Interim Report

1 April 2018 – 30 June 2018

Contents

Letter from the CEO

Dear reader

The second quarter of this year was characterised by higher energy prices – the market prices of both oil products and electricity have grown significantly. On the other hand, there has been a similar rise in the prices of several inputs which influence the cost price of electricity such as CO_2 emission allowances, coal and gas.

In the second quarter of 2018, the average market price of electricity in the Estonian price area of the Nord Pool power exchange was 42.1 euros per megawatt hour, which is 37% higher than in the same period last year.

The price of electricity in the Nordic-Baltic electricity market is strongly influenced by the weather. The largest electricity producers in our region are Norway and Sweden. The former produces over 90% of electricity from hydropower. It is somewhat cheaper to produce electricity from hydropower than from other sources of energy.

Since the Nordic and the Baltic countries are well connected with transnational interconnectors, the volume of hydro energy produced in Sweden and particularly in Norway has considerable influence on the market price of electricity in our region. In the first half of the second quarter, the level of the Nordic water reservoirs was below the historical median as well as the level of the second quarter of 2017. The rise in the electricity price has also been driven by the price of CO_2 emission allowances, which has multiplied, and summer maintenance at nuclear power plants.

Compared with the same period last year, the price of fuel oil has also grown substantially. This is attributable to the upswing in the world market price of oil. In the second quarter of 2017 the average price of fuel oil with 1% sulphur content was 261 euros per tonne but in the second quarter of this year it was already 344 euros per tonne, almost a third higher. Naturally, the uptrend is positive for fuel producers and allows Eesti Energia to earn higher revenue from the sale of oil.

The development is also good news for the Republic of Estonia, which owns the oil shale resource. A rise in the price of fuel oil means that state revenue from the use of oil shale will increase because the resource charge rate of oil shale is linked to the world market price of fuel oil. Looking forward, we can see that in the third quarter the resource charge rate for oil shale is already 1.58 euros per tonne. This means that the rise in the price of fuel oil has driven the resource charge rate to the level where it was before the government's decision of 2016, which linked the resource charge rate of oil shale to the world market price of fuel oil.

Our electricity production results reflect the impact of more extensive repairs at our generation units and a three-fold rise in the price of CO_2 emission allowances: in the second quarter we produced 2 terawatt hours of electricity, 17% less than in the same period last year.

Shale oil production declined as well. This was due to more extensive maintenance work at the oil plants. Altogether, from April to June we produced over 90,000 tonnes of shale oil, 15% less than in the same period last year.

In the second quarter, the Group's renewable energy company Enefit Green took decisive steps in the direction of growth. On 29 May a contract of purchase and sale was signed by which Enefit Green will acquire 100% of the shares in Nelja Energia. Nelja Energia is the largest producer of wind energy in the Baltics. In addition, it has a considerable portfolio of developments in all Baltic countries. Enefit Green will acquire 77% of the shares in Nelja Energia from Vardar Eurus, a company belonging to Norwegian local governments, and the rest of the shares from Estonian investors. We will pay for the shares 289 million

euros. In addition, Enefit Green will take over the loans of Nelja Energia of 204 million euros.

When the competition authorities have granted their approvals for the transaction, Enefit Green will become one of the fastest-growing renewable energy companies in the Baltic Sea region. Since the government of Estonia has expressed its expectation that a minority interest in Enefit Green should be listed on the stock exchange, in the future all interested parties can benefit from the growth of that company.

In June, Enefit Green also concluded another significant transaction with Metsähallitus, a Finnish state-owned company, which provides Enefit Green with an opportunity to build a wind farm at Tolpanvaara, Finland. These are tangible steps which are taking Eesti Energia closer to achieving one of its important strategic targets – to produce 40% of electricity from renewable and alternative sources in 2022.

In addition to increasing the production of renewable energy, the strategic action plan approved by the supervisory board in June foresees increasing the sale of customer services in the Baltic Sea region where in five years' time we wish to be the supplier of energy services to one million satisfied customers.

In Large-Scale Energy Production, we are gradually moving towards increasingly more efficient and cleaner as well as flexibly managed energy production by using a diverse mix of fuels.

In Network Services, the strategy foresees compensating the decline in revenue from the regulated business, where network charges are decreasing, with growth in open market services. In the network business, we also see strong potential in the synergy resulting from joint management of different infrastructures.

Capital expenditures of the period totalled 47 million euros, a 51% increase on the second quarter of 2017. The largest share of expenditures, 18 million euros, was traditionally invested in the electricity distribution network. Thanks to new substations and growth in the share of weatherproof cables, 65% of Elektrilevi's network is now weatherproof.

In May, Sumitomo SHI FW delivered to Enefit Energiatootmine the reconstructed boiler of generating unit 8 of the Eesti power plant. As a result of the reconstruction, the boiler can be fuelled to the extent of 50% with oil shale gas, which is a by-product of shale oil production. Moreover, the reconstructed boiler will lower the environmental impacts and increase the flexibility of electricity production.

In the second quarter, Estonia's largest industrial investment, the Auvere power plant, operated according to its production plan. In June the plant had its pre-delivery maintenance and in July successfully passed the fault ride through test. Thus, to date the plant has passed all tests required for its acceptance from the builder. We hope to accept the power plant from General Electric in the third quarter.

In the second quarter of 2018, Eesti Energia generated revenue of 186 million euros, 5% more than in the same period last year, and earned EBITDA of 53 million euros, 17% less than in the same period last year. EBITDA declined mainly due to growth in the price of CO_2 emission allowances and the resource charge rate of oil shale and a decrease in network charges, which lowers the profitability of the distribution service. Net profit for the second quarter amounted to 15 million euros, a 12% improvement on the same period last year.

On financial markets, the average quarterly market price of electricity traded for the end of this year and the beginning of next year is 55 euros per megawatt hour. A price that high has not been seen in the Estonian price area since the

deregulation of the market. The price of electricity is increasing not only in Estonia but in the entire Nordic-Baltic region as well as in other European countries. For example, in Germany electricity prices for the winter have grown significantly.

The main factors, which are driving up the electricity price are the low level of Nordic water reservoirs and high CO_2 emission allowance and coal prices. However, reality may prove quite different. For example, if the Nordic countries have a rainy autumn and a lot of snow the electricity price may drop considerably. Eesti Energia as an electricity producer must prepare itself for different scenarios and seize market opportunities as fully as possible in order to meet the owner's expectations. We as consumers, however, must prepare ourselves for higher energy costs.

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 have the most diverse energy portfolio in the Baltic Sea region: we produce energy from oil shale, wood waste, biomass, tyre chips, municipal waste, wind, sun and water. We use oil shale to produce liquid fuels – shale oil and oil shale gasoline as well as electricity and heat.

We consistently enhance our products and services and develop new solutions to make our production processes more efficient.

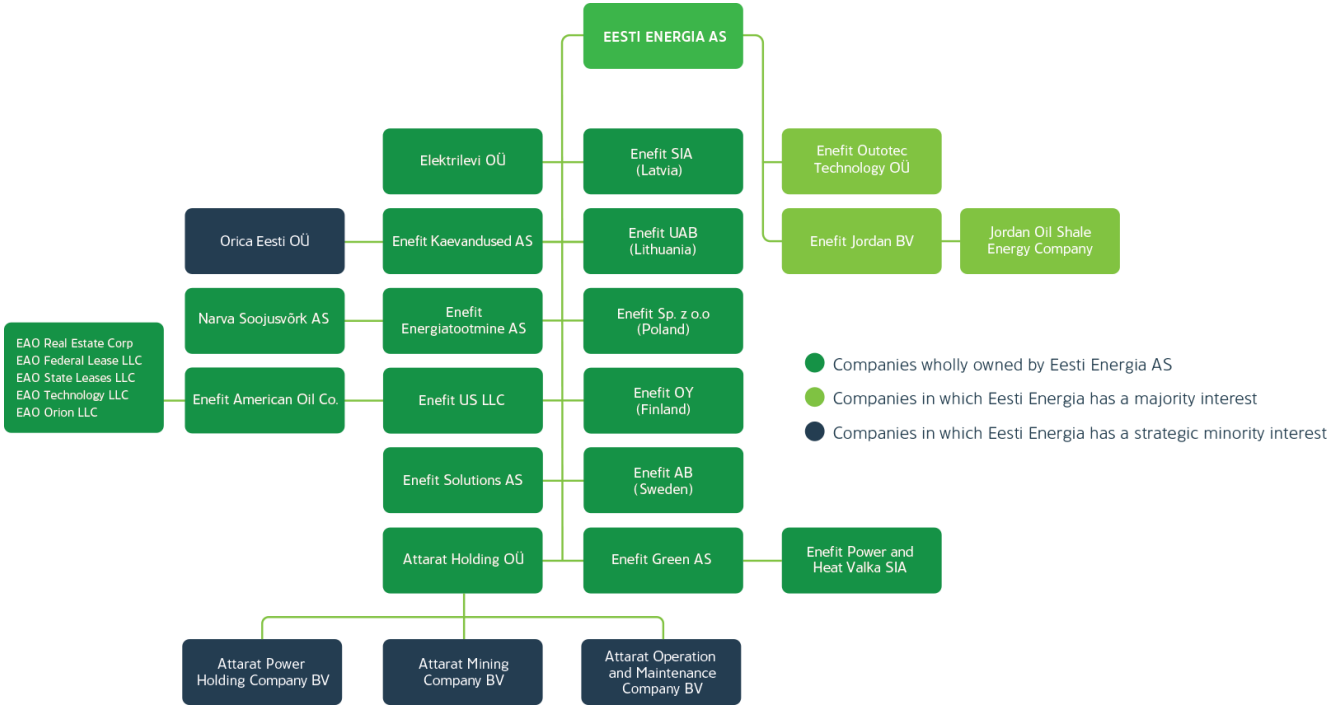
We sell electricity in the Baltic and Polish retail markets and the Nord Pool wholesale market, natural gas in the Estonian, Latvian, Lithuanian and Polish retail markets and liquid fuels in the international wholesale market. In 2018, we also began selling electricity in Finland and Sweden. We offer smart energy solutions and associated services to both household and corporate customers.

Eesti Energia's subsidiary Elektrilevi is the largest distribution service provider in Estonia.

Eesti Energia's business lines comprise Large-scale Energy Production, Renewable Energy, Network Services, Customer Services, and the Group's Strategic Developments.

We employ around 5,800 people.

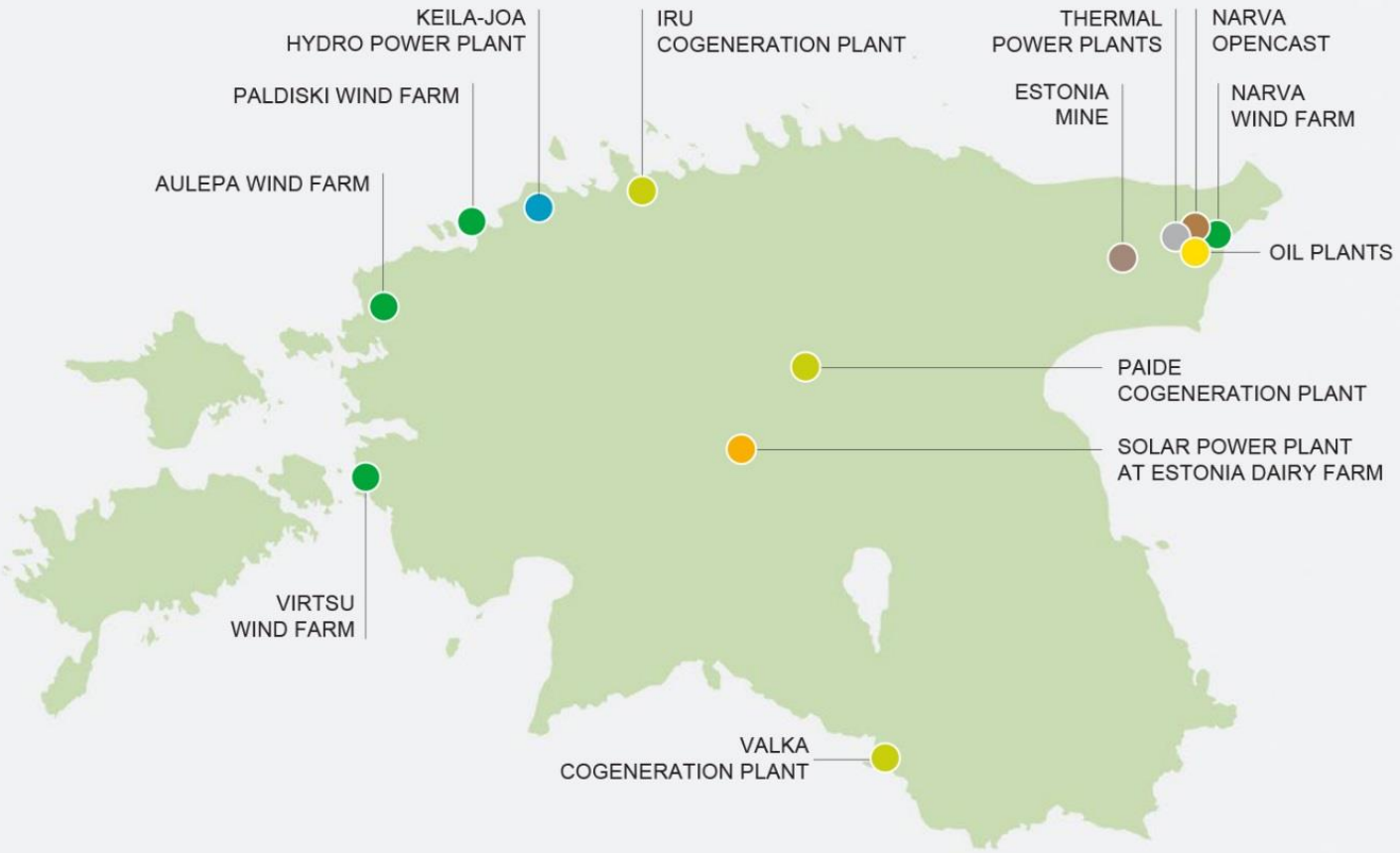
The Structure of Eesti Energia Group as at 30 June 2018



