Eesti Energia

Interim Report

1 July 2017 – 30 September 2017

Eesti Energia Aulepa Wind Park in Noarootsi, Estonia

Contents

Letter from the CEO

Dear reader

In the third quarter of 2017, the average electricity price in the Estonian price area of the Nord Pool power exchange was 14.4% higher than a year earlier. Throughout the quarter, the price was influenced by the rise in CO2 emission allowance prices. Other factors which increased the electricity price were the summer maintenance of nuclear power plants and relatively dry weather which lowered the level of the Nordic hydro reservoirs. The Baltic electricity prices continued to even out. The process began in the first quarter of 2016 when the NordBalt interconnector was launched and cheap hydro and nuclear energy supplied from Sweden to Lithuania started to lower the Latvian and Lithuanian electricity prices.

Market prices of liquid fuels also followed an upward trend. The period's average price of fuel oil with 1% sulphur content was 255.5 euros per tonne, 19% up on a year earlier. The uptrend was mainly driven by a rise in the oil price. A rise in liquid fuels prices has a positive impact on Eesti Energia's financial performance because it increases the price of our shale oil and helps us grow our revenue.

EBITDA for the third quarter amounted to 54.1 million euros, a 3.2% improvement on the same period last year. Our third-quarter sales revenues totalled 157.6 million euros, 7.6% less than a year earlier. Lower sales revenues are attributable to smaller production volumes resulting from summer maintenance at our power and oil plants. Last year, planned maintenance was carried out at the beginning of the year in response to the then low market prices.

Estonia continues to be the only country among the Baltic states and Finland where electricity production exceeds consumption. In the third quarter of 2017, Eesti Energia produced 2.1 terawatt hours of electricity, 15.6% less than a year earlier. Our electricity sales revenue amounted to 79.7 million euros, 8.1% or 7.1 million euros less than a year earlier. The Group's average electricity sales price grew by 4.9% and was 3.4 euros per megawatt hour higher than the average price in the Nord Pool Estonia price area. We produced 71.4 gigawatt hours of renewable energy. The contribution of wind energy was 40.4 gigawatt hours and that of waste-to-energy 29.3 gigawatt hours.

Due to the lowering of the regulated electricity distribution charge from 1 July this year, our electricity distribution revenue declined by 2.4 million euros or 4.4% compared to the third quarter of 2016. The distribution segment's third-quarter revenue amounted to 52.5 million euros. We can offer our customers a more favourable price for the distribution service thanks to higher efficiency achieved through the implementation of smart meters.

In the third quarter of 2017, we sold 72.7 thousand tonnes of shale oil, generating revenue of 15.3 million euros. Both shale oil sales revenue and sales volume decreased by 22% compared to the same period last year.

Our third-quarter investments in future growth totalled 35.2 million euros, a 6% increase on the same period in 2016. Half of this (17.7 million euros) was invested in the electricity distribution network. The second-largest amount (8.1 million euros) was spent on ensuring the sustainability of our existing production capacities.

Investments in the approved projects of our strategic action plan totalled 2.6 million euros. The largest amount was allocated to the project for increasing the share of oil shale gas burnt in generating unit 8 of the Eesti power plant which reached the stage where the contractor began rebuilding boiler number 1. The total expected cost of the project is 15.1 million euros.

In September, the Group's supervisory board and owner approved Eesti Energia's strategic project for expanding our electricity retailing business to Finland

and Sweden. Eesti Energia currently sells energy in Estonia, Latvia, Lithuania and Poland. We are planning to launch electricity sales in Finland and Sweden in 2018. Supplementing our home market Estonia with new foreign markets allows us to grow our business and expand our revenue base.

A noteworthy step in the diversification of our production portfolio was the contract signed in August with Estonia OÜ, one of the largest agriculture companies in Estonia, for building a solar power plant for its farm in central Estonia. Under the innovative solution, Eesti Energia will own and maintain the plant. The agriculture company will use the solar power that will be produced for fixed-price self-consumption.

The construction of fabric filters for the Auvere power plant has been completed. The plant's emissions are now within regulatory limits even when it operates at full capacity. According to plan, the builder, General Electric, will deliver the Auvere power plant at the end of this year. We also completed the modernisation of the Enefit280 oil plant, which increased its average monthly output by up to 2,700 tonnes.

According to forecasts, in the last quarter of 2017 electricity and liquid fuels prices will remain at the current year's average levels. We have completed the planned maintenance on our production facilities and are ready to increase output in line with market demand.

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.

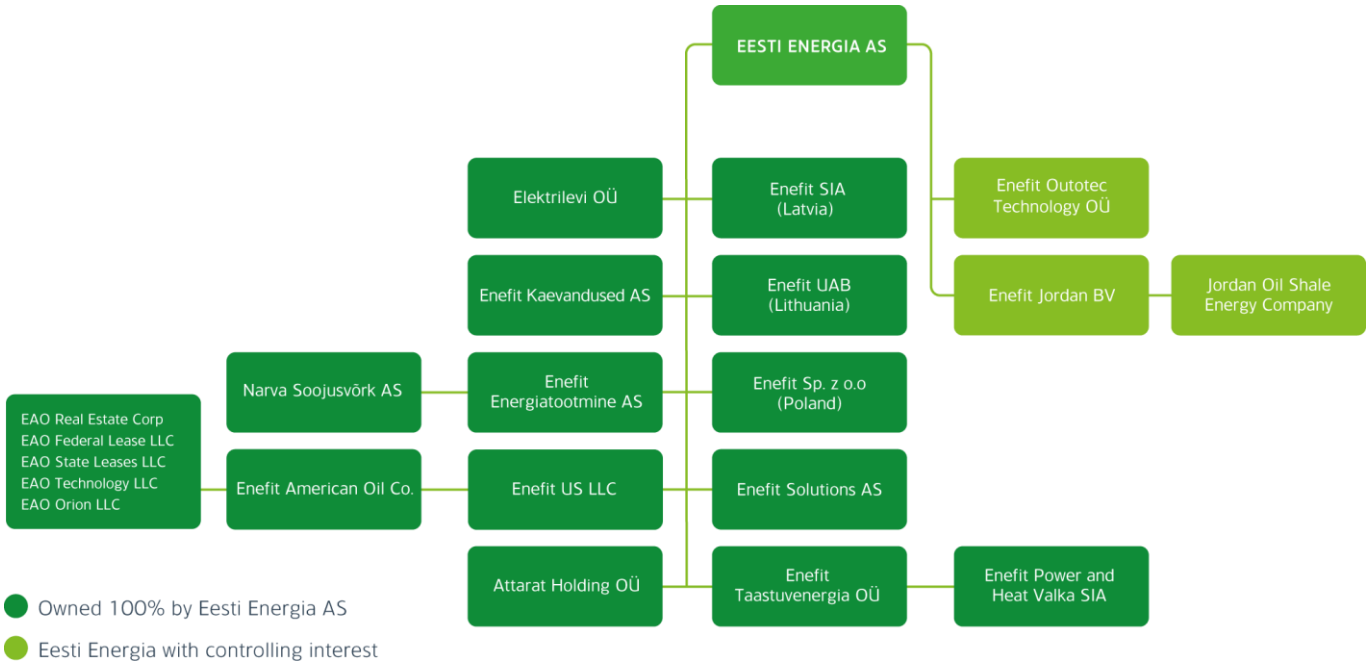
In addition, we offer contemporary energy solutions and associated services to both residential and corporate customers.

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 September 2017*



* legal entities where Eesti Energia owns 51% or more

Key Figures and Ratios

		Q3 2017	Q3 2016	Change	9M 2017	9M 2016	Change
Total electricity sales*, of which	GWh	2,056	2,401	-14.4%	7,074	6,358	+11.3%
wholesale sales*	GWh	688	1,048	-34.4%	2,573	1,835	+40.2%
retail sales	GWh	1,368	1,353	+1.1%	4,502	4,523	-0.5%
Electricity distributed	GWh	1,442	1,389	+3.8%	4,889	4,776	+2.4%
Shale oil sales	th t	73	93	-22.0%	254	195	+29.9%
Heat sales	GWh	63	49	+27.3%	675	760	-11.2%
Average number of employees	No.	5,788	5,799	-0.2%	5,803	5,797	+0.1%
Sales revenues	m€	157.6	170.6	-7.6%	550.4	516.3	+6.6%
EBITDA	m€	54.1	52.4	+3.2%	204.5	167.2	+22.3%
Operating profit	m€	20.4	16.7	+22.2%	102.8	59.9	+71.7%
Net profit	m€	16.2	13.3	+21.9%	77.7	48.0	+61.8%
Investments	m€	35.2	33.4	+5.6%	92.5	96.6	-4.3%
Cash flow from operating activities	m€	38.9	55.0	-29.2%	236.0	139.1	+69.7%
FFO	m€	40.2	25.6	+56.8%	172.4	141.5	+21.8%
Non-current assets	m€	2,534.0	2,542.0	-0.3%			
Equity	m€	1,755.2	1,597.7	+9.9%			
Net debt	m€	576.8	738.5	-21.9%			
Net debt / EBITDA**	times	1.6	3.5	-55.2%			
FFO**/ net debt	times	0.54	0.28	+90.2%			
FFO**/ interest cover**	times	9.0	5.6	+59.0%			
EBITDA**/ interest cover**	times	10.6	5.7	+86.8%			
Leverage	%	24.7	31.6	-6.9pp			
ROIC**	%	9.7	0.0	+9.7pp			
EBITDA margin	%	34.3	30.7	+3.6pp	37.1	32.4	+4.8pp
Operating profit margin	%	13.0	9.8	+3.2pp	18.7	11.6	+7.1pp

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 Q3 2017, our performance was influenced by the following developments:

- The world market prices of oil products trended upward, remaining consistently above the level of Q3 2016.
- Emission allowance prices were higher than a year earlier, following a rising trend during the quarter.
- Average electricity prices in the Nord Pool area were higher than in Q3 2016. The Baltic electricity prices have evened out.

