

# Interim Report

1 July 2016 – 30 September 2016



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## Letter from the CEO

### Dear reader

In the third quarter of 2016, our operating environment was characterised by wholesale electricity prices which were higher and oil prices which were lower than a year earlier. Although in the current year the price of Brent crude has risen considerably: from 30 US dollars at the beginning of the year to the third-quarter average of 45.6 US dollars, it is still 9% lower than in the third quarter of 2015. As regards electricity prices, however, the financial markets have given important indication for the first quarter of 2017: at the beginning of next year the average electricity price in the Estonian price area will be 45 €/MWh, and futures transactions reflect that next year's annual average electricity price will also be higher than this year. This means that consumers may expect electricity market prices to rise by the beginning of next year.

In the third quarter, the average electricity price in the Estonian price area of the Nord Pool power exchange was 31.6 €/MWh, which is 4% higher than in the same period last year. It is important to note that while the price in the Estonian price area grew only slightly, the Nord Pool system price grew by around 90%, from 13 €/MWh last year to 25 €/MWh. The surge in the system price is attributable to smaller Nordic hydro energy output, resulting from weaker snowmelt. Electricity prices were also influenced by outages of transmission connections between the Nordic countries and maintenance operations at major nuclear power plants. Since Estonia among countries that have the best inter-country transmission connections in the region, any changes in the Nordic price environment have an instant impact on us. Higher wholesale market prices also provided us with an opportunity to export electricity to the Nordic countries.

In the third quarter of 2016, the price of CO<sub>2</sub> emission allowances which influences the cost price of oil shale-derived electricity was 44% lower than in the

same period last year. This gave a strong boost to the competitiveness of oil shale-derived electricity. A year ago a tonne of CO<sub>2</sub> emission allowances cost 8.1 euros but in the third quarter of 2016 the average price was 4.6 euros.

Eesti Energia's sales revenues for the third quarter of 2016 totalled 171 million euros, remaining stable compared with the same period last year, and EBITDA amounted to 52 million euros, 22% down from a year earlier. The decrease in EBITDA is mainly attributable to smaller gain on derivative financial instruments than reported in the comparative period. Net profit for the quarter amounted to 13 million euros.

Eesti Energia delivered excellent performance in electricity production, producing 2.5 TWh of electricity during the third quarter, a 43% or 750 GWh improvement year on year. The rise in electricity production is comparable to Estonia's electricity needs in a winter month; it is also an important export to Latvia and Finland. Electricity sales revenue grew by 7% year on year to 87 million euros. Strong electricity generation figures were underpinned by higher prices in the wholesale market, lower CO<sub>2</sub> emission allowance prices and the government's decision to link the rates of environmental and resource charges to the world market price of the end product.

In September, Eesti Energia produced 38.4 thousand tonnes of shale oil, our record output of all times. Altogether, our third-quarter shale oil output amounted to 85.8 thousand tonnes, a 6% improvement on the same period last year. We also increased our shale oil sales volume: from 77 thousand tonnes posted for the third quarter of 2015 to 93 thousand tonnes sold in the third quarter of this year. Despite strong output and sales volume, our shale oil sales revenue declined. This resulted from the fact that in the third quarter of 2015 the average

sales price of shale oil was higher, mainly thanks to higher-price derivative contracts secured earlier.

Eesti Energia's third quarter capital expenditures totalled 33 million euros, a 30% decrease compared with the same period last year. The largest capital investments were made in the distribution network whose improvement requires consistent outlays. For example, in July the Group's distribution network operator Elektrilevi accepted from the builder Läätsa substation which supplies electricity to the entire Sõrve peninsula of the island of Saaremaa. In addition, 44 substations were renovated and 553 kilometres of weather-proof power lines were built. Transition to smart meters, a project that will release people from the obligation to submit their readings and will provide Estonia with one of the smartest power networks in the world, is within touching distance of the finishing line. By the end of 2016, the project will be completed and all consumers 100% connected to the remote reading system. By the end of the third quarter, already 93% of Elektrilevi's electricity meters could be read remotely.

In the third quarter the Auvere power plant, which is the largest industrial investment in Estonia's history, continued operating at different loads under the management of the general contractor. To date it has become clear that at high loads the power plant cannot stay within the agreed particle emission limits. To ensure compliance with emission thresholds, the general contractor General Electric will supply the plant with a new fabric filter whose design began in the third quarter. Until the fabric filter is installed, the plant will operate at loads where emissions remain within the agreed limits.

This year marks the 100<sup>th</sup> anniversary of the beginning of oil shale mining in Estonia. The high point of the celebrations was the Oil Shale Symposium held in September under the leadership

of Eesti Energia which attracted around 300 entrepreneurs, scientists, engineers and officials from 21 countries from across the world. The international conference provided an opportunity to refresh contacts and helped generate several ideas for exporting Estonia's world-class oil shale competence. According to current data, the world's oil shale reserves contain around 6,050 billion barrels of shale oil which makes them four times larger than the world's crude oil reserves. Hence, taking into account the world's growing energy needs, oil shale energy has huge potential.

In the third quarter, we began implementing our new strategic roadmap approved by the supervisory board in June in order to remain competitive also in an environment of low energy prices. We have entered the Polish energy market by establishing a company and setting up a sales team in Poland. To improve the efficiency and competitiveness of our existing oil shale assets, we have signed an agreement with Amec Foster Wheeler on the reconstruction of the circulating fluidised bed unit of the Eesti power plant, which will also lower the environmental impacts of our electricity production operations. In addition, we have entered the residential segment of the Estonian natural gas market and are going to sign the first contracts with consumers in the fourth quarter of this year. Also, we have announced a tender for the construction of the largest Baltic wind farm in Pärnu county.

In conclusion I am pleased to state that in the third quarter we delivered strong performance in energy production both in the electricity and shale oil segments.

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

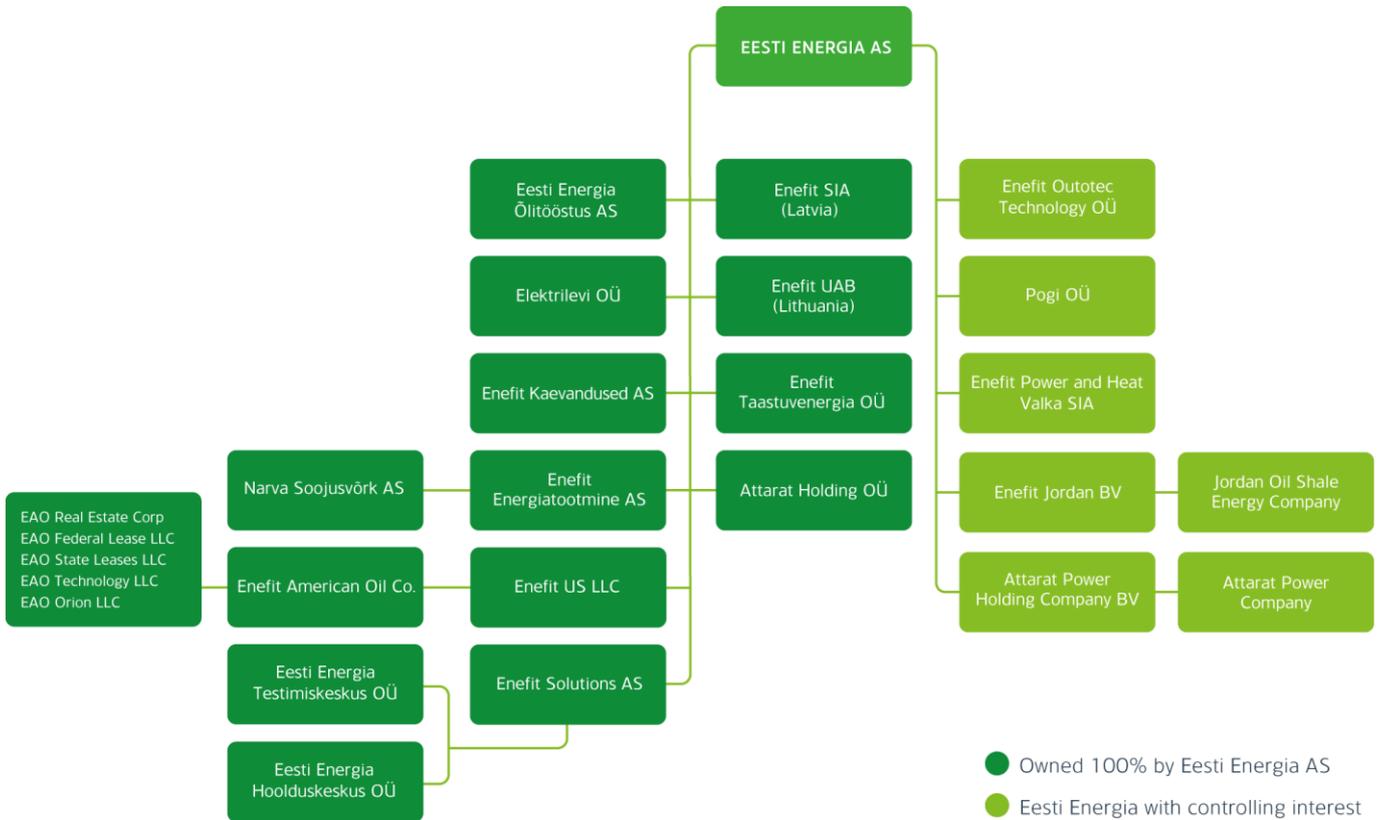
## Summary of Eesti Energia

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 5,800 employees, Eesti Energia is one of the largest employers in Estonia.

### Legal Structure of Eesti Energia as at 30 September 2016\*



\* legal entities where Eesti Energia owns 51% or more

## Key Figures and Ratios

		Q3 2016	Q3 2015	Change	9M 2016	9M 2015	Change
Total electricity sales*, of which	GWh	2,401	1,781	+34.8%	6,359	5,688	+11.8%
wholesale sales*	GWh	1,048	477	+119.8%	1,835	1,457	+25.9%
retail sales	GWh	1,353	1,304	+3.7%	4,523	4,230	+6.9%
Electricity distributed	GWh	1,389	1,374	+1.1%	4,776	4,612	+3.5%
Shale oil sales	th t	93	77	+20.5%	195	214	-8.9%
Heat sales	GWh	49	35	+41.7%	760	668	+13.8%
Distribution grid losses	%	4.2	4.1	+0.1pp	4.2	4.9	-0.8pp
Average number of employees	No.	5,799	6,410	-9.5%	5,797	6,472	-10.4%
Sales revenues	m€	170.6	171.0	-0.2%	516.3	571.8	-9.7%
EBITDA	m€	52.4	67.3	-22.2%	167.2	224.1	-25.4%
Operating profit	m€	16.7	31.9	-47.6%	59.9	118.2	-49.3%
Net profit	m€	13.3	31.3	-57.4%	48.0	92.8	-48.3%
Investments	m€	33.4	47.8	-30.1%	96.6	185.5	-47.9%
Cash flow from operating activities	m€	55.0	25.7	+113.7%	139.1	251.4	-44.7%
FFO	m€	25.6	25.9	-1.2%	141.5	173.1	-18.3%
Non-current assets	m€	2,542.0	2,601.5	-2.3%			
Equity	m€	1,597.7	1,597.9	-0.0%			
Net debt	m€	738.5	736.2	+0.3%			
Net debt / EBITDA**	times	3.5	2.4	+49.4%			
FFO**/ net debt	times	0.28	0.26	+10.4%			
FFO**/ interest cover**	times	5.6	5.0	+12.7%			
EBITDA**/ interest cover**	times	5.7	8.3	-31.7%			
Leverage	%	31.6	31.5	+0.1pp			
ROIC**	%	-0.05	7.3	-7.4pp			
EBITDA margin	%	30.7	39.4	-8.6pp	32.4	39.2	-6.8pp
Operating profit margin	%	9.8	18.7	-8.9pp	11.6	20.7	-9.1pp

Definitions of ratios and terms are explained in the Glossary section of the report, page 40

\*\* 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 and global energy markets. In Q3, the world market prices of petroleum products increased. The oversupply is easing up and the market is moving towards an equilibrium. Q3 prices on the Nord Pool power exchange were mainly influenced by the shortage of cheap Nordic hydro energy, resulting from low snowmelt, the power plant maintenance season, and transmission cable failures. Electricity prices in the Baltics have more or less evened out and stabilised compared with last year, largely thanks to the NordBalt power link between Lithuania and Sweden which supplies the region with cheap Nordic energy.

