

Interim Report

1 April 2016 – 30 June 2016



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Summary of Q2 Results

Dear reader

The second quarter of 2016 brought Eesti Energia some important news and decisions. In June, Eesti Energia's supervisory board approved the company's new strategic roadmap for the next five years, which enables us to improve our revenues and profitability also in a situation where energy prices are not going to rise markedly. Additionally, in the same month the government changed the rates of environmental and resource charges due to low energy prices and bound them to the market price of the end product. In the future, when shale oil prices increase, the charges levied by the state will rise as well. Government support improves the competitiveness of the oil shale industry, helping the sector survive the harsh times and retaining the jobs and state revenue contributed by the oil shale industry.

Our electricity project in Jordan reached an important milestone: in May we signed a contract on the sale of shares with the Chinese company Guangdong Yudean Group Co. Thus, the first export of the Estonian oil shale expertise is becoming a reality. Financing providers have been found and to proceed the credit guarantee needs to be approved by the Chinese Ministry of Finance.

In the second quarter, the average electricity price in the Estonian area of the Nord Pool power exchange was 31.4 euros per MWh, 4% higher than in the same period last year. Electricity price dynamics since the beginning of the year excluding January and June, reflect that the average monthly electricity price has been low, below 30 euros per MWh. However, the volatility of the electricity price is underscored by the fact that last year there were no months where the price was as high as in January and June this year. In the case of January, which is a winter month, a price spike resulting from a rise in consumption is understandable but in June the electricity price surged due to supply disruptions and maintenance operations on inter-country power

cables and major Nordic power plants. Also, the NordBalt submarine power cable between Sweden and Lithuania has lowered electricity prices in Latvia and Lithuania and better connection to the Nordic countries has started to even up electricity prices across the Baltics.

Oil prices recovered in the second quarter following a decline to the past 12-years' lowest level at the beginning of the year. Still, they remained lower than in the same period last year. In the second quarter of 2016, the average price of Brent crude oil was 45 US dollars per barrel, 26% down from the same period last year.

However, in the second quarter the prices of CO₂ emission allowances were also lower than a year ago, which is positive for the competitiveness of Eesti Energia's energy production. The average price of CO₂ emission allowances was 6 euros per tonne, which is 23% lower than in the same period last year.

Eesti Energia's sales revenues for the second quarter totalled 149 million euros, an 18% decrease year on year. As the Auvere power plant has not yet been accepted from the builder, its current commissioning and start-up costs are mainly offset against electricity sales revenue; this reduced sales revenues for the second quarter (as well as the plant's expenses) by around 7 million euros. EBITDA amounted to 55 million euros, a 21% decline from the second quarter of 2015. The main factors that weakened revenues and EBITDA were lower energy prices. In addition, in the second quarter of 2016 derivative financial instruments has less impact on our performance than in the same period last year. We earned a net profit of 15 million euros. Retroactive lowering of environmental and resource charges as from 1 July 2015 improved the Group's EBITDA and net profit by 13 million euros. It was a one-off transaction whose impact resulted, on the one hand, from retroactive reduction of environmental and resource charges for oil shale, applied as from July

last year, and, on the other hand, from the revaluation of the Group's existing inventories.

In the second quarter of 2016, Eesti Energia produced 1,711 GWh of electricity, 2% more than in the same period last year. Renewable energy production for the period amounted to 81.5 GWh, 2% less than in the second quarter of last year because the wind conditions were less favourable.

Shale oil output amounted to 56.7 thousand tonnes, 22.5% down from the second quarter of 2015. Output decreased mostly because of maintenance operations carried out at the new oil plant. After a slight oil price recovery during the second quarter we sold the inventories accumulated in the first months of 2016 as well as the shale oil produced in the second quarter. Shale oil sales grew year on year from 67 thousand tonnes to 69 thousand tonnes.

The Group's capital expenditures totalled 31.5 million euros, decreasing by 63% compared with the same period last year. The largest investments of 22 million euros were made in the improvement of the distribution network. Transition to smart meters, which will be completed this year, is coming to an end – at present 91% of the power meters of the distribution network operator Elektrilevi can be read remotely. Smart meters release the consumer from the obligation to submit the reading and allow the network operator to manage the network more effectively.

The Auvere power plant, which is the largest single industrial investment in Estonia's history, has been operating since May last year. In the second quarter, adjustment and testing of the power plant continued.

Testing has revealed that the current electrostatic precipitator cannot ensure the compliance of particle emissions with applicable requirements in all operating modes and thus needs to be upgraded. We will accept the power plant from the builder when emissions comply with the terms agreed in the contract. During the upgrade of the electrostatic precipitator the power plant will operate at modes and loads where emissions to air comply with relevant requirements.

In April, rating agency Moody's downgraded Eesti Energia's credit rating to investment grade Baa3 with a stable outlook. The rating agency attributed the downgrade to a complicated market environment and low electricity prices. In June, the other rating agency that has assigned a credit rating to Eesti Energia, Standard & Poor's, confirmed the rating at its existing level of BBB with a negative outlook.

Although energy prices have been low this year, Eesti Energia has been able to operate profitably. The company is competitive and in addition to the government's concession in the form of more flexible taxation of the oil shale sector we have thoroughly reviewed our strategic roadmap. We are going to focus on activities that will enable us to take the Group to new growth in a situation where the outlooks of the energy markets are not likely to improve significantly. We have to improve our asset efficiency, increase use of alternative energy sources, and find new markets and consumers for our products.

Hando Sutter
CEO and Chairman of the Management Board of
Eesti Energia

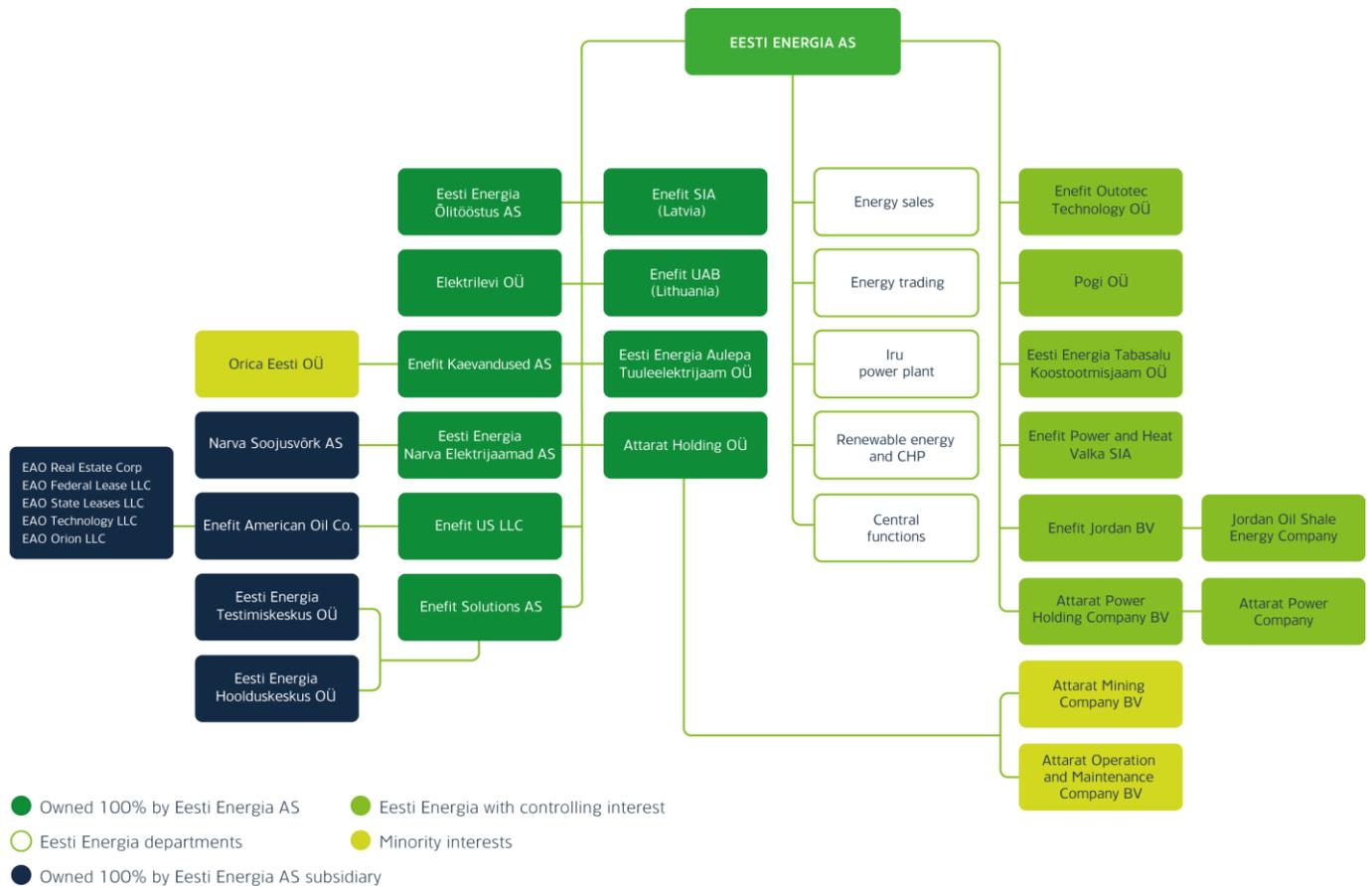
Summary of Eesti Energia

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 5,700 employees, Eesti Energia is one of the largest employers in Estonia.

Legal Structure of Eesti Energia



Key Figures and Ratios

		Q2 2016	Q2 2015	Change	6M 2016	6M 2015	Change
Total electricity sales *, of which	GWh	1,732	1,719	+0.7%	3,958	3,906	+1.3%
wholesale sales *	GWh	334	349	-4.3%	787	968	-18.7%
retail sales	GWh	1,398	1,370	+2.0%	3,171	2,926	+8.4%
Electricity distributed	GWh	1,445	1,450	-0.3%	3,386	3,239	+4.6%
Shale oil sales	th t	69	67	+2.4%	103	137	-24.8%
Heat sales	GWh	161	173	-7.0%	710	634	+12.1%
Distribution grid losses	%	4.0	5.2	-1.2pp	4.2	5.3	-1.1pp
Average number of employees	No.	5,719	6,460	-11.5%	5,796	6,503	-10.9%
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Sales revenues	m€	148.7	181.0	-17.9%	345.7	400.8	-13.7%
EBITDA	m€	54.6	69.0	-20.9%	114.9	156.8	-26.8%
Operating profit	m€	18.1	33.4	-45.8%	43.2	86.2	-49.9%
Net profit	m€	15.2	6.8	+122.2%	34.6	61.5	-43.7%
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Investments	m€	31.5	85.3	-63.0%	63.2	137.7	-54.1%
Cash flow from operating activities	m€	51.1	63.0	-19.0%	84.1	225.7	-62.8%
FFO	m€	58.5	63.9	-8.5%	115.9	147.2	-21.3%
Non-current assets	m€	2,544.2	2,587.3	-1.7%			
Equity	m€	1,592.6	1,562.4	+1.9%			
Net debt	m€	765.3	735.1	+4.1%			
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Net debt / EBITDA**	times	3.4	2.3	+47.9%			
FFO**/ net debt	times	0.27	0.31	-12.2%			
FFO**/ interest cover**	times	5.5	6.1	-9.1%			
EBITDA**/ interest cover**	times	6.0	8.6	-30.8%			
Leverage	%	32.5	32.0	+0.5pp			
ROIC**	%	0.6	8.0	-7.4pp			
EBITDA margin	%	36.7	38.1	-1.4pp	33.2	39.1	-5.9pp
Operating profit margin	%	12.2	18.5	-6.3pp	12.5	21.5	-9.0pp

Definitions of ratios and terms are explained in the Glossary section of the report, page 43

* due to a change in the principle of reporting of sales volume, the total Auvere power plant's sales volume is included

** rolling 12 months result

Operating Environment

Eesti Energia's performance is influenced by developments in the Nordic as well as the global energy markets. The oil price is lower than a year ago but the market is moving towards an equilibrium: in Q2 the world market prices of petroleum products increased. Q2 prices on the Nord Pool power exchange were mainly influenced by the shortage of cheap Nordic nuclear and hydro energy, caused by power plant maintenance and transmission cable outages. Electricity prices in the Baltics have evened up compared with last year, mainly due to the NordBalt power link between Lithuania and Sweden which has been supplying the Baltic countries with cheap Swedish energy.

