

Eesti Energia Unaudited Financial Results for Q3 2017

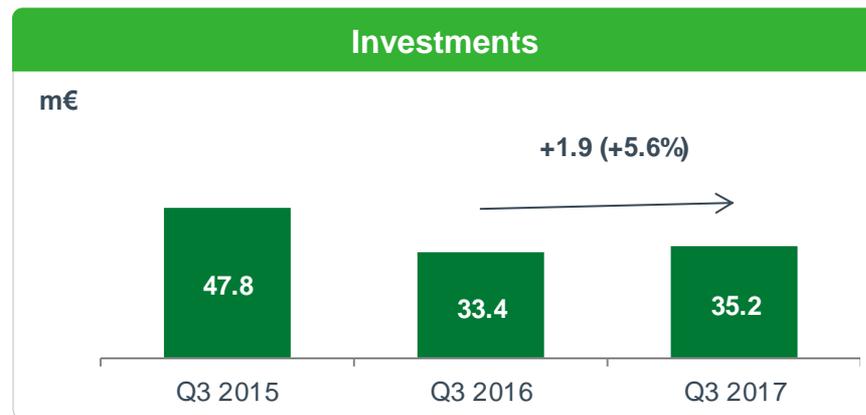
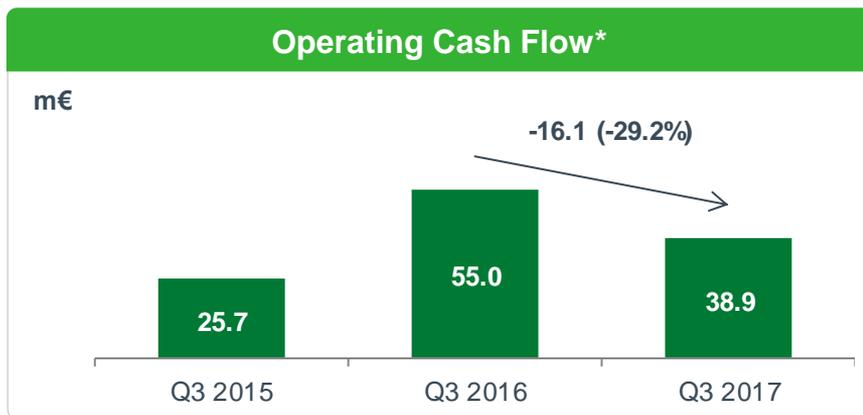
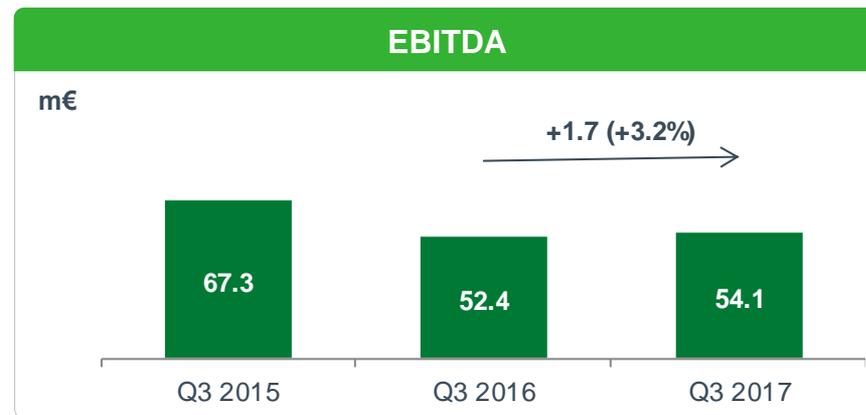
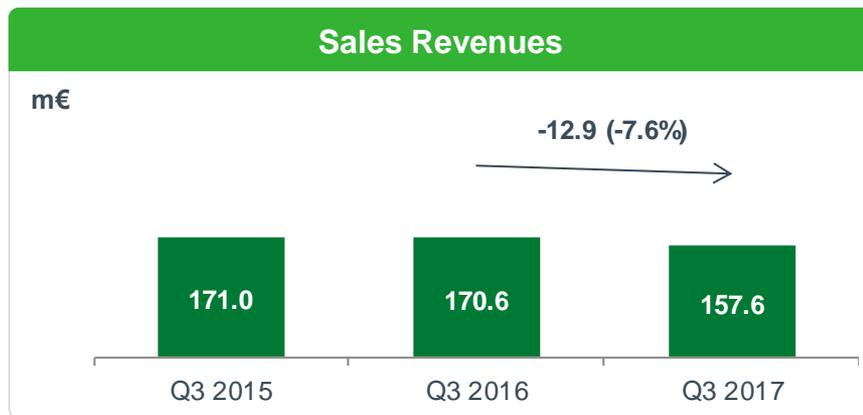
31 October 2017



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Sales Revenues Decreased and EBITDA Increased

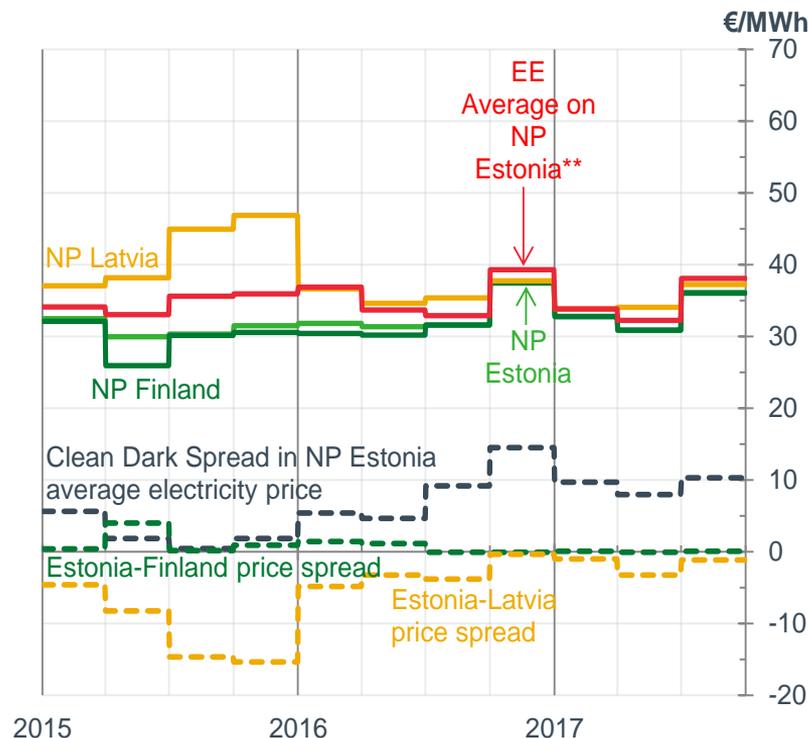


*Compared to Q3 2016 interim report, segment reporting has been adjusted due to changes in accounting principles

Nord Pool Baltic Electricity Prices Converging

- Q3 2017 characterised by increased NP electricity price in Baltic states and slightly increased price spreads between Estonia and Finland. Electricity prices increased due to regular maintenance period in nuclear power plants
- Average price in NP Estonia price area was 36.1 €/MWh* (+4.5 €/MWh, +14.4%). Eesti Energia Narva power plants achieved 5% higher quarterly electricity prices than NP Estonia
- Price spread between Estonia and Finland increased by 0.1 €/MWh to 0.1 €/MWh as Estonian price increased slightly more
- Average price in NP Latvia price area was 37.2 €/MWh (+1.8 €/MWh, +5.2%). Estonia-Latvia price spread decreased by 2.7 €/MWh to -1.1 €/MWh, Latvian price remained higher. Q-o-Q Estonia-Latvia price spread decreased by 2.1 €/MWh, despite the maintenance of NordBalt power cable between Lithuania and Sweden in the end of July and several transfer restrictions between Estonia and Latvia
- Clean Dark Spread in NP Estonia average electricity market price increased to 10.3 €/MWh (+1.1 €/MWh) as the increase in NP Estonia average electricity price (+4.5 €/MWh) was offset by higher CO2 and oil shale costs (total impact -3.4 €/MWh).

