NELJA ENERGIA AS

Unaudited interim condensed consolidated financial statements

for the semi-annual period

ended on 30 June 2017

Semi-Annual Condensed Report of the Consolidation Group

NELJA ENERGIA AS

Beginning of the reporting period:	1 January 2017
End of the reporting period:	30 June 2017

Business name:	**Nelja Energia AS**
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Highlights of 2017 H1

Production

Average wind speed in Nelja Energia's wind parks in 2017 H1 were above long-term average. Average wind speed in 2017 H1 at hub height of wind farms in Estonia was 6,4 m/s compared to 6,1 m/s in 2016. Average wind speed in 2017 H1 at hub height of wind farms in Lithuania was 6,2 m/s compared to 5,9 m/s in 2016. Western winds dominated in Lithuania and in Estonia.

Nelja Energia wind farms produced 366,1 GWh in 2017 H1, 59% more than in 2016 H1. Estonian wind farms produced 165,7 GWh in 2017 H1, 40% more than in 2016 H1 and Lithuanian wind farms produced 215,5 GWh, 80% more than in 2016 H1. Production increased due to Silute (first test production in May 2016), and Paldiski, which was offline for the entirety of Q2 in 2016.

Production of the wind farms

	Subsidy start	2017 H1	2016 H1	% change
GWh				
Silute	2016	104,6	21,1	*395%*
Ciuteliai	2013	47,6	44,8	*6%*
Silale	2011	17,8	18,0	*-1%*
Mockiai	2011	16,5	15,3	*8%*
Sudenai	2009	13,9	12,1	*15%*
Ojaküla	-	8,2	6,7	*21%*
Aseri	2012	23,9	22,5	*6%*
Pakri	2004	23,7	18,8	*26%*
Paldiski	2013	26,9	12,1	*nm*
Vanaküla	2010	9,0	5,1	*76%*
V-Nigula	2013	21,4	17,5	*23%*
Tooma II	2017	8,6	-	*nm*
Tooma	2010	18,3	14,5	*26%*
Esivere	2005	8,7	6,9	*26%*
Virtsu III	2010	7,7	6,7	*15%*
Virtsu II	2008	7,7	6,3	*23%*
Virtsu I	2002	1,6	1,5	*10%*
Total		**366,1**	**229,9**	**59%**
Like-for-like		*252,8*	*208,8*	*21%*

Significant events

In 2017 H1 Nelja Energia (henceforth, the Group) finalized the investment projects outlined in the last year's annual report (i.e. Tooma II wind park, Broceni CHP[2] and pellet factory). In addition, the Group acquired two development projects in Lithuania during the second quarter.

Tooma II 7.1 MW wind farm: successfully completed grid compliance tests and became subsidy eligible on the 2nd of May.

Biomass 4,0 MWel CHP[1] combined with pellet production facility: During Q2 2017 the pellet plant was also officially commissioned. The CHP received its generation license in Q4 2016. Moreover, during Q2 the CHP's feed in tariff was unpegged from the natural gas price to a fixed value of 143,57 EUR/MWh. However, the 5% renewable energy tax still applies.

Hiiumaa off-shore wind farm environmental impact assessment (henceforth, EIA) in final stages: During the first six months, the EIA was submitted for review to both domestic and international

[1] Combined heat and power

stakeholders. By the end of July both domestic and international public discussions were concluded. Improved EIA will be submitted to the Estonian Ministry of Environment.

Akmene and Kelme development projects in Lithuania: in Q2 2017 the Group acquired two development projects in Lithuania. Both are in early stages with in-depth wind measurement campaigns to be commenced in the immediate future. Total potential capacity for the two parks is 123MW.

Financial results

Main factors having impact to the financial results were following:

- Wind speed potential is essential for every wind turbine and depends on both average wind speed and availability
- Availability along with efficiency and the wind turbines total effect determines the total electricity production
- In addition to production volume, revenues are generally a function of the electricity price and other revenue sources such as feed-in tariffs and other subsidies.

Key figures of the semi-annual period of the year 2017

	Unit	2017	2016	Change
		As at 30 June	*As at 30 June*	%
Number of ordinary shares	PCE	8 279 414	8 279 414	0,00%
Number of employees as at 30 June		65	37	75,68%
Number of employees as at 31 December			65	
Revenue	€ 000	33 318	18 254	82,53%
Depreceation and amortization	€ 000	-8 225	-7 291	12,82%
Net profit	€ 000	5 656	593	853,85%
EBIT	€ 000	13 007	5 675	129,20%
EBITDA	€ 000	21 233	12 966	63,76%
Earnings per share	€	0,683	0,072	853,85%

		2017	2016	
		As at 30 June	*As at 31 December*	
Total assets	€ 000	444 940	454 326	-2,07%
Total liabilities	€ 000	256 027	269 469	-4,99%
Current liabilities	€ 000	33 912	42 886	-20,92%
Interest bearing liabilities	€ 000	243 248	253 187	-3,93%
Trade and other payables+Tax payables	€ 000	5 907	6 737	-12,32%
Net debt	€ 000	224 284	231 807	-3,25%
Total equity	€ 000	188 913	184 857	2,19%
Shareholders' equity	€ 000	186 755	182 900	2,11%
Equity ratio	%	42,46%	40,69%	
Shareholders' equity per share	€	22,557	22,091	2,11%

	Unit	2017	2016
Ratios			
Return on assets (ROA)	%	1,27%	1,93%
Return on equity (ROE)	%	3,03%	4,79%
Return on capital employed (ROCE)	%	3,16%	4,62%
Net debt to EBITDA		5,003	7,837

EBITDA: Earnings before net financial items, share of profit of equity accounted investees, taxes, depreciation and amortisation

EBIT: Earnings before net financial items, taxes

Earnings per share: net profit / weighted average number of shares outstanding

Equity ratio: total equity / total assets

Shareholder's equity per share: shareholder's equity / number of shares outstanding

EBITDA margin: EBITDA / net sales

ROA:Net profit /Total assets

ROE: Net profit/Shareholders' equity

ROCE: EBIT / (Total assets-Current liabilities)

Net debt: interest bearing liabilities and trade and other payables less cash and cash equivalents

Net debt to EBITDA: Net debt/12 months EBITDA

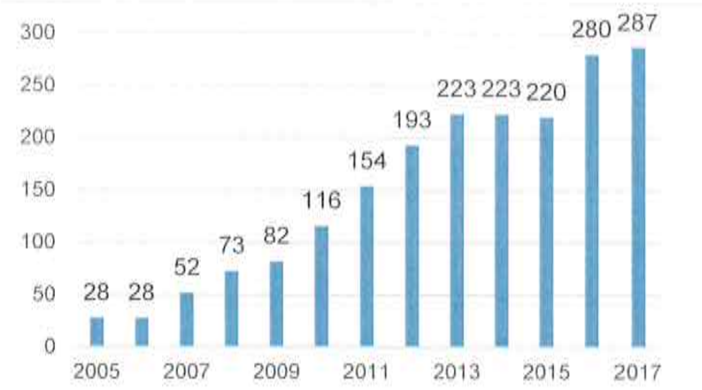
Corporate overview

Historical development

Nelja Energia AS (hereinafter: the Company) is incorporated as a public limited company (legal form: aktsiaselts – joint stock company) operating under Estonian legal framework. The Company is the parent company of the group. The Company's main purpose is to own shares in its subsidiaries, separate juridical bodies that hold the Group's wind and biomass assets. The Company is responsible for the Group's operational and investment activities and is generally responsible for the overall management of the Group, setting the Group's budget, goals and strategy.