According to the International Monetary Fund (IMF), global growth is being held back by a rise in uncertainty, including on the political front, which relates in particular to the UK's potential exit from the European Union. The IMF projection for global growth in 2016 is 3.1% (in line with last year); developed economies are expected to grow by 1.8% (-0.1pp compared with 2015) and emerging market and developing economies by 4.1% (+0.1pp). The growth forecast for the euro area is 1.6% (-0.1pp).

Liquid Fuels Prices

In Q2 2016, the average Brent crude oil price was 45.3 USD/bbl (-26.0%, -15.9 USD/bbl compared with the same period last year).

Average price		Q2 2016	Q2 2015	Change
Brent crude oil	USD/bbl	45.3	61.2	-26.0%
Fuel oil (1% sulphur content)	€/t	179.9	298.0	-39.6%
Fuel oil 1% crack spread	€/bbl	-12.8	-10.7	+19.9%
Euro exchange rate	EUR/USD	1.1293	1.1070	+2.0%

The upward trend in the price of Brent crude, which emerged in Q1, continued through Q2. Although in April the world's leading oil producers failed to reach agreement on output regulation, the oil price

continued to rise. In April, the average price of Brent crude was 41.3 USD/bbl.

At the beginning of May the oil price dropped, partly because of the lacklustre industrial indicators of the world's largest oil importer China but also due to the delayed impact of the oil producers' meeting in April and growth in the Middle Eastern and North Sea oil supplies. By the end of May, the price of Brent crude rose to 49.7 USD/bbl, based on lower than usual oil production in China and the USA. In May, the average price of Brent crude was 46.8 USD/bbl.

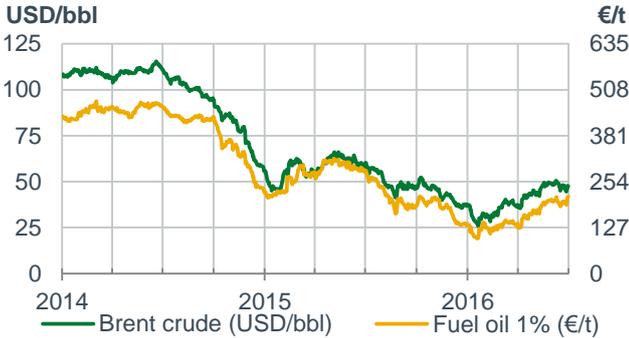
Even though in June the price of Brent crude was weakened by the UK vote in favour of leaving the European Union, the average crude oil price for June was 47.8 USD/bbl, the highest for the current year. The price increase is mainly attributable to lower OPEC production. The market balance between supply and demand is improving.

In Q2, the average price of fuel oil (1% sulphur content) was 179.9 €/t, 39.6% (118.1 €/t) lower than a year ago. Similarly to the oil price, the price of fuel oil continued to rise in Q2. In June, some daily prices rose above 200 €/t, raising the month's average fuel oil price to 198.4 €/t.

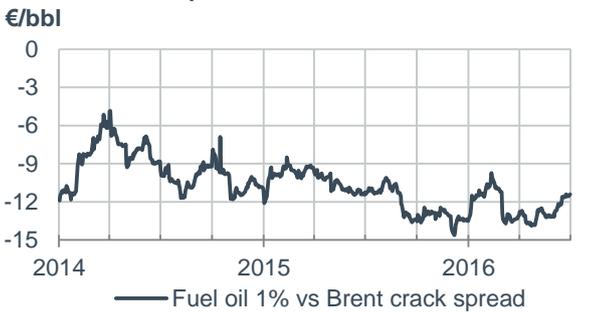
In Q2 2016, the crack spread which measures the difference between the prices of Brent crude and the fuel oil extracted from it was 2.1 €/bbl wider than a year ago. In April the crack spread widened to 13.4 €/bbl, its current year's lowest level. The fuel oil price was under pressure due to limited arbitrage opportunities to Singapore and seasonally low demand in Europe. In May, the crack spread narrowed slightly but remained affected by limited arbitrage opportunities to Asia and the Russian refineries coming out of maintenance, which increased market supply. In June, the fuel oil market rebounded: supplies decreased and inventory growth in the ARA (Amsterdam-Rotterdam-Antwerp) area decelerated. Based on renewed arbitrage

opportunities to Singapore, the crack spread for June narrowed to 12.0 €/bbl.

Liquid Fuels Prices



Fuel Oil Crack Spread



Source: Thomson Reuters

Emission Allowance Prices

In Q2, the average price of CO₂ emission allowance futures maturing in December 2016 was 22.6% lower than in 2015.

Prices of CO₂ emission allowances

Average price (€/t)	Q2 2016	Q2 2015	Change
CO ₂ December 2013	5.8	7.5	-22.6%
CO ₂ December 2014	5.8	7.6	-23.2%

In Q2, CO₂ emission allowance prices which had tumbled in Q1 remained volatile. Within a three-day period in April, CO₂ emission allowance prices increased by 0.9 euros, rising above the 6.8 €/t threshold. The upsurge was attributable to the EU leaders and international banks’ discussion of a minimum price for carbon emissions. Despite the upswing, within a few days the CO₂ emission allowance price dropped to 6.1 €/t. The average price for April was 5.7 €/t.

In May, the price of CO₂ emission allowance prices remained around 6.1 €/t. However, prices rose steadily in both April and May, bolstered by the first steps taken in the direction of adopting a minimum

price for CO₂ emission allowances: Germany launched discussions about the adoption of a Europe-wide minimum price for CO₂ emission allowances. In addition, France announced that at the end of the year the French government would vote on setting the floor price for carbon emissions at 30 €/t. Adoption of a minimum price would be a blow for thermal power plants and would probably increase the use of gas as a fuel because the combustion of gas produces less carbon dioxide. In May, the average price of CO₂ emission allowances was 6.0 €/t.

At the beginning of June, CO₂ emissions prices remained at the same level as in May, i.e. at around 6.1 €/t. During the month, demand for allowances decreased, triggering a price decline. Towards the end of the month, the price of CO₂ emission allowances was further weakened by the outcome of the UK referendum on leaving the European Union, which lowered the CO₂ emission price to 4.5 €/t. The average price for June was 5.6 €/t.

Prices of CO₂ Emission Allowances, €/t



Source: Thomson Reuters

Electricity Prices

In Q2 2016, the average Nord Pool system price rose by 15.6% (+3.2 €/MWh) compared to Q2 2015. Electricity prices grew, year-over-year, in Estonia and the Nordic countries and dropped in Latvia and Lithuania. Electricity prices in the Baltics have become more even than before.

In April, prices on the electricity exchange were mainly influenced by the outages and limitations of the NordBalt and Estlink transmission cables, low hydro reservoir levels, power plant maintenance, and changeable weather. In the Estonian and Finnish

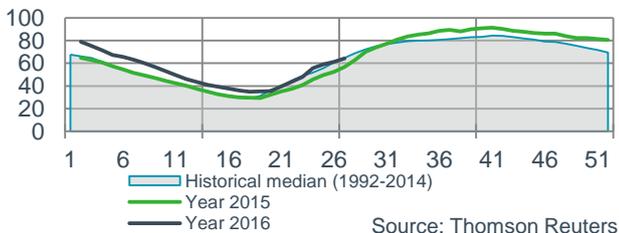
price areas, prices were also strongly affected by maintenance operations and operational failures at the Olkiluoto nuclear power plant, which lasted from the second half of April to 8 June, depriving the market at times of up to 1,200 MW of capacity. Higher market prices provided better market opportunities for Eesti Energia's power plants.

In June, the key factors that influenced electricity prices in the Baltic and Nordic countries were maintenance operations at the Swedish and Finnish nuclear power plants and bottlenecks in the transmission link between Norway and Sweden.

Electricity Prices on Nord Pool (NP) Electricity Exchange

Average price (€/MWh)	Q2 2016	Q2 2015	Change
System price	23.9	20.7	+15.6%
Finland	30.2	25.8	+17.0%
Estonia	31.4	30.0	+4.4%
Latvia	34.6	38.3	-9.6%
Lithuania	35.5	38.6	-8.1%

Week Levels of Nordic Water Reservoirs, % of Maximum

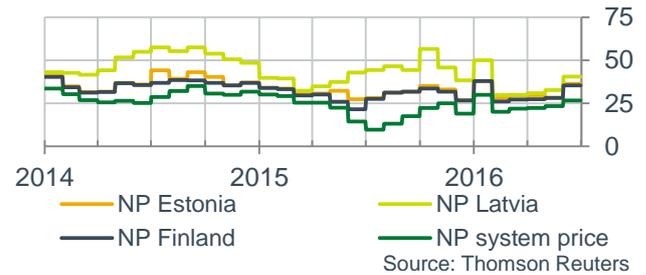


Although the decrease in the Nordic hydro reservoirs which began at the end of Q1 continued until the middle of Q2, the period's average level remained above Q2 2015 as well as the historical median (+6.7 and +5.4pp respectively).

The decline in the availability of hydro energy compared with Q1 pushed up the market price of electricity in the Baltics. Due to low water levels, all Nordic hydro power plants carried out regular maintenance operations.

In May and June, hydro resources were limited due to dry and warm weather. This year snow melted earlier than last year and thus in June potential snowmelt-related water influx from the Norwegian mountains was three times smaller than a year ago.

Monthly Average Electricity Prices, €/MWh



In Q2 2016, the average Finnish electricity price exceeded the Swedish one by 3.8 €/MWh (Q2 2015: 4.4 €/MWh). In April and May, electricity production in Finland was strongly influenced by maintenance operations and failures at the Olkiluoto nuclear power plant. In June, around 3,000 MW of the capacity of the Swedish nuclear power plants was down for maintenance as was one generating unit of the Finnish Olkiluoto nuclear power plant. At the same time, there were limitations and maintenance operations on the transmission connection between Norway and Sweden. In Q2, the average electricity price in Estonia was 1.2 €/MWh higher than in Finland; compared with the same time last year, the price gap narrowed by 3.1 €/MWh.

In April 2016, the average electricity price in the Estonian price area of the Nord Pool power exchange was 29.7 €/MWh. Due to the failures and planned maintenance of the EstLink 2 transmission cable, in April the average electricity price in Estonia remained higher than in Finland (+2.5 €/MWh). In Q2, price differences between the areas fluctuated. In May, the average electricity price in Finland was 0.2 €/MWh lower and in June 0.8 €/MWh lower than in Estonia.

In Q2 2016, the average price gap between the Estonian and Latvian price areas was 3.3 €/MWh, with the price higher in Latvia. Compared with Q2 2015, the price gap narrowed by 5.0 €/MWh. Since the NordBalt power link was down for an extended period, in April the Lithuanian electricity price was the highest in the Baltics: 33.0 €/MWh. In Estonia and Latvia the average electricity prices for April were 29.7 €/MWh and 30.7 €/MWh respectively.

In May, the average electricity price in Estonia was 28.3 €/MWh, being strongly affected by maintenance operations and failures at the Finnish Olkiluoto nuclear power plant. Electricity prices in Latvia and Lithuania were influenced by the limitations of their external connections – mainly the NordBalt outage, which lasted for 285 hours, i.e. over one third of May. Moreover, in the last week of May, concurrently with maintenance operations on NordBalt, the transmission capacity between Estonia and Latvia was limited, which raised the Latvian electricity price by 9% compared with the week before. In May, the average electricity price in Latvia was 32.7 €/MWh and in Lithuania 32.9 €/MWh.

In June, the average electricity price in the Estonian price area of the Nord Pool power exchange was similar to Swedish and Finnish ones, the prices being 36.2 €/MWh in Estonia, 35.4 €/MWh in Finland and 33.7 €/MWh in Sweden. In Latvia and Lithuania, the average electricity price for June was 40.5 €/MWh. In June, the Latvian and Lithuanian electricity prices were mainly influenced by the outage of the Nordbalt power link connecting Sweden and Lithuania: the connection between Estonia and Latvia did not compensate for the lack of the comparatively more favourably priced Nordic hydro and nuclear energy. Due to the coincidence of the above factors, Latvia and Lithuania became a high market price zone, which was cut off from the Nordic countries. The situation was intensified by energy transit via the LitPol power link between Poland and Lithuania which increased demand and prices in the Lithuanian price area.

In Q2, Eesti Energia’s clean dark spread (CDS) in the NP Estonia electricity price was 4.7 €/MWh (+155.7%, +2.9 €/MWh compared with a year ago). The electricity price increased by 1.3 €/MWh, the impact of the change in CO₂ and oil shale costs was +1.5 €/MWh mainly due to lower CO₂ price.