Average Quarter Nord Pool Electricity Prices



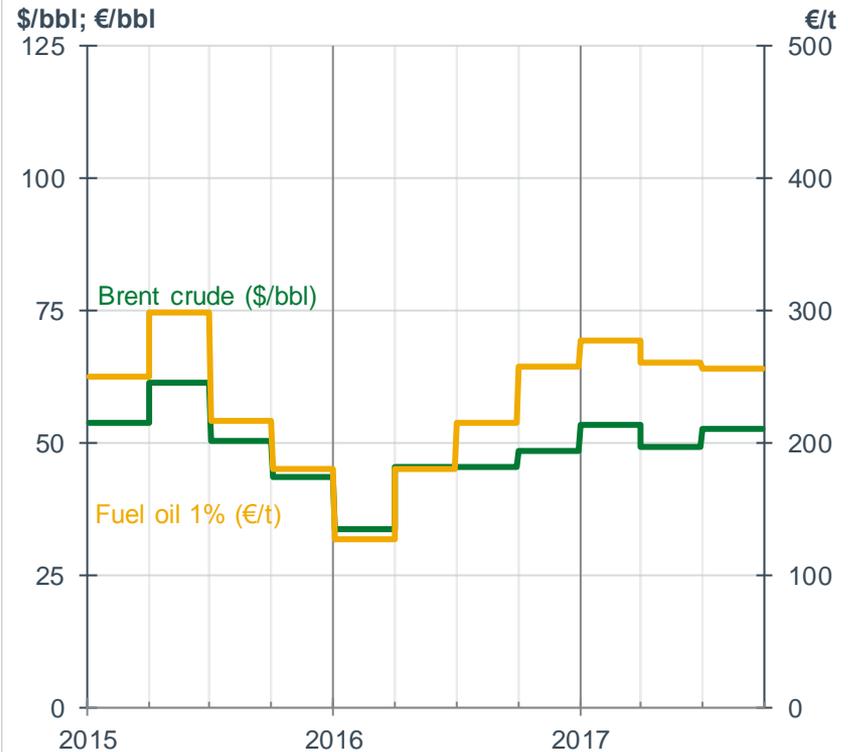
* average Nord Pool electricity market price. This price may differ compared with Eesti Energia's electricity sales prices achieved on wholesale market

** average electricity price achieved on Nord Pool Estonia electricity market by Eesti Energia Narva power plants

Fuel Oil Prices Increased Y-o-Y and Decreased Q-o-Q

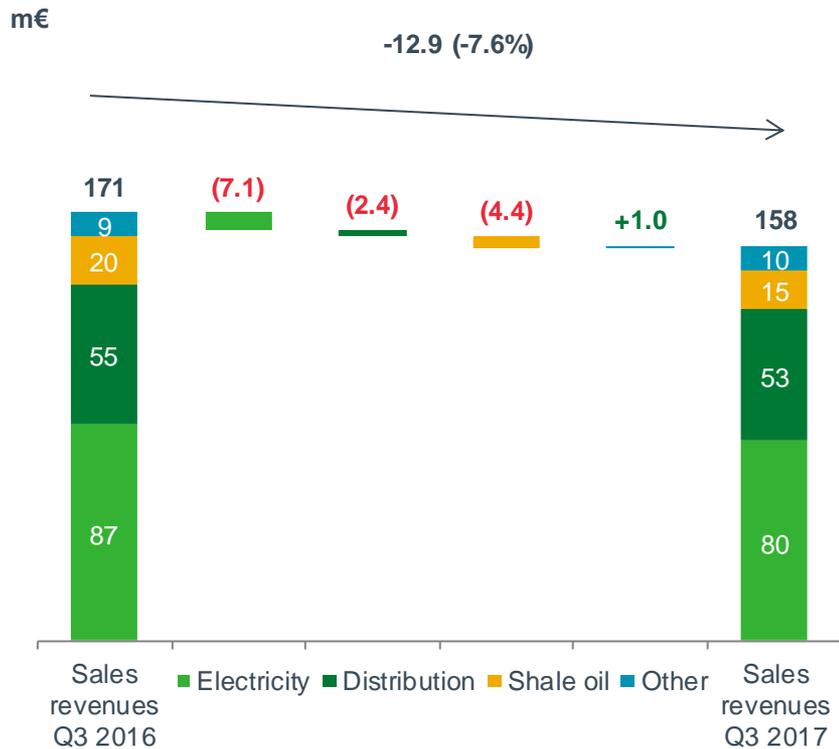
- Average price of Brent crude oil was 52.5 \$/bbl (+6.9 \$/bbl, +15.2%)
 - Crude oil prices increased due to OPEC member countries limiting their production
 - Oil field maintenance works and hurricane Harvey had a negative impact on the U.S. oil production
 - In September crude oil prices increased to 2-year high as a result of tensions in the Middle East when Turkey threatened to block oil transportation from Iraq
- Average price of fuel oil (1% sulphur content) was 255.5 €/t (+40.8 €/t, +19.0% Y-o-Y).
- Compared to Q2 2017 the average price of Brent crude oil increased. At the same time average price of fuel oil decreased by 5.7 €/t (-2.2%) due to the fact that European fuel oil market was characterised by low local demand and decreased exports to Asia

Average Quarter Fuel Oil and Brent Crude Oil Prices

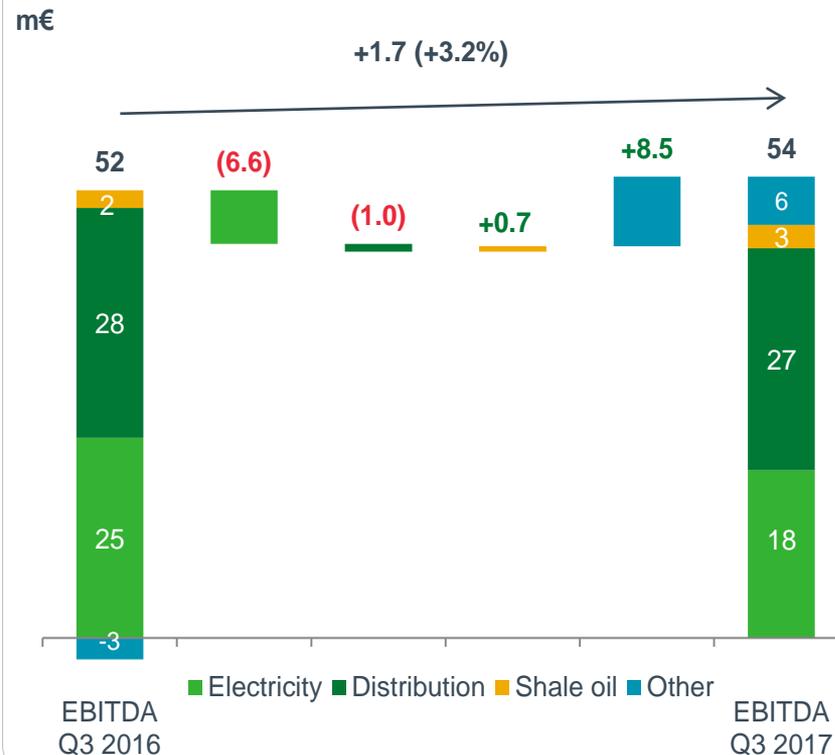


Group's Sales Revenues Decreased and EBITDA Increased

Sales Revenues Breakdown and Y-o-Y Change



EBITDA* Breakdown and Y-o-Y Change



*Compared to Q3 2016 interim report, segment reporting has been adjusted due to changes in accounting principles

Electricity

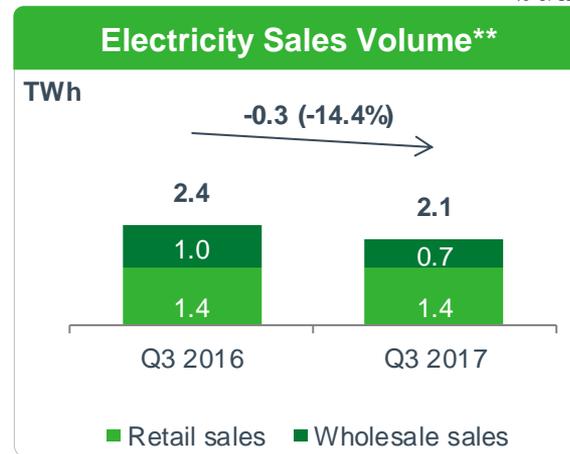
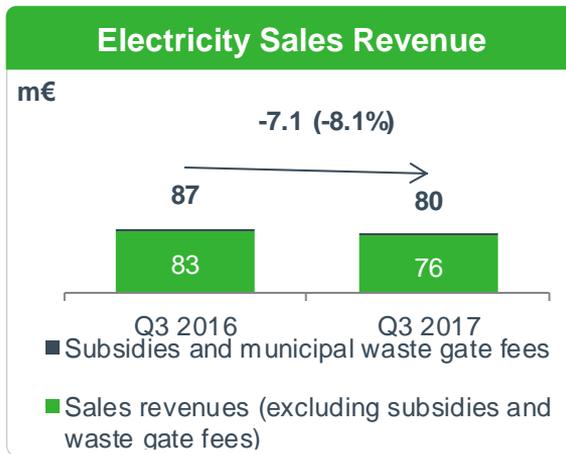
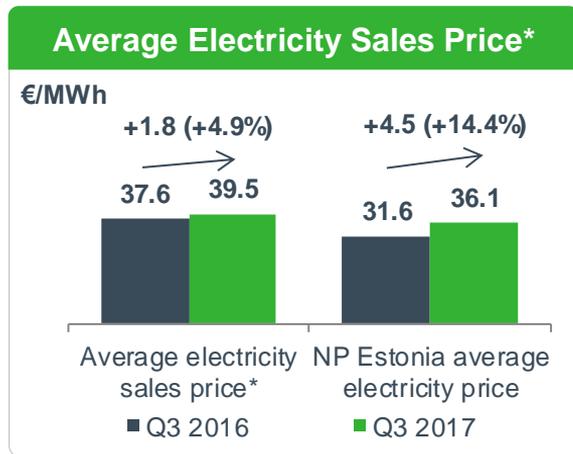