According to the projections of the International Monetary Fund, in 2017 the global economy will grow by 3.6% and the economy of the euro area by 2.1%.

Liquid Fuels Prices

In Q3 2017, the price of Brent crude oil rose on OPEC members' compliance with the agreed production cuts. During the summer months, the price edged up due to rig maintenance, which lowered US oil output. Hurricane Harvey which hit the epicentre of the US oil industry, Texas, also drove up the oil price. In September, the oil price surged on tensions in the Middle East where Turkey threatened to cut off oil supply from Iraq. In the last week of September, the price of Brent crude soared to 59.0 USD/bbl, a two-year high.

In Q3 2017, the average price of Brent crude oil was 52.5 USD/bbl, i.e. 15.2% (+6.9 USD/bbl) up on Q3 2016. During the quarter, the oil price rose from 48.5 USD/bbl in July to 57.0 USD/bbl in September, i.e. by 17.5%.

The average euro/USD exchange rate in Q3 2017 was 1.175 US dollars to the euro. Compared to Q3 2016, the euro strengthened against the dollar by 5.3%.

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

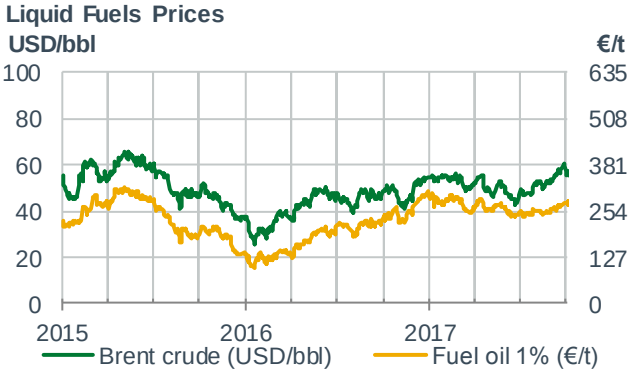
Liquid Fuels Prices

Average price		Q3 2017	Q3 2016	Change
Brent crude oil	USD/bbl	52.5	45.6	+15.2%
Fuel oil (1% sulphur content)	€/t	255.5	214.7	+19.0%
Euro exchange rate	EUR/USD	1.1754	1.1163	+5.3%

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

In Q3 2017, the European fuel oil market was characterised by weak local demand and a decrease in exports to Asia. In July, the fuel oil inventories of ARA (Amsterdam-Rotterdam-Antwerp), one of the largest liquid oil trading areas in Europe, rose to their highest level since April.

In Q3 2017, the price of fuel oil moved up along with the oil price, rising from 248.4 €/t in July to 267.0 €/t in September (+7.5%). In Q3 2017, the average price of fuel oil (1% sulphur content) was 255.5 €/t, 40.8 €/t (+19.0%) up on a year earlier.



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

Emission Allowance Prices

In Q3 2017, the prices of CO_2 futures were driven up by a rise in coal production and prices, which stemmed from stronger demand for coal in Europe and Asia. In Europe, the decline in the output of nuclear power plants which went into regular maintenance was covered with coal power. In Asia, coal-fired electricity generation grew mainly in China where unusually heavy seasonal rainfall caused extensive flooding. To control the situation, the production capacities of hydro power plants were reduced.

In the last month of the quarter, the emission allowance price rose sharply after the meeting of the representatives of France and Germany who discussed options for reforming the European Union's emissions trading system. The common goal is to support the emission allowance price and more extensive deployment of renewable power. It is hoped that the member states will reach political agreement before the Bonn UN Climate Change Conference, which will take place in November.

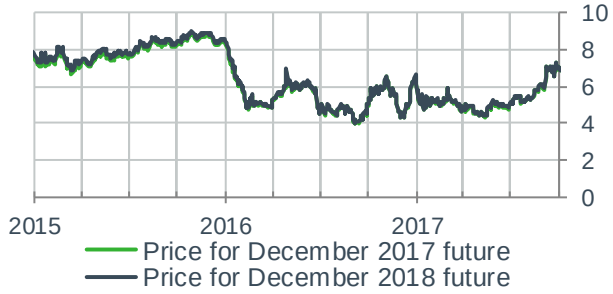
In Q3, the price of CO_2 emission allowance futures maturing in December 2017 increased significantly, rising from 5.3 €/t in July to 6.8 €/t in September. The Q3 average price of CO_2 futures was 5.9 €/t, i.e. 28.3% up on a year earlier.

The higher the price of emission allowances, the higher our electricity production costs, which has a negative impact on our financial results. The impacts of potential upswings in the market prices CO_2 emission allowances are softened by free allowances, which have been allocated to us as investment support, and hedging transactions with which we close our CO_2 emission allowance positions.

CO_2 Emission Allowance Prices

Average price (€/t)	Q3 2017	Q3 2016	Change
CO_2 December 2017	5.9	4.6	+28.7%
CO_2 December 2018	5.9	4.6	+28.3%

Prices of CO_2 Emission Allowances, €/t



Source: Thomson Reuters

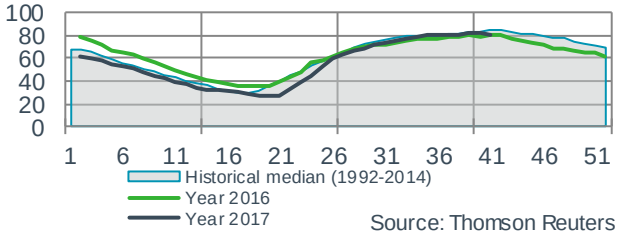
Electricity Prices

In Q3 2017, electricity prices in the Nordic countries and Estonia increased. In July, when energy demand typically dwindles, nuclear power plants went on their summer maintenance, which lasted until the end of the quarter. During the period, more electricity was produced from coal whose price in Q3 was high. The rise in the electricity price was also fuelled by the upswing in the CO_2 emission allowance price.

During the summer months the weather was relatively dry and inflow to the Nordic water reservoirs was modest, which lowered the availability of cheap hydro energy. Due to weak winds, there was also a certain decline in the production of wind energy.

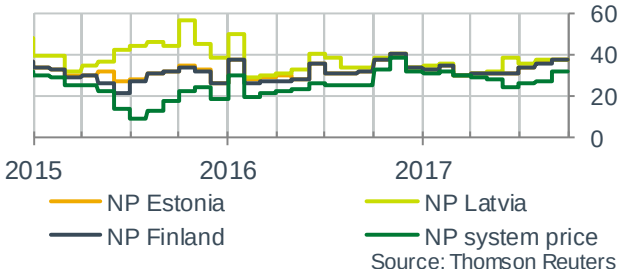
In Q3 2017, the average level of the Nordic water reservoirs was 1.3 percentage points higher than in Q3 2016 and 1.6 percentage points below the historical median.

Weekly Levels of Nordic Water Reservoirs, % of Maximum



Source: Thomson Reuters

Monthly Average Electricity Prices, €/MWh



Source: Thomson Reuters

In Q3 2017, electricity prices in Finland and the Baltic countries were higher than a year earlier. The average electricity price in Estonia was 36.1 €/MWh, i.e. 14.4% up on Q3 2016. In Q3 2017, the average electricity price in Estonia was 0.1 €/MWh higher than in Finland.

In July 2017, the electricity price in the Estonian price area was 0.1 €/MWh higher than in the Finnish price area. In August and September, electricity prices in Estonia and Finland were at the same level.

Electricity Prices on Nord Pool (NP) Electricity Exchange

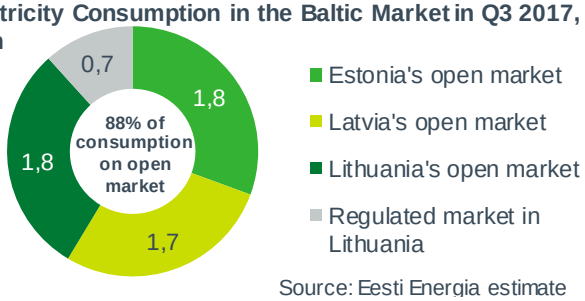
Average price (€/MWh)	Q3 2017	Q3 2016	Change
System price	28.5	25.2	+13.0%
Finland	36.0	31.6	+14.0%
Estonia	36.1	31.6	+14.4%
Latvia	37.2	35.4	+5.2%
Lithuania	37.3	35.7	+4.4%

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 Q3 2017 average electricity prices in Latvia and Lithuania were 3.1% and 3.2% higher than in Estonia respectively. This was mainly attributable to the maintenance of the NordBalt interconnector at the end of July. In August and September, electricity prices across the Baltics were similar. Some differences between the prices of Nord Pool's Estonian and Latvian and Lithuanian price areas will persist due to slight limitations resulting from the nature of the interconnector.

The Estonian and Latvian retail electricity markets have been deregulated since 2013 and 2015 respectively. In Q3 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 Q3 2017 72% of the Lithuanian electricity market (in terms of consumption volume) was open to competition.

Electricity Consumption in the Baltic Market in Q3 2017, TWh



Source: Eesti Energia estimate

In Q3 2017, Eesti Energia's clean dark spread (CDS) in the electricity price of Nord Pool's Estonian price area (NP Estonia) was 10.3 €/MWh (+1.1 €/MWh, +13% compared to Q3 2016).

The electricity price increased by 4.5 €/MWh year on year and the impact of the change in CO_2 and oil shale costs was +1.1 €/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

Although in Q3 2017 Eesti Energia's revenue decreased by 8%, EBITDA for the period improved by 3% compared with a year earlier. Revenue decline was mainly attributable to planned maintenance which lowered our electricity and shale oil production capacity.