Eesti Energia Clean Dark Spread (CDS) in NP Estonia Electricity Price, €/MWh



The Estonian and Latvian retail electricity markets have been fully open since the beginning of 2013 and 2015 respectively, which means that there is free competition and market prices apply. In Q2 2016, the Lithuanian electricity market was partly open to competition. All companies in Lithuania purchased electricity from the open market but household consumers did not have to do so. According to estimates, in Q2 2016 around 71% of the Lithuanian electricity market (in terms of consumption volume) was open to competition.

Electricity Consumption in the Baltic Market in Q2 2016, TWh



Financial Results

Sales Revenues and EBITDA

The Group ended Q2 2016 with sales revenues of EUR 148.7 million (-17.9%, EUR -32.3 million compared with Q2 2015) and EBITDA of EUR 54.6 million (-20.9%, EUR -14.4 million).

The decline in sales revenues is mainly attributable to smaller electricity and shale oil sales revenues, partially resulting from sales prices which were lower than in the comparative period.

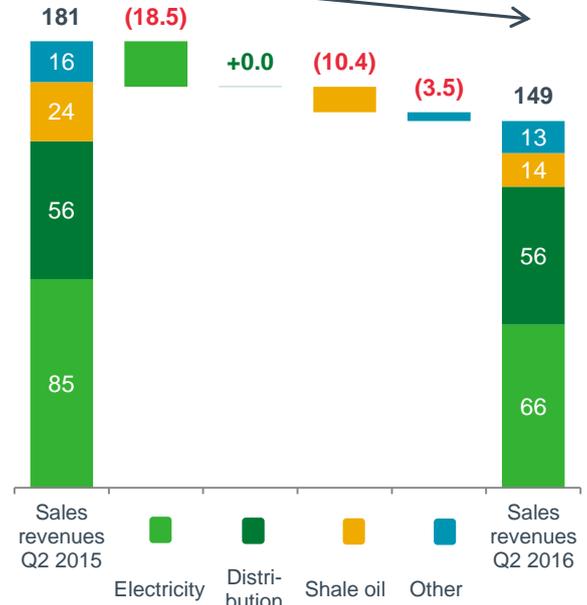
Electricity EBITDA¹ decreased (-46.6%, EUR -14.8 million), mostly because gain on derivative instruments was smaller and the profit margin and sales volume were lower than in the comparative period. Distribution EBITDA grew (+2.3%, EUR +0.7 million), mainly thanks to smaller costs from energy losses.

Shale oil EBITDA weakened (-151.7%, EUR -9.9-million), mainly due to a lower average sales price and smaller gain on derivative instruments.

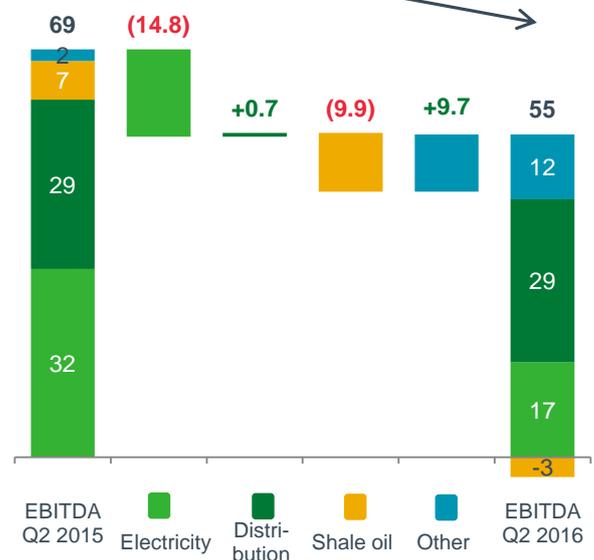
EBITDA on the Group's other products and services grew (+490.2%, EUR +9.7 million), primarily because the rates of environmental charges levied by the state were retroactively lowered.

The Group earned a net profit of EUR 15.2 million (+122.2%, EUR +8.4 million). Even though EBITDA decreased, net profit proved larger than in Q2 2015 because income tax expense on dividends was smaller (income tax expense for Q2 2015: EUR 23.1 million, for Q2 2016: EUR 0.5 million).

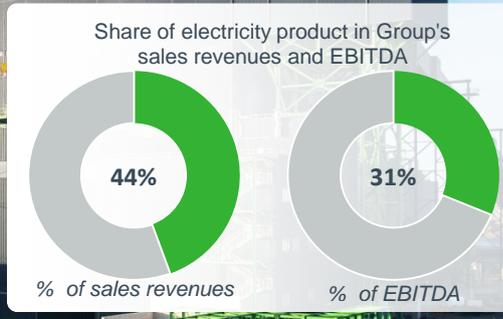
Group's Sales Revenues Breakdown and Change, m€
-32.3 (-17.9%)



Group's EBITDA Breakdown and Change, m€
-14.4 (-20.9%)



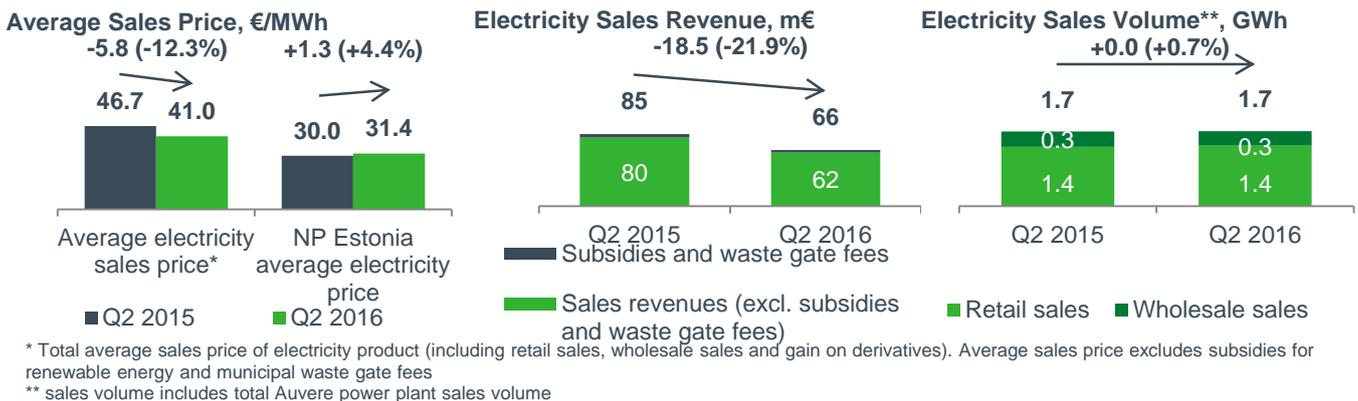
¹ Due to changes in accounting policies, segment reporting has been adjusted compared to the interim report for Q2 2015.



Electricity

Electricity sales revenue for Q2 2016 amounted to EUR 66.1 million (-21.9%, EUR -18.5 million). In Q2 2016, Eesti Energia sold 1,732 GWh of electricity (+0.7%, +13 GWh)², retail sales accounting for 1,398 GWh (+2.0%, +28 GWh) and wholesale sales for 334 GWh (-4.3%, -15 GWh). The average sales price of electricity including gain on derivative instruments (but excluding renewable energy subsidies and municipal waste gate fees) was

41.0 €/MWh (-12.3%, -5.8 €/MWh). The average sales price of electricity excluding gain on derivative instruments (and subsidies and municipal waste gate fees) was 39.6 €/MWh (-1.4%, -0.6 €/MWh). Gain on derivative instruments accounted for 1.4 €/MWh (-79.1%, -5.2 €/MWh) of the average sales price. Total gain on derivative instruments amounted to EUR 2.1 million (-81.4%, EUR -9.1 million).



The decline in the wholesale volume is mainly attributable to growth in retail sales volume which allowed the Group to sell most of its output to end-consumers. Retail sales volume grew through growth in the Estonian and Lithuanian retail sales that resulted from contracts signed with large customers.

In Estonia, retail sales of electricity amounted to 985 GWh (+1.4%, +13.9 GWh). In terms of customers' electricity consumption volume, Eesti Energia's Q2 market share in Estonia was 58%

(-2 percentage points compared with Q2 2015)³. The decline in market share is related to smaller network losses of distribution network and some changes in the customer portfolio.

At 1 July 2016, Estonian customers purchased electricity from Eesti Energia at around 452,400 points of consumption, a decrease of around 3,600 during the quarter, mostly due to shrinkage in the number of residential customers whose consumption volume is smaller. Universal service was consumed at around 104,000 points of consumption, an increase of 1,400 on the beginning of Q2.

² Sales volume includes total Auvere power plants sales volume. The Group's sales revenue does not include the electricity generation variable cost and sales revenue in the extent in which it is capitalized. Without including the netted sales volume of Auvere power plant, the Group's electricity sales volume would have decreased 11% or 188 GWh

³ According to the Estonian transmission system operator Elering

In Latvia and Lithuania, the Group operates under the Enefit brand. Eesti Energia does not own substantial generation capacities in Latvia and Lithuania. In Q2 2016, retail sales in Latvia and Lithuania totalled 413 GWh (+3.5%, +14.1 GWh). In Q2 2016, Eesti Energia's market shares in Latvia and Lithuania were 16% and 6% respectively, -1 percentage point from and +1 percentage point on Q2 2015 respectively. At the end of Q2 2016, Latvian and Lithuanian customers purchased electricity from Eesti Energia at approx. 18,600 points of consumption, an increase of around 800 (+4%) during the quarter.

The Group's total market share in the Baltic retail electricity market rose to 25%, 1 percentage point down year on year.

In Q2 2016, the Group generated 1,711 GWh of electricity (+2.4%, +39.6 GWh). Electricity output increased in connection with the launch of the Auvere power plant which increased the capacity offered to the market, a decline in the prices of CO₂ emission allowances and a rise in the market prices of electricity (the average electricity wholesale price excluding subsidies and gain on derivative instruments was 38.7 €/MWh; +15.5%, +5.2 €/MWh).

In Q2 2016, electricity generated from renewable sources amounted to 81.5 GWh (-1.7%, -1.4 GWh). Around 40% of this was produced at wind farms (34.6 GWh, -30.7%, -15.3 GWh). Wind energy output declined due to less favourable wind conditions. Production of renewable energy from biodegradable waste and biofuels grew by 12.9 GWh (+47.2%). Electricity output eligible to renewable energy and efficient cogeneration subsidies totalled 62.1 GWh (-28.4%, -24.6 GWh). Renewable energy and efficient cogeneration subsidies received by the Group totalled EUR 3.1 million (-19.4%, EUR -0.7 million).

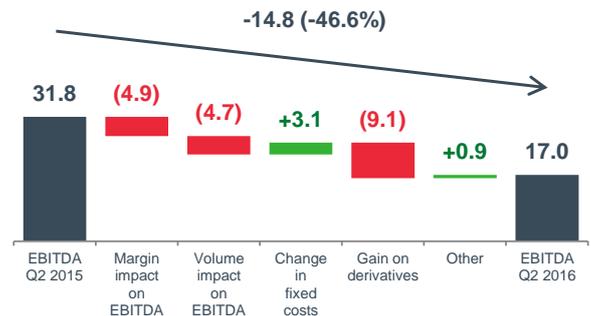
Key Figures of Electricity Product

		Q2 2016	Q2 2015
Return on fixed assets*	%	4.4	12.2
Electricity EBITDA	€/MWh	11.2	18.6

* Excluding impairment of generation assets in December 2013 and 2015

Electricity EBITDA for Q2 2016 amounted to EUR 17.0 million, decreasing by 46.6% or EUR 14.8 million year on year.

Electricity EBITDA Development, m€



The impact of margin change was EUR -4.9 million (-3.2 €/MWh). Average electricity sales revenue decreased by 0.8 €/MWh (impact on EBITDA: EUR -1.3 million). The average sales price of electricity excluding renewable energy subsidies and municipal waste gate fees (and gain on derivative instruments) declined by 0.6 €/MWh; subsidies decreased by 0.2 €/MWh. Higher variable costs lowered EBITDA by EUR 3.6 million. Variable costs grew mostly through a rise in CO₂ emission charges, brought about by growth in the average CO₂ price.