Eesti Energia Auvere power plant in Ida-Virumaa, Estonia



Eesti Energia

Electricity Sales Revenue Decreased

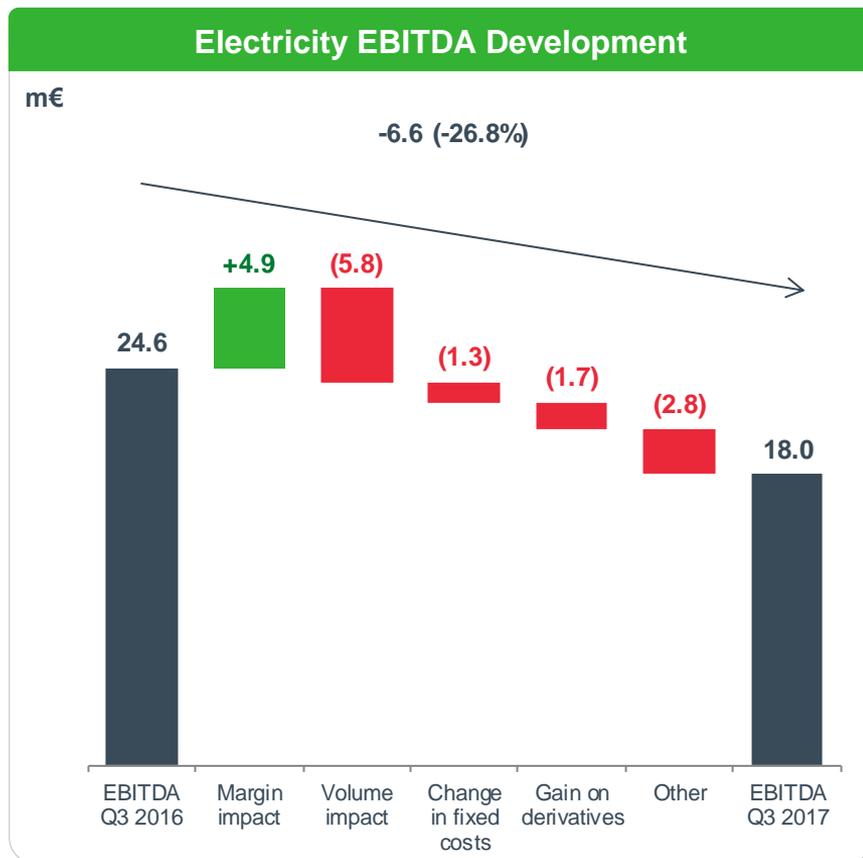


- Average electricity sales price* increased to 39.5 €/MWh (+1.8 €/MWh, +4.9%)
 - Gain on derivatives impacted price by -0.03 €/MWh (-0.8 €/MWh; -€0.05m in abs. terms, -€1.7m Y-o-Y)
 - Average electricity sales price* excl. gain on derivatives increased to 39.5 €/MWh (+2.6 €/MWh, +7.1%)
- Electricity sales volume 2.1 TWh (-14.4%)**. Wholesale sales decreased by 360 GWh (-34.4%)
- Electricity generation amounted to 2.1 TWh (-0.4 TWh, -15.6%), due to higher volume of maintenance works than last year
- 2017 Q4 sales hedged against price risk amounted to 1.5 TWh with an average price of 34.8 €/MWh; 2018 sales hedged against price risk amounted to 3.3 TWh with an average price of 34.2 €/MWh

* 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

** includes sales volume of Auverre power plant. In the Group's accounting, the sales revenue and cost of Auverre power plant is partially capitalized as the plant is still under construction. Without including the netted sales volume of Auverre power plant, the Group's electricity sales would have decreased by 13% or 277 GWh

Electricity EBITDA -27% Mainly due to Lower Sales Volume



- ✓ Total margin impact +€4.9m (+2.6 €/MWh). Average sales revenue increased by 2.8 €/MWh (impact +€5.4m). Higher variable costs impact -€0.5m
- ✗ Volume impact -€5.8m (sales volume of Auvere power plant is not included in Group's sales revenue and EBITDA to the full extent)
- ✗ Fixed costs impacted EBITDA by -€1.3m. Increased maintenance costs impact -€2.2m. Maintenance volumes in Narva power plants have increased due to higher projected production volumes. Increase in payroll costs impacted EBITDA by -€1.2m. Fixed cost component in inventories impacted EBITDA by +2.7m.
- ✗ Gain on derivatives decreased impacting EBITDA by -€1.7m (gain on derivatives €1.6m in Q3 2016, -€0.05m in Q3 2017)
- ✗ Other changes (total impact -€2.8m) mainly related to change in value of derivative instruments (impact -€2.0m)

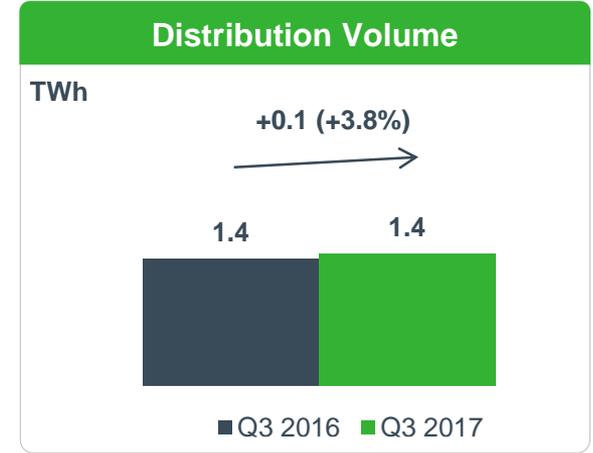
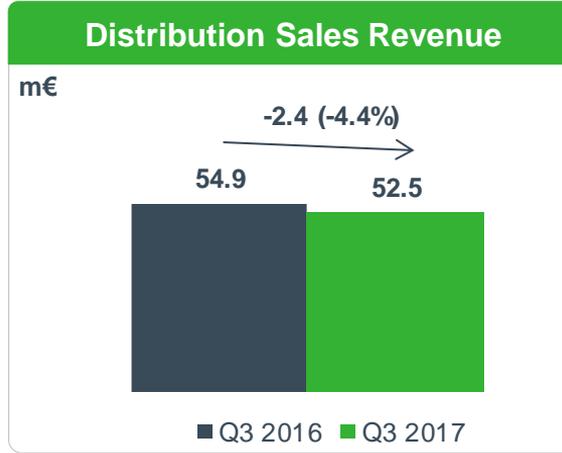
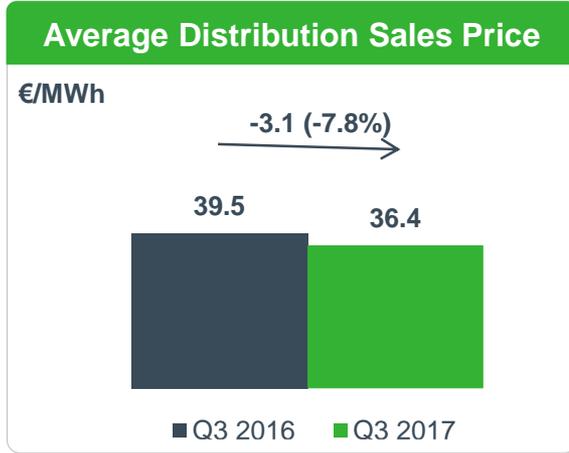
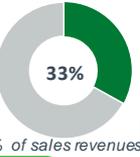
Key Figures	Q3 2017	Q3 2016
Return on fixed assets* (%)	13.1	2.1
Electricity EBITDA (€/MWh)	9.4	11.2

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

Distribution



Distribution Revenue Decreased 4%

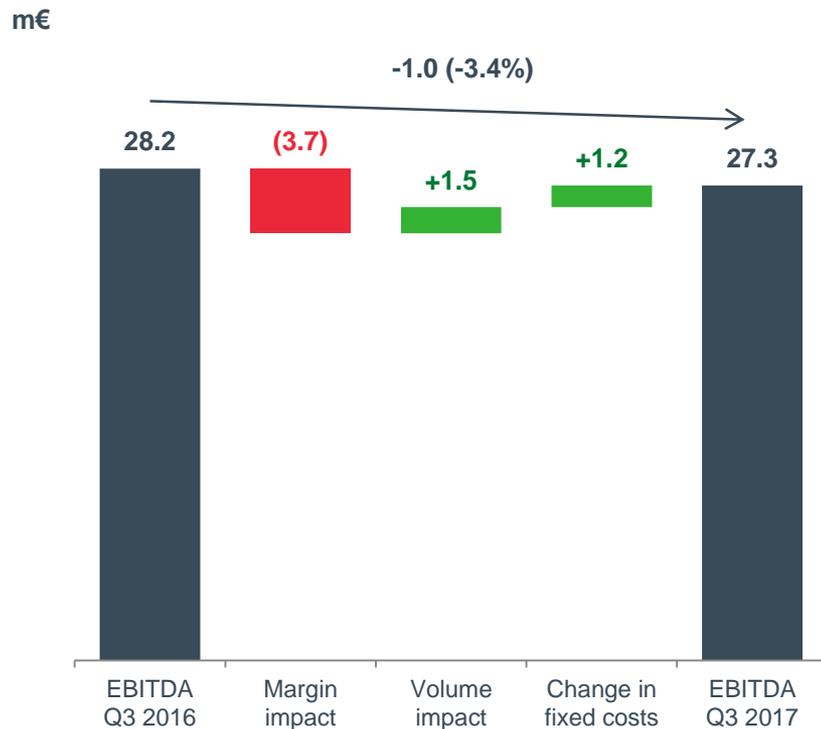


- Sales revenue decreased to €52.5m (-4.4%) due to decreased average distribution sales price
- Network losses amounted to 4.2% (-0.05%) of electricity entered into distribution network
- The average duration of unplanned interruptions was 41.4 minutes (Q3 2016: 54.4 minutes). The figure decreased due to better weather conditions and due to our effort to replace regular overhead lines with weather-proof cables