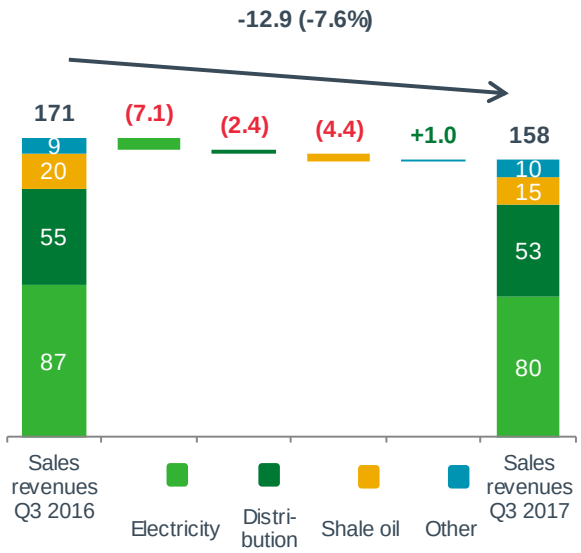
The Group's revenue for Q3 2017 amounted to 157.6 million euros, 7.6% (-12.9 million euros) down from Q3 2016. EBITDA rose to 54.1 million euros, 3.2% (+1.7 million euros) up on the same period last year. Net profit grew by 21.9% to 16.2 million euros (+2.9 million euros).

Revenue decreased in all key operating segments. Electricity and shale oil revenues dropped due to smaller sales volumes. Distribution service revenue was weakened by a lower sales price.

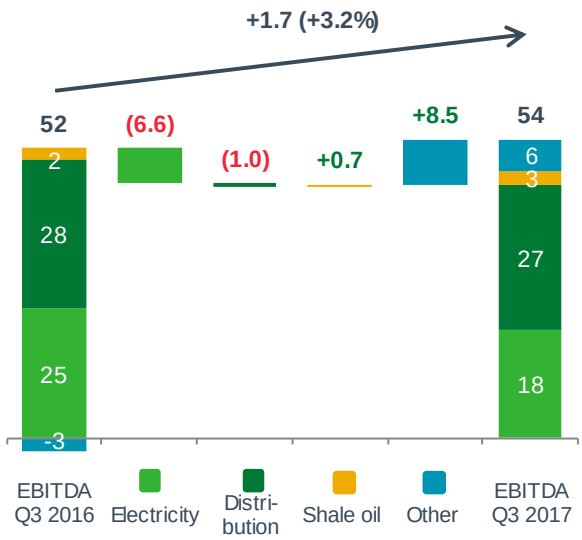
Electricity EBITDA[1] decreased substantially, mostly due to a smaller sales volume. Distribution and shale oil EBITDA remained at a level similar to Q3 2016. In the distribution segment, the adverse impact of a lower sales price was mitigated by lower fixed costs and a larger sales volume. In the shale oil segment, the positive impact of a higher sales price was undermined by a smaller sales volume and the negative impact of derivative transactions.

EBITDA on other products and services grew considerably through liquidated damages related to the construction of the Auvere power plant which had an impact of +8.8 million euros.

Group's Sales Revenue Breakdown and Change, m€



Group's EBITDA Breakdown and Change, m€



[1] Compared with the interim report for Q3 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 Q3 2017, the largest share of our revenue and a third of our EBITDA resulted from electricity sales.

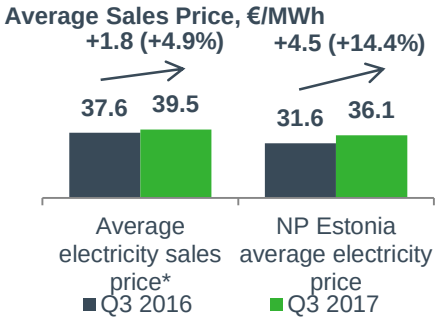
Electricity Sales Revenue

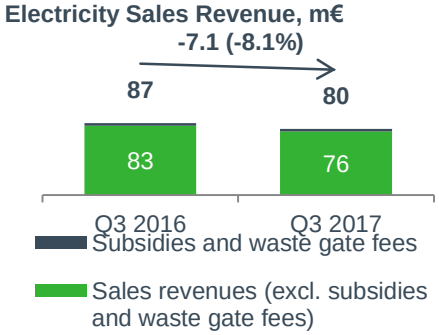
Even though the sales prices of electricity were higher than in Q3 2016, electricity sales revenue for Q3 2017 decreased by 8.1% to 79.7 million euros (-7.1 million euros). Lower sales revenue was attributable to smaller production and sales volumes.

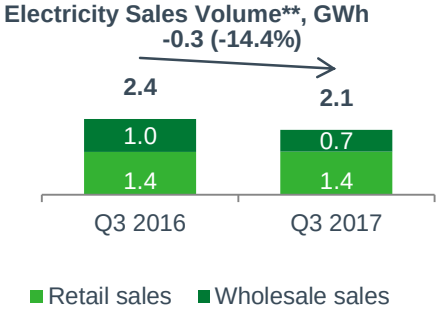
Average Sales Price of Electricity

The average sales price of electricity was 39.5 €/MWh, i.e. 4.9% (+1.8 €/MWh) higher than in Q3 2016.

The average sales price includes, among other items, the impact of derivative transactions. In Q3, derivative transactions did not have an impact on the average sales price. Thus, the average sales price excluding the result on derivative financial instruments was also 39.5 €/MWh. Compared with a year earlier, gain on derivative financial instruments decreased markedly, i.e. by 1.7 million euros (-103%) to -0.05 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 Q3 2017, we sold 1,919 GWh of electricity, i.e. 277 GWh or 12.6% less than in Q3 2016.

Compared with the same period last year, wholesale sales decreased noticeably, i.e. by 293 GWh (-34.7%) to 551 GWh. Retail sales grew by 16 GWh (+1.1%) to 1,368 GWh.

Retail sales broke down between markets as follows: Estonia 958 GWh (+12 GWh), Latvia 243 GWh (-37 GWh) and Lithuania 168 GWh (+40 GWh).

In terms of our customers' electricity consumption volume, Eesti Energia's Q3 market share in Estonia was 58%, 1 percentage point up on a year earlier. At the end of Q3 2017, universal service was consumed at 20% of all electricity consumption points.

In Latvia, Lithuania and Poland Eesti Energia operates under the Enefit brand. To meet our contractual sales commitments, we buy electricity from the power exchange. In Q3 2017, our open market retail sales in Latvia and Lithuania totalled 411 GWh (+0.8%,

+3,3 GWh). In Poland, we began selling electricity in Q3 but supply will begin in Q4.

In Q3 2017, Eesti Energia's market shares in Latvia and Lithuania were 14.3% and 6.6% respectively. Our total share of the Baltic retail electricity market was 25%, 1 percentage point down from Q3 2016.

Electricity Production Volume

In Q3 2017, we produced 2,101 GWh of electricity, 15.6% (-389 GWh) less than in Q3 2016. The decline in production volume resulted from large-scale planned maintenance on our oil shale power plants and CO_2 emission allowance prices which were higher than a year earlier.

We produced 71.4 GWh of renewable energy (-10.7%, -8.6 GWh). Most of it was generated at wind farms, which produced 40.4 GWh of electricity. The decline in renewable energy production was attributable to the power plants of Enefit Energiatootmine where biomass electricity output dropped by 9.6 GWh (-42.5%) compared with Q3 2016.

Renewable energy and efficient co-generation support received by the Group amounted to 2.9 million euros (+0.1 million euros).

Key Figures of Electricity Product

		Q3 2017	Q3 2016
Return on fixed assets*	%	13.1	2.1
Electricity EBITDA	€/MWh	9.4	11.2

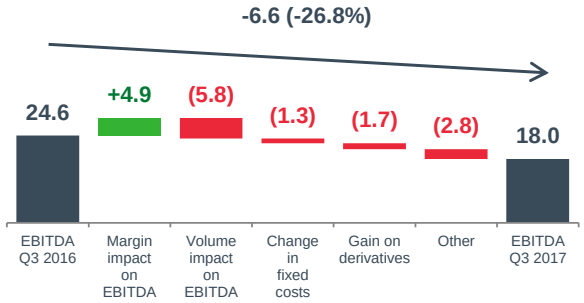
* Excluding impairment of generation assets recorded in December 2013 and December 2015

Electricity EBITDA

Electricity EBITDA decreased by 26.8% to 18.0 million euros (-6.6 million euros).

The decline in electricity sales volume lowered electricity EBITDA by 5.8 million euros. Smaller gain on derivative instruments had an impact of -1.7 million euros. A higher margin improved electricity EBITDA by 4.9 million euros (+2.6 €/MWh).

Electricity EBITDA Development, m€



The average electricity sales revenue per megawatt hour (excluding derivative transactions) grew by 2.8 euros (impact: +5.4 million euros). The figure reflects the rise in the average sales price of electricity of +2.6 €/MWh and growth in support received of +0.2 €/MWh. Growth in average variable costs had an impact of -0.5 million euros. Variable costs increased mostly due to higher CO_2 expenses and electricity purchase costs.

The impact of a change in fixed costs was -1.3 million euros. Among other items, the figure includes a rise in repair costs (impact: -2.2 million euros) and labour costs (impact: -1.2 million euros) and a decrease in inventory-related fixed costs (impact: +2.7 million euros).

The main items in other impacts of -2.8 million euros were the change in the value of derivative instruments (impact: -2.0 million euros), additions to environmental provisions (impact: -0.4 million euros) and inventory revaluations (impact: -0.4 million euros).