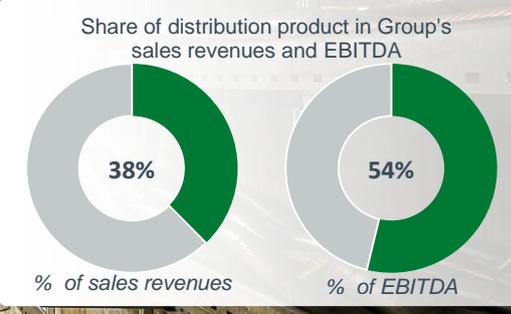
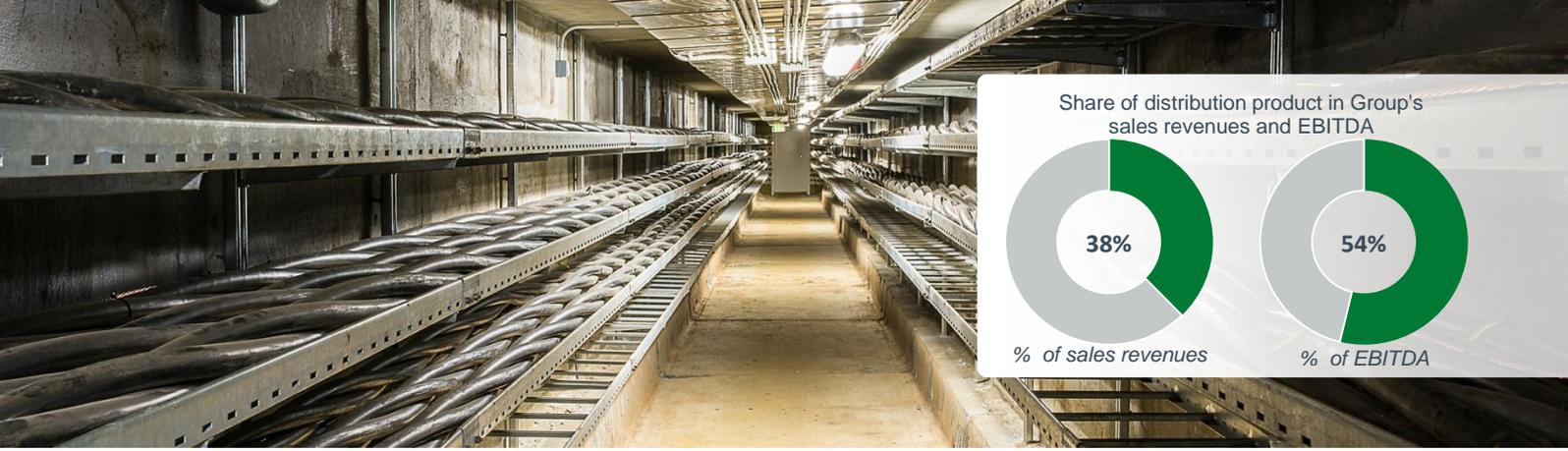
The decrease in EBITDA by EUR 4.7 million is related to lower sales volume (sales volume of Auvere power plant is not to the full extent included in Group's sales revenue and EBITDA).

The change in fixed costs improved electricity EBITDA by EUR 3.1 million. The main contributors were lower repair and labour costs (EUR +2.4 million and EUR +3.7 million respectively). The impact of the fixed cost component which is linked to inventory change was EUR -3.5 million.

Realised gain on derivative instruments decreased by EUR 9.1 million.

Other impacts on electricity EBITDA (EUR +0.9 million in total) mainly resulted from a change in the value of derivative instruments (impact: EUR +0.4

million) and recognition of smaller environmental provisions (impact: EUR +0.5 million).



Distribution

Distribution sales revenue for Q2 2016 was EUR 56.0 million (+0.1%, EUR +0.04 million) and distribution sales volume amounted to 1,445 GWh (-0.3%, -4.6 GWh).

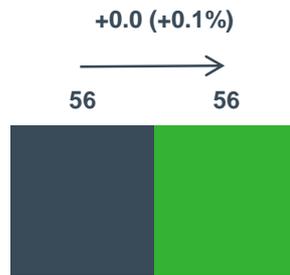
Network losses totalled 61.5 GWh or 4.0% (Q2 2015: 82.3 GWh or 5.2%). Network losses have decreased

through more accurate measuring achieved by the installation of smart and balance meters, and more effective monitoring of consumption along with the detection of illegal and unmetered consumption.

Average Sales Price, €/MWh



Distribution Sales Revenue, m€



Distribution Volume, TWh



■ Q2 2015 ■ Q2 2016

In Q2 2016, the average distribution sales price was 38.7 €/MWh (+0.4%, +0.2 €/MWh up on the same period last year). The average distribution sales price is influenced by customers changing their distribution service package as well as auxiliary services that are connected with the distribution service.

The average duration of unplanned interruptions was 54 minutes (Q2 2015: 38 minutes). The figure increased in connection with severe thunderstorms that hit Southern Estonia in June, causing an emergency situation to be proclaimed in five control areas (Tartu, Valga-Põlva, Võru, Jõhvi-Jõgeva and Pärnu). The average duration of planned interruptions was 19 minutes (Q2 2015: 18 minutes).

Unplanned outages of the low-voltage network can be reduced by replacing regular overhead lines with weather-proof cables.

Key Figures of Distribution Product

		Q2 2016	Q2 2015
Return on fixed assets	%	6.8	6.9
Distribution losses	GWh	61.5	82.3
SAIFI	index	0.43	0.50
SAIDI (unplanned)	index	54.1	38.4
SAIDI (planned)	index	18.6	17.5
Adjusted RAB	mln €	736.3	699.9

Distribution EBITDA for Q2 2016 amounted to EUR 29.3 million, increasing 2.3% or EUR 0.7 million year on year.

Distribution EBITDA Development, m€
+0.7 (+2.3%)

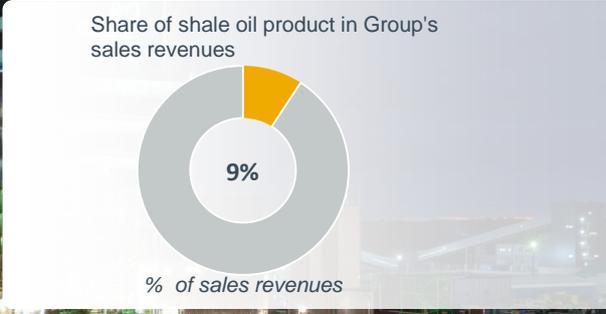


Margin change had an EUR +0.7 million (+0.5 €/MWh) impact on distribution EBITDA. The

impact of a rise in the average distribution sales price was EUR +0.2 million and the impact of a decrease in variable costs EUR +0.5 million. Variable costs decreased mainly due to smaller costs from network losses.

Distribution sales volume declined by 0.3% which had a EUR -0.1 million impact on EBITDA.

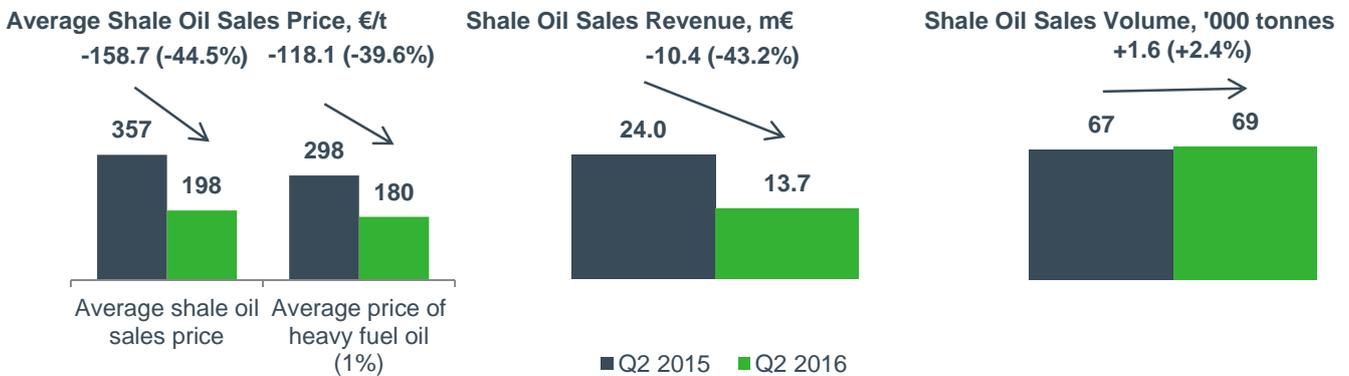
Fixed distribution costs remained at the same level as in the comparative period (impact: EUR +0.1 million).



Shale Oil

Shale oil sales revenue for Q2 2016 amounted to EUR 13.7 million (-43.2%, EUR -10.4 million). In Q2 2016, Eesti Energia sold 69.0 thousand tonnes of shale oil (+2.4%, +1.6 thousand tonnes). Sales volume was underpinned by shale oil produced in Q2

as well as realisation of shale oil inventories produced in Q1 when market prices were low because in Q2 market prices recovered somewhat.



Shale oil sales revenue decreased because the average sales price declined. In Q2 2016, the average sales price of shale oil was 198.1 €/t (-44.5%, -158.7 €/t). The average sales price was supported by gain on derivative instruments of 19.9 €/t (-72.5 €/t), EUR 1.4 million in total (-77.9%, EUR -4.9 million). Excluding the impact of derivative instruments, the average sales price of shale oil declined to 178.1 €/t (-32.6%, -86.2 €/t), i.e. less than the world market price of the reference product, heavy fuel oil (fell by 118 €/t). The decrease in the average sales price was also counterbalanced by a year-on-year rise in the sales price of shale gasoline and a year-on-year decrease in the discount of shale oil relative to the price of the reference product.

The Group's shale oil output for Q2 2016 was 56.7 thousand tonnes (-22.5%, -16.5 thousand tonnes). The output of the Enefit280 oil plant decreased to 12.2 thousand tonnes

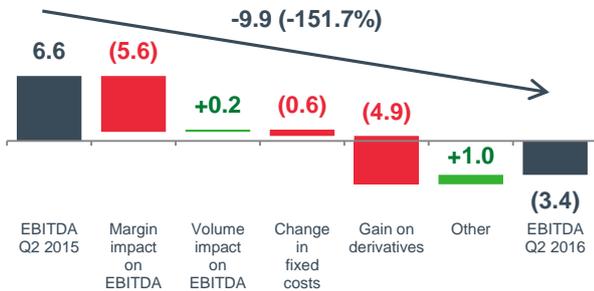
(-58.1%, -16.9 thousand tonnes) due to growth in repair and upgrade operations. The output of the Enefit140 oil plant did not change significantly compared with the same period last year (44.5 thousand tonnes, +1.0%, +0.5 thousand tonnes).

Key Figures of Shale Oil Product

		Q2 2016	Q2 2015
Return on fixed assets	%	0.2	20.1
Shale oil EBITDA	€/t	-49.1	97.3

Shale oil EBITDA for Q2 2016 amounted to EUR -3.4 million, decreasing by EUR 9.9 million year on year.

Shale Oil EBITDA Development, m€



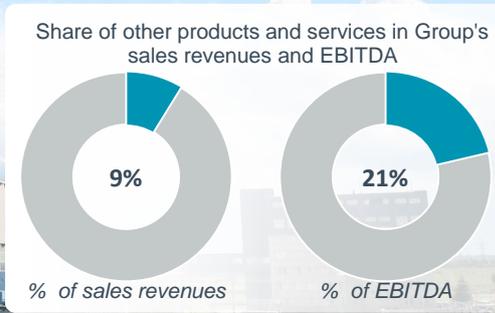
Margin decrease had a EUR -5.6 million (-81 €/t) impact on EBITDA. The average sales price declined by 86 €/t, which had a EUR -5.9 million impact on EBITDA. Lower variable costs increased EBITDA by EUR 0.3 million.

Growth in sales volume had an impact of EUR +0.2 million; sales volume grew by 2%.

The impact of a change in fixed costs was EUR -0.6 million. The fixed cost component which is linked to inventory change had an impact of EUR -3.6 million. Smaller labour and repair costs improved EBITDA by EUR 1.9 million and EUR 0.4 million respectively.

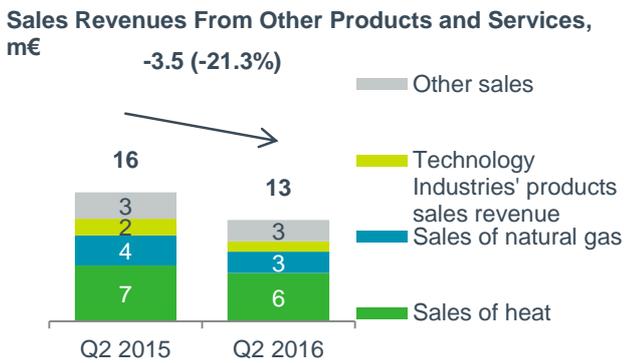
Gain on shale oil derivatives decreased by EUR 4.9 million year on year.