According to the International Monetary Fund (IMF), global growth remains subdued due to a range of short- and long-term forces. In the short term the forces with the strongest impact are Brexit and China's slowing economic growth whereas in the long term the global outlook is influenced by the trends in demographics and productivity growth as well as geopolitical uncertainties and persistently low inflation. The IMF projection for global growth in 2016 is 3.1% (-0.1pp compared with 2015); developed economies are expected to grow by 1.6% (-0.5pp) and emerging market and developing economies by 4.2% (+0.2pp). The growth forecast for the euro area is 1.7% (-0.3pp).

### Liquid Fuels Prices

In Q3 2016, the average Brent crude oil price was 45.6 USD/bbl (-9.4%, -4.7 USD/bbl compared with the same period last year).

Average price		Q3 2016	Q3 2015	Change
Brent crude oil	USD/bbl	45.6	50.3	-9.4%
Fuel oil (1% sulphur content)	€/t	214.7	217.3	-1.2%
Fuel oil 1% crack spread	€/bbl	-8.2	-11.6	-29.0%
Euro exchange rate	EUR/USD	1.1163	1.1125	+0.3%

At the beginning of Q3, the price of Brent crude plummeted from 47.1 USD/bbl to 40.4 USD/bbl within a month. The market was under pressure from Saudi Arabia's high output and a rise in the US oil rig count. In July, the average price of Brent crude was 44.5 USD/bbl.

The oil price hit a trough at the beginning of August when the average daily price for 2 August plunged to 39.6 USD/bbl. The fall was followed by a rise in the rest of the month, underpinned by growing demand and stabilisation of the rig count. In August, the average price of Brent crude was 45.3 USD/bbl.

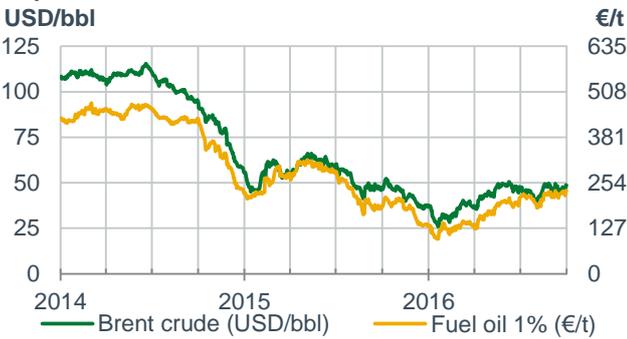
September saw significant changes in oil supply. At the beginning of the month, the price dropped on reports of a rise in the US oil rig count, which in August hit a two-year high. Also, Iran increased its crude oil exports to above 2 million barrels per day, crossing a 5-year high after the recent lifting of its export restrictions. However, in the last week of September OPEC and non-OPEC producers reached agreement on the first oil output cut in eight years that will lower production by 750,000 barrels per day compared with the prior level. So far, the global oil market has been oversupplied by about 2 million barrels per day. Fuelled by the agreement, the oil price rallied to 48.8 USD/bbl. In September, the average price of Brent crude was 46.8 USD/bbl.

In Q3, the average price of fuel oil (1% sulphur content) was 214.7 €/t, 1.2% lower than a year ago. Similarly to the oil price, in Q3 the price of fuel oil was volatile. At the beginning of July, the average price of fuel oil was 218.9 €/t but by the beginning of August it had dropped to 183.7 €/t. At the end of the quarter, the price was influenced by the oil producing nations' agreement to curb production and by the end of September the price of fuel oil rose to 232.6 €/t.

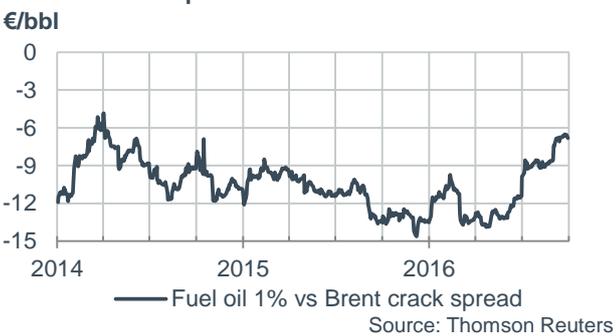
In Q3 2016, the crack spread which measures the difference between the prices of Brent crude and the fuel oil extracted from it was 3.4 €/bbl narrower than a year earlier. The strengthening of the fuel oil

market, which had started at the end of Q2, continued through July. The fuel oil price grew, mainly in connection with stronger demand in the Mediterranean area, triggered mostly by lower Russian supplies via the Black Sea. Arbitrage opportunities to Singapore reopened, fuel oil inventories in Europe decreased and in the first month of the quarter, the crack spread was 9.0 €/bbl. In August, the fuel oil market was influenced by weaker local demand and certain product inflow from the USA. Russian exports continued to be smaller than expected and Turkish refineries experienced outages. In August, the crack spread was 8.8 €/bbl. In September, European fuel oil demand recovered but imports to the region remained limited due to higher power generation needs in Russia and the Middle East. The fuel oil price was also supported by improved arbitrage opportunities to Singapore. In September, the crack spread was 6.8 €/bbl.

**Liquid Fuels Prices**



**Fuel Oil Crack Spread**



**Emission Allowance Prices**

In Q3, the average price of CO<sub>2</sub> emission allowance futures maturing in December 2016 was 43.6% lower than in the same period in 2015.

**CO<sub>2</sub> Emission Allowance Prices**

Average price (€/t)	Q3 2016	Q3 2015	Change
CO <sub>2</sub> December 2013	4.6	8.1	-43.6%
CO <sub>2</sub> December 2014	4.6	8.2	-44.0%

In Q3, CO<sub>2</sub> emission allowance prices, which at the end of Q2 had plummeted in connection with Brexit, steadied, moving in the range of 3.9-4.9 €/t until mid-September. EU policymakers are looking for measures that would revive the carbon trading market; after the Brexit vote, there has again been talk of the introduction of a price corridor for emission allowances. One would assume that low CO<sub>2</sub> emission allowance prices would put pressure on electricity prices but as long as a substantial share of market demand is covered by Nordic hydro and nuclear energy, emission allowance prices will have a relatively small impact on electricity prices.

In September, the world market price of coal surged on China's stricter mining regulations, which require closure of low-efficiency mines with high loads of pollution, and production interruptions, which occurred at the end of the month. The price rise made coal consumers seek opportunities for hedging their risks with futures contracts, which is accompanied by the acquisition of CO<sub>2</sub> emission allowances. This increased demand for carbon allowances and raised their prices. At the end of September, the price of CO<sub>2</sub> emission allowance futures maturing in December 2016 at times exceeded 5.0 €/t but their average price for the month remained more modest: 4.3 €/t.

**Prices of CO<sub>2</sub> Emission Allowances, €/t**



Source: Thomson Reuters

## Electricity Prices

In Q3 2016, the Nord Pool system price rose by 89.6% (+11.9 €/MWh) compared to Q3 2015. Electricity prices grew, year on year, in Estonia and the Nordic countries and dropped in Latvia and Lithuania. Electricity prices in the Baltics have started to even out.

### Electricity Prices on Nord Pool (NP) Electricity Exchange

Average price (€/MWh)	Q3 2016	Q3 2015	Change
System price	25.2	13.3	+89.6%
Finland	31.6	30.1	+4.9%
Estonia	31.6	30.3	+4.1%
Latvia	35.4	45.0	-21.3%
Lithuania	35.7	45.0	-20.6%

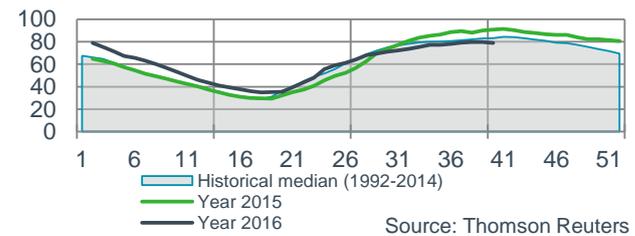
The purpose of the NordBalt power link between Lithuania and Sweden, which was completed at the beginning of the year, is to harmonize electricity prices in the Baltic and the Nordic countries. It has already lowered the Latvian and Lithuanian electricity prices, bringing them closer to the Estonian and Finnish ones.

In July and August, the Nordic power production capacities had their planned maintenance, which is usually scheduled for the summer months. Major maintenance operations are completed by the end of August and in subsequent colder periods the volume of maintenance operations decreases because the demand for electricity increases.

August was relatively uneventful in the power markets, which was reflected in the low peak prices across the region. In the second half of August, electricity prices in our area were influenced by maintenance operations on the power link between Norway and Sweden and short-term maintenance of the NordBalt transmission cable. In addition to interconnectors, at the end of August electricity prices were strongly influenced by maintenance work on unit 4 of the Swedish Ringhals nuclear power plant, which lasted longer than expected. In August, the average electricity price in Latvia and Lithuania was 33.8 €/MWh and in Estonia and Finland 31.4 €/MWh.

In September, the market price of electricity in the Baltic Sea area was influenced by maintenance operations on the transmission line between Sweden and Finland and the EstLink cable, which along with EstLink's transmission restrictions created a situation where Finland did not have access to cheaper electricity.

### Week Levels of Nordic Water Reservoirs, % of Maximum



In Q3, the level of the Nordic hydro reservoirs rose but the average level remained below Q3 2015 and the historical median (-2.5 and -2.0pp respectively). During the summer months, potential snowmelt in the Norwegian mountains remained up to three times smaller than a year earlier. This means reduced water influx, which lowers the hydro reservoirs and puts upward pressure on electricity prices. In September, precipitation in the Nordic countries was relatively scarce and the level of the hydro reservoirs decreased. Due to lower hydro resources, electricity generation from other energy sources is expected to increase.

### Monthly Average Electricity Prices, €/MWh



In Q3 2016, the average Finnish electricity price exceeded the Swedish one by 2.1 €/MWh (Q3 2015: 14.9 €/MWh). In Q3, the average electricity price in Estonia was equal to the price in Finland. At the same time last year, the market price of electricity in Estonia was 0.2 €/MWh higher than in Finland. In July and August, electricity prices in Estonia and Finland were at the same level. In September, the average electricity price in the Finnish price area was

32.2 €/MWh, 0.1 €/MWh higher than in the Estonian price area. Since the opening of the market, there have been only six instances where the average monthly electricity price in Finland has been higher than in Estonia. The Finnish price was higher due to maintenance operations on the transmission line between Sweden and Finland, carried out in mid-September, and EstLink's limited transmission capacity during the same period. Due to transmission restrictions on its two interconnectors, Finland had to use domestic resources, which were more expensive than imported electricity. Moreover, in the same period unit one of Finland's Loviisa nuclear power plant was in maintenance.

