Eesti Energia

Interim Report

1 April 2017 – 30 June 2017

Eesti Energia Aulepa Wind Park in Noarootsi, Estonia

Contents

Letter from the CEO

Dear reader

In the second quarter of 2017 our oil shale industry continued to operate at full capacity. We have been able to work like this for a year already, that is since July 2016, because the market prices of energy have improved. The government's decision to link the oil shale resource charge to the world market price of heavy fuel oil, enacted last year, has also had a positive impact on energy production. In addition to the solid performance of our oil shale industry, we have achieved strong growth in renewable energy output.

During the period, shale oil prices were somewhat higher than a year earlier. The average price of fuel oil with 1% sulphur content rose year on year by 45% to 261 euros per tonne for the quarter. Fuel oil with 1% sulphur content is a widely traded product on the world market which is closest in nature to the Estonian shale oil. However, in the second quarter the average price of fuel oil was lower than at the beginning of the year.

The cost of conversion of Eesti Energia's products is also influenced by the price of carbon dioxide emission allowances: the lower the price, the more competitive the cost our products. Compared to the same time last year, the price of carbon dioxide emission allowances decreased by 17%: if in the second quarter of 2016 the price of carbon dioxide emission allowances was 5.8 euros per tonne, then in the second quarter of this year, it was one euro lower, that is 4.8 euros per tonne.

In the second quarter the average market price of electricity in the Estonian price area was 30.8 euros per megawatt hour. It is interesting to note that mostly due to maintenance at the Olkiluoto nuclear power plant, in April the Estonian electricity price was lower than the Finnish one. The quarter's average electricity price in Estonia was also lower because in May and June electricity prices in Estonia and Finland were equal. However, the Nord Pool system price increased year on year because the level of the water reservoirs, which has the strongest impact on the Nordic and Baltic electricity prices, was slightly below the historical median. In addition, during the peak maintenance periods in June 15,000 megawatts of production capacities were off the market across the Nord pool system. For comparison, Eesti Energia's total production capacity is around 2,200 megawatts.

Eesti Energia's sales revenue for the second quarter amounted to 177 million euros, a 19% improvement on a year earlier. EBITDA grew by 17% year on year, amounting to 64 million euros. The growth in EBITDA and sales revenue was underpinned by larger production volumes and a higher market price of oil. Net profit for the second quarter of 2017 amounted to 13 million euros, a decrease of 14% compared to the same time last year. The decrease is net profit results from last year's government decision to retrospectively lower the resource charges, which had a positive impact on the net profit for the second quarter of 2016. Net profit for the second quarter of 2017 was also reduced by the income tax payable on dividends of 12 million euros. In the same period last year there was no dividend tax expense because last year Eesti Energia did not make a dividend distribution.

In the second quarter, we produced 2.4 terawatt hours of electricity, 43% more than in the same period last year. Among the Baltic countries and Finland Estonia is the only country whose electricity production exceeds consumption. Thus, electricity production and sales make a strong contribution to Estonia's exports. Although we produce most of our electricity from oil shale, we consistently increase our renewable energy production. In the second quarter, we produced 108 gigawatt hours of renewable energy which would meet the annual electricity need of more than 43,000 average-consumption households.

Last year, due to low market prices of oil, we rescheduled major maintenance operations at our oil plants to the first half of the year. As a result, our oil production in that period was relatively small. Thanks to a significant year-on-year improvement in the

market prices of liquid fuels and more reliable operation of the oil plants, in the second quarter of this year we increased our shale oil output substantially compared to the same period last year. We produced 106 thousand tonnes of oil, which is 87% more than in the second quarter of 2016. The output of our new-generation oil, electricity and gas co-generation plant Enefit280 exceeded 53,000 tonnes.

Eesti Energia's capital expenditures for the second quarter remained at the same level as a year earlier, that is at 31 million euros. Most of this amount was spent on making the electricity distribution network more weatherproof in order to reduce supply interruptions. We invested 17 million euros in the construction of 48 new substations and 448 kilometres of power lines. By the end of the quarter, 63% of the distribution network operated by Eesti Energia's subsidiary Elektrilevi was weatherproof and in the next few years the share of the weatherproof network will continue to grow. The investments made over the years in increasing the smartness of the power network and Elektrilevi's effective work in reducing network losses and detecting illegal consumption have yielded a tangible result – from July this year, the average distribution service charge for the customer decreased by around 7%.

At the Auvere power plant, General Electric continued to build fabric filters which must ensure that the power plant's emissions remain within established limits also when it is operating at maximum capacity. According to plan, General Electric will deliver the power plant this autumn.

To take into account and successfully adapt to changes in the operating environment, in the first half of every year we review our strategic action plan. In June, the supervisory board approved our updated action plan which is aimed at increasing Eesti Energia's profitability and competitiveness despite low market prices.

During the period we continued work on the strategic projects of the near term: the reconstruction of generating unit 8 of the Eesti power plant which will allow one of its two boilers to consume oil shale gas to the extent of 50%. Realisation of the project will reduce the environmental impacts of electricity production. The total cost of the project is 15 million euros. Second-quarter expenditures on the project totalled 3 million euros. The reconstructed generating unit will begin operating at the end of the year.

Our targets include expanding retail sales and provision of energy services in the countries of the Baltic Sea area. In June, the office regulating the energy market in Poland issued our Polish subsidiary a licence for the sale of electricity and natural gas and to date the first contract in the Polish market has already been signed. We successfully launched our natural gas sales in Latvia: by the end of the quarter over 200 companies had chosen Enefit as their gas purchase partner, making us the second-largest natural gas seller in the country. We have been selling electricity in Latvia for over 10 year already.

The forecast of the market prices of electricity does not reflect growth in the next few years. In recent quarters, the volatility of prices, that is steep price fluctuations in the periods when market prices are above or below the average, has also decreased. According to the forecasts of fuel oil prices, in the next few years the prices will remain at a level similar to the current one. Thus, in order to increase revenue and maintain profitability it is essential to invest in a diversified energy production portfolio and continue to seek cost efficiencies in order to improve our competitiveness.

Hando Sutter
Chairman of the Management Board

Eesti Energia at a Glance

Eesti Energia is a company which operates in the electricity and gas markets of the Baltic Sea area and the international fuel market. The owner of Eesti Energia is the Republic of Estonia.

We mine oil shale and produce electricity, heat, liquid fuels (shale oil), and power engineering and industrial equipment.

We sell electricity in the Baltic and Polish retail markets and the Nord Pool wholesale market, natural gas in the Estonian, Latvian and Polish retail markets, and liquid fuels in the international wholesale market.

We are exploring energy sale opportunities in other countries of the Baltic Sea area.

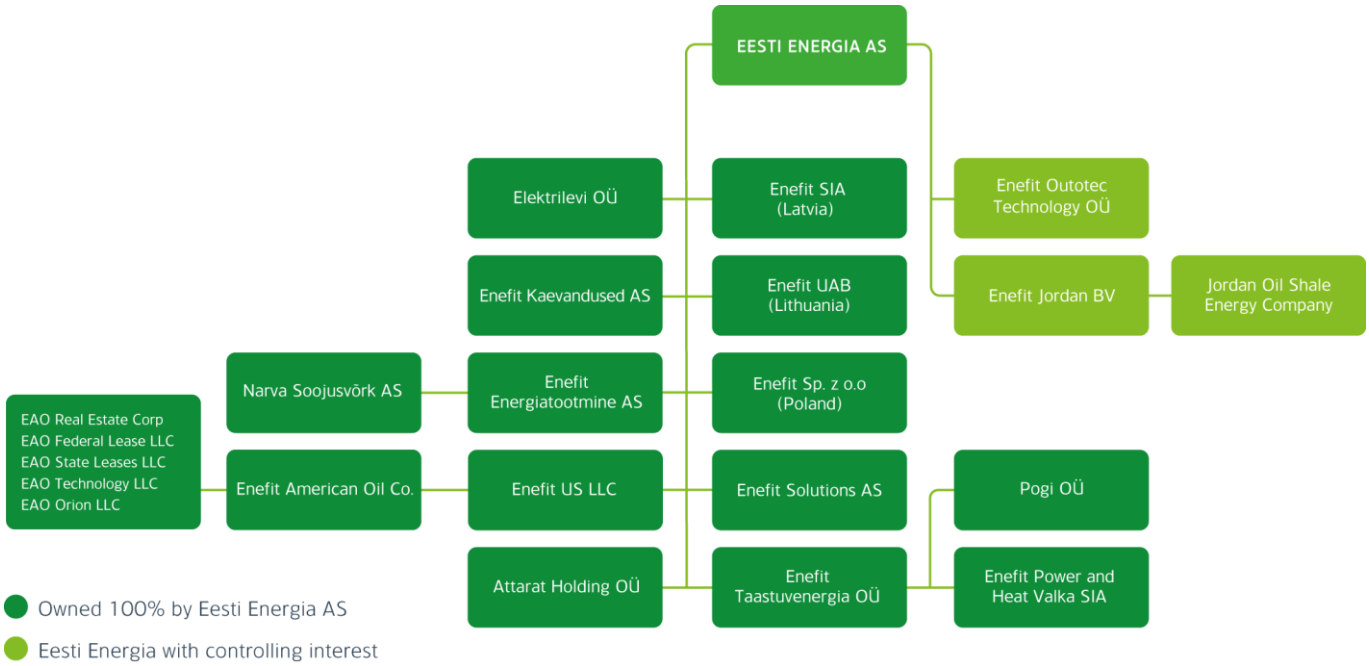
In addition, we offer contemporary energy solutions and associated services to both residential and corporate customers.

Our Group's subsidiary Elektrilevi provides the distribution network service in the Estonian market.

We have divided our operations into four key areas: oil shale energy, renewables, network services, and retail sale of energy and other services.

We employ around 5,800 people.

The Structure of Eesti Energia Group as at 30 June 2017*



* legal entities where Eesti Energia owns 51% or more

Key Figures and Ratios

		Q2 2017	Q2 2016	Change	6M 2017	6M 2016	Change
Total electricity sales*, of which	GWh	2,344	1,732	+35.4%	5,018	3,958	+26.8%
wholesale sales*	GWh	923	334	+176.5%	1,885	787	+139.5%
retail sales	GWh	1,421	1,398	+1.6%	3,133	3,171	-1.2%
Electricity distributed	GWh	1,534	1,445	+6.1%	3,447	3,386	+1.8%
Shale oil sales	’000	104	68	+53.3%	181	102	+77.4%
Heat sales	GWh	183	162	+13.1%	612	711	-13.9%
Average number of employees		5,780	5,718	+1.1%	5,810	5,796	+0.2%
Sales revenues	m€	177.5	148.7	+19.3%	392.8	345.7	+13.6%
EBITDA	m€	63.9	54.6	+17.1%	150.4	114.9	+30.9%
Operating profit	m€	30.0	18.1	+65.7%	82.4	43.2	+90.9%
Net profit	m€	13.1	15.2	-13.5%	61.4	34.6	+77.4%
Investments	m€	31.3	31.5	-0.9%	57.3	63.2	-9.4%
Cash flow from operating activities	m€	65.2	51.1	+27.6%	197.1	84.1	+134.5%
FFO	m€	57.1	58.5	-2.3%	132.2	115.9	+14.1%
Non-current assets	m€	2,537.1	2,544.2	-0.3%			
Equity	m€	1,739.2	1,592.6	+9.2%			
Net debt	m€	556.8	765.3	-27.2%			
Net debt / EBITDA**	times	1.5	3.4	-55.1%			
FFO**/ net debt	times	0.53	0.27	+94.3%			
FFO**/ interest cover**	times	8.5	5.5	+53.3%			
EBITDA**/ interest cover**	times	10.5	6.0	+75.8%			
Leverage	%	24.3	32.5	-8.2pp			
ROIC**	%	9.5	0.6	+8.9pp			
EBITDA margin	%	36.0	36.7	-0.7pp	38.3	33.2	+5.1pp
Operating profit margin	%	16.9	12.2	+4.7pp	21.0	12.5	+8.5pp

Definitions of ratios and terms are explained in the Glossary section of the report, page 42

*** due to a change in the principle of reporting of sales volume, the total Auvere power plant’s sales volume is included (The Group’s sales revenue does not include the electricity generation variable cost and sales revenue in the extent in which it is capitalized)*

** rolling 12 months result*

Operating Environment

Eesti Energia's operations and performance are influenced by various global and regional factors including oil, electricity, and emission allowance prices and the euro exchange rate.