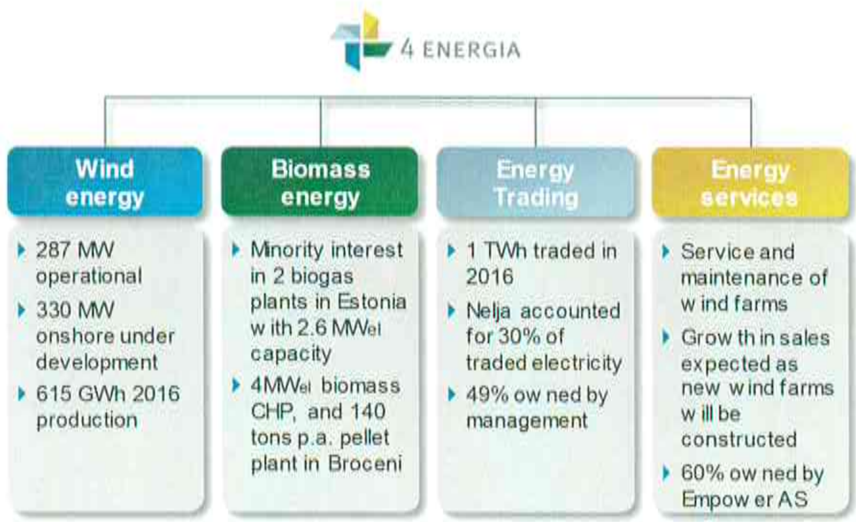
As of the end of 2017 Q2 the Group's assets comprised of 287 MW of operational onshore wind capacity with a substantial development pipeline. The Group also owns a 4MWel CHP in Latvia, and has minority stakes in two biogas plants with total capacity of 2.6 MWel. Additionally, the Group has interests in one of the region's largest electricity traders (Nordic Power Management AS) and a wind turbine operation & maintenance (O&M) business (Empower 4Wind AS).

Capacity development timeline (MW)



Main Business Areas

The Company's main business area is the development, ownership and operation of renewable energy projects in the Baltics. However, the Group's core business is wind energy. In addition to the aforementioned focus, the Group also operates in three related business areas.



Under the biomass energy business area, the Group operates biogas plants, an CHP, and a pellet factory. 4E Biofond owns and operates two biogas assets in Estonia: Oisu Biogaas OÜ (1.2 MWel/1.2MWth) and Vinni Biogaas OÜ (1.4 MWel/1.4MWth). Biogas plants utilize biogas from organic waste (such as manure and dung) in a biogas engine, for the production of energy. SIA Pellet 4Energia operates the pellet factory, while SIA Technological Solutions operates the CHP.

The Group's energy trading activities are managed through Nordic Power Management OÜ (hereinafter: NPM), which offers services in all activities related to the purchase and sale of electricity.

Nelja Energia AS also has interests in a wind service and maintenance company Empower 4 Wind. It provides maintenance to over half of the installed wind capacity in Estonia including part of the O&M for the Group's WinWinD fleet.

Corporate Structure

The Company owns 100% in its entire onshore wind assets portfolio. Assets are held in separate subsidiaries usually associated with project financing arrangements. In addition to the onshore wind assets, the Company also owns 95% in OÜ Hiiumaa Offshore Tuulepark.

Group company	Country	Ownership	Operation	Capacity, MW	Status
Hanila Tuulepargid OÜ	Estonia	100%	Virtsu I	1,2	Operational
			Virtsu II	6,9	Operational
			Virtsu III	6,9	Operational
			Esivere	8	Operational
			Tooma I	16	Operational
			Tooma II	7,1	Operational
VV Tuulepargid OÜ	Estonia	100%	Viru-Nigula	21	Operational
			Vanaküla	9	Operational
OÜ Pakri Tuulepargid	Estonia	100%	Pakri	18,4	Operational
			Paldiski	22,5	Operational
Aseriaru Tuulepark	Estonia	100%	Aseri	24	Operational
Oceanside OÜ	Estonia	100%	Ojaküla	6,9	Operational
Iverneta UAB	Lithuania	100%	Mockiai	12	Operational
Sudenu vejo Elektra UAB	Lithuania	100%	Sudenai	14	Operational
Silales vejo Elektra UAB	Lithuania	100%	Silale	13,8	Operational
Naujoji energija UAB	Lithuania	100%	Ciuteliai	39,1	Operational
Šilutes vejo projektai UAB	Lithuania	100%	Šilute	60	Operational
UAB Šilutės vėjo parkas 2	Lithuania	100%	Šilute II	39,6	Development
UAB Šilutės vėjo parkas 3	Lithuania	100%	Šilute III	80	Development
UAB Vejo Parkai	Lithuania	100%	Akmene	63	Development
UAB Energijos Žara	Lithuania	100%	Kelme	60	Development
Silale vejas UAB	Lithuania	100%	Silale II	46,2	Development
Enercom SIA	Latvia	100%	Dundaga	41,3	Development
Baltic Energy Group UAB	Lithuania	100%	Offshore	400	Development
OÜ Hiiumaa Offshore Tuulepark	Estonia	95%	Offshore	700	Development

Group company	Country	Ownership	Operation	Status
OÜ 4E Biofond	Estonia	70%	Biogas plants	Operational
Nordic Power Management OÜ	Estonia	51%	Energy trading	Operational
4energia UAB	Lithuania	80%	Operation	Operational
4energia SIA	Latvia	100%	Operation	Operational
SIA Technological Solutions	Latvia	100%	CHP	Operational
SIA Pellet 4Energia	Latvia	100%	Wood pellet production	Operational

The Group also has interests in the following associates:

Group	Country	Operation	Ownership	Status
Empower 4 Wind OÜ	Estonia	Wind park maintenance	40%	Operational
Marble Invest OÜ	Estonia	Renewable energy technologies	1%	Operational
Marble Management OÜ	Estonia	Management	5%	Operational
Wind Controller JV OY	Finland	Wind park maintenance	10%	Operational
Pakri Energy Island OÜ	Estonia	Renewable energy technologies	20%	Operational
Shareholdings through subsidiaries				
OÜ Oisu Biogaas	Estonia	Biogas plant (4E Biofond OÜ)	40%	Operational
OÜ Vinni Biogaas	Estonia	Biogas plant (4E Biofond OÜ)	46.5%	Operational

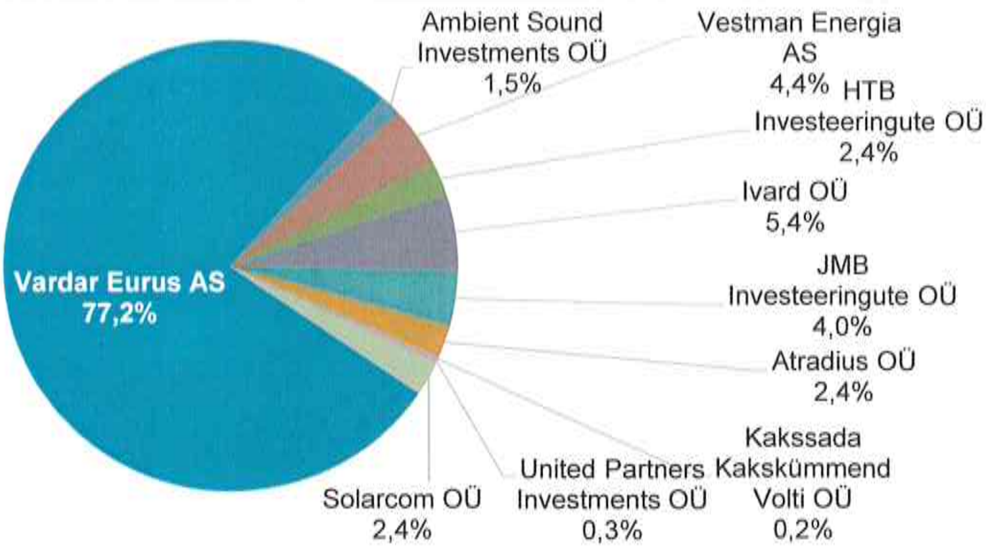
The Company's biogas assets are held through a 69,88% holding in 4E Biofond OÜ, which in turn owns 40% of Oisu Biogaas OÜ and 46.5% of Vinni Biogaas OÜ. The electricity trading business Nordic Power Management OÜ is owned 51% by the Company with the remainder owned by its management. The Company owns shares in the wind parks' maintenance and service companies: 40% in Empower 4Wind OÜ and 10% in WindController JV Oy. The Company owns 100% in its Latvian subsidiary 4 Energia SIA and 80% in its Lithuanian subsidiary 4 Energia UAB.

Ownership Structure

Vardar Eurus AS is an investment vehicle, owned by Vardar AS (90%) and Nefco (10%). Vardar AS is a Norwegian utility company owned by Buskerud Fylkeskommune (county) and Norwegian municipalities. Nordic Environment Finance Corporation (NEFCO) is an international finance institution established by Nordic countries.