In Q3 2016, the average price gap between the Estonian and Latvian price areas was 3.8 €/MWh, with the price higher in Latvia. Compared with Q3 2015, the price gap narrowed by 10.8 €/MWh, this price decrease was related to the NordBalt power cable. Owing to the failure of the NordBalt power link between Lithuania and Sweden which occurred at the beginning of July, at times the electricity price in Latvia and Lithuania rose above 200 €/MWh. In July, Lithuania's average electricity price was the highest in the Baltics: 39.2 €/MWh. In Latvia and Estonia, the average electricity prices for the same month were 38.3 €/MWh and 31.0 €/MWh respectively. The Latvian and Lithuanian market is strongly influenced by the LitPol power link between Lithuania and Poland. Because of the way the interconnector is operated, in the daytime most of the NordBalt capacity (up to 500 MW) is consumed by Poland whereas in the night-time, when local demand is low, cheaper electricity flows from Poland to the Baltic countries and lowers the Lithuanian electricity price. This enables Lithuania to fill the reservoir of its Kruonis pumped storage plant more favourably and use it in the daytime when the market price of electricity is higher. Since the completion of NordBalt's testing period at the beginning of July, the Latvian and Lithuanian electricity prices have

stabilised notably and since mid-July there have not been any major fluctuations in their hourly prices. In September, the average electricity price in Nord Pool's Estonian price area was 32.4 €/MWh while in Latvia and Lithuania the average electricity price was 34.0 €/MWh. The Latvian and Lithuanian electricity price depends heavily on the NordBalt power link because during its outage or maintenance the interconnection between Estonia and Latvia is unable to meet the consumption needs of two countries.

In Q3, Eesti Energia's clean dark spread (CDS) in the NP Estonia electricity price was 9.2 €/MWh (+8.7 €/MWh compared with a year ago). The electricity price increased by 1.3 €/MWh, the impact of the change in CO<sub>2</sub> and oil shale costs was +7.5 €/MWh, due to lower CO<sub>2</sub> price and oil shale cost.

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



The Estonian and Latvian retail electricity markets have been fully open since 2013 and 2015 respectively, which means that market prices develop in free competition. In Q3 2016, the Lithuanian electricity market was partly open to competition. All companies in Lithuania purchased electricity from the open market but household consumers were not obliged to do so. According to estimates, in Q3 2016 around 71% of the Lithuanian electricity market (in terms of consumption volume) was open to competition.

**Electricity Consumption in the Baltic Market in Q3 2016, TWh**



## Financial Results

### Sales Revenues and EBITDA

The Group ended Q3 2016 with sales revenues of EUR 170.6 million (-0.2%, EUR -0.4 million compared with Q3 2015) and EBITDA of EUR 52.4 million (-22.2%, EUR -14.9 million).

All of the core product segments increased their sales volume compared with a year earlier. However, due to a steep fall in the average sales price, the shale oil segment's sales revenue decreased year on year. Electricity and distribution segments improved their sales revenue compared with Q3 2015.

Despite growth in sales volume, electricity EBITDA<sup>1</sup> decreased (-22.6%, EUR -7.1 million) because the sales margin was lower than a year earlier. Gain on electricity derivatives declined as well.

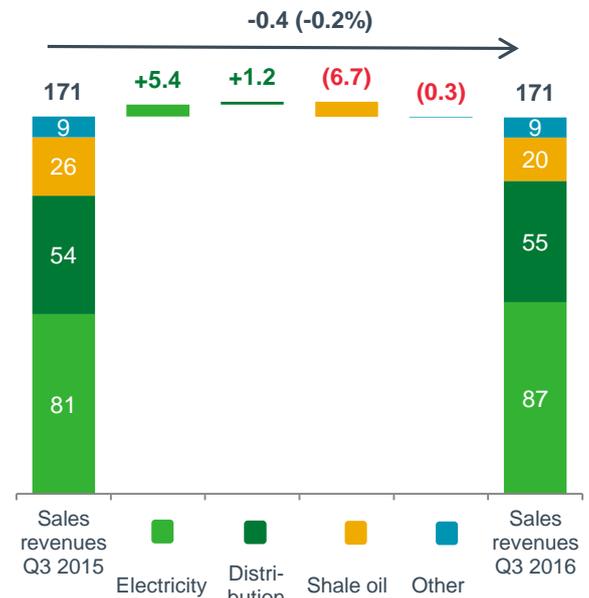
Distribution EBITDA weakened (-2.6%, EUR -0.8 million), mainly due to unplanned repair costs.

Shale oil EBITDA decreased (-82.9%, EUR -7.7 million), mostly due to a lower gain on derivative instruments.

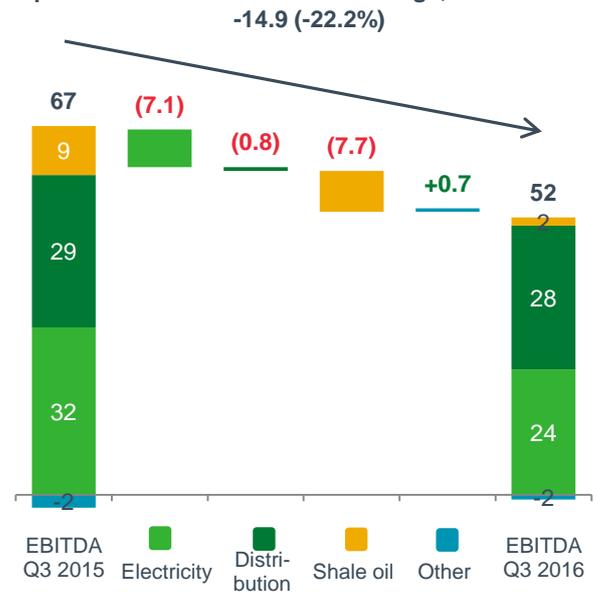
EBITDA on the Group's other products and services grew (EUR +0.7 million), primarily thanks to the heat sales segment.

The Group earned a net profit of EUR 13.3 million (-57.4%, EUR -18.0 million).

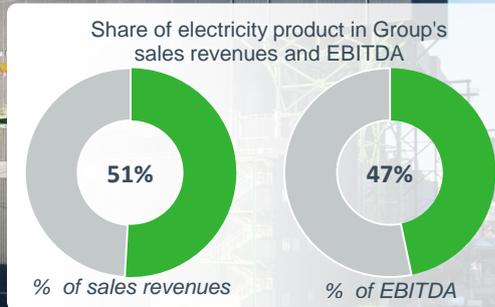
Group's Sales Revenues Breakdown and Change, m€



Group's EBITDA Breakdown and Change, m€



<sup>1</sup> Due to changes in accounting policies, segment reporting has been adjusted compared to the interim report for Q3 2015

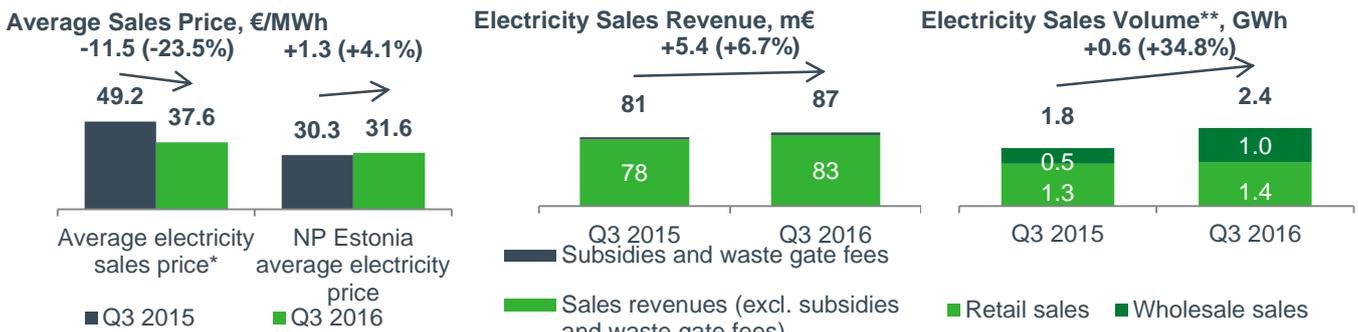


## Electricity

**Electricity sales revenue** for Q3 2016 amounted to EUR 86.8 million (+6.7%, EUR +5.4 million). In Q3, Eesti Energia sold 2,401 GWh of electricity (+34.8%, +620 GWh)<sup>2</sup>, retail sales accounting for 1,353 GWh (+3.7%, +49 GWh) and wholesale sales for 1,048 GWh (+119.8%, +571 GWh) of the total.

The average sales price of electricity including gain on derivative instruments (but excluding renewable energy subsidies and municipal waste gate fees) was

37.6 €/MWh (-23.5%, -11.5 €/MWh). The average sales price of electricity excluding gain on derivative instruments (and subsidies and municipal waste gate fees) was 36.9 €/MWh (-16.6%, -7.3 €/MWh). Gain on derivative instruments accounted for 0.7 €/MWh (-85.0%, -4.2 €/MWh) of the average sales price. Total gain on derivative instruments amounted to EUR 1.6 million (-79.2%, EUR -6.2 million).



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

\*\* sales volume includes total Auvere power plant sales volume

The rise in the wholesale volume is attributable to more favourable market conditions, a higher average market price and lower price volatility. Better market conditions were underpinned by a year-on-year rise in the market price of electricity and lower variable costs resulting from a decrease in the Group's oil shale and CO<sub>2</sub> emission allowance expenses. Growth in the retail sales volume resulted from higher sales in the large customer segment.

In Estonia, retail sales of electricity amounted to 945 GWh (+3.8%, +34.4 GWh). In terms of customers' electricity consumption volume, Eesti Energia's Q3

market share in Estonia was 57% (-2 percentage points compared with Q3 2015)<sup>2</sup>. The change in market share results from certain changes in the customer portfolio, which have influenced market share since the beginning of the year.

At 1 October 2016, Estonian customers purchased electricity from Eesti Energia at around 451,400 points of consumption, a decrease of around 1,000 during the quarter. Universal service was consumed at around 102,500 points of consumption, an increase of around 1,500 on the beginning of Q3.

<sup>2</sup> According to the Estonian transmission system operator Elering

In Latvia and Lithuania, the Group operates under the Enefit brand. In Q3 2016, Eesti Energia's retail sales in Latvia and Lithuania totalled 407 GWh (+3.6%, +14.1 GWh). Market shares were 16% in Latvia and 5% in Lithuania, +1 and -1 percentage point compared with Q3 2015 respectively. At the end of Q3 2016, Latvian and Lithuanian customers purchased electricity from Eesti Energia at around 19,500 points of consumption, an increase of around 900 (+5%) during the quarter.

The Group's total share of the Baltic retail electricity market was 24%, 1 percentage point down from a year earlier.

In Q3 2016, the Group generated 2,505 GWh of electricity (+42.8%, +750 GWh). Electricity output increased in connection with a lower cost base in electricity production and a rise in the competitiveness of oil shale-derived electricity. Thanks to the introduction of a flexible resource charge system for oil shale, it was possible to offer electricity at prices in which the cost price of oil shale was lower. Growth in electricity production was also supported by more favourable CO<sub>2</sub> emission allowance prices and larger and more stable output from the Auvere power plant.