In Q2 2017, our performance was influenced by the following developments:

- The world market prices of oil products trended downward but remained higher than in Q2 2016.
- Emission allowance prices fluctuated but stayed below the level of Q2 2016.
- Average electricity prices in the Baltic countries were volatile and slightly lower than in Q2 2016.

According to the projections of the International Monetary Fund, in 2017 the global economy will grow by 3.5% and the economy of the euro area by 1.9%.

Liquid Fuels Prices

At the beginning of Q2 2017, the price of Brent crude oil rose on tensions in the Middle East and the shutdown of Libya's largest oil field. However, in the second half of April growing US oil inventories made the oil price resume its downward trend. The decline continued in May and June. The oil price was also weakened by political tensions which emerged between Qatar and the Arab countries in June.

In Q2 2017, the average price of Brent crude oil was 49.1 USD/bbl, i.e. 8.5% (+3.8 USD/bbl) up on Q2 2016. During the quarter, the price slipped from 52.1 USD/bbl in April to 45.9 USD/bbl in June, i.e. by 12.0%.

The average euro/USD exchange rate in Q2 2017 was 1.101 US dollars to the euro. Compared to Q2 2016, the euro weakened against the dollar by 2.5%.

The euro/USD exchange rate is relevant for Eesti Energia because our shale oil sales are predominantly priced in US dollars.

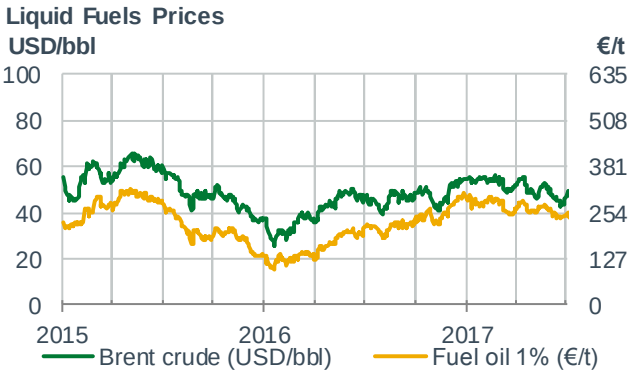
Liquid Fuels Prices

Average price		Q2 2017	Q2 2016	Change
Brent crude oil	USD/bbl	49.1	45.3	+8.5%
Fuel oil (1% sulphur content)	€/t	261.3	179.9	+45.2%
Euro exchange rate	EUR/USD	1.1013	1.1293	-2.5%

A widely-traded oil product, which is closest to the oil produced by Eesti Energia, is fuel oil with 1% sulphur content.

In Q2 2017, the European fuel oil market was characterised by high local demand and increased arbitrage opportunities to Asia. In May, the fuel oil inventories of ARA (Amsterdam-Rotterdam-Antwerp), one of the largest liquid oil trading areas in Europe, decreased by around 25%. In June, which is the peak maintenance period at Russian refineries, local supply diminished and high energy demand in the Middle East boosted export opportunities.

In Q2 2017, the average price of fuel oil (1% sulphur content) was 261.3 €/t. Compared with Q2 2016, the price increased by 81.4 €/t (+45.2%). Similarly to the oil price, in Q2 the fuel oil price decreased, dropping from 271.4 €/t in April to 247.5 €/t in June (-8.8%).



Rises in crude oil and fuel oil prices have a positive impact on Eesti Energia because they raise the price of our shale oil and thus increase our revenue.

Emission Allowance Prices

In Q2 2017, the prices of CO_2 futures were lowered by the World Bank's announcement that a 2 billion US dollar-fund would be set up for financing low-carbon investments. The prices were also weakened by Germany's approval of the construction of offshore wind farms beyond 2020.

The present decrease in CO_2 emission allowance prices on the EU emissions trading market has cast doubt on meeting the aims of the Paris climate accord as the current price level does not motivate major CO_2 producers to curb their emissions. To rectify the situation, the European Parliament has discussed the need for reforming the EU Emissions Trading System and including aviation and shipping in it.

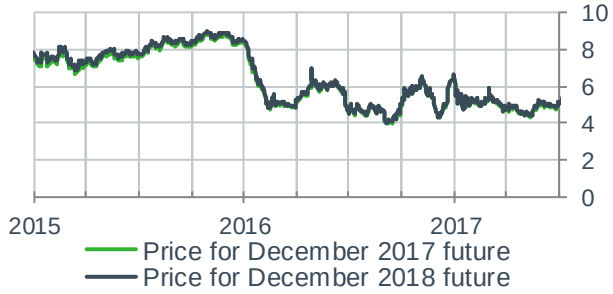
In Q2, the price of CO_2 emission allowance futures maturing in December 2017 was volatile, dropping from 4.8 €/t in April to 4.7 €/t in May and rebounding to 5.0 €/t in June. The Q2 average price of CO_2 futures was 4.8 €/t, i.e. 17.2% lower than a year earlier.

The lower the price of emission allowances, the lower our electricity production costs, which in turn has a positive impact on our financial results. We alleviate the impacts of potential upswings in the market prices CO_2 emission allowances with free allowances received as investment support and hedging transactions with which we close our CO_2 emission allowance positions.

CO_2 Emission Allowance Prices

Average price (€/t)	Q2 2017	Q2 2016	Change
CO_2 December 2017	4.8	5.8	-17.2%
CO_2 December 2018	4.9	5.9	-17.2%

Prices of CO_2 Emission Allowances, €/t



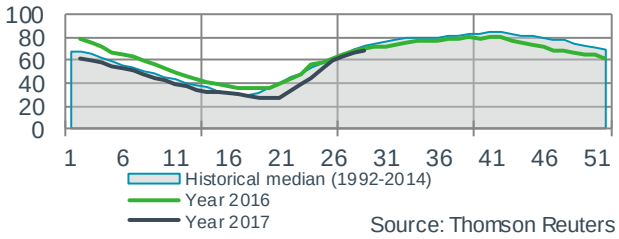
Source: Thomson Reuters

Electricity Prices

In Q2 2017, electricity prices in the Nordic countries and Estonia were volatile. In April, the annual maintenance of Finland's Olkiluoto nuclear power plant reduced electricity supply and pushed up the price. However, the rise was counterbalanced by the relatively high level of the Nordic and Baltic water reservoirs. In May, electricity prices in the Nordic and Baltic countries dropped, mainly due to lower consumption attributable to comparatively warm weather. The price decrease was somewhat held back by maintenance at Sweden's Ringhals and Forsmark nuclear power plants. At times in June, the peak regular maintenance period, around 15,000 MW of production capacities were off the market across the system of the Nord Pool area. This did not let the electricity price drop even though consumption was at its summer low.

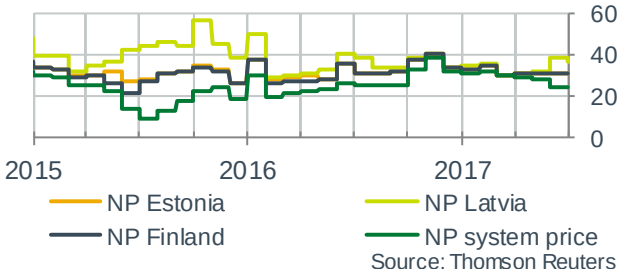
In Q2 2017, the average level of the Nordic water reservoirs was 8.0 percentage points lower than in Q2 2016 and 4.2 percentage points below the historical median.

Week Levels of Nordic Water Reservoirs, % of Maximum



Source: Thomson Reuters

Monthly Average Electricity Prices, €/MWh



Source: Thomson Reuters

In Q2 2017, the electricity price in the Finnish price area was higher and the electricity prices in the Estonian, Latvian and Lithuanian price areas were lower than in Q2 2016. The average electricity price in Estonia was 30.8 €/MWh, i.e. 1.7% lower than in Q2 2016. In Q2 2017 the average electricity price in Estonia was 0.1 €/MWh lower than in Finland whereas in the same period in 2016 the average electricity price in Estonia was 1.2 €/MWh higher than in Finland.

Electricity Prices on Nord Pool (NP) Electricity Exchange

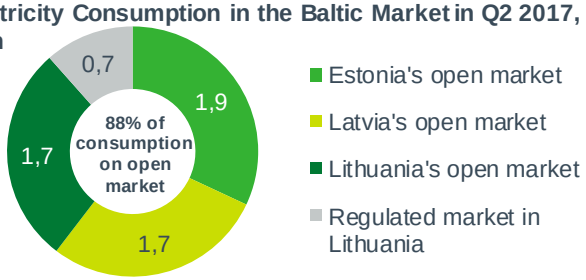
Average price (€/MWh)	Q2 2017	Q2 2016	Change
System price	27.4	23.9	+14.6%
Finland	30.9	30.2	+2.3%
Estonia	30.8	31.4	-1.7%
Latvia	34.1	34.6	-1.6%
Lithuania	34.1	35.5	-3.9%

In April 2017, the electricity price in the Estonian price area was 0.2 €/MWh lower than in the Finnish price area. The Finnish electricity price was higher because from 23 April to 3 May the Olkiluoto nuclear power plant underwent its annual maintenance which deprived the market of 880 MW of production capacities. In May and June, the Estonian and Finnish electricity prices were at the same level.

Since Q1 2016, the Baltic electricity prices have been evening out because the cheaper hydro and nuclear energy, transmitted from Sweden to Lithuania through the NordBalt power link launched in 2016, has lowered the Latvian and Lithuanian electricity prices. Nevertheless, in Q2 2017 the average electricity price in Latvia and Lithuania was 3.2 €/MWh higher than in Estonia. The rise in the Latvian and Lithuanian electricity prices was mainly attributable to the transmission limitations and maintenance outages of the interconnectors, which lasted from the middle to the end of Q2, and the end of the high water period on the Daugava river.

The Estonian and Latvian retail electricity markets have been deregulated since 2013 and 2015 respectively. In Q2 2017, the Lithuanian electricity market was partly deregulated. All companies in Lithuania purchased electricity from the open market but residential consumers did not have to do this. According to estimates, in Q2 2017 71% of the Lithuanian electricity market (in terms of consumption volume) was open to competition.