Distribution

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

Distribution Sales Revenue, Sales Volume and Price

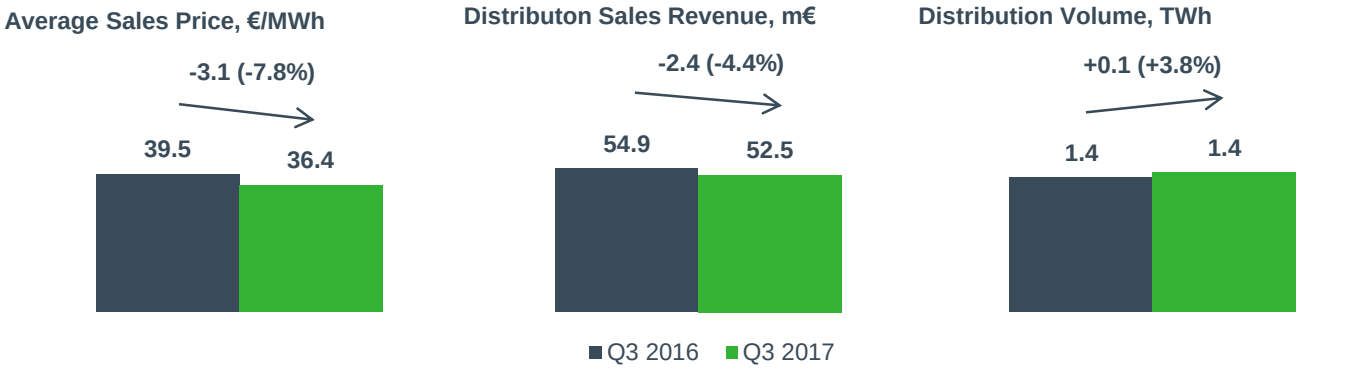
In Q3 2017, distribution sales revenue decreased by 4.4% but sales volume grew by 3.8%. Distribution sales revenue amounted to 52.5 million euros (-2.4 million euros) and sales volume to 1,442 GWh (+52.2 GWh).

The rise in sales volume was attributable to the weather, which was significantly damper and colder than usual, and higher economic growth.

In Q3 2017, the average sales price of the distribution service was 36.4 €/MWh, 3.1 €/MWh lower than in Q3 2016.

Network Losses

Network losses totalled 65.4 GWh, i.e. 4.2% of electricity entering the network (Q3 2016: 62.5 GWh, i.e. 4.2%). Energy losses continue to be low thanks to more accurate metering data obtained through the transition to smart meters.



Supply Interruptions

In Q3 2017, the average duration of unplanned interruptions was 41 minutes (54 minutes in Q3 2016). The average duration of planned interruptions was 19 minutes (18 minutes in Q3 2016). The duration of planned interruptions depends on the volume of regular network maintenance and renewal.

The main factor that influences the number of interruptions is the weather which in Q3 2017 was more favourable than a year earlier.

Key Figures of Distribution Product

		Q3 2017	Q3 2016
Return on fixed assets	%	7.2	6.6
Distribution losses	GWh	65.4	62.5
SAIFI	index	0.50	0.47
SAIDI (unplanned)	index	41.4	54.4
SAIDI (planned)	index	18.9	17.9
Adjusted RAB	m€	767	744

Power outages can be reduced by replacing bare conductors with weather-resistant cables. At the end of Q3 2017, 83% of Elektrilevi's low-voltage network

and 37% of its medium-voltage network was weather-proof.

Distribution EBITDA

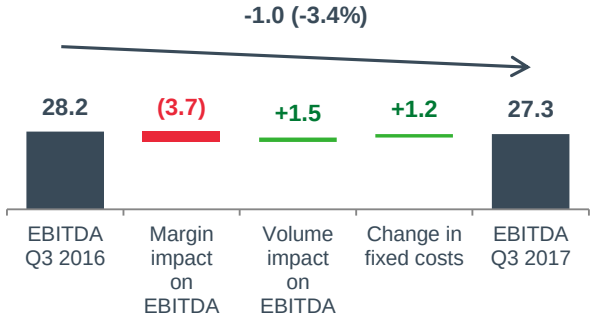
Distribution EBITDA for Q3 2017 amounted to 27.3 million euros, 3.4% (-1.0 million euros) less than in Q3 2016.

Distribution service EBITDA declined mainly due to a lower average sales price. The total impact of margin change was -3.7 million euros.

Distribution sales volume grew by 3.8%, improving distribution EBITDA by 1.5 million euros.

In Q3, fixed electricity distribution costs decreased by 1.2 million euros year on year. The figure includes the decline in repair costs of 1.3 million euros.

Distribution EBITDA Development, m€



Shale Oil

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

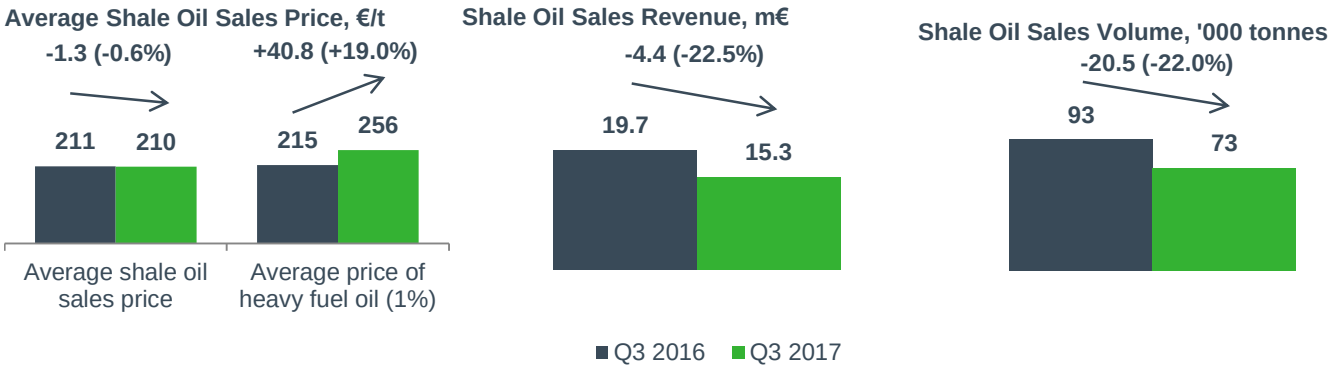
In Q3 2017, market prices were around 17% higher than a year earlier.

Shale Oil Sales Revenue and Sales Volume

In Q3 2017, we sold 72.7 thousand tonnes of shale oil which generated sales revenue of 15.3 million euros. Compared with Q3 2016, sales revenue decreased by 22% (-4.4 million euros) and sales volume also by 22% (-20.5 thousand tonnes). Shale oil sales revenue and sales volume dropped because two major transactions were deferred from September to October.

Average Sales Price of Shale Oil

In Q3 2017, the average sales price of shale oil (including the impact of derivative transactions) decreased by 0.6% year on year to 210.1 €/t (-1.3 €/t). The decline is mainly attributable to the impact of derivative financial instruments.



Derivative transactions of the period resulted in a loss of 33.0 €/t. In Q3 2016, derivative transactions resulted in a gain of 7.2 €/t. Excluding the impact of derivative transactions, in Q3 2017 the average sales price of shale oil was 243.1 €/t (+19%, +38.9 €/t). The world market price of the reference product, heavy fuel oil, increased by 19% year on year.

Shale Oil Production Volume

In Q3 2017, we produced 71.1 thousand tonnes of shale oil, 17.0% less than a year earlier (-14.6 thousand tonnes). The decrease in output resulted from more extensive planned repairs at our oil plants. In 2016, planned repair work was mainly carried out in the first half-year.

The output of the new Enefit280 oil plant declined to 23.0 thousand tonnes (-22%, -6.5 thousand tonnes) and the output of the Enefit140 oil plants dropped by 14% (-8.1 thousand tonnes).

Key Figures of Shale Oil Product

		Q3 2017	Q3 2016
Return on fixed assets*	%	1.9	-2.0
Shale oil EBITDA	€/t	39.3	23.3

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

Shale Oil EBITDA

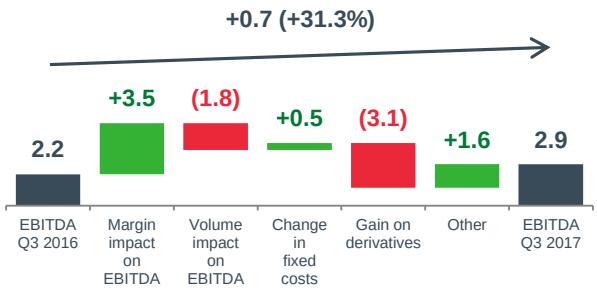
In Q3 2017, shale oil EBITDA grew to 2.9 million euros (+0.7 million euros).

The decline in the gain on derivative instruments reduced shale oil EBITDA by 3.1 million euros.

The impact of the decrease in shale oil sales volume was -1.8 million euros. Margin growth improved EBITDA by 3.5 million euros (+48.3 €/t). The impact of a higher average sales price was +2.8 million euros and the impact of lower variable costs was +0.7 million euros.

The impact of a change in fixed costs was +0.5 million euros. The largest component was a change in inventory-related fixed costs (impact: +0.5 million euros).

Shale Oil EBITDA Development, m€



The impact of other items of +1.6 million euros resulted mainly from a change in the value of derivative financial instruments (impact: +1.6 million euros).

Other Products and Services

Sales of heat, natural gas and industrial equipment supplement Eesti Energia's product portfolio and generate additional revenue.