Other impacts on shale oil EBITDA were EUR +1.0 million, consisting mostly of a change in the value of derivative instruments (impact: EUR +0.8 million) and the recognition of smaller environmental protection provisions (impact: EUR +0.2 million).

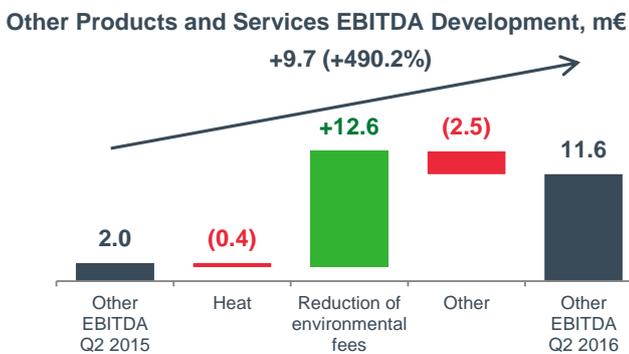


Other Products and Services

Sales revenues from other products and services for Q2 2016 totalled EUR 13.0 million (-21.3%, EUR -3.5 million).



EBITDA on other products and services amounted to EUR 11.6 million, increasing by 490.2% or EUR 9.7 million year on year.



Heat sales volume decreased by 7.0% (-12.1 GWh) and heat sales revenue declined by EUR 0.9 million (-13.3%). Heat EBITDA decreased by EUR 0.4 million.

Revenue from sales of natural gas declined by EUR 1.1 million (-29.8%), mainly due to a decrease in the market price of gas.

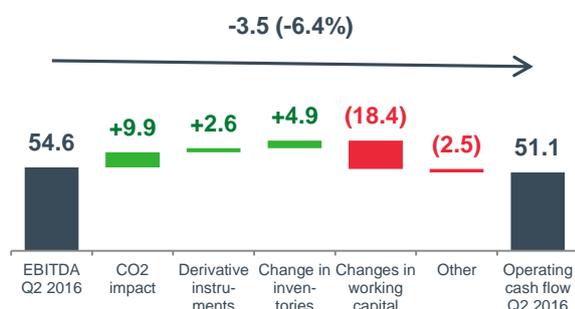
Reduction of environmental charges improved EBITDA by EUR 12.6 million. The retrospective lowering of oil shale resource fees and pollution charges had a one-off impact.

Other impacts on EBITDA totalled EUR -2.5 million of which EUR -0.7 million is attributable to a penalty payment received by the Iru power plant in Q2 2015 and EUR -0.4 million is attributable to smaller sales of non-current assets.

Cash Flows

The Group's net operating cash flow for Q2 2016 was EUR 51.1 million, 6.4% or EUR 3.5 million lower than EBITDA (EUR 54.6 million).

EBITDA to Operating Cash Flows Development, m€



The main factor that lowered Q2 EBITDA compared with net operating cash flow was recognition of a provision for CO₂ emission allowances (total impact: EUR +9.9 million).

The total impact of cash from and changes in the value of derivative instruments was EUR +2.6 million, of which EUR +5.0 million is attributable to shale oil derivatives and EUR -2.3 million to electricity derivatives.

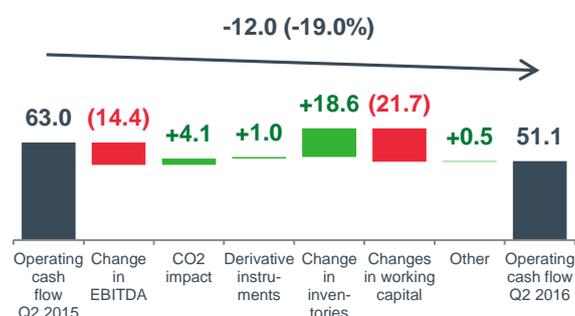
Reduction of inventory had an impact of EUR +4.9 million, the figure comprising the impacts of a decrease in oil shale and shale oil inventories of EUR +5.9 million and EUR +4.8 million respectively and growth in other inventories of EUR -5.8 million.

The impact of changes in working capital was EUR -18.4 million. The impact of a decrease in receivables was EUR +16.3 million, resulting mainly from seasonal factors (in the summer electricity and heat sales are smaller than in the winter). Settlement of payables had an impact of EUR -22.1 million. Other impacts on working capital totalled EUR -12.6 million, resulting mainly from growth in prepaid environmental charges caused by the retrospective reduction of environmental charges (EUR -13.1 million).

Other impacts totalled EUR -2.5 million, resulting mainly from the recognition of deferred connection fee income as revenue (EUR -1.8 million).

Compared with Q2 2015, net operating cash flow decreased by 19.0% (EUR -12.0 million). EBITDA decreased by EUR 14.4 million (-20.9%).

Operating Cash Flow Changes, m€



The total impact of CO₂ emission allowances was EUR +4.1 million, most of it resulting from the recognition of a larger CO₂ provision than in the comparative period (EUR +4.3 million).

Derivative instruments had an impact of EUR +1.0 million. In Q2 2016 the positive impact of shale oil derivatives increased (impact: EUR +3.1 million) as did the negative impact of electricity derivatives (EUR -1.9 million).

The impact of inventory change was EUR +18.6 million. In Q2 2015 inventories grew (impact: EUR -13.7 million) but in Q2 2016 inventories decreased (impact: EUR +4.9 million).

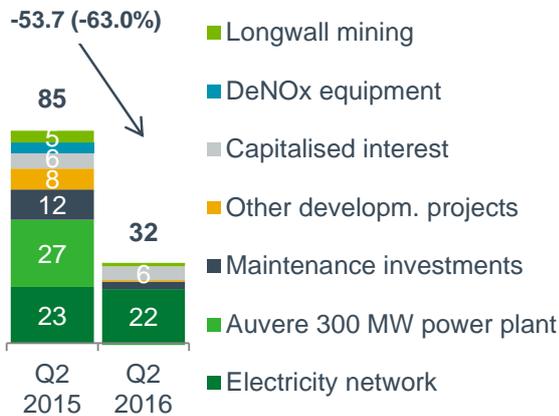
The impact of changes in other working capital items was EUR -21.7 million. Cash from collection of receivables decreased year on year (EUR -5.0 million) and payables to suppliers grew less than in the comparative period (EUR -4.6 million). Other changes in working capital had an impact of EUR -12.1 million. Compared with the same period last year, current assets increased through non-cash growth in prepaid environmental charges at the mining subsidiary (EUR -13.2 million), brought about by the retrospective reduction of environmental charges.

Other impacts of EUR +0.5 million mainly result from the recognition of non-cash gain on the sale of non-current assets in Q2 2015, in Q2 2016 the Group did not earn gain on sale of non-current assets.

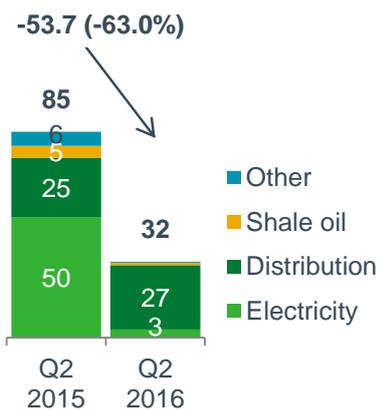
Investment

In Q2 2016, the Group’s investments totalled EUR 31.5 million (-63.0%, EUR -53.7 million). The volume of investments declined partly because investments in the Auvere power plant decreased (EUR -27.8 million). Maintenance and repair investments (excl. the distribution network) totalled EUR 3.1 million (-75.0%, EUR -9.2 million), decreasing mostly at the mines (EUR -4.2 million) and the Narva power plants (EUR -2.7 million). In Q2 2016, the largest capital investments of EUR 21.7 million (-4.0%, EUR -0.9 million) were made in the distribution network.

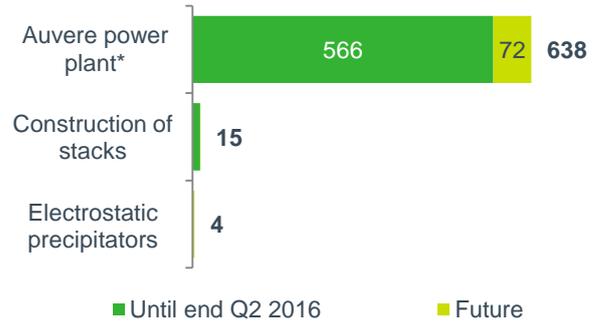
Capex Breakdown by Projects, m€



Investment Breakdown by Products, m€



Main Ongoing Projects, m€



* actual capex (EUR 566 million as at the end of Q2 2016) impacted by partial netting of Auvere sales against plants costs

Construction of the 300 MW Power Plant in Auvere

In summer 2011, Eesti Energia started to build a modern circulating fluidised bed (CFB) power plant in Auvere. The new plant can use biofuel alongside oil shale (to the extent of 50%), which helps reduce its emissions to the level of a contemporary gas-fired plant. The maximum annual net generation of the Auvere power plant is 2.2 TWh. As support for its construction, the European Commission permitted Estonia to allocate to Eesti Energia 17.7 million tonnes of free CO₂ emission allowances for the period 2013-2020. Of this amount, 5 million tonnes was received in April 2014, 4.3 million tonnes in April 2015 and 3.6 million tonnes in April 2016.

In Q2 2016, the general contractor was mainly involved in increasing the efficiency of the electrostatic precipitator and testing various adjustments. An analysis of the test results reflected that the existing electrostatic precipitator cannot ensure the compliance of particle emissions in all operating modes of the generating unit and thus need to be upgraded. The upgrade of the electrostatic precipitator will defer the acceptance of the power plant from the contractor. During the upgrade of the electrostatic precipitator the power plant will operate at modes and loads where emissions are in compliance with relevant requirements.

The budgeted cost of the project (including the fuel feeding system) is EUR 638 million. By the end of Q2

2016, EUR 566 million (89%) of this had been invested.

Improvement of Network Quality

In Q2 2016, investments in improving the sustainability, quality and effectiveness of the distribution network totalled EUR 21.7 million compared with EUR 22.6 million in Q2 2015. During the quarter, 69 substations and 651 kilometres of weather-proof network cables were built (Q2 2015: 96 substations and 449 kilometres of network).

In 2013-2016, distribution network operator Elektrilevi will install remote reading meters at all consumption points in Estonia. Implementation of the remote reading system, which releases the consumer from the obligation to submit the reading, is required by law. In the future, the system can also be used to determine network quality and profile loads more accurately.

In Q2 2016, 36 thousand remote reading meters were installed and 78 thousand meters were switched over to the remote reading system as part of the remote reading project. By the end of the quarter, 573 thousand new hourly smart meters had been installed and 95% of those meters had been switched over to the remote reading system. Meters with remote reading capability accounted for 91% of all of Elektrilevi's power meters.

Implementation of Longwall Mining

Eesti Energia is implementing longwall mining at its Estonia mine. Under the longwall technology, the costs of oil shale mining are lower than under the previously applied room-and-pillar technology because road way construction volumes are smaller. The method is similar to conventional room-and-pillar mining where pillars support the overlying strata but mining takes place along a long work face that may extend to 700 metres in place of the conventional 200 metres. Preparations for the project began in 2014.

The longwall mining project is running on schedule. In Q2, the last 5 feeder-crushers and a set of pressure booster pumps and related equipment required for the project were delivered. According to plan, project-related work will be completed in 2016. Production operations under the new technology started up in January 2016 and full capacity should be achieved by the beginning of 2017 when the additional oil shale output should amount to approximately 0.8 million tonnes per year. The total cost of the project is EUR 21 million. By the end of Q2 2016, EUR 19.6 million (93%) of this had been invested.

Preliminary Development of Electricity and Shale Oil Projects in Jordan

Eesti Energia owns 65% of its electricity and shale oil production projects in Jordan. The Group's project partners are YTL Power International Berhad from Malaysia with a 30% interest and Near East Investment from Jordan with a 5% interest.

Financing agreements of USD 1.623 billion (approx. EUR 1.461 billion) were signed with Chinese banks in January and agreements on the sale of a stake to a new investor (Guangdong Yudean Group Co) were signed in May 2016. The guarantee to be provided to the loan must also be approved by the Chinese Ministry of Finance. In Q2 2016, the main focus of the project's development activities was on changing certain terms of the financing agreements of the electricity project in connection with the approval of the loan guarantee and meeting the preliminary conditions of the above agreements. For successful completion of the project, it is necessary to obtain some permits, sign different agreements and meet other requirements. During the period, also the mine infrastructure construction contract and owner's engineer services contract for the construction period were signed.