Distribution EBITDA -3%



Distribution EBITDA Development



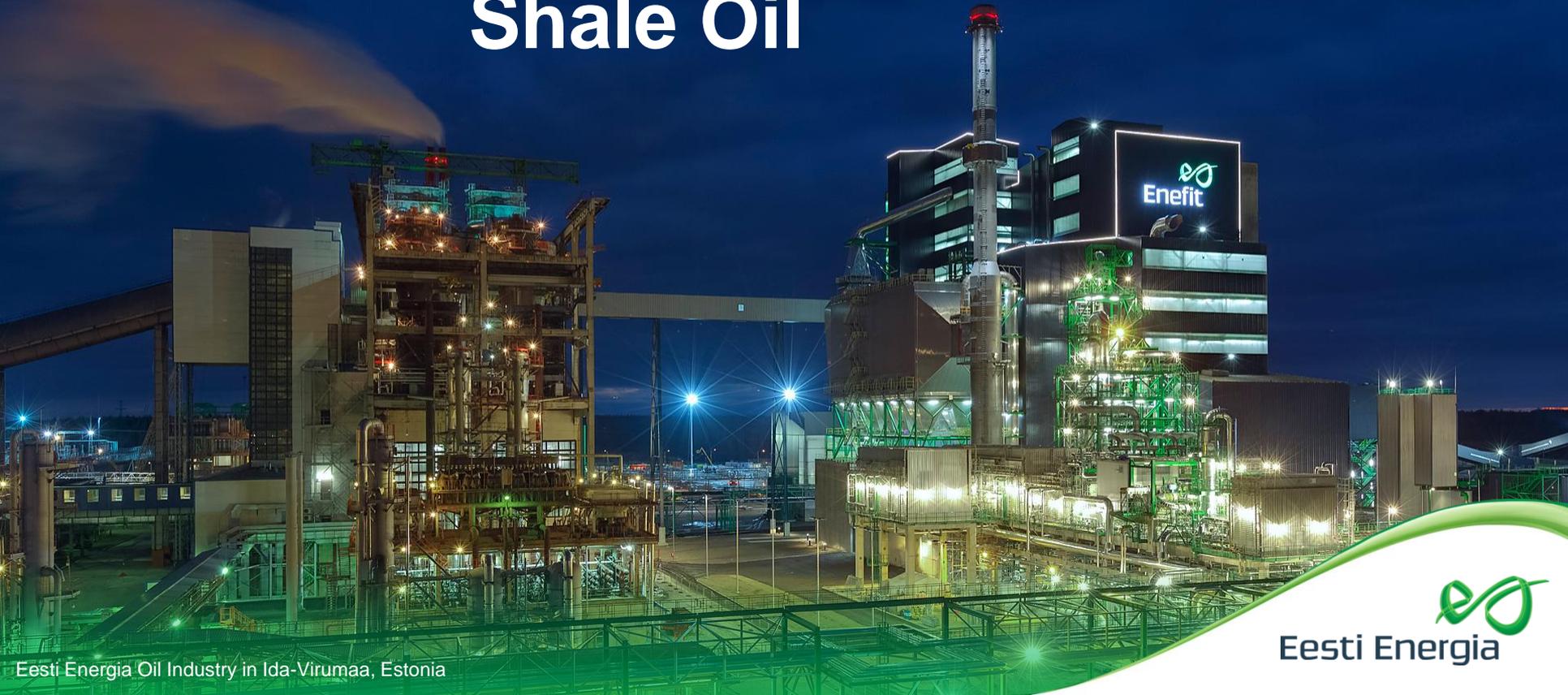
- ✗ Total margin impact -€3.7m (-2.6 €/MWh) mainly due to decreased average sales price
- ✓ Distribution volume increased 3.8%, impact on EBITDA +€1.5m
- ✓ Fixed costs decreased €1.2m, maintenance costs decreased €1.3m

Key Figures

	Q3 2017	Q3 2016
Return on fixed assets* (%)	7.2	6.6
Distribution losses (GWh)	65.4	62.5
SAIFI	0.50	0.47
SAIDI (unplanned)	41	54
SAIDI (planned)	19	18
Adjusted RAB* (m€)	767	744

* Rolling 12 months. RAB (Regulated Asset Base) allocated to distribution product

Shale Oil

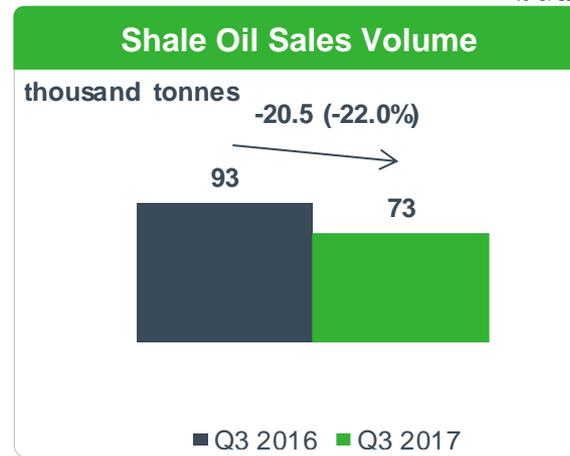
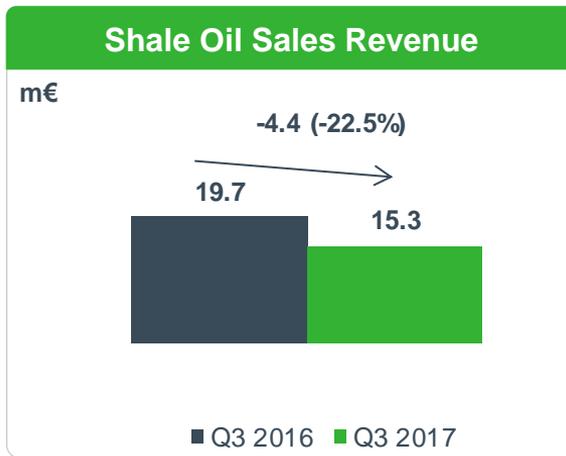
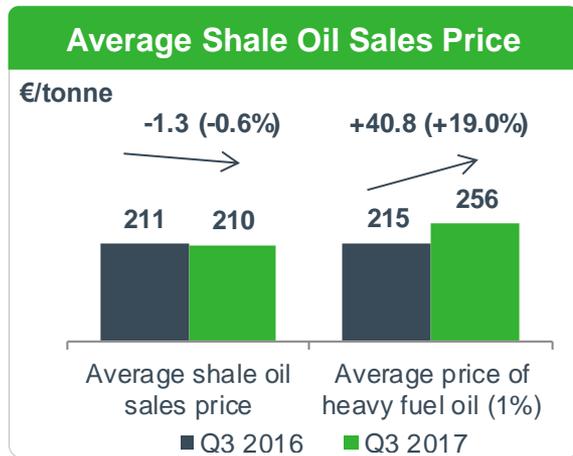


Eesti Energia Oil Industry in Ida-Virumaa, Estonia



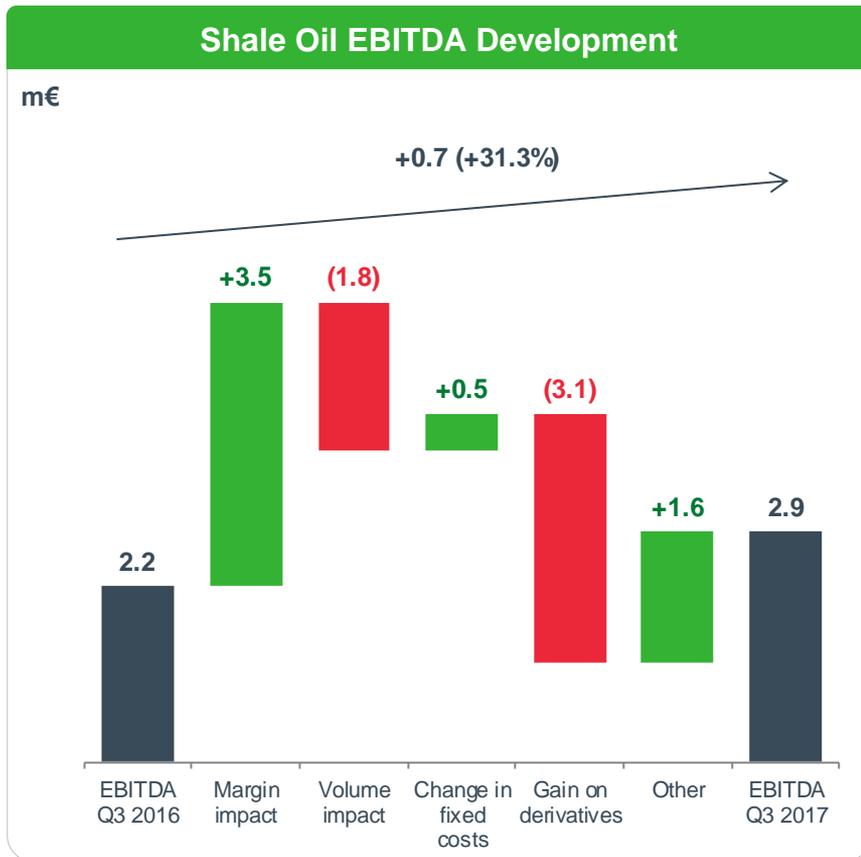
Eesti Energia

Shale Oil Sales Volume Decreased



- Sales volume decreased 20.5 thousand tonnes (-22.0%) as oil prices increased, as two large shipments were postponed from September to October. The Groups' shale oil production in Q3 2017 decreased by 14.6 thousand tonnes (-17.0%) compared to Q3 2016, due to higher volume of maintenance works than a year before.
- Average shale oil sales price decreased to 210 €/t (-1.3 €/t, -0.6%)
 - Gain on derivatives impacted price by -33.0 €/t (-40.2 €/t, -€2.4m in abs. terms, -€3.1m Y-o-Y) due to the reason that average hedge price for the Q3 was 210 €/t, but average sales price excl. gain on derivatives was 243 €/t (+39 €/t, +19%).
- 2017 Q4 sales hedged against price risk amounted to 72 thousand tonnes with an average price of 238 €/t
2018 sales hedged against price risk amounted to 297 thousand tonnes with an average price of 256 €/t