Electricity Consumption in the Baltic Market in Q2 2017, TWh



Source: Eesti Energia estimate

In Q2 2017, Eesti Energia's clean dark spread (CDS) in the electricity price of Nord Pool's Estonian price area (NP Estonia) was 8.0 €/MWh (+3.3 €/MWh, +71% compared to Q2 2016). The electricity price decreased by 0.5 €/MWh year on year and the impact of the change in CO2 and oil shale costs was +3.3 €/MWh.

The clean dark spread reflects an electricity producer's estimated profit margin, which remains after fuel and CO_2 emission allowance costs have been deducted from the average market price of electricity.

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

Source: Thomson Reuters, Eesti Energia

Financial Results

Revenue and EBITDA

Visible improvement in the world market prices of oil and growth in the sales volumes of all the main products had a positive effect on Eesti Energia's results for Q2 2017. Both revenue and EBITDA grew year on year.

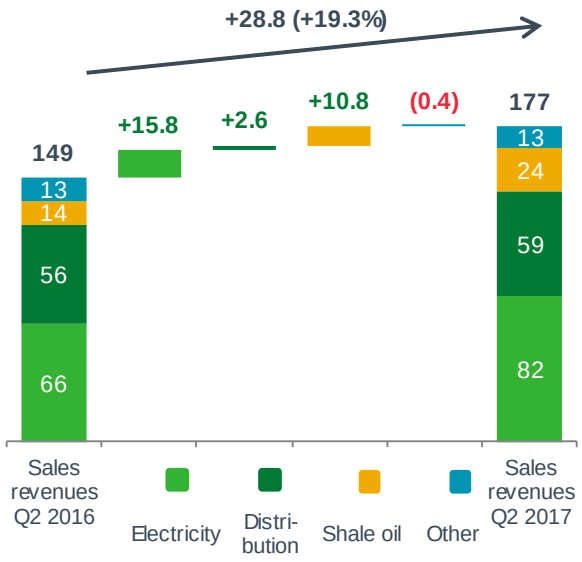
In Q2 2017, the Group generated sales revenue of 177.5 million euros, 19.3% (+28.8 million euros) up on Q2 2016. EBITDA amounted to 63.9 million euros, 17.1% (+9.3 million euros) up year on year. Net profit decreased by 13.5%, amounting to 13.1 million euros (-2.1 million euros).

The main contributors to revenue growth were the electricity and shale oil segments, with +15.8 million and +10.8 million euros respectively. Both electricity and shale oil sales volumes grew substantially. The growth in shale oil sales revenue was supported by a noticeable improvement in its market price.

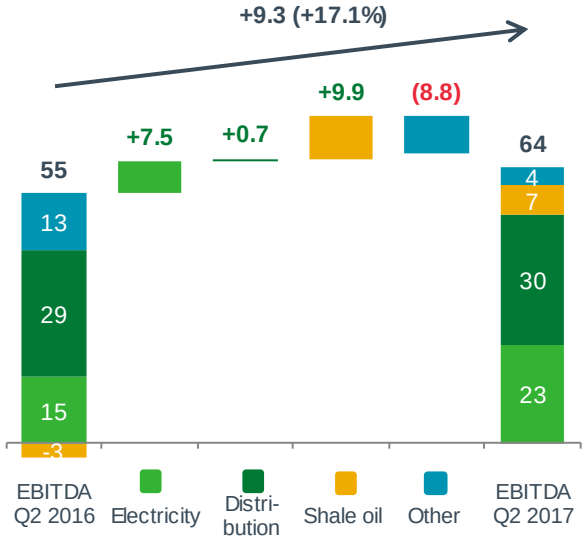
The electricity and shale oil segments' EBITDA[1] grew significantly. The distribution segment's EBITDA remained at the same level as a year earlier.

EBITDA for the segment of other products and services decreased year on year, mostly due to exceptional items: in Q2 2016 retrospective reduction of resource charges had an impact of +12.6 million euros whereas in Q2 2017 liquidated damages related to the construction of the Auvere power plant had an impact of +5.6 million euros.

Group's Sales Revenues Breakdown and Change, m€



Group's EBITDA Breakdown and Change, m€



[1] Compared to the interim report for Q2 2016, segment reporting has been adjusted due to the specification of the accounting policy.

Electricity

Through the years, electricity has been one of the main sources of Eesti Energia's sales revenue and profit. Also in Q2 2017, the largest share of our revenue and EBITDA resulted from electricity sales.

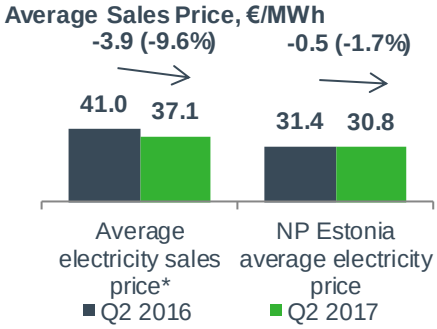
Electricity Sales Revenue

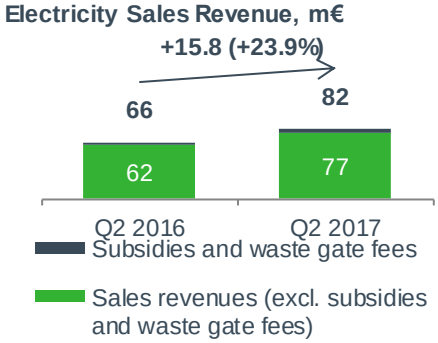
Although in Q2 2017 the average sales price of electricity was considerably lower than in Q2 2016, we succeeded in increasing electricity sales revenue by 23.9% to 81.9 million euros (+15.8 million euros). Revenue growth stemmed from substantially larger sales volume.

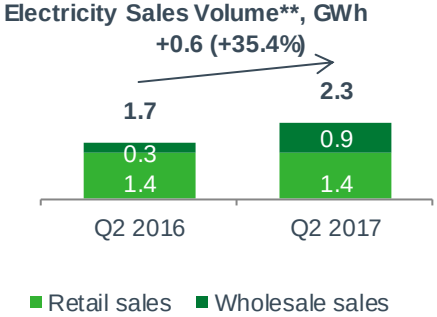
Average Sales Price of Electricity

The average sales price of electricity was 37.1 €/MWh, i.e. 9.6% lower than in Q2 2016 (-3.9 €/MWh).

The average sales price includes, among other items, the impact of derivative transactions. Excluding gain on derivative financial instruments, the average sales price of Q2 2017 would have been 36.5 €/MWh, i.e. 7.8% (-3.1 €/MWh) lower than in Q2 2016. Compared to a year earlier, gain on derivative instruments decreased markedly, i.e. by 0.9 million euros (-45.6%) to 1.1 million euros.







* 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 Auvere power plant's total sales volume

Electricity Sales Volume and Eesti Energia's Market Share

In Q2 2017, we sold 2,091 GWh of electricity, i.e. 573 GWh or 37.7% more than in Q2 2016.

Compared with Q2 2016, wholesale sales grew by a strong 550 GWh (+458%) to 670 GWh. Retail sales grew by 23 GWh (+1.6%) to 1,421 GWh.

Retail sales broke down between markets as follows: Estonia 1,031 GWh (+46 GWh), Latvia 248 GWh (-24 GWh) and Lithuania 142 GWh (+1 GWh).

In terms of customers' electricity consumption volume, in Q2 2017 Eesti Energia's market share in Estonia was 60%, 1 percentage point up on a year earlier. At the end of Q2 2017, universal service was consumed at around 19% of all electricity consumption points.

In Latvia and Lithuania, Eesti Energia operates under the Enefit brand. We do not have major generation capacities in Latvia and Lithuania. Therefore we must buy the electricity we sell from the power exchange.

In Q2 2017, our open market electricity sales in Latvia and Lithuania totalled 390 GWh (-6%, -23 GWh).

In Q2 2017, Eesti Energia's market shares in Latvia and Lithuania were 14.3% and 5.9% respectively. Our total share of the Baltic retail electricity market was 25%, 0.3 percentage points down from Q2 2016.

Electricity Production Volume

In Q2 2017, we produced 2,446 GWh of electricity, 42.9% (+735 GWh) more than in Q2 2016. We were able to increase production thanks to lower electricity production costs, attributable to the introduction of market-based oil shale resource charges and low CO_2 emission allowance prices. Production growth was also supported by the Auvere power plant's more stable and larger output (+153 GWh).

Our renewable energy output amounted to 107.7 GWh (+32.1%, +26.2 GWh). The largest share of it was generated by wind farms, which produced 46.7 GWh of electricity. However, the strongest growth was achieved in biomass electricity generated in the power plants of Enefit Energiatootmine where output grew by 14.2 GWh (+54.9%) compared with Q2 2016.

Renewable energy and efficient co-generation support received by the Group amounted to 3.7 million euros (+0.7 million euros).

Key Figures of Electricity Product

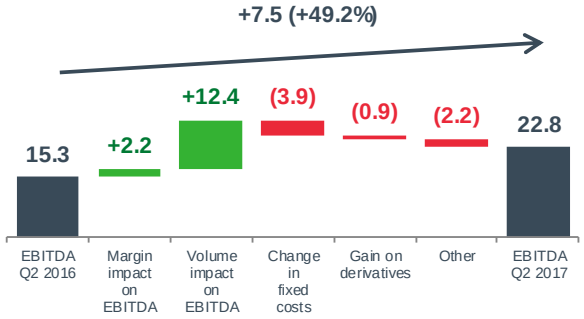
		Q2 2017	Q2 2016
Return on fixed assets*	%	13.9	2.6
Electricity EBITDA	€/MWh	10.9	10.1

* Excluding impairment of generation assets in December 2013 and December 2015

Electricity EBITDA

Electricity EBITDA grew by 49.2% to 22.8 million euros (+7.5 million euros).

Electricity EBITDA Development, m€



Growth in electricity sales volume increased electricity EBITDA by 12.4 million euros. Smaller gain on derivative instruments had an impact of -0.9 million euros. A higher margin improved electricity EBITDA by 2.2 million euros (+1.0 €/MWh).

The average sales price of electricity decreased by 3.6 €/MWh (impact -7.5 million euros). The decrease in sales price was offset by a decline in average variable costs (impact on EBITDA +9.7 million euros). Variable costs decreased mostly thanks to smaller electricity purchase costs and lower oil shale resource charges.

The impact of a change in fixed costs was -3.9 million euros. The figure includes the impacts of higher repair costs of -2.3 million euros and larger labour costs of -1.7 million euros.

Other impacts of -2.2 million euros resulted mainly from a change in the value of derivative instruments (impact: -2.3 million euros).

Distribution

Distribution service is Eesti Energia's second-largest source of revenue and profit.