Management of Nelja Energia AS – CEO Martin Kruus (Solarcom OÜ) and CFO Kalle Kiigske (Atradius OÜ) own a combined 4.76% in the Company.

Ownership structure



Employees

By the end of the financial year 2016, the Group had 65 employees, of which 29% were female and 71% were male– 28 in Estonia, 8 in Lithuania and 29 in Latvia.By the end of 30 June 2017, the Group had 74 employees (30 June 2016: 40 employees). Rise in employees is related to completion of Broceni CHP and pellet production plant in Latvia. The employees were paid salaries for the period 01.January 2017 till 30 June 2017 in the amount of EUR 1 449 thousand (01 January-30 June 2016: EUR 1 149 thousand). In the 2016 financial year, the management of Nelja Energia AS consisted of 3 members who were paid remunerations for the period 01 January till 30 June 2017 in the total amount of EUR 129 thousand (01 January-30 June 2016: EUR 129 thousand).

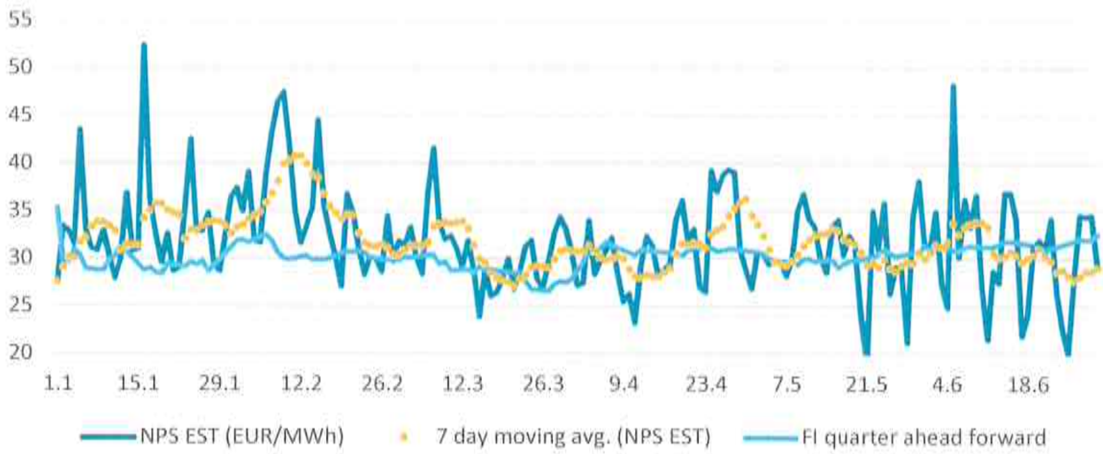
Operating environment

Baltic electricity market

Net electricity (after balancing charges) prices in 2017 H1 were 7% higher than in 2016 H1 for Estonian wind parks. Net price (after balancing charges) in the first 6-months was 29,5 EUR/MWh for Estonian wind parks. All Lithuanian assets produce on a fixed feed in tariff.

Estonian electricity prices are well correlated with Finnish prices. Therefore, Finnish forward prices provide a slight indication on market trends. In Q2 the average price was 30,9 EUR/MWh, with a marginal uptick at the end of the quarter, which is inherent to electricity price's seasonality.

H1 electricity prices, Nord Pool Spot Estonia, and quarter ahead Finnish forward prices, EUR/MWh



European wood pellet market

We reiterate our views presented in the 2016 annual report with the addition that prices have firmed during the first half of 2017 as the inventory glut has been resolved. Nelja Energia has grounds to be cautiously optimistic in the mid-term.

Regulatory environment

As part of the European Renewable Energy targets for 2020 the Baltic States started to develop a framework for incentivizing investments into green energy production and efficiency.

This included developing local support schemes, including for wind, varying by country.

Currently, renewable energy generation in Estonia is supported by a feed-in premium (paid in addition to prevailing market price) of 53,7 EUR/MWh over a 12-year period. Furthermore, for wind energy the subsidy is paid annually for the first 600GWh of output. However, under the draft law discussed in the parliament, the support system is expected to close for new capacities by 2018. Moreover, under the draft law wind energy subsidies will be contingent on tendered capacities. The amount of which will be subject to meeting the EU 2020 renewable energy targets.

Lithuanian subsidy system has historically been a feed-in tariff of EUR 86.9 per MWh. This level was set in 2004 for development of 240 MW of wind capacity and will be in effect for 12 years from commissioning. From 2013 a new tender-based system was introduced for a further 210 MW of installed wind capacity where developers are required to bid for prices. Tariffs are then allocated to lowest bids.

The first tender round was launched in January 2013 where three wind projects secured tariffs in the amount of 151 MW. Winning bids were at EUR 71/MWh for 12 years. Second round of tenders was announced in July 2013 awarding EUR 69,5/MWh concessions for 60 MW of wind capacity to Šilute project. In 2015, a tender for 7,5MW was awarded a feed-in tariff of 56 EUR. More recently, an energy strategy policy draft has been published, which indicates that an additional 250MW of wind capacity will be tendered through 2020. However, discussions with stakeholders are to follow.

Latvia's existing feed-in tariff scheme for renewable energy generation has been put on hold due to concerns of exceeding the 2020 targets with generation at historically set high feed-in-tariff. However, the current beneficiaries of the scheme remain unaffected of the moratorium (including Broceni CHP). Consequently, there is no subsidy scheme for new renewable energy projects. Nevertheless, the current government has set a task to propose and approve a new act to regulate the support of renewable energy projects by the end of 2017. To date, no specifics have been announced, except it should draw on the guidelines provided by the European Commission. A competitive bidding scheme is the most likely to be implemented. However, the agenda does not stipulate, when the act should take effect.

The Group is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) which may have significant effects on the Group's financial position or profitability.

Corporate Governance

Pursuant to the Commercial Code and the Nelja Energia AS's Articles of Association, the right of decision and the administration in the Company is divided between the Shareholders represented by the Shareholders' Meeting, the Supervisory Board and Management Board.

General Meeting

Ultimate authority lies with the Company's shareholders, who exercise this authority at the Annual General Meeting. The primary duties of the Annual General Meeting are to approve the annual report and the distribution of dividends, elect members to the Supervisory Board, select auditors and their deputies, and pass resolutions on any increase or decrease in share capital and on any other changes to the Articles of Association.

Share capital and dividends

Equity. The Company operates in a capital-intensive sector and the realization of the Company's goals and strategies requires that the Company maintains a solid financial position, characterized by an adequate equity ratio, predictable future cash flows and access to adequate liquidity reserves.

Dividend policy. Within 30 days since the annual report for the previous financial year is approved at the annual general meeting of shareholders, the Company shall distribute 100% of the undistributed profit of the previous financial years, if any, between the shareholders of the Company in the form of dividend payments. The said threshold may be in any financial year to be reduced to (i) 50% if decided by a majority vote of 90% of all the votes represented with shares or (ii) 0% upon the unanimous approval of all the shareholders, provided that this is not in violation of the current legislation and agreed project financing or bond covenants.

Capital increase. The shareholders have not authorized the Supervisory Board to increase the Company's share capital or to acquire treasury shares. In order to adopt the decision to increase the share capital of the Company, it is required that 90% of all the votes represented with shares are in favor of it, unless a larger majority vote is required by the law.

The Supervisory board

The Supervisory Board engages in oversight and longer-term management activities such as supervising the Management Board and devising business plans. No residency requirements apply to the members of the Supervisory Board. The Supervisory Board reports to the Shareholders' General Meeting. The Supervisory Board consists of 7 members. Members of the Supervisory Board are elected for periods of five years at a time. The Supervisory Board shall elect one of its members as a Chairman.

The Supervisory Board is responsible for the administration of the Company and the appropriate organization of its operations. The Supervisory Board determines the principles for the Company's strategy, organization, annual operating plans and budgets, financing and accounting. The Supervisory Board elects the members of the Management Board and determines their salaries and benefits.

The Supervisory board established an Audit Committee in August 2015. The Audit Committee was elected by the members of the Supervisory Board and has the same term of office as the supervisory board members. Current Audit Committee members are Solveig Nordström and Iren Bogen, both of whom satisfy the requirements with respect to independence and competence.