Shale Oil EBITDA Increased Mainly due to Higher Margin

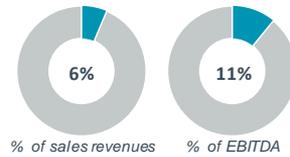


- ✓ Margin impact on profitability +€3.5m (+48.3 €/t). Increased average sales price impact +€2.8m. Lower variable costs increased EBITDA by €0.7m
- ✗ Sales volume decreased by 22%, impact on EBITDA -€1.8m
- ✓ Fixed costs decreased by €0.5m. Fixed cost component in inventories impact on EBITDA +€0.5m
- ✗ Gain on derivatives decreased, impacting EBITDA by -€3.1m (gain on derivatives €0.7m in Q3 2016, -€2.4m in Q3 2017)
- ✓ Other changes (+€1.6m) mainly related to change in value of derivative instruments (impact +€1.6m)

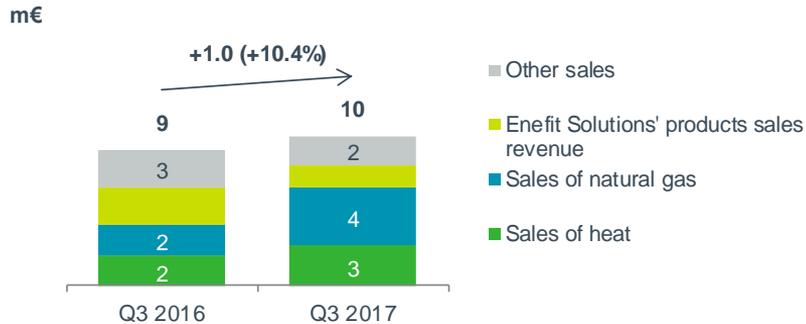
	Q3 2017	Q3 2016
Return on fixed assets (%)*	1.9	-2.0
Shale Oil EBITDA (€/t)	39.3	23.3

* Rolling 12 months

Other EBITDA Increased Mainly due to one-off Impact

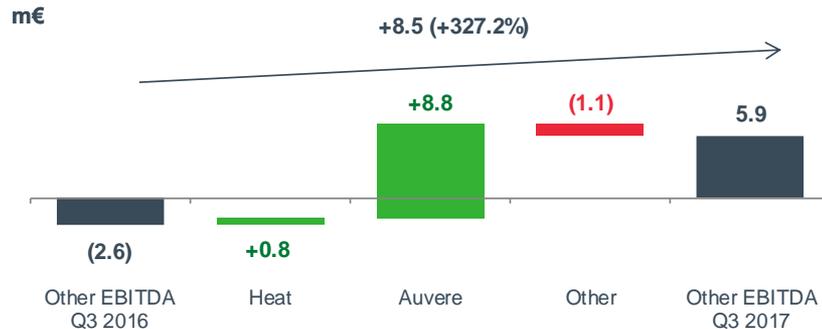


Sales Revenues From Other Products and Services



- EBITDA impact due to liquidated damages related to the delay in the delivery of the Auvere power plant +€8.8m
- Heat sales volume increased 27%, sales revenue increased by €0.7m, fixed costs decreased by €0.5m. Impact on EBITDA +€0.8m
- Natural gas sales revenue increased by €1.7m
- Other changes in EBITDA totalled -€1.1m

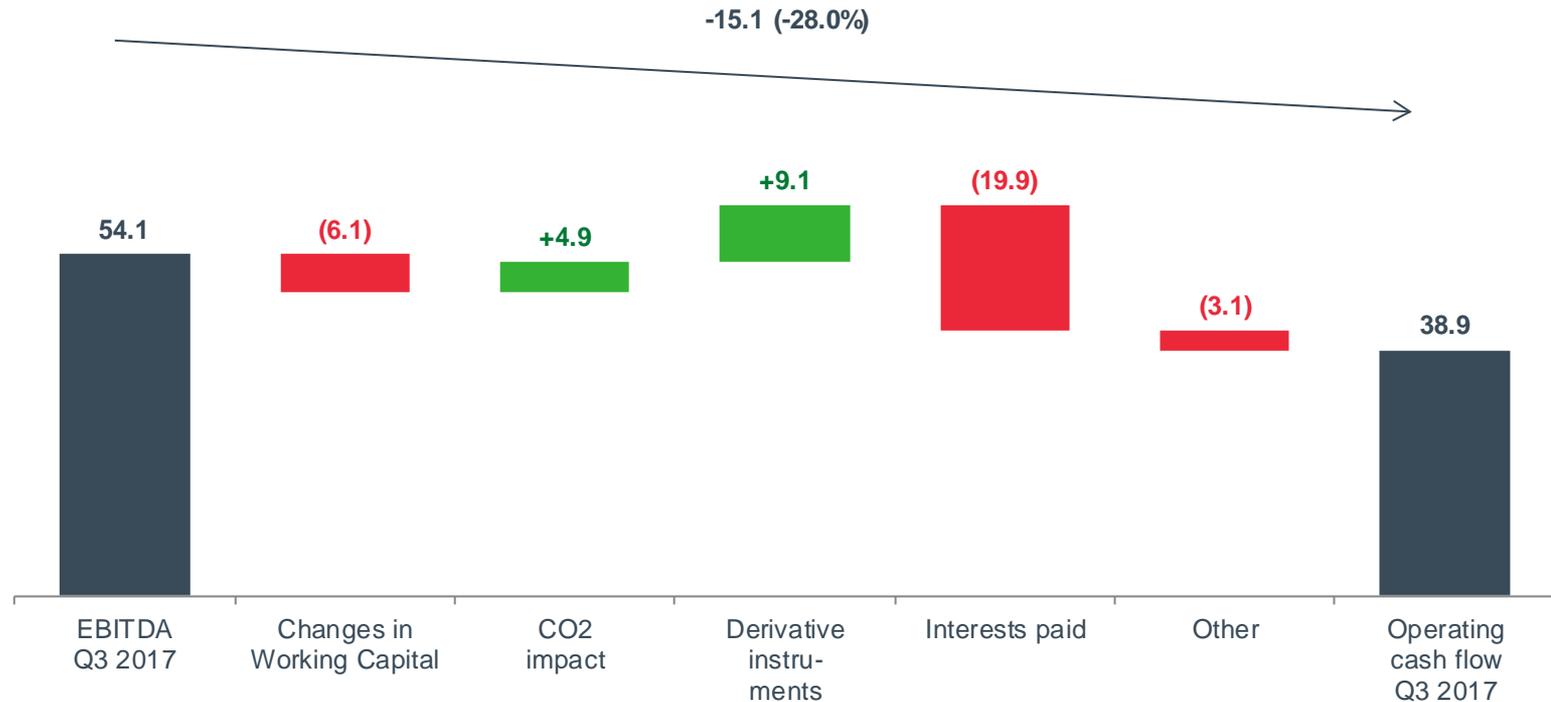
Other Products and Services EBITDA Development



