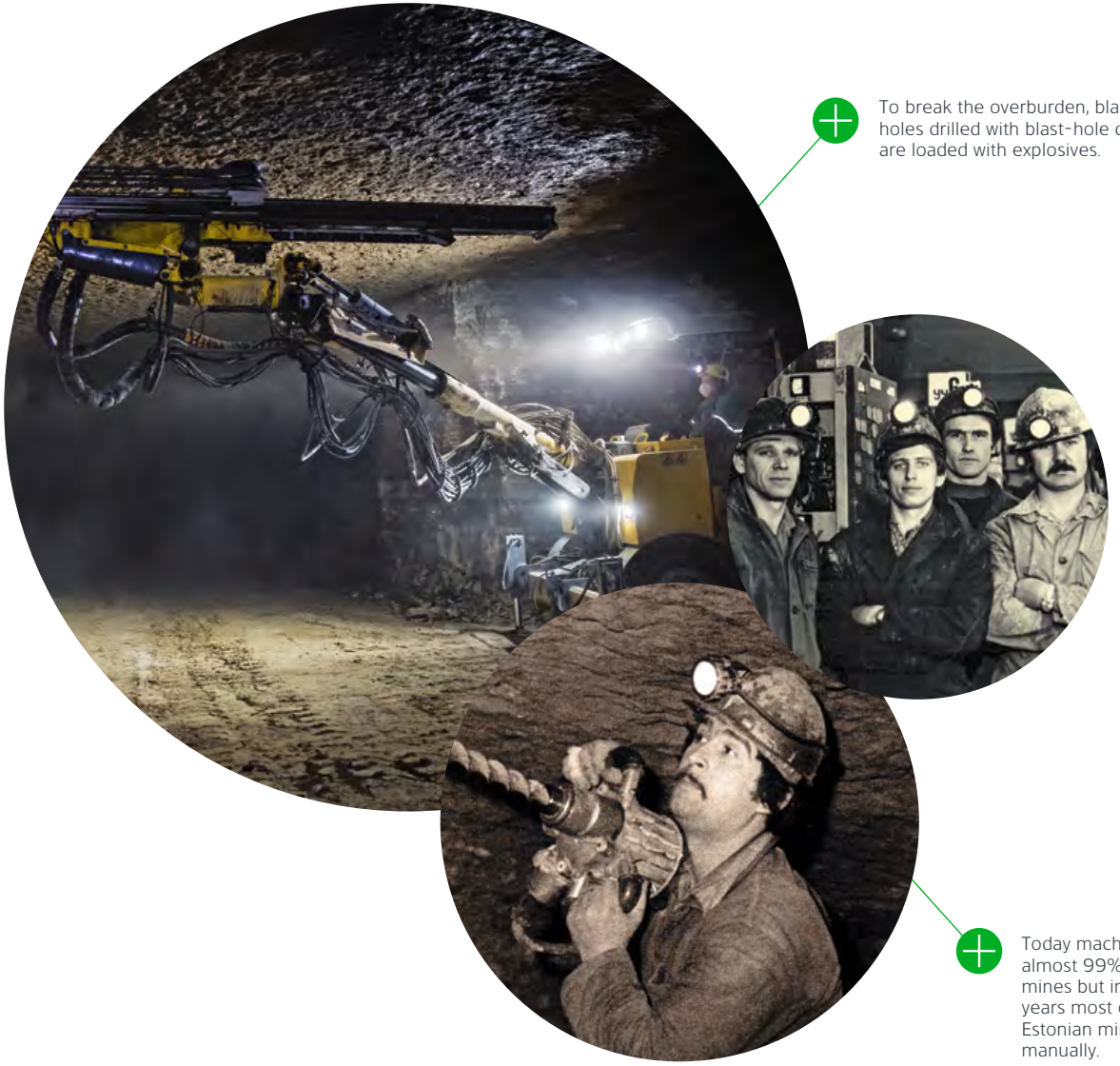
The primary goal of the Group's risk management is to ensure that the unhedged risks taken or carried by the Group do not exceed those that can be borne by the Group in the process of achieving its objectives.

Governance of Risk Management

The Risk Management Department is responsible for developing, implementing and maintaining the process required for managing all important risks influencing the operations and results of Eesti Energia.

For managing market and financial risks, the Management Board has set up the Financial Risk Committee, which is responsible for ensuring that the Group's market and financial risks are managed in conformity with effective management policies and the strategies approved by the Management Board.

The primary goal of the Group's risk management is to ensure that the unhedged risks taken or carried by the Group do not exceed those that can be borne by the Group in the process of achieving its objectives.



To break the overburden, blast holes drilled with blast-hole drills are loaded with explosives.

Today machines account for almost 99% of work done in mines but in the very early years most of the work in Estonian mines was done manually.

Risk Management Matrix

Each Group company and business unit has to ensure, in consideration of its goals and targets, that risks are managed on an ongoing basis. Risk-taking is a normal part of business but it must be certain that when a risk realises the company or business unit can continue carrying out its designated operations in a sustainable manner. In other words, the Group must not take risks that exceed its risk tolerance.

The Group assesses the risk exposures of both its current business operations and development projects. The risks and risk appetite of Eesti Energia Group can be divided into four broad categories:

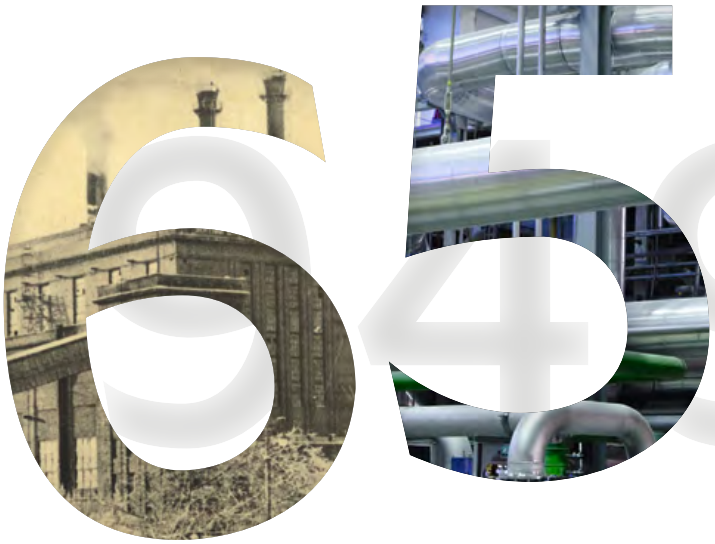
Risk Assessment and Management

In each category, the Group has developed risk management strategies, implemented a risk quantification and reporting system, and determined the parties responsible for managing the risks within the Group.

Risk Reporting

Significant risks that may impact achievement of the Group's goals and targets are regularly reported to the Group's Management Board and Audit Committee. The Group ensures that the Management Board is immediately notified of all significant risks and that such risks are included in the Group's risk profile. An overview of risks is a key input for planning internal audit activities.

<table>
<tr><td>STRATEGIC RISKS</td><td colspan="2">The Group takes well-considered risks to increase revenue.</td></tr>
<tr><td>MARKET RISKS</td><td colspan="2" rowspan="2">The Group controls the risks and keeps them as low as possible because they are an inherent part of its business operations. However, taking the risks does not result in additional revenue or is not the Group's core activity.</td></tr>
<tr><td>FINANCIAL RISKS</td></tr>
<tr><td rowspan="3">OPERATIONAL RISKS</td><td>ENVIRONMENTAL RISKS</td><td rowspan="2">The Group is not prepared to take these risks because doing so would jeopardise the environment, the health of the public and its employees, and its reputation.</td></tr>
<tr><td>HEALTH AND SAFETY RISKS</td></tr>
<tr><td colspan="2">The Group controls the risks and keeps them as low as possible because they are an inherent part of its business operations.</td></tr>
</table>



"Eesti Energia celebrates 65 years since the beginning of electricity generation when the power plant was commissioned in Kohtla-Järve on 22 January, 1949. Electricity generation began with one boiler with a capacity of 12 MW. Today, the total generation capacity of Eesti Energia is about 160 times higher or around 2000 MW."

Raine Pajo
Eesti Energia,
Member of the Management Board

1944

BY FALL ELECTRICITY CAPACITY HAD DROPPED TO 38% AND TURBINE CAPACITY EVEN TO 16% OF TOTAL CAPACITY.

1945

POWER GENERATOR TRAINS ARE INTRODUCED IN PÜSSI AND KIVIÕLI AREAS TO PROVIDE ELECTRICITY IN POST-WAR ESTONIA.

1949

KOHTLA-JÄRVE POWER PLANT COMMISSIONED IN ESTONIA*

It was the first power plant of Eesti Energia designed and built after the war.

With the commissioning of Kohtla-Järve power plant Estonia entered the distant heating era.

Kohtla-Järve power plant was the first in Estonia to produce steam and hot water for town companies and citizens.

Kohtla-Järve power plant was the first to introduce the innovative oil shale pulverized combustion technology, widely used also today.

1951

AHTME-TALLINN 110 kV HIGH VOLTAGE TRANSMISSION LINE, FIRST IN ESTONIA, COMPLETED.

1953

AHTME-TARTU 110 kV HIGH VOLTAGE TRANSMISSION LINE AND TARTU SUBSTATION COMPLETED.

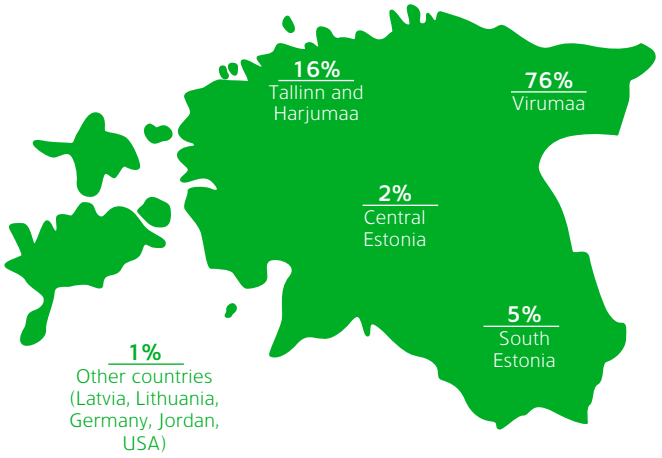
*Eesti Energia group held a shareholding in Kohta-Järve power plant until March 2011 when the stake was sold to OÜ VKG Energia.

Eesti Energia as an Employer

As at 31 December 2014 Eesti Energia employed 6,613 employees, down year-on-year due to the sale of Võrguehitus, a Group company employing 271 people.

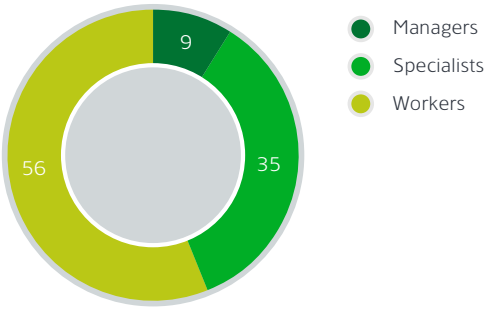
Commitment and Job Satisfaction Survey

In autumn 2014 we conducted employee commitment and job satisfaction survey to get a better understanding of the motivation of our employees, collect feedback and understand what are the key factors impacting such commitment.

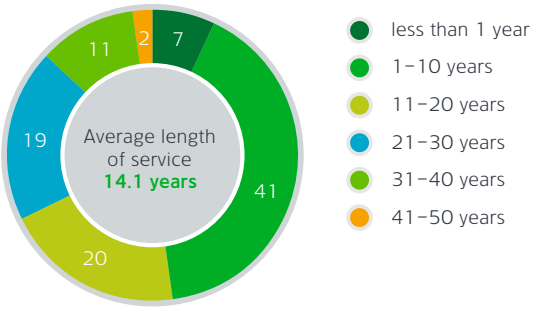


▶▶ The general participation rate could be considered good reflecting the employee trust towards the management of companies.

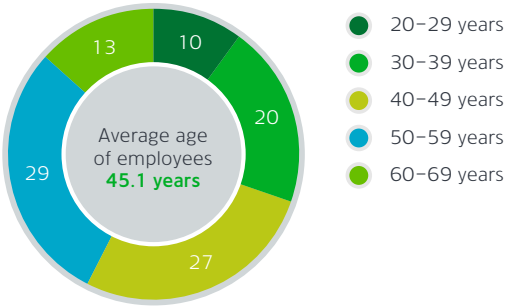
Professional Profile (%)



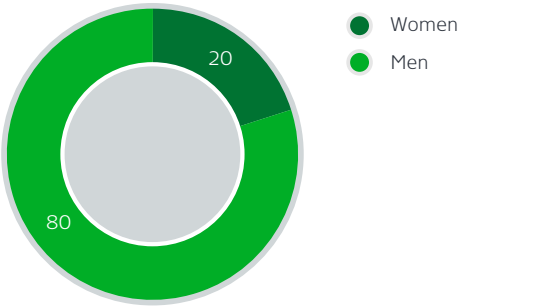
Length of Service (%)



Age of Employees (%)

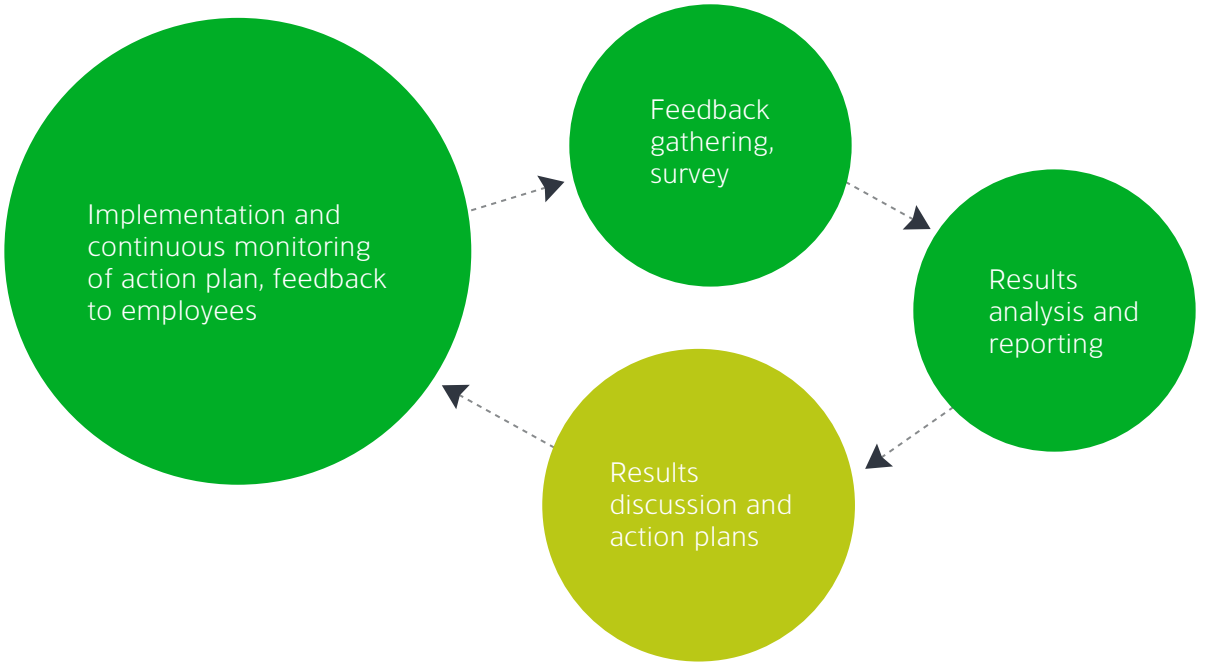


Female and Male Employees (%)



The survey was taken by 3,984 employees of Eesti Energia Group and the average response rate increased from 60% in 2012 to 63% in 2014. The response rate was very high (more than 70% or even 80%) in most of the Group companies. The rate was highest among managers (91%) and specialists (71%). Even though the response rate among workers was somewhat lower (42%) the general participation could be considered good reflecting the employee trust towards the management of companies.