The planned net capacity of the first Jordanian oil shale power plant which is scheduled for completion in 2019 is 470 MW.

The Group is planning to sell most of its interest in the Jordanian electricity project in 2016.

The plan for the preliminary development of the oil project will be reviewed in more detail when the electricity project's financing activities have been completed.

Preliminary Development of the US Shale Oil Production Project

In March 2011, Eesti Energia acquired an oil shale resource in Uintah County, Utah (USA), which is currently estimated to contain 6 billion (metric) tonnes of oil shale (based on 'best' in-place estimate)⁴. In Utah, Eesti Energia operates under the name of Enefit American Oil.

In April, the US Bureau of Land Management (BLM) published the Draft Environmental Impact Statement (EIS) in the Federal Register, public hearings and the public comment period completed in June. The BLM is now reviewing all comments received to determine if any further analysis is needed to proceed with the Final EIS, which is anticipated to be issued in 2017.

Initial screening review of Enefit American Oil's proposed oil shale mining and mineral processing project located on the Enefit South parcel has been completed, which has resulted in Enefit American Oil proceeding with the full reserve statement analysis. The reserve analysis is ongoing and could potentially allow Enefit American Oil to advance the status of a portion of its property from a measured and indicated oil shale resource to proven and probable oil shale reserve classification.

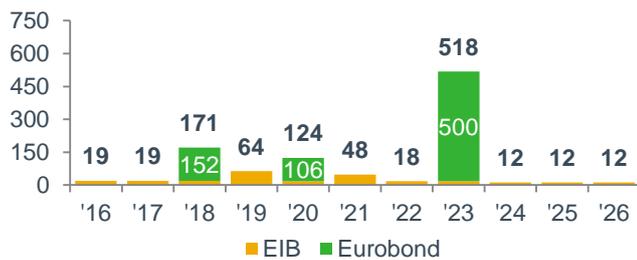
⁴ Measured resource 3.5 billion (metric) tonnes, indicated resource 2.3 billion tonnes, and inferred resource 0.2 billion tonnes of oil shale.

Financing

Eesti Energia's main sources of debt capital are the international bond market and investment loans from the European Investment Bank (EIB). In addition, liquidity loan and guarantee facilities have been obtained from regional banks.

At the end of Q2 2016, the total nominal value of the Group's borrowings was EUR 1,017.8 million (the same as at the end of Q1). The amortised cost of borrowings was EUR 954.8 million (at the end of Q1: EUR 952.9 million). At the reporting date, long-term borrowings comprised Eurobonds listed on the London Stock Exchange with a nominal value of EUR 758.3 million and loans from the EIB with a nominal value of EUR 259.5 million. In Q2, no repayments were made.

Debt Maturity, m€

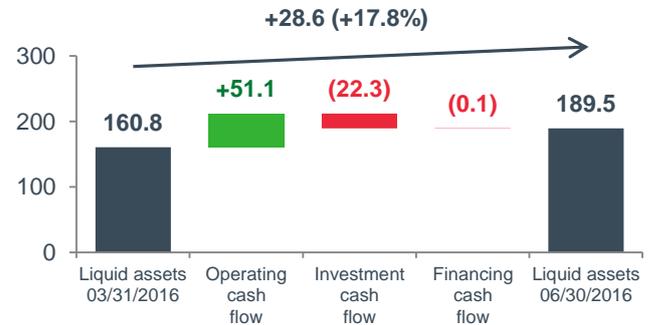


At the end of Q2 2016, the Group's liquid assets stood at EUR 189.5 million. In addition, the Group had available undrawn loans of EUR 220 million. The figure comprises bilateral revolving credit facilities of EUR 150 million in aggregate, signed with two regional banks (SEB and Pohjola), which will mature in July 2020, and a long-term loan agreement signed with EIB in the amount of EUR 70 million.

At the end of Q2 2016, the weighted average interest rate of Eesti Energia's borrowings was 2.93% (at the end of Q1: 2.92%). The Group has predominantly locked the risk resulting from fluctuations in the base interest rate (for 95% of borrowings the base interest rate is locked until maturity and 5% of borrowings

have floating rates). All borrowings are denominated in euros.

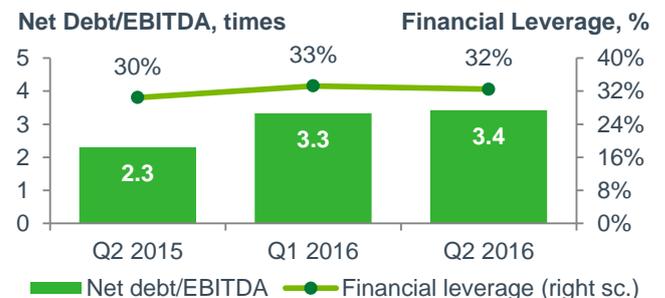
Liquidity Development in Q2 2016, m€



At the end of Q2 2016, the Group's credit ratings were at the level of BBB (Standard & Poor's) and Baa3 (Moody's). In April 2016, rating agency Moody's downgraded Eesti Energia's credit rating to Baa3 (stable outlook). In June, rating agency Standard & Poor's confirmed Eesti Energia's rating at its existing level of BBB (outlook negative).

The Group's net debt as at the end of Q2 2016 amounted to EUR 765.3 million (EUR -26.8 million compared with the end of Q1 2016) and net debt to EBITDA ratio was 3.4 (3.3 at the end of Q1). The objective of Eesti Energia's financing policy is to maintain the net debt to EBITDA ratio below 3.5. Under its loan agreements, Eesti Energia has undertaken to comply with certain financial covenants. At the end of Q2 2016, the Group's financial indicators complied with all contractual covenants.

Net Debt to EBITDA Ratio and Financial Leverage



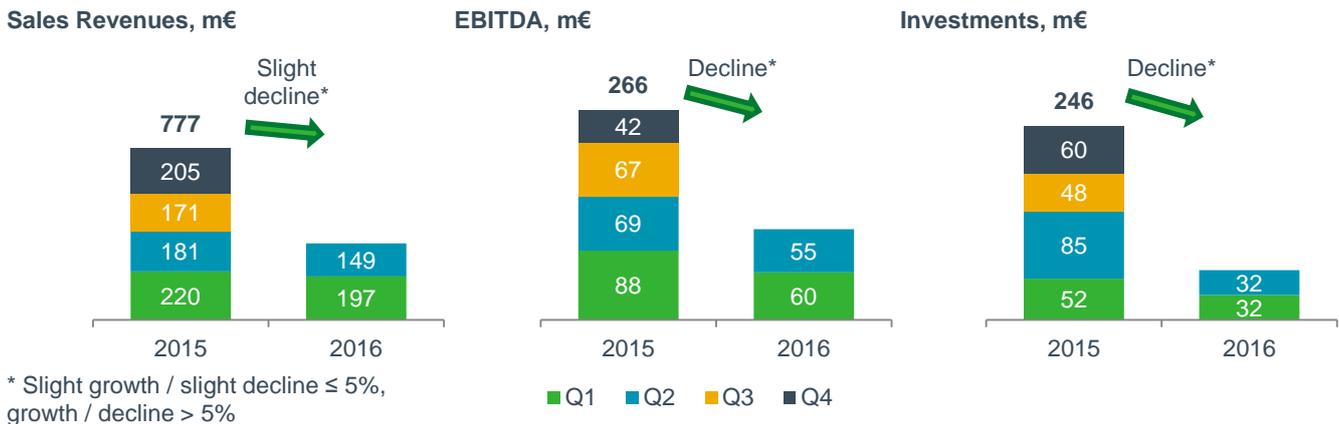
Outlook for FY 2016

Compared with the forecast provided in 2015 annual report, the Group’s outlook for 2016 remains unchanged. In 2016 the Group’s sales revenues will decline slightly and EBITDA and investments will decline compared with 2015*.

The Group’s results will continue to be impacted by low prices in liquid fuels and electricity markets and smaller amount of hedged transactions comparing

with 2015. Negative impact is somewhat counterbalanced by a reduction of environmental fees, which will likely increase electricity generation in second half of 2016.

According to Eesti Energia shareholder resolution, forecast for FY 2016 does not include any dividend payment (and income tax).



Hedging transactions

The Group’s sales revenues from electricity and shale oil sales depend on global market prices. The key factors that influence the Group’s performance indicators are electricity price on the Nord Pool power exchange and the world market price of fuel oil with 1% sulphur content, which is a reference product for shale oil.

The Group’s forward sales for delivery in Q3-Q3 2016 comprise 2.1 TWh of electricity (including retail electricity sales) with an average price of 36.6 €/MWh

and 66 thousand tonnes of oil with an average price of 357 €/t. Forward sales for delivery in 2017 comprise 1.8 TWh of electricity (average price 34.9 €/MWh).

The Group’s CO₂ emission allowance position for 2016 amounts to 12.0 million tonnes at an average price of 6.0 €/t (including forward transactions, free emission allowances received as investment support and the surplus of previous periods). The position for 2017 amounts to 3.1 million tonnes consisting mostly of free allowances received as investment support.

Condensed Consolidated Interim Income Statement and Statement of Comprehensive Income

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT in million EUR	3 months		6 months		12 months		Note
	1 April - 30 June		1 January - 30 June		1 July - 30 June		
	2016	2015	2016	2015	2016/15	2015/14	
Revenue	148.7	181.0	345.7	400.8	721.6	849.8	3
Other operating income	3.8	3.9	8.5	10.4	14.4	26.8	
Government grants	0.1	0.1	0.2	0.1	0.4	0.3	
Change in inventories of finished goods and work-in-progress	(10.8)	11.9	(5.6)	16.0	6.4	8.6	
Raw materials and consumables used	(44.3)	(75.7)	(140.1)	(166.4)	(300.4)	(354.9)	
Payroll expenses	(29.0)	(34.4)	(62.3)	(69.3)	(132.6)	(144.2)	
Depreciation, amortisation and impairment	(36.5)	(35.6)	(71.7)	(70.6)	(209.7)	(133.1)	
Other operating expenses	(13.9)	(17.8)	(31.5)	(34.8)	(86.0)	(68.4)	
OPERATING PROFIT	18.1	33.4	43.2	86.2	14.1	184.9	
Financial income	-	1.5	0.1	2.9	3.5	5.3	
Financial expenses	(3.2)	(5.0)	(8.9)	(4.5)	(14.8)	(6.2)	
Net financial income (expense)	(3.2)	(3.5)	(8.8)	(1.6)	(11.3)	(0.9)	
Profit from associates using equity method	0.3	-	0.2	-	2.7	(2.4)	
PROFIT BEFORE TAX	15.2	29.9	34.6	84.6	5.5	181.6	
CORPORATE INCOME TAX EXPENSE	-	(23.1)	-	(23.1)	8.1	(18.0)	-
PROFIT FOR THE PERIOD	15.2	6.8	34.6	61.5	13.6	163.6	
Equity holder of the Parent Company	15.2	7.0	34.5	61.8	13.2	164.2	
Non-controlling interest	-	(0.2)	0.1	(0.3)	0.4	(0.6)	
<i>Basic earnings per share (euros)</i>	<i>0.02</i>	<i>0.01</i>	<i>0.06</i>	<i>0.10</i>	<i>0.02</i>	<i>0.26</i>	<i>9</i>
<i>Diluted earnings per share (euros)</i>	<i>0.02</i>	<i>0.01</i>	<i>0.06</i>	<i>0.10</i>	<i>0.02</i>	<i>0.26</i>	<i>9</i>
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME in million EUR	3 months		6 months		12 months		
	1 April - 30 June		1 January - 30 June		1 July - 30 June		
	2016	2015	2016	2015	2016/15	2015/14	
PROFIT FOR THE PERIOD	15.2	6.8	34.6	61.5	13.6	163.6	
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Revaluation of hedging instruments	(12.7)	(8.8)	(13.4)	(26.2)	(17.4)	(0.7)	
Currency translation differences attributable to foreign subsidiaries	0.5	(2.1)	(0.5)	3.9	0.9	8.3	
Other comprehensive income for the period	(12.2)	(10.9)	(13.9)	(22.3)	(16.5)	7.6	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3.0	(4.1)	20.7	39.2	(2.9)	171.2	
Equity holder of the Parent Company	3.0	(3.9)	20.6	39.5	(3.3)	171.8	
Non-controlling interest	-	(0.2)	0.1	(0.3)	0.4	(0.6)	