Distribution Sales Revenue, Sales Volume and Price

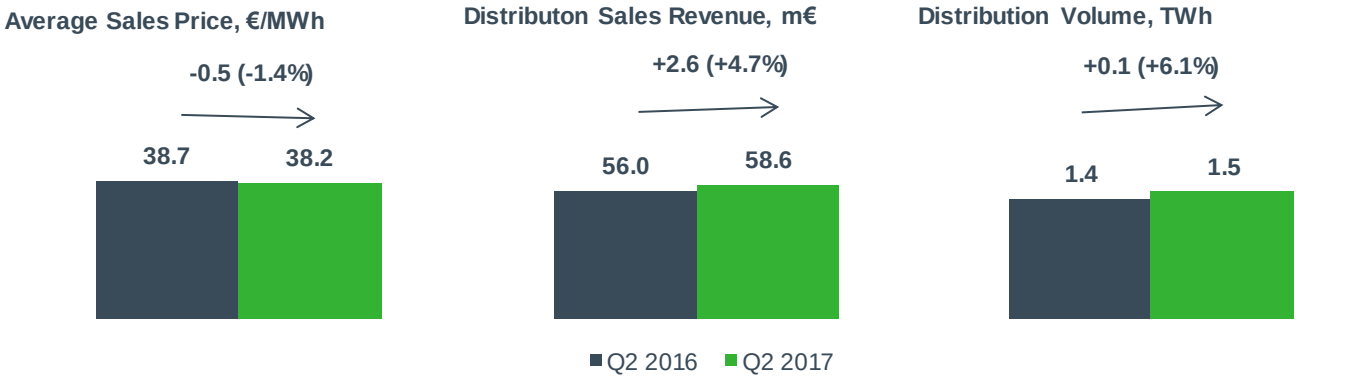
In Q2 2017, distribution sales revenue and sales volume increased by 4.7% and 6.1% respectively. Distribution sales revenue amounted to 58.6 million euros (+2.6 million euros) and sales volume to 1,534 GWh (+88.3 GWh).

The increase in sales volume was attributable to the weather, which was significantly colder than usual, and a favourable economic environment.

In Q2 2017, the average sales price of the distribution service was 38.2 €/MWh, 0.5 €/MWh below Q2 2016.

Network Losses

Network losses totalled 72.4 GWh, i.e. 4.4% of electricity entering the network (Q2 2016: 61.5 GWh, i.e. 4.0%). Energy losses increased because full transition to smart meters allows us to obtain more accurate metering data. Previously, in months where the temperature was lower and consumption was higher some customers submitted decreased readings to spread their electricity costs more evenly between the months. In addition, in Q2 2016 a number of major illegal consumption cases were detected and several months' unsettled consumption was included in the results for Q2 2016 which artificially reduced the period's network losses.



Supply Interruptions

In Q2 2017, the average duration of unplanned interruptions was 21.5 minutes (54.1 minutes in Q2 2016). The average duration of planned interruptions was 21.1 minutes (18.6 minutes in Q2 2016). The duration of planned interruptions depends on the volume of network maintenance and renewal operations.

The main factor that influences the number of interruptions is the weather which in Q2 2017 was more favourable than a year earlier. Power outages can be reduced by replacing bare conductors with weather-resistant cables. At the end of Q2 2017, 82% of Elektrilevi's low-voltage network and 37% of its medium-voltage network was weather-proof.

Key Figures of Distribution Product

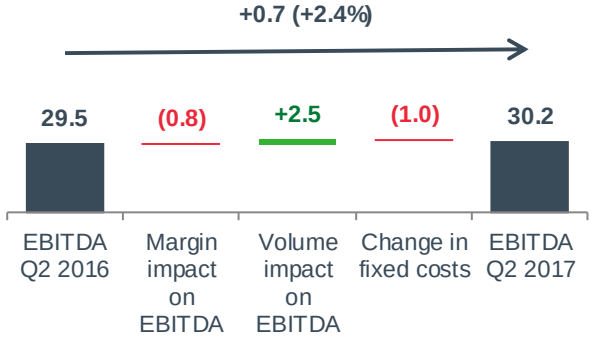
		Q2 2017	Q2 2016
Return on fixed assets	%	7.2	6.8
Distribution losses	GWh	72.4	61.5
SAIFI	index	0.28	0.43
SAIDI (unplanned)	index	21.5	54.1
SAIDI (planned)	index	21.1	18.6
Adjusted RAB	m€	762	736

Distribution EBITDA

In Q2 2017, distribution EBITDA grew by 2.4% year on year to 30.2 million euros (+0.7 million euros).

The growth in distribution EBITDA was underpinned by a larger sales volume (sales volume grew by 6.1%, impact on EBITDA: +2.5 million euros).

Distribution EBITDA Development, m€



Margin change, attributable to a lower average sales price, had an impact of -0,8 million euros.

Fixed electricity distribution costs increased by 1.0 million euros year on year. The figure includes growth in repair costs of 0.6 million euros.

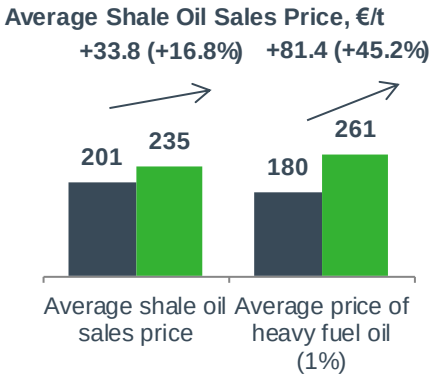
Shale Oil

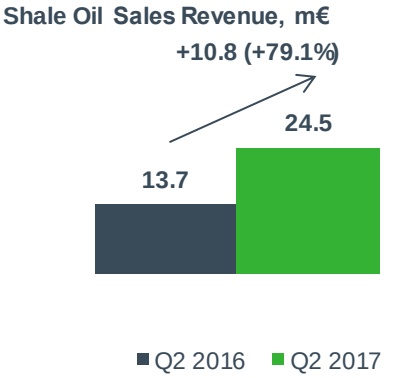
Shale oil production has strong potential but is strongly influenced by fluctuations in relevant market prices.

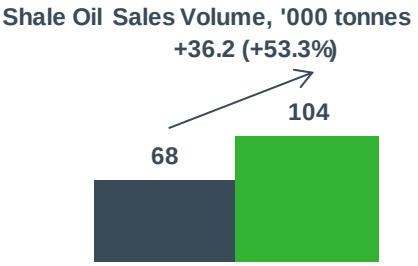
Substantial recovery in market prices which in Q2 2016 were exceptionally low also had a positive impact on Eesti Energia's Q2 results.

Shale Oil Sales Revenue and Sales Volume

In Q2 2017, we sold 104.2 thousand tonnes of shale oil which generated sales revenue of 24.5 million euros. Compared with Q2 2016, sales revenue grew by 79% (+10.8 million euros) and sales volume increased by 53% (+36.2 thousand tonnes). Shale oil sales revenue and sales volume grew because output increased and the market prices of liquid fuels were higher than a year earlier.







Average Sales Price of Shale Oil

In Q2 2017, the average sales price of shale oil increased by 16.8% year on year to 234.8 €/t (+33.8 €/t). The rise is mainly attributable to recovery in the world market prices of liquid fuels.

Derivative transactions of the period resulted in a loss 11.1 €/t. In Q2 2016, derivative transactions resulted in a gain of 20.2 €/t. Excluding the impact of derivative transactions, in Q2 2017 the average sales price of shale oil was 245.9 €/t (+36%, +65.1 €/t).

The world market price of the reference product, heavy fuel oil, increased by 45% year on year.

Shale Oil Production Volume

In Q2 2017, we produced 106.0 thousand tonnes of shale oil, 86.7% (+49.2 thousand tonnes) more than in Q2 2016. Strong output growth resulted from more reliable operation of the plants and the deferral of the regular maintenance of Enefit140 to Q3 2017.

The output of the new Enefit280 oil plant grew to 53.3 thousand tonnes (+336.8%, +41.1 thousand tonnes), the sharp rise resulting from the fact that for most of Q2 2016 the plant was closed for major repairs.

The output of the Enefit140 oil plants grew year on year by 18.2% (+8.1 thousand tonnes) thanks to their more reliable operation and the deferral of their regular maintenance to Q3.

Key Figures of Shale Oil Product

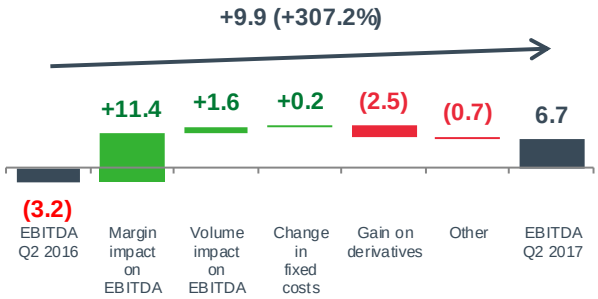
		Q2 2017	Q2 2016
Return on fixed assets*	%	1.3	0.5
Shale oil EBITDA	€/t	64.1	-47.4

* Rolling 12 months

Shale Oil EBITDA

In Q2 2017, shale oil EBITDA grew to 6.7 million euros (+9.9 million euros).

Shale Oil EBITDA Development, m€



The decline in the gain on derivative instruments reduced shale oil EBITDA by 2.5 million euros.

The impact of growth in shale oil sales volume was +1.6 million euros. Margin growth improved EBITDA by 11.4 million euros (+109.7 €/t). The impact of a higher average sales price was +6.8 million euros and the impact of lower variable costs was +4.6 million euros.

The impact of a change in fixed costs was +0.2 million euros. Its largest components were a change in inventory-related fixed costs (impact: +0.9 million euros) and growth in labour costs (impact: -0.9 million euros).

The impact of other items of -0.7 million euros resulted mainly from a change in the value of derivative instruments (impact: -0.8 million euros).

Other Products and Services

Sale of heat, natural gas, and industrial equipment supplements Eesti Energia's product portfolio and generates additional revenue.

Since October 2016, Eesti Energia has been selling natural gas to both business and residential customers. In Q2 2017, our retail sales of natural gas in the Estonian market totalled 106 GWh.

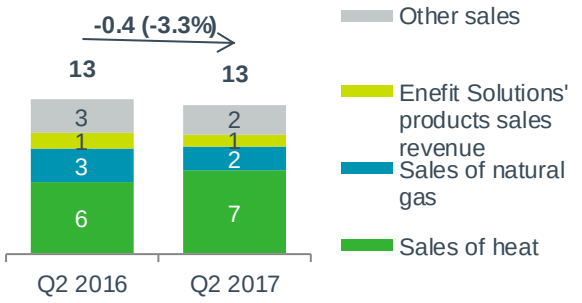
In terms of customers' gas consumption, our market share in the Estonian market was 15%.

Sales Revenue on Other Products and Services

In Q2 2017, our other products and services generated sales revenue of 12.5 million euros, 3.3% (-0.4 million euros) less than in Q2 2016.

Sales revenue on other products and services declined primarily due to smaller revenue from the sale of gas (-0.7 million euros) and industrial equipment (-0.3 million euros). Heat sales revenue increased by 0.9 million euros. The quantity of heat energy sold to customers grew by 21 GWh (+13.1%).

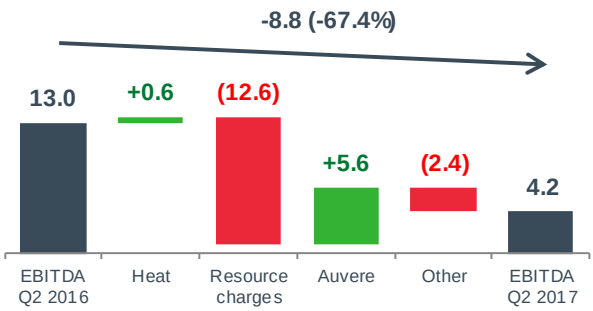
Sales Revenues From Other Products and Services, m€



EBITDA on Other Products and Services

In Q2 2017, EBITDA on other products and services decreased by 67.4% year on year to 4.2 million euros (-8.8 million euros).