The survey results are used as input to employee related management decisions, business planning and goal measurement. Work with survey results is the most critical part since it is the key for achieving positive changes.



Work with survey results is the most critical part since it is the key for achieving positive changes.

We are glad that majority of our employees are expecting to work for Eesti Energia for the rest of their active work life (as responded 70% of participants) and are happy to recommend the company as an employer to their friends and acquaintances (76%).

Many of our employees who have expressed their wish to work for the company long term and are happy to recommend the company to their friends and acquaintances do so because they feel their work matters and adds value to the country they live in (79% of respondents). The feeling that their work contributes to the general welfare of the society is similarly strong in Estonia as well as in our international units in Jordan, USA and elsewhere.

We realize that in order to retain the employee commitment we have to help them while communicating the business goals in

- understanding the goals in broader view,
- seeing their personal role in the whole picture and
- finding thereby a clear motivation for committing to achieving the corporate goals.

Therefore, we have continued to improve and implement the corporate-wide single performance and development management system in broader target groups to take business strategy to almost all employees through personal goal setting and constant improvement. It means that the employees need to conduct annual goal setting, evaluating and improvement planning discussions with direct managers. Additionally, regular interim reviewals of set goals and improvement plans for potential correction take place throughout the year. In 2014 we held close to 2,214 discussions.

Clear work assignments and responsibility help the employees to understand their personal role in achieving corporate goals and increases commitment.

Compared to 2012 the number of employees who agree with the following statements increased*:

- my work obligations and responsibilities are clearly set (81% of respondents),
- my work goals are clear and understandable (79%),
- it takes my personal effort to achieve my work goals (79%).

Satisfaction with colleagues and the position of Eesti Energia as a firm and stable employer supports the commitment of our employees and ambition to have a long-term employment with Eesti Energia.

- 87% of survey participants believe that daily cooperation with colleagues is smooth and
- 79% of employees feel that Eesti Energia is firm and stable employer. The statement is mostly supported by the employees and management of large production entities and slightly less by specialists,
- 79% of respondents consider their teams supportive and united.

Employee Feedback to Management

Our management has a major role in setting clear goals and clarifying the work assignments as well as placing these into broader context.

The survey results indicate that our employees are mostly happy with their direct manager – more than 75% of participants agree with statements about their managers. The employees mostly feel that their manager:

- finds time for them (84%),
- supports them in problem-solving (84%),
- dares to take responsibility for decisions made (81%),
- supports their knowledge and skills improvement (80%),
- encourages them in expressing their opinion and making improvement recommendations (79%),
- encourages cooperation between employees (78%).

▶▶ 79% of employees feel that Eesti Energia is a firm and stable employer.

* Variance may be partly caused by different wording of the scale.

The survey brought out the clear expectation of employees that their managers would keep them more updated about the business strategy and goals and would inform about potential work related reorganisations, which will have direct impact on their work.

The survey results indicate that we need to focus more on managers to avoid communication bottlenecks. Also, international units need to focus even more on communication.

Additionally, feedback from direct manager arouse as another significant issue besides general change management and internal communication. Many employees indicated that they lack regular feedback from direct manager that would help them improving their results. We arrange annual trainings to improve this area and the recent survey from 2014 assured that we need to continue with these trainings. The trainings in Estonian and Russian are held in Tallinn and Ida-Virumaa region.

▶▶ Supporting the management improvement and management quality is one of the most prioritised development areas.

Management Improvement

The Year of Project Management Improvement

In 2014 we launched an extensive development program for project managers. A total of 85 project managers passed the full program in two groups – the managers of giant projects (minimum project value of 600,000 euros) in one and the managers of large-scale projects in the other group. The program included three modules – project management, people management and self-management.

In 2015 we will analyse the impact of the improvement program on the quality of project management to decide whether in the next stage we can focus primarily on those project management competencies needing continuous improvement. We will also continue with project management workshops and train the next level project managers on project management.

Mapping the Leaders and the Future Manager Potential

Besides the project managers Eesti Energia focused also on top management and their potential successors who have the willingness to advance their careers vertically or horizontally. Over the year the management of Eesti Energia analysed the roles of 125 top specialists as part of the performance improvement audits paying attention to their achievements and strengths as well as improvement areas. In 2015 we will launch top management improvement programs and support the implementation of individual improvement programs.

In 2014 the following manager training programs took place: „Management key skills", „Management in Eesti Energia", Energy Sales manager program, improvement program for the primary level managers of Narva power plants and Oil industry. In 2014 we upgraded the training program „Management key skills" targeting new managers. In 2014 we trained 124 managers in different management trainings.

Employee Improvement

71% of those participating in the employee commitment survey say their work offers professional development and quality improvement potential. Yet there are difference depending on the position – the managers consider to have much better professional development and quality improvement potentials than the specialists or workers.

In addition to manager improvement we are systematically designing the work environment inspiring personal development and supporting employees in achieving the set improvement goals. Therefore we upgraded in 2014 the corporate principles for employee improvement and training. Year 2014 turned into preparatory year for the development and training field. We developed several important systems and improvement programs for employees and managers to be implemented early 2015.

Commitment towards common goals has always been the key to efficiency.

With the implementation of project manager improvement program we can now focus on these skills that need the most improvement.

Development and Implementation of Competency Models

Employee competency model of Eesti Energia, the implementation of which we prepared in 2014, consists of three parts: general, professional and leadership competences.

Competency model describes expectations on employees and supports the manager-employee discussion on planning the future improvement. The implementation of competency model serves to increase the quality of evaluations and improvement activities, which in turn support the achievement of strategic goals.

The management of Eesti Energia and members of workgroup phrased three general and leadership competencies following the Group strategy what we consider important for employee improvement in ensuring the successful implementation of the strategy. In addition, the competencies resulting from the nature and specific tasks of the position are required for successful performance.

GENERAL COMPETENCIES
Innovation
Orientation on results
Constant improvement

LEADERSHIP COMPETENCIES
Strategy formation and implementation
Team leadership and improvement
Change management

Development Program for Engineers

Our engineers play a key role in ensuring the sustainability of oil shale industry. In summer 2014 we established a workgroup of 20 engineers and personnel employees to work out a thorough and integral approach for engineer development. The workgroup involved around hundred internal and external engineers and covered

detailed research, analysing, solution generation and testing phases to achieve the set goals. The outcome of this process includes the idea of Eesti Energia's university for engineers, a program for „tying up" of the future engineers with Eesti Energia and several value adding activities targeting engineers.

The role of university for engineers is to promote the progress of engineering as well as to develop and implement improvement training programs and activities. The university includes speciality, succession planning and leadership institutes and development and career centre. The university is open to all engineers working in Eesti Energia whether a junior engineer, an experienced top engineer or the head of engineers. The first activities of the university will be launched in 2015 including seminars, company visits, workshops, conferences, special courses etc.

Ongoing Implementation of Eesti Energia's Core Values

In 2014 we continued with implementing Eesti Energia's core values updated in 2013. We decided for debate on values as the follow-up approach in order to:

- make employees to think whether we follow core values in our daily work,
- bring values to the daily management by tying these with subjects important for each team,
- develop the leaders by giving them tools for justified and fact-based discussions with their teams,
- raise the responsibility of leaders in implementing the value-based behaviour.

From January 2015 we will expand the debate format to all units of Eesti Energia.

In parallel with working out new personnel improvement programs we continued with traditional programs and trainings – annual conference in Jõhvi, Environment Day in Sillamäe, MÕJU seminar by Elektrilevi, language and computer trainings, improvement program for internal trainers and Development Day, recognition events to graduates and internal trainers, internal training and seminar in Group companies etc.

▶▶ In 2014, the total training hours amounted to about 150,000 and total investment to employee improvement to 1.15 million euros.

Our Value Proposition to Our Employees

Eesti Energia values its employees by:

- providing the employees work they know and love with further improvement opportunities,
- fair remuneration considering their contribution to the achievement of corporate goals,
- recognising the employees who have achieved or exceeded the set goals.

Quite often the employer and employee relationship continues after the employee has left Eesti Energia. Our former employees who have contributed to the company over a long time and are now retired have joined the veteran clubs. In 2014 we continued to support the get-togethers of such clubs, organised visits to our new production facilities and management meetings to share information about the company.

Primary Areas of Training

AREA	2013	2014
Engineering and production	39%	33%
Organization and administration	25%	14%
Management	12%	20%
Environment protection and working environment	7%	7%
Language studies	6%	3%
IT and computer studies	5%	13%
Servicing	3%	5%
Other (law, legislation, personal development)	2%	5%

In 2014 we organised the following joint events: New Year's Party to employees, winter sports day and family event in Energy Discovery Centre to celebrate the birthday of Eesti Energia, Energy Day and Narva Energy Run, Miners Day to employees and their families and the Ida-Virumaa region in general, Christmas Parties to children of our employees of up to 13 years of age. In addition Elektrilevi, Energy Sales and Business and IT units organised separate summer days to their employees.

We recognised the best employees with „Employee of the Year“ title in the New Year Party. The title was gained by 13 employees whose contribution has had the most impact on the progress of Eesti Energia. In addition, implementation of new production technology in Narva opencast mine by simultaneous usage of two dragline excavators was awarded with „Achievement of the Year 2014” title. For the first time “Engineering Solution of the Year” was awarded, which was given to Enefit’s semi coke screw feeder.

Employee commitment and job satisfaction survey indicates that 80% of employees appreciate the additional benefits offered by the company whereas such benefits are somewhat more important to workers than for specialists and leaders. The benefit package varies across the Group companies but in addition to the above-mentioned joint special events the benefits include also days off or financial support in case of important family events, celebrating the work jubilee, subsidising sports clubs, additional vacation, healthcare related services etc.

▶▶ “Engineering Solution of the Year 2014”, the title awarded for the first time in addition to “Achievement of the Year 2014”, was given to Enefit’s semi-coke screw feeder.

Work Safe, Home Safe!

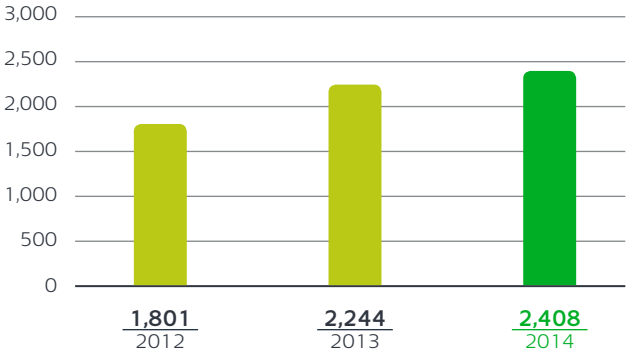
In 2014 we invested 1.76 million euros to employee health and occupational safety including purchasing and cleaning personal protective equipment and clothing, purchasing medicines and toiletries, organising health checks and access to medical services, employee insurance and other work safety and health related investments.

We have three sports clubs in Eesti Energia — the Eesti Energia sports club and the sports clubs of Eesti Energia Kaevandused and Narva power plants. The number of members increased in all three clubs in 2014 and reached 2,452 employees, among them 2,408 employees of Eesti Energia. Besides weekly trainings our employees are actively attending different recreational sports events, internal and cross-firm competitions supported by sports clubs. In 2014 the Group companies supported sports clubs with 271,490 euros to promote recreational sports.

Future Employees and Successors

In 2014, we hired 768 new employees. To smooth the induction of new employees we are more consciously introducing induction programs, which were one of the focus areas also in 2014. Over the year we held 6 new employee days in Tallinn and Ida-Virumaa region. For the first time we held at the end of the year a joint event to all new employees of Eesti Energia. The event that took

Number of Employees in Eesti Energia Sports Clubs



When work requires physical strength remarkable achievements can also be witnessed in inter- and intra-company sports competitions.

Narva Energy Run, a sports festival engaging the whole surrounding community, has become one of the key summer events along the summer days.

place in Ida-Virumaa region in two languages - Estonian and Russian was attended by 85 new employees.

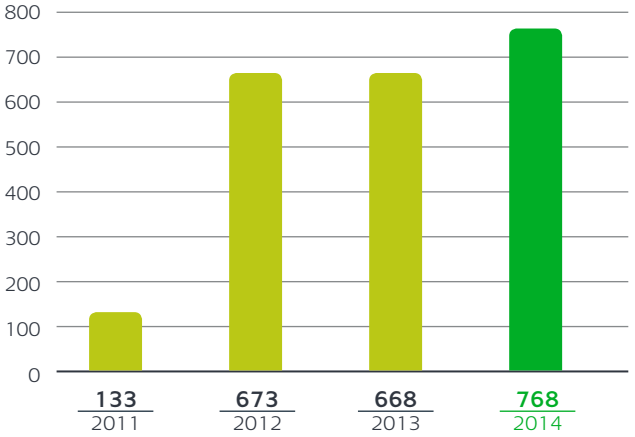
Future Engineers

On developing our future employees our main focus is primarily on a) promoting the engineering specialty among young people and b) presenting Eesti Energia to students of engineering specialty by offering practical activities with our employees.

Internship opportunities in Eesti Energia companies under the guidance of our professional specialists have become one of the most important activities in developing our future employees. Internship opportunities are available throughout the year but the interest is still largest during summer months. Therefore we have developed a complete internship program for all interns. In 2014, we had 235 interns of whom 31 were hired by the end of the year. We expect many other interns from 2014 to join us in 2015 as interns or full time employees. We measure the success of the internship program with the number of interns who have joined Eesti Energia three years after graduation.