Condensed Consolidated Interim Statement of Financial Position

in million EUR	30 June		31 December	Note
ASSETS	2016	2015	2015	
Non-current assets				
Property, plant and equipment	2,465.1	2,477.1	2,473.9	6
Intangible assets	39.9	67.6	41.1	
Investments in associates	2.8	2.0	4.6	
Derivative financial instruments	-	0.7	-	7
Long-term receivables	36.4	39.9	32.9	
Total non-current assets	2,544.2	2,587.3	2,552.5	
Current assets				
Inventories	74.6	60.4	71.9	
Greenhouse gas allowances	5.3	21.5	33.5	4
Trade and other receivables	107.8	75.5	99.8	
Derivative financial instruments	14.5	55.2	40.3	7
Deposits not recognised as cash equivalents	-	119.0	-	
Cash and cash equivalents	189.5	80.1	159.8	
Total current assets	391.7	411.7	405.3	
Total assets	2,935.9	2,999.0	2,957.8	3
EQUITY				
Capital and reserves attributable to equity holder of the Parent Company				
Share capital	621.6	621.6	621.6	8
Share premium	259.8	259.8	259.8	
Statutory reserve capital	62.1	62.1	62.1	
Hedge reserve	3.4	20.8	16.8	
Unrealised exchange rate differences	10.5	9.6	11.0	
Retained earnings	634.0	587.7	599.5	
Total equity and reserves attributable to equity holder of the Parent Company	1,591.4	1,561.6	1,570.8	
Non-controlling interest	1.2	0.8	1.1	
Total equity	1,592.6	1,562.4	1,571.9	
LIABILITIES				
Non-current liabilities				
Borrowings	935.5	927.2	932.5	10
Other payables	1.1	4.2	1.2	
Derivate financial instruments	-	0.5	-	7
Deferred income	175.8	165.3	171.4	
Provisions	31.5	33.2	31.0	12
Total non-current liabilities	1,143.9	1,130.4	1,136.1	
Current liabilities				
Borrowings	19.3	6.9	19.3	10
Trade and other payables	126.3	277.3	179.0	
Derivative financial instruments	20.1	2.2	11.8	7
Provisions	33.7	19.8	39.7	12
Total current liabilities	199.4	306.2	249.8	
Total liabilities	1,343.3	1,436.6	1,385.9	
Total liabilities and equity	2,935.9	2,999.0	2,957.8	

Condensed Consolidated Interim Statement of Cash Flows

in million EUR	3 months		6 months		12 months		Note
	1 April - 30 June		1 January - 30 June		1 July - 30 June		
	2015	2014	2015	2014	2015/14	2014/13	
Cash flows from operating activities							
Cash generated from operations	51.3	63.3	99.2	226.0	224.4	382.0	11
Interest and loan fees paid	(0.3)	(0.4)	(0.4)	(0.5)	(43.9)	(37.3)	
Interest received	0.1	0.1	0.2	0.1	0.4	0.8	
Corporate income tax paid	-	-	(14.9)	-	(14.9)	(23.4)	
Net cash generated from operating activities	51.1	63.0	84.1	225.6	166.0	322.1	
Cash flows from investing activities							
Purchase of property, plant and equipment and intangible assets	(27.5)	(73.3)	(67.1)	(135.5)	(156.6)	(263.6)	
Proceeds from connection and other fees	4.7	3.2	7.4	5.9	15.6	12.1	
Proceeds from sale of property, plant and equipment	1.7	0.5	2.0	1.3	3.7	2.5	
Net change in deposits not recognised as cash equivalents	-	25.0	-	(79.0)	119.0	13.0	
Net change in cash with limited usage	-	0.2	4.8	4.5	1.0	0.1	
Loans granted	(1.2)	(2.9)	(2.7)	(2.9)	(2.7)	(7.1)	13
Dividends received from long-term financial investments	-	1.9	2.0	1.9	2.0	1.9	
Proceeds from disposal of subsidiary	-	-	-	-	-	4.7	
Proceeds from repurchase of shares and liquidation of associate	-	-	-	-	-	10.5	
Net cash used in investing activities	(22.3)	(45.4)	(53.6)	(203.8)	(18.0)	(225.9)	
Cash flows from financing activities							
Received long-term loans	-	-	-	-	30.4	-	
Repayments of bank loans	-	-	(0.7)	(0.7)	(6.9)	(1.4)	
Repayments of other loans	-	-	-	-	(0.1)	(0.1)	
Acquisition of non-controlling interest in a subsidiary	-	-	-	(1.2)	-	(1.2)	
Dividends paid	(0.1)	-	(0.1)	-	(62.0)	(93.6)	
Net cash used in financing activities	(0.1)	-	(0.8)	(1.9)	(38.6)	(96.3)	
Net cash flows	28.7	17.6	29.7	19.9	109.4	(0.1)	
Cash and cash equivalents at the beginning of the period	160.8	62.5	159.8	60.2	80.1	77.7	
<i>Cash and cash equivalents classified as held for sale</i>	-	-	-	-	-	2.5	
Cash and cash equivalents at the end of the period	189.5	80.1	189.5	80.1	189.5	80.1	
Net increase/(-)decrease in cash and cash equivalents	28.7	17.6	29.7	19.9	109.4	(0.1)	

Condensed Consolidated Interim Statement of Changes in Equity

in million EUR	Attributable to equity holder of the Parent Company						Non-controlling interest	Total
	Share capital (Note 8)	Share premium	Statutory legal reserve	Other reserves	Retained earnings	Total		
Equity as at 31 December 2014	621.6	259.8	59.0	52.7	624.0	1,617.1	2.3	1,619.4
Profit for the period	-	-	-	-	61.8	61.8	(0.3)	61.5
Other comprehensive income for the period	-	-	-	(22.3)	-	(22.3)	-	(22.3)
Total comprehensive income for the period	-	-	-	(22.3)	61.8	39.5	(0.3)	39.2
Acquisition of non-controlling interest of subsidiary	-	-	-	-	-	-	(1.2)	(1.2)
Dividends declared	-	-	-	-	(95.0)	(95.0)	-	(95.0)
Transfer of retained earnings to statutory reserve capital	-	-	3.1	-	(3.1)	-	-	-
Total transactions with owners of the company, recognised directly in equity	-	-	3.1	-	(98.1)	(95.0)	(1.2)	(96.2)
Equity as at 30 June 2015	621.6	259.8	62.1	30.4	587.7	1,561.6	0.8	1,562.4
Equity as at 31 December 2015	621.6	259.8	62.1	27.8	599.5	1,570.8	1.1	1,571.9
Profit for the period	-	-	-	-	34.5	34.5	0.1	34.6
Other comprehensive income for the period	-	-	-	(13.9)	-	(13.9)	-	(13.9)
Total comprehensive income for the period	-	-	-	(13.9)	34.5	20.6	0.1	20.7
Equity as at 30 June 2016	621.6	259.8	62.1	13.9	634.0	1,591.4	1.2	1,592.6

Notes to the Condensed Interim Consolidated Financial Statements

1. Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with **International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations** as adopted by the European Union. These consolidated interim condensed financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting". The consolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs as adopted by the EU.

Accounting policies and presentation of financial statements applied to this interim report were consistent with Athose used in financial statements for the financial year that ended on 31 December 2015.

The amendments to previously published International Financial Reporting Standards and International Financial Reporting Interpretations Committee interpretations that became mandatory for the Group from 1 January 2016 did not have any

impact on the Group's accounting policies and financial statements.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

According to the Management Board the interim report prepared for the period 1 January 2016 - 30 June 2016 presents a true and fair view of the financial position, the cash flows and the results of operations of Eesti Energia AS and its subsidiaries (Group).

The information contained in the interim financial statements has not been audited or otherwise verified by auditors.

2. Financial Risk Management

2.1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2015. There have been no material changes in any risk management policies compared to the previous year end.

2.2. Fair Value Estimation

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

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

The following tables present the Group's assets and liabilities that are measured at fair value by the level in the fair value hierarchy as at 30 June 2016 and 31 December 2015:

in million EUR	30 June 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 7)	-	0.7	-	0.7
Cash flow hedges (Note 7)	2.5	1.5	9.8	13.8
Total financial assets	2.5	2.2	9.8	14.5
Liabilities				
Trading derivatives (Note 7)	4.7	15.4	-	20.1
Total financial liabilities	4.7	15.4	-	20.1

in million EUR	31 December 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 7)	-	1.8	-	1.8
Cash flow hedges (Note 7)	7.5	7.4	23.6	38.5
Total financial assets	7.5	9.2	23.6	40.3
Liabilities				
Trading derivatives (Note 7)	10.0	1.8	-	11.8
Total financial liabilities	10.0	1.8	-	11.8

2. Financial Risk Management, cont.

2.2. Fair Value Estimation, cont.

Valuation techniques and inputs used on measurement in level 1

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

Valuation techniques and inputs used on measurement in level 2

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. An instrument is included in level

2 if all the significant inputs required to establish the fair value of the instrument are observable. If one or more significant inputs are not based on observable market data, an instrument is included in level 3. The value of trading derivatives and cash flow hedges are found using notations of Nasdaq OMX, ICE, Platt's European Marketscan and Nymex.

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

Valuation techniques and inputs used on measurement in level 3

All instruments in Level 3 are options. The fair value of options is found using analytical solution of Turnbull-Wakeman Asian-type option pricing, inputs for which include the futures price, the strike price, volatility of the underlying, the risk free interest rate, time to maturity, time to the beginning of average period, the already realised average futures price during the average period.

The following table represents the changes in Level 3 instruments for the period 1 January – 30 June 2016:

in million EUR	Cash flow hedges	Total
Opening balance at 1 January 2016	23.6	23.6
Gains(+) and losses(-) recognised in profit or loss	4.0	4.0
Gains(+) and losses(-) recognised in other comprehensive income	(7.1)	(7.1)
Settlements (receipts-/payments+)	(10.7)	(10.7)
Closing balance at 30 June 2016	9.8	9.8
Total gains(+) or losses(-) for the period included in profit or loss for assets held at the end of the reporting period under "Other operating income/expenses"	0.9	0.9
Change in unrealised gains(+) or losses(-) for the period included in profit or loss for assets held at the end of the reporting period	(0.1)	(0.1)

2. Financial Risk Management, cont.

2.3. Fair Value of Financial Assets and Liabilities Measured at Amortised Cost

The fair value of bonds and bank loans:

in million EUR	30 June 2016	31 December 2015
Nominal value of bonds	758.3	758.3
Market value of bonds on the basis of quoted sales price	801.5	789.7
Nominal value of bank loans with fixed interest rate	210.4	210.4
Fair value of bank loans with fixed interest rate	218.7	223.1
Nominal value of bank loans with floating interest rate	49.1	49.8
Fair value of bank loans with floating interest rate	49.1	49.8

The bonds are denominated in euros and listed on the London Stock Exchange. The fair value of the bonds is based on the input that is within level 1 of the fair value hierarchy; the fair value of bank loans with fixed interest rate is based on the cash flows discounted using input that is within level 3 of the fair value hierarchy.

Management estimates that the fair value of the loans with a floating interest rate at the end of reporting and comparative period does not differ from their carrying amounts as the risk margins have not changed.

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

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

3. Segment Reporting

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

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

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

Other segments include co-products which individual share of the Group's revenue and EBITDA is immaterial. Non of these co-products meet the quantitative thresholds that would require reporting separate information.

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

All operating expenses of the Group are allocated to the products and services to which they relate. If a product (eg electricity) is created by several Group entities in a vertically integrated chain, then the related expenses include the production cost of each

entity involved in preparation of the product (eg the cost of electricity includes the cost of oil shale used for its production). Group overheads are allocated to products and services proportionally to the services provided.

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

The Group's assets are allocated to the segments based on the same proportion as the related expenses. Liabilities are not allocated to the segments as they are managed centrally by the Group's finance department.

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

The sales prices of network charges need to be approved by the Estonian Competition Authority as stipulated by the Electricity Market Act of Estonia. The Estonian Competition Authority has an established methodology for approving the prices that considers the costs necessary to fulfil the legal obligations and ensures justified profitability on invested capital. Generally, the Estonian Competition Authority considers the annual average carrying amount of non-current assets plus 5% of external sales revenue as invested capital. The rate for justified profitability is the Company's weighted average cost of capital (WACC).