The Supervisory Board has at present seven members: Thorleif Leifsen, as the Chairman, Iren Bogen, Ingvild Myhre, Egil Smevoll, Solveig Nordström, Tarmo Kõuhkna, and Sander Rebane.

The Management Board

The Management Board is an executive body charged with the day-to-day management of the Company, as well as with representing the Company in its relations with third parties, for example by entering into contracts on behalf of the Company. The Management Board must adhere to the lawful orders of the Supervisory Board.

Members of the Management Board are elected by the Supervisory Board for periods of three years at a time. Every member of the Management Board has the right to represent the Company in any legal and business matter. The Supervisory Board has defined regulations in regards the authorization rights of the Management Board.

The Management Board has at present three members: Martin Kruus, the Chairman, Kalle Kiigske, Chief Financial Officer, and Andrus Zavadskis, the Chief Technical Officer.

The Company follows the Corporate Governance Recommendations of Oslo Stock Exchange.

Environmental and Social Management

A thorough assessment of the potential environmental impacts is carried out for all planned wind farms and biogas plants, following the EU and national regulation. The aim is to prevent and be proactive in eliminating and mitigating possible negative impact on environment, such as noise, disturbance of natural habitats of flora and fauna, local communities etc., and create positive socio-economic impacts.

Environmental impact assessments (hereinafter EIA) are conducted as a clear and transparent process, where all potentially affected groups (local communities, all related associations, environmental organizations etc.) are being engaged in order to find suitable and acceptable solution for all the involved parties.

Risk Management

The management of different risks the Group encounters in its everyday activities is a significant and integral part of the Group's business activities. The organization's ability to identify, measure and verify different risks is an important input to the Group's entire profitability.

Risk is defined here as the possibility that an event can occur that affects the Group in a negative manner. The various risk factors affect the Group's ability to service its obligations, development of its financial results and assets, growth opportunities and achievement of strategic goals.

Risk Management consists of:

- Risk Management Governance - defining risks and an acceptable level of risks, making informed decisions about risks, implementing preventive measures and contingency planning
- Risk Assessment – data gathering, risk profile preparing and risk analysis
- Risk Handling- informing about risks, responding to events, risk management

Risk management takes place through strategy, organisation, routines and responsible operations.

The Management Board has the overall responsibility for ensuring that the Group has established appropriate and effective processes for risk management and internal control.

Hereinafter a condensed and shortened version of the Group's risk profile is presented. For a full overview consult our 2016 annual report [https://www.4energia.ee/investors/reports/annual-reports].

Price of electricity

Energy price risk is the risk of variations in the price of electricity, renewable energy subsidy and other benefits. The risk for the Group occurs in cases where and to the extent that the Group's energy sales have not been hedged, in which cases fluctuations in prices in the electricity market would have a direct impact on consolidated operating earnings (currently the electricity market model in Estonia).

Variations in output

The Group's revenue is dependent on actual output from its operating business, which in turn depends on wind conditions during the actual period in question at the locations concerned, availability of raw material, and the technical availability of the wind farms, CHPs and the pellet plant. The wind conditions vary between seasons over the course of the year but also between individual years.

Technological development

Technology advances mean that new wind power, biogas or biomass energy may be developed more favourably than already existing technology allows it to and it could also mean that competing electricity-producing technologies could be developed to produce energy in a more favourable manner than both wind power and biomass energy. There is also a risk that the technology chosen by the Group may entail risks that are unknown today or where the known risks have broader consequences than anticipated.

Political and regulatory impact

The Group will receive the renewable energy subsidy in Estonia and fixed prices for the electricity in Lithuania for the first 12 years (10 years in Latvia in case of CHP). The large number of administrative entities and legal processes involved can make obtaining permits to construct and/or operate an energy project long and complex, which could negatively affect the Group's result and expansion of operations. In addition, the Group is exposed to potential revisions to such regulations, which thus could affect the Group's result and expansion of its operations. Potential amendments to support systems, licensing or other regulatory actions can impact the Group's operations and or earnings.

Project development

A large part of the Group's operations is to develop wind power projects from the conclusion of a land lease with a landowner to actual commissioning of a turbine or CHP plant. The principal risks associated with developments are data quality in feasibility studies (incl. financial and production forecasts), regulatory uncertainty, permitting risk, construction risk, commissioning risk (incl. passing grid compliance tests) and performance risk.

Counterparty risk

Counterparty risk is the risk of incurring a loss if a counterparty fails to meet its obligations and/or initiates a change of pre-agreed commitments under due process. The risk arises with suppliers of goods and services (inc. land lease and rental agreements enabling operation and access to the Group's sites), and customers of the Group's goods and services.

Permits and plans

Environmental impact assessment (or a survey, in cases where EIA is not required), planning and zoning decisions, building permits or other approvals are necessary to build wind farms, CHP-s and pellet plants. Therefore, there is a risk of a permit being revoked or not being approved in whole or in part, which could lead to a project not being implemented, or not being implemented to the planned extent, or having to partially or fully dismantled.

Operations and maintenance

The Group's business is exposed to the risks inherent in the construction and operation of wind energy, biogas and biomass energy projects, such as breakdowns, fire, manufacturing defects, natural disasters and certain environmental hazards.

Over time, costs for service and maintenance on the Group's equipment may differ from those on which the cost estimate for the investment is based and actual decommissioning costs could exceed those set aside or budgeted, which might negatively affect the Group's earnings.

Grids, wind turbines, CHP-s

The installation of a wind energy, biogas and biomass energy project requires a connection to the power grid in order to transmit and deliver electricity. The Group cannot guarantee that it will obtain sufficient grid connections or capacity for future projects within planned timetables and budgetary constraints.

Impact of market interest rates

In accordance with the objectives defined by the Group, the funding of each wind farm, biogas and biomass energy project includes a large portion of borrowed capital, approximately 60-75 per cent of the total project investment. As a result of this funding arrangement, the Group is exposed to variations in interest rates.

Financing risk

Financing risk is defined as the risk that the Group will be unable to meet its liabilities due to insufficient liquidity or difficulties in obtaining funding. The Group is dependent on its ability to refinance existing facilities at their due date and to obtain additional financing at market terms in connection with new projects

Breach of covenants

The Group currently has financing agreements in place with certain banks and financial institutions. Some of these agreements contain certain restrictive financial and non-financial covenants, which have to be maintained and followed throughout the term of the respective financing agreements. In cases of non-compliance the Group may be obliged to repay the borrowed facilities prematurely.

Asset pledges

As a rule, all assets and receivables of the Subsidiaries as well as the shares of the Subsidiaries are pledged to secure the financing granted by banks or other financial institutions for the development of a respective wind farm and biogas projects

Disputes

The Group is currently not party to any dispute which could adversely affect the Group's earnings or financial position. However, it cannot be excluded that the Group will become involved in disputes in the future. The Group can give no assurances as to the results of any future investigation, proceeding, litigation or arbitration brought by private parties, regulatory authorities, or governments.

Taxes

The Group has obtained advice from independent tax advisors on tax-related issues. However, it cannot be excluded that the Group's interpretation of applicable rules and administrative practice is not entirely correct, or that rules and practice may change, possibly with retroactive effect. The decisions of tax authorities could change the Group's previous or current tax situation, which could affect Group's earnings.

Insurance

The Group has mitigated risks on business-critical processes, tangible and intangible assets by insuring for business interruption, property damage, and liability damage. Nevertheless, the Group is unable to insure against all risks and may be exposed under certain circumstances to uninsurable hazards and risks.

Disaster

The performance of the Group may be affected by reason of events such as radioactive, chemical or biological contamination, environmental disasters such as fires or earthquakes and acts of terrorism which are outside its control. The occurrence of such events may have a variety of adverse consequences for the Group, including risks and costs related to the damage or destruction of property, suspension of operation and injury or loss of life, as well as litigation related thereto.

Tallinn, 31 July 2017

Member of the Management Board

Chief Executive Officer

Martin Kruus

Member of the Management Board

Chief Financial Officer

Kalle Kiigske

Member of the Management Board

Chief Technical Officer

Andrus Zavadskis

Management Board's Confirmation

The Management Board confirms that to the best of their knowledge, the management report of Nelja Energia AS for the first semi-annual of the 2017 financial year presents a true and fair view of significant events and their impact on the Group's development, results and financial position and includes overview of the main risks and uncertainties.