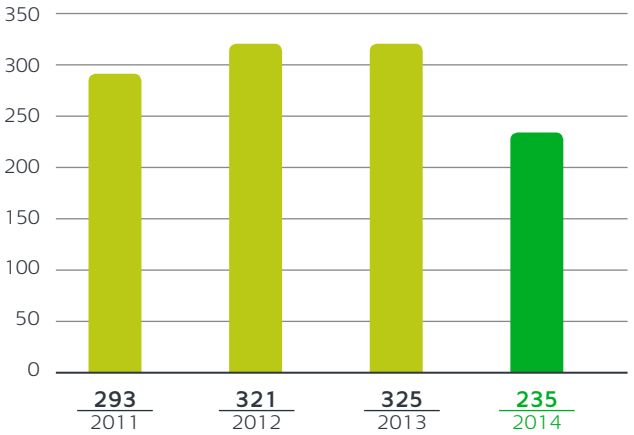
▶▶ To smooth the induction of new employees we are more consciously introducing induction programs.

New Employees



In addition to internship opportunities we support future engineers through our scholarship programs. In 2014, we provided scholarships in the amount of 27,600 euros to 11 engineering students and 16 employees who decided to continue with their studies.

Interns



In 2014, we offered less internship positions since we value the quality of practice and skilled supervision. Therefore, our aim is not to increase the number of interns but rather offer more meaningful and better practice experience with real-life professional knowledge. The number of interns hired after their internship has increased.

As a tradition we organised study visits to our production facilities to over 1,600 pupils and students in order to make their studies more practical. In addition, we joined the „Back to School" initiative by inviting 30 pupils from Türi gymnasium to visit former Aidu opencast mine where we are founding a new watersports centre.

Strengthening Mining Knowledge

We successfully launched lecture series by Eesti Energia Kaevandused to the students of Tallinn Technical University. Our mine leaders and top specialists were lecturing about crucial matters of the sector. The subjects were chosen together with the Department of Mining so that these would complement the curriculum and lectures by university professors. The lectures were attended by 130 mining students and professors.

Training of Grid Electricians Relaunched!

Eesti Energia, Tallinn Polytechnic Institute, Estonian Association of Electrical Enterprises and our partners in network construction relaunched the training of grid electricians of Elektrilevi, the subsidiary of Eesti Energia. The trainings ceased in 2000 but in 2014 we launched first pilot further vocational trainings to 30 electricians in Estonian and Russian language groups. Since the pilot training appeared successful Tallinn Polytechnic Institute

decided to open yearly training program in autumn and also provide further trainings in Estonian and Russian languages. We see that the succession of grid engineers is a serious problem not only for Eesti Energia but also for our partners since for the last 15 years there has not been any special training for such specialists.

INSENERGIA Program Ready to Go

While working on the engineering university solution we also developed innovative succession program. INSENERGIA program is a bridge for future engineers between their studies and future work. Pilot program will be launched in February 2015 and we expect up to 15 students to attend this program. With the help from mentors who are the engineers of Eesti Energia, the will solve engineering related challenges in teams. Over five months several trainings and company visits to the entities of Eesti Energia will take place. All attendants receive monthly scholarship from Eesti Energia. If the pilot program proves successful it will also continue a year after.

Safety of Work Environment

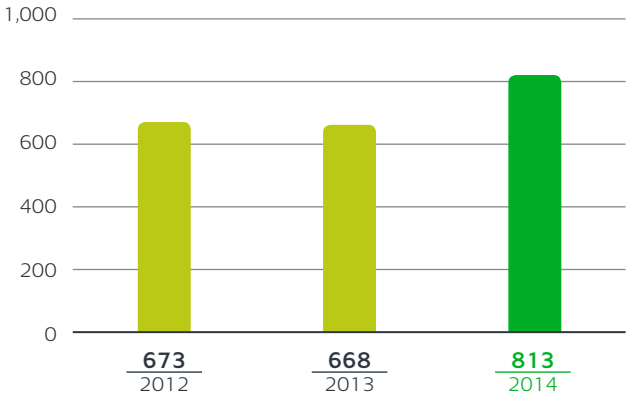
One of the core values of Eesti Energia is safety above all. As our operations encompass number of different risks we always need to consider the safety of work environment, health of our employees and environment. Our key principles are:

- I will arrive and leave work safely
- I will always follow occupational and environmental safety requirements
- I will draw attention to dangerous situations
- I will not make decisions or behave in a manner than would endanger someone's health or environment
- I will raise people's awareness of risks related to our field of operations

Many of Eesti Energia's employees are exposed to physical, physiological and psychological hazards, and work under difficult conditions and/or outdoors. Based on risks analysis of work environment the most difficult working conditions are in mines, open pit mines, oil shale power plants and shale oil industry.

SAFE WORK ENVIRONMENT	
	FACILITIES/EQUIPMENT: Reducing the equipment risks by implementing risk assessment procedures. In case of new procurements safer equipment is acquired.
	PEOPLE: Promoting a mentality that safety comes first and the employees are doing everything to ensure the safety of their own and their co-workers.
	MANAGEMENT: Constant monitoring and improving of safe work environment procedures (risk notification system, risk assessments, safety audits etc), constant strive and certain approach by the management to ensure high level of safe work culture throughout the whole organisation.

Number of Employees Who Have Passed Occupational Safety Training



Our goal is to ensure all our employees and the employees of our co-operation partners the safest possible work environment to avoid work accidents or professional diseases. All our companies employ experienced work environment specialists. In 2014, we hired three new work environment specialists.

One of the core values of Eesti Energia is safety above all.

Steps Taken in 2014 to Ensure Safe Work Environment

We have developed educational videos on occupational safety for major production units to raise the awareness of hazards, and to educate employees about the correct procedures in the event of danger. Persons responsible for Group's occupational safety are meeting regularly to discuss and exchange ideas on how to even further improve the occupational safety. In 2014, a strategy on occupational health and safety was developed for 2015-2018.

All production entities of Eesti Energia have implemented OHSAS-18001 standard „Control systems of occupational health and safety". The principles and requirements are the basis for designing the occupational environment and work safety.

We pay special attention to teaching and guiding our employees as well as our co-operation partners in order to ensure the safety of employees. We advise our co-operation partners of the ethical, fire and occupational safety requirements of our company, and expect the employees of our contractual partners working on our site to comply with these requirements.

▶▶ We pay special attention to teaching and guiding our employees as well as our co-operation partners in order to ensure the safety of employees.

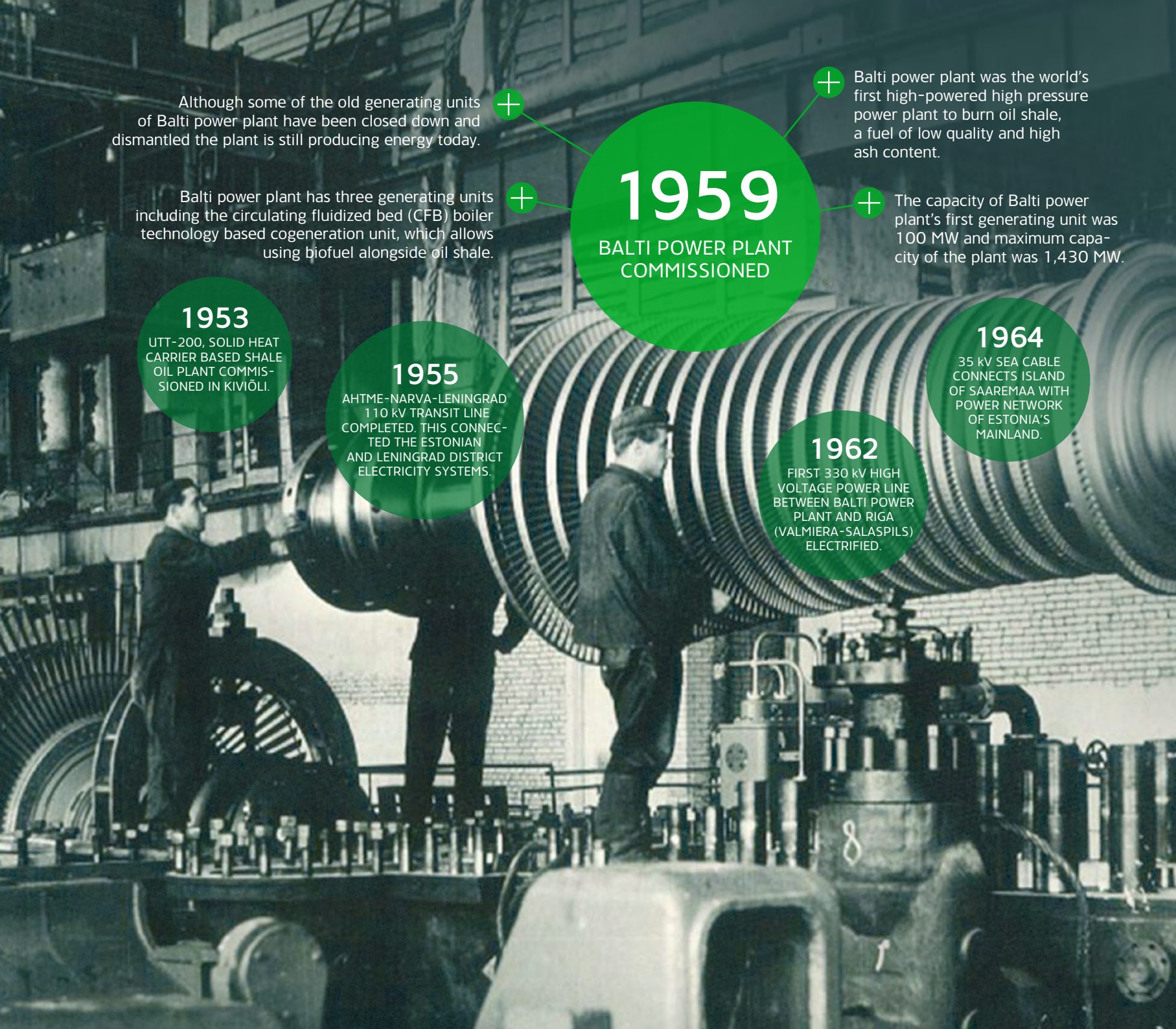
Occupational Accidents and Coefficients of Occupational Accidents per 1,000 Employees in Eesti Energia Group and in Estonia in 2001–2014

YEARS	NUMBER OF OCCUPATIONAL ACCIDENTS			AVERAGE NUMBER OF EMPLOYEES	AVERAGE FREQUENCY COEFFICIENT PER 1000 EMPLOYEES	AVERAGE ESTONIAN FREQUENCY COEFFICIENTS
	Total	Severe	Fatal			
	A	B	C	D	A x 1000/D	
2001	76	16	1	10,398	7,21	4,19
2002	65	14	1	9,768	5,94	5,32
2003	52	16	3	9,800	4,29	5,43
2004	46	18	2	9,518	4,83	5,58
2005	36	16	1	8,900	4,04	5,65
2006	39	11	1	8,469	5,55	5,65
2007	49	8	0	8,304	4,94	5,68
2008	36	12	3	8,271	4,84	6,17
2009	39	15	0	7,618	5,12	4,89
2010	29	12	0	7,377	3,93	5,62
2011	26	7	0	7,688	3,39	6,14
2012	31	14	0	7,543	4,11	6,62
2013	32	12	1	7,314	4,37	6,73
2014	25	8	1	6,613	3,72	7,41

"Balti power plant celebrated its 55th anniversary in 2014. The commissioning of first energy unit of Balti power plant on 30 December 1959 marked the beginning of large-scale energetics era."

Tõnu Aas

Eesti Energia Narva power plants,
Member of the Management Board



Although some of the old generating units of Balti power plant have been closed down and dismantled the plant is still producing energy today.

Balti power plant has three generating units including the circulating fluidized bed (CFB) boiler technology based cogeneration unit, which allows using biofuel alongside oil shale.

1959

BALTI POWER PLANT COMMISSIONED

Balti power plant was the world's first high-powered high pressure power plant to burn oil shale, a fuel of low quality and high ash content.

The capacity of Balti power plant's first generating unit was 100 MW and maximum capacity of the plant was 1,430 MW.

1953

UTT-200, SOLID HEAT CARRIER BASED SHALE OIL PLANT COMMISSIONED IN KIVIÕLI.

1955

AHTME-NARVA-LENINGRAD 110 kV TRANSIT LINE COMPLETED. THIS CONNECTED THE ESTONIAN AND LENINGRAD DISTRICT ELECTRICITY SYSTEMS.

1962

FIRST 330 kV HIGH VOLTAGE POWER LINE BETWEEN BALTI POWER PLANT AND RIGA (VALMIERA-SALASPILS) ELECTRIFIED.

1964

35 kV SEA CABLE CONNECTS ISLAND OF SAAREMAA WITH POWER NETWORK OF ESTONIA'S MAINLAND.

Customer Relations

Building customer satisfaction and improving service quality play key role in maintaining customer relations. Therefore, in 2014 our focus on customer relations was on following key aspects:.

- offers meeting actual customer needs,
- more straight-forward and clear packages and pricing strategy,
- solving business customer billing issues,
- shorter call waiting time.

The most outstanding improvements in 2014 include the collection of more accurate power consumption data and better payment behaviour. Additionally, the reorganisation arising from market changes has brought advisory into spotlight of our service model. The sum of these improvements has awarded us with an extraordinary result: in 2014 the customer satisfaction indicators were the best of last five years or the best since we implemented the customer relations index.

To achieve the year 2014 goals:

- we improved the system to simplify the package replacement,
- we turned e-service environment more convenient for customers,
- we paid a lot of attention to explaining the procedures concerning different electricity contracts,
- we prepared a well-considered electricity contracts' extension process by the end of the year,
- we developed a personal service model for business customers,
- we solved billing related customer inquiries faster and more efficiently,
- we started offering customers value propositions,
- we simplified service process,
- we cut call waiting time to prevent customer inquiries.

Customer Satisfaction Survey Results

The annual customer satisfaction survey conducted for years together with TNS Emor, is used to make business decisions, prepare action plans and measure goals.

Survey results in 2014 were the best for the last five years. Feedback from household customers has improved in all key areas of customer relations yet the growth has been the highest in competitive advantage – our products are highly valued and our pricing is considered transparent. With these results we can now benchmark ourselves with the European companies.