EESTI ENERGIA'S BUSINESS OPERATIONS

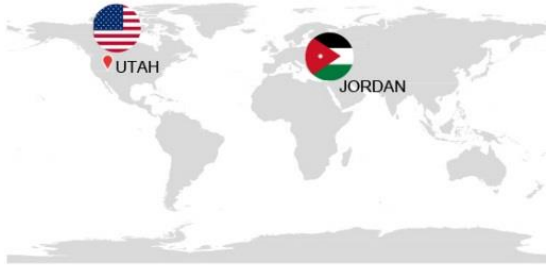
1. Oil shale mines
2. Thermal power plants
3. Oil plants
4. Hydro power plant
5. Cogeneration plants
6. Wind farms
7. Solar power plants
8. Electricity distribution network
9. Energy trading and sales

Eesti Energia's production units



HOME MARKETS IN ENERGY SALES BUSINESS

EESTI ENERGIA'S DEVELOPMENTS



Key Figures and Ratios

		Q2 2018	Q2 2017	Change	6M 2018	6M 2017	Change
Total electricity sales*, of which	GWh	2,115	2,344	-9.7%	4,739	5,018	-5.6%
wholesale sales*	GWh	561	923	-39.2%	1,340	1,885	-28.9%
retail sales	GWh	1,554	1,421	+9.4%	3,399	3,133	+8.5%
Electricity distributed	GWh	1,542	1,534	+0.6%	3,602	3,447	+4.5%
Shale oil sales	th t	101	104	-3.1%	185	181	+2.0%
Heat sales	GWh	145	183	-20.8%	631	612	+3.1%
Average number of employees	No.	5,752	5,780	-0.5%	5,787	5,810	-0.4%
Sales revenues	m€	185.8	177.5	+4.7%	414.4	392.8	+5.5%
EBITDA	m€	53.0	63.9	-17.1%	129.8	150.4	-13.7%
Operating profit	m€	18.9	30.0	-37.1%	61.3	82.4	-25.6%
Net profit	m€	14.7	13.1	+12.0%	55.2	61.4	-10.1%
Investments	m€	47.3	31.3	+51.3%	82.9	57.3	+44.8%
Cash flow from operating activities	m€	9.5	65.2	-85.4%	84.4	197.1	-57.2%
FFO	m€	41.3	57.1	-27.7%	109.6	132.2	-17.1%
Non-current assets	m€	2,566.2	2,537.1	+1.1%			
Equity	m€	1,764.7	1,739.2	+1.5%			
Net debt	m€	567.1	556.8	+1.9%			
Net debt / EBITDA**	times	2.3	1.5	+51.7%			
FFO**/ net debt	times	0.36	0.53	-31.8%			
FFO**/ interest cover**	times	6.0	8.5	-29.5%			
EBITDA**/ interest cover**	times	7.1	10.5	-31.9%			
Leverage	%	24.3	24.3	+0.1pp			
ROIC**	%	4.6	9.5	-4.9pp			
EBITDA margin	%	28.5	36.0	-7.5pp	31.3	38.3	-7.0pp
Operating profit margin	%	10.2	16.9	-6.7pp	14.8	21.0	-6.2pp

Definitions of ratios and terms are explained in the Glossary section of the report, page 52

** 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, competition in the customer services market, the euro exchange rate and regulations.

In Q2 2018, the following market developments had an impact on our performance:

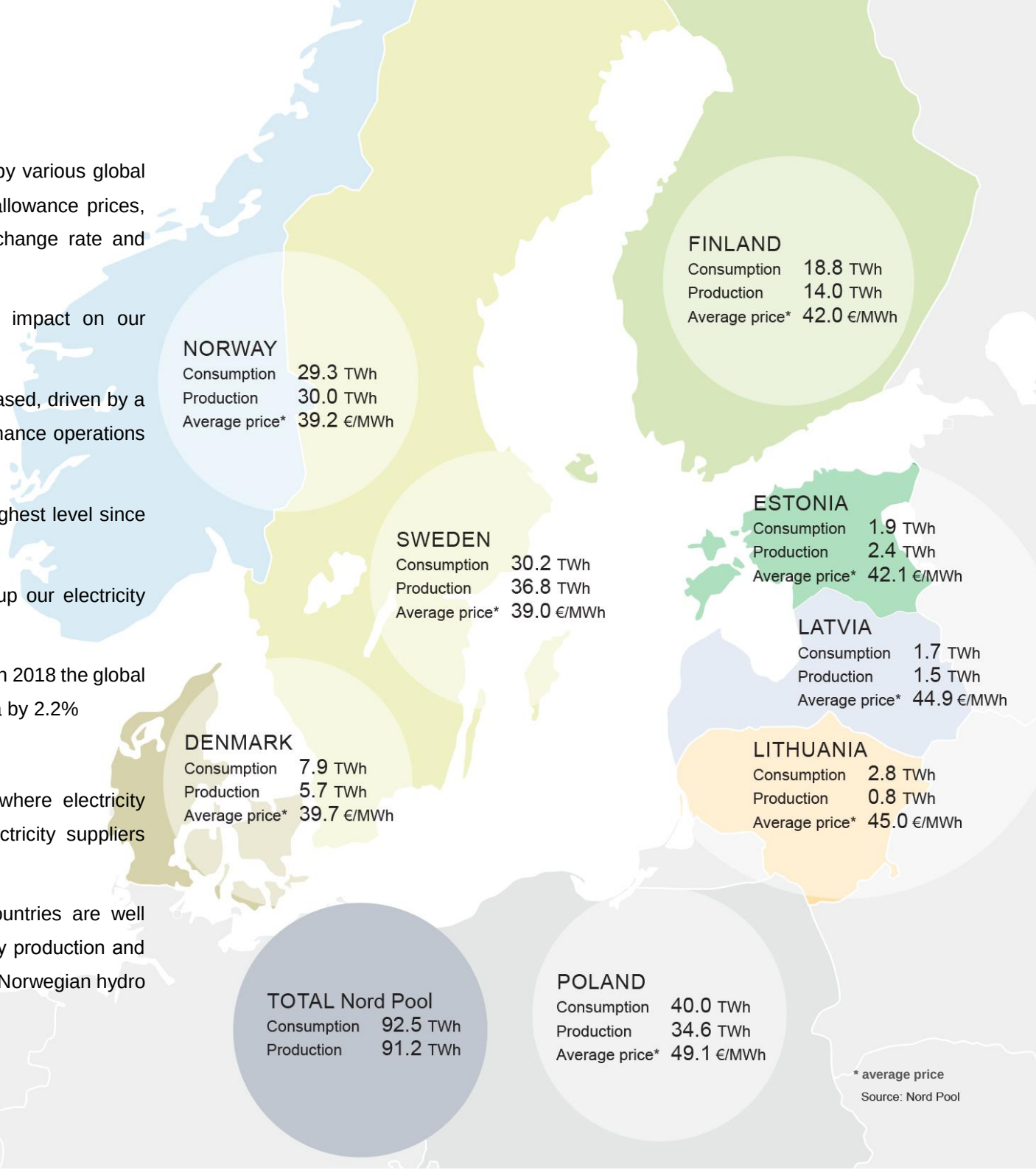
- electricity prices on the Nord Pool power exchange increased, driven by a continuing rise in emission allowance prices and maintenance operations at nuclear power plants;
- the world market prices of oil products surged to their highest level since 2014, improving our liquid fuels' sales margins;
- emission allowance prices continued to grow, pushing up our electricity production costs.

According to the forecast of the International Monetary Fund, in 2018 the global economy will grow by 3.9% and the economy of the euro area by 2.2%

Nordic and Baltic Electricity Market

Estonia is a member of the Nord Pool power exchange where electricity producers sell the electricity they have produced and electricity suppliers purchase electricity in order to resell it to their customers.

The electricity markets of Estonia and its neighbouring countries are well connected via interconnectors. Therefore, Estonia's electricity production and prices are influenced, among other factors, by water levels at Norwegian hydro power plants and wind conditions in Denmark.



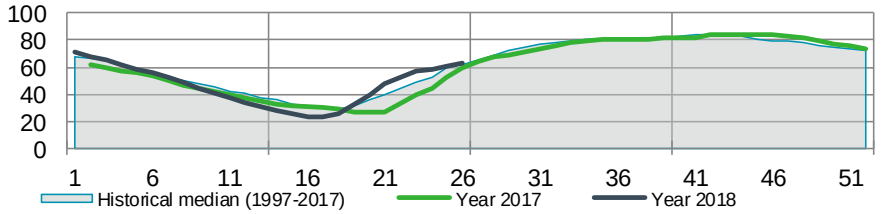
In Q2 2018, the Nordic and Baltic countries produced 91.2 TWh and consumed 92.5 TWh of electricity. Sweden, Norway and Estonia produced more than they consumed while Finland, Denmark, Poland, Latvia and Lithuania could not cover their needs with domestic output and had to import electricity.

In Q2 2018, Estonia produced 2.4 TWh of electricity, 0.5 TWh more than it consumed. Around a fifth of electricity produced in Estonia was exported via the Nord Pool power exchange. In Q2 2018, Eesti Energia's contribution to Estonia's electricity production was 86%, i.e. 2.0 TWh, exceeding Estonia's total consumption by 0.1 TWh.

Electricity Prices Were Driven by Higher Emission Allowance Prices and Nuclear Power Plant Maintenance

As expected, in April and May warmer weather lowered electricity prices compared to Q1 2018. However, in June electricity prices surged to their highest level for the quarter, rising to 47,8 €/MWh in the Estonian price area. The last time average monthly electricity prices were so high was in 2013. Electricity prices soared, year on year, due to the maintenance of the Forsmark, Ringhals and Olkiluoto nuclear power plants and high CO_2 emission allowance prices.

Weekly Levels of Nordic Water Reservoirs, % of Maximum

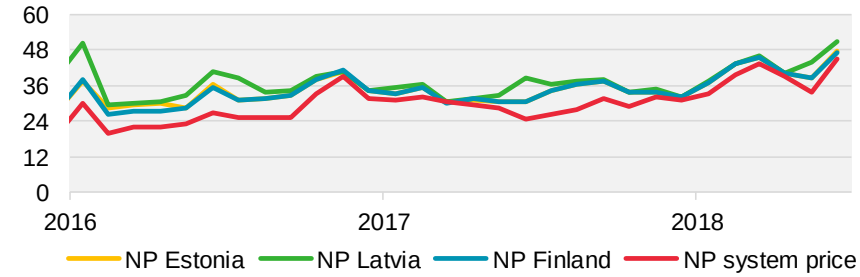


Source: Thomson Reuters

Interconnectors deliver to the Baltics Nordic hydro power, which is cheaper than electricity produced from other sources. In Q2 2018, the average level of the Nordic water reservoirs was 42.0% of the maximum, i.e. 5.7 percentage points higher than in Q2 2017.

In Q2 2018, the average electricity price in the Estonian price area was 42.1 €/MWh, i.e. 11.3 € per MWh higher than in Q2 2017. The average monthly price was the highest in June, when a megawatt hour cost 47.8 euros.

Average monthly electricity prices, €/MWh

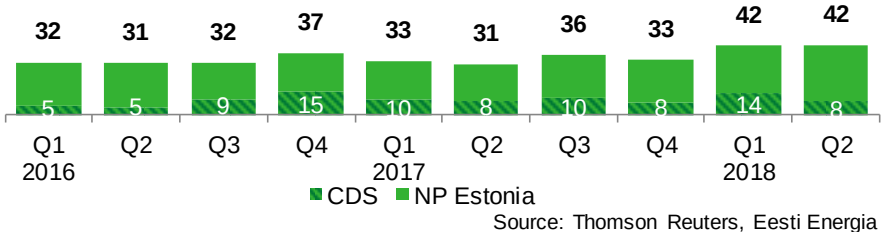


In Q2 2018, the average electricity price in the Latvian price area was 44.9 €/MWh, i.e. 10.8 €/MWh higher than in Q2 2017. In the same period, the average electricity price in the Lithuanian price area was 45.0 €/MWh, i.e. 10.9 €/MWh higher than in Q2 2017.