In Q3 2016, electricity generated from renewable sources amounted to 80.0 GWh (+28.3%, +17.7 GWh). Around 49% of this was produced at wind farms (39.4 GWh, +14.4%, +4.9 GWh). Production of renewable energy from biodegradable waste and biofuels grew by 12.0 GWh (+43.5%).

Electricity output eligible to renewable energy and efficient cogeneration subsidies totalled 52.3 GWh (+12.4%, +5.8 GWh). Renewable energy and efficient cogeneration subsidies received by the Group totalled EUR 2.8 million (+12.4%, EUR +0.3 million).

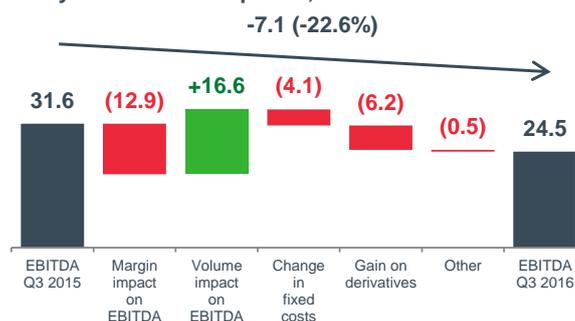
## Key Figures of Electricity Product

		Q3 2016	Q3 2015
Return on fixed assets*	%	3.4	11.9
Electricity EBITDA	€/MWh	11.0	20.0

\* Rolling 12 months. Excluding impairment of generation assets in December 2013 and December 2015

**Electricity EBITDA** for Q3 2016 amounted to EUR 24.5 million, decreasing by 22.6% or EUR 7.1 million year on year.

### Electricity EBITDA Development, m€



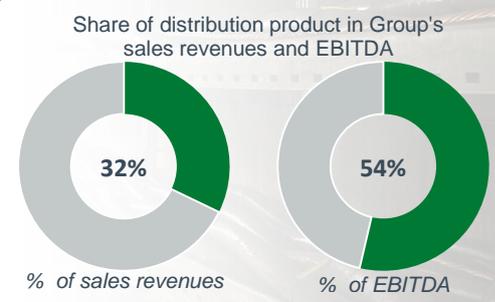
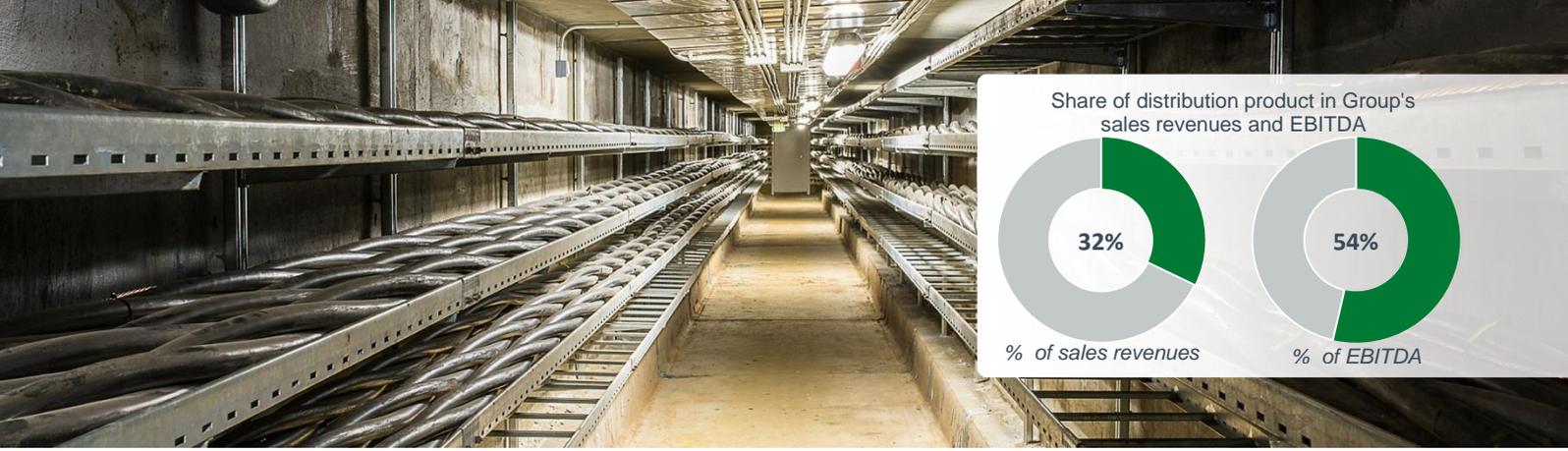
The impact of margin change was EUR -12.9 million (-5.9 €/MWh). Average electricity sales revenue decreased by 7.8 €/MWh (impact on EBITDA: EUR -17.1 million), the figure reflecting a decrease in subsidies of 0.3 €/MWh and a decline in the average sales price of electricity of 7.3 €/MWh. Lower variable costs improved EBITDA by EUR 4.2 million, most of it resulting from smaller border crossing charges and lower electricity purchase expenses.

Growth in electricity sales volume improved electricity EBITDA by EUR 16.6 million.

Change in fixed costs lowered electricity EBITDA by EUR 4.1 million. The impact of the fixed cost component which is linked to inventory change was EUR -5.1 million. Maintenance costs decreased by EUR 1.3 million.

Realised gain on derivative instruments decreased by EUR 6.2 million.

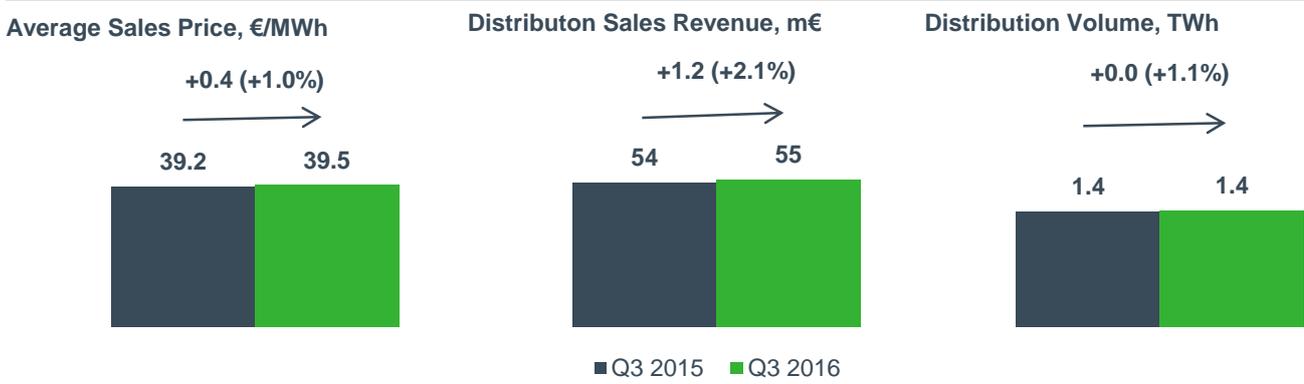
Other impacts on electricity EBITDA (EUR -0.5 million in total) mainly resulted from a change in the value of derivative instruments (impact: EUR -0.8 million) and recognition of smaller environmental provisions (impact: EUR +0.2 million).



## Distribution

Distribution sales revenue for Q3 2016 was EUR 54.9 million (+2.1%, EUR +1.2 million) and distribution sales volume amounted to 1,389 GWh (+1.1%, +15.8 GWh).

Network losses totalled 62.5 GWh or 4.2% (Q3 2015: 60.3 GWh or 4.1%).



In Q2 2016, the average distribution sales price was 39.5 €/MWh (+0.1%, +0.4 €/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 connected with the distribution service.

The average duration of unplanned interruptions was 54 minutes (Q3 2015: 29 minutes). The figure increased in connection with severe thunderstorms that hit Southern Estonia in July, causing an emergency situation to be declared in three control areas (Tartu, Valga-Põlva and Võru). The average duration of planned interruptions was 18 minutes (Q3 2015: 20 minutes).

Weather-related outages of the low-voltage network have decreased thanks to the replacement of regular overhead lines with weather-proof cables.

### Key Figures of Distribution Product

		Q3 2016	Q3 2015
Return on fixed assets*	%	6.6	7.1
Distribution losses	GWh	62.5	60.3
SAIFI	index	0.47	0.40
SAIDI (unplanned)	index	54.4	29.4
SAIDI (planned)	index	17.9	19.5
Adjusted RAB	m€	743.8	708.6

\* Rolling 12 months

**Distribution EBITDA** for Q3 2016 amounted to EUR 28.1 million, decreasing by 2.6% or EUR 0.8 million year on year.

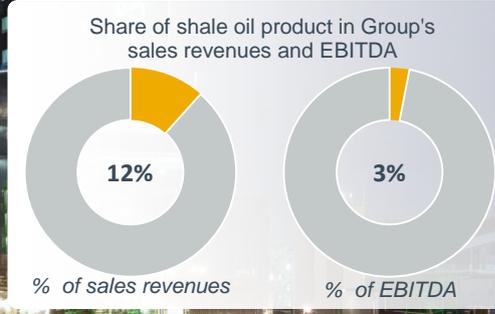
**Distribution EBITDA Development, m€**  
-0.8 (-2.6%)



Margin change had an EUR +0.3 million (+0.2 €/MWh) impact on distribution EBITDA. The impact of a rise in the average distribution sales price was EUR +0.5 million and the impact of a rise in variable costs EUR -0.2 million.

Distribution sales volume grew by 1.1% which had a EUR +0.5 million impact on EBITDA.

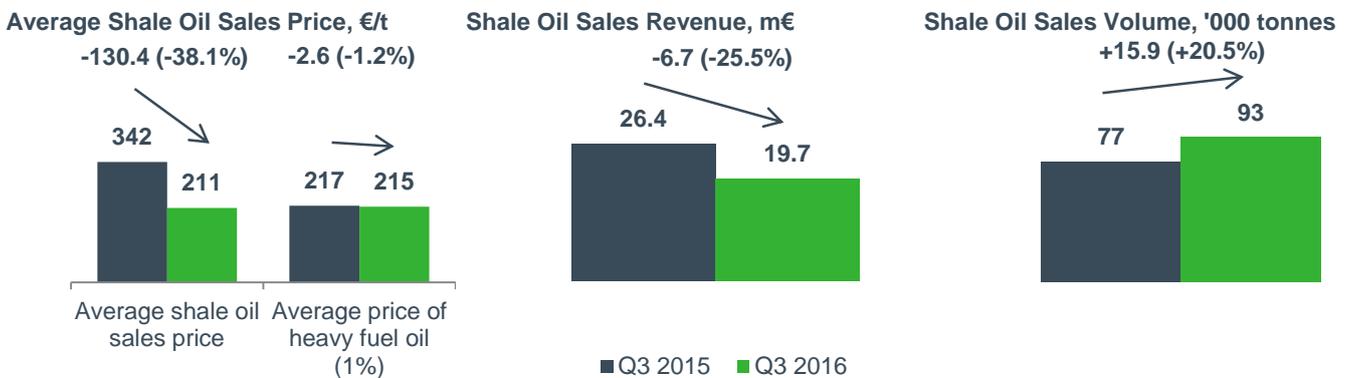
Fixed distribution costs grew by EUR 1.5 million compared with a year earlier, mainly through larger unplanned repair costs related to stormy weather.