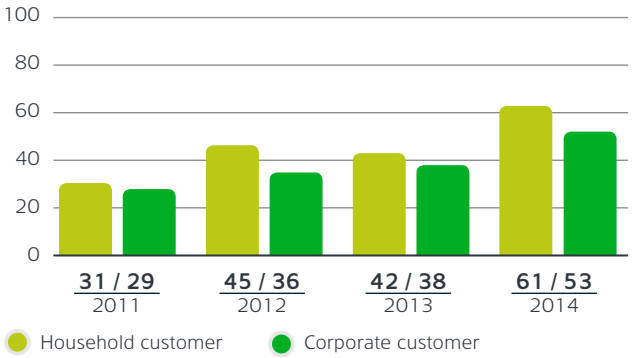
The latest survey indicates that our corporate customers are more satisfied and loyal. Personal approach by our customer relationship managers, soundness and understandability of our business decisions are also highly valued. Additionally, we received improved feedback on the customer relationship managers' initiative and the problem solving speed.

Customer satisfaction survey revealed that we have also taken a giant leap in the quality of solving billing related problems. Our customers are no longer seeing us as a monopoly but rather as a reliable and stable power company.

Key strengths brought out by our customers:

- good product variety and smooth contract signing process,
- simple and clear products,
- customer-oriented service and quick problem solving.

Customer Relationship Index (Tri*M)



Service Standards in Customer Service Channels

We ensure high service quality by implementing Eesti Energia service standards, which are based on the customer expectations and the specifics of our business. We have set goals to service channels to motivate fast and effective service levels and to assess how quickly the customer problems are solved.

In 2014, we upgraded our service standard to meet the competitive environment and the standards of advisory services. We gave each employee who has direct contact with the customer a small book covering customer service standards through humour, just to make the approach closer to heart.

As we sell electricity to more than 563,000 consumption points we have to be ready to handle thousands of inquiries each day. Therefore, we are constantly following the number and content of inquiries for analysing purposes.

In the name of quality, smooth and professional services we train our employees to reduce the inquiry response time. In 2014, we trained our service team for 793 days plus additional short trainings by service group leaders. Service staff was informed about process, products and services of energy sales and Elektrilevi. The service staff could also share their experiences in case study workshops. Besides trainings the direct managers are constantly developing their service team through feedback on assessing the calls, letters and service situations. The service staff can also learn the best practices by job shadowing their colleagues in other service channels. Additionally, we motivate our staff to attend different service qualifications and competitions such as the best Estonian service award.

Call Centre

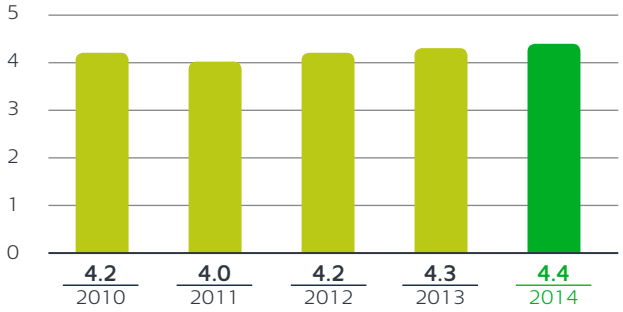
The service standard of our call centre states that 70–80% of calls are answered in 25 seconds. We met this standard in 11 months. It was a real challenge but we achieved even a better result than a year before while retaining an optimum team at the same time.

E-mails

The number of e-mails received in 2014 dropped to 115, 451 compared to 129,406 a year before. The drastic drop in customer inquiries took place mostly because the customers are more often contacting directly Elektrilevi on matters concerning Elektrilevi. E-mail is preferred as it is faster and more convenient than other channels.

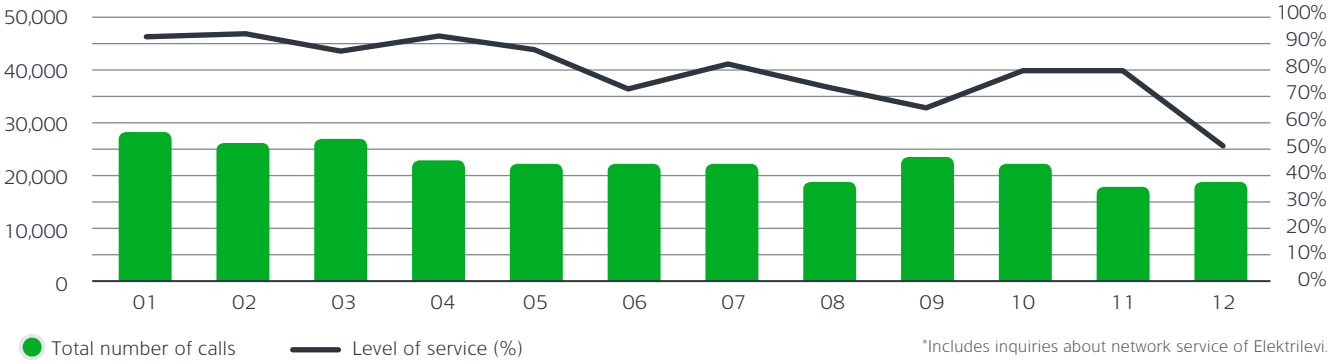
We are targeting to respond 80% of e-mails within 24 hours and 99% of e-mails within 72 hours to ensure the quality of e-mail service. The average monthly results from

Customer Assessment of Our Call Centre Channel in 5 Point Rating Scale*



*Assessment is based on Eesti Energia's monthly feedback survey from customers who had contacted us a month before.

Number of Calls to and Level of Service of Eesti Energia's Customer Hotline Number 1545*

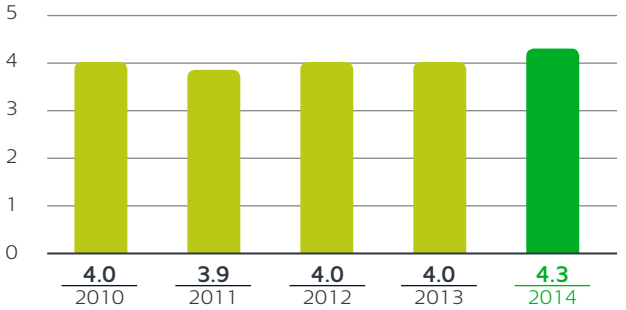


*Includes inquiries about network service of Elektrilevi.

2014 indicate that we have reached almost the maximum result of this standard – 74% of e-mails were responded within 24 hours and 98% of e-mails within 72 hours.

We have implemented a work schedule allocation, which allows us to have optimum number of employees available to provide faster e-mail service at busier times. Our service staff and their managers are reviewing monthly the responses to customer letters for potential improvements. Such regular discussions have helped our customer responses to become more personal and reduced the number of repeated inquiries.

Assessment of teenindus@energia.ee*



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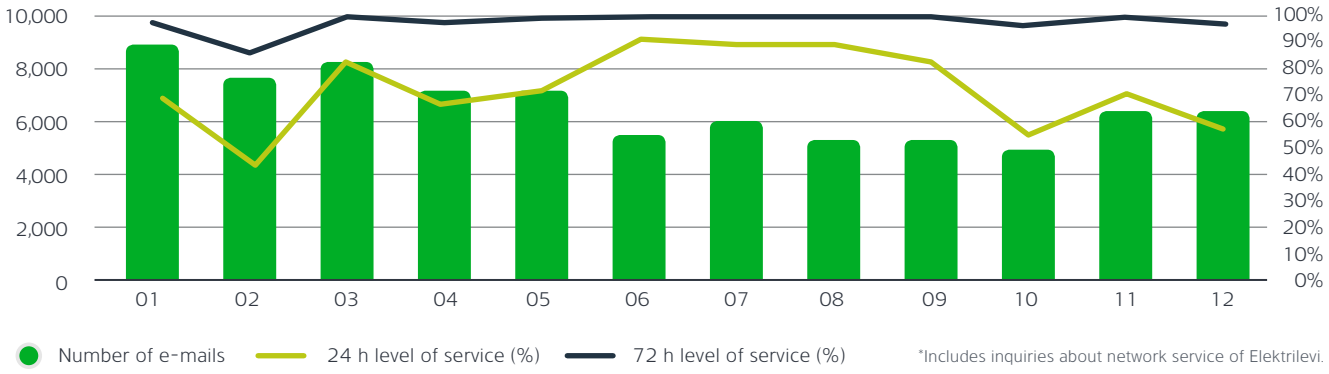
E-mails Sent to and Level of Service of teenindus@energia.ee*



*Includes inquiries about network service of Elektrilevi.

Offices

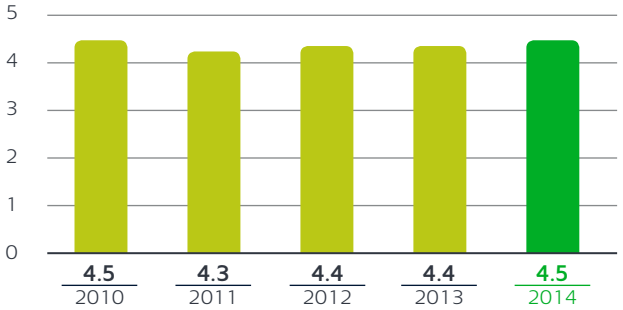
Since customers prefer e-service or customer hotline numbers that are faster and more convenient service channels, certain changes took place in the office network in 2014. The decrease in number of visits by customers is also caused by transition to remotely read meters and therefore customers no longer need to visit sales offices to report the recent power usage. Additionally, the automatic extension of electricity contracts has impacted the number of visits. Due to limited number of visitors we closed Tähesaju office in Tallinn and service point in Kuressaare post office. We also moved the sales office from Tartu Lõunakeskus shopping centre to Ilmatsalu street and Jõhvi sales office to Jaama street last year. The number of visits to request information about electricity contracts and network service dropped from 191,291 in 2013 to 136,033 in 2014.

E-service

Eesti Energia's e-service is our most popular service channel used by every second customer.

Eesti Energia's e-service channels are operational 24 hours enabling customers to sign electricity contracts, review electricity price at the place of consumption, change electricity packages, report electricity consumption, view invoices received, sign authorisations, analyse consumption or fill in energy profile. The customers can also see targeted offers through e-service channel and if interested read about Eesti Energia.

Customer Satisfaction with Sale Offices in 5 Point Rating Scale*



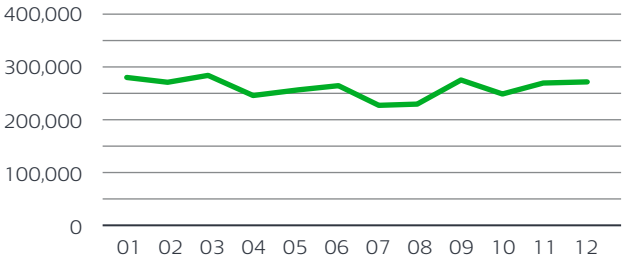
*Assessment is based on Eesti Energia's monthly feedback survey from customers who had contacted us a month before.

Product Responsibility

Second year of operations in open electricity market assured us that our customers still prefer simple products that help them in protecting against electricity exchange price fluctuations.

Eesti Energia's electricity product packages are based on three easy choices: fixed price product package, exchange price based variable price product package and combined price product package calculated using 50% of fixed and 50% of variable price. Among these packages the customer may decide on the term of the contract and whether the price rate will be the same for 24 hours or separate for day and night (dual-tariff price).

Number of Customers in E-service



Customer Satisfaction with E-service in 5 Point Rating Scale*

*Assessment is based on Eesti Energia's monthly feedback survey from customers who had contacted us a month before.
** Since we started signing electricity contracts only in November the 2012 results indicate the average for November and December.

To keep the energy costs under control Eesti Energia introduced a special mobile app for the customers in 2014. The app helps customers to monitor and analyse their consumption. Eesti Energia's corporate customers can also purchase gas together with electricity.

Customer electricity consumption was the key factor in pricing the electricity product packages in 2014. As at

To keep the energy costs under control Eesti Energia introduced a special mobile app for the customers in 2014.

the end of 2014 the differences were up to 1.9 s/kWh compared to up to 0.6 s/kWh as at the end of 2013.

Therefore we are always recommending our customers to consider consumption based price offers in our e-service channel besides public price lists and general information published in different portals. In order to see the consumption based price offers customer needs to login to e-service channel.

Eesti Energia aims to advise customers on choosing the best product and offer its customers simple and transparent electricity prices. That is also a reason why each of our customer can check from e-service channel, which electricity price package meets the customer's needs the best. To see the price overview of the point of consumption the customers have to login to e-service channel. The customer may sign new contract or replace the current electricity supplier for no extra costs. Our product packages do not include monthly fee, which has a significant impact on the price per kilowatt-hour and is quite often unnoticed by customers.

Second year of operations in open electricity market showed that customers are already used to take responsibility and decide whether they prefer fixed or variable price electricity packages. In 2014, more than 70% of customers preferred partly or fully fixed product packages.

Automatic Extension of Electricity Contracts

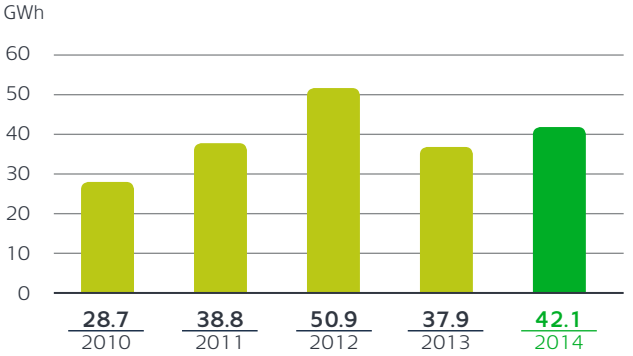
As an option we offer our customers the automatic extension of existing electricity contracts. Before the end of existing contract term we send the customer an offer for next contract period. If the offer is acceptable the contract is automatically extended without any intervention by the customer.

More than 70% of customers prefer fixed price electricity packages.

Green Energy

On market opening the customers had a critical view on their electricity prices and many customers gave up Green Energy due to growing costs. Today, when the customers have gotten used to electricity market prices, the interest in buying renewable energy has increasing. In addition to higher sales volume of renewable energy in 2014 it is worth noting that many Green Energy customers have remained faithful to environmentally friendly energy since it was first introduced. As at the end of 2014 2,094 household customers and 198 corporate customers preferred Green Energy. In 2014, total consumption of Green Energy in Estonia amounted to 42.1 GWh of renewable energy.

Consumption of Green Energy



Customer Value Proposition

We made our customers the first partner offers in 2014 e.g. our customers could attend Narva Energy Run in summer for reduced fee and visit Energy Discovery Centre until the year-end for discounted price. We provide a variety of interesting partner offers to our household customers a year round. We also launched a campaign targeting household customers the prize of which, drawn at the end of year, is full year of free electricity to 50 household customers.