Tallinn, 31 July 2017

Member of the Management Board

Chief Executive Officer

Martin Kruus

Member of the Management Board

Chief Financial Officer

Kalle Kiigske

Member of the Management Board

Chief Technical Officer

Andrus Zavadskis

Condensed consolidated financial statements

Condensed consolidated statement of comprehensive income for the six months ended 30 June

	Notes	2017 Unaudited €000	2016 Unaudited €000
Sale of goods and services	3,4	33 318	18 254
Revenue		**33 318**	**18 254**
Other operating income	3,5.1	5 598	6 497
Goods, raw materials and services	3,5.2	-15 063	-9 977
Employee-related expenses	3, 5.3	-1 449	- 1 149
Depreciation, amortization and impairment	7,8	-8 225	-7 291
Other expenses		-1 172	-659
Finance costs	5.4	-5 758	-5 024
Finance income		9	10
Share of profit of an associate		99	172
Profit (-loss) before income tax		**7 357**	**833**
Income tax expense	6	-1 701	-240
Net profit (-loss)		**5 656**	**593**
Other comprehensive income (*to be reclassified to profit or loss in subsequent periods, net of tax)*			
Net movement on cash-flow hedges		2 659	808
Total Comprehensive income for the year		**8 315**	**1 401**
Profit (-loss) attributable to:			
Equity holders of the parent		5 412	446
Non-controlling interests		244	147
		5 656	**593**
Total comprehensive income attributable to:			
Equity holders of the parent		8 071	1 254
Non-controlling interests		244	147
		8 315	**1 401**

Condensed consolidated statement of financial position

as at	Notes	30 June 2017 Unaudited €000	31 December 2016 Audited €000
Assets			
Non-current assets			
Property, plant and equipment	7	327 769	334 574
Investment properties		103	103
Intangible assets	8	61 080	60 428
Investment in an associate		3 366	3 357
Non-current financial assets	10	10 037	10 030
Deferred tax assets		578	1 713
		402 933	410 204
Current assets			
Inventories	11	4 717	4 070
Trade and other receivables		8 355	9 799
Prepayments		4 053	2 135
Other current financial assets	10	11	0
Cash and short-term deposits	12	24 871	28 117
		42 007	44 121
Total assets		444 940	454 326
Equity and liabilities			
Equity			
Issued capital	13	82 794	82 794
Share premium		90 099	90 099
Statutory capital reserve	13	3 898	3 898
Risk hedge reserve	13	-498	-3 157
Currency translation differences		0	0
Retained earnings		10 462	9 265
Equity attributable to equity holders of the parent		186 755	182 900
Non-controlling interests		2 158	1 957
Total equity		188 913	184 857
Non-current liabilities			
Interest-bearing loans and borrowings	10	218 932	220 949
Other non-current financial liabilities	10	3 147	5 634
Government grants	15	36	0
		222 115	226 583
Current liabilities			
Trade and other payables		5 051	5 093
Interest-bearing loans and borrowings	10	24 316	32 238
Other current financial liabilities	10	3 690	3 911
Tax payable		856	1 644
		33 912	42 886
Total liabilities		256 027	269 469
Total equity and liabilities		444 940	454 326

Condensed consolidated statement of cash flows for the six months ended 30 June	Notes	2017 Unaudited €000	2016 Unaudited €000
Operating activities			
Profit before tax		7 357	833
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of tangible assets.	7	8 190	7 258
Amortization and and impairment of intangible assets	8	35	33
Disposal of fixed assets	7	3	0
Deferred revenue recognition		0	-23
Finance income		-8	-10
Finance costs	5.4	5 758	5 024
Share of profit of an associate		-99	-172
Capitalised revenue (test period)	7	217	1 957
Working capital adjustments:			
Decrease (increase) in trade and other receivables*		-464	16 474
Increase in inventories		-647	-506
Increase (decrease) in trade and other payables		-1 179	-5 297
		19 163	25 571
Income tax paid		-567	-240
Net cash flows from operating activities		**18 596**	**25 331**
Investing activities			
Purchase of property, plant and equipment	7	-1 560	-56 137
Purchase of intangible assets	8	-17	-6
Purchase of an investment		0	-35
Disposal of non-controllong interest in subsidary		24	0
Loans given	10	-77	0
Dividends received		106	84
Interest received		8	10
Net cash flows used in investing activities		**-1 516**	**- 56 084**
Financing activities			
Payment of finance lease liabilities	16	-1 460	-1 397
Proceeds from borrowings		276	42 516
Repayment of borrowings		-9 358	-6 952
Interest paid		-5 447	-5 525
Other flows from/to financing activities		59	80
Dividends paid to equity holders of the parent	14	-4 217	0
Dividends paid to non-controlling interests		-123	-147
Net cash flows from/(used in) financing activities		**-20 270**	**28 575**
Net increase in cash and cash equivalents		-3 190	-2 177
Net foreign exchange difference		0	
Cash and cash equivalents at 1 January	12	28 061*	18 846*
Cash and cash equivalents at 30 June	12	**24 871***	**16 469***

*Restricted Escrow account from bond issue in amount of EUR 56 thousand as at 31 December 2016 and EUR 0 as at 30 June 2017 (31 December 2015: EUR 14 952 thousand; 30 June 2016 1 201 thousand), aimed at specific investments, has been excluded from the year-end cash amount.

Condensed consolidated statement of changes in equity

	Notes	Attributable to the equity holders of the parent							Non-controlling interest	Total equity
		Issued capital	Share premium	Statutory capital reserve	Risk management reserve	Currency translation differences	Retained earnings	Total		
Balance as at 1 January 2016		**82 794**	**90 099**	**3 898**	**-3 264**	**-5**	**835**	**174 357**	**1 885**	**176 242**
Loss for the period		0	0	0	0	0	446	**446**	147	**593**
Other comprehensive income	13	0	0	0	808	0	0	**808**	0	**808**
Total comprehensive income		**0**	**0**	**0**	**-2 456**	**0**	**1 281**	**1 254**	**147**	**1 401**
Dividends	14	0	0	0	0	0	0	**0**	-147	**-147**
Changes in statutory reserve		0	0	0	0	0	0	**0**	0	**0**
Other changes in equity		0	0	0	0	0	0	**0**	0	**0**
Balance as at 30 June 2016		**82 794**	**90 099**	**3 898**	**-2 456**	**-5**	**1 281**	**175 611**	**1 885**	**177 496**
Loss for the period		0	0	0	0	0	7 987	7 987	189	**8 176**
Other comprehensive income	13	0	0	0	-701	0	0	**-701**	0	**-701**
Total comprehensive income		**0**	**0**	**0**	**-3 157**	**0**	**9 268**	**7 286**	**147**	**7 475**
Dividends	14	0	0	0	0	0	0	**0**	-117	**-117**
Changes in statutory reserve		0	0	0	0	0	0	**0**	0	**0**
Other changes in equity		0	0	0	0	5	-2	**3**	0	**3**
Balance as at 31 December 2016		**82 794**	**90 099**	**3 898**	**-3 157**	**0**	**9 266**	**182 900**	**1 957**	**184 857**

Profit for the period		0	0	0	0	0	5 412	**5 412**	244	**5 656**
Other comprehensive income	19	0	0	0	2 659	0		**2 659**	0	**2 659**
Total comprehensive income		**0**	**0**	**0**	**2 659**	**0**	**5 412**	8 071	**244**	8 315
Dividends	20	0	0	0	0	0	-4 217	**-4 217**	-123	**-4 340**
Other changes in equity		0	0	0	0	0	2	**0**	80	**82**
Balance as at 30 June 2017		**82 794**	**90 099**	**3 898**	**-498**	**0**	**10 463**	**186 756**	**2 158**	**188 914**

Notes to the condensed consolidated financial statements

1. Corporate information

The legal address of Nelja Energia AS (hereinafter: the Company) is Regati pst 1 Tallinn 11911, Estonia. Its main activity is investment into renewable energy companies in the Baltics. Nelja Energia AS and its subsidiaries constitute Nelja Energia group .
The management board has prepared the financial statements and approved their disclosure on 31 July 2017.