Operating Cash Flow €15m Lower than EBITDA

EBITDA to Operating Cash Flows Development

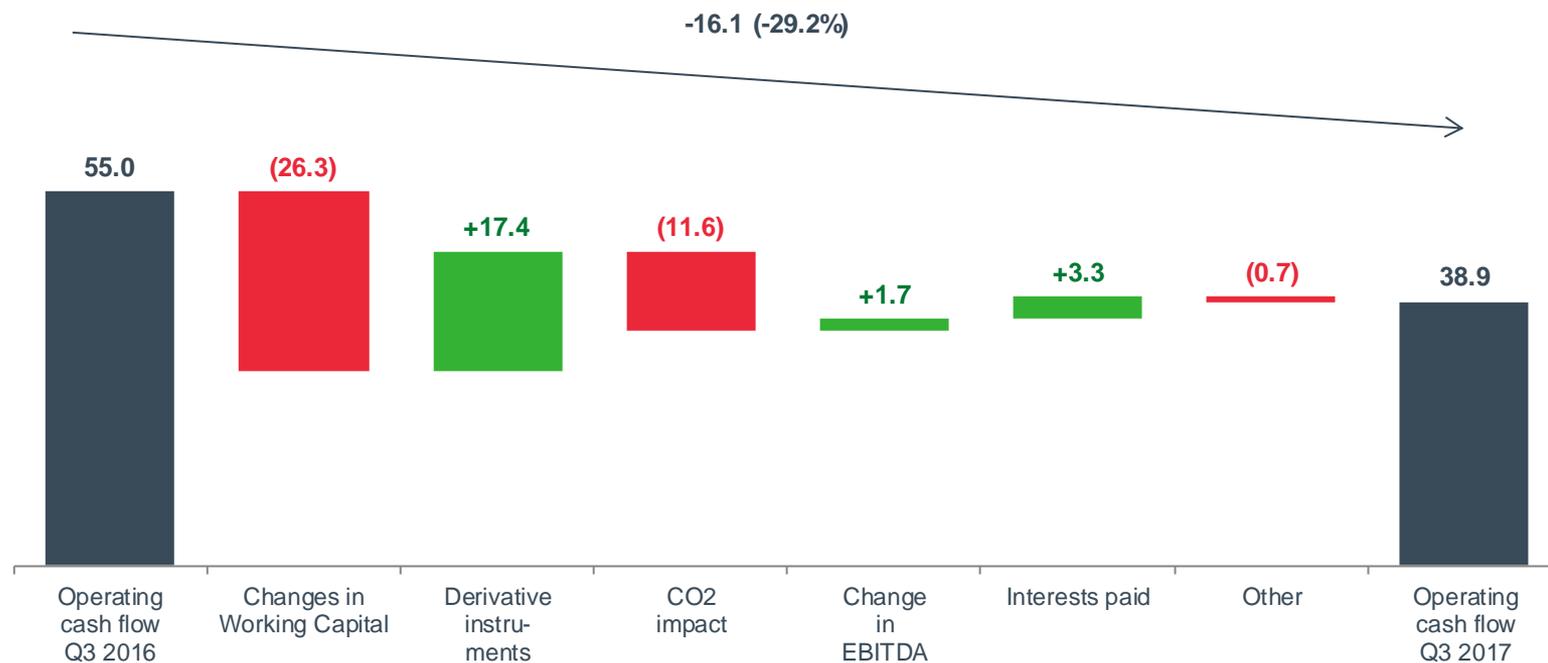
m€



Q3 2017 Operating Cash Flow €16m Lower Y-o-Y

Operating Cash Flow* Changes

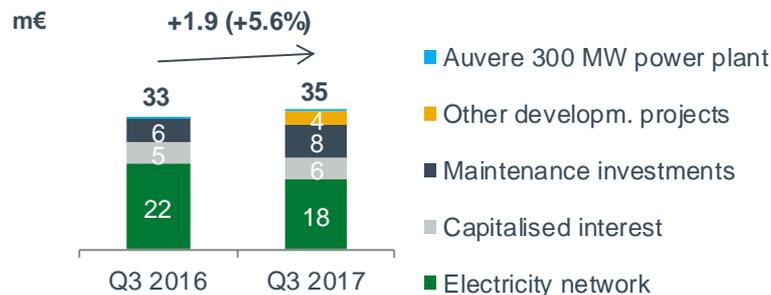
m€



*Compared to Q3 2016 interim report, segment reporting has been adjusted due to changes in accounting principles

Capital Expenditure €35m in Q3 2017

Capex Breakdown by Projects



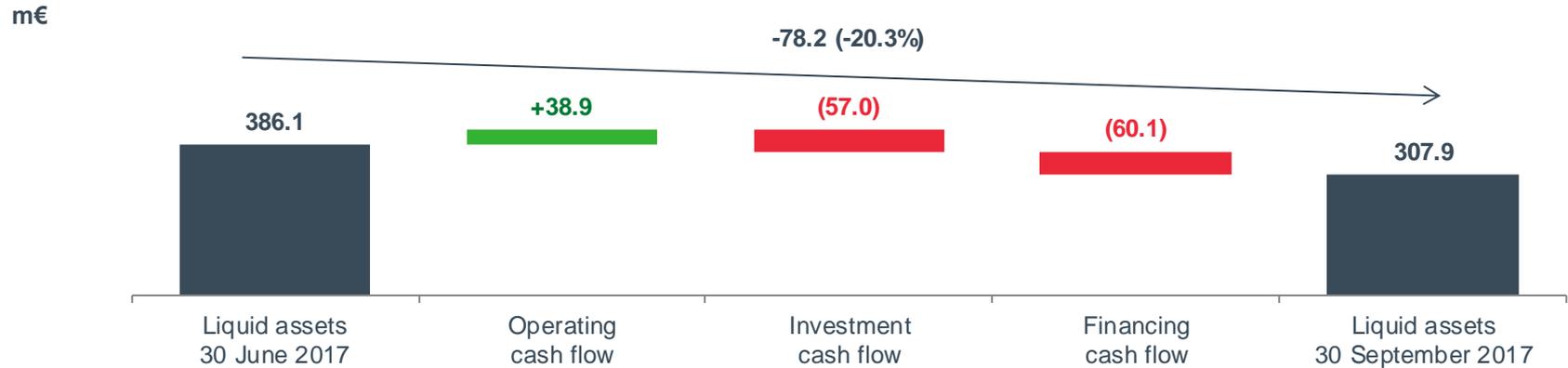
Capex Breakdown by Products



- Investments in distribution network continued at level €17.7m (-€4.1m, -19%), being the largest capital investment in Q3 2017
- Maintenance investments (excl. distribution) increased by €2.2m to €8.1m
- Needed upgrade of fabric filters defers the acceptance of Auvere power plant from the contractor. In Q3 2017, the construction of fabric filters continued and at the end of the quarter the filters were installed. Pre-delivery tests show that fabric filters will keep the plant's particle emissions within established limits. Auvere power plant generated 235 GWh of electricity in Q3 2017 (-37% compared to Q3 2016). According to plan, the contractor, General Electric, will transfer the operation of Auvere plant to Eesti Energia in Q4 2017
- €2.2m was invested in the project for increasing the share of oil shale gas burnt in generating unit 8. The planned total cost of the project is €15.1m

€308m Amount of Liquid Assets at the End of Q3 2017

Group's Liquidity Development in 2017

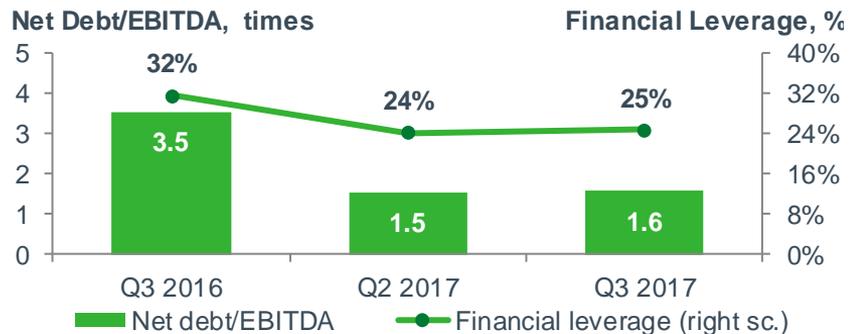


- €528m of liquid assets and unused loans available as at 30 September 2017, including:
 - €308m of liquid assets
 - €150m revolving credit facilities with SEB and OP Corporate Bank
 - €70m loan agreement signed with European Investment Bank (could be drawn down until October 2017). At the beginning of Q4 2017, the Group decided not to use that loan.

*Compared to Q3 2016 interim report, segment reporting has been adjusted due to changes in accounting principles

Debt Maturity Profile

Net Debt / EBITDA & Financial Leverage

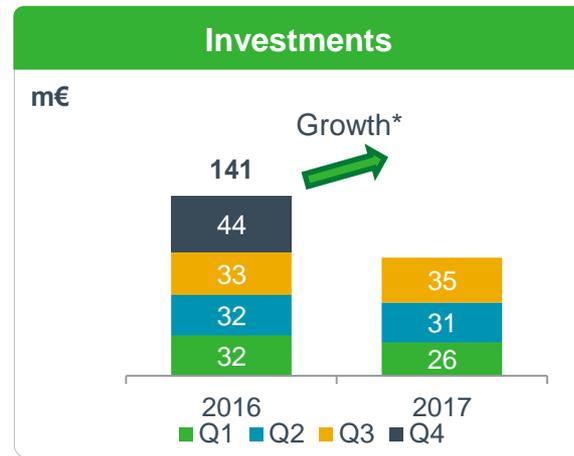
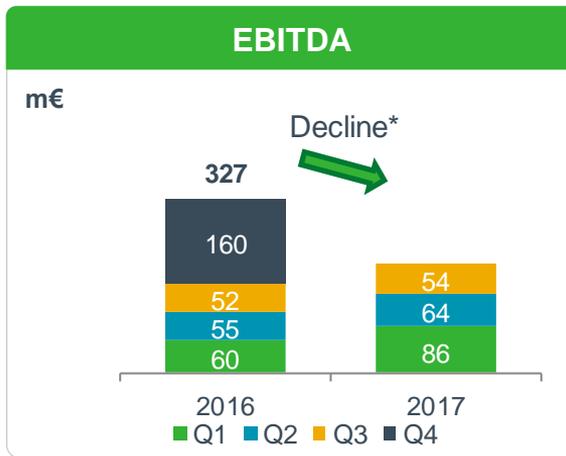
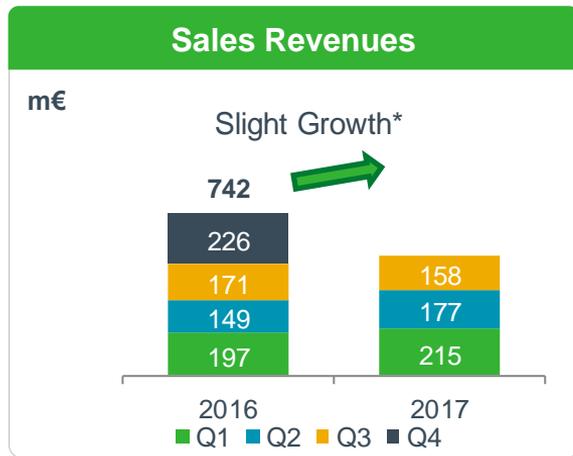