Customer Notification

We consider principle of simplicity when notifying our customers of upcoming changes. Our messages have to be equally understandable to each customer. Notification letters are sent in languages preferred by customers whether Estonian or Russian. We use e-mail, regular mail,

electronic newsletter, market overview, text message, message through e-service channel, cover letter to invoice and first page of invoice as notification channels.

To prevent situations where the customer's mailbox is full and our notification letters will not reach the customer or may cause inconveniencies, we continued in 2014 with implementing work procedures agreed a year before. We used the procedures to review each returned e-mail, ascertain the reason for this return and used alternative channels to reach the customer.

Solving Billing Related Issues

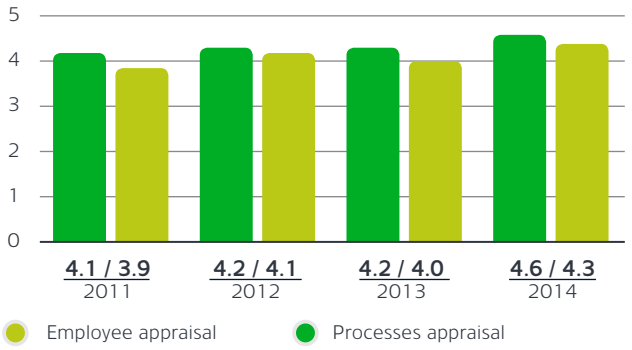
Compared to market opening period the number of different billing related issues dropped drastically in 2014. Customer satisfaction survey also indicated the decline in billing related issues through significantly higher customer satisfaction with billing related issues.

We prepare each month some 530,000 invoices. During the first billing period after market opening we sent out 90% of invoices without issues. Today we have reached 99.9%. Last year we continued with solving billing related issues such as organizing data and developing IT related improvements. We informed customers we had invoicing problems or offered free payment schedule to customer who expected a longer payment term.

Debt Settlement

In case of customer's temporary solvency problems we have, in general, come up with a solution satisfying both parties. Therefore, we encourage our customers to inform us of potential solvency problems before the payment

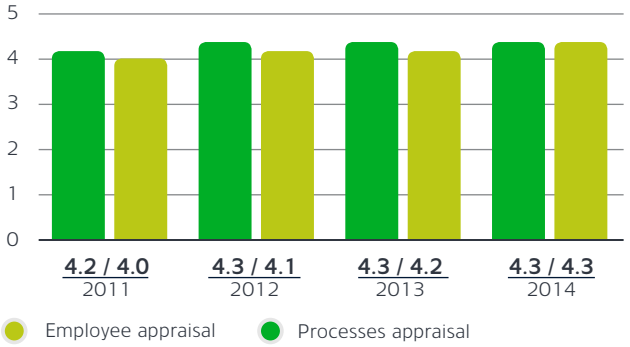
Customer Satisfaction with Billing in 5 Point Rating Scale



term. If possible we try to find the best possible solution in case of solvency problems by offering payment schedule or short-term payment grace period.

In 2014, we took a step forward in debt settlement process by channelling less complicated issues directly to service channels for solving. This was done to ensure rapid solution to customers with excellent payment behaviour already on their first inquiry without having to wait due to debt management routines. Since the change took place the debt management team is only handling the serious payment issues.

Customer Satisfaction with Debt Settlement in 5 Point Rating Scale



Customer Complaints

Our ultimate goal is to reach zero customer complaints. However, until this has not been reached, we need to handle such complaints. Customer complaints are solved in the same database as customer inquiries not fully solved during the first contact with customer. While in

Customer complaints

	2012	2013	2014
Number of customer complaints on second level	3,105	1,717	807
Time spent to solve inquiries (in days)	8	5	4
Timeliness of solved inquiries (%)	88	94	99

2013 the second level customer inquiries (incl. complaints) amounted to 1,717 then in 2014 the number had dropped to 807, a decline of 53% in more complex inquiries. On average it takes 4 days to solve one inquiry. Systematic prevention, improved notification of customers and simpler and more efficient work processes have played key role in reaching better results. Daily reports on complaints allow us to distribute the tasks between responsible people so that all customer e-mails are handled instantly. As a result we responded 99% of customer inquiries on time in 2014.

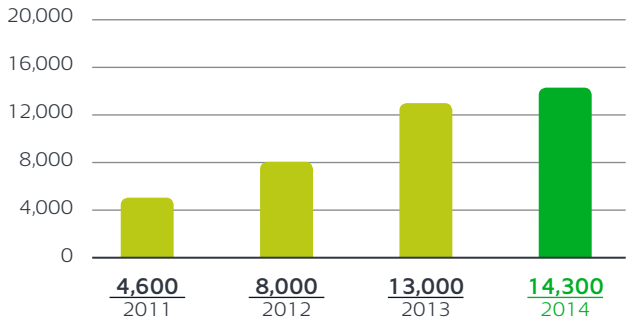
Protection of Customer Data

We keep customer data complete, up-to-date and accurate. “Principles of customer data processing in Eesti Energia AS Group” approved by the Management Board ensures the protection of customer data.

Energy Saving

In 2014, 30,000 unique users visited energy saving website of Eesti Energia at energia.ee/kokkuhoid. Our energy saving website is the most practical tool to analyse the usage of electricity, water and heat and the expenses by all energy types. By the end of 2014, approximately 1,300 customers had filled in their energy profile in our e-service channel. In addition to energy profile those interested in energy saving can also find other saving possibilities such as 3D-home models, recommendations, tips and energy saving blog.

Number of Customers Who Have Filled in Energy Profile



We Conserve Nature and Support the Spreading of Sustainable Energy Mindset

2014 was the sixth year Eesti Energia was involved in organising national sustainable energy week. As part of the sustainable energy week we monitored the energy consumption of one selected family as part of the experiment. The experiment revealed that little tips helped the family to save 7.2% of electricity. As part of the experiment we shared simple tips on how to reduce household electricity consumption and therefore also reduce the energy related expenses.

▶▶ To give a better overview of consumption and control related expenses we launched a special mobile app at the end of 2014 that allows customers with remote meter readers to follow their daily and monthly consumption from mobile.

Mobile App for Customer Consumption

We have encouraged customers to follow their consumption history in our e-service channel that supports better consumption management by analysing the electricity consumption over different time periods. During each month this opportunity is used by 20,000 customers of Eesti Energia. To give a better overview of consumption and control related expenses we launched a special mobile app at the end of 2014 that allows customers with remote meter readers to follow their daily and monthly consumption from mobile. We differentiate from all other Estonian electricity sellers by offering our customers an opportunity to control their consumption at any moment of time and thus increase general awareness of energy saving. The mobile app allows accessing information of existing electricity contract, submitting meter reading, view invoice related information and partner offers.

In early 20th century electricity was a luxury. Position in service department was widely desired: to work there was to work in the future.

We are ready to respond thousands of customer inquiries via our service channels daily.

Elektrilevi Focuses on Reliable Network Service

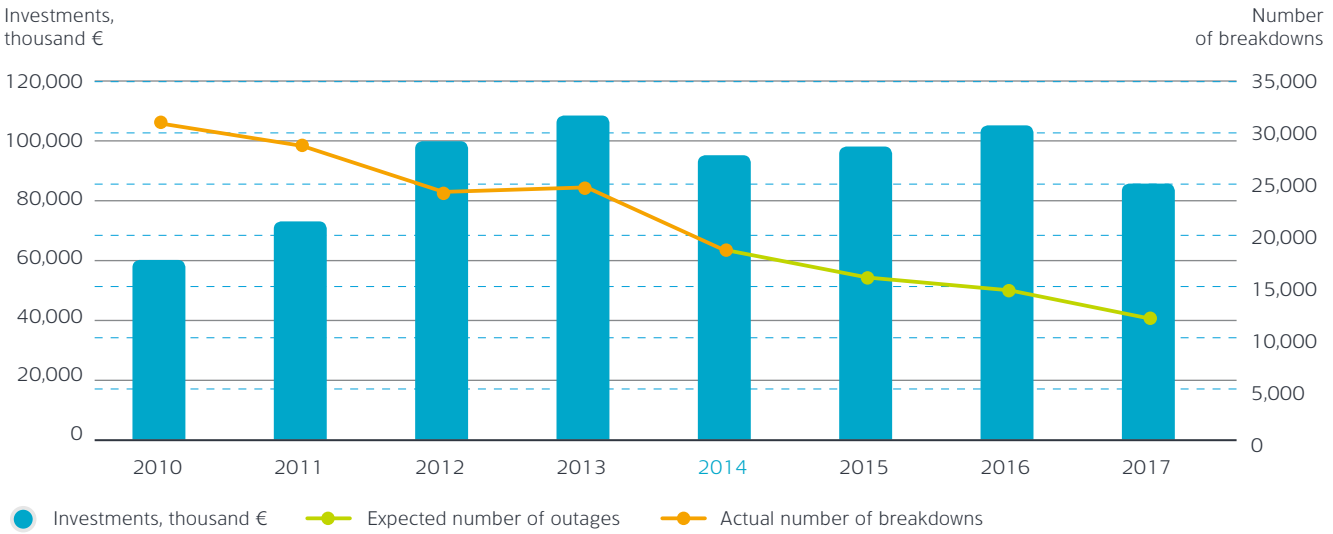
The key role of Elektrilevi, the distribution network operator of the Group, is to ensure the quality of distribution network service and smooth customer service.

In 2014, Elektrilevi invested 97 million in network service improvement. While the network construction volume with around five kilometres of transmission lines and two new substation built in a day has remained the same, the level of network reliability has improved significantly.

Last year breakdowns left the customers of Elektrilevi without electricity supply for 102 minutes, all-time best result for the company. A year before it was 144 minutes and two years ago 187 minutes, excluding extraordinary weather conditions. Scheduled outages for construction and maintenance purposes have also decreased by about 30 percent. In 2013, scheduled outages for construction and maintenance purposes lasted 93 minutes on the average while in 2014 the average was only 67 minutes.

Weatherproof power network reduces successfully the possibility and length of power cuts. Elektrilevi aims to upgrade the power network so that 90 percent of customers would be connected to weatherproof power network by 2025. In addition, Elektrilevi aims to reduce network breakdowns two times between 2012 and 2017. The 24 percent drop in number of breakdowns in 2014 indicates that Elektrilevi has followed reasonable investment policy and channelled the funds wisely.

In 2014, we continued with extensive installation of remote meter reading systems. By the end of the year 335,000 readers had been replaced. Transition to remote meter reader system will be completed by December 2016. Over four years Elektrilevi will install about 620,000 smart readers that measure electricity consumption hourly and save the customers from reporting their consumption. The new meters help customers save money by controlling their consumption and electricity package



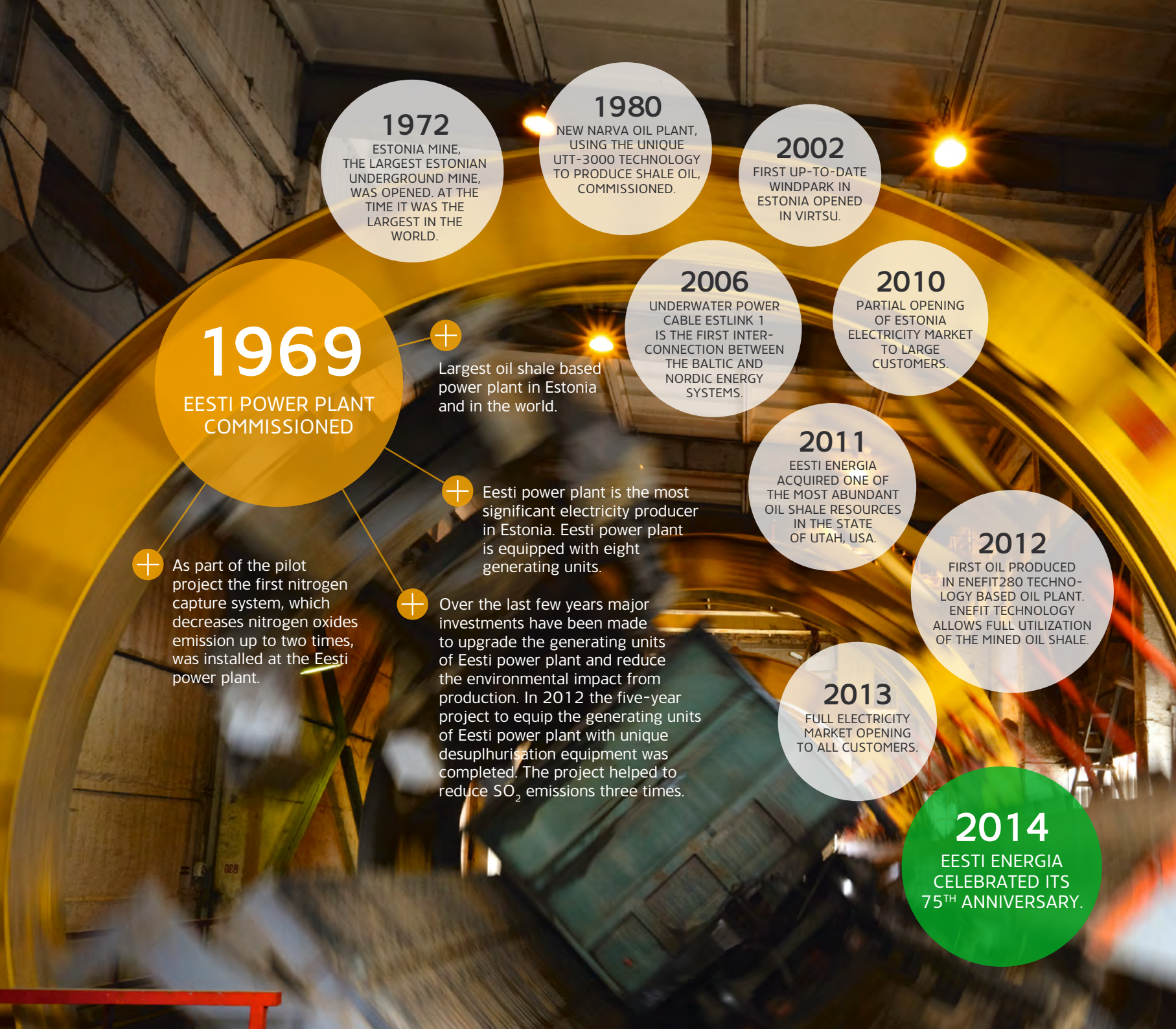
selection process. The network operator will receive better information about the extent of low-voltage breakdowns and can therefore eliminate such breakdowns more efficiently. In addition, the new meters cut off costs related to controlling, collecting and handling consumption data.