## Shale Oil

**Shale oil sales revenue** for Q3 2016 amounted to EUR 19.7 million (-25.5%, EUR -6.7 million). In Q3 2016, Eesti Energia sold 93.2 thousand tonnes of shale oil (+20.5%, +15.9 thousand tonnes). The rise

in sales volume is mainly attributable to growth in the Group's shale oil output.



Shale oil sales revenue decreased because the average sales price declined. In Q3 2016, the average sales price of shale oil was 211.4 €/t (-38.1%, -130.4 €/t). The average sales price includes gain on derivative instruments of 7.2 €/t (-140.7 €/t), EUR 0.7 million in total (-94.1%, EUR -10.8 million). Excluding the impact of derivative instruments, the average sales price of shale oil grew to 204.2 €/t (+5.4%, +10.4 €/t) while the world market price of the reference product, heavy fuel oil dropped by 2.6 €/t. The average sales price of shale oil has been supported by a year-on-year decrease in the discount of shale oil relative to the price of the reference product.

In Q3 2016 the Group produced 85.8 thousand tonnes of shale oil (+5.6%, +4.6 thousand tonnes). The output of the Enefit280 oil plant decreased to 29.5 thousand tonnes (-20.3%, -7.5 thousand tonnes) due to growth in repair and upgrade operations. The output of the Enefit140 oil plant grew by 12 thousand

tonnes to 56.3 thousand tonnes (+27.3%) year on year due to differences in the timing of planned repair work (in September 2015 one unit of Enefit140 was closed for repairs, in 2016 relevant repair operations were conducted in the first half of the year).

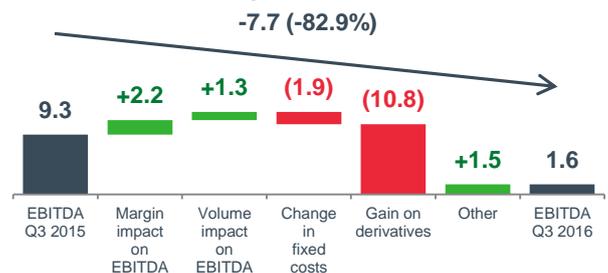
### Key Figures of Shale Oil Product

		Q3 2016	Q3 2015
Return on fixed assets*	%	-2.6	22.3
Shale oil EBITDA	€/t	17.0	119.8

\* Rolling 12 months

**Shale oil EBITDA** for Q3 2016 amounted to EUR 1.6 million, decreasing by EUR 7.7 million year on year.

### Shale Oil EBITDA Development, m€



Margin growth had a EUR +2.2 million (+24 €/t) impact on EBITDA. The average sales price rose by 10 €/t, which had a EUR +1.0 million impact on EBITDA. Lower variable costs increased EBITDA by EUR 1.3 million.

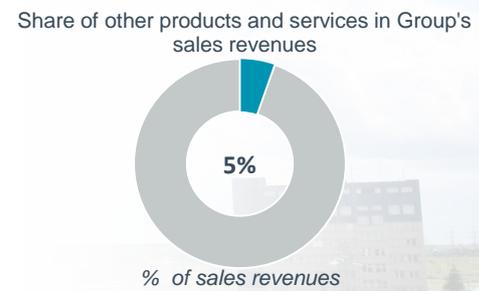
Growth in sales volume had an impact of EUR +1.3 million; sales volume grew by 21%.

The impact of a change in fixed costs was EUR -1.9 million. The fixed cost component which is

linked to inventory change had an impact of EUR -2.7 million. Smaller labour costs improved EBITDA by EUR 1.0 million.

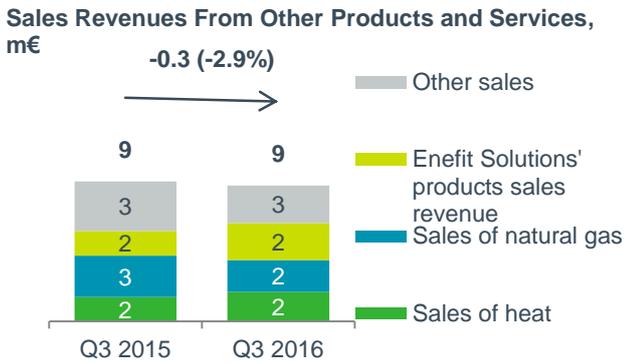
Gain on shale oil derivatives decreased by EUR 10.8 million year on year.

Other impacts on shale oil EBITDA were EUR +1.5 million, consisting mostly of a change in the value of derivative instruments (impact: EUR +1.3 million).



## Other Products and Services

Sales revenues from other products and services for Q3 2016 totalled EUR 9.1 million (-2.9%, EUR -0.3 million).



Heat sales volume grew by 41.7% (+14.5 GWh) and heat sales revenue improved by EUR 0.4 million (+22.0%). The variable costs of heat energy have decreased. Heat EBITDA grew by EUR 0.6 million. Revenue from sales of natural gas declined by EUR 0.7 million (-23.7%), mainly due to a decrease in the market price of natural gas.

Other impacts on EBITDA totalled EUR +0.03 million.

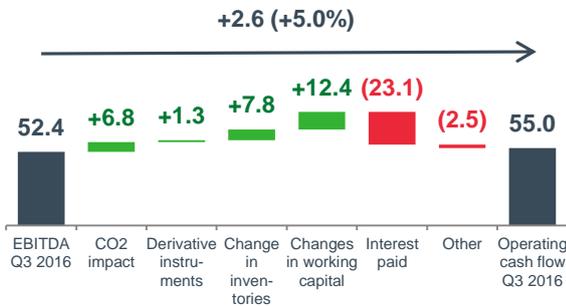
EBITDA on other products and services amounted to EUR -1.8 million, improving by 27.0% or EUR 0.7 million year on year.



## Cash Flows

The Group's net operating cash flow for Q3 2016 was EUR 55.0 million, 5.0% or EUR 2.6 million larger than EBITDA for the period (EUR 52.4 million).

### EBITDA to Operating Cash Flows Development, m€



The impacts of CO<sub>2</sub> totalled EUR +6.8 million including recognition of a provision for CO<sub>2</sub> emission allowances, which reduced Q3 EBITDA relative to operating cash flow by EUR 15.6 million. Security deposits charged for CO<sub>2</sub> emission allowances reduced cash flow by EUR 9.7 million.

The total impact of cash receipts from and changes in the value of derivative instruments was EUR +1.3 million, of which EUR +4.3 million is attributable to shale oil derivatives and EUR -3.0 million to electricity derivatives.

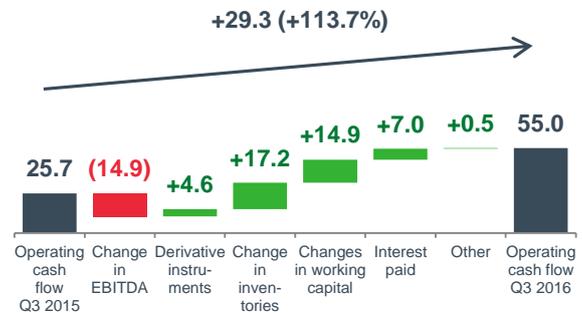
The decrease in inventories had an impact of EUR +7.8 million, the figure comprising the impacts of a decline in oil shale and shale oil inventories of EUR +4.8 million and EUR +3.7 million respectively and growth in other inventories of EUR -0.7 million.

The impact of changes in other components of working capital was EUR +12.4 million. The impact of growth in receivables was EUR -2.6 million, resulting mainly from seasonal factors. A rise in payables had an impact of EUR +12.5 million. Other impacts on working capital totalled EUR +2.4 million, resulting mainly from a change in previously recognised prepaid environmental charges.

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

Compared with Q3 2015, net operating cash flow increased by 113.7% (EUR +29.3 million). EBITDA decreased by EUR 14.9 million (-22.2%).

### Operating Cash Flow Changes, m€



The impact of derivative instruments on year-on-year change in operating cash flow was EUR +4.6 million. In Q3 2016, shale oil derivatives had a positive impact of EUR +4.3 million compared with EUR -5.8 million in the same period last year (total impact: EUR +10.1 million) while electricity derivatives had a negative impact of EUR -3.0 million compared with EUR +2.5 million in the same period last year (total impact: EUR -5.5 million).

The impact of inventory change was EUR +17.2 million. In Q3 2015 inventories grew (impact: EUR -9.4 million) but in Q3 2016 inventories decreased (impact: EUR +7.8 million).

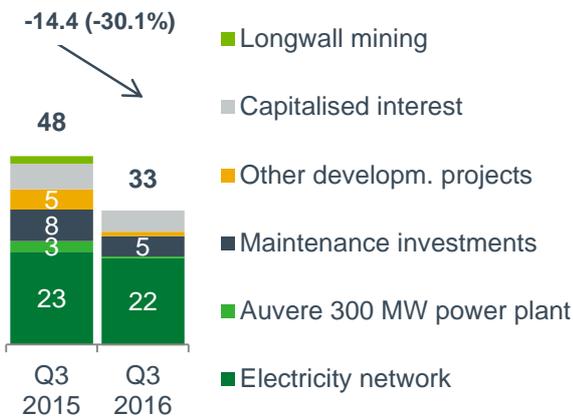
The impact of changes in other components of working capital was EUR +14.9 million. In Q3 2016 trade payables increased by EUR 12.5 million while in the same period last year trade payables decreased by EUR 0.4 million (total impact: EUR +12.9 million). Other changes in working capital had an impact of EUR +2.0 million.

Other impacts totalled EUR +0.5 million.

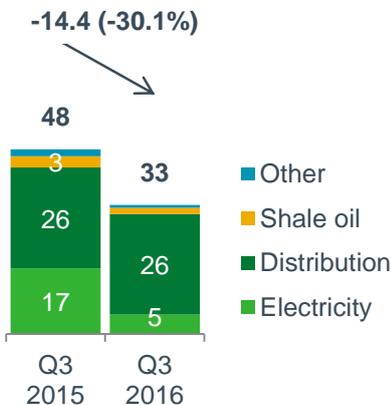
## Investment

In Q3 2016, the Group’s capital expenditures totalled EUR 33.4 million (-30.1%, EUR -14.4 million). Capital expenditures declined by EUR 2.3 million due to decrease in the investments in the Auvere power plant. Maintenance and repair expenditures (excl. the distribution network) totalled EUR 5.1 million (-35.1%, EUR -2.8 million). In Q3 2016, the largest capital investments of EUR 21.7 million (-6.7%, EUR -1.6 million) were made in the distribution network.

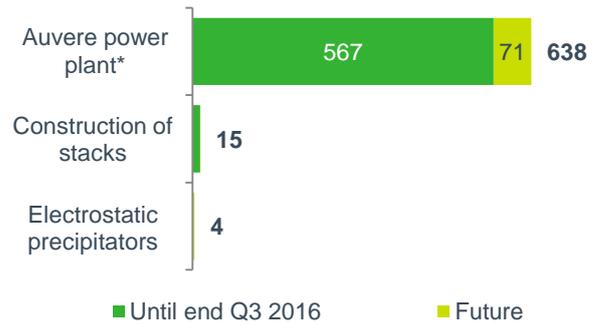
Capex Breakdown by Projects, m€



Investment Breakdown by Products, m€



Main Ongoing Projects, m€



\* Actual cost is influenced by partial offsetting of the plant’s costs against electricity sales revenue.

### Construction of a 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. In support of its construction, the European Commission permitted Estonia to allocate to Eesti Energia 17.7 million tonnes of free CO<sub>2</sub> 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 came to the conclusion that the plant’s electrostatic precipitator is unable to ensure the regulatory compliance of particle emissions in all operating modes of the generating unit and thus decided to complement the electrostatic precipitator with a new fabric filter.