- Eesti Energia credit ratings at investment grade level
 - BBB (S&P) (negative outlook), confirmed by S&P on 14th of July 2017
 - Baa3 (Moody's) (stable outlook)
- Group's financial status in line with contractual loan covenants
- Total debt €885m, net debt €577m as at the end of Q3 2017 (+€20m compared to the end of Q2 2017)
- In Q3 2017 we made early repayment of €47.7m EIB loan (would have been due in 2019)

Debt Maturity



Outlook for FY2017



- 2017 sales revenues are likely to slightly grow*, investments are likely to grow* and EBITDA will decline*
 - Group's results impacted by forecasted higher market prices of oil
 - Electricity EBITDA is positively influenced by change in resource tax rates
 - Excluding the positive impact of the liquidated damages related to the Auvere power plant (68.6 million euros) and the retroactive change in resource tax rates and environmental fees (14.2 million euros) in 2016, EBITDA for 2017 will grow compared to 2016
 - Investments expected to grow mostly due to new development projects
- Forecast for 2017 includes dividend payment €47.0m and income tax €11.8m

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

Summary

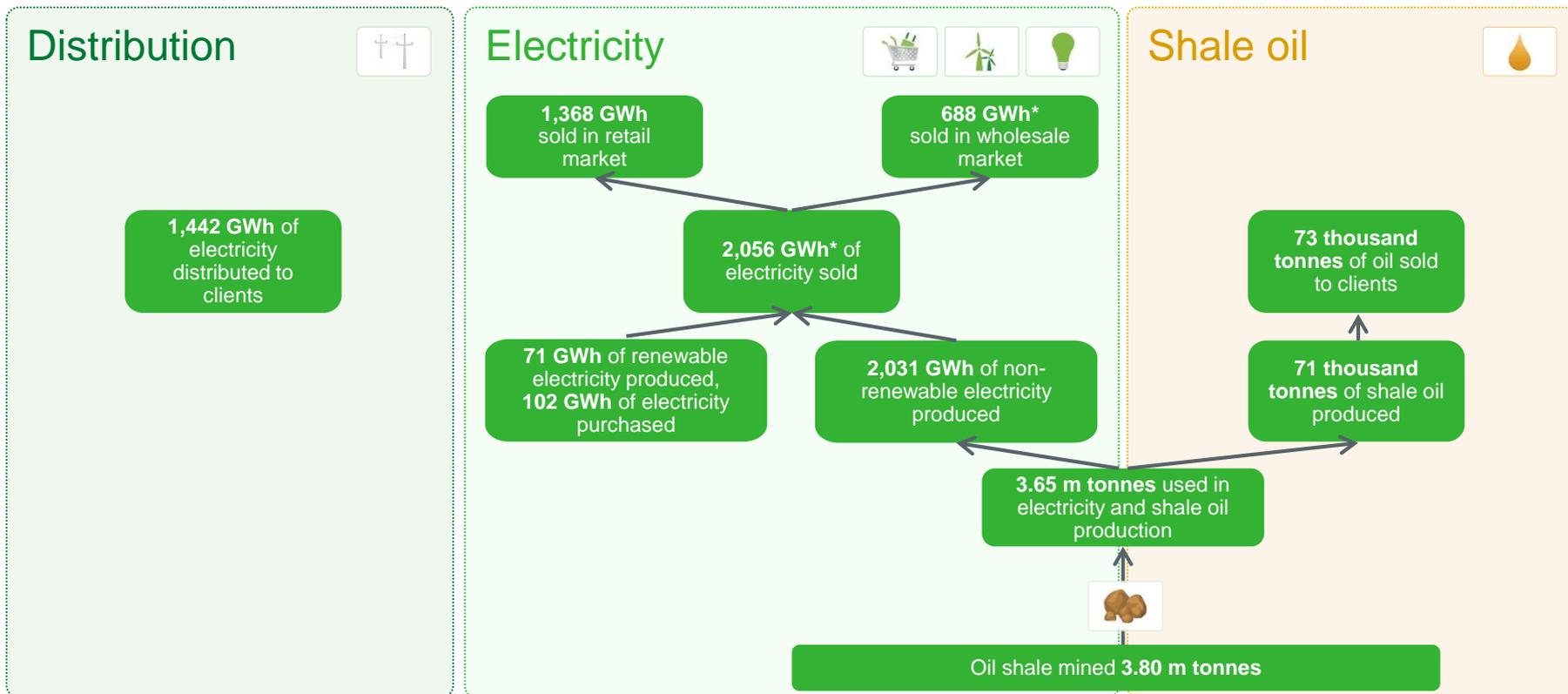
- Q3 2017 sales revenues decreased to €158m (-€12.9m)
 - Electricity sales revenue decreased by €7m
 - Shale oil sales revenue decreased by €4m
 - Distribution sales revenue decreased by €2m
- Q3 2017 EBITDA increased to €54m (+€1.7m)
 - EBITDA impact due to liquidated damages related to Auvere power plant by €9m
 - Electricity EBITDA decreased by €7m
 - Shale oil EBITDA increased by €1m
 - Distribution EBITDA decreased by €1m
- Investments increased 6% to €35m
- Q3 net profit increased to €16m (+€2.9m)
- Financial leverage at 25% and net debt to EBITDA ratio 1.6. At the end of Q3 2017, the Group's financial ratios complied with all contractual covenants

APPENDICES



Eesti Energia

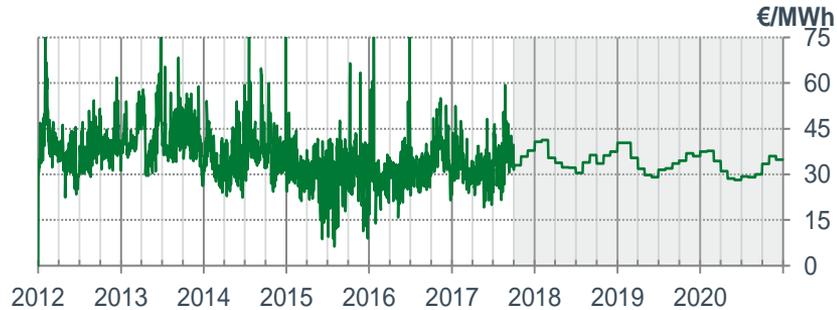
Production and Sales in Q3 2017



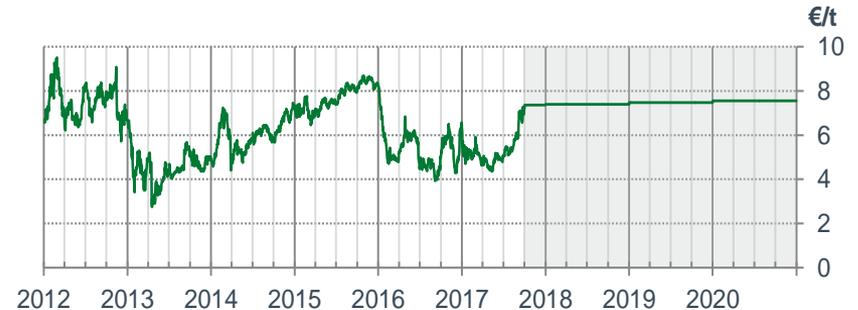
* includes sales volume of Auverre power plant. In the Group's accounting, the sales revenue and cost of Auverre power plant is partially capitalized as the plant is still under construction

Commodity Markets*

Nord Pool Estonia Electricity Price



CO₂ Emission Allowance (December)