Following the purpose of Elektrilevi's safety campaign we increased the share of practical communication. During the electrical safety campaign in 2014 the employees of Elektrilevi and Electro Rabbit trained 5,800 children to notice electrical hazards, which is 900 more than a year before. Elektrilevi and Estonian Rescue Board arranged 14 safety camps to students of elementary schools. Electro Rabbit, the mascot of electrical safety, visited public family events, regional safety events and kindergartens to talk about electrical safety. Electro Rabbit attended electrical safety mornings held for kids in Artis cinema in Tallinn and Ekraan cinema in Tartu. Elektrilevi publishes more information on electrical safety on its website elektrilevi.ee/ohutus.

"Eesti power plant, largest oil shale based power plant not only in Estonia but also in the world, celebrated its anniversary in 2014. The first generating unit of Eesti power plant was commissioned on 30 June 1969. The power plant reached its installed capacity of 1610 MW four years later in 1973."

Tõnu Aas

Eesti Energia Narva power plants,
Member of the Management Board



1969
EESTI POWER PLANT COMMISSIONED

Largest oil shale based power plant in Estonia and in the world.

Eesti power plant is the most significant electricity producer in Estonia. Eesti power plant is equipped with eight generating units.

As part of the pilot project the first nitrogen capture system, which decreases nitrogen oxides emission up to two times, was installed at the Eesti power plant.

Over the last few years major investments have been made to upgrade the generating units of Eesti power plant and reduce the environmental impact from production. In 2012 the five-year project to equip the generating units of Eesti power plant with unique desuplhurisation equipment was completed. The project helped to reduce SO_2 emissions three times.

1972
ESTONIA MINE, THE LARGEST ESTONIAN UNDERGROUND MINE, WAS OPENED. AT THE TIME IT WAS THE LARGEST IN THE WORLD.

1980
NEW NARVA OIL PLANT, USING THE UNIQUE UTT-3000 TECHNOLOGY TO PRODUCE SHALE OIL, COMMISSIONED.

2002
FIRST UP-TO-DATE WINDPARK IN ESTONIA OPENED IN VIRTSU.

2006
UNDERWATER POWER CABLE ESTLINK 1 IS THE FIRST INTER-CONNECTION BETWEEN THE BALTIC AND NORDIC ENERGY SYSTEMS.

2010
PARTIAL OPENING OF ESTONIA ELECTRICITY MARKET TO LARGE CUSTOMERS.

2011
EESTI ENERGIA ACQUIRED ONE OF THE MOST ABUNDANT OIL SHALE RESOURCES IN THE STATE OF UTAH, USA.

2012
FIRST OIL PRODUCED IN ENEFIT280 TECHNO-LOGY BASED OIL PLANT. ENEFIT TECHNOLOGY ALLOWS FULL UTILIZATION OF THE MINED OIL SHALE.

2013
FULL ELECTRICITY MARKET OPENING TO ALL CUSTOMERS.

2014
EESTI ENERGIA CELEBRATED ITS 75TH ANNIVERSARY.

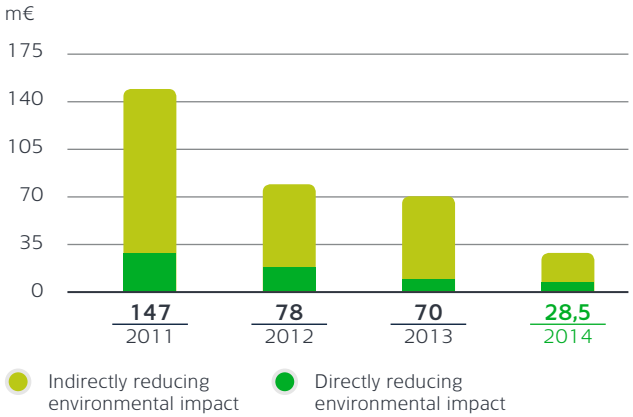
Environmental Activities

The movement towards greener oil shale industry is a constant process and so is the more efficient usage of resources the industry relies on. Innovation and investments are the key drivers on this road.

Innovation in oil shale industry is inevitable. New solutions lead the road to increased efficiency and improved environment sustainability of conventional work methods and equipment. The implementation of these new solutions depend on investments. In 2014 we invested a total of 28.5 million euros, which had direct or indirect impact on improved environmental sustainability of our production.

Investments to the technological development have enabled us to reduce the environmental impacts without affecting existing production levels. We believe such investments will enable us reducing environmental impacts also in the future while increasing the production levels at the same time. In recent years Eesti Energia has paid a lot of attention on innovative solutions. Oil shale industry is often a pioneer in implementing major improvements. In 2014 the focus was on air pollution reduction: we commanced installing nitrogen emission capture system on seven boilers of Eesti power plant and reached the final stage of the construction of Auvere power plant, which is using the best available technology in the world. The air emission of Auvere power plant will

The Group's Investments Towards Reducing Environmental Impact



be significantly lower compared to other power plants due to CFB (circulating fluidized bed) and biomass energy utilisation capacity.

Eesti Energia is following all environmental requirements set by the European Union. In our daily work procedures Eesti Energia is following the general principles of environmental protection:

- We use environmental management systems that conform to the international standards ISO 14001 and EMAS to manage environmental impacts.
- We analyse the environmental impact of any new project before starting it and apply the best available technology (BAT) to reach our targets.
- We use our resources carefully and conservatively, we are increasing our reuse and recycling of waste and we are reducing our environmental emissions.
- We are lowering the CO_2-intensity of the energy delivered to customers.
- We work closely with scientific research establishments and consulting firms and we are always looking for new solutions.
- Under equal conditions in procurement tenders, we prefer suppliers with a certified environmental management system.

Environmental Investments are the Key to Cleaner Industry

Environmental investments have turned oil shale industry cleaner than ever before. Similarly to previous years number of outstanding projects helped us to reduce environmental impacts in 2014.

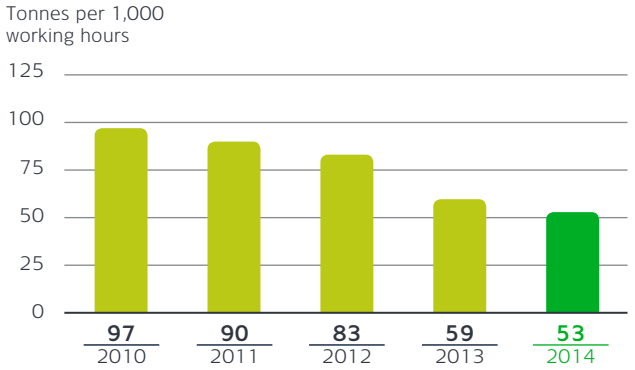
Pioneering in Nitrogen Capturing

By the end of 2014 the pilot project on reduction of nitrogen emissions, first in the history of oil shale industry, had run little over 12 months. In 2013, one boiler of the Eesti power plant was supplied with NOx capture system, which has allowed reducing its NOx emissions approximately two times. Last year the pilot project was followed by a three-year project to equip another seven boilers with similar emission capture systems. The total cost of the NOx emissions reduction project is 28 million euros.

Emissions

	UNIT	2011	2012	2013	2014
SO_2	thousand t	56.8	23.2	20.9	24.2
incl. Narva power plants	thousand t	56.6	23.1	20.8	24.1
NO_x	thousand t	12.8	9.7	8.8	8.5
Fly ash	thousand t	28.1	5.7	9.1	8.5
CO_2	thousand t	12.3	11.0	13.4	12.8

NOx Emissions of Boiler Involved in Nox Emissions Reduction Pilot Project



Biomass is Setting Foothold

Modern Auvere power plant, which is more environmentally friendly than other similar power plants due to implementation of the best possible technology, was completed in 2014. The 300-MW power plant allows using biofuel in the extent of 50% of total fuel intake. The option of using biomass as a renewable energy source instead of oil shale reduces the environmental impact of power generation and increases the competitiveness of Auvere power plant in the light of stricter European Union climate policy. The investment to Auvere power station is a crucial decision on guaranteeing the national energy security. More than 10.5 million euros was invested to feeder system to create biofuel capacity while total cost of the power station is about 640 million euros.

The option of using biomass as a renewable energy source instead of oil shale reduces the environmental impact of power generation and increases the competitiveness of Auvere power plant in the light of stricter European Union climate policy.

New Chimneys – Broader Opportunities

We started with the construction of five new chimneys to Eesti power plant in 2014. Additional chimneys allow reducing sulphur emissions through the maximum usage of desulphurisation equipment. The new chimneys will also enable us to measure the emissions of each energy generating unit separately and therefore increase the efficiency and flexibility of the whole generation process. The stricter environmental regulations make this investment especially significant and necessary. Additionally, we can now separate the older and newer generation capacities and thus reduce the usage of amortizing generation equipment gradually while not impacting the functionality of other generation equipment. Total cost of additional chimneys is 15 million euros.

Waste-to-energy Saving Fossil Fuel

2014 was the second year when we used waste as fuel for heat and power cogeneration. We can save approximately 70 million m^3 of natural gas by producing energy from waste. After sorting household waste another 300,000 tonnes of mixed municipal waste remains in Estonia, which is now used for producing heat and power in Iru. In 2014 221.4 tonnes of mixed municipal waste was used to produce 248.1 GWh of heat and 111.8 GWh of electricity.

The launching of waste-to-energy unit can be seen as a nation-wide environment project: the Estonian waste management became environmental friendlier and the large-scale landfilling in the country has ended.

Solid Waste

	UNIT	2011	2012	2013	2014
Oil shale ash	million t	7.1	6.9	8.1	7.9
incl. recycled	million t	0.1	0.1	0.1	0.1
Waste rock	million t	9.0	8.1	6.3	6.4
incl. recycled	million t	8.1	7.6	4.4	1.8

The mixed municipal waste used in Iru plant is mostly local but the power plant is also providing environment friendly waste management services to Irish and Finnish cooperation partners. Heat generated by Iru power plant is provided to the inhabitants of Maardu and Tallinn at prices, which are up to 25% lower than before. Iru waste-to-energy unit impacts every single inhabitant in Estonia since the waste management in Iru is approximately twice cheaper than landfilling. The launching of waste-to-energy unit can be seen as a nation-wide environment project: the Estonian waste management became environmental friendlier and the large-scale landfilling in the country has ended. A total of 105 million euros was invested to Iru waste-to-energy unit.

Road Made of Oil Shale Ash

The construction of 500 meter road section as part of OSAMAT pilot project and using oil shale ash from Narva power plants was completed in 2014. The oil shale ash and cement mixture was used as a binding agent in the depth of up to 4 meters in peat stabilisation of Simuna-Vaiatu road in Lääne-Virumaa region. As a result of this project the whole road section was mass stabilised. The 500-meter road section was divided into five parts in each of which a different binder mixture was used. The analysis of test results helps to determine the optimal binder mixture. The completed road section will be monitored until 2016 to identify potential impacts on oil shale ash based road surface. Total cost of the project started in 2011 and co-financed by Eesti Energia, its partners and EU LIFE+ fund was 2.4 million euros.

Expanding Odour Monitoring

In 2014 Eesti Energia Oil Industry focused on occasional odour pollution in the area. Oil industry has worked out an action plan to deal with the unpleasant smell. Eesti Energia, international consulting firm Ramboll and Estonian Environmental Investment Centre performed a study on air quality to analyse and determine the responsibility of Eesti Energia Oil Industry in odour pollution in the industrial area of Ida-Virumaa region. The study included measuring the quality of outdoor air with operational monitoring equipment in different locations of the plant territory. The results were used as input for modelling the impact of Eesti Energia Oil Industry on the quality of local air. The analysis indicated that the torches of Enefit140 have the most significant impact due to their technological speciality. Oil industry will install permanent odour monitoring station to the area in order to identify the direction and extent of odour pollution. Local authority and Estonian Environmental Investment Centre will assist in determining the location of the station. Oil industry will invest a total of 3.5 million euros to odour pollution management.

▶▶ Oil industry will install permanent odour monitoring station to the area in order to identify the direction and extent of odour.

▶▶ Therefore, the co-generation of oil and electricity reduces CO_2 emissions from power generation by up to 40%.

Greener Co-generation

Enefit280 is greener and more efficient than the other oil plants in Estonia. Enefit280 is a unique shale oil, electricity and oil shale gas cogeneration plant, which allows us to extract twice as much value from oil shale reserves and increase efficiency from 30–40% to up to 70%.

The sulphur content of oil shale gas, by-product of the new plant, is significantly lower, the content of incomplete combustion products in flue gas is very low and all air emission indicators are significantly lower than those of the older technology. Oil shale gas combustion generates considerably less CO_2 than direct combustion of oil shale. Therefore, the co-generation of oil and electricity reduces CO_2 emissions from power generation by up to 40%. The strategy of Eesti Energia foresees gradual switching to sustainable and efficient oil and electricity cogeneration. Total investments to Enefit280, the new generation oil plant, amounted to 237 million euros.

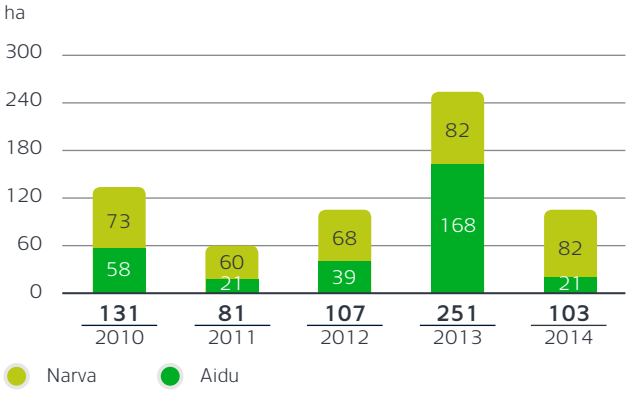
New Life of Former Mining Territories

The territory of former Viru mine, which produced 80.5 million tonnes of commercial oil shale in 48 years, remains almost unnoticed – no sign of administration and production facilities and the entrance to underground mines is closed. Only 1.5 years after closedown the territory of Viru mine is fusing with nature.

Forest is slowly taking over also the mined areas of still operating open cast mines. The reclamation of mined

▶▶ Estonian Mining Society awarded Eesti Energia Kaevandused with the "Best environmental act in mining" for opening a rowing channel in former Aidu opencast mine.