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

3. Segment Reporting, cont.

Revenue

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

in million EUR	1 April - 30 June 2016	1 April - 30 June 2015
	Revenue from external customers	Revenue from external customers *
Electricity	66.1	84.6
Distribution	56.0	55.9
Shale oil	13.7	24.0
Other products and services	13.0	16.5
Total	148.7	181.0

EBITDA		
in million EUR	1 April - 30 June 2016	1 April - 30 June 2015
	EBITDA	EBITDA *
Electricity	17.0	31.8
Distribution	29.3	28.6
Shale oil	(3.4)	6.6
Other products and services	11.6	2.0
Total	54.6	69.0
Depreciation and amortisation	(36.5)	(35.6)
Net financial income (expense)	(3.2)	(3.5)
Profit from associates using equity method	0.3	-
Profit before tax	15.2	29.9

ASSETS		
in million EUR	30 June 2016	31 December 2015
	Assets	Assets
Electricity	1,205.1	1,236.1
Distribution	999.3	968.8
Shale oil	346.9	360.4
Other products and services	384.5	392.5
Total	2,935.9	2,957.8

* In connection with the adjustment of the methodology the comparative figures have been changed compared to the data disclosed in the interim report as at 30 June 2015

3. Segment Reporting, cont.

Revenue

in million EUR	1 January - 30 June 2016	1 January - 30 June 2015
	Revenue from external customers	Revenue from external customers *
Electricity	156.5	184.6
Distribution	128.1	122.6
Shale oil	20.7	48.7
Other products and services	40.4	44.9
Total	345.7	400.8

EBITDA			
in million EUR	1 January - 30 June 2016	1 January - 30 June 2015	
	EBITDA	EBITDA *	
Electricity	44.3	68.5	
Distribution	57.3	52.9	
Shale oil	(2.9)	20.8	
Other products and services	16.2	14.7	
Total	114.9	156.8	
Depreciation and amortisation	(71.7)	(70.6)	
Net financial income (expense)	(8.8)	(1.6)	
Profit from associates using equity method	0.2	-	
Profit before tax	34.6	84.6	

* In connection with the adjustment of the methodology the comparative figures have been changed compared to the data disclosed in the interim report as at 30 June 2015

4. Greenhouse Gas Allowances

in million EUR	Greenhouse gas allowances
Opening balance at 1 January 2016	33.5
Returned to state for the greenhouse gas emissions (Note 12)	(28.2)
Closing balance at 30 June 2016	5.3

5. Seasonality of Operating Profit

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

6. Property, Plant and Equipment

in million EUR	Land	Buildings	Construction	Plant and equipment	Other	Construction in progress and prepayments	Total
Property, plant and equipment as at 31 December 2015							
Cost	43.6	256.6	953.5	2,024.9	5.9	610.0	3,894.5
Accumulated depreciation	-	(103.6)	(385.0)	(927.8)	(4.2)	-	(1,420.6)
Net book amount	43.6	153.0	568.5	1,097.1	1.7	610.0	2,473.9
Total property, plant and equipment as at 31 December 2015	43.6	153.0	568.5	1,097.1	1.7	610.0	2,473.9
Movements 1 January - 30 June 2016							
Purchases of property, plant and equipment	-	-	-	3.0	0.1	59.0	62.1
Depreciation charge	-	(3.1)	(13.4)	(52.4)	(0.2)	-	(69.1)
Net book amount of non-current assets disposed	(0.3)	(0.7)	-	(0.1)	-	-	(1.1)
Exchange differences	(0.1)	-	-	-	-	-	(0.1)
Transfers	0.2	0.7	17.6	61.9	-	(81.0)	(0.6)
Movements 1 January - 30 June 2016	(0.2)	(3.1)	4.2	12.4	(0.1)	(22.0)	(8.8)
Property, plant and equipment as at 30 June 2016							
Cost	43.4	256.1	971.1	2,085.9	6.0	588.0	3,950.5
Accumulated depreciation	-	(106.2)	(398.4)	(976.4)	(4.4)	-	(1,485.4)
Net book amount	43.4	149.9	572.7	1,109.5	1.6	588.0	2,465.1
Total property, plant and equipment as at 30 June 2016	43.4	149.9	572.7	1,109.5	1.6	588.0	2,465.1

As at 30 June 2016, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 89.2 million (31 December 2015 EUR 94.4 million).

7. Derivative Financial Instruments

in million EUR	30 June 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Forward contracts for buying and selling electricity as cash flow hedges	2.5	-	7.5	-
Forward contracts for buying and selling electricity as trading derivatives	0.7	6.1	1.3	11.0
Future contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	-	14.0	0.1	0.8
Swap and option contracts for selling shale oil as cash flow hedges	11.3	-	31.0	-
Swap and option contracts for selling shale oil as trading derivatives	-	-	0.4	-
Total derivative financial instruments	14.5	20.1	40.3	11.8

8. Share Capital

As at 30 June 2016, Eesti Energia AS had 621 645 750 registered shares (31 December 2015: 621 645 750 registered shares). The nominal value of each share is 1 euro.

9. Earnings Per Share

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

	3 months		6 months		12 months	
	1 April - 30 June		1 January - 30 June		1 July - 30 June	
	2016	2015	2016	2015	2016/15	2015/14
Profit attributable to the equity holders of the company (million EUR)	15.2	7.0	34.5	61.8	13.2	164.2
Weighted average number of shares (million)	621.6	621.6	621.6	621.6	621.6	621.6
Basic earnings per share (EUR)	0.02	0.01	0.06	0.10	0.02	0.26
Diluted earnings per share (EUR)	0.02	0.01	0.06	0.10	0.02	0.26

10. Nominal Value and Amortised Cost of Borrowings

in million EUR	30 June 2016		31 December 2015	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Current portion of long-term bank loans	19.3	19.3	19.3	19.3
Total short-term borrowings	19.3	19.3	19.3	19.3
Long- term borrowings				
Bank loans	240.2	240.0	240.9	240.6
Bonds issued	758.3	695.5	758.3	691.9
Total long- term borrowings	998.5	935.5	999.2	932.5
Total borrowings	1,017.8	954.8	1,018.5	951.8

As at 30 June 2016 the Group had undrawn loan facilities of EUR 220.0 million (31 December 2015: EUR 220.0 million), the figure includes bilateral liquidity loan agreements with floating interest rate of EUR 150 million in aggregate, with SEB and Pohjola bank contracted in July 2015, which will mature in five years (July 2020).

In October 2013 the Group contracted investment loan agreement with EIB of EUR 100.0 million. The loan can be taken into use until October 2016 and as of 30 June 2016 EUR 30.0 million was withdrawn. The interest rate will be agreed when the loan is taken into use.

11. Cash Generated from Operations

in million EUR	3 months		6 months		12 months	
	1 April - 30 June		1 January - 30 June		1 July - 30 June	
	2016	2015	2016	2015	2016/15	2015/14
Profit before tax	15.2	29.9	34.6	84.6	5.5	181.6
Adjustments						
Depreciation and impairment of property, plant and equipment	35.3	34.1	69.1	67.8	178.3	127.5
Amortisation and impairment of intangible assets	1.2	1.5	2.6	2.8	31.4	5.6
Deferred income from connection and other service fees	(1.7)	(1.6)	(3.5)	(3.2)	(6.8)	(6.3)
Gain on disposal of subsidiaries	-	-	-	-	-	(3.4)
Gain on disposal of property, plant and equipment	-	(0.5)	-	(0.9)	(1.0)	(1.4)
Amortisation of government grant received to purchase non-current assets	(0.1)	-	(0.2)	(0.1)	(0.4)	(0.3)
Profit/loss from associates using equity method	(0.3)	-	(0.2)	-	(2.7)	2.4
Unpaid/unsettled gain/loss on derivatives	6.2	(2.3)	20.7	(4.5)	41.5	(17.8)
Loss from doubtful loan receivables	-	-	-	-	11.0	-
Foreign exchange gain/loss from lending in foreign currency	(0.9)	1.4	0.6	(2.7)	(0.5)	(5.7)
Interest expense on borrowings	3.8	3.2	7.5	6.6	13.8	10.9
Interest and other financial income	-	(1.5)	(0.1)	(2.9)	(3.5)	(5.3)
Adjusted net profit before tax	58.7	64.2	131.1	147.5	266.6	287.8
Net change in current assets relating to operating activities						
Change in receivables related to operating activities	16.3	21.3	19.8	37.6	(2.2)	12.1
Change in inventories	4.9	(13.7)	(2.7)	(19.6)	(14.2)	(11.7)
Net change in other current assets relating to operating activities	11.7	52.5	(6.0)	128.4	(16.1)	93.5
Total net change in current assets relating to operating activities	32.9	60.1	11.1	146.4	(32.5)	93.9
Net change in current liabilities relating to operating activities						
Change in provisions	(18.4)	(46.5)	(6.0)	(53.7)	11.0	(21.6)
Change in trade payables	(5.5)	(9.9)	(12.4)	(8.8)	(3.2)	8.6
Net change in liabilities relating to other operating activities	(16.4)	(4.6)	(24.6)	(5.4)	(17.5)	13.3
Total net change in liabilities relating to operating activities	(40.3)	(61.0)	(43.0)	(67.9)	(9.7)	0.3
Cash generated from operations	51.3	63.3	99.2	226.0	224.4	382.0

12. Provisions

in million EUR	Opening balance	Recognition and reversal	Interest charge	Use	Closing balance	
	31 December 2015	of provisions			Short-term provision	Long-term provision
Environmental protection provisions	28.3	0.2	0.4	(1.1)	4.8	23.0
Provision for termination of mining operations	0.7	-	-	-	0.1	0.6
Employee related provisions	6.6	-	-	(1.2)	0.9	4.5
Provision for dismantling cost of assets	3.3	-	0.1	-	-	3.4
Provision for greenhouse gas emissions (Note 4)	28.3	23.7	-	(28.2)	23.8	-
Provision for obligations arising from treaties	3.5	0.6	-	-	4.1	-
Total provisions	70.7	24.5	0.5	(30.5)	33.7	31.5

13. Related Party Transactions

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

Related parties also include entities under the control or significant influence of the state.

in million EUR	1 January - 30 June	
	2016	2015
Transactions with associates		
Purchase of goods and services	7.5	11.3
Proceeds from sale of goods and services	0.3	0.7
Financial income	-	2.7
Loans granted	2.7	2.9

in million EUR	30 June 2016	31 December 2015
	Receivables from associates and payables to associates	
Receivables	46.0	44.2
<i>incl long-term loan receivables</i>	45.9	42.5
Allowance for doubtful loan receivables	(10.8)	(11.0)
Payables	3.7	4.8
<i>incl long-term payables</i>	1.1	1.1

Upon premature termination of the service contract with a member of the Management Board, the service contracts stipulate the payment of 3 months' remuneration as termination benefits. During the period 1 January - 30 June 2016 remuneration to management and supervisory boards amounted to EUR 1.1 million.

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

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

in million EUR	1 January - 30 June	
	2016	2015
Transactions with Elering AS		
Purchase of goods and services	46.5	44.6
Purchase of property, plant and equipment and prepayments	0.1	0.2
Sale of goods and services (incl. renewable energy grant)	9.8	12.5
Sale of property, plant and equipment	-	0.4

in million EUR	30 June 2016	31 December 2015
	Receivables from Elering AS and payables to Elering AS	
Receivables	1.6	3.4
Payables	10.8	18.4

Glossary

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

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

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

Clean Dark Spread (CDS) – Eesti Energia's margin between the price of electricity (in NP Estonia) and oil shale costs and CO₂ costs (taking into account the price of CO₂ allowance futures maturing in December and the amount of CO₂ emitted in the generation of a MWh of electricity).

CO₂ emission allowance – According to the European Union Emissions Trading System (ETS), one emission allowance gives the holder the right to emit one tonne of carbon dioxide (CO₂). The limit on the total number of emission allowances available gives them a monetary value.

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

Eesti Energia market share on electricity retail market – Electricity sales to the final consumer divided by total electricity consumption in the area (including network losses)

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

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

Level of water reservoirs – The largest part of the Nordic countries' electricity generation is based on hydro power whose output depends on the level of water reservoirs.

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

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

Network losses – The amount of electricity delivered to customers is somewhat smaller than the amount supplied from

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

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

Oil shale resource estimates – Outside Estonia, oil shale resources with high economic potential have been estimated based on exploration results, without taking into consideration any modifying factors. In Estonia, in conformity with the earth's crust regulation and resource exploration practice, relevant technical, environmental and socio-economic modifying factors are taken into consideration. Resource records are kept based on the environmental register's list of deposits. Oil shale resources are classified into the following categories: measured, indicated and inferred, in the order of decreasing geological confidence

Position hedged with forward transactions – The average price and the corresponding amount of electricity and shale oil sold and emission allowances purchased in the future is previously fixed.

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

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

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

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

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

Variable profit – Profit after deducting variable costs from sales revenues