The electricity price in Nord Pool's Estonian price area also influences the development of Eesti Energia's clean dark spread (CDS). In Q2 2018, Eesti Energia's clean dark spread was 8.1 €/MWh (+0.1 €/MWh, +0.6% compared to Q2 2017). The electricity price increased by 11.3 €/MWh year on year. The combined impact of a change in CO_2 and oil shale costs was -11.2 €/MWh.

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

Liquid Fuels Prices Surged to the Past Four Years' Highest Level

A widely-traded oil product, which is closest to our shale oil, is fuel oil with 1% sulphur content. The price of fuel oil depends mainly on the price of Brent crude oil. Rises in crude oil and fuel oil prices have a positive impact on Eesti Energia because they raise the price of our shale oil and thus increase our revenue.

In April 2018, the average price of Brent crude was 72.2 USD/bbl. Compared to March, the price of crude oil was strengthened by tensions in the Middle East, lower inventories and a stronger US dollar. At the end of the month, the price was weakened by a spike in the US oil production.

In May, the average price of crude oil was 77.8 USD/bbl, the highest average monthly price since November 2014. The upswing was attributable to the United States' sanctions against Iran. At the end of the month, when Saudi Arabia and Russia discussed changes to OPEC's production restrictions, the price decreased.

In June, the average world market price of crude oil dropped to 73.8 USD/bbl on expectations that OPEC and non-OPEC producers are going to increase their output.

In Q2 2018, the average price of Brent crude oil was 74.7 USD/bbl, i.e. significantly higher than in the same period in 2017 (+52.0%, +25.6 USD/bbl).

Liquid Fuels Prices

Average price		Q2 2018	Q2 2017	Change
Brent crude oil	USD/bbl	74.7	49.1	+52.0%
Fuel oil (1% sulphur content)	€/t	343.9	261.3	+31.6%
Euro exchange rate	EUR/ USD	1.1916	1.1013	+8.2%

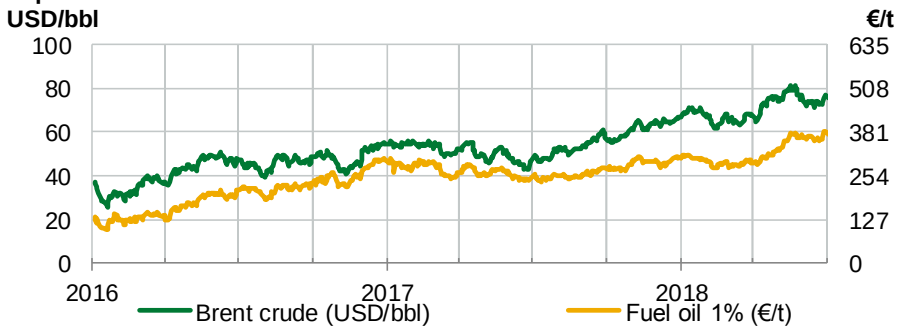
Brent Crude Oil

In the European fuel oil market, Q2 2018 had a lacklustre start. The price gap between fuel oil and Brent crude widened, export opportunities to Asia decreased and fuel oil supply outstripped demand. Asia is the main market for European fuel oil with 1% sulphur content. When export opportunities to Asia are limited, European fuel oil inventories increase and the local market price of the product drops. In May and June, the situation in the fuel oil market improved in connection with a pickup in demand in the Middle East, where electric

generators are used to cool homes during the summer months, and in Europe, where weather was cooler than usual.

In Q2 2018, the average price of fuel oil with 1% sulphur content was 343.9 €/t, i.e. 31.6% (82.7 €/t) up on Q2 2017. The price of fuel oil was the highest in June (366.3 €/t) and the lowest in April (306.9 €/t).

Liquid Fuels Prices



Emission Allowance Prices Continued to Rise

In 2018, the market price of emission allowances has grown substantially, rising from 7.8 €/t at the beginning of the year to 15.0 €/t at the end of June. Prices that high were last seen in February 2012.

In Q2 2018, the average price of CO_2 emission allowance futures maturing in December 2018 was 14.5 €/t, 198.5% (9.6 €/t) higher than in Q2 2017.

The prices of CO_2 emission allowances have been rising since November 2017 when the EU decided to reform its emissions trading system by reducing the number of allowances traded in order to achieve its renewable energy targets.

The European Commission approved the reform in February 2018.

The higher the price of emission allowances, the higher our oil shale electricity production costs, which has a negative impact on our financial performance.

Prices of CO_2 Emission Allowances

Average price (€/t)	Q2 2018	Q2 2017	Change
CO_2 December 2018	14.5	4.9	+198.5%
CO_2 December 2019	14.7	4.9	+197.5%

Prices of CO_2 Emission Allowances, €/t

Source: Thomson Reuters

Financial Results

Revenue and EBITDA

In Q2 2018, Eesti Energia generated revenue of 185.8 million euros, a 4.7% improvement on Q2 2017 (+8.4 million euros).

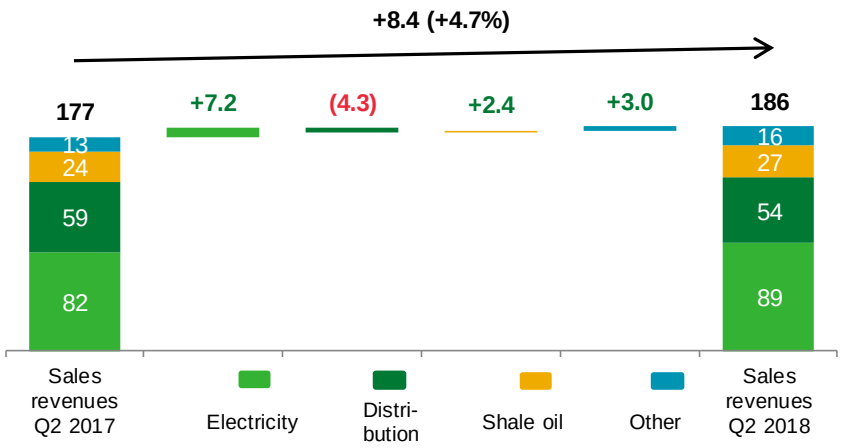
Compared to Q2 2017, the Group's EBITDA decreased by 17.1%, to 53.0 million euros (-10.9 million euros) while net profit grew by 12.0% to 14.7 million euros (+1.6 million euros).

Revenue from the sale of electricity and shale oil grew, mainly through higher market prices. Revenue from the provision of the distribution service declined due to the reduction of network charges, which lowered the sales price. Revenue from the sale of other products and services grew, underpinned by higher revenue from the sale of industrial equipment, mining products, natural gas and scrap metal. Revenue from the sale of heat decreased year on year.

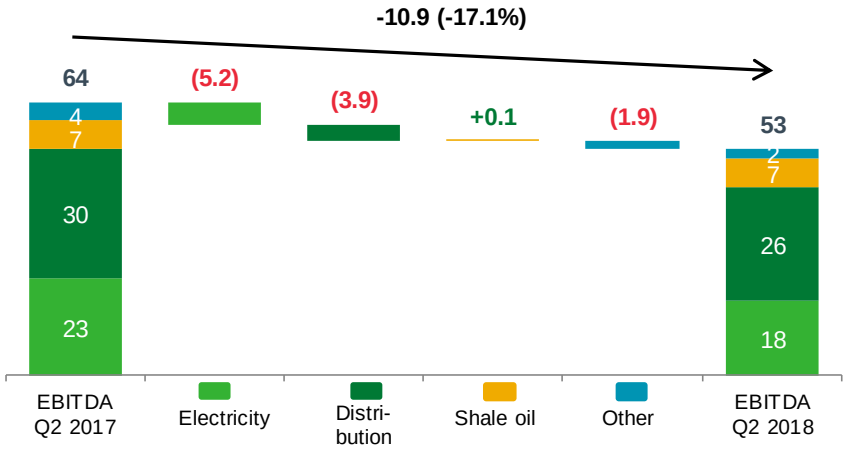
Electricity EBITDA dropped due to a lower margin and smaller sales volume. Distribution EBITDA declined due to a reduction of network charges. Shale oil EBITDA remained at the same level as in Q2 2017.

EBITDA attributable to other products and services decreased year on year, mainly because revenue from liquidated damages received for a delay in the delivery of the Auvere power plant declined.

Group's Sales Revenue Breakdown and Change, m€



Group's EBITDA Breakdown and Change, m€



Electricity

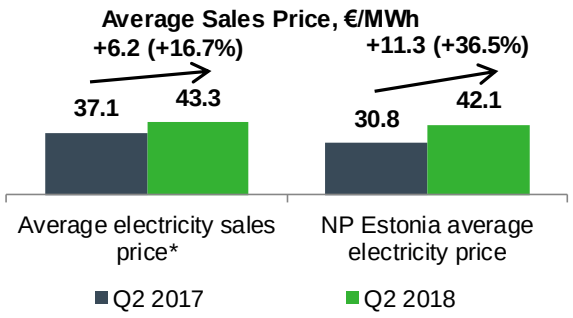
Through the years, electricity has been one of the main sources of Eesti Energia's revenue and profit. In Q2 2018, we also earned the largest share of our revenue from the sale of electricity.

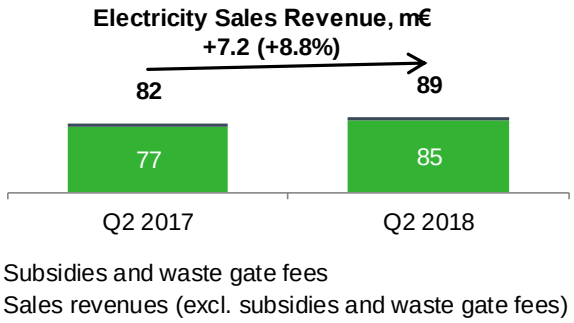
Electricity Sales Revenue

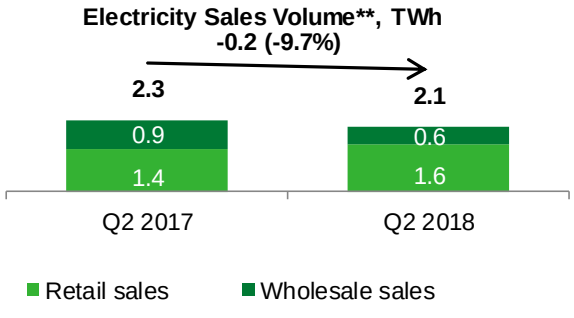
Compared to Q2 2017, the sales price of electricity grew but sales volume decreased. Electricity sales revenue for Q2 2018 amounted to 89.0 million euros, growing by 8.8% to (+7.2 million euros) year on year.

Average Sales Price of Electricity

The average sales price of electricity was 43.3 €/MWh, i.e. 16.7% higher than in Q2 2017 (+6.2 €/MWh). Among other items, the average sales price includes the impact of derivative transactions. In Q2 2018, derivative transactions had practically no effect on the average sales price. Excluding the impact of derivative transactions, the average sales price was 18.4% higher than in Q2 2017. Compared to the same period last year, the gain on derivative transactions dropped by 1.1 million euros (-98.5%) to 0.02 million euros.







* Total average sales price of electricity product (including retail sales, wholesale sales and gain on derivatives). Average sales price excludes subsidies for renewable energy and municipal waste gate fees
** Sales volume includes Auvere power plant's total sales volume

Electricity Sales Volume and Eesti Energia's Market Share

In Q2 2018, we sold 1,957 GWh of electricity, 134 GWh, i.e. 6.4% less than in the same period last year.

Compared with Q2 2017, wholesale sales decreased by 268 GWh (-39.9%) to 402 GWh and retail sales grew by 134 GWh (+9.4%) to 1,554 GWh. Retail sales broke down between markets as follows: Estonia 991 GWh (-40 GWh), Latvia 271 GWh (+22 GWh), Lithuania 210 GWh (+68 GWh) and Poland 82 GWh (+82 GWh).

Since April, Eesti Energia has been operating as an energy supplier in Sweden, selling electricity to both household and corporate customers. Electricity sales in Finland are also in the start-up phase. Outside Estonia, Eesti Energia operates under the Enefit brand. To meet our sales commitments in those countries, we buy electricity from the power exchange.

In terms of customers' electricity consumption volumes, in Q2 2018 Eesti Energia's market share in Estonia was 60%, remaining at the same level as in the same period last year. At the end of Q2 2018, universal service was consumed at 20% of all electricity consumption points.

In Q2 2018, Eesti Energia's market shares in Latvia and Lithuania were 15.7% and 8.6% respectively. Our total share of the Baltic retail electricity market was 27%, 1 percentage point larger than in Q2 2017.