In Q3 2016, the general contractor was mainly involved in the design of the new fabric filter. The construction work required for the installation of the fabric filter is why the delivery and acceptance of the Auvere plant will be deferred. Until the fabric filter is installed, the plant will operate at modes and loads where emissions comply with relevant requirements. The planned cost of the project (incl. the fuel feeding system) is EUR 638 million. By the end of Q3 2016, EUR 567 million (89%) of this had been invested.

### Improvement of Network Quality

In Q3 2016, investments in improving the sustainability, quality and efficiency of the distribution network totalled EUR 21.7 million compared with EUR 23.3 million in Q3 2015. During the quarter, 45 substations and 553 kilometres of weather-proof network cables were built (Q3 2015: 135 substations and 185 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 Q3 2016, 20 thousand new smart meters were installed and 46 thousand meters were switched over to the remote reading system as part of the remote reading project. By the end of the quarter, 592 thousand new hourly smart meters had been installed and 100% of them had been switched over to the remote reading system. Meters with remote reading capability account for 93% of all of Elektrilevi's electricity 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 Q3, two ventilators and two specialized underground trucks were delivered. According to plan, project works 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 around 0.8 million tonnes per year. The planned cost of the project is EUR 21 million. By the end of Q3 2016, EUR 19.4 million (92%) of this had been invested.

### International projects

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 with Chinese banks of USD 1.623 billion (approx. EUR 1.461 billion) were signed in January and the amendments required for the approval of the credit guarantee were formalised in August. The credit guarantee must also be approved by the Chinese Ministry of Finance. In Q3 2016, the main focus of development activities was on meeting the preliminary terms outlined in the financing agreements of the electricity project. For successful completion of the project's financing arrangements, certain permits need to be obtained and some additional contracts have to be signed. In Q3, the oil shale supply contract, the power plant operation and maintenance contract, and the mine opening contract were signed.

The planned net capacity of the first Jordanian oil shale power plant which is scheduled for completion in 2020 at the latest is 470 MW.

The Group is planning to finalise the sale of the stake 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.

Regarding the preliminary development of the shale oil production project in Utah (USA), the process of applying for the necessary environmental permits continued in Q3. Also during Q3, the project achieved a reserve classification, with an independent

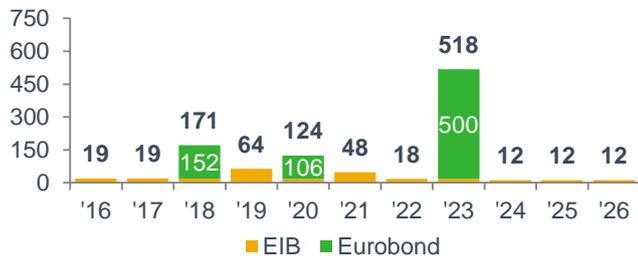
consultant reporting 514 million barrels of proven and probable reserves, with a remaining 2.6 billion barrels

## Financing

Eesti Energia’s main sources of debt capital are the international bond market and investment loans from the European Investment Bank (EIB). These are complemented with liquidity loan and guarantee facilities obtained from regional banks.

At the end of Q3 2016, the total nominal value of the Group’s borrowings was EUR 1,004.8 million (EUR 1,017.8 at the end of Q2). The amortised cost of borrowings was EUR 943.6 million (at the end of Q2: EUR 954.8 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 246.5 million. In Q3, the Group made EIB regular loan repayments of EUR 13.0 million. There were no other changes in borrowings.

### Debt Maturity, m€



At the end of Q3 2016, the Group’s liquid assets stood at EUR 205.1 million. In addition, the Group had 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 OP Corporate Bank), which will mature in July 2020, and a long-term loan agreement of EUR 70 million signed with EIB. In Q3 2016, it was agreed that the term for drawing the loan would be extended by one year until October 2017.

At the end of Q3 2016, the weighted average interest rate of Eesti Energia’s borrowings was 2.64% (at the end of Q2: 2.93%). The Group has predominantly

of in-place resources (the quantities expressed in units of the end-product, i.e. shale oil).

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.

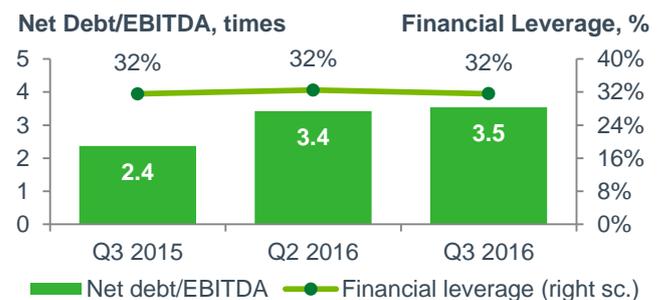
### Liquidity Development in Q3 2016, m€



At the end of Q3 2016, the Group’s credit ratings were at the level of BBB (Standard & Poor’s, outlook negative) and Baa3 (Moody’s, outlook stable).

The Group’s net debt as at the end of Q3 2016 amounted to EUR 738.5 million (EUR -26.8 million compared with the end of Q2 2016) and net debt to EBITDA ratio was 3.5 (3.4 at the end of Q2), the ratio will probably decrease by year end. The objective of Eesti Energia’s financing policy is not to exceed the net debt to EBITDA ratio of 3.5. Under its loan agreements, Eesti Energia has undertaken to comply with certain financial covenants. At the end of Q3 2016, the Group’s financial indicators complied with all contractual covenants.

### Net Debt/EBITDA Ratio and Financial Leverage



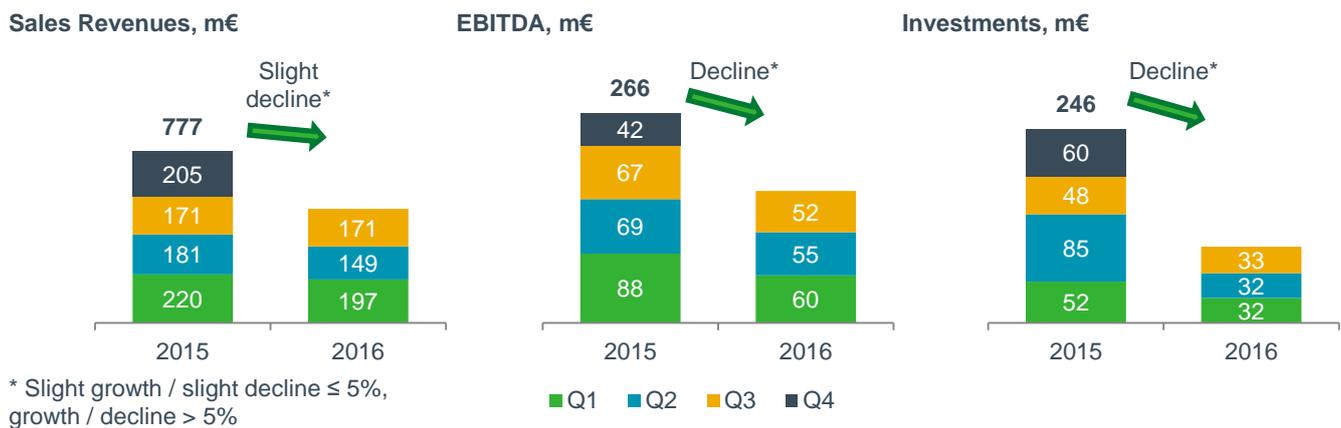
## Outlook for FY 2016

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 lower gains from financial hedges comparing with 2015. Negative impact is somewhat counterbalanced

by the linking of environmental fees to the price of final product, 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 Q4 2016 amount to 1.8 TWh of electricity (including retail electricity sales) with an average price of 35.3 €/MWh and 33 thousand tonnes of oil with an average price of 358 €/t. Forward sales for delivery in 2017 amount to 2.6 TWh of electricity with an average price 34.4 €/MWh. As at Q2 interim report the forward sales of

electricity amounted to 1.8 TWh. The Group's forward sales for delivery of oil in 2017 amount to 191 thousand tonnes with an average price of 228 €/t. As at Q2 interim report, there were no forward sales for oil in 2017.

The Group's CO<sub>2</sub> emission allowance position for 2016 amounts to 12.8 million tonnes at an average price of 5.9 €/t (including forward transactions, free emission allowances received as investment support and the surplus of previous periods). The position for 2017 amounts to 3.8 million tonnes at an average price of 0.8 €/t 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	Note	Q3 2016	Q3 2015	9m 2016	9m 2015	12m 2016/15	12m 2015/14
Revenue	3	170.6	171.0	516.3	571.8	721.3	823.6
Other operating income		5.0	4.3	13.5	14.7	15.0	26.4
Government grants		0.1	0.1	0.3	0.2	0.4	0.4
Change in inventories of finished goods and work-in-progress		(8.4)	9.0	(14.0)	25.0	(11.0)	13.7
Raw materials and consumables used		(67.1)	(69.6)	(207.2)	(236.1)	(297.8)	(337.7)
Payroll expenses		(31.2)	(32.0)	(93.5)	(101.2)	(131.9)	(145.4)
Depreciation, amortisation and impairment		(35.7)	(35.4)	(107.4)	(105.9)	(210.0)	(136.6)
Other operating expenses		(16.6)	(15.5)	(48.1)	(50.3)	(87.1)	(69.9)
<b>OPERATING PROFIT</b>		<b>16.7</b>	<b>31.9</b>	<b>59.9</b>	<b>118.2</b>	<b>(1.1)</b>	<b>174.5</b>
Financial income		-	1.6	0.2	4.5	1.9	5.8
Financial expenses		(4.0)	(3.4)	(12.9)	(8.0)	(15.4)	(10.4)
<b>Net financial income (expense)</b>		<b>(4.0)</b>	<b>(1.8)</b>	<b>(12.7)</b>	<b>(3.5)</b>	<b>(13.5)</b>	<b>(4.6)</b>
Profit from associates using equity method		0.6	1.2	0.8	1.2	2.1	(1.2)
<b>PROFIT BEFORE TAX</b>		<b>13.3</b>	<b>31.3</b>	<b>48.0</b>	<b>115.9</b>	<b>(12.5)</b>	<b>168.7</b>
<b>CORPORATE INCOME TAX EXPENSE</b>	-	-	-	-	(23.1)	8.1	(18.0)
<b>PROFIT FOR THE PERIOD</b>		<b>13.3</b>	<b>31.3</b>	<b>48.0</b>	<b>92.8</b>	<b>(4.4)</b>	<b>150.7</b>
<b>Equity holder of the Parent Company</b>		<b>13.5</b>	<b>31.4</b>	<b>48.0</b>	<b>93.2</b>	<b>(4.8)</b>	<b>151.2</b>
<b>Non-controlling interest</b>		<b>(0.2)</b>	<b>(0.1)</b>	-	<b>(0.4)</b>	<b>0.4</b>	<b>(0.5)</b>
Basic earnings per share (euros)	9	0.02	0.05	0.08	0.15	(0.01)	0.24
Diluted earnings per share (euros)	9	0.02	0.05	0.08	0.15	(0.01)	0.24