Since October 2016, Eesti Energia has been selling natural gas to both corporate and residential customers. In Q3 2017, our retail sales of natural gas in the Estonian market totalled 91.3 GWh. In terms of our customers' gas consumption, Eesti Energia's market share in the Estonian gas market was 17.4%.

Since April, Eesti Energia has also been selling natural gas to corporate customers in Latvia. In Q3 2017, retail sales of gas in the Latvian market totalled 113.7 GWh. In terms of our customers' gas consumption, Eesti Energia's market share in the Latvian gas market was 7%.

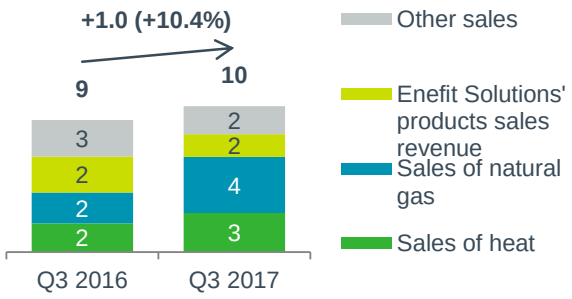
In Q3, we also launched sales of natural gas in Poland. However, the gas supply will begin in Q4.

Sales Revenue on Other Products and Services

In Q3 2017, our other products and services generated sales revenue of 10.1 million euros, an increase of 10.4% (+1.0 million euros) on Q3 2016.

Revenue on other products and services grew primarily through stronger sales of gas and heat (+1.7 million euros and +0.7 million euros respectively).

Sales Revenues From Other Products and Services, m€



Revenue from the sale of industrial equipment declined by 0.9 million euros.

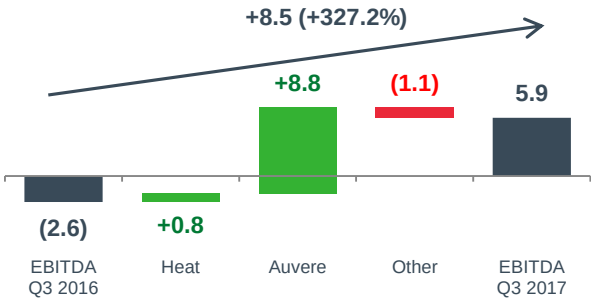
The quantity of heat energy sold to customers grew by 13 GWh (+27.3%).

EBITDA on Other Products and Services

In Q3 2017, EBITDA on other products and services grew by 8.5 million euros to 5.9 million euros.

The impact of liquidated damages related to the delay in the delivery of the Auvere power plant was +8.8 million euros. Liquidated damages agreed with the builder accrue on a monthly basis until the delivery of the plant.

Other EBITDA Development, m€



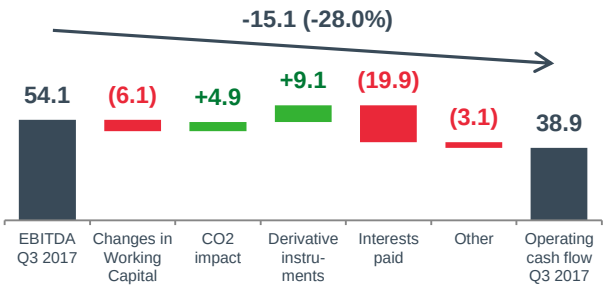
Heat EBITDA increased by 0.8 million euros through growth in sales volume and lower fixed costs.

Other items reduced EBITDA by a total of 1.1 million euros.

Cash Flows

The Group's net operating cash flow [2] for Q3 2017 amounted to 38.9 million euros. Net operating cash flow was 28.0%, i.e. 15.1 million euros, smaller than EBITDA, which amounted to 54.1 million euros.

EBITDA to Operating Cash Flows Development, m€



Changes in working capital reduced operating cash flow relative to EBITDA by 6.1 million euros. Working capital increased, above all, through growth in the receivables of the energy sales unit by 7.7 million euros.

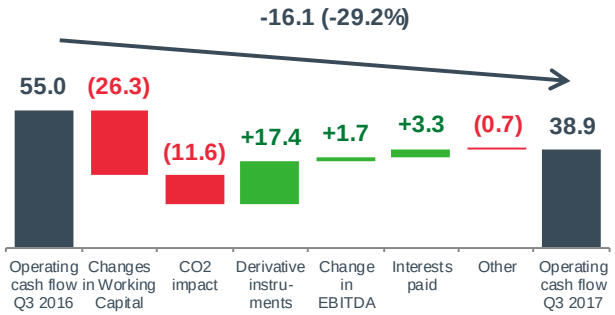
Settlements related to CO_2 emission allowances increased operating cash flow by 4.9 million euros.

The impact of derivative transactions (excluding CO_2 instruments) was +9.1 million euros, including the impacts of electricity derivatives of +2.5 million euros and oil derivatives of +6.4 million euros. The item comprises both non-monetary and monetary impacts on EBITDA and net operating cash flow.

Interest payments made in Q3 totalled 19.9 million euros and other impacts on cash flow totalled -3.1 million euros, including the impact of the recognition of network connection fees of -1.9 million euros.

Compared to Q3 2016, net operating cash flow decreased by 29.2% (-16.1 million euros).

Operating Cash Flow Changes, m€



Changes in working capital lowered the period's operating cash flow compared to Q3 2016 by 26.3 million euros. The impact of liquidated damages related to the Auvere power plant was +8.6 million euros, the impact of the settlement of short-term liabilities was -16.2 million euros and the impact of an increase in receivables was -10.6 million euros. The impact of a change in inventories was -8.0 million euros.

Compared to Q3 2016, the impact of settlements related to CO_2 emission allowances was -11.6 million euros.

The impact of derivative instruments (excluding CO_2 instruments) was +17.4 million euros, including the impacts of electricity derivatives of +15.2 million euros and oil derivatives of +2.5 million euros. The impact of gas derivatives was -0.2 million euros.

The impact of the change in EBITDA was +1.7 million euros and other impacts totalled -0.7 million euros.

[2] Compared to the interim report for Q3 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 Q3 2017

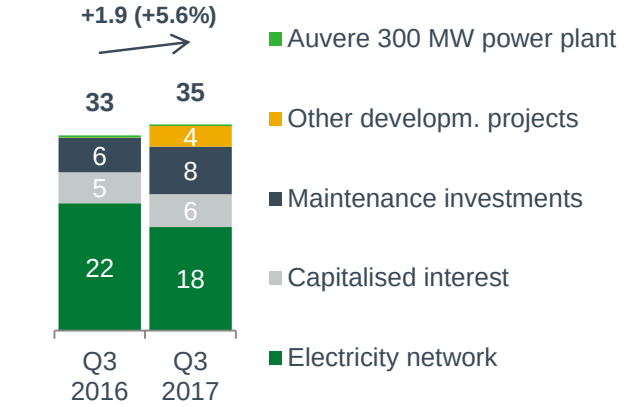
- Amec Foster Wheeler began rebuilding boiler no. 1 in the **project for increasing the share of oil shale gas burnt in generating unit 8 of the Eesti power plant**. According to plan, the reconstruction work should be completed in Q4. After that, the commissioning and start-up activities will begin.
- We received bids for our procurements of road construction and land improvement and electrical installation construction works in the **project for building the Tootsi wind farm**.
- We received bids for an EPC (Engineering, Procurement and Construction) contract in the **project for extracting gasoline from oil shale gas**.
- In the **project for bringing consumption to production**, we signed the first customer contract at the industrial park we are developing at our Balti power plant in Narva.

Investment

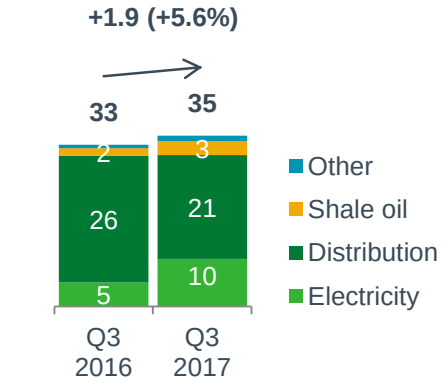
Our capital expenditures for Q3 2017 totalled 35.2 million euros, 6% (+1.9 million euros) up from the figure for Q3 2016. Expenditures on the distribution network totalled 17.7 million euros (-18.7%, -4.1 million euros) and maintenance and repair expenditures (excluding the distribution network) amounted to 8.1 million euros (+36.8%, +2.2 million euros).

Maintenance and repair expenditures grew at Enefit Energiatootmine by 2.5 million euros (+165.6%).

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 Q3 2017, capital expenditures on the projects listed in the strategic action plan totalled 2.6 million euros. Out of this amount, 2.2 million euros was invested 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 reconstruction of boiler no. 1. The planned total cost of the project is 15.1 million euros.

In Q3, we made a positive investment decision on the project for supplying electricity to the Narva opencast mine from generating unit 8 of the Eesti power plant. The planned total cost of the project which should be completed in Q3 2018 is 1.9 million euros.

Auvere Power Plant

- In Q3 2017, the construction of fabric filters continued and at the end of the quarter the filters were implemented. The installation of fabric filters will ensure that the plant's particle emissions will remain within established limits.
- According to plan, the contractor, General Electric, will transfer the operation of the plant to Eesti Energia in Q4 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 Q3 2017, 567.8 million euros (89%) of this had been invested.

The plant began operating in 2015 but its delivery has been delayed because in the testing and commissioning phase 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 Q4 2017.

In Q3 2017, the construction of the fabric filters was completed and during the plant's regular summer maintenance the filters were connected with the plant's particle collection system. At the end of the quarter, the filters were adjusted and when the plant resumed its operation after the maintenance outage the filters were implemented. Until the end of Q3, the Auvere power plant operated at modes and loads where its emissions met regulatory requirements. In September the contractor started pre-delivery testing of the plant which will continue in Q4.