Electricity Production Volume

In Q2 2018, we produced 2,027 GWh of electricity, 17.1% less than in Q2 2017 (-418 GWh). Production volume decreased because more extensive scheduled maintenance work was carried out at the Eesti, Balti and Auvere power plants, three production units were put on seasonal hold and the CO_2 emission allowance price was significantly higher than in Q2 2017, driving up electricity production costs.

In Q2, we produced 76.3 GWh of renewable energy (-29.2%, -31 GWh). Most of it was generated by wind farms, which produced 40.8 GWh of electricity (-12,7%, -6 GWh). The decrease in renewable energy production is mainly attributable to the repair of generating unit 11 of the Balti power plant where the output of biomass electricity dropped by 25.1 GWh (-62.9%) compared to the same period last year.

Renewable energy and efficient co-generation support received in Q2 amounted to 3.5 million euros (-0.3 million euros).

Key Figures of Electricity Product

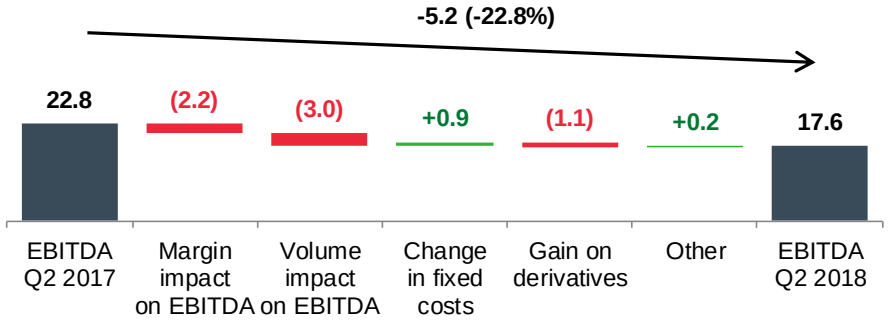
		Q2 2018	Q2 2017
Return on fixed assets*	%	6.2	13.9
Electricity EBITDA	€/MWh	9.0	10.9

* Excluding impairment of production assets recorded in December 2013 and December 2015.

Electricity EBITDA

Electricity EBITDA for Q2 amounted to 17.6 million euros (-22.8%, -5.2 million euros). The impact of a lower margin on electricity EBITDA was -2.2 million euros (-1.1 €/MWh).

Electricity EBITDA Development, m€



Average electricity sales revenue per megawatt hour (excluding the impact of derivative transactions) grew by 6.9 euros (impact +13.5 million euros). This includes growth in the average sales price of electricity of +6.7 €/MWh and municipal waste gate fees of +0.2 €/MWh.

Growth in average variable costs had an impact of -15.7 million euros. Variable costs grew mainly through higher CO_2 emission allowance costs (impact -12.2 million euros) and electricity purchase costs.

A decrease in electricity sales volume lowered EBITDA by 3.0 million euros and a fall in the gain on derivative transactions had an impact of -1.1 million euros.

The impact of a change in fixed costs was +0.9 million euros. Among other items, the figure includes the impacts of inventory-related fixed costs of +3.2 million euros, higher repair costs of -0.7 million euros and higher labour costs of -1.1 million euros.

Other impacts of +0.2 million euros resulted mainly from a change in the value of derivative financial instruments.

Distribution

Distribution service is another major source of revenue and profit for Eesti Energia.

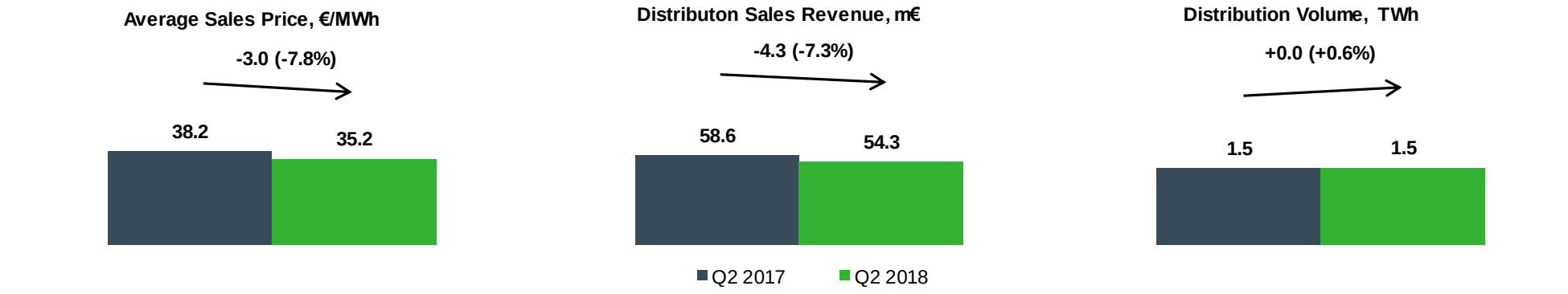
Sales Revenue, Sales Volume and Price of Distribution Service

In Q2 2018, distribution sales revenue decreased by 8%, dropping to 54.3 million euros (-4.3 million euros), while sales volume grew slightly, rising to 1,542 GWh (+8.4 GWh).

In Q2 2018, the average price of the distribution service was 35.2 €/MWh, 3.0 €/MWh lower than in the same period last year. The decrease in the sales revenue and average price of the distribution service is mainly attributable to a reduction of network charges.

Distribution Losses

Distribution losses totalled 67.0 GWh, i.e. 4.0% of electricity entering the network (Q2 2017: 72.4 GWh, i.e. 4.4%). Distribution losses declined by 7%.



Supply Interruptions

In Q2 2018, the average duration of unplanned interruptions was 34.8 minutes (Q2 2017: 15.8 minutes). The average duration of planned interruptions was 23.3 minutes (Q2 2017: 20.9 minutes). The duration of planned interruptions depends on the volume of scheduled network maintenance and renewal operations.

The rise in the System Average Interruption Duration Index (SAIDI) resulted from strong winds in June, which increased the number of unplanned interruptions.

Key Figures of Distribution Product

		Q2 2018	Q2 2017
Return on fixed assets	%	6.0	7.2
Distribution losses	GWh	67.0	72.4
SAIFI	index	0.60	0.28
SAIDI (unplanned)	index	34.8	15.8
SAIDI (planned)	index	23.3	20.9
Adjusted RAB	m€	778	762

Power outages can be reduced by replacing bare conductors with weatherproof cables. At the end of Q2 2018, 86% of Elektrilevi's low-voltage network and 38% of its medium-voltage network was weatherproof.

Distribution EBITDA

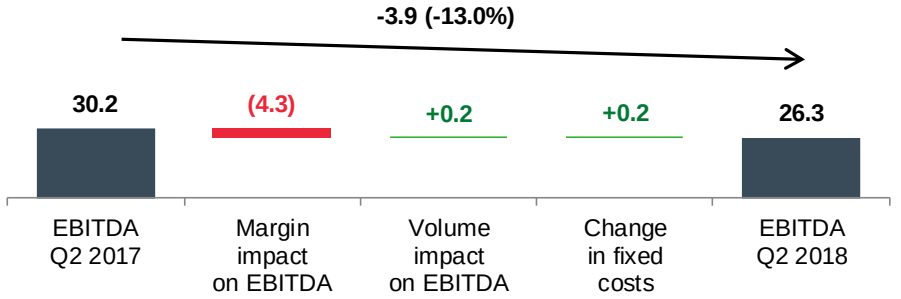
Distribution EBITDA for Q2 2018 amounted to 26.3 million euros (-13%, -3.9 million euros).

The decrease in distribution EBITDA is mainly attributable to a lower average sales price of the distribution service. The total impact of margin change was -4.3 million euros.

Distribution sales volume grew by 0.6%, improving distribution EBITDA by 0.2 million euros.

Fixed costs of the distribution service remained at the same level as in Q2 2017 (impact +0.2 million euros).

Distribution EBITDA Development, m€



Shale Oil

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

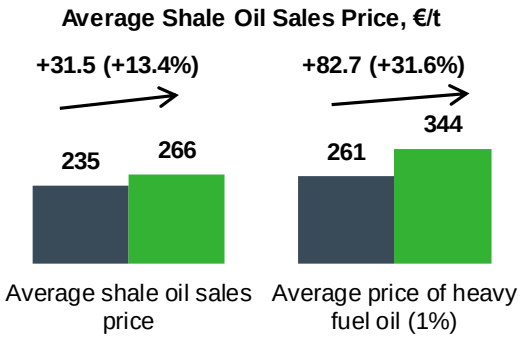
In Q2 2018, market prices grew by 31.6% compared to the same period in 2017.

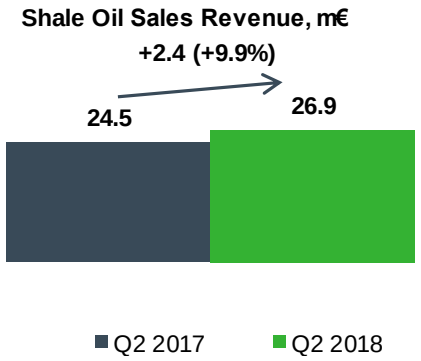
Shale Oil Sales Revenue and Sales Volume

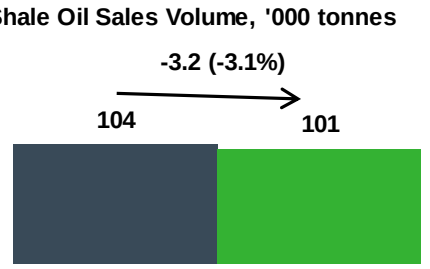
In Q2 2018, we sold 101.0 thousand tonnes of shale oil which generated sales revenue of 26.9 million euros. Compared to Q2 2017, shale oil sales revenue grew by 9.9% (+2.4 million euros). Sales volume decreased by 3.1% (-3.2 thousand tonnes). Shale oil sales revenue grew year on year through higher market prices. Sales volume dropped due to lower output.

Average Sales Price of Shale Oil

In Q2 2018, the average sales price of shale oil (including the impact of derivative transactions) grew by 13.4% year on year, rising to 266.3 €/t (+31.5 €/t). The rise is mainly attributable to higher market prices. Derivative transactions resulted in a loss of 72.5 €/t. In Q2 2017, derivative transactions gave rise to a loss of 11.1 €/t. Excluding the impact of derivative transactions, in Q2 2018 the average sales price of shale oil was 338.8 €/t (+37.8%, +92.9 €/t). The world market price of the reference product, heavy fuel oil, increased by 31.6% year on year.







Shale Oil Production Volume

In Q2 2018, we produced 90.2 thousand tonnes of shale oil, 15% (-15.8 thousand tonnes) less than in the same period in 2017. The decrease in output is attributable to more extensive scheduled maintenance operations at the Enefit140 and Enefit280 oil plants.

The output of the Enefit280 oil plant was 41.9 thousand tonnes (-21.5%, -11.4 thousand tonnes) and the output of the Enefit140 oil plants was 48.3 thousand tonnes (-8.2%, -4.3 thousand tonnes).

Key Figures of Shale Oil Product

		Q2 2018	Q2 2017
Return on fixed assets*	%	2.8	1.3
Shale oil EBITDA	€/t	68.8	65.4

* Excluding impairment of production assets recorded in December 2013 and December 2015.

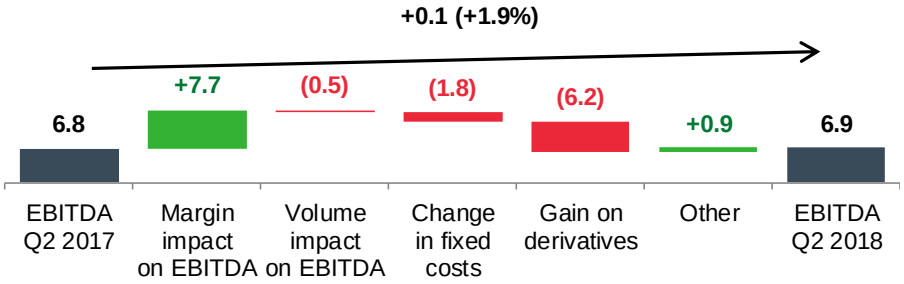
Shale Oil EBITDA

Shale oil EBITDA for Q2 2018 amounted to 6.9 million euros (+1.9%, +0.1 million euros).

The impact of a decline in shale oil sales volume was -0.5 million euros.

Margin growth improved EBITDA by 7.7 million euros (+76.1 €/t). The figure includes the impacts of a higher average sales price of +9.4 million euros and higher variable costs of -1.7 million euros.

Shale Oil EBITDA Development, m€



The impact of a change in fixed costs was -1.8 million euros. Among other items, the figure includes the impacts of growth in repair and maintenance costs of -0.8 million euros and labour costs of -0.8 million euros.

Growth in the loss on derivative transactions lowered shale oil EBITDA by 6.2 million euros.

Other impacts on shale oil EBITDA totalled +0.9 million euros, including mainly the change in the value of derivative financial instruments.

Other Products and Services

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

Eesti Energia sells natural gas in Estonia, Latvia, Lithuania and Poland. In Estonia, we sell gas to both household and corporate customers. In other countries, we focus on corporate customers only. In Q2 2018, our retail sales of natural gas in Estonia totalled 69.4 GWh and in terms of customers' gas consumption volumes Eesti Energia's market share was 8.6%.