2.1 Basis of preparation

The condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements have been prepared on a historical cost basis, except for derivatives, investment property and some financial instruments. The consolidated financial statements are presented in euro and all values are rounded to the nearest thousand (€000), except when otherwise indicated. The consolidated financial statements provide comparative information in respect of the previous period

2.2 Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of the parent and its subsidiaries (hereinafter: the Group) as at 30 June 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and;
- The ability to use its power over the investee to affect its returns;

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.
Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. In unconsolidated financial statements of the parent (Note 27) the investments in subsidiaries and associates are recorded at fair value.

2.3 Changes in accounting policies and disclosures

Standards issued but not yet effective

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 01.01.2018)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 for the financial year beginning as of 1 January 2018 and is currently assessing the impacts of its adoption on the consolidated financial statements. Based on preliminary assessment made by the Management, implementation of the standard is expect to have limited or no impact because the Group has only the type of financial instruments for which classification and measurement is not expected to change, mainly trade receivables and payables, derivatives and bank loans taken. Since majority of the sales are made to Nord Pool Spot (NPS), and considering that historically there have been very rare cases of impairments of receivables, transferring from incurred credit loss model to expected credit loss model is considered to have no impact to the Group's financial statements.

IFRS 15 *Revenue from Contracts with Customers* *(*effective for financial years beginning on or after 1 January 2018)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group plans to adopt the standard for the financial year beginning as of 1 January 2018 retrospectively, i. e. the comparable period will be presented in accordance with IFRS 15. Currently, it is expected that changes in the total amount of revenue to be recognized for a customer contract will be very limited. However, for certain types of contracts, the presentation in the statement of comprehensive income might change due to credit risk being removed as one of the key criteria in making the assessment of whether an entity is acting as a principal or agent. The volume of such agreements is very limited therefore the effect on the Group's financial statements is expected to be immaterial. Based on the preliminary analyses performed, the Group does not expect significant impacts on its Consolidated Financial Statements as the Group does not have long-term contracts with multi-element arrangements, no take-or-pay agreements, no sales incentives are provided, no contract costs are generally incurred or upfront payments made, contract modifications are rare etc. Detailed analysis on implementation of the standard will be made in 2017.

IFRS 15: *Revenue from Contracts with Customers (Clarifications)* (effective for annual periods beginning on or after 1 January 2018, once endorsed by the EU).

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Detailed analysis on implementation of IFRS 15 and its clarifications will be made in 2017.

IFRS 16 *Leases* *(*effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Group will adopt IFRS 16 for the financial year beginning as of 1 January 2019, once adopted by the EU, and is currently assessing the impacts of its adoption on the consolidated financial statements. Based on preliminary assessment made by the Management, implementation of the standard is expect to have an effect on the Group's financial statements because the Group has a number of ground lease agreements signed, varying from 20-99 years. These lease agreements have currently been classified as operating leases. Upon implementation of IFRS 16, among other considerations, the Group will make an assessment on the identified lease assets, non-cancellable lease terms (including the extension and termination options) and lease payments (including fixed and variable payments, termination option penalties etc). It is expected that right of use assets and lease liabilities will be recognized in the consolidated statement of financial position, significantly increasing the Group's total assets. Detailed analysis on implementation of IFRS 16 will be made in the second half of 2017 and in 2018.

Amendments to IAS 7 ***Statement of Cash Flows: Disclosure Initiative*** (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group but may result in changes in disclosures.

Amendments to IAS 12 ***Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses*** (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. Management has assessed that the implementation of this standard will not have an effect on the Group's financial statements as the Group does not have any debt instruments measured at fair value.

IFRS 2: ***Classification and Measurement of Share based Payment Transactions (Amendments)*** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Management has assessed that the implementation of this standard will not have an effect on the Group's financial statements because the Group does not have any share-based payment transactions.

Amendments to IFRS 10 and IAS 28 – ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 40: Transfers to Investment Property (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Management has assessed that the implementation of this standard will not have any effect on the financial statements of the Group as there have been no transfers of properties in or out of investment property classification.

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Management has assessed that the implementation of this standard will not have any effect on the financial statements of the Group as sales and purchases are mainly made in euro only.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019 with earlier application permitted, once endorsed by the EU).

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed that the implementation of this standard will not have any effect on the financial statements of the Group.

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. Management has assessed that the implementation of the annual improvements will not have an impact on the Group financial statements as the Group already applies IFRS EU (will not be a first-time adopter) and is not a venture capital organization. Required IFRS 12 disclosures will be made in the future, should any of the subsidiaries or associates become classified as held for sale or as a discontinued operation.

- ***IFRS 1 First-time Adoption of International Financial Reporting Standards:*** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2.4 Significant accounting judgements, estimates, assumptions

Management has made the same significant estimates and judgements than disclosed in the most recent annual financial statements, except for segment information.

For segment reporting purposes the Group is allocated into operating segments based on the Group's internal management structure, which is the basis for the reporting system, performance assessment and the allocation of resources by the chief operating decision maker.
The Group allocates its operations into two main operating segments – wind energy and sales segment and biomass segment. With the pellet production commencing in 2017, the separation of the business units for reporting purposes has been changed. As at 01 January 2017 biomass segment (pellet production and sales) is considered as a separate operating segment and is disclosed separately in the interim condensed consolidated financial statements of the Group.

3. Segment information

Six month ended 30 June 2017	**Wind**	**Biomass**	**Total segments**	**Adjustments and eliminations**	**Consolidated**
€000					
Revenue					
External customers	28 365	4 953	33 318	0	33 318
Inter-segment	768	0	768	-768	0
Total revenue	**29 133**	**4 953**	**34 087**	**-768**	**33 318**
Other operating income	5 598	0	5 598	0	5 598
Goods, raw materials and services	-10 731	-4 332	-15 063	0	-15 063
Employee-related expenses	-986	-463	-1 449	0	-1 449
Depreciation, amortization and impairment	-7 209	-1 016	-8 225		-8 225
Other expenses	-1 019	-153	-1 172		-1 172
Finance costs	-5 756	-2	-5 758	0	-5 758
Finance income	9	0	9	0	8
Share of profit of an associate	99	0	99	0	99
Inter-segment	574	-1 342	-768	768	0
Segment Profit before income tax	**9 712**	**-2 355**	**7 357**	**0**	**7 357**
As at 30 June 2017					
Assets	410 649	36 150	446 800	-1 859	444 940
Inter-Segment	38 477	264	38 741	-38 741	0
Total Assets	**449 126**	**36 414**	**48 541**	**-40 600**	**444 940**
Liabilities	255 185	842	256 027	0	256 027
Inter-Segment	264	38 477	38 741	-38 741	0
Total Liabilities	**255 449**	**39 319**	**294 768**	**-38 741**	**256 027**

Six month ended 30 June 2016	Wind	Biomass	Total segments	Adjustments and eliminations	Consolidated
€000					
Revenue					
External customers	18 254	0	18 254	0	18 254
Inter-segment	13	0	13	-13	0
Total revenue	**18 267**	**0**	**18 267**	**-13**	**18 254**
Other operating income	6 497	0	6 497	0	6 497
Goods, raw materials and services	-9 977	0	-9 977	0	-9 977
Employee-related expenses	-1 099	-50	-1 149	0	-1 149
Depreciation, amortization and impairment	-7 291	0	-7 291	0	-7 291
Other expenses	-634	-25	-659	0	-659
Finance costs	-5 024	0	-5 024	0	-5 024
Finance income	10	0	10	0	10
Share of profit of an associate	172	0	172	0	172
Inter-segment	0	-13	13	13	0
Segment Profit before income tax	**921**	**-88**	**833**	**0**	**833**
As at 31 December 2016					
Assets	422 241	34 898	457 139	-2 813	454 326
Inter-Segment	34 537	72	34 609	-34 609	0
Total Assets	**456 778**	**34 970**	**491 748**	**-37 422**	**454 326**
Liabilities	268 494	975	269 469	0	269 469
Inter-Segment	72	34 537	34 609	-34 609	0
Total Liabilities	**268 566**	**35 512**	**304 078**	**-34 609**	**269 469**

4. Sale of goods and services

for the six months ended 30 June

Geographic areas	2017 Unaudited	2016 Unaudited
	€000	€000
Estonia	11 049	6 908
Lithuania	17 805	9 581
Latvia	67	0
Denmark	1 532	0
Netherland	1 673	0
Norway	1 192	1 765
	33 318	**18 254**
Areas of operation		
Sales of electricity	6 216	5 585
Sale of produced electricity	23 644	12 351
Sale of produces pellets	3 255	0
Financial management and operation service	2	5
Monthly and success fees of energy trade	29	44
Sales of the GoOs*	48	75
Other sales revenue	124	194
	33 318	**18 254**

* GoOs- Guarantees of Origin for electricity from renewable energy sources. GoOs are certificates that prove that one MWh of electricity was produced using renewable energy sources.