Other EBITDA Development, m€



The impact of liquidated damages related to the delay in the delivery of the Auvere power plant was +5.6 million euros. The figure comprises liquidated damages agreed with the builder which accrue on a monthly basis until the delivery of the plant.

In Q2 2016, EBITDA on other products and services was strongly improved by an exceptional item – retrospective reduction of resource charges. In the comparison of the periods, this had a -12.6 million euro impact on the EBITDA for the reporting period.

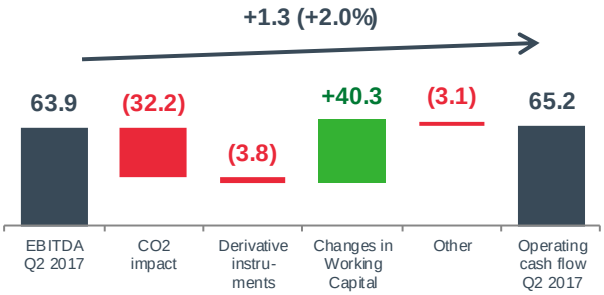
Heat EBITDA increased by 0.6 million euros through growth in sales volume.

Other items reduced EBITDA by a total of 2.4 million euros.

Cash Flows

The Group's net operating cash flow[2] for Q2 2017 amounted to 65.2 million euros. Compared to EBITDA (63.9 million euros), net operating cash flow was 2.0%, i.e. 1.3 million euros, larger.

EBITDA to Operating Cash Flows Development, m€



Changes in working capital increased operating cash flow relative to EBITDA (63.9 million euros) by 40.3 million euros.

Working capital decreased, above all, due to the receipt of liquidated damages related to the Auvere power plant of 24.8 million euros (the damages are settled in instalments) and a decrease in the receivables of the energy sales unit of 14.5 million euros.

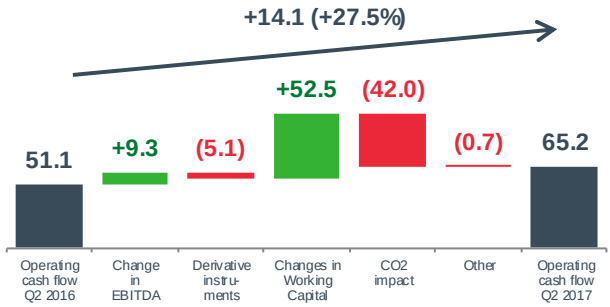
The impact of settlements related to CO_2 emission allowances was -32.2 million euros.

The impact of derivative transactions (excluding CO_2 instruments) was -3.8 million euros, including the impacts of electricity derivatives of +1.5 million euros and oil derivatives -5.4 million euros. The item comprises both non-monetary and monetary impacts on EBITDA and net operating cash flow.

Other impacts totalled -3.1 million euros, including the impact of the recognition of network connection fees of -1.9 million euros.

Compared to Q2 2016, net operating cash flow increased by 27.5% (+14.1 million euros).

Operating Cash Flow Changes, m€



The impact of changes in working capital, compared with Q2 2016, was +52.5 million euros. The impact of liquidated damages related to the Auvere power plant was +24.8 million euros, the impact of a decrease in the settlement of short-term liabilities was +19.2 million euros and the impact of a change in inventories was -2.0 million euros.

The impact of derivative instruments (excluding CO_2 instruments) was -5.1 million euros, consisting of the impacts of electricity derivatives of +5.1 million euros and oil derivatives of -10.3 million euros. The impact of gas derivatives was +0.1 million euros.

Settlements related to CO_2 emission allowances had a year-on-year impact of -42.0 million euros.

The impact of the change in EBITDA was +9.3 million euros and other impacts totalled -0.7 million euros.

[2] Compared to the interim report for Q2 2016 operating cash flows have been adjusted due to the specification of the accounting policy.

Strategy

Foundations for new success

In 2016, we worked out Eesti Energia's new strategic action plan for the period 2016-2020, which was approved in June the same year.

The goal of the five-year strategy is to gradually increase Eesti Energia's EBITDA and create a basis for long-term competitiveness, profitability and ability to pay the owner dividends in a situation where market prices are low.

The new strategy has five main focus areas:

1. Ensuring the profitability and increasing the competitiveness of existing production assets which use oil shale
2. Ensuring the sustainability of oil shale energy
3. Building new renewable energy capacities
4. Growing in new energy markets in the Baltic Sea area
5. Selling new services

Within the focus areas, 14 development projects and initiatives have already been agreed.

Activities related to strategic initiatives in Q2 2017

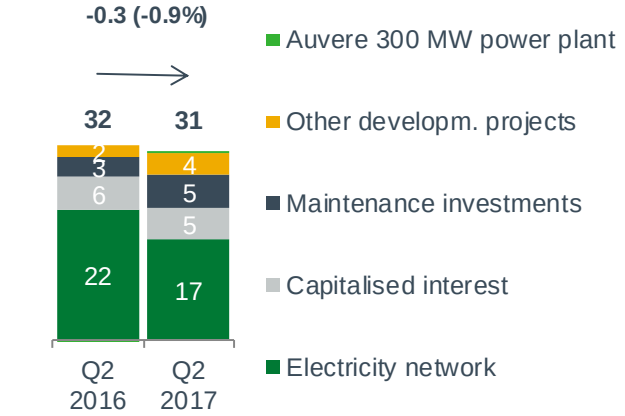
- In cooperation with Pöyry and Amec Foster Wheeler, we carried out baseline testing in the **project for increasing the share of oil shale gas burnt in generating unit 8 of the Eesti power plant**, which included testing the unit's different operating modes (including increasing and reducing the loads).
- In the framework of the project for **supplying electricity to Narva opencast mine from generating unit 8 of the Eesti power plant** we arranged the procurement of project preparation and construction services.

Investment

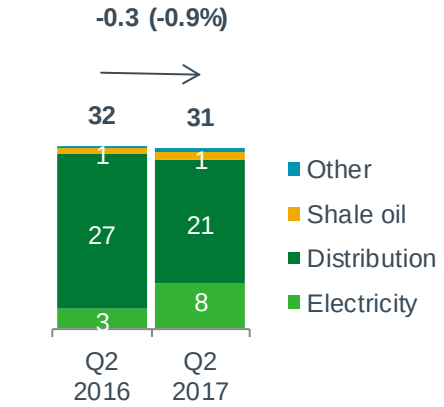
Our capital expenditures for Q2 2017 totalled 31.3 million euros, 1% (-0.3 million euros) down from the figure for Q2 2016. Expenditures on the distribution network totalled 16.8 million euros (-22.5%, -4.9 million euros) and maintenance and repair expenditures (excluding the distribution network) amounted to 5.4 million euros (+64.0%, +2.1 million euros).

Maintenance and repair expenditures grew at Enefit Kaevandused by 0.9 million euros (+65.0%) and Enefit Energiatootmine by 0.4 million euros (+29.6%).

Capex Breakdown by Projects, m€



Investment Breakdown by Products, m€



New Strategic Development Projects

In the period 2017-2021 we will carry out a number of projects outlined in our strategic action plan, which are aimed at increasing Eesti Energia's competitiveness.

In Q2 2017, capital expenditures on projects listed in the strategic action plan totalled 3.2 million euros. We invested 3.0 million euros of this in the project for increasing the share of oil shale gas burnt in generating unit 8 of the Eesti power plant which reached the stage of production of superheating surfaces. The total cost of the project is 15.1 million euros.

Auvere Power Plant

- In Q2 2017, the construction of fabric filters continued. The installation of the fabric filters should ensure that the plant's particle emissions remain within established limits.
- According to plan, the contractor, General Electric, will transfer the operation of the plant to Eesti Energia in autumn 2017.

The construction of the Auvere power plant began in 2011. The Auvere power plant is a modern 300 MW circulating fluidised bed (CFB) power plant where oil shale fuel can be supplemented with wood chips (up to 50%), peat (up to 20%) and oil shale gas (up to 10%). The plant's maximum annual net generation is around 2.2 TWh, i.e. it can cover around one fourth of Estonia's annual electricity consumption.

The planned cost of the project is 638 million euros. By the end of Q2 2017, 567 million euros (89%) of this had been invested.

The plant began operating in 2015 but its delivery has been delayed because during the testing and commissioning period it appeared that under certain conditions its particle emissions exceed regulatory limits. To remedy the deficiency it was agreed that the builder, General Electric, would install additional fabric filters. Related construction work began in Q4 2016.

According to the agreement, the plant which meets all contractual parameters will be delivered to Eesti Energia in October 2017. Until then the Auvere power plant will operate at modes and loads where its emissions meet the requirements.

In Q2, the construction of the fabric filters continued: most of the steel structures for the filters and flue gas ducts were installed and assembly work began. In

addition, preparations were made for the plant's summer maintenance. In Q3, the plant will be closed for a month for regular maintenance and the connection of the new fabric filters with the plant's particle collection system. According to plan, in Q3 the fabric filters will be adjusted and pre-delivery testing of the plant will begin.

In Q2 2017, the gross output of the Auvere power plant was around 436 GWh.

Improvement of Electricity Distribution Quality

In Q2 2017, capital expenditures on the maintenance and consistent improvement of the quality of the electricity distribution service totalled 16.8 million euros (Q2 2016: 21.7 million euros). During the quarter, 48 substations and 448 kilometres of network were built (Q2 2016: 69 substations and 651 kilometres of network).

At the end of Q2 2017, 82% of the low-voltage network operated by Eesti Energia's subsidiary Elektrilevi was weather-proof (at the end of Q2 2016: 75%). Year on year, the weather-proof network increased by 2,278 km and the bare conductor network decreased by 2,334 km.

At period-end, 63% of the entire low- and medium-voltage network was weatherproof (at the end of Q2 2016: 58%). Year on year, the weather-proof network increased by 2,417 km.

Electricity and Oil Production Projects in Jordan

In Q1 2017, financing and other preparatory activities required for the electricity project in Jordan were successfully completed and the project entered the construction phase. Our interest in the project is now 10% and we have transferred its day-to-day management to our project partners YTL Power International Berhad from Malaysia and Guangdong Yudean Group Co from China.

The plan for the development of the oil project was restarted in Q2 2017 after the financial closure of the electricity project was completed. The negotiations for the extension of the concession agreement with the Ministry of Energy and Mineral Resources in Jordan are ongoing and expected to be finalised in the second half of 2017. Eesti Energia's interest in the oil project is 65%. The project partners are YTL Power International Berhad from Malaysia and Near East Investment from Jordan.

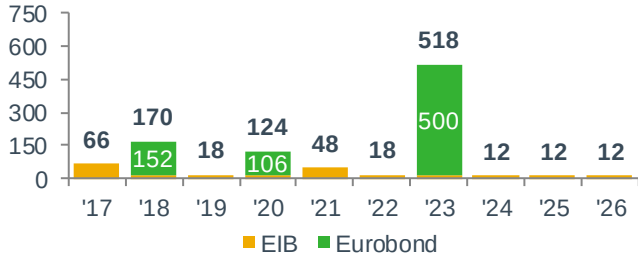
Financing

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 loans and guarantee facilities obtained from regional banks.