In Q2 2018, our retail sales of gas in Latvia and Lithuania totalled 66.7 GWh and 9.1 GWh respectively. Gas sales in Poland are still in the start-up phase.

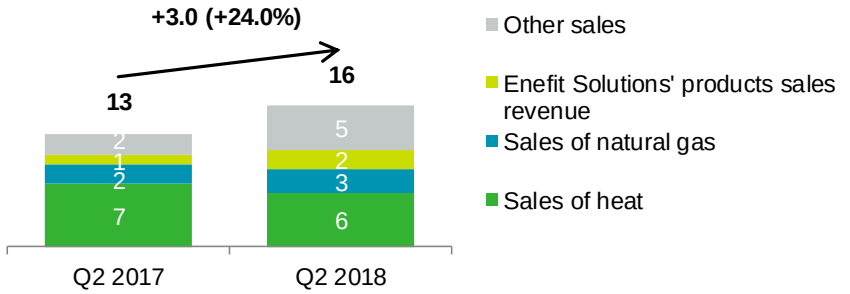
In terms of customers' gas consumption volumes, in Q2 2018 Eesti Energia's market shares in Latvia and Lithuania were 3.5% and 0.2% respectively.

Sales Revenue on Other Products and Services

In Q2 2018, revenue from the sale of other products and services totalled 15.6 million euros, a rise of 24.0% (+3.0 million euros) on Q2 2017.

Revenue from other products and services grew mainly through higher revenue from the sale of industrial equipment, mining products, natural gas and scrap metal as well as stronger revenue from oil shale energy development projects. Revenue from the sale of heat decreased compared to the same period last year. Heat sales volume dropped by 38 GWh (-20.8%).

Sales Revenues From Other Products and Services, m€



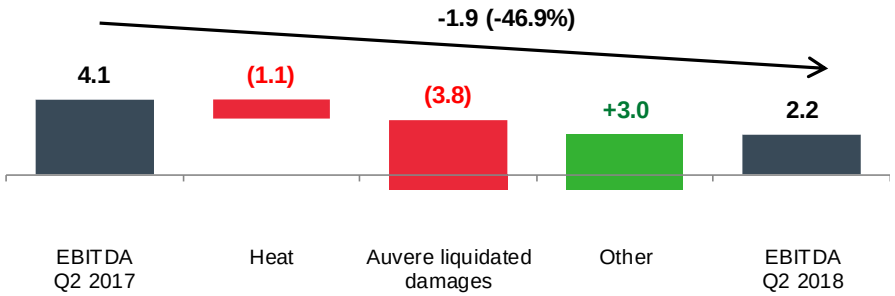
EBITDA on Other Products and Services

In Q2 2018, EBITDA on other products and services decreased by 1.9 million euros compared to the same period in 2017, dropping to 2.2 million euros.

The impact of liquidated damages received for a delay in the delivery of the Auvere power plant was -3.8 million euros. It has been agreed with the builder that liquidated damages accrue on a monthly basis until the delivery of the plant.

In Q2 2017 liquidated damages totalled 5.6 million euros and in Q2 2018 1.7 million euros.

Other EBITDA Development, m€



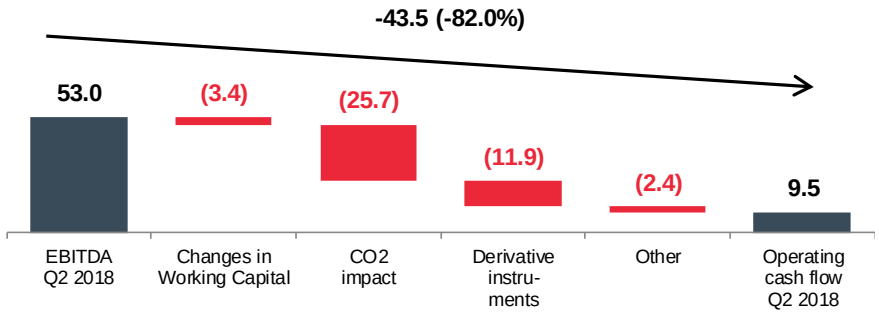
EBITDA on heat supply decreased by 1.1 million euros, mainly due to a smaller sales volume.

Other impacts increased EBITDA by 3.0 million euros in total.

Cash Flows

The Group's net operating cash flow for Q2 2018 amounted to 9.5 million euros, being 82%, i.e. 43.5 million euros lower than EBITDA, which amounted to 53.0 million euros.

EBITDA to Operating Cash Flows Development, m€



Changes in working capital reduced operating cash flow relative to EBITDA by 3.4 million euros. Working capital decreased mainly through a decline in current liabilities and growth in oil shale inventories.

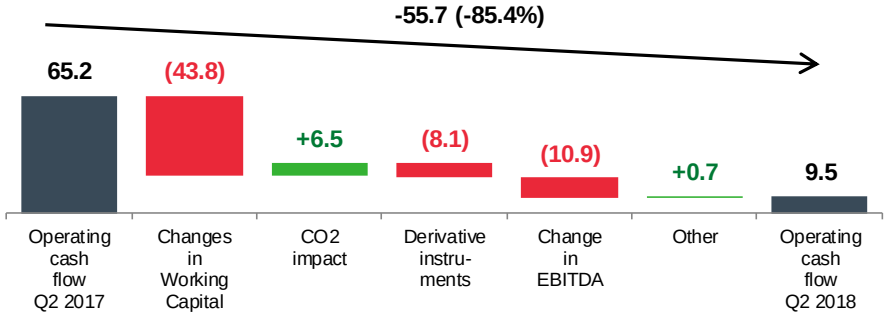
The impacts of transactions related to CO_2 emission allowances reduced operating cash flow relative to EBITDA by -25.7 million euros. Due to Eesti Energia's good liquidity balance, we purchased 55.6 million euros worth of CO2 allowances in the second quarter. It now covers the majority of the allowances that we need this year. 14.0 million euros of CO_2 purchase resulted from the purchase of emission allowances for 2019. Recognition of provisions for CO_2 emission allowances had an impact of +26.0 million euros.

Derivative transactions (excluding CO_2 derivatives) had an impact of -11.9 million euros, including the impacts of electricity derivatives of -8.8 million euros, shale oil derivatives of -2.3 million euros and gas derivatives of -0.8 million euros. The item comprises both non-monetary and monetary impacts on EBITDA and cash flows from operating activities.

Other impacts on operating cash flows totalled -2.4 million euros, including the impact of the recognition of network connection fees of -2.0 million euros.

Compared to Q2 2017, net operating cash flow decreased by 85% (-55.7 million euros).

Operating Cash Flow Changes, m€



Changes in working capital reduced net operating cash flow compared to Q2 2017 by 43.8 million euros. Compared to the same period last year, proceeds from liquidated damages related to the Auvere power plant were smaller, reducing net cash flow by 264 million euros. The impacts of an increase in current liabilities and a change in inventories were -9.4 million euros and -6.4 million euros respectively.

The impacts of transactions related to CO_2 emission allowances totalled +6.5 million euros, including the impacts of the purchase of CO_2 emission allowances of -8.6 million euros, recognition of provisions of +12.5 million euros and CO_2 derivatives of +3.2 million euros.

The impact of derivatives (excluding CO_2 derivatives) was -8.1 million euros, including the impacts of electricity derivatives of -10.2 million euros, shale oil derivatives of +3.1 million euros and gas derivatives of -0.9 million euros.

The impact of a change in EBITDA was -10.9 million euros and other impacts totalled +0.7 million euros.

Strategy

Foundations for new success

In 2018, we updated Eesti Energia's strategic action plan for the period 2018-2022, which was approved in June.

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 capacity to also pay the owner dividends in a situation where market prices are low.

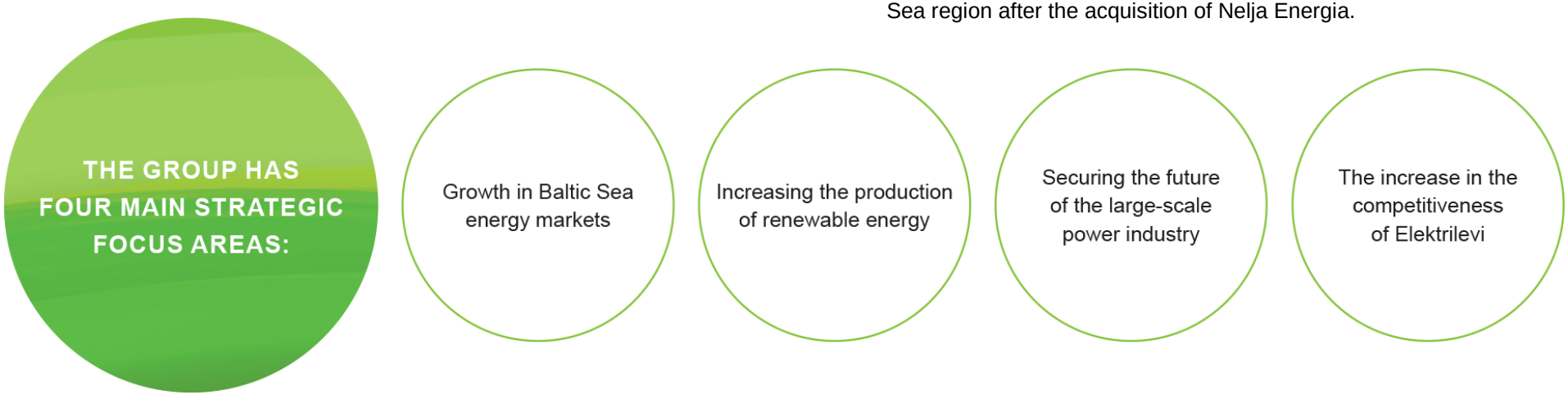
The strategy has four main focus areas:

1. Growing in the markets of the Baltic Sea region
2. Increasing the output of renewable energy
3. Ensuring the future of large-scale energy production
4. Improving the competitiveness of Elektrilevi

In addition, the strategy outlines development projects, which have the strongest impact on Eesti Energia's performance in the next five years.

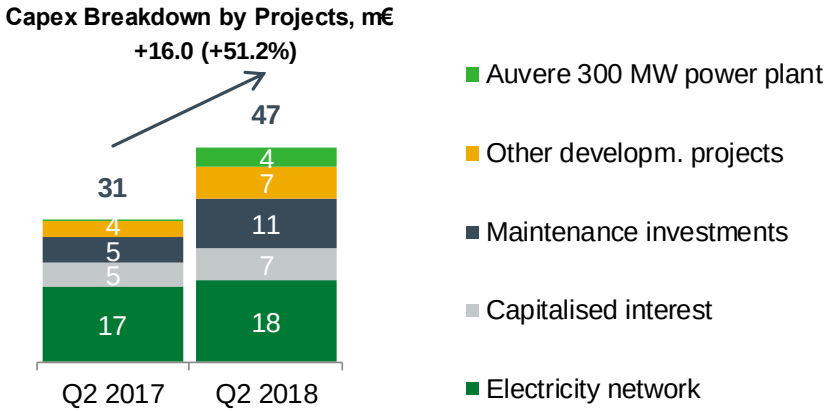
Activities Related to Strategic Initiatives in Q2 2018

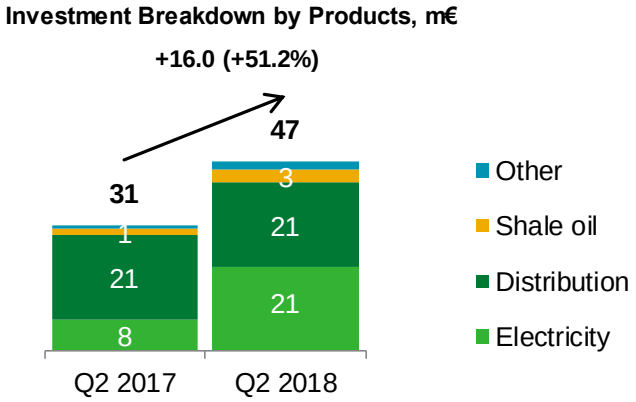
- In May, Sumitomo SHI FW delivered to Eesti Energia's energy production subsidiary Enefit Energiatootmine boiler no. 1 of generating unit 8, which was reconstructed in the **project for increasing the share of oil shale gas burnt in generating unit 8 of the Eesti power plant**. Enefit Energiatootmine issued the contactor a provisional acceptance certificate, which marks the beginning of a two-year warranty period.
- On 29 May 2018, a contract was signed by which Eesti Energia's renewable energy subsidiary Enefit Green will acquire 100% of the shares in Nelja Energia AS by paying 289 million euros and taking over Nelja Energia's net debt of 204 million euros. The acquisition requires the approval of the competition authorities of the three Baltic countries. The transaction is in line with Eesti Energia's strategic action plan which foresees **growing in the energy markets of the Baltic Sea region and building new renewable energy capacities**. Enefit Green will also continue to invest in the expansion of renewable energy production in the countries of the Baltic Sea region after the acquisition of Nelja Energia.