Afforestation in Former Eesti Energia Mining Terrritories

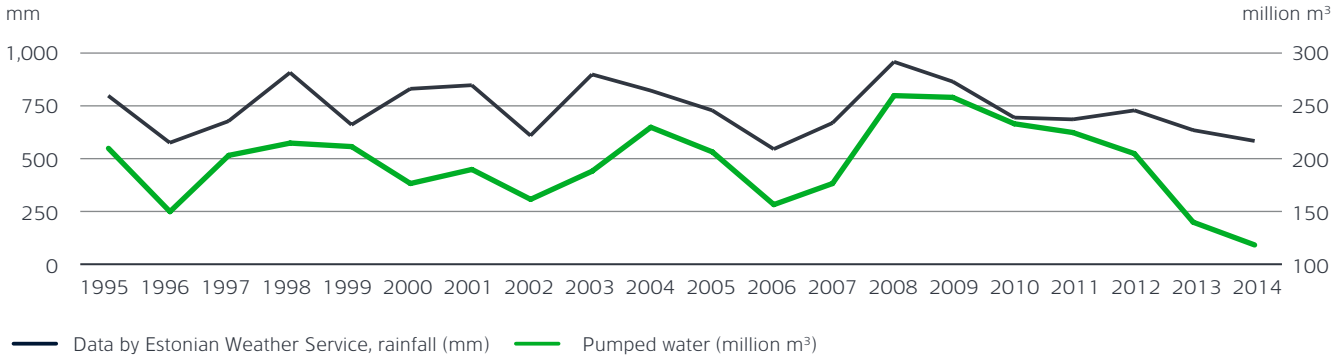


territory is a constant process and therefore we can find trees of 5 and 50 years of age growing side by side. In 2014, 103 ha of trees were planted to the mined areas. Over the last fifty years we have afforested already 14,000 hectares of land.

Yet, afforestation is not the only way to give life to former mining areas. Estonian Mining Society awarded Eesti Energia Kaevandused with the "Best environmental act in mining" for opening a rowing channel in former Aidu opencast mine. The Estonian Mining Society highly appreciated the new life given to former industrial object and the development work done to achieve this. Several competitions and boat tours were already held in Aidu rowing channel in 2014. The area is also popular among hikers and extreme sports fans.

The Estonian Defence Forces continued to use reforested Sirgala mining field of Narva open pit mine as a military training ground. The polygon, which can also be used with heavy weapons, will be expanded further southward in future.

Correlation Between Rainfall and Pumped Mine Water



Mine Water Deserves New Studies

In August 2014, Eesti Energia held the traditional environment day, which this time concentrated on mine water. Presenters included scientists, experts, specialists and practitioners. Mine water is a water that is pumped out of the mine to dewater the latter. Mine water is always returned to nature after purification in sedimentation pools. In 2014, Eesti Energia Kaevandused pumped 117.3 million m^3 of water, which is considerably lower from previous years due to closedown of pumping stations in Aidu opencast mine and Viru underground mine.

According to Geological Survey of Estonia rainwater accounts for 80% of mine water in open pit mines and approximately 50% in underground mines.

▶▶ Mine water is always returned to nature after purification in sedimentation pools.

Sustainable Development Wherever we Go

In 2014, we achieved an important breakthrough in the development Utah project concerning the rare plant that grows on outcrops of oil shale. Graham's beardtongue is quite common also in Eesti Energia's oil shale mines in Utah. In August the U.S. Fish and Wildlife Service approved the conservation agreement to protect beardtongue plant. Enefit Americal Oil allocated part of its territory to support the protection of these rare plants.

Water Pollutants

	UNIT	2011	2012	2013	2014
Suspended matter	thousand t	1.7	1.1	0.8	0.8
Sulphates	thousand t	131.5	76.0	64.8	51.7

Environmental Fees Paid and Investments Towards Reducing Environmental Impact

	UNIT	2011	2012	2013	2014
Resource fees	million €	28.7	30.4	28.3	28.5
Pollution fees	million €	19.8	17.8	24.5	31.8
Environment-related investments	million €	147.1	78.5	69.8	28.5
Directly reducing environmental impact	million €	30.2	17.9	7.7	11.2
Indirectly reducing environmental impact	million €	116.9	60.6	62.1	17.2

Environmental Impacts and Indicators

Environmental Charges

In 2014, Eesti Energia paid the government of Estonia 60.3 million euros in environmental charges, 28.5 million euros of this were for oil shale and water resource and 31.8 million euros for compensating the environmental impacts on water and air pollution and waste.

As main portion of environmental charges is collected by state the oil shale industry reaches the whole Estonian population. Each year portion of the environmental charges is invested in Estonian Environment Investment Centre. Local municipalities gain access only to charges paid for the usage of natural resources and water, which is 25 percent of the rate of the charge in force in 2011. In 2014, 5.5 million euros paid as environmental charges by Eesti Energia were distributed to the local municipalities of Ida-Virumaa region.

Environmental Surveys and Environment Protection Plans

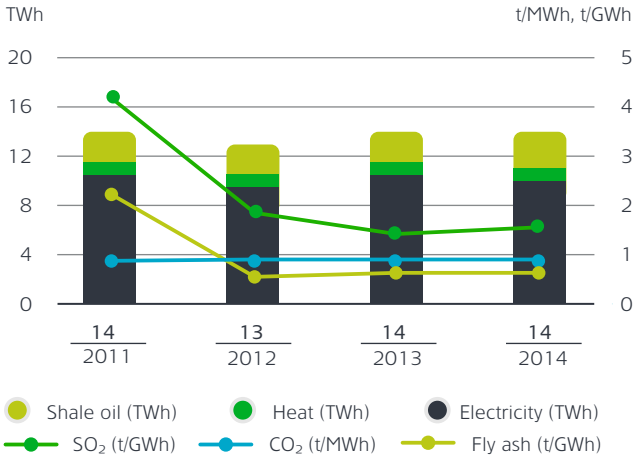
The analysis of environmental data indicates growing sustainability of oil shale industry. Environmental impact is largely dependent on technological improvements, which depend on industry's environmental standards.

To quantify and understand the exact nature of actual environmental impacts, the company and government need to constantly measure, assess and analyse these impacts. However, on analysing these impacts the government needs to understand the impacts on broader and company level. The analysis of environmental status is a key input to development activities for companies but also to government tax policy and other strategic decisions.

Eesti Energia is actively involved in the analysis of environmental impacts such as direct involvement in environment protection research and collaboration with different technological developments. The lack of standard solutions makes the oil shale usage issues especially important for us. Together with world-famous technology producer Outotec we established a joint venture Enefit Outotec Technology to test oil shale of different origin and adapt technological solutions in a lab and pilot plant in Frankfurt, Germany. We are also working closely with state institutions, consulting firms and research centres to test the characteristics and usage potential of oil shale ash.

To quantify and understand the exact nature of actual environmental impacts, the company and government need to constantly measure, assess and analyse these impacts.

The Group's Energy Production and Emissions per Unit of Production



Production

	UNIT	2011	2012	2013	2014
Electricity	GWh	10,428	9,378	10,560	9,687
Renewable electricity	GWh	408	534	263	297
Heat	GWh	1,263	1 ,137	1,242	1,309
Produced using biofuels and waste	GWh	107	155	223	337
Shale oil	thousand t	184	209	214	265
Retort gas	million m³	58	65	61	72

Resources Used

	UNIT	2011	2012	2013	2014
Commercial oil shale	million t	15.8	14.8	17.2	17.0
Natural gas	million m³	97.7	61.1	47.3	43.7
Biofuels	million t	0.4	0.5	0.1	0.1
Municipal waste	thousand t	0.0	0.0	183.6	221.4
Cooling water	million m³	1,522.9	1,302.2	1,475.0	1,454.5
Pumped mining water	million m³	224.8	203.0	138.2	117.3
Water from open cast mines	million m³	131.8	112.2	61.6	57.0
Water from underground mines	million m³	93.0	90.8	76.5	60.3

Eesti Energia has Set the Following Environmental Goals for the Next Five Years:

- Increasing efficiency of oil shale resource in oil and electricity cogeneration by utilizing the new generation Enefit technology
- Reducing CO_2 footprint through oil and electricity cogeneration
- Reducing air emission of oil shale industry including solving the odour emission problem of oil industry
- Reducing mining losses by employing the best possible technology
- Using of water from closed mines in heat production
- Increasing recycling and diversification of residues from oil shale processing – waste rock, ash, waste heat
- Restoring former mining territories considering the needs and expectations of community

Selection of Environment Studies Conducted in 2014 by or in the Participation of Eesti Energia.

- We were involved with several studies focusing on large-scale usage of oil shale ash as a raw material. In partnership with Tallinn Technical University we continued with studies that deal with granulation of oil shale ash in agriculture. We were a key partner to four Estonian parties in OSAMAT-project conducted with the financial support from EU LIFE+ and focusing on technical and environmental monitoring of road sections based on oil shale ash. We worked with Kunda Nordic Cement and Tallinn Technical University in determining the key characteristics of oil shale ash as a binder. With the support from Estonian Environment Research Centre we partnered with the National

Modern technologies have clearly reduced air emissions.

Half a century ago fuming chimneys were a sign of operating power plant.

Institute of Chemical Physics and Biophysics to conduct a study on using fly-ash from new circulating fluidised-bed boilers of Narva power plants as the component of cement with core focus on environmental safety and compliance with CEM II standard.

- In cooperation with Oil Shale Competence Centre, Tartu University, Tallinn Technical University and other oil shale processing companies we continued with studies to investigate the environmental impacts of oil shale mining and processing. The aim of the study is the objective assessment of environmental damages caused by oil shale industry in order to compare the benefits of oil shale industry with costs arising from environmental impacts.

- We continued to work with Tallinn Technical University on the baseline studies of oxygen driven oil shale combustion for the purpose to prepare for potential future CO_2 capture and stratification projects.

- When preparing for the opening of Uus-Kiviõli mine in 2014 we asked the experts to assess the environment impacts of mining including the impact of mining on fauna, water level and groundwater.

- In the cooperation of experts we studied the impacts of migration of fish and dam of Linnamäe hydro-electric power station.

- Together with Estonian Environment Institute we analysed and studied the composition of municipal waste and assessed the quantity of CO_2 emerging from burning the fossil part of waste. We will continue with further studies in 2015.

- Together with Ramboll and Estonian Environment Research Centre we studied the potential causes of odour disturbance from oil industry and the potential solutions to the problem.

- In close cooperation with Tallinn Technical University and the eco lab of Eesti Energia we continued with industrial testing of co-combustion of oil shale of variable calorific value and coal or the mix of other fuels in circulating fluidised-bed boilers of Narva power plants.

- Different experts were involved to study the impact of windparks on wild birds and bird habitat considering both the potential offshore windpark and exploitation of Paldiski windpark.

Social Activities

We understand that being a significant industrial enterprise our activities are impacting a surrounding environment. Responsibility goes hand-in-hand with the significant impact. On our daily business we take the utmost care towards our employees, customers, natural environment and other stakeholders of the society. We contribute to the development of society through meaningful support activities including financial investments as well as the time and knowledge of our employees.

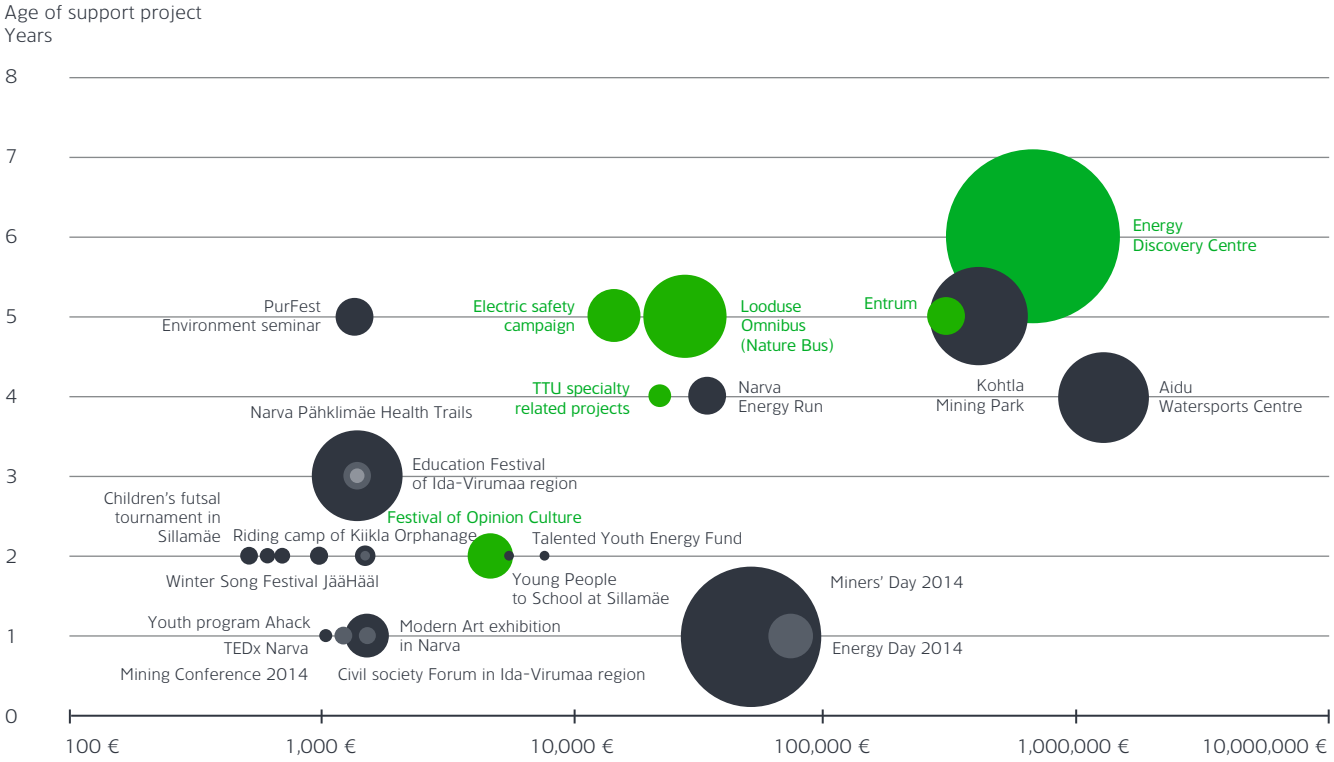
Once a year we conduct a survey investigating the general attitudes to understand how Estonians regard the areas supported by Eesti Energia. The 2014 survey results indicated that more than 95% of Estonian population feels positive about the supporting activities of Eesti Energia. The support was high in all areas supported:

- engineering and energy education,
- environment protection,
- recreational sports,
- Ida-Virumaa community.

Our goal is to support projects that involve the broadest possible target group and the impact of which would be sustainable provoking long-term positive changes in the society.

▶▶ In 2014, Eesti Energia contributed a total of 595,627 euros to areas of support.

Overview of Support Activities



The graph shows a selection of support projects. All projects supported by Eesti Energia appear on our website www.energia.ee/toetame-teisi
Circle size indicates the number of annual visits, participants, scholarships etc.

Promoter of Education and Science

Practical education in engineering, scientific mindset and innovative thinking are crucial for the society and Eesti Energia. Our role is to raise young people's interest in energy sector and spread the knowledge of energy in the society.