At the end of Q2 2017, the nominal value of the Group's borrowings was 998.6 million euros (the same as at the end of Q1 2017). The amortised cost of the Group's borrowings was 942.9 million euros (941.0 million euros at the end of Q2 2017).

At the reporting date, long-term borrowings comprised Eurobonds listed on the London Stock Exchange with a nominal value of 758.3 million euros and loans from the EIB with a nominal value of 240.3 million euros. During Q2, no borrowings were repaid.

Debt Maturity, m€

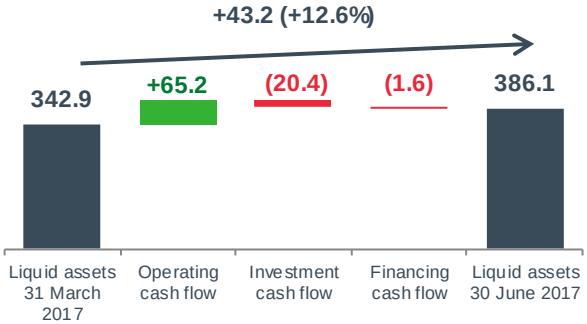


At the end of Q2 2017, the Group's liquid assets stood at 386.1 million euros. In addition, the Group had undrawn loans of 220 million euros. The figure comprises bilateral revolving credit facilities of 150 million euros in total, signed with two regional banks (SEB and OP Corporate Bank), which will mature in July 2020, and a long-term loan agreement of 70 million euros signed with EIB (can be drawn down until October 2017).

In connection with temporarily high liquidity, in Q2 2017 Eesti Energia decided to repay early two floating-rate EIB loans with the shortest maturity of 47.7 million euros in aggregate. The loans, which were to be repaid in 2019, will be repaid in Q3 2017.

In April 2017, Moody's confirmed Eesti Energia's Baa3 credit rating. In July Standard & Poor's also confirmed Eesti Energia's BBB credit rating. At the reporting date, the Group's credit ratings were BBB (Standard & Poor's, outlook negative), confirmed in July and Baa3 (Moody's, outlook stable).

Liquidity Development in 2017 2nd quarter, m€



At the end of Q2 2017, the weighted average interest rate of Eesti Energia's borrowings was 2.65%, which is the same as at the end of Q1 2017.

The Group has predominantly hedged the risk resulting from fluctuations in the base interest rate: for 95% of borrowings the base interest rate is fixed until maturity and 5% of borrowings have floating rates. All borrowings are denominated in euros.

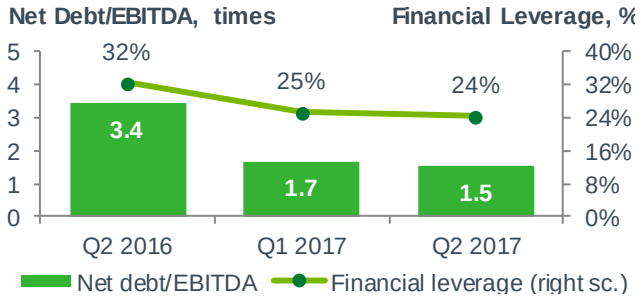
At the end of Q2 2017, the Group's net debt amounted to 556.8 million euros (-41.4 million euros compared to the end of Q1 2017).

At the reporting date, the net debt to EBITDA ratio was 1.5 (at the end of Q1 2017: 1.7). The ratio has decreased through strong cash inflows and growth in the cash balance. 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 2017, the Group's financial indicators complied with all contractual covenants.

Net Debt/EBITDA Ratio and Financial Leverage



Outlook for 2017

The Group's outlook for 2017 has not changed considerably compared with the forecast presented in the interim report for Q1 2017.

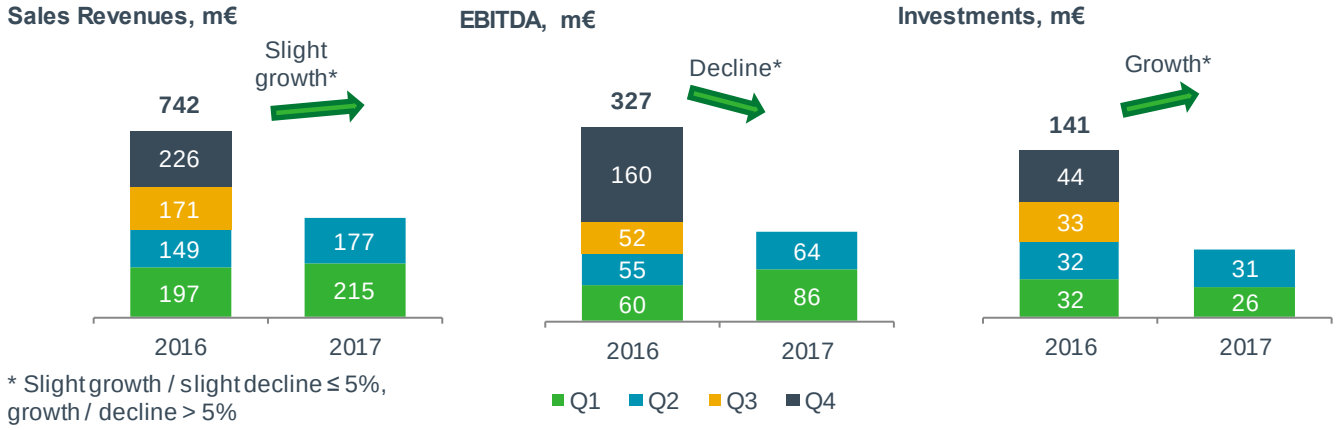
We expect that in 2017 our sales revenue will grow slightly, capital expenditures will increase, and EBITDA will decrease compared with 2016. Excluding the impacts of exceptional items (liquidated damages related to the Auvere power plant of 68.6 million euros and the retrospective reduction of resource charges of 14.2 million euros) on 2016, EBITDA for 2017 will remain at the same level as in 2016.

We expect electricity production to increase. Growth in electricity output is supported by the decrease in resource charges, which also influences EBITDA on the sale of electricity.

Shale oil sales volume and related EBITDA will probably increase because the market price of shale oil is higher.

Capital expenditures will increase, mainly through growth in the volume of development projects. According to plan, in 2017 the largest capital outlays will be the final payment for the Auvere power plant and the investments made in the Tootsi wind farm.

We will pay the owner for 2016 a dividend of 47.0 million euros, which will be accompanied by income tax of 11.8 million euros.



* Slight growth / slight decline ≤ 5%, growth / decline > 5%

Hedging Transactions

Eesti Energia's revenues from electricity and liquid fuel sales depend on global market prices. The key factors which influence our 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 the reference product for shale oil.

Our forward sales for delivery in 2017 comprise 1.9 TWh of electricity (including forward sales in the retail market) at an average price of 33.8 €/MWh and 143.4 thousand tonnes of shale oil at an average price of 238.4 €/t. Forward sales for delivery in 2018 comprise 1.5 TWh of electricity at an average price of 32.5 €/MWh and 214.0 thousand tonnes of shale oil at an average price of 255.3 €/t.

Our CO_2 emission allowance position for 2017 amounts to 11.0 million tonnes at an average price of 5.5 €/t (comprises futures, free emission allowances transferred as investment support, and the surplus of previous periods). The position for 2018 amounts to 2.3 million tonnes (comprises free emission allowances transferred as investment support).

Condensed Consolidated Interim Income Statement and Statement of Comprehensive Income

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

in million EUR	Note	Q2 2017	Q2 2016	6m 2017	6m 2016	12m 2017/16	12m 2016/15
Revenue	3	177.5	148.7	392.8	345.7	789.2	721.6
Other operating income	4	7.2	3.8	32.0	8.5	112.7	14.4
Government grants		0.1	0.1	0.2	0.2	0.4	0.4
Change in inventories of finished goods and work-in-progress		(5.3)	(10.8)	(2.1)	(5.6)	(11.0)	6.4
Raw materials and consumables used		(65.5)	(44.3)	(156.2)	(140.1)	(306.0)	(300.4)
Payroll expenses		(33.7)	(29.0)	(69.4)	(62.3)	(137.2)	(132.6)
Depreciation, amortisation and impairment		(33.9)	(36.5)	(68.0)	(71.7)	(139.7)	(209.7)
Other operating expenses		(16.4)	(13.9)	(46.9)	(31.5)	(85.2)	(86.0)
OPERATING PROFIT		**30.0**	**18.1**	**82.4**	**43.2**	**223.2**	**14.1**
Financial income		0.6	-	0.6	0.1	0.8	3.5
Financial expenses		(6.7)	(3.2)	(11.5)	(8.9)	(16.8)	(14.8)
Net financial income (expense)		**(6.1)**	**(3.2)**	**(10.9)**	**(8.8)**	**(16.0)**	**(11.3)**
Profit from associates using equity method		0.6	0.3	1.3	0.2	2.2	2.7
PROFIT BEFORE TAX		**24.5**	**15.2**	**72.8**	**34.6**	**209.4**	**5.5**
CORPORATE INCOME TAX EXPENSE	**-**	**(11.4)**	**-**	**(11.4)**	**-**	**(11.5)**	**8.1**
PROFIT FOR THE PERIOD		**13.1**	**15.2**	**61.4**	**34.6**	**197.9**	**13.6**
Equity holder of the Parent Company		**12.9**	**15.2**	**61.3**	**34.5**	**197.8**	**13.2**
Non-controlling interest		**0.2**	**-**	**0.1**	**0.1**	**0.1**	**0.4**
Basic earnings per share (euros)	10	0.02	0.02	0.10	0.06	0.32	0.02
Diluted earnings per share (euros)	10	0.02	0.02	0.10	0.06	0.32	0.02

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Q2 2017	Q2 2016	6m 2017	6m 2016	12m 2017/16	12m 2016/15
PROFIT FOR THE PERIOD	**13.1**	**15.2**	**61.4**	**34.6**	**197.9**	**13.6**
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Revaluation of hedging instruments	8.5	(12.7)	29.7	(13.4)	(2.2)	(17.4)
Currency translation differences attributable to foreign subsidiaries	(11.6)	0.5	(2.0)	(0.5)	(0.6)	0.9
Other comprehensive income for the period	**(3.1)**	**(12.2)**	**27.7**	**(13.9)**	**(2.8)**	**(16.5)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**10.0**	**3.0**	**89.1**	**20.7**	**195.1**	**(2.9)**
Equity holder of the Parent Company	**9.8**	**3.0**	**89.0**	**20.6**	**195.0**	**(3.3)**
Non-controlling interest	**0.2**	**-**	**0.1**	**0.1**	**0.1**	**0.4**