In Q3 2017, the gross output of the Auvere power plant was around 265 GWh.

Improvement of Electricity Distribution Quality

In Q3 2017, capital expenditures on the maintenance and consistent improvement of the quality of the electricity distribution service totalled 16.8 million euros (Q3 2016: 21.7 million euros). During the quarter, 55 substations and 356 kilometres of network were built (Q3 2016: 45 substations and 553 kilometres of network).

At the end of Q3 2017, 83% of the low-voltage network operated by Eesti Energia's subsidiary Elektrilevi was weather-proof (at the end of Q3 2016: 76%). Compared with a year earlier, the weather-proof network increased by 2,233 km and the bare conductor network decreased by 2,301 km.

At period-end, 63% of the entire low- and medium-voltage network was weatherproof (at the end of Q3 2016: 59%). Compared with a year earlier, the weather-proof network increased by 2,382 km.

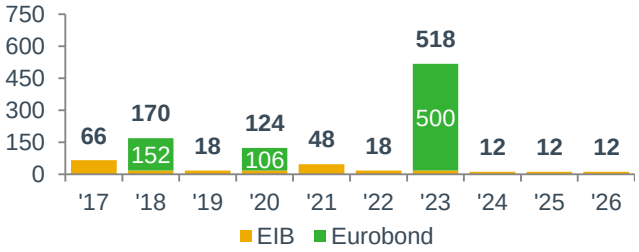
Financing

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 Q3 2017, the nominal value of the Group's borrowings was 938.5 million euros (60.1 million euros less than at the end of Q2 2017). The amortised cost of the Group's borrowings was 884.7 million euros (942.9 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 180.2 million euros. During Q3, we repaid early two floating-rate EIB loans with the shortest maturity of 47.7 million euros in total. In addition, we made EIB a regular contractual repayment of 12.4 million euros. Altogether, loan repayments made in Q3 totalled 60.1 million euros.

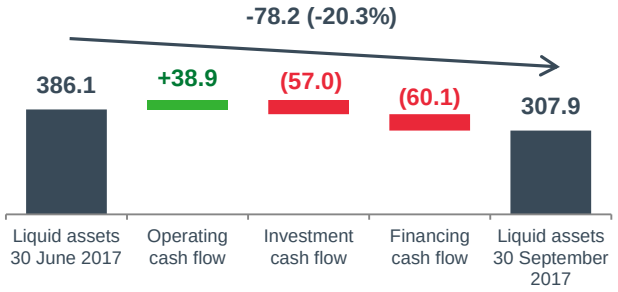
Debt Maturity, m€



At the end of Q3 2017, the Group's liquid assets stood at 307,9 million euros. In addition, the Group had undrawn loans of 220 million euros. Under bilateral revolving credit agreements signed with two regional banks (SEB and OP Corporate Bank) the Group had undrawn loans of 150 million euros maturing in July 2020. In addition, at the end of Q3 there was a long-term loan agreement of 70 million euros signed with EIB (could be drawn down until October 2017). At the beginning of Q4 2017, the Group decided not to use that loan.

In July 2017, Standard & Poor's confirmed Eesti Energia's BBB credit rating. At the end of Q3 2017, the Group's credit ratings were BBB (Standard & Poor's, outlook negative) and Baa3 (Moody's, outlook stable).

Liquidity Development in 2017 3nd quarter, m€



At the end of Q3 2017, the weighted average interest rate of Eesti Energia's borrowings was 2.76% (2.65% at the end of Q2 2017).

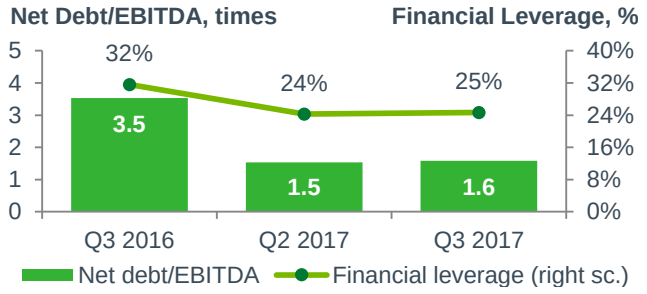
After the settlement of the floating-rate EIB loans in July 2017, the Group has fully hedged the risk resulting from fluctuations in base interest rates. The base rates of all borrowings are fixed until maturity and all borrowings are denominated in euros.

At the end of Q3 2017, the Group's net debt amounted to 576.8 million euros (+20.1 million euros compared to the end of Q2 2017).

At the reporting date, the net debt to EBITDA ratio was 1.6 (at the end of Q2 2017: 1.5). 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 Q3 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 Q2 2017.

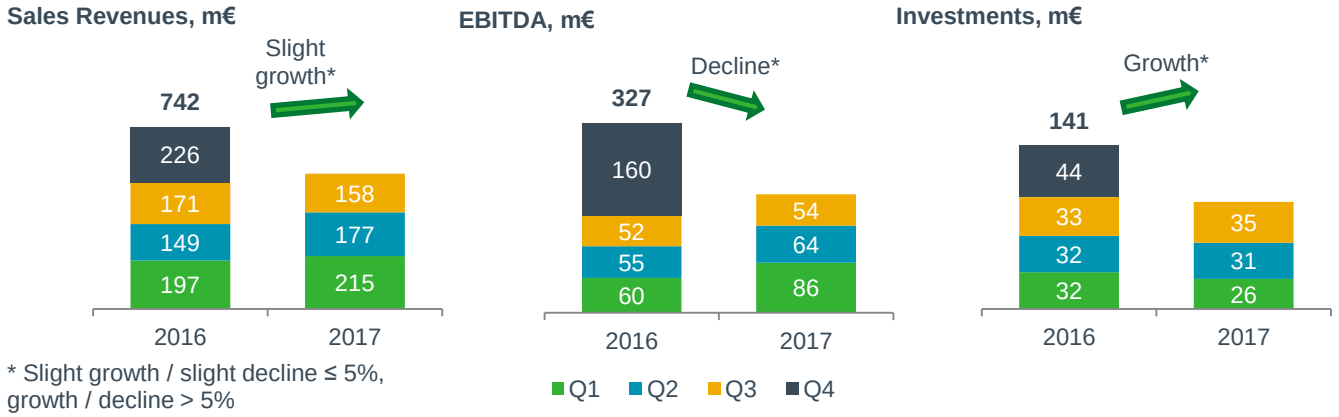
We expect that in 2017 our sales revenue will grow slightly, capital expenditures will increase, and EBITDA will decrease compared with 2016. Excluding the impacts of exceptional items on 2016 (liquidated damages related to the Auvere power plant of 68.6 million euros and the retrospective reduction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

For 2016, we will pay the owner 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 1.5 TWh of electricity (including forward sales in the retail market) at an average price of 34.8 €/MWh and 71.7 thousand tonnes of shale oil at an average price of 238.4 €/t. Forward sales for delivery in 2018 comprise 3.3 TWh of electricity at an average price of 34.2 €/MWh and 297.0 thousand tonnes of shale oil at an average price of 256.2 €/t.

Our CO_2 emission allowance position for 2017 amounts to 13.9 million tonnes at an average price of 5.4 €/t (comprises futures, free emission allowances transferred as investment support, and the surplus of previous periods). The position for 2018 amounts to 5.6 million tonnes (comprises futures and 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	Q3 2017	Q3 2016	9m 2017	9m 2016	12m 2017/16	12m 2016/15
Revenue	3	157.6	170.6	550.4	516.3	776.2	721.3
Other operating income	4	9.6	5.0	41.6	13.5	117.4	15.0
Government grants		-	0.1	0.3	0.3	0.4	0.4
Change in inventories of finished goods and work-in-progress		1.2	(8.4)	(0.9)	(14.0)	(1.4)	(11.0)
Raw materials and consumables used		(70.2)	(67.1)	(226.4)	(207.2)	(309.2)	(297.8)
Payroll expenses		(32.0)	(31.2)	(101.4)	(93.5)	(138.1)	(131.9)
Depreciation, amortisation and impairment		(33.7)	(35.7)	(101.7)	(107.4)	(137.7)	(210.0)
Other operating expenses		(12.1)	(16.6)	(59.1)	(48.1)	(80.8)	(87.1)
OPERATING PROFIT		**20.4**	**16.7**	**102.8**	**59.9**	**226.8**	**(1.1)**
Financial income		0.1	-	0.7	0.2	0.8	1.9
Financial expenses		(4.9)	(4.0)	(16.4)	(12.9)	(17.7)	(15.4)
Net financial income (expense)		**(4.8)**	**(4.0)**	**(15.7)**	**(12.7)**	**(16.9)**	**(13.5)**
Profit from associates using equity method		0.6	0.6	2.0	0.8	2.3	2.1
PROFIT BEFORE TAX		**16.2**	**13.3**	**89.1**	**48.0**	**212.2**	**(12.5)**
CORPORATE INCOME TAX EXPENSE		**-**	**-**	**(11.4)**	**-**	**(11.4)**	**8.1**
PROFIT FOR THE PERIOD		**16.2**	**13.3**	**77.7**	**48.0**	**200.8**	**(4.4)**
Equity holder of the Parent Company		**16.2**	**13.5**	**77.6**	**48.0**	**200.6**	**(4.8)**
Non-controlling interest		**-**	**(0.2)**	**0.1**	**-**	**0.2**	**0.4**
Basic earnings per share (euros)	10	0.03	0.02	0.12	0.08	0.32	(0.01)
Diluted earnings per share (euros)	10	0.03	0.02	0.12	0.08	0.32	(0.01)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Q3 2017	Q3 2016	9m 2017	9m 2016	12m 2017/16	12m 2016/15
PROFIT FOR THE PERIOD	**16.2**	**13.3**	**77.7**	**48.0**	**200.8**	**(4.4)**
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Revaluation of hedging instruments	0.7	(8.5)	30.4	(22.1)	7.2	(30.3)
Currency translation differences attributable to foreign subsidiaries	(1.0)	(0.2)	(3.0)	(0.7)	(1.4)	0.7
Other comprehensive income for the period	**(0.3)**	**(8.7)**	**27.4**	**(22.8)**	**5.8**	**(29.6)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**15.9**	**4.6**	**105.1**	**25.2**	**206.6**	**(34.0)**
Equity holder of the Parent Company	**15.9**	**4.8**	**105.0**	**25.2**	**206.4**	**(34.4)**
Non-controlling interest	**-**	**(0.2)**	**0.1**	**-**	**0.2**	**0.4**