Investment

In Q2 2018, our capital expenditures totalled 47.3 million euros, a 51% increase on Q2 2017 (+16.0 million euros). Expenditures on the distribution network totalled 18.2 million euros (+8.6%, +1.4 million euros) and maintenance and repair expenditures (excluding the distribution network) amounted to 11.1 million euros (+103.6%, +5.6 million euros).





New Strategic Development Projects

In the period 2018-2022 we are going to carry out a number of projects outlined in our strategic action plan, which are aimed at increasing Eesti Energia's competitiveness.

In Q2 2018, capital expenditures on the projects listed in the strategic action plan totalled 2.3 million euros. Out of this amount, 1.5 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. The planned cost of the project is 15.1 million euros. By the end of Q2 2018, Eesti Energia had paid the contractor Sumitomo SHI FW 95% of the total cost. According to plan, the remaining 5% will be paid in Q3.

Auvere Power Plant

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 plant began producing electricity in 2015 already but in the commissioning phase it appeared that under higher production capacities its particle emissions exceeded regulatory limits. To reduce particle emissions, in 2017 the general contractor, General Electric, built additional fabric filters and ancillary equipment. During the construction period, the plant operated at lower capacity so that the permitted emission levels would not be exceeded.

In Q2 2018, the Auvere power plant had no technical production restrictions and until its maintenance outage in June it operated based on a production schedule provided by us.

After the plant's routine summer maintenance, a fault ride through (FRT) test was successfully carried out together with the transmission system operator Elering in the beginning of July. It is expected that final acceptance of the power plant will take place in Q3.

The budget of the project is 638 million euros. By the end of Q2 2018, 580.8 million euros (91.0%) of this had been invested.

In Q2 2018, the gross output of the Auvere power plant was 416.1 GWh and since its start-up in 2015 until the end of Q2 2018 the plant has produced 4.3 TWh of electricity.

Improving Electricity Distribution Quality

In Q2 2018, capital expenditures on maintaining and continuously improving the quality of the distribution network totalled 18.2 million euros (Q2 2017: 16.8 million euros). During the quarter, 72 substations and 417 km of network were built (Q2 2017: 48 substations and 448 km of network).

At the end of Q2 2018, 86% of Elektrilevi's low-voltage network was weatherproof (at the end of Q2 2017: 82%). Within a year, the weatherproof low-voltage network increased by 1,129 km and the bare conductor network decreased by 1,352 km.

At the end of Q2 2018, 65% of the entire low- and medium-voltage network was weatherproof (at the end of Q2 2017: 63%).

Financing

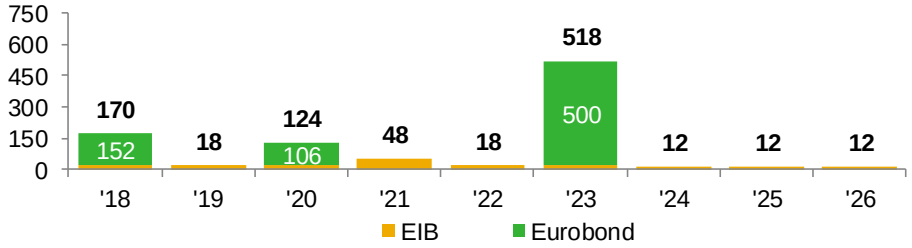
Eesti Energia's main sources of debt capital are the international bond market and investment loans from the European Investment Bank (EIB). These are complemented with liquidity loans and guarantee facilities obtained from regional banks.

At the end of Q2 2018, the nominal value of the Group's borrowings was 932.9 million euros (932.9 million euros at the end of Q1 2018). The amortised cost of the Group's borrowings was 885.0 million euros (883.0 million euros at the end of Q1 2018).

At the end of Q2 2018, long-term borrowings comprised Eurobonds listed on the London Stock Exchange with a nominal value of 758.3 million euros and loans from EIB with a nominal value of 174.6 million euros.

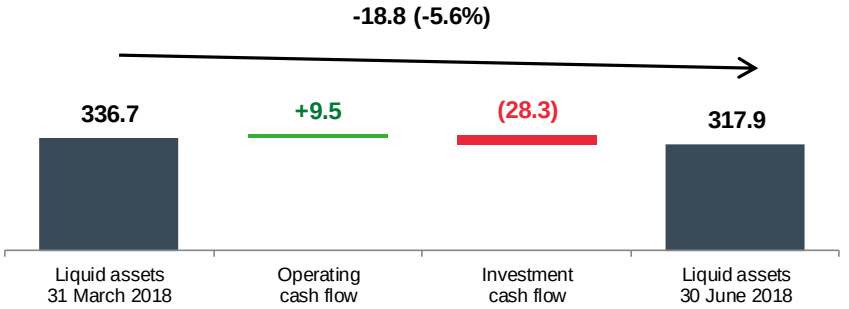
In Q2 2018, the Group did not make any loan repayments nor were there any other changes in borrowings.

Debt Maturity, m€



At the end of Q2 2018, the Group's liquid assets stood at 317.9 million euros. In June 2018, Eesti Energia signed new 3-year credit line agreements of 300 million euros in total with Swedbank, OP Corporate Bank and SEB. The new credit lines were raised to secure the liquidity required for the acquisition of Nelja Energia announced at the end of May 2018 and the redemption of the bonds maturing in October 2018. In addition, at the end of Q2 Eesti Energia had undrawn credit facilities of 150 million euros maturing in July 2020, provided by two regional banks (SEB and OP Corporate Bank). Altogether, Eesti Energia can draw down loans of 450 million euros.

Liquidity Development in Q2 2018, m€



The acquisition of Nelja Energia, announced at the end of May 2018, also prompted responses from rating agencies. Moody's announced that the acquisition of Nelja Energia did not affect Eesti Energia's credit rating. S&P placed Eesti Energia's rating on its watch list with a possibility of downgrade (CreditWatch negative). The rating agency's final review is pending, depending on further developments. Previously S&P had assigned Eesti Energia a rating with a stable outlook. At the end of Q2 2018, the Group's credit ratings were BBB (S&P, outlook: CreditWatch negative) and Baa3 (Moody's, outlook: stable).

At the end of Q2 2018, the weighted average interest rate of Eesti Energia's borrowings was 2.76%, i.e. at the same level as at the end of Q1 2018.

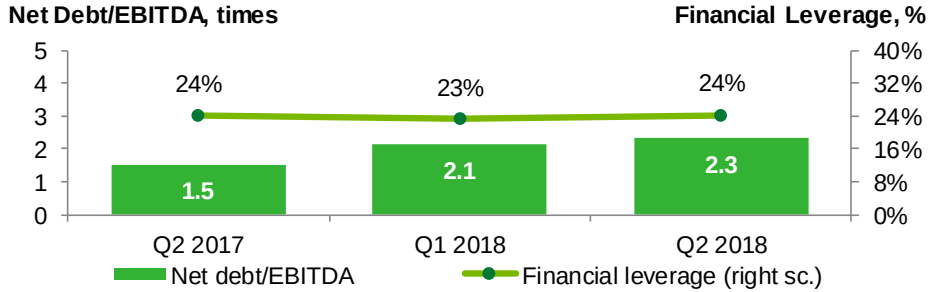
After the settlement of the floating-rate EIB loans in July 2017, the Group has fully locked in the risk resulting from fluctuations in the base rate component of

the interest rates of its borrowings. The base rates of all borrowings are fixed until maturity and all borrowings are denominated in euros.

At the end of Q2 2018, the Group's net debt amounted to 567.1 million euros (546.4 million euros at the end of Q1 2018). The net debt to EBITDA ratio was 2.3 (2.1 at the end of Q1 2018). The objective of Eesti Energia's financing policy is to maintain the net debt to EBITDA ratio below 3.5.

Under its loan agreements, Eesti Energia has undertaken to comply with certain financial covenants. At the end of Q2 2018, the Group's financial indicators complied with all contractual covenants.

Net Debt/EBITDA Ratio and Financial Leverage



Outlook for 2018

The Group's outlook for 2018 has not changed compared with the forecast presented in the Q1 interim report.

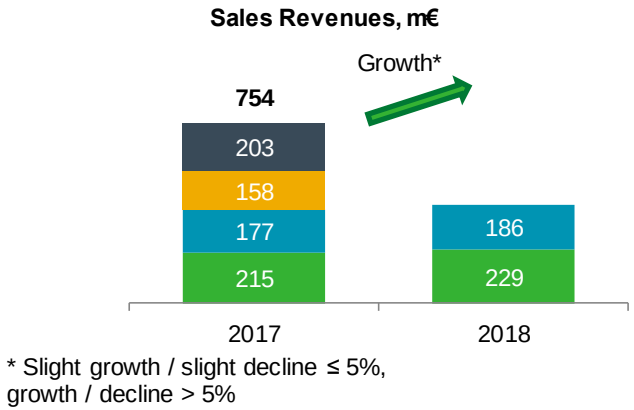
According to our projections, in 2018 our revenue and capital expenditures will increase and EBITDA will decrease compared with 2017. Excluding the one-off impact in 2017 from gain on the transaction conducted in Jordan (9.2 million euros), EBITDA for 2018 will remain at the same level as in 2017.

Electricity sales revenue will be supported by a rise in its average sales price, which will also have a positive impact on electricity EBITDA. However, the latter indicator will be adversely affected by growth in emission allowance prices.

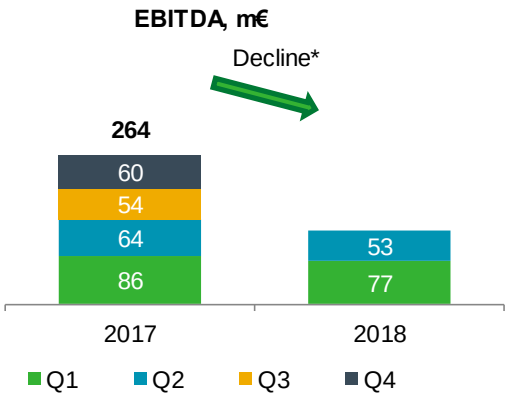
Shale oil sales revenue and EBITDA will increase, underpinned by a rise in the market price of liquid fuels. Growth in shale oil sales revenue is also supported by a year-on-year rise in production volumes.

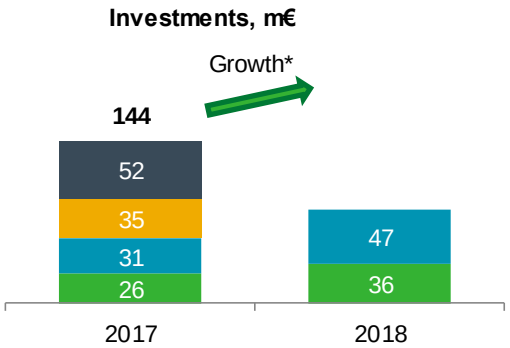
Capital expenditures will grow compared to 2017, mainly in connection with the deferral of some of the maintenance and repair investments of 2017 to 2018 and a rise in the volume of development projects. The largest planned investment of 2018 is the final payment for the Auvere power plant.

For 2017, we will pay the owner a dividend of 15.8 million euros, which will give rise to income tax expense of 4.0 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 2018 comprise 2.7 TWh of electricity (including forward sales in the retail market) at an average price of 41.5 €/MWh and 148.5 thousand tonnes of shale oil at an average price of 256.2 €/t

Forward sales for delivery in 2019 comprise 1.6 TWh of electricity at an average price of 38.6 €/MWh and 272.3 thousand tonnes of shale oil at an average price of 272.2 €/t.

Our CO_2 emission allowance position for 2018 amounts to 11.7 million tonnes at an average price of 8.3 €/t. The position for 2019 amounts to 1.2 million tonnes at an average price of 12.0 €/t.