Condensed Consolidated Interim Statement of Financial Position

in million EUR	Note	30.06.2017	30.06.2016	31.12.2016
Non-current assets				
Property, plant and equipment	7	2,458.0	2,465.1	2,469.3
Intangible assets		38.5	39.9	40.2
Investments in associates		3.4	2.8	2.0
Derivative financial instruments	8	4.2	-	-
Long-term receivables		33.0	36.4	39.1
Total non-current assets		**2,537.1**	**2,544.2**	**2,550.6**
Current assets				
Inventories		64.4	74.6	65.2
Greenhouse gas allowances	5	47.6	5.3	47.3
Trade and other receivables		94.4	107.8	199.4
Derivative financial instruments	8	9.9	14.5	1.4
Cash and cash equivalents		386.1	189.5	223.3
Total current assets		**602.4**	**391.7**	**536.6**
Total assets	**3**	**3,139.5**	**2,935.9**	**3,087.2**
EQUITY				
Capital and reserves attributable to equity holder of the Parent Company				
Share capital	9	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		1.2	3.4	(28.5)
Unrealised exchange rate differences		9.9	10.5	11.9
Retained earnings		784.2	634.0	770.2
Total equity and reserves attributable to equity holder of the Parent Company		**1,738.8**	**1,591.4**	**1,697.1**
Non-controlling interest		**0.4**	**1.2**	**0.9**
Total equity		**1,739.2**	**1,592.6**	**1,698.0**
LIABILITIES				
Non-current liabilities				
Borrowings	11	877.2	935.5	920.6
Other payables		1.6	1.1	1.8
Derivate financial instruments	8	-	-	6.1
Deferred income		187.9	175.8	181.0
Provisions	13	30.6	31.5	30.7
Total non-current liabilities		**1,097.3**	**1,143.9**	**1,140.2**
Current liabilities				
Borrowings	11	65.7	19.3	19.3
Trade and other payables		193.6	126.3	155.4
Derivative financial instruments	8	2.3	20.1	16.5
Provisions	13	41.4	33.7	57.8
Total current liabilities		**303.0**	**199.4**	**249.0**
Total liabilities		**1,400.3**	**1,343.3**	**1,389.2**
Total liabilities and equity		**3,139.5**	**2,935.9**	**3,087.2**

Condensed Consolidated Interim Statement of Cash Flows

in million EUR	Note	Q2 2017	Q2 2016	6m 2017	6m 2016	12m 2017/16	12m 2016/15
Cash flows from operating activities							
Cash generated from operations	12	65.5	51.3	197.4	99.2	331.9	224.4
Interest and loan fees paid		(0.3)	(0.3)	(0.4)	(0.4)	(30.4)	(43.9)
Interest received		-	0.1	0.1	0.2	0.2	0.4
Corporate income tax paid		-	-	-	(14.9)	-	(14.9)
Net cash generated from operating activities		**65.2**	**51.1**	**197.1**	**84.1**	**301.7**	**166.0**
Cash flows from investing activities							
Purchase of property, plant and equipment and intangible assets		(23.5)	(27.5)	(56.2)	(67.1)	(115.7)	(156.6)
Proceeds from connection and other fees		4.3	4.7	9.5	7.4	17.2	15.6
Proceeds from sale of property, plant and equipment		0.2	1.7	0.7	2.0	3.6	3.7
Net change in deposits not recognised as cash equivalents		-	-	-	-	-	119.0
Net change in cash with limited usage[i)]		-	-	-	4.8	-	1.0
Loans granted	16	(1.4)	(1.2)	(34.7)	(2.7)	(36.4)	(2.7)
Repayments of loans granted		-	-	28.4	-	28.4	-
Dividends received from long-term financial investments		-	-	1.6	2.0	1.6	2.0
Proceeds from repurchase of shares and liquidation of associate	13	-	-	18.5	-	18.5	-
Net cash used in investing activities		**(20.4)**	**(22.3)**	**(32.2)**	**(53.6)**	**(82.8)**	**(18.0)**
Cash flows from financing activities							
Received long-term loans		-	-	0.2	-	0.2	30.4
Repayments of bank loans		-	-	(0.7)	(0.7)	(19.3)	(6.9)
Repayments of other loans		(0.6)	-	(0.6)	-	(1.2)	(0.1)
Acquisition of non-controlling interest in a subsidiary	-	(1.0)	-	(1.0)	-	(2.0)	-
Dividends paid		-	(0.1)	-	(0.1)	-	(62.0)
Net cash used in financing activities		**(1.6)**	**(0.1)**	**(2.1)**	**(0.8)**	**(22.3)**	**(38.6)**
Net cash flows		**43.2**	**28.7**	**162.8**	**29.7**	**196.6**	**109.4**
Cash and cash equivalents at the beginning of the period		342.9	160.8	223.3	159.8	189.5	80.1
Cash and cash equivalents at the end of the period		386.1	189.5	386.1	189.5	386.1	189.5
Net increase / (-) decrease in cash and cash equivalents		**43.2**	**28.7**	**162.8**	**29.7**	**196.6**	**109.4**

[i)] Since January 1, 2017, „Net change in cash with limited usage“ is reclassified as „Cash generated from operations“

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		
Equity as at 31.12.2015	**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 30.06.2016	**621.6**	**259.8**	**62.1**	**13.9**	**634.0**	**1,591.4**	**1.2**	**1,592.6**
Equity as at 31.12.2016	**621.6**	**259.8**	**62.1**	**(16.6)**	**770.2**	**1,697.1**	**0.9**	**1,698.0**
Profit for the period	-	-	-	-	61.3	61.3	0.1	61.4
Other comprehensive income for the period	-	-	-	27.7	-	27.7	-	27.7
Total comprehensive income for the period	**-**	**-**	**-**	**27.7**	**61.3**	**89.0**	**0.1**	**89.1**
Dividends declared	-	-	-	-	(47.0)	(47.0)	-	(47.0)
Acquisition of non-controlling interest of subsidiary	-	-	-	-	(0.3)	(0.3)	(0.6)	(0.9)
Total transactions with owners of the company, recognised directly in equity	**-**	**-**	**-**	**-**	**(47.3)**	**(47.3)**	**(0.6)**	**(47.9)**
Equity as at 30.06.2017	**621.6**	**259.8**	**62.1**	**11.1**	**784.2**	**1,738.8**	**0.4**	**1,739.2**

Additional information about equity is disclosed in Note 9.

Notes to the Condensed Interim Consolidated Financial Statement

1. Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with **International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations** as adopted by the European Union. These consolidated interim condensed financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting". While preparing the interim report at hand, the same accounting principles as in the annual report for the financial year ended on 31.12.2016 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 2016.

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 2017 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 2016.

According to the Management Board the interim report prepared for the period 1 January 2016 - 30 June 2017 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 2016. 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 2017 and 31 December 2016:

30 June 2017

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 8)	0.3	12.9	-	13.2
Cash flow hedges (Note 8)	0.9	-	-	0.9
Total financial assets	**1.2**	**12.9**	**-**	**14.1**
Liabilities				
Trading derivatives (Note 8)	0.5	0.1	-	0.6
Cash flow hedges (Note 8)	-	1.7	-	1.7
Total financial liabilities	**0.5**	**1.8**	**-**	**2.3**

31 December 2016

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 8)	0.4	0.4	-	0.8
Cash flow hedges (Note 8)	-	(0.1)	0.7	0.6
Total financial assets	**0.4**	**0.3**	**0.7**	**1.4**
Liabilities				
Trading derivatives (Note 8)	-	2.0	-	2.0
Cash flow hedges (Note 8)	1.3	19.3	-	20.6
Total financial liabilities	**1.3**	**21.3**	**-**	**22.6**

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 2017:

in million EUR	Cash flow hedges	Total
Opening balance at 1 January 2017	0.7	0.7
Settlements (receipts)	(0.7)	(0.7)
Closing balance at 30 June 2017	**-**	**-**

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	30.06.2017	31.12.2016
Nominal value of bonds	758.3	758.3
Market value of bonds on the basis of quoted sales price	812.2	816.0
Nominal value of bank loans with fixed interest rate	192.5	192.5
Fair value of bank loans with fixed interest rate	198.0	197.1
Nominal value of bank loans with floating interest rate	47.8	48.5
Fair value of bank loans with floating interest rate	47.8	48.5

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	Q2 2017	Q2 2016[i)]	6m 2017	6m 2016[i)]
Electricity	81.9	66.1	183.9	156.5
Distribution	58.6	56.0	129.9	128.1
Shale oil	24.5	13.7	42.9	20.7
Other products and services	12.5	12.9	36.2	40.4
Total	**177.5**	**148.7**	**392.8**	**345.7**

EBITDA

in million EUR	Q2 2017	Q2 2016[i)]	6m 2017	6m 2016[i)]
Electricity	22.8	15.3	60.2	41.3
Distribution	30.2	29.5	58.7	57.5
Shale oil	6.7	(3.2)	12.3	(2.5)
Other products and services	4.2	13.0	19.2	18.6
Total	**63.9**	**54.6**	**150.4**	**114.9**
Depreciation and amortisation	(33.9)	(36.5)	(68.0)	(71.7)
Net financial income (expense)	(6.1)	(3.2)	(10.9)	(8.8)
Profit from associates using equity method	0.6	0.3	1.3	0.2
Profit before tax	**24.5**	**15.2**	**72.8**	**34.6**

ASSETS

in million EUR	30.06.2017	30.06.2016	31.12.2016
Electricity	1,286.0	1,205.1	1,271.2
Distribution	1,086.7	999.3	1,048.1
Shale oil	304.3	346.9	305.0
Other products and services	462.4	384.6	462.9
Total	**3,139.5**	**2,935.9**	**3,087.2**

[i)] 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 2016

4. Other operating income

in million EUR	6m 2017	6m 2016
Gain on disposal of associate (Note 14)	18.5	-
Fines, penalties and compensations	12.1	1.2
Gain from revaluation of derivatives	0.5	6.1
Other operating income	0.9	1.2
Total other operating income	**32.0**	**8.5**

In March 2017, Eesti Energia sold a 55% majority stake in the oil shale fired power plant project in Jordan. For further information, see Note 14.

5. Greenhouse Gas Allowances

in million EUR	6m 2017	6m 2016
Greenhouse gas allowances at the beginning of the period	47.3	33.5
Acquired	47.1	-
Returned to state for the greenhouse gas emissions (Note 13)	(46.8)	(28.2)
Greenhouse gas allowances at the end of the period	**47.6**	**5.3**

The value of greenhouse gas allowances acquired is recognised as intangible current assets. In the first half of this year 11 356 171 tonnes of greenhouse gas emission allowances were returned to state (6 months in 2016: 9 867 612 tonnes).

6. 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.

7. Property, Plant and Equipment

in million EUR	Land	Buildings	Const-ruction	Plant and equipment	Other	Construction in progress and prepayments	Total
Property, plant and equipment as at 31.12.2016							
Cost	43.0	249.3	989.7	2,061.7	6.2	604.2	3,954.1
Accumulated depreciation	-	(102.4)	(408.5)	(969.3)	(4.6)	-	(1,484.8)
Net book amount	43.0	146.9	581.2	1,092.4	1.6	604.2	2,469.3
Total property, plant and equipment as at 31.12.2016	**43.0**	**146.9**	**581.2**	**1,092.4**	**1.6**	**604.2**	**2,469.3**
Movements in the reporting period							
Purchases of property, plant and equipment	-	-	-	1.4	-	54.0	55.4
Depreciation charge	-	(2.9)	(13.5)	(49.5)	(0.2)	(0.2)	(66.3)
Net book amount of non-current assets disposed	-	-	-	(0.1)	-	-	(0.1)
Exchange differences	(0.3)	-	-	-	-	-	(0.3)
Transfers	-	0.8	19.9	41.4	-	(62.1)	-
Total movements in 6m 2017 period	**(0.3)**	**(2.1)**	**6.4**	**(6.8)**	**(0.2)**	**(8.3)**	**(11.3)**
Property, plant and equipment as at 30.06.2017							
Cost	42.7	248.2	1,009.7	2,093.9	6.2	595.9	3,996.6
Accumulated depreciation	-	(103.4)	(422.1)	(1,008.3)	(4.8)	-	(1,538.6)
Net book amount	42.7	144.8	587.6	1,085.6	1.4	595.9	2,458.0
Total property, plant and equipment as at 30.06.2017	**42.7**	**144.8**	**587.6**	**1,085.6**	**1.4**	**595.9**	**2,458.0**

As at 30 June 2017, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 104.6 million (31 December 2016 EUR 86.2 million).