Condensed Consolidated Interim Statement of Financial Position

in million EUR	Note	30.09.2017	30.09.2016	31.12.2016
Non-current assets				
Property, plant and equipment	7	2,459.3	2,462.8	2,469.3
Intangible assets		37.8	38.9	40.2
Investments in associates		4.0	3.3	2.0
Derivative financial instruments	8	0.2	-	-
Long-term receivables		32.7	37.0	39.1
Total non-current assets		**2,534.0**	**2,542.0**	**2,550.6**
Current assets				
Inventories		64.6	66.8	65.2
Greenhouse gas allowances	5	95.2	5.3	47.3
Trade and other receivables		104.1	118.0	199.4
Derivative financial instruments	8	7.7	3.1	1.4
Cash and cash equivalents		307.9	205.0	223.3
Total current assets		**579.5**	**398.2**	**536.6**
Total assets	**3**	**3,113.5**	**2,940.2**	**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		1.9	(5.3)	(28.5)
Unrealised exchange rate differences		8.9	10.3	11.9
Retained earnings		800.5	647.5	770.2
Total equity and reserves attributable to equity holder of the Parent Company		**1,754.8**	**1,596.0**	**1,697.1**
Non-controlling interest		**0.4**	**1.7**	**0.9**
Total equity		**1,755.2**	**1,597.7**	**1,698.0**
LIABILITIES				
Non-current liabilities		**-**	**-**	**-**
Borrowings	11	866.8	924.3	920.6
Other payables		1.5	1.4	1.8
Derivate financial instruments	8	-	1.8	6.1
Deferred income		190.9	178.4	181.0
Provisions	13	30.9	31.6	30.7
Total non-current liabilities		**1,090.1**	**1,137.5**	**1,140.2**
Current liabilities				
Borrowings	11	17.9	19.3	19.3
Trade and other payables		193.1	122.2	155.4
Derivative financial instruments	8	4.4	14.5	16.5
Deferred income		0.2	-	-
Provisions	13	52.6	49.0	57.8
Total current liabilities		**268.2**	**205.0**	**249.0**
Total liabilities		**1,358.3**	**1,342.5**	**1,389.2**
Total liabilities and equity		**3,113.5**	**2,940.2**	**3,087.2**

Condensed Consolidated Interim Statement of Cash Flows

in million EUR	Note	Q3 2017	Q3 2016	9m 2017	9m 2016	12m 2017/16	12m 2016/15
Cash flows from operating activities							
Cash generated from operations	12	58.7	78.1	256.1	177.4	315.7	246.6
Interest and loan fees paid		(19.9)	(23.1)	(20.3)	(23.6)	(27.1)	(36.9)
Interest received		0.1	-	0.2	0.2	0.3	0.4
Corporate income tax paid		-	-	-	(14.9)	-	(14.9)
Net cash generated from operating activities		**38.9**	**55.0**	**236.0**	**139.1**	**288.9**	**195.2**
Cash flows from investing activities							
Purchase of property, plant and equipment and intangible assets		(26.3)	(27.1)	(82.4)	(94.2)	(115.0)	(144.2)
Proceeds from connection and other fees		4.3	4.2	13.8	11.6	17.3	16.1
Proceeds from grants of property, plant and equipment		0.2	-	0.2	-	0.2	-
Proceeds from sale of property, plant and equipment		0.5	0.4	1.2	2.4	3.6	3.4
Net change in deposits not recognised as cash equivalents		-	-	-	-	-	111.0
Net change in cash with limited usage[i)]		-	(3.2)	-	1.6	-	(2.8)
Loans granted	14,16	(0.8)	(0.7)	(35.6)	(3.4)	(36.5)	(3.4)
Repayments of loans granted		-	-	28.4	-	28.4	-
Purchase of financial investments		(34.9)	-	(34.9)	-	(34.9)	-
Dividends received from long-term financial investments		-	-	1.6	2.0	1.6	2.0
Proceeds from repurchase of shares and liquidation of associate	14	-	-	18.5	-	18.5	-
Net cash used in investing activities		**(57.0)**	**(26.4)**	**(89.2)**	**(80.0)**	**(116.8)**	**(17.9)**
Cash flows from financing activities							
Received long-term loans		-	-	0.2	-	0.2	30.4
Repayments of bank loans	11	(60.1)	(13.0)	(60.9)	(13.7)	(66.3)	(19.3)
Repayments of other loans		-	(0.1)	(0.5)	(0.1)	(1.2)	(0.1)
Acquisition of non-controlling interest in a subsidiary		-	-	(1.0)	-	(1.9)	-
Dividends paid		-	-	-	(0.1)	-	(62.0)
Net cash used in financing activities		**(60.1)**	**(13.1)**	**(62.2)**	**(13.9)**	**(69.2)**	**(51.0)**
Net cash flows		**(78.2)**	**15.5**	**84.6**	**45.2**	**102.9**	**126.3**
Cash and cash equivalents at the beginning of the period		386.1	189.5	223.3	159.8	205.0	78.7
Cash and cash equivalents at the end of the period		307.9	205.0	307.9	205.0	307.9	205.0
Net increase / (-) decrease in cash and cash equivalents		**(78.2)**	**15.5**	**84.6**	**45.2**	**102.9**	**126.3**

[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	-	-	-	-	48.0	48.0	-	48.0
Other comprehensive income for the period	-	-	-	(22.8)	-	(22.8)	-	(22.8)
Total comprehensive income for the period	**-**	**-**	**-**	**(22.8)**	**48.0**	**25.2**	**-**	**25.2**
Increase of non-controlling interest due to the conversion of subsidiary's debt into equity	-	-	-	-	-	-	0.6	0.6
Total transactions with owners of the company, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**0.6**	**0.6**
Equity as at 30.09.2016	**621.6**	**259.8**	**62.1**	**5.0**	**647.5**	**1,596.0**	**1.7**	**1,597.7**
	-	-	-	-	-	-	-	-
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	-	-	-	-	77.6	77.6	0.1	77.7
Other comprehensive income for the period	-	-	-	27.4	-	27.4	-	27.4
Total comprehensive income for the period	**-**	**-**	**-**	**27.4**	**77.6**	**105.0**	**0.1**	**105.1**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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 30.09.2017	**621.6**	**259.8**	**62.1**	**10.8**	**800.5**	**1,754.8**	**0.4**	**1,755.2**

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 September 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 September 2017 and 31 December 2016:

30 September 2017

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 8)	2.0	4.9	-	6.9
Cash flow hedges (Note 8)	1.0	-	-	1.0
Total financial assets	**3.0**	**4.9**	**-**	**7.9**
Liabilities				
Trading derivatives (Note 8)	-	0.1	-	0.1
Cash flow hedges (Note 8)	-	4.3	-	4.3
Total financial liabilities	**-**	**4.4**	**-**	**4.4**

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 September 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 September 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	30.09.2017	31.12.2016
Nominal value of bonds	758.3	758.3
Market value of bonds on the basis of quoted sales price	816.0	816.0
Nominal value of bank loans with fixed interest rate	180.1	192.5
Fair value of bank loans with fixed interest rate	184.3	197.1
Nominal value of bank loans with floating interest rate	-	48.5
Fair value of bank loans with floating interest rate	-	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. None 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 (e.g. 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 (e.g. 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.

Segment Reporting, cont.

Revenue

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

REVENUE FROM EXTERNAL CUSTOMERS

in million EUR	Q3 2017	Q3 2016	9m 2017	9m 2016
Electricity	79.7	86.8	263.6	243.3
Distribution	52.5	54.9	182.4	183.0
Shale oil	15.3	19.7	58.1	40.4
Other products and services	10.1	9.1	46.3	49.6
Total	**157.6**	**170.6**	**550.4**	**516.3**

EBITDA

in million EUR	Q3 2017	Q3 2016[i)]	9m 2017	9m 2016[i)]
Electricity	18.0	24.6	78.3	65.9
Distribution	27.3	28.2	86.0	85.7
Shale oil	2.9	2.2	15.3	0.5
Other products and services	5.9	(2.6)	24.9	15.1
Total	**54.1**	**52.4**	**204.5**	**167.2**
Depreciation and amortisation	(33.7)	(35.7)	(101.7)	(107.4)
Net financial income (expense)	(4.8)	(4.0)	(15.7)	(12.7)
Profit from associates using equity method	0.6	0.6	2.0	0.8
Profit before tax	**16.2**	**13.3**	**89.1**	**48.0**

ASSETS

in million EUR	30.09.2017	9/30/2016[i)]	31.12.2016
Electricity	1,302.5	1,184.4	1,271.2
Distribution	1,064.3	1,025.7	1,048.1
Shale oil	288.5	308.1	305.0
Other products and services	458.2	422.0	462.9
Total	**3,113.5**	**2,940.2**	**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 September 2016

4. Other operating income

in million EUR	9m 2017	9m 2016
Gain on disposal of associate (Note 14)	18.5	-
Fines, penalties and compensations	21.6	1.9
Gain from revaluation of derivatives	0.1	8.9
Other operating income	1.4	2.7
Total other operating income	**41.6**	**13.5**

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	9m 2017	9m 2016
Greenhouse gas allowances at the beginning of the period	47.3	33.5
Acquired	94.7	-
Returned to state for the greenhouse gas emissions (Note 13)	(46.8)	(28.2)
Greenhouse gas allowances at the end of the period	**95.2**	**5.3**

The value of purchased greenhouse gas emission allowances is reflected as an intangible current asset. As at 30 September 2017, the emission units of CO_2 totalled 18.2 million tonnes with a value of 95.2 million euros (as at 30 September 2016: 2.7 million tonnes with a value of 5.3 million euros). During the reporting period, a tripartite CO_2 quota loan transaction was concluded for 3.3 million tonnes, with a total value of 19.9 million euros and a repayment deadline of March 2018.