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Q3 2016	Q3 2015	9m 2016	9m 2015	12m 2016/15	12m 2015/14
<b>PROFIT FOR THE PERIOD</b>	<b>13.3</b>	<b>31.3</b>	<b>48.0</b>	<b>92.8</b>	<b>(4.4)</b>	<b>150.7</b>
<b>Other comprehensive income</b>						
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Revaluation of hedging instruments	(8.5)	4.2	(22.1)	(22.0)	(30.3)	16.0
Currency translation differences attributable to foreign subsidiaries	(0.2)	-	(0.7)	3.9	0.7	4.8
<b>Other comprehensive income for the period</b>	<b>(8.7)</b>	<b>4.2</b>	<b>(22.8)</b>	<b>(18.1)</b>	<b>(29.6)</b>	<b>20.8</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>4.6</b>	<b>35.5</b>	<b>25.2</b>	<b>74.7</b>	<b>(34.0)</b>	<b>171.5</b>
<b>Equity holder of the Parent Company</b>	<b>4.8</b>	<b>35.6</b>	<b>25.2</b>	<b>75.1</b>	<b>(34.4)</b>	<b>172.0</b>
<b>Non-controlling interest</b>	<b>(0.2)</b>	<b>(0.1)</b>	-	<b>(0.4)</b>	<b>0.4</b>	<b>(0.5)</b>

## Condensed Consolidated Interim Statement of Financial Position

in million EUR	Note	30.09.2016	30.09.2015	31.12.2015
<b>Non-current assets</b>				
Property, plant and equipment	6	2,462.8	2,490.0	2,473.9
Intangible assets		38.9	66.5	41.1
Investments in associates		3.3	3.3	4.6
Derivative financial instruments	7	-	0.6	-
Long-term receivables		37.0	41.1	32.9
<b>Total non-current assets</b>		<b>2,542.0</b>	<b>2,601.5</b>	<b>2,552.5</b>
<b>Current assets</b>				
Inventories		66.8	69.8	71.9
Greenhouse gas allowances	4	5.3	21.5	33.5
Trade and other receivables		118.0	77.3	99.8
Derivative financial instruments	7	3.1	70.4	40.3
Deposits not recognised as cash equivalents		-	111.0	-
Cash and cash equivalents		205.0	78.7	159.8
<b>Total current assets</b>		<b>398.2</b>	<b>428.7</b>	<b>405.3</b>
<b>Total assets</b>	<b>3</b>	<b>2,940.2</b>	<b>3,030.2</b>	<b>2,957.8</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holder of the Parent Company</b>				
Share capital	8	621.6	621.6	621.6
Share premium		259.8	259.8	259.8
Statutory reserve capital		62.1	62.1	62.1
Hedge reserve		(5.3)	25.0	16.8
Unrealised exchange rate differences		10.3	9.6	11.0
Retained earnings		647.5	619.1	599.5
<b>Total equity and reserves attributable to equity holder of the Parent Company</b>		<b>1,596.0</b>	<b>1,597.2</b>	<b>1,570.8</b>
<b>Non-controlling interest</b>		<b>1.7</b>	<b>0.7</b>	<b>1.1</b>
<b>Total equity</b>		<b>1,597.7</b>	<b>1,597.9</b>	<b>1,571.9</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	10	924.3	906.7	932.5
Other payables		1.4	7.7	1.2
Derivate financial instruments	7	1.8	1.0	-
Deferred income		178.4	167.8	171.4
Provisions	12	31.6	33.9	31.0
<b>Total non-current liabilities</b>		<b>1,137.5</b>	<b>1,117.1</b>	<b>1,136.1</b>
<b>Current liabilities</b>				
Borrowings	10	19.3	19.3	19.3
Trade and other payables		122.2	266.4	179.0
Derivative financial instruments	7	14.5	3.7	11.8
Provisions	12	49.0	25.8	39.7
<b>Total current liabilities</b>		<b>205.0</b>	<b>315.2</b>	<b>249.8</b>
<b>Total liabilities</b>		<b>1,342.5</b>	<b>1,432.3</b>	<b>1,385.9</b>
<b>Total liabilities and equity</b>		<b>2,940.2</b>	<b>3,030.2</b>	<b>2,957.8</b>

## Condensed Consolidated Interim Statement of Cash Flows

in million EUR	Note	Q3 2016	Q3 2015	9m 2016	9m 2015	12m 2016/15	12m 2015/14
<b>Cash flows from operating activities</b>							
Cash generated from operations	11	78.1	55.8	177.4	281.8	246.6	359.8
Interest and loan fees paid		(23.1)	(30.2)	(23.6)	(30.6)	(36.9)	(62.9)
Interest received		-	0.1	0.2	0.2	0.4	0.6
Corporate income tax paid		-	-	(14.9)	-	(14.9)	(23.0)
<b>Net cash generated from operating activities</b>		<b>55.0</b>	<b>25.7</b>	<b>139.1</b>	<b>251.4</b>	<b>195.2</b>	<b>274.5</b>
<b>Cash flows from investing activities</b>							
Purchase of property, plant and equipment and intangible assets		(27.1)	(39.4)	(94.2)	(174.9)	(144.2)	(249.6)
Proceeds from connection and other fees		4.2	3.7	11.6	9.6	16.1	13.0
Proceeds from sale of property, plant and equipment		0.4	0.7	2.4	2.0	3.4	2.6
Net change in deposits not recognised as cash equivalents		-	8.0	-	(71.0)	111.0	(6.0)
Net change in cash with limited usage		(3.2)	0.6	1.6	5.1	(2.8)	0.7
Loans granted	14	(0.7)	-	(3.4)	(2.9)	(3.4)	(5.6)
Dividends received from long-term financial investments		-	-	2.0	1.9	2.0	1.9
Proceeds from repurchase of shares and liquidation of associate		-	-	-	-	-	10.5
<b>Net cash used in investing activities</b>		<b>(26.4)</b>	<b>(26.4)</b>	<b>(80.0)</b>	<b>(230.2)</b>	<b>(17.9)</b>	<b>(232.5)</b>
<b>Cash flows from financing activities</b>							
Received long-term loans		-	-	-	-	30.4	-
Repayments of bank loans		(13.0)	(0.7)	(13.7)	(1.4)	(19.3)	(1.4)
Repayments of other loans		(0.1)	-	(0.1)	(0.1)	(0.1)	(0.1)
Acquisition of non-controlling interest in a subsidiary	-	-	-	-	(1.2)	-	(1.2)
Dividends paid		-	-	(0.1)	-	(62.0)	(93.6)
<b>Net cash used in financing activities</b>		<b>(13.1)</b>	<b>(0.7)</b>	<b>(13.9)</b>	<b>(2.7)</b>	<b>(51.0)</b>	<b>(96.3)</b>
<b>Net cash flows</b>		<b>15.5</b>	<b>(1.4)</b>	<b>45.2</b>	<b>18.5</b>	<b>126.3</b>	<b>(54.3)</b>
Cash and cash equivalents at the beginning of the period		189.5	80.1	159.8	60.2	78.7	133.0
Cash and cash equivalents at the end of the period		205.0	78.7	205.0	78.7	205.0	78.7
<b>Net increase / (-) decrease in cash and cash equivalents</b>		<b>15.5</b>	<b>(1.4)</b>	<b>45.2</b>	<b>18.5</b>	<b>126.3</b>	<b>(54.3)</b>

## 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	Share premium	Statutory legal reserve	Other reserves	Retained earnings	Total		
<b>Equity as at 31.12.2014</b>	<b>621.6</b>	<b>259.8</b>	<b>59.0</b>	<b>52.7</b>	<b>624.0</b>	<b>1,617.1</b>	<b>2.3</b>	<b>1,619.4</b>
Profit for the period	-	-	-	-	93.2	93.2	(0.4)	92.8
Other comprehensive income for the period	-	-	-	(18.1)	-	(18.1)	-	(18.1)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18.1)</b>	<b>93.2</b>	<b>75.1</b>	<b>(0.4)</b>	<b>74.7</b>
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)	-	-	-
<b>Total transactions with owners of the company, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>3.1</b>	<b>-</b>	<b>(98.1)</b>	<b>(95.0)</b>	<b>(1.2)</b>	<b>(96.2)</b>
<b>Equity as at 30.09.2015</b>	<b>621.6</b>	<b>259.8</b>	<b>62.1</b>	<b>34.6</b>	<b>619.1</b>	<b>1,597.2</b>	<b>0.7</b>	<b>1,597.9</b>
<b>Equity as at 31.12.2015</b>	<b>621.6</b>	<b>259.8</b>	<b>62.1</b>	<b>27.8</b>	<b>599.5</b>	<b>1,570.8</b>	<b>1.1</b>	<b>1,571.9</b>
Profit for the period	-	-	-	-	48.0	48.0	-	48.0
Other comprehensive income for the period	-	-	-	(22.8)	-	(22.8)	-	(22.8)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(22.8)</b>	<b>48.0</b>	<b>25.2</b>	<b>-</b>	<b>25.2</b>
Increase of non-controlling interest due to the conversion of subsidiary's debt into equity	-	-	-	-	-	-	0.6	0.6
<b>Total transactions with owners of the company, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>0.6</b>
<b>Equity as at 30.09.2016</b>	<b>621.6</b>	<b>259.8</b>	<b>62.1</b>	<b>5.0</b>	<b>647.5</b>	<b>1,596.0</b>	<b>1.7</b>	<b>1,597.7</b>

Additional information about equity is disclosed in Note 8.

# 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". While preparing the interim report at hand, the same accounting principles as in the annual report for the financial year ended on 31.12.2015 have been applied. The report does not hold all the information that must be presented in a complete annual report so it should be read together with the audited consolidated annual report 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 September 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 September 2016 and 31 December 2015:

#### 30 September 2016

in million EUR	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trading derivatives (Note 7)	0.2	0.2	-	0.4
Cash flow hedges (Note 7)	(2.1)	0.2	4.6	2.7
<b>Total financial assets</b>	<b>(1.9)</b>	<b>0.4</b>	<b>4.6</b>	<b>3.1</b>
<b>Liabilities</b>				
Trading derivatives (Note 7)	3.0	13.3	-	16.3
<b>Total financial liabilities</b>	<b>3.0</b>	<b>13.3</b>	<b>-</b>	<b>16.3</b>

#### 31 December 2015

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

## 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 September 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	4.1	4.1
Gains (+) and losses (-) recognised in other comprehensive income	(7.6)	(7.6)
Settlements (receipts - / payments+)	(15.5)	(15.5)
<b>Closing balance at 30 September 2016</b>	<b>4.6</b>	<b>4.6</b>
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"	0.6	0.6
<b>Change in unrealised gains (+) or losses(-) for the period included in profit or loss for assets held at the end of the reporting period</b>	<b>(0.1)</b>	<b>(0.1)</b>

## 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	30.09.2016	31.12.2015
Nominal value of bonds	758.3	758.3
Market value of bonds on the basis of quoted sales price	826.8	789.7
Nominal value of bank loans with fixed interest rate	198.1	210.4
Fair value of bank loans with fixed interest rate	204.5	223.1
Nominal value of bank loans with floating interest rate	48.4	49.8
Fair value of bank loans with floating interest rate	48.4	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.