The reopening of Energy Discovery Centre was the key event of 2014. Eesti Energia financed the self-financing part of renovation cost in the amount of 562,191 euros. Discovery Centre offers interactive science learning for children and also adults interested in science. The renewed Energy Discovery Centre houses 130 interactive showpieces. Seven permanent exhibitions introduce the history of energy, discovery of electricity, energy generation, renewable energy sources and nuclear power as well as voice, sound and optics. The separate area for changing exhibitions accommodated exhibition of mathematics and bioeconomy in 2014. In 2014, the new family centre hosted 77,157 visitors.

In parallel with preparing the energy exposition in Energy Discovery Centre we published in 2014 „Kukersite and mudstone. The story of our energy", a voluminous book put together by the employees of Eesti Energia and introducing Estonian energy and oil shale energy in general. The popular science book targets a wide public from young to old readers. The book has been translated into Russian and English.

We helped the museum of Tartu Technical University with "Estonian energy" exhibition that will remain open for public until 2016.

Eesti Energia has launched the youth development program ENTRUM to promote the initiative and entrepreneurial mindset on young people. The program targeting young people reached its fourth season in spring 2014 involving 600 young people from North-Estonia. In May, the President of Estonia Toomas Hendrik Ilves recognized the winners of Eesti Energia's ENTRUM youth program. Over the last four years ENTRUM has introduced the world of

▶▶ Our role is to raise young people's interest in energy sector and spread the knowledge of energy in the society.

entrepreneurship to approximately 2,300 young people who have implemented more than 500 ideas in the fields of social entrepreneurship, technology, eco-economy and creative industries.

In autumn 2014, ENTRUM launched the program in Virumaa region attracting 400 young people between the ages of 13 and 19 from Ida-Virumaa and Lääne-Virumaa regions. During the 2014-15 period Entrum focuses on information and communication technology, engineering, oil shale and energy. Some 100 voluntary experienced mentors are supporting the young people.

In 2014 Eesti Energia supported ENTRUM youth program with 250,000 euros.

To secure sufficient availability of future staff we strive to raise young people's interest in seeking career possibilities in energy sector, create cooperation opportunities for energy students and develop energy education in partnership with educational institutions. We have partnered with Tallinn Technical University (TTU) to introduce energy and environment related subjects by lecturing on popular science in schools across Estonia. Approximately 500 students expanded their knowledge on energy sector and gathered ideas for career planning.

Current Results

ENTRUM Ida-Virumaa 2010/2011 (1 county)	ENTRUM South-Estonia 2011/2012 (5 counties)	ENTRUM West-Estonia 2012/2013 (4 counties)	ENTRUM North-Estonia 2013/2014 (4 counties)
PARTICIPANTS: 644 students	**PARTICIPANTS:** 475 students	**PARTICIPANTS:** 580 students	**PARTICIPANTS:** 600 students
IDEAS: Initiated 86, at the finals 26 (30%)	**IDEAS:** Initiated 98, at the finals 33 (34%)	**IDEAS:** Initiated 161, at the finals 42 (26%)	**IDEAS:** Initiated 171, at the finals 56 (32%)
WINNER: Youth job market InSpe	**WINNER:** Estonian student exchange program VeniVidiVici	**WINNER:** AndroidÕpik, IT and engineering	**WINNER:** Nätrum, producer of organic chewing gum

Over the last four years ENTRUM has introduced the world of entrepreneurship to approximately 2,300 young people.

We agreed with TTU that the Innovation and Business Centre of TTU submits grant applications for promoting and diversifying the specialty by all faculties, research entities and student organisations twice a year. In 2014, we supported projects improving energy education in the amount of 25,000 euros.

We help the schools with technology and nature education by inviting students to study visits to our production facilities. Over the year about 1,624 students visited such facilities.

We subsidise the students' interest in natural sciences through granting special prizes in Olympiads and competitions. We supported the national physics competition, student science research contest and national technology camp for students of elementary school during the school break.

Tallinn City Sports and Youth Department achievement initiative contest „Great Deeds" awarded us as the most child and youth friendlier company in 2014. We were recognized for our contribution to activities targeting young people and future employees within the organisation and on the community level.

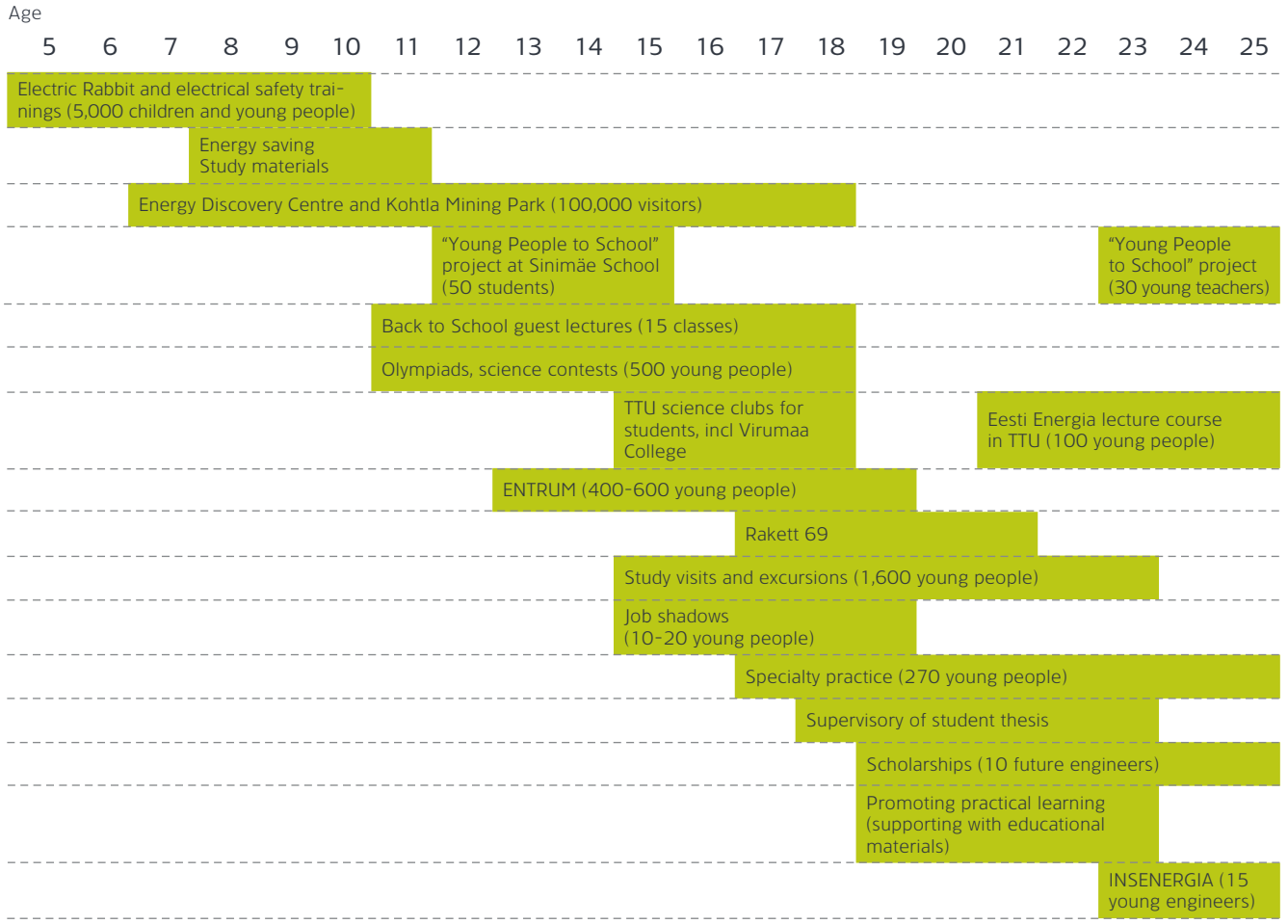
We Care About Environment

Eesti Energia is an energy company and therefore, due to our operations, we interact with nature every day requiring a lot of dedication, responsibility and knowledge. Our priority is to preserve the environment. We use natural resources responsibly, reduce the environmental impact of our operations and promote concern for environment as a way of thinking.

Environment Day seminar held by Eesti Energia once year involves important stakeholders to discussions about environment protection. Environment Day seminar "Water and mining" held in 2014 involved scientists, experts, competitors, cooperation partners, local municipalities and ministries and concentrated on issues related to mining water.

We involve local community and key partners in the environment seminar held as part of environment and culture festival PurFest, supported by Eesti Energia in 2014. The five-year old tradition was initiated to draw attention to the purity of river basin and introduce interesting and picturesque riverside.

Age Split of Youth Projects Initiated or Supported by Eesti Energia



2014 was the fourth year for Eesti Energia and Looduse Omnibuss (Nature Bus) to team in organising popular nature educational events. Looduse Omnibuss has turned into a movement valuing Estonian nature and culture. Last year 150 trips and 30 nature evening events took place to explore nature. Looduse Omnibuss led the fourteenth largest Estonian nature photo contest „Nature Year Photo" in spring 2014 attended by 1,400 photographers with 9,000 photos.

During the national energy saving week in 2014 we conducted energy saving experiment to observe the endeavour of a young family to take a more economic approach to energy saving. The young family who analysed its energy consumption habits was able to reduce its energy consumption 7.2% by applying some simple tips. Eesti Energia's energy saving website includes efficient tips and a possibility to fill in a personal housekeeping energy saving profile. Energy saving activities are described also on page 73.

We Value Healthy Lifestyle

We create sporting opportunities and encourage people to be physically active every day. We are confident that by promoting healthy lifestyle the people and the whole society will have a more prosperous future.

In 2014, we celebrated 10 years since Eesti Energia, Swedbank and Merko Ehitus teamed up to advance Estonian health trails.

With the joint effort more than 100 health trails nationwide have been fixed and lighted in the extent of approximately 800 kilometres. The role of the Estonian health trails project is to make healthy regular physical activity in fresh air accessible to everyone anytime and anywhere in Estonia. The website of Estonian Health Trails organisation includes more than 35 instructive videos with useful training tips both to beginners and experienced recreational sportsmen in different fields of sport.

The employees of Eesti Energia are also engaged in the expansion of health trails. The collective action on health

trails has become annual tradition. The employees of Eesti Energia and about 200 volunteers from Narva are attending the upkeeping of Narva Pähklimäe health trail to maintain the trails and set up new facilities for outdoor activities.

The results of Narva Energy Run, the initiative to promote recreational activities is Ida-Virumaa region, are presented on page 104.

Partner to Ida-Virumaa Community

Our essential attention goes to Ida-Virumaa region since it is the home for the majority of our employees and the centre of Estonian oil shale energy. By contributing to the improvement of living environment we aim to preserve the significant local traditions, take place different activities to be proud of and provide diverse educational possibilities for young people.

In 2014, Eesti Energia initiated a community-wide family event Energy Day offering versatile program to some 4,000 participants in Narva including science-focused program for the youngest, local handicraft and entertaining concert.

>> In 2014, we supported 42 students between ages 7 and 18 through Ida-Virumaa Talented Youth Energy Fund.

The Miners' Day, one of the longest traditions in Ida-Virumaa region, was in 2014 co-organised by Eesti Energia and VKG. The event led by the two key employers of the region and culminating with a grandiose concert is devoted to miners and their families but all other people are also expected to attend. On this event with about 40,000 participants the best miners were recognised and acknowledged.

In 2014, we supported 42 students between ages 7 and 18 through Ida-Virumaa Talented Youth Energy Fund. The role of Energy Fund, co-established with the Association of Local Authorities of Ida-Viru County, is to stimulate the development of recreational activities of ambitious young

people. In 2014, the Energy Fund amounted to 9,000 euros of which Eesti Energia contributed 5,000 euros and the Association of Local Authorities of Ida-Viru County 4,000 euros. Majority of scholarships were granted to young people engaged in science or sports but we also supported improvement in music, culture and arts.

Our role in the „Young People to School" program is to promote the engineering career in the region. Therefore, in 2013, we invited a young and enthusiastic mathematics, chemistry and physics teacher to Sinimäe School in Vaivara municipality to raise students' interest in engineering already in secondary school. We grant the teacher extra scholarship of 6,080 euros to compensate moving, living, language learning and transport related expenses.

We help to develop Kohtla Mining Park, a museum introducing oil shale energy. The ground section of the theme park was completed in spring 2014. The interactive expositions that go through five floors help young visitors to raise interest in science and consequently raise important future engineers of Estonia. Eesti Energia has donated several oil shale industry machines, which are open for visitors on the territory of the museum. The unique mining park-museum will become one of the key attractions of the Ida-Virumaa region and significant tourist attractions for the whole country. Eesti Energia is supporting the renovation costs in the amount of 414,400 euros.

In 2014, Eesti Energia's youth entrepreneurship program ENTRUM was launched in Virumaa region. About 400 young people from Ida-Virumaa and Lääne-Virumaa regions learn their first skills and knowledge in entrepreneurship. The results of ENTRUM youth entrepreneurship program are presented on page 98.

Eesti Energia initiated recreational sports tradition in Ida-Virumaa region to value the good feeling and health of the inhabitants of the region. In 2014, almost 3,400 small and big sports fans attended already the fourth Narva Energy Run. As a charitable contribution to promote Narva Energy Run we improved the exercising campus on Pähklimäe health trails to provide the locals year-round access to working out in fresh air.

In co-operation with local municipality we are creating possibilities to spend holidays and organise top water sports events on former territory of Aidu opencast mine.

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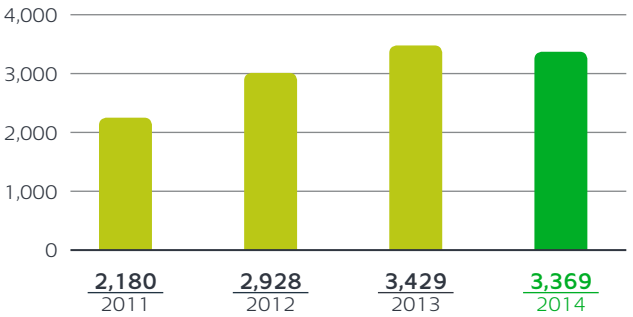
Last year was a clear mark that the rowing channel filled with natural water and the trenches of the mine are already now offering powerful and inspiring views and amazing sporting possibilities. In 2014, the first Aidu Cup took place in Aidu as well as the second water trip with hundreds of participants. In 2014, Aidu international competition site welcomed 53 excursions with 856 visitors. Eesti Energia has invested close to 1.3 million euros to the construction of rowing channel meeting all international standards and water sports centre to Aidu.

Results of Narva Energy Run



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