During the 9 months of 2017, 11.4 million tonnes of greenhouse gas emission allowances have been returned to the state (during the 9 months of 2016, it was 9.9 million 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	-	-	0.1	3.1	-	86.7	89.9
Depreciation charge	-	(4.2)	(20.3)	(74.2)	(0.4)	(0.2)	(99.3)
Net book amount of non-current assets disposed	-	-	-	(0.2)	-	-	(0.2)
Exchange differences	(0.4)	-	-	-	-	-	(0.4)
Transfers	0.1	1.3	27.9	47.2	0.1	(76.6)	-
Total movements in 9m 2017 period	**(0.3)**	**(2.9)**	**7.7**	**(24.1)**	**(0.3)**	**9.9**	**(10.0)**
Property, plant and equipment as at 30.09.2017							
Cost	42.7	248.2	1,017.7	2,096.7	6.2	614.1	4,025.6
Accumulated depreciation	-	(104.2)	(428.8)	(1,028.4)	(4.9)	-	(1,566.3)
Net book amount	42.7	144.0	588.9	1,068.3	1.3	614.1	2,459.3
Total property, plant and equipment as at 30.09.2017	**42.7**	**144.0**	**588.9**	**1,068.3**	**1.3**	**614.1**	**2,459.3**

As at 30 September 2017, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 133.9 million (31 December 2016 EUR 86.2 million).

8. Derivative Financial Instruments

in million EUR	30.09.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Future contracts for buying and selling electricity as cash flow hedges	1.0	-	(0.1)	1.3
Forward and future contracts for buying and selling electricity as trading derivatives	2.1	1.2	0.6	1.4
Future contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	0.1	0.6	-	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	-	4.3	0.7	19.3
Swap and option contracts for selling shale oil as trading derivatives	4.6	(1.7)	0.2	-
Total derivative financial instruments	**7.9**	**4.4**	**1.4**	**22.6**
including non-current portion:				
Future contracts for buying and selling electricity as cash flow hedges	0.2	-	-	6.1
Total non-current portion	**0.2**	**-**	**-**	**6.1**
Total current portion	**7.7**	**4.4**	**1.4**	**16.5**

9. Share Capital and Dividends

As at 30 September 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 September 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.

	Q3 2017	Q3 2016	9m 2017	9m 2016	12m 2017/16	12m 2016/15
Profit attributable to the equity holders of the company (million EUR)	16.2	13.5	77.6	48.0	200.6	(4.8)
Weighted average number of shares (million)	621.6	621.6	621.6	621.6	621.6	621.6
Basic earnings per share (EUR)	0.03	0.02	0.12	0.08	0.32	(0.01)
Diluted earnings per share (EUR)	0.03	0.02	0.12	0.08	0.32	(0.01)

11. Nominal Value and Amortised Cost of Borrowings

in million EUR	30.09.2017		31.12.2016	
	Nominal value	Amortised cost	Nominal value	Amortised cost
Short- term borrowings				
Current portion of long-term bank loans	17.9	17.9	19.3	19.3
Total short-term borrowings	**17.9**	**17.9**	**19.3**	**19.3**
Long- term borrowings				
Bank loans	162.2	162.1	221.7	221.4
Bonds issued	758.3	704.7	758.3	699.2
Total long- term borrowings	**920.5**	**866.8**	**980.0**	**920.6**
Total borrowings	**938.4**	**884.7**	**999.3**	**939.9**

During the reporting period, two EIB loans with a closer repayment deadline and a floating interest rate in the total amount of 47.7 million euros were repaid early. In addition, a regular repayment of the EIB loan in the amount of 12.4 million euros was made. In total, in the third quarter, a total amount of 60.1 million euros was paid as loan repayments.

As at 30 September 2017, the Group had undrawn loans in the amount of 220.0 million euros (as at 31 December 2016, this amount was 220.0 million euros). Among those were the bilateral liquidity loan agreements with a variable interest rate concluded with SEB and OP Corporate Bank in the amount of 150.0 million euros and a repayment deadline of five years (July 2020) and a long-term loan agreement concluded with the EIB in the amount of 70.0 million euros, which can be withdrawn until October 2017. At the beginning of the 4th quarter of 2017, it was decided not to withdraw this loan.

12. Cash Generated from Operations

in million EUR	Q3 2017	Q3 2016	9m 2017	9m 2016	12m 2017/16	12m 2016/15
Profit before tax	**16.2**	**13.3**	**89.1**	**48.0**	**212.2**	**(12.5)**
Adjustments						
Depreciation and impairment of property, plant and equipment	33.0	34.5	99.3	103.6	134.1	178.7
Amortisation and impairment of intangible assets	0.7	1.2	2.4	3.8	3.6	31.3
Deferred income from connection and other service fees	(1.9)	(1.8)	(5.6)	(5.2)	(7.4)	(6.9)
Gain on disposal of property, plant and equipment	(0.3)	(0.3)	(0.7)	(0.5)	(1.3)	(0.9)
Gain on disposal of associate	-	-	(18.5)	-	(18.5)	-
Amortisation of government grant received to purchase non-current assets	-	(0.1)	(0.3)	(0.3)	(0.4)	(0.4)
Profit/loss from associates using equity method	(0.6)	(0.6)	(2.0)	(0.8)	(2.3)	(2.1)
Unpaid/unsettled gain/loss on derivatives	9.0	(1.1)	5.8	19.6	(9.5)	49.1
Loss from doubtful loan receivables	-	-	9.4	-	10.3	11.0
Foreign exchange gain/loss from lending in foreign currency	1.0	0.2	4.2	0.8	2.1	(0.4)
Interest expense on borrowings	3.0	3.5	9.6	11.1	13.1	14.3
Interest and other financial income	-0.1	-	(0.2)	(0.2)	(0.2)	(1.9)
Adjusted net profit before tax	**60.0**	**48.8**	**192.5**	**179.9**	**335.8**	**259.3**
Net change in current assets relating to operating activities						
Change in receivables related to operating activities	(4.6)	(2.6)	75.3	17.3	(12.0)	(2.1)
Change in inventories	(0.2)	7.7	0.6	5.1	2.2	3.0
Net change in other current assets relating to operating activities[i)]	(17.9)	(4.3)	5.3	(10.4)	(29.2)	(21.1)
Total net change in current assets relating to operating activities	**(22.7)**	**0.8**	**81.2**	**12.0**	**(39.0)**	**(20.2)**
Net change in current liabilities relating to operating activities						
Change in provisions	11.4	15.1	(5.0)	9.0	2.8	19.7
Change in trade payables	11.0	4.4	0.1	(7.9)	13.6	3.1
Net change in liabilities relating to other operating activities	(1.0)	9.0	(12.7)	(15.6)	2.5	(15.3)
Total net change in liabilities relating to operating activities	**21.4**	**28.5**	**(17.6)**	**(14.5)**	**18.9**	**7.5**
Cash generated from operations	**58.7**	**78.1**	**256.1**	**177.4**	**315.7**	**246.6**

[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 30.09.2017	
					Short term provision	Long term provision
Environmental protection provisions	27.6	0.3	0.6	(1.2)	5.2	22.1
Provision for termination of mining operations	0.8	-	-	-	0.1	0.7
Employee related provisions	5.3	-	-	(0.4)	0.5	4.4
Provision for dismantling cost of assets	3.5	-	0.2	-	-	3.7
Provision for greenhouse gas emissions (Note 5)	47.0	46.6	-	(46.8)	46.8	-
Provision for obligations arising from treaties	4.3	-	-	(4.3)	-	-
Total provisions	**88.5**	**46.9**	**0.8**	**(52.7)**	**52.6**	**30.9**

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 37.1 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	9m 2017	9m 2016
Purchase of goods	15.7	12.1
Purchase of services	0.4	-
Proceeds from sale of goods	0.1	0.1
Proceeds from sale of services	-	0.3
Loans granted	35.6	3.4

RECEIVABLES FROM ASSOCIATES AND PAYABLES TO ASSOCIATES

in million EUR	30.09.2017	31.12.2016
Receivables	42.3	51.7
incl long-term loan receivables	42.3	50.1
Allowance for doubtful loan receivables	(10.9)	(12.2)
Payables	2.1	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 September 2017 remuneration to management and supervisory boards amounted to EUR 2.1 million.

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

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

TRANSACTIONS WITH ELERING AS

in million EUR	9m 2017	9m 2016
Purchase of services	54.4	54.1
Purchase of goods	8.4	7.0
Purchase of property, plant and equipment and prepayments	2.6	0.2
Sale of goods and services (incl. renewable energy grant)	14.1	13.8

RECEIVABLES FROM ELERING AS AND PAYABLES TO ELERING AS

in million EUR	30.09.2017	31.12.2016
Receivables	1.4	2.8
Payables	13.6	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