5. Other income/expense and adjustments

5.1 Other operating income

for the six months ended 30 June	2017 Unaudited	2016 Unaudited
	€000	€000
Subsidy	5 487	5 947
Recognition of deferred income*	0	23
Insurance compensation**	0	505
Other	111	22
	5 598	**6 497**

*The last portion of the bank guarantee received in Aseriaru Tuulepark OÜ was recognised as income in 2016 amounting to 23 thousand euros.

** Insurance compensation was received in 2016 in VV Tuulepark OÜ in amount 201 thousand euros and in Pakri Tuulepargid OÜ in amount 304 thousand euros.

5.2 Goods, raw materials and services

for the six months ended 30 June	2017 Unaudited	2016 Unaudited
	€000	€000
Fixed and open supplies *	-5 968	-5 568
Change in inventory	637	0
Maintenance	-4 504	-3 651
Raw material	-2 619	0
Insurance expenses	-419	-301
Transport	-762	0
Phone and communication expenses	-15	-11
Consumption of electricity	-812	-23
Land lease and taxes	-361	-337
Other purchased services	-240	-86
	-15 063	**-9 977**

* The purchased balance power expenses and the respective return on sales shall be netted in the case of agreements in which the subsidiary Nordic Power Management OÜ is in the position of an agent, that is, will not take the credit or market price risk.

5.3 Employee-related expenses

for the six months ended 30 June	2017 Unaudited	2016 Unaudited
	€000	€000
Salaries	-1 102	-857
Social taxes	-308	-228
Other personnel costs	-39	-64
	-1 449	**-1 149**

5.4 Finance costs

for the six months ended 30 June		2017 Unaudited	2016 Unaudited
	Notes	€000	€000
Interest on debt and borrowings	10.2	-3 763	-3 019
Interest on derivatives	10.3	-1 988	-2 005
Currency translation differences		-7	0
		-5 758	**-5 024**

6. Income tax

for the six months ended 30 June

Consolidated statement of comprehensive income	2017 Unaudited	2016 Unaudited
	€000	€000
Current income tax:		
Current income tax charge	-480	-240
Income tax on dividends*	-607	0
Deferred tax	-614	0
Income tax expense reported in the statement of comprehensive income	**-1 701**	**-240**

*In Estonia, instead of profit, net dividends are subject to income tax.

Potential income tax liability of the Group

Consolidated statement of comprehensive income	30 June 2017 Unaudited	31 December 2016 Audited
	€000	€000
Retained earnings	10 462	9 265
Potential CIT %*	-2 092	-1 853
Potential dividends	**8 370**	**7 413**

*CIT % is 20%. In case dividends are received from subsidiaries, received amount can be deducted from the amount of taxable dividends.

As in Estonia, instead of profit, dividends are subject to income tax, then potential CIT is calculated based on assumption that full amount of retained earnings is paid out as dividends and CIT.

7. Property, plant and equipment

	Notes	Land	Buildings	Construction in progress	Other tangible assets	Prepay-ments	Total
		€000	€000	€000	€000	€000	€000
At 31 December 2016		**3 213**	**374 202**	**39 626**	**353**	**1 367**	**418 761**
Additions		0	0	2 119	26	0	2 146
Grants		0	-587	0	0	0	-587
Disposals		0	0	0	0	-3	-3
Borrowing costs		0	0	47	0	0	47
Reclassification		197	38 444	-37 480	61	-1 222	0
Return on sales on test period		0	0	-217	0	0	-217
At 30 June 2017		**3 410**	**412 059**	**4 095**	**440**	**142**	**420 146**
Depreciation and impairment							
At 31 December 2016		**0**	**82 660**	**1 263**	**264**	**0**	**84 187**
Depreciation for the financial year		0	8 159	0	31	0	8 190
At 30 June 2017		**0**	**90 819**	**1 263**	**295**	**0**	**92 378**
Net book value							
At 30 June 2017		3 410	321 240	2 832	145	142	**327 769**
At 31 December 2016		3 213	291 542	38 363	89	1 367	**334 574**

In 2016, the net book value of assets acquired with finance lease amounted to EUR 29 326 thousand (Note 25.2).

** Together with impairment testing of goodwill, the Group has tested impairment of property, plant and equipment by testing the recoverable amounts of the cash-generating units the assets belong to. These cash-generating units comprise of wind parks as well as separate entities. As a result of this test an impairment was detected for assets of subsidiary Aseriaru Tuulepark OÜ in amount EUR 481 thousand in 2016.

7.1 Accepted wind farms

	Capacity MW	Accepted
2016		
Šilutes vejo projektai UAB (Silute wnd farm)	60	July 2016
2017		
Hanila Tuupepargid OÜ (Tooma 2 wind farm)	7,1	May 2017

In addition to Wind farmsBiomass 4,0 MWel CHP (Sia Technological Solutions) combined with pellet production facility (SIA Pellet 4Energia) was accepted in April 2017.

8. Intangible assets

	Notes	Other intangible assets €000	Prepayments €000	Goodwill* €000	Total €000
Cost or valuation					
At 31 December 2016		**478**	**137**	**88 051**	**88 666**
Reclassification		60	-60	0	0
Additions*		0	0	695	671
Disposal*		0	0	-24	0
At 30 June 2017		**555**	**77**	**88 722**	**89 354**
Amortisation and impairment					
At 31 December 2016		**184**	**0**	**28 055**	**28 239**
Amortisation and impairment		35	0	0	35
At 30 June 2017		**219**	**0**	**28 055**	**28 274**
Net book value					
At 30 June 2017		336	77	60 667	61 080
At 31 December 2016		294	137	59 996	60 428

* Please refer to Note 9 for additional information on Goodwill.

9. Goodwill

An impairment test was carried out at 31 December 2016 to determine the recoverable value of the goodwill that arose upon gaining control over previous joint ventures and business combinations and the recoverable value of property, plant and equipment.

Six month of	2017	2016
	€000	€000
Goodwill at the beginning of the period	59 996	60 560
Additions from aquisition	695	0
Impact of subsidiary share sales	-24	0
Impairment of Goodwill	0	-564
Goodwill at the end of the period	**60 667**	**59 996**

The Group has allocated the goodwill to a number of cash generating units which comprise of wind parks as well as separate entities. The recoverable value of the tested cash generating unit (CGU) is determined as a value in use. The test is based on budgeted cash flows for the next 12 - 25 years, depending on the acceptance date of a specific wind park, approved by the supervisory board of Nelja Energia AS. In 2016 the useful life of windparks with WinWind turbines was extended to 25 years, to reflect the Groups commitment to upgrade the turbines.

The value in use of each CGU is found by the discounted cash flow method and the recoverable amount is compared to the carrying amount of the CGU.

Below is the description of assumptions and estimates made by the management:

- Forecast period: 2017-2045 (2015: 2016-2041);
- Discount rate: 7,0%-10,8% (2015: 7,3%-13,9%);
- Price of loan capital is based on the actual loan interests of the Company;
- Change in sales and production forecasts is based on the analysis conducted by an independent expert, the forecast of sales price is based on the legislation regulating subsidies granted to renewable energy in the country of location of the Company and the forecasts of sales price of electricity prepared by the management board;
- General administration expenses: the forecast is based on historical data, the budgets approved by the management for 2017 and the annual growth rate of 2-3%.

Sensitivity of goodwill to a change in revenues has been tested and below is a numerical sample of sensitivity test:

2016 (€000)	**Discount rate**	**WACC**	**Discount rate**
Sensitivity for impact on profit	**0,50%**	**0,00%**	**-0,50%**
Change in revenue -10%	-37 324	-30 940	-24 841
Revenue remains the same	-3 580		0
Change in revenue +10%	0	0	0

Consulting company provided the electricity price prognosis for 2016 test. In 2016 WACC for subsidiary Nordic Power Management OÜ was decreased to 10,8% (2015: 13,94%) due to increased visibility of material cash flows, other WACC-s remained relatively constant to those used in prior year. No other significant changes in assumptions have been made in 2016 impairment test.
Furthermore, the expansion of a number of development projects had a positive impact on the Group's total valuation.