8. Derivative Financial Instruments

in million EUR	30.06.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Future contracts for buying and selling electricity as cash flow hedges	0.9	-	(0.1)	1.3
Forward and future contracts for buying and selling electricity as trading derivatives	-	0.2	0.6	1.4
Future contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	-	0.2	-	0.6
Swap and future contracts for buying and selling gas as trading derivatives	-	0.1	-	-
Swap, forward and option contracts for selling shale oil as cash flow hedges	-	1.7	0.7	19.3
Swap and option contracts for selling shale oil as trading derivatives	13.2	0.1	0.2	-
Total derivative financial instruments	**14.1**	**2.3**	**1.4**	**22.6**
including non-current portion:				
Future contracts for buying and selling electricity as cash flow hedges	0.1	-	-	6.1
Swap and option contracts for selling shale oil as trading derivatives	4.1	-	-	-
Total non-current portion	**4.2**	**-**	**-**	**6.1**
Total current portion	**9.9**	**2.3**	**1.4**	**16.5**

9. Share Capital and Dividends

As at 30 June 2017, Eesti Energia AS had 621 645 750 registered shares (31 December 2016: 621 645 750 registered shares). The nominal value of each share is 1 euro.

On 31 May 2017 the sole shareholder made a resolution to pay to the shareholder dividend EUR 47 million (dividend per share 0.08 euros). The dividend payable and the income tax payable on dividend is recognised in the statement of financial position as at 30 June 2017 in the line "Trade and other payables".

10. 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.

	Q2 2017	Q2 2016	6m 2017	6m 2016	12m 2017/16	12m 2016/15
Profit attributable to the equity holders of the company (million EUR)	12.9	15.2	61.3	34.5	197.8	13.2
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	0.02	0.10	0.06	0.32	0.02
Diluted earnings per share (EUR)	0.02	0.02	0.10	0.06	0.32	0.02

11. Nominal Value and Amortised Cost of Borrowings

in million EUR	30.06.2017		31.12.2016	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Current portion of long-term bank loans	65.7	65.7	19.3	19.3
Total short-term borrowings	**65.7**	**65.7**	**19.3**	**19.3**
Long- term borrowings				
Bank loans	174.6	174.4	221.7	221.4
Bonds issued	758.3	702.8	758.3	699.2
Total long- term borrowings	**932.9**	**877.2**	**980.0**	**920.6**
Total borrowings	**998.6**	**942.9**	**999.3**	**939.9**

As at 30 June 2017 the Group had undrawn loan facilities of EUR 220.0 million (31 December 2016: 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. The loan can be taken into use until October 2017.

12. Cash Generated from Operations

in million EUR	Q2 2017	Q2 2016	6m 2017	6m 2016	12m 2017/16	12m 2016/15
Profit before tax	**24.5**	**15.2**	**72.8**	**34.6**	**209.4**	**5.5**
Adjustments						
Depreciation and impairment of property, plant and equipment	33.1	35.3	66.3	69.1	135.7	178.3
Amortisation and impairment of intangible assets	0.8	1.2	1.7	2.6	4.0	31.4
Deferred income from connection and other service fees	(1.9)	(1.7)	(3.8)	(3.5)	(7.3)	(6.8)
Gain on disposal of property, plant and equipment	(0.1)	-	(0.4)	-	(1.4)	(1.0)
Gain on disposal of associate	-	-	(18.5)	-	(18.5)	-
Amortisation of government grant received to purchase non-current assets	-	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)
Profit/loss from associates using equity method	(0.6)	(0.3)	(1.3)	(0.2)	(2.2)	(2.7)
Unpaid/unsettled gain/loss on derivatives	(3.7)	6.2	(3.2)	20.7	(19.7)	41.5
Loss from doubtful loan receivables	-	-	9.4	-	10.3	11.0
Foreign exchange gain/loss from lending in foreign currency	2.1	(0.9)	3.2	0.6	1.2	(0.5)
Interest expense on borrowings	3.3	3.8	6.6	7.5	13.7	13.8
Interest and other financial income	(0.1)	-	(0.1)	(0.1)	(0.2)	(3.5)
Adjusted net profit before tax	**57.4**	**58.7**	**132.5**	**131.1**	**324.7**	**266.6**
Net change in current assets relating to operating activities						
Change in receivables related to operating activities	51.6	16.3	79.9	19.8	(10.0)	(2.2)
Change in inventories	2.9	4.9	0.8	(2.7)	10.2	(14.2)
Net change in other current assets relating to operating[i)] activities	2.4	11.7	23.2	(6.0)	(19.0)	(16.1)
Total net change in current assets relating to operating activities	**56.9**	**32.9**	**103.9**	**11.1**	**(18.8)**	**(32.5)**
Net change in current liabilities relating to operating activities						
Change in provisions	(33.4)	(18.4)	(16.4)	(6.0)	6.6	11.0
Change in trade payables	(9.3)	(5.5)	(10.9)	(12.4)	6.9	(3.2)
Net change in liabilities relating to other operating activities	(6.1)	(16.4)	(11.7)	(24.6)	12.5	(17.5)
Total net change in liabilities relating to operating activities	**(48.8)**	**(40.3)**	**(39.0)**	**(43.0)**	**26.0**	**(9.7)**
Cash generated from operations	**65.5**	**51.3**	**197.4**	**99.2**	**331.9**	**224.4**

[i)] Since January 1, 2017, including „Net change in cash with limited usage“

13. Provisions

in million EUR	Opening balance 31.12.2016	Recognition and reversal of provisions	Interest charge	Use	Closing balance 30.06.2017	
					Short term provision	Long term provision
Environmental protection provisions	27.6	0.1	0.3	(0.8)	5.3	21.9
Provision for termination of mining operations	0.8	-	-	-	0.1	0.7
Employee related provisions	5.3	-	-	(0.3)	0.6	4.4
Provision for dismantling cost of assets	3.5	-	0.1	-	-	3.6
Provision for greenhouse gas emissions (Note 5)	47.0	30.9	-	(46.8)	31.1	-
Provision for obligations arising from treaties	4.3	-	-	-	4.3	-
Total provisions	**88.5**	**31.0**	**0.4**	**(47.9)**	**41.4**	**30.6**

14. Disposal of associate

On 16 March 2017, Attarat Power Company (APCO) reached financial close for its oil shale fired power plant in Jordan. In connection with the financial close, a shale sale agreement took effect by which Eesti Energia reduced its previous 65% interest in APCO to 10%. Eesti Energia's proceeds from the disposal of a 55% majority stake amounted to USD 50.4 million, consisting of a settlement for loans provided of USD 30.6 million and a sales premium of USD 19.8 million. Following the transaction, APCO's shareholders are YTL Power International (Malaysia) with 45% interest, Guangdong Yudean Group Co. Limited (China) with 45% interest, and Eesti Energia with 10% interest.

The shareholders have undertaken to contribute USD 528 million to the equity of the electricity project. Eesti Energia's financing obligation amounts to USD 53 million. To date, Eesti Energia has financed the project to the extent of USD 34.5 million. The rest of the financing will be provided in line with the project plan.

15. Acquisition of non-controlling interest of subsidiary

On 23 May 2017, Eesti Energia acquired from OÜ Tootus the remaining minority stake in Pogi OÜ - the Paide power plant. In June 2017, Pogi OÜ was incorporated into Enefit Taastuvenergia OÜ.

Enefit Taastuvenergia is a subsidiary of Eesti Energia that produces electricity and heat from wind, water, biomass, and household refuse. The company produces in Iru, Aulepa, Narva, Paldiski, Virtsu, Valga, and now also Paide. It also runs two small hydroelectric power plans in Keila-Joa and Linnamäe.

16. 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	6m 2017	6m 2016
Purchase of goods	9.8	7.5
Purchase of services	0.2	-
Proceeds from sale of goods	0.1	0.1
Proceeds from sale of services	-	0.2
Loans granted	34.7	2.7

RECEIVABLES FROM ASSOCIATES AND PAYABLES TO ASSOCIATES

in million EUR	30.06.2017	31.12.2016
Receivables	42.9	51.7
incl long-term loan receivables	42.9	50.1
Allowance for doubtful loan receivables	(11.3)	(12.2)
Payables	2.9	3.3
incl long-term payables	1.5	1.8

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 2017 remuneration to management and supervisory boards amounted to EUR 1.5 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	6m 2017	6m 2016
Purchase of services	42.4	41.6
Purchase of goods	4.6	4.9
Purchase of property, plant and equpiment and prepayments	2.4	0.1
Sale of goods and services (incl. renewable energy grant)	10.6	9.8

RECEIVABLES FROM ELERING AS AND PAYABLES TO ELERING AS

in million EUR	30.06.2017	31.12.2016
Receivables	2.1	2.8
Payables	10.8	19.9

Glossary

Arbitrage – Concurrent purchase and sale of goods or securities of the same kind in different markets to earn a profit on the difference in market prices

Maintenance and repair expenditures – Expenditures incurred to maintain the existing production capacities

MWh – megawatt hour. 1 MWh is the unit of energy generated (or consumed) in one hour by a device operating at a constant power of 1 MW (megawatt) 1,000,000 MWh = 1,000 GWh = 1 TWh

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

Clean Dark Spread (CDS) – Eesti Energia's margin between the price of electricity (in NP Estonia) and oil shale costs and CO_2 costs (taking into account the price of CO_2 allowance futures maturing in December and the amount of CO_2 emitted in the generation of a MWh of electricity)

CO_2 emission allowance – According to the European Union Emissions Trading System (ETS), one emission allowance gives the holder the right to emit one tonne of carbon dioxide (CO_2). The limit on the total number of emission allowances available gives them a monetary value

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

Future – A contract between counterparties which obligates to buy or sell an underlying asset (e.g. a commodity) at a pre-agreed price

Green paper on industrial policy – a document prepared by the state and employers' associations which outlines the bottlenecks of industrial development and suggests solutions for their elimination and improving industrial development

Level of water reservoirs – The 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

OHSAS, ISO 14001, HAZOP – International standards which deal with risk management in the area of occupational health and safety, the environment management system, and accident prevention

Oil shale resource charge – A charge to be paid to the state for the use of 1 tonne of oil shale located in the mineral deposit

OSAMAT – Management of Environmentally Sound Recycling of Oil Shale Ashes into Road Construction Products. Demonstration in Estonia – a project carried out to test the use of oil shale ash in road construction

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

Tax footprint – An indicator which reflects the contribution made to society through taxes

Variable profit – Profit after deducting variable costs from sales revenues