Brent Crude Oil

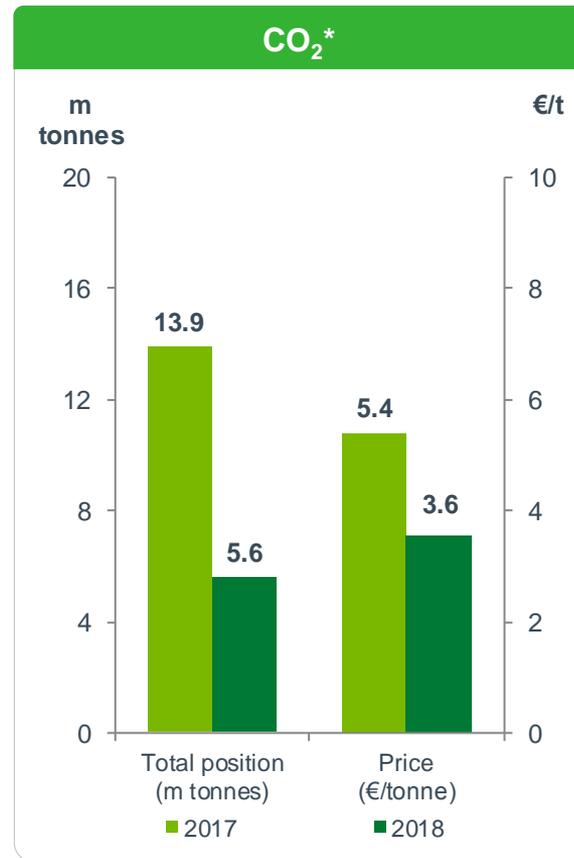
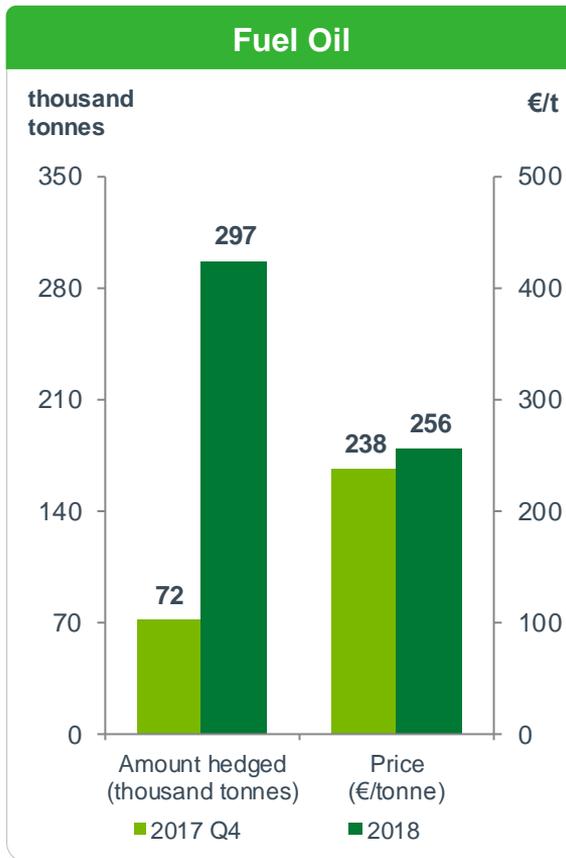
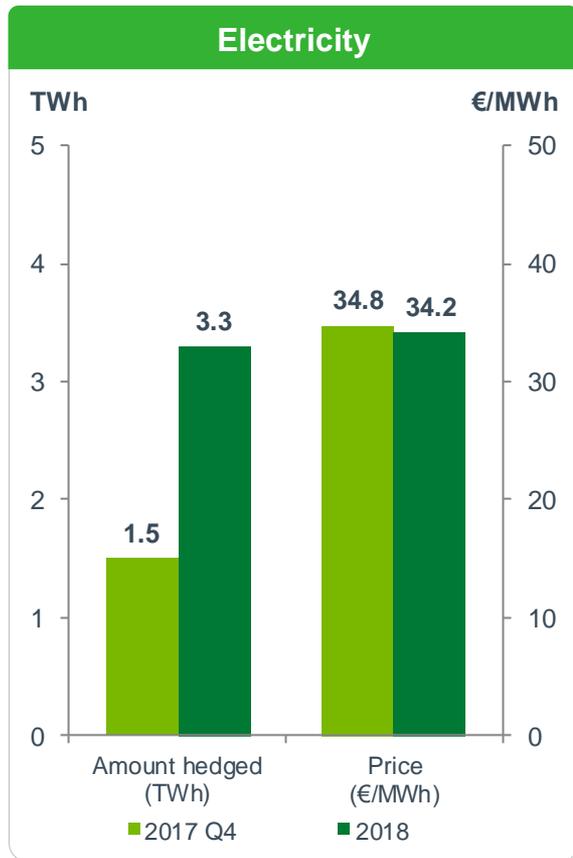


Fuel Oil 1% NWE



* Based on futures prices as at 16th of October 2017

Hedged Positions as at 30 September 2017



* including free CO₂ allowances related to power plant construction in Auvergne. 2017 position consists mostly of free CO₂ allowances

Profit and Loss Statement

million euros	Q3 2017	Q3 2016	Change	Change
Sales revenues	157.6	170.6	-12.9	-7.6%
Other revenues	9.6	5.0	+4.6	+91.8%
Expenses (excl. depreciation), incl:	113.2	123.2	-10.0	-8.1%
Electricity purchasing costs	17.6	16.7	+0.8	+5.0%
Environmental fees	9.6	10.9	-1.3	-12.0%
CO2 emission costs	15.7	15.6	+0.1	+0.9%
Change in inventories	-1.2	8.4	-9.6	-114.0%
Other	71.5	71.6	-0.1	-0.1%
EBITDA	54.1	52.4	+1.7	+3.2%
Depreciation	33.7	35.7	-2.0	-5.7%
EBIT	20.4	16.7	+3.7	+22.2%
Net financial income (-expenses)	-4.8	-4.0	-0.8	+21.1%
Net profit from associates	0.6	0.6	+0.0	+7.6%
Earnings before tax	16.2	13.3	+2.9	+21.9%
Income tax expense	0.0	0.0	-	-
Net profit	16.2	13.3	+2.9	+21.9%

Balance Sheet

million euros	September 2017	September 2016	Change yoy
Assets	3,113.5	2,940.2	+5.9%
Current assets	579.5	398.2	+45.5%
Cash and cash equivalents	307.9	205.0	+50.1%
Trade receivables	83.2	71.2	+16.9%
Inventories and prepaid expenses	66.8	90.2	-25.9%
Other current assets	121.5	31.7	+283.2%
Non-current assets	2,534.0	2,542.0	-0.3%
Liabilities and equity	3,113.5	2,940.2	+5.9%
Liabilities	1,358.3	1,342.5	+1.2%
Trade payables	76.3	65.4	+16.8%
Borrowings	884.7	943.6	-6.2%
Current liabilities	17.9	19.3	-7.1%
Long-term liabilities	866.8	924.3	-6.2%
Provisions	83.5	80.6	+3.6%
Deferred income	191.0	178.4	+7.1%
Other liabilities	122.8	74.7	+64.4%
Equity	1,755.2	1,597.7	+9.9%

Cash Flow Statement

million euros	Q3 2017	Q3 2016	Change	Change
Net cash from operating activities	38.9	55.0	-16.1	-29.2%
Purchase of fixed assets	-26.3	-27.1	+0.7	-2.6%
Connection and other fees received	4.3	4.2	+0.1	+2.2%
Net change of cash under limited use	0.0	-3.2	+3.2	-100.0%
Dividends recieved from financial investments	0.0	0.0	-	-
Proceeds from sales of non-current assets	0.5	0.4	+0.1	+22.3%
Loans granted	-0.8	-0.7	-0.1	+20.3%
Net change in bank loans paid and received	-60.1	-13.0	-47.1	+360.8%
Dividend	0.0	0.0	-	-
Acquisition of non-controlling interest in a subsidiary	0.0	0.0	-	-
Other	-34.6	0.0	-34.6	+96597.9%
Net cash flows excl. net change in deposits with maturities greater than 3 months	-78.2	15.6	-93.8	-602.8%
Net change in deposits with maturities greater than 3 months	0.0	0.0	-	-
Net cash flows	-78.2	15.6	-93.8	-602.8%

*Compared to Q3 2016 interim report, segment reporting has been adjusted due to changes in accounting principles

Glossary

- **1 MWh** – 1 megawatt hour. The unit of energy generated (or consumed) in one hour by a device operating at a constant power of 1 MW (megawatt).
1,000,000 MWh = 1,000 GWh = 1 TWh
- **Clean Dark Spread (CDS)** – Eesti Energia's margin between the average price of electricity (in NPS Estonia), oil shale costs and CO₂ costs (taking into account the price of CO₂ allowance futures maturing in December and the amount of CO₂ emitted in the generation of a MWh of electricity)
- **CO₂ emission allowance** – According to the European Union Emissions Trading System (ETS), one emission allowance gives the holder the right to emit one tonne of carbon dioxide (CO₂). The limit on the total number of emission allowances available gives them a monetary value
- **Financial leverage** – Net debt divided by the sum of net debt and equity
- **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. In smaller amount, network losses are caused by power theft and incorrect measuring. The network operator has to compensate energy losses and for this a corresponding amount of electricity has to be purchased every hour
- **NP system price** – The price on the Nord Pool power exchange that is calculated on the basis of all purchase and sale bids without taking into account transmission capacity limitations
- **Position hedged with forward transactions** – The average price and the corresponding amount of electricity and shale oil sold and emission allowances purchased in the future is previously fixed
- **RAB** – Regulated Asset Base, which represents the value of assets used to provide regulated services
- **Return on Fixed Assets (ROFA)** – Operating profit (rolling 12 months) divided by average fixed assets excl. assets under construction (allocated to specific product)
- **SAIDI** – System Average Interruption Duration Index. The sum of all customer interruption durations in minutes divided by the total number of customers served
- **SAIFI** – System Average Interruption Frequency Index. The total number of customer interruptions divided by the total number of customers served
- **Variable profit** – Profit after deducting variable costs from sales revenues