Condensed Consolidated Interim Income Statement and Statement of Comprehensive Income

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

in million EUR	Note	Q2 2018	Q2 2017	6m 2018	6m 2017	12m 2018/17	12m 2017/16
Revenue	3	185.8	177.5	414.4	392.8	775.5	789.2
Other operating income	4	4.0	7.2	14.4	32.0	48.5	112.7
Government grants		0.1	0.1	0.2	0.2	0.4	0.4
Change in inventories of finished goods and work-in-progress		1.2	(5.3)	2.2	(2.1)	5.8	(11.0)
Raw materials and consumables used		(87.6)	(65.5)	(193.8)	(156.2)	(363.6)	(306.0)
Payroll expenses		(35.7)	(33.7)	(73.7)	(69.4)	(146.0)	(137.2)
Depreciation, amortisation and impairment		(34.1)	(33.9)	(68.5)	(68.0)	(136.2)	(139.7)
Other operating expenses		(14.8)	(16.4)	(33.9)	(46.9)	(77.1)	(85.2)
OPERATING PROFIT		**18.9**	**30.0**	**61.3**	**82.4**	**107.3**	**223.2**
Financial income		0.1	0.6	0.3	0.6	0.4	0.8
Financial expenses		(1.8)	(6.7)	(3.9)	(11.5)	(12.0)	(16.8)
Net financial income (expense)		(1.7)	(6.1)	(3.6)	(10.9)	(11.6)	(16.0)
Profit from associates using equity method		0.6	0.6	0.7	1.3	2.1	2.2
PROFIT BEFORE TAX		**17.8**	**24.5**	**58.4**	**72.8**	**97.8**	**209.4**
CORPORATE INCOME TAX EXPENSE	-	(3.1)	(11.4)	(3.2)	(11.4)	(3.2)	(11.5)
PROFIT FOR THE PERIOD		**14.7**	**13.1**	**55.2**	**61.4**	**94.6**	**197.9**
Equity holder of the Parent Company		**14.6**	**12.9**	**55.2**	**61.3**	**94.6**	**197.8**
Non-controlling interest		**0.1**	**0.2**	**-**	**0.1**	**-**	**0.1**
Basic earnings per share (euros)	10	0.02	0.02	0.09	0.10	0.15	0.32
Diluted earnings per share (euros)	10	0.02	0.02	0.09	0.10	0.15	0.32

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE

in million EUR	Q2 2018	Q2 2017	6m 2018	6m 2017	12m 2018/17	12m 2017/16
PROFIT FOR THE PERIOD	**14.7**	**13.1**	**55.2**	**61.4**	**94.6**	**197.9**
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Revaluation of hedging instruments	(44.3)	8.5	(39.1)	29.7	(52.5)	(2.2)
Currency translation differences attributable to foreign subsidiaries	1.2	(11.6)	0.5	(2.0)	(0.8)	(0.6)
Other comprehensive income for the period	**(43.1)**	**(3.1)**	**(38.6)**	**27.7**	**(53.3)**	**(2.8)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(28.4)**	**10.0**	**16.6**	**89.1**	**41.3**	**195.1**
Equity holder of the Parent Company	**(28.5)**	**9.8**	**16.6**	**89.0**	**41.3**	**195.0**
Non-controlling interest	**0.1**	**0.2**	**-**	**0.1**	**-**	**0.1**

Condensed Consolidated Interim Statement of Financial Position

in million EUR	Note	30.06.2018	30.06.2017	31.12.2017
Non-current assets				
Property, plant and equipment	7	2,488.0	2,458.0	2,474.5
Intangible assets		40.0	38.5	38.7
Investments in associates		36.6	3.4	35.6
Derivative financial instruments	8	0.3	4.2	0.2
Long-term receivables		1.3	33.0	1.3
Total non-current assets		**2,566.2**	**2,537.1**	**2,550.3**
Current assets				
Inventories		72.7	64.4	67.9
Greenhouse gas allowances	5	107.1	47.6	97.1
Trade and other receivables		104.3	94.4	125.2
Derivative financial instruments	8	9.5	9.9	3.3
Cash and cash equivalents		317.9	386.1	298.7
Total current assets		**611.5**	**602.4**	**592.2**
Total assets	**3**	**3,177.7**	**3,139.5**	**3,142.5**

in million EUR	Note	30.06.2018	30.06.2017	31.12.2017
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		(51.3)	1.2	(12.2)
Unrealised exchange rate differences		9.1	9.9	8.6
Retained earnings		863.0	784.2	823.6
Total equity and reserves attributable to equity holder of the Parent Company		**1,764.3**	**1,738.8**	**1,763.5**
Non-controlling interest		**0.4**	**0.4**	**0.4**
Total equity		**1,764.7**	**1,739.2**	**1,763.9**
LIABILITIES				
Non-current liabilities				
Borrowings	11	715.1	877.2	711.2
Other payables		1.5	1.6	1.5
Deferred income		204.0	187.9	195.8
Provisions	13	33.0	30.6	32.5
Total non-current liabilities		**953.6**	**1,097.3**	**941.0**
Current liabilities				
Borrowings	11	169.9	65.7	169.9
Trade and other payables		171.8	193.6	177.6
Derivative financial instruments	8	59.8	2.3	18.2
Deferred income		0.3	-	0.3
Provisions	13	57.6	41.4	71.6
Total current liabilities		**459.4**	**303.0**	**437.6**
Total liabilities		**1,413.0**	**1,400.3**	**1,378.6**
Total liabilities and equity		**3,177.7**	**3,139.5**	**3,142.5**

Condensed Consolidated Interim Statement of Cash Flows

in million EUR	Note	Q2 2018	Q2 2017	6m 2018	6m 2017	12m 2018/17	12m 2017/16
Cash flows from operating activities							
Cash generated from operations	12	9.6	65.5	95.8	197.4	193.8	331.9
Interest and loan fees paid		(0.1)	(0.3)	(0.2)	(0.4)	(26.6)	(30.4)
Interest received		-	-	0.2	0.1	0.3	0.2
Corporate income tax paid		-	-	(11.4)	-	(11.4)	-
Net cash generated from operating activities		**9.5**	**65.2**	**84.4**	**197.1**	**156.1**	**301.7**
Cash flows from investing activities							
Purchase of property, plant and equipment and intangible assets		(33.3)	(23.5)	(77.1)	(56.2)	(133.9)	(115.7)
Proceeds from connection and other fees		6.4	4.3	11.5	9.5	21.0	17.2
Proceeds from grants of property, plant and equipment		-	-	-	-	0.3	-
Proceeds from sale of property, plant and equipment		0.1	0.2	0.6	0.7	2.1	3.6
Loans granted	15	-	(1.4)	-	(34.7)	(0.2)	(36.4)
Repayments of loans granted		-	-	-	28.4	-	28.4
Contribution to the share capital of associates		(1.5)	-	(2.3)	-	(3.2)	-
Dividends received from long-term financial investments		-	-	2.1	1.6	2.1	1.6
Proceeds from repurchase of shares and liquidation of associate		-	-	-	18.5	0.1	18.5
Net cash used in investing activities		**(28.3)**	**(20.4)**	**(65.2)**	**(32.2)**	**(111.7)**	**(82.8)**
Cash flows from financing activities							
Received long-term loans		-	-	-	0.2	-	0.2
Repayments of bank loans		-	-	-	(0.7)	(65.6)	(19.3)
Repayments of other loans		-	(0.6)	-	(0.6)	-	(1.2)
Acquisition of non-controlling interest in a subsidiary		-	(1.0)	-	(1.0)	-	(2.0)
Dividends paid		-	-	-	-	(47.0)	-
Net cash used in financing activities		**-**	**(1.6)**	**-**	**(2.1)**	**(112.6)**	**(22.3)**
Net cash flows		**(18.8)**	**43.2**	**19.2**	**162.8**	**(68.2)**	**196.6**
Cash and cash equivalents at the beginning of the period		336.7	342.9	298.7	223.3	386.1	189.5
Cash and cash equivalents at the end of the period		317.9	386.1	317.9	386.1	317.9	386.1
Net increase / (-) decrease in cash and cash equivalents		**(18.8)**	**43.2**	**19.2**	**162.8**	**(68.2)**	**196.6**

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 31.12.2016	**621.6**	**259.8**	**62.1**	**(16.6)**	**770.2**	**1,697.1**	**0.9**	**1,698.0**
Profit for the period	-	-	-	-	61.3	61.3	0.1	61.4
Other comprehensive income for the period	-	-	-	27.7	-	27.7	-	27.7
Total comprehensive income for the period	**-**	**-**	**-**	**27.7**	**61.3**	**89.0**	**0.1**	**89.1**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends declared	-	-	-	-	(47.0)	(47.0)	-	(47.0)
Acquisition of non-controlling interest of subsidiary	-	-	-	-	(0.3)	(0.3)	(0.6)	(0.9)
Total transactions with owners of the company, recognised directly in equity	**-**	**-**	**-**	**-**	**(47.3)**	**(47.3)**	**(0.6)**	**(47.9)**
Equity as at 30.06.2017	**621.6**	**259.8**	**62.1**	**11.1**	**784.2**	**1,738.8**	**0.4**	**1,739.2**
Equity as at 31.12.2017	**621.6**	**259.8**	**62.1**	**(3.6)**	**823.6**	**1,763.5**	**0.4**	**1,763.9**
Profit for the period	-	-	-	-	55.2	55.2	-	55.2
Other comprehensive income for the period	-	-	-	(38.6)	-	(38.6)	-	(38.6)
Total comprehensive income for the period	**-**	**-**	**-**	**(38.6)**	**55.2**	**16.6**	**-**	**16.6**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends declared	**-**	**-**	**-**	**-**	**(15.8)**	**(15.8)**	**-**	**(15.8)**
Total transactions with owners of the company, recognised directly in equity	**-**	**-**	**-**	**-**	**(15.8)**	**(15.8)**	**-**	**(15.8)**
Equity as at 30.06.2018	**621.6**	**259.8**	**62.1**	**(42.2)**	**863.0**	**1,764.3**	**0.4**	**1,764.7**

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". The consolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRSs as adopted by the EU.

Accounting policies and presentation of financial statements applied to this interim report were consistent with those used in financial statements for the financial year that ended on 31 December 2017.

Disclosure Initiative - Amendments to IAS 7 became effective for the Group from 1 January 2017. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group disclosed a reconciliation of movements in liabilities arising from financing activities in the notes to the financial statement.

Other new International Financial Reporting Standards adopted, amendments to and International Financial Reporting Interpretations Committee interpretations that became mandatory for the Group from 1 January 2018 did not have any impact to 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 2017.

According to the Management Board the interim report prepared for the period 1 January 2018 - 30 June 2018 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 2017. There have been no material changes in any risk management policies compared to the previous year end.

2.2. Fair Value Estimation

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

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

The following tables present the Group's assets and liabilities that are measured at fair value by the level in the fair value hierarchy as at 30 June 2018 ja 31 December 2017:

30 June 2018

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 8)	0.3	5.0	-	5.3
Cash flow hedges (Note 8)	4.1	0.4	-	4.5
Total financial assets	**4.4**	**5.4**	**-**	**9.8**
Liabilities				
Trading derivatives (Note 8)	0.5	14.6	-	15.1
Cash flow hedges (Note 8)	-	41.9	-	41.9
CO_2 Spot (Note 8)	-	2.8	-	2.8
Total financial liabilities	**0.5**	**59.3**	**-**	**59.8**

31 December 2017

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 8)	0.6	2.1	-	2.7
Cash flow hedges (Note 8)	0.8	-	-	0.8
Total financial assets	**1.4**	**2.1**	**-**	**3.5**
Liabilities				
Trading derivatives (Note 8)	-	1.3	-	1.3
Cash flow hedges (Note 8)	-	16.9	-	16.9
Total financial liabilities	**-**	**18.2**	**-**	**18.2**

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.

2. Financial Risk Management , cont.

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

The fair value of bonds and bank loans:

in million EUR	30.06.2018	31.12.2017
Nominal value of bonds	758.3	758.3
Market value of bonds on the basis of quoted sales price	806.2	817.8
Nominal value of bank loans with fixed interest rate	174.6	174.6
Fair value of bank loans with fixed interest rate	179.3	177.4
Nominal value of bank loans with floating interest rate	-	-
Fair value of bank loans with floating interest rate	-	-

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.

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 generated 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 segments (including production and sale of heat, sale of oil-shale, construction of electrical network, power engineering equipment and services, development and sale of technology for production and sale of liquid fuels, sale of old metal, ash of oil-shale, other products and services).

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

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

All operating expenses of the Group are allocated to the products and services to which they relate. If a product (eg electricity) is created by several Group entities in a vertically integrated chain, then the related expenses include the production cost of each entity involved in preparation of the product (eg the cost of electricity includes the cost of oil shale used for its production). Group overheads are allocated to products and services proportionally to the services provided.

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

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

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

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

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

3. Segment Reporting, cont.

Revenue

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

REVENUE FROM EXTERNAL CUSTOMERS

in million EUR	Q2 2018	Q2 2017	6m 2018	6m 2017
Electricity	89.0	81.9	194.7	183.9
Distribution	54.3	58.6	125.0	129.9
Shale oil	26.9	24.5	48.8	42.9
Other products and services	15.6	12.5	46.0	36.2
Total	**185.8**	**177.5**	**414.4**	**392.8**

ASSETS

in million EUR	30.06.2018	30.06.2017	31.12.2017
Electricity	1,354.0	1,286.0	1,300.2
Distribution	1,069.1	1,086.7	1,069.4
Shale oil	329.3	304.3	280.6
Other products and services	425.4	462.4	492.3
Total	**3,177.7**	**3,139.5**	**3,142.5**

EBITDA

in million EUR	Q2 2018	Q2 2017[i)]	6m 20178	6m 2017[i)]
Electricity	17.6	22.8	50.1	60.3
Distribution	26.3	30.2	52.3	58.7
Shale oil	6.9	6.8	15.3	12.5
Other products and services	2.2	4.1	12.0	19.0
Total	**53.0**	**63.9**	**129.8**	**150.4**
Depreciation and amortisation	-34.1	-33.9	-68.5	-68.0
Net financial income (expense)	-1.7	-6.1	-3.6	-10.9
Profit from associates using equity method	0.6	0.6	0.7	1.3
Profit before tax	**17.8**	**24.5**	**58.4**	**72.8**

i) In connection with the adjustment of the methodology the comparative figures have been changed compared to the data disclosed in the interim report as at 30 June 2017

4. Other operating income

in million EUR	6m 2018	6m 2017
Fines, penalties and compensations	11.2	12.1
Gain from revaluation of derivatives	2.6	0.5
Gain on disposal of associate	-	18.5
Other operating income	0.6	0.9
Total other operating income	**14.4**	**32.0**

5. Greenhouse gas allowances and certificates of origin

in million EUR	6m 2018	6m 2017
Greenhouse gas allowances at the beginning of the period	**96.8**	**47.3**
Acquired	69.4	47.1
Returned to state for the greenhouse gas emissions (Note 13)	-60.3	-46.8
Greenhouse gas allowances at the end of the period	**105.9**	**47.6**
Certificates of origin at the beginning of the period	**0.3**	**-**
Acquired	0.9	-
Certificates of origin at the end of the period	**1.2**	**-**
Total greenhouse gas allowances and certificates of origin at the end of the period	**107.1**	**47.6**

The value of greenhouse gas allowances acquired is recognised as intangible current assets. In the first half of this year 12 183 437 tonnes of greenhouse gas emission allowances were returned to state (6 months in 2017: 11 356 171 tonnes).