#### REVENUE FROM EXTERNAL CUSTOMERS

in million EUR	Q3 2016	Q3 2015 *	9m 2016	9m 2015 *
Electricity	86.8	81.3	243.3	266.0
Distribution	54.9	53.8	183.0	176.3
Shale oil	19.7	26.4	40.4	75.2
Other products and services	9.1	9.4	49.6	54.3
<b>Total</b>	<b>170.6</b>	<b>171.0</b>	<b>516.3</b>	<b>571.8</b>

#### EBITDA

in million EUR	Q3 2016	Q3 2015 *	9m 2016	9m 2015 *
Electricity	24.5	31.6	68.8	100.1
Distribution	28.1	28.8	85.4	81.7
Shale oil	1.6	9.3	(1.3)	30.1
Other products and services	(1.8)	(2.4)	14.4	12.3
<b>Total</b>	<b>52.4</b>	<b>67.3</b>	<b>167.2</b>	<b>224.1</b>
Depreciation and amortisation	(35.7)	(35.4)	(107.4)	(105.9)
Net financial income (expense)	(4.0)	(1.8)	(12.7)	(3.5)
Profit from associates using equity method	0.6	1.2	0.8	1.2
<b>Profit before tax</b>	<b>13.3</b>	<b>31.3</b>	<b>48.0</b>	<b>115.9</b>

#### ASSETS

in million EUR	30.09.2016	30.09.2015	31.12.2015
Electricity	1,184.4	1,289.4	1,236.1
Distribution	1,025.7	960.2	968.8
Shale oil	339.3	398.1	360.4
Other products and services	390.9	382.5	392.5
<b>Total</b>	<b>2,940.2</b>	<b>3,030.2</b>	<b>2,957.8</b>

\* 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 September 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)
<b>Closing balance at 30 September 2016</b>	<b>5.3</b>

## 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	Const- ruction	Plant and equipment	Other	Construction in progress and prepayments	Total
<b>Property, plant and equipment as at 31.12.2015</b>							
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
<b>Total property, plant and equipment as at 31.12.2015</b>	<b>43.6</b>	<b>153.0</b>	<b>568.5</b>	<b>1,097.1</b>	<b>1.7</b>	<b>610.0</b>	<b>2,473.9</b>
<b>Movements in the reporting period</b>							
Purchases of property, plant and equipment	-	-	-	3.9	0.1	91.1	95.1
Depreciation charge	-	(4.6)	(20.0)	(78.4)	(0.4)	(0.2)	(103.6)
Net book amount of non-current assets disposed	(0.3)	(0.7)	-	(0.2)	-	(0.8)	(2.0)
Exchange differences	(0.1)	-	-	-	-	-	(0.1)
Transfers	0.2	0.8	27.8	79.3	0.1	(108.7)	(0.5)
<b>Total movements in 9m 2016 period</b>	<b>(0.2)</b>	<b>(4.5)</b>	<b>7.8</b>	<b>4.6</b>	<b>(0.2)</b>	<b>(18.6)</b>	<b>(11.1)</b>
<b>Property, plant and equipment as at 30.09.2016</b>							
Cost	43.4	254.0	981.3	2,100.2	6.0	591.4	3,976.3
Accumulated depreciation	-	(105.5)	(405.0)	(998.5)	(4.5)	-	(1,513.5)
Net book amount	43.4	148.5	576.3	1,101.7	1.5	591.4	2,462.8
<b>Total property, plant and equipment as at 30.09.2016</b>	<b>43.4</b>	<b>148.5</b>	<b>576.3</b>	<b>1,101.7</b>	<b>1.5</b>	<b>591.4</b>	<b>2,462.8</b>

As at 30 September 2016, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 85.3 million (31 December 2015 EUR 94.4 million).

## 7. Derivative Financial Instruments

in million EUR	30.09.2016		30.09.2015	
	Assets	Liabilities	Assets	Liabilities
Forward contracts for buying and selling electricity as cash flow hedges	(2.1)	-	7.5	-
Forward contracts for buying and selling electricity as trading derivatives	0.2	2.6	1.3	11.0
Future contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	-	11.5	0.1	0.8
Swap and option contracts for selling shale oil as cash flow hedges	4.8	-	31.0	
Swap, forward and option contracts for selling shale oil as trading derivatives	0.2	2.2	0.4	-
<b>Total derivative financial instruments</b>	<b>3.1</b>	<b>16.3</b>	<b>40.3</b>	<b>11.8</b>
<b>including non-current portion:</b>				
Swap, forward and option contracts for selling shale oil as trading derivatives	-	1.8	-	
<b>Total non-current portion</b>	<b>-</b>	<b>1.8</b>	<b>-</b>	<b>-</b>
<b>Total current portion</b>	<b>3.1</b>	<b>14.5</b>	<b>40.3</b>	<b>11.8</b>

## 8. Share Capital

As at 30 September 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.

	Q3 2016	Q3 2015	9m 2016	9m 2015	12m 2016/15	12m 2015/14
Profit attributable to the equity holders of the company (million EUR)	13.5	31.4	48.0	93.2	(4.8)	151.2
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	0.05	0.08	0.15	(0.01)	0.24
Diluted earnings per share (EUR)	0.02	0.05	0.08	0.15	(0.01)	0.24

## 10. Nominal Value and Amortised Cost of Borrowings

in million EUR	30.09.2016		31.12.2015	
	Nominal value	Amortised cost	Nominal value	Amortised cost
<b>Short- term borrowings</b>				
Current portion of long-term bank loans	19.3	19.3	19.3	19.3
<b>Total short-term borrowings</b>	<b>19.3</b>	<b>19.3</b>	<b>19.3</b>	<b>19.3</b>
<b>Long- term borrowings</b>				
Bank loans	227.2	227.0	240.9	240.6
Bonds issued	758.3	697.3	758.3	691.9
<b>Total long- term borrowings</b>	<b>985.5</b>	<b>924.3</b>	<b>999.2</b>	<b>932.5</b>
<b>Total borrowings</b>	<b>1,004.8</b>	<b>943.6</b>	<b>1,018.5</b>	<b>951.8</b>

As at 30 September 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 150.0 million in aggregate, with SEB and OP Corporate bank, which will mature in five years (July 2020) and long-term investment loan agreement with EIB of EUR 70.0 million.

## 11. Cash Generated from Operations

in million EUR	Q3 2016	Q3 2015	9m 2016	9m 2015	12m 2016/15	12m 2015/14
<b>Profit before tax</b>	<b>13.3</b>	<b>31.3</b>	<b>48.0</b>	<b>115.9</b>	<b>(12.5)</b>	<b>168.7</b>
<b>Adjustments</b>						
Depreciation and impairment of property, plant and equipment	34.5	34.1	103.6	101.9	178.7	131.1
Amortisation and impairment of intangible assets	1.2	1.3	3.8	4.0	31.3	5.5
Deferred income from connection and other service fees	(1.8)	(1.7)	(5.2)	(4.8)	(6.9)	(6.4)
Gain on disposal of property, plant and equipment	(0.3)	(0.3)	(0.5)	(1.2)	(0.9)	(1.3)
Amortisation of government grant received to purchase non-current assets	(0.1)	(0.1)	(0.3)	(0.2)	(0.4)	(0.3)
Profit/loss from associates using equity method	(0.6)	(1.2)	(0.8)	(1.2)	(2.1)	1.2
Unpaid/unsettled gain/loss on derivatives	(1.1)	(8.9)	19.6	(13.4)	49.1	(28.7)
Loss from doubtful loan receivables	-	-	-	-	11.0	-
Foreign exchange gain/loss from lending in foreign currency	0.2	0.1	0.8	(2.6)	(0.4)	(3.7)
Interest expense on borrowings	3.5	3.1	11.1	9.7	14.3	12.8
Interest and other financial income	-	(1.7)	(0.2)	(4.6)	(1.9)	(5.8)
<b>Adjusted net profit before tax</b>	<b>48.8</b>	<b>56.0</b>	<b>179.9</b>	<b>203.5</b>	<b>259.3</b>	<b>273.1</b>
<b>Net change in current assets relating to operating activities</b>						
Change in receivables related to operating activities	(2.6)	(2.8)	17.3	34.8	(2.1)	10.5
Change in inventories	7.7	(9.4)	5.1	(29.0)	3.0	(16.6)
Net change in other current assets relating to operating activities	(4.3)	0.7	(10.4)	129.1	(21.1)	94.4
<b>Total net change in current assets relating to operating activities</b>	<b>0.8</b>	<b>(11.5)</b>	<b>12.0</b>	<b>134.9</b>	<b>(20.2)</b>	<b>88.3</b>
<b>Net change in current liabilities relating to operating activities</b>						
Change in provisions	15.1	6.4	9.0	(47.3)	19.7	(29.3)
Change in trade payables	4.4	(1.9)	(7.9)	(10.7)	3.1	6.7
Net change in liabilities relating to other operating activities	9.0	6.8	(15.6)	1.4	(15.3)	21.0
<b>Total net change in liabilities relating to operating activities</b>	<b>28.5</b>	<b>11.3</b>	<b>(14.5)</b>	<b>(56.6)</b>	<b>7.5</b>	<b>(1.6)</b>
<b>Cash generated from operations</b>	<b>78.1</b>	<b>55.8</b>	<b>177.4</b>	<b>281.8</b>	<b>246.6</b>	<b>359.8</b>

## 12. Provisions

in million EUR	Opening balance 31.12.2015	Recognition and reversal of provisions	Interest charge	Use	Closing balance 30.09.2016	
					Short term provision	Long term provision
Environmental protection provisions	28.3	-	0.5	(1.3)	4.5	23.0
Provision for termination of mining operations	0.7	-	0.1	-	0.1	0.7
Employee related provisions	6.6	-	-	(1.6)	0.6	4.4
Provision for dismantling cost of assets	3.3	-	0.2	-	-	3.5
Provision for greenhouse gas emissions (Note 4)	28.3	39.4	-	(28.2)	39.5	-
Provision for obligations arising from treaties	3.5	0.8	-	-	4.3	-
<b>Total provisions</b>	<b>70.7</b>	<b>40.2</b>	<b>0.8</b>	<b>(31.1)</b>	<b>49.0</b>	<b>31.6</b>

## 13. Disposal of subsidiary

On 19 August 2016 the transaction of the sale of the 55% shareholding in Eesti Energia Tabasalu Koostootmisjaam OÜ was completed.

## 14. Related Party Transactions

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

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

### TRANSACTIONS WITH ASSOCIATES

in million EUR	9m 2016	9m 2015
Purchase of goods and services	12.1	16.3
Proceeds from sale of goods and services	0.4	1.0
Financial income	-	4.2
Loans granted	3.4	2.9

### RECEIVABLES FROM ASSOCIATES AND PAYABLES TO ASSOCIATES

in million EUR	30.09.2016	31.12.2015
Receivables	46.4	44.2
incl long-term loan receivables	46.4	42.5
Allowance for doubtful loan receivables	(10.7)	(11.0)
Payables	4.1	4.8
incl long-term payables	1.0	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 September 2016 remuneration to management and supervisory boards amounted to EUR 1.6 million.

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

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

#### TRANSACTIONS WITH ELERING AS

in million EUR	9m 2016	9m 2015
Purchase of goods and services	61.1	57.9
Purchase of property, plant and equipment and prepayments	0.2	0.4
Sale of goods and services (incl. renewable energy grant)	13.8	16.9
Sale of property, plant and equipment	-	0.6

#### RECEIVABLES FROM ELERING AS AND PAYABLES TO ELERING AS

in million EUR	30.09.2016	31.12.2015
Receivables	1.5	3.4
Payables	11.6	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 CO<sub>2</sub> costs (taking into account the price of CO<sub>2</sub> allowance futures maturing in December and the amount of CO<sub>2</sub> emitted in the generation of a MWh of electricity).

**CO<sub>2</sub> emission allowance** – According to the European Union Emissions Trading System (ETS), one emission allowance gives the holder the right to emit one tonne of carbon dioxide (CO<sub>2</sub>). 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.

**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.