Green certificates (certificates of origin) for a Polish subsidiary

Green certificates (certificates of origin) acquired for a Polish company is recognised as intangible current assets. In accordance with Energy Law provisions in Poland, the main mechanism to support the production of electricity from renewable sources is the system of so-called green certificates. This solution is the market mechanism conducive to the development of renewable energy. Its essence is, imposed on energy companies selling electricity to end users, obligation to obtain certain amount of certificates of origin for electricity produced from renewable energy sources, or to pay a substitute fee. Usually the value of the substitution fee is equal to the maximum price for a green certificate which may be obtained in a given year. Energy companies that did not fulfil their obligation (to purchase certificates or pay a substitution fee in a given year) are subject to penalties. The obligation (to purchase certificates or pay a substitution fee) resting with a given company for any given year constitutes a required percentage share of electricity in the total amount of electricity supplied by this company to end users.

In addition to the green certificates in Poland, there are use also:

•red ones – certificates of origin of the electricity derived from so-called cogeneration and combined heat and power production;

•yellow ones (formerly blue) – certificates of origin from small cogeneretaion sources gas-fired or of power below 1 MW,

•purple ones – certificates of origin from sources that use gas from demethanation mines;

•blue ones – from new, highly efficient sources;

•white ones – aimed at promoting energy efficiency and reducing consumption of the final energy

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 31.12.2017							
Cost	42.9	248.4	1,041.5	2,116.9	6.2	605.2	4,061.1
Accumulated depreciation	-	-105.2	-432.3	-1,044.2	-4.9	-	-1,586.6
Net book amount	42.9	143.2	609.2	1,072.7	1.3	605.2	2,474.5
Total property, plant and equipment as at 31.12.2017	**42.9**	**143.2**	**609.2**	**1,072.7**	**1.3**	**605.2**	**2,474.5**
Movements in the reporting period							
Purchases of property, plant and equipment	-	-	-	4.7	0.1	75.9	80.7
Depreciation charge	-	-2.7	-14.1	-50.0	-0.2	-	-67.0
Disposals	-	-0.1	-	-0.1	-	-	-0.2
Exchange differences	0.1	-	-	-	-	-	0.1
Transfers	-	0.6	16.4	40.6	-	-57.7	-0.1
Total movements in 6m 2018 period	**0.1**	**-2.2**	**2.3**	**-4.8**	**-0.1**	**18.2**	**13.5**
Property, plant and equipment as at 30.06.2018							
Cost	43.0	248.8	1,057.9	2,159.0	6.3	623.4	4,138.4
Accumulated depreciation	-	-107.8	-446.4	-1,091.1	-5.1	-	-1,650.4
Net book amount	43.0	141.0	611.5	1,067.9	1.2	623.4	2,488.0
Total property, plant and equipment as at 30.06.2018	**43.0**	**141.0**	**611.5**	**1,067.9**	**1.2**	**623.4**	**2,488.0**

As at 30 June 2018, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 112.1 million (31 December 2017 EUR 102.7 million).

8. Derivative Financial Instruments

in million EUR	30.06.2018		31.12.2017	
	Assets	Liabilities	Assets	Liabilities
Future contracts for buying and selling electricity as cash flow hedges	4.5	-	0.8	-
Forward and future contracts for buying and selling electricity as trading derivatives	1.5	7.6	1.0	1.6
Future contracts for buying and selling greenhouse gas emissions allowances as trading derivatives	0.1	0.2	0.1	0.2
CO_2 Spot – own use	-	2.8	-	-
Swap and future contracts for buying and selling gas as trading derivatives	1.0	0.1	0.1	0.2
Swap, forward and option contracts for selling shale oil as cash flow hedges	-	41.8	-	16.8
Swap and option contracts for selling shale oil as trading derivatives	2.7	7.3	1.5	(0.6)
Total derivative financial instruments	**9.8**	**59.8**	**3.5**	**18.2**
including non-current portion:				
Swap, forward and option contracts for selling fuel oil as cash flow hedges	-	-	0.2	-
Future contracts for buying and selling electricity as cash flow hedges	0.3	-	-	-
Total non-current portion	**0.3**	**-**	**0.2**	**-**
Total current portion	**9.5**	**59.8**	**3.3**	**18.2**

9. Share capital

As at 30 June 2018, Eesti Energia AS had 621 645 750 registered shares (31 December 2017: 621 645 750 registered shares). The nominal value of each share is 1 euro.

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.

Earnings per share	Q2 2018	Q2 2017	6m 2018	6m 2017	12m 2018/17	12m 2017/16
Profit attributable to the equity holders of the company (million EUR)	14.6	12.9	55.2	61.3	94.6	197.8
Weighted average number of shares (million)	621.6	621.6	621.6	621.6	621.6	621.6
Basic earnings per share (EUR)	0.02	0.02	0.09	0.10	0.15	0.32
Diluted earnings per share (EUR)	0.02	0.02	0.09	0.10	0.15	0.32

11. Borrowings at amortised cost

in million EUR	Short-term borrowings		Long-term borrowings		Total
	Bank loans	Bonds issued	Bank loans	Bonds issued	
Borrowings at amortised cost 31.12.2017	**17.9**	**152.0**	**156.5**	**554.7**	**881.1**
Movements in the reporting period					
Amortization of borrowing expenses	-	-	-	3.9	3.9
Total movements in 6m 2018 period	**-**	**-**	**-**	**3.9**	**3.9**
	-	**-**	**-**	**-**	**-**
Borrowings at amortised cost 30.06.2018	**17.9**	**152.0**	**156.5**	**558.6**	**885.0**

As at 30 June 2018 the Group had undrawn loan facilities of EUR 450.0 million (31 December 2017: EUR 150.0 million), the figure includes bilateral liquidity loan agreements with floating interest rate of EUR 150.0 million in aggregate, with SEB and OP Corporate bank, which will mature in five years (July 2020). In addition the Group has on 28 June 2018 signed credit facilities in total amount of EUR 300.0 million. The facilities were signed on bilateral basis with three regional banks including Swedbank (EUR 150.0 million), OP Corporate Bank (EUR 100.0 million) and SEB Pank (EUR 50.0 million). The term of the facilities is three years.

12. Cash Generated from Operations

in million EUR	Q2 2018	Q2 2017	6m 2018	6m 2017	12m 2018/17	12m 2017/16
Profit before tax	**17.8**	**24.5**	**58.4**	**72.8**	**97.8**	**209.4**
Adjustments						
Depreciation and impairment of property, plant and equipment	33.4	33.1	67.0	66.3	133.0	135.7
Amortisation and impairment of intangible assets	0.7	0.8	1.5	1.7	3.2	4.0
Deferred income from connection and other service fees	-2.0	-1.9	-4.0	-3.8	-7.8	-7.3
Gain on disposal of property, plant and equipment	-0.1	-0.1	-0.4	-0.4	-0.7	-1.4
Gain on disposal of associate	-	-	-	-18.5	-	-18.5
Amortisation of government grant received to purchase non-current assets	-0.1	-	-0.2	-0.2	-0.4	-0.3
Profit/loss from associates using equity method	-0.6	-0.6	-0.7	-1.3	-2.1	-2.2
Unpaid/unsettled gain/loss on derivatives	-9.3	-3.7	-3.7	-3.2	9.3	-19.7
Loss from doubtful loan receivables	-	-	-	9.4	0.2	10.3
Foreign exchange gain/loss from lending in foreign currency	-	2.1	-	3.2	1.5	1.2
Interest expense on borrowings	1.6	3.3	3.3	6.6	8.7	13.7
Interest and other financial income	-0.1	-0.1	-0.2	-0.1	-0.3	-0.2
Adjusted net profit before tax	**41.3**	**57.4**	**121.0**	**132.5**	**242.4**	**324.7**
Net change in current assets relating to operating activities						
Change in receivables related to operating activities	25.5	51.6	17.5	79.9	-8.2	-10.0
Change in inventories	-3.5	2.9	-4.9	0.8	-8.3	10.2
Net change in other current assets relating to operating activities	4.7	2.4	-6.8	23.2	-61.4	-19.0
Total net change in current assets relating to operating activities	**26.7**	**56.9**	**5.8**	**103.9**	**-77.9**	**-18.8**
Net change in current liabilities relating to operating activities						
Change in provisions	-34.3	-33.4	-13.6	-16.4	18.5	6.6
Change in trade payables	-13.6	-9.3	-15.1	-10.9	5.0	6.9
Net change in liabilities relating to other operating activities	-10.5	-6.1	-2.3	-11.7	5.8	12.5
Total net change in liabilities relating to operating activities	**-58.4**	**-48.8**	**-31.0**	**-39.0**	**29.3**	**26.0**
Cash generated from operations	**9.6**	**65.5**	**95.8**	**197.4**	**193.8**	**331.9**

13. Provisions

in million EUR	Opening balance 31.12.2017	Recognition and reversal of provisions	Interest charge	Use	Closing balance 30.06.2018	Closing balance 30.06.2018
					Short term provision	Long term provision
Environmental protection provisions	28.7	-	0.4	-0.6	4.5	24.0
Provision for termination of mining operations	0.8	-	-	-	-	0.8
Employee related provisions	5.3	-	-	-0.5	0.4	4.4
Provision for dismantling cost of assets	3.7	-	0.1	-	-	3.8
Provision for greenhouse gas emissions	65.1	47.5	-	-60.3	52.3	-
Provision for onerous contracts	0.5	-0.5	-	-	-	-
Provision for renewable energy certificates	-	0.4	-	-	0.4	-
Total provisions	**104.1**	**47.4**	**0.5**	**-61.4**	**57.6**	**33.0**

14. Acquisition of shares of Nelja Energia AS

On 29 May 2018 Eesti Energia AS's fully owned subsidiary Enefit Green AS as the buyer, and Vardar Eurus AS and minority shareholders as the sellers entered into a Share Purchase Agreement regarding all the shares in Nelja Energia AS, a renewable energy producer and developer in the Baltic countries. The transaction remains subject to approval by the County Executive Board of Buskerud County Administration, and customary approvals and clearances by relevant competition authorities.

The consideration payable for 100% of the shares of Nelja Energia amounts to EUR 289 million. In addition, the buyer assumes Nelja Energia’s net debt which amounted to EUR 204 million as at the end of 2017.

15. Related party transactions

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

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

TRANSACTIONS WITH ASSOCIATES

in million EUR	6m 2018	6m 2017
Purchase of goods	8.9	9.8
Purchase of services	-	0.2
Proceeds from sale of goods	0.1	0.1
Proceeds from sale of services	1.6	-
Loans granted	-	34.7

RECEIVABLES FROM ASSOCIATES AND PAYABLES TO ASSOCIATES AND TO OTHER RELATED PARTIES

in million EUR	30.06.2018	31.12.2017
Receivables	11.3	10.9
incl long-term loan receivables	11.3	10.9
Allowance for doubtful loan receivables	-11.3	-10.9
Payables	2.6	3.2
incl long-term payables	1.5	1.5

Upon premature termination of the service contract with a member of the Management Board, the service contracts stipulate the payment of 3 months' remuneration as termination benefits. During the period 1 January - 30 June 2018 remuneration to management and supervisory boards amounted to EUR 0.5 million.

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

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

TRANSACTIONS WITH ELERING AS

in million EUR	6m 2018	6m 2017
Purchase of services	42.9	42.4
Purchase of goods	5.9	4.6
Purchase of property, plant and equpiment and prepayments	4.1	2.4
Sale of goods and services (incl. renewable energy grant)	10.1	10.6

RECEIVABLES FROM ELERING AS AND PAYABLES TO ELERING AS

in million EUR	30.06.2018	31.12.2017
Receivables	3.3	2.6
Payables	10.3	20.6

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 revenue