10. Financial assets and financial liabilities

10.1 Financial assets

	Notes	2017 As at 30 June €000	2016 As at 31 December €000
Financial instruments at fair value through OCI			
Derivatives	10.3	0	0
Total financial instruments at fair value		0	0
Loans and receivables			
Loans to associates		200	130
Accrued interest		11	4
Security deposits	10.1.1	9 833	9 892
Other		4	4
Total loans and receivables		10 048	10 030
Total other financial assets		**10 048**	**10 030**
Total current		**0**	**0**
Total non-current		**10 048**	**10 030**

10.2 Financial liabilities

2017 *as at 30 June* **Other financial liabilities**	Notes	Current €000	Non-current €000	Total €000
Financial instruments at fair value through OCI				
Derivatives	10.3	3 690	3 147	6 837
Total financial instruments at fair value through OCI		3 690	3 147	6 837
Total other financial liabilities		**3 690**	**3 147**	**6 837**
Interest bearing loans and borrowings				
Loans from banks	10.2.1	21 377	158 236	179 613
Obligations under finance leases	16	2 939	12 639	15 578
Other borrowings	10.2.2		48 057	48 057
Total interest bearing loans and borrowings		**24 316**	**218 932**	**243 248**

2016 *as at 31 December* **Other financial liabilities**	**Notes**	**Current €000**	**Non-current €000**	**Total €000**
Financial instruments at fair value through OCI				
Derivatives	10.3	3 911	5 634	9 545
Total financial instruments at fair value through OCI		3 911	5 634	9 545
Total other financial liabilities		**3 911**	**5 634**	**9 545**
Interest bearing loans and borrowings				
Loans from banks	10.2.1	29 403	158 759	188 162
Obligations under finance leases	16	2 940	14 079	17 019
Other loans	10.2.2	-105	48 111	48 006
Total interest bearing loans and borrowings		**32 238**	**220 949**	**253 187**

10.2.1 Loans from banks

	Lender	**Interest rate**	**Agreement date**	**Repayment date**	**Loan amount**	**Loan liability 2017** *as at 30 June*	**2016** *as at 31 December*
					€000	**€000**	**€000**
Hanila Tuulepargid OÜ	SEB	3 month Euribor + 1,80%	8 Oct.2012	30 Sep.2019	18 860	7 970	8 930
Hanila Tuulepargid OÜ*	SEB	EIR 1,918%	3 Jul.2015	1 Jul.2021	10 272	6 878	7 718
Hanila Tuulepargid OÜ**	SEB	EIR 1,918%	3 Jul.2015	1 Jul.2025	9 100	8 023	8 361
Pakri Tuulepargid OÜ	SEB , Pohjola	3 month Euribor + 2,2%	21 Nov.2012	25 Sep.2021	15 230	6 955	7 790
Oceanside OÜ	SEB	3 month Euribor + 1,72%	2 Aug.2011	28 Jul.2021	3 500	1 977	2 132
Pakri Tuulepargid OÜ	SEB , Pohjola	3 month Euribor + 2,2%	18 Oct.2011	25 Sep.2021	24 300	15 617	16 525
Aseriaru Tuulepark OÜ	Swedbank	1 month Euribor + 3,5%	27 Oct.2010	30 Jun.2022	28 000	18 533	19 626
Aseriaru Tuulepark OÜ	Swedbank (overdraft)	1 month Euribor + 3,00%	21 Nov.2012	15 Dec.2017	1 500	495	226
Naujoji energija UAB	SEB , Pohjola	6 month Euribor + 1,69 %	29 Jun.2011	28 Jun.2018	42 000	26 958	28 176

Silales vejo elektra UAB	SEB	6 month Euribor + 2,45%	22 Dec.2010	21 Dec.2017	16 254	10 394	10 921
Silutes vejo projektai UAB***	KFW-IPEX, SEB AG	EIR 2,547%	23 Mar.2015	30 Jun.2025	66 800	60 647	61 669
Silutes vejo projektai UAB****	KFW-IPEX, SEB AG	EIR 2,880%	23 Mar.2015	31 Dec.2025	16 568	15 166	16 088
						179 613	**188 162**

Due to using effective interest rate method in accounting for liabilities at amortized cost contractual interest rate and loan balances differ from the above as follows:

*Contractual interest rate is 1,80% + 6 month Euribor. Remaining contractual loan balance as at 30 June 2017 amounts to EUR 6 895 thousand (31 December 2016: EUR 7 739 thousand).

**Contractual interest rate is 1,8% + 6 month Euribor. Remaining contractual loan balance as at 30 June 2017 amounts to EUR 8 032 thousand (31 December 2016:EUR 8 377 thousand).

*** Contractual interest rate is 1,2% + 6 month Euribor. Remaining contractual loan balance as at 30 June 2017 amounts to EUR 65 447 thousand (31 December 2016: EUR 66 800 thousand).

**** Contractual interest rate is 2,05% + 6 month Euribor. Remaining contractual loan balance as at 30 June 2017 amounts to EUR 15 593 thousand (31 December 2016: EUR 16 568 thousand).

Bank loans are secured by a first mortgage on wind farms land and buildings in the net book value of EUR 275 982 thousand, shares of subsidiaries and guarantees.

10.2.2 Other borrowings

	Lender	**Interest rate**	**Agreement date**	**Repayment date**	**Loan amount**	**Loan liability** **2017** *as at 30 June*	**2016** *as at 31 December*
					€000	**€000**	**€000**
Nelja Energia AS*	Oslo Bors ASA	EIR 6,996%	2 Jun.2015	2.Jun.2021	50 000	48 057	48 006
						48 057	**48 006**

On 02 June 2015 Nelja Energia AS launched a bond offering to international investors. The proceeds of the bond issue will be used for refinancing existing loans and financing Broceni CHP/pellet project.

*Nelja Energia AS contractual interest rate for bond issue of EUR 50 000 thousand is 6,5% + 6 month Euribor. Outsanding bonds balance as at 30 June 2017 amounts to 48 500 thousand (31 December 2016 : EUR 48 500 thousand). For accounting purposes bonds are accounted for using the effective interest rate method (EIR).

10.3 Financial instruments

	Bank	Loan Interest rate	SWAP fixed rate	SWAP agreement date	SWAP maturity date	SWAP market value 2017 *As at 30 June* €000	SWAP market value 2016 *As at 31 December* €000
Hanila Tuulepargid	SEB	3 month Euribor + 1,80%	1,70%	29 Apr.2013	28 Oct.2019	206	279
Hanila Tuulepargid	SEB	6 month Euribor + 1,80%	4,27%	3 Sep.2007	1 Sep.2017	0	18
Hanila Tuulepargid OÜ	SEB	6 month Euribor + 1,8%	4,49%	28 Dec.2015	25 Jun.2021	659	835
Oceanside OÜ	SEB	3 month Euribor + 1,72%	2,99%	4 Nov.2011	4 Aug.2021	193	225
Pakri Tuulepargid OÜ	SEB	3 month Euribor + 2,2%	2,17%	26 Mar.2012	27 Sep.2021	1 245	1 527
Aseriaru Tuulepark OÜ	Swed-bank	1 month Euribor + 3,5%	2,46%	22 Nov.2012	25 Jun.2022	1 617	2 004
Pakri Tuulepargid OÜ	Poh-jola	3 month Euribor + 2,2%	1,32%	19 Jun.2013	25 Sep.2021	60	129
Pakri Tuulepargid OÜ	SEB	3 month Euribor+ 2,2%	1,32%	27 Jun.2013	27 Sep.2021	92	197
Naujoji energija UAB	SEB	6 month Euribor + 1,69 %	3,20%	5 Jul.2011	25 Jun.2018	909	1 390
Silales vejo elektra UAB	SEB	6 month Euribor + 2,45%	3,33%	10 Mar.2011	12 Sep.2018	249	380
Iverneta UAB	Swed-bank	6 month Euribor + 1,99%	3,50%	1 Oct.2009	30 Oct.2019	269	381
Sudenu vejo elektra UAB	Swed-bank	6 month Euribor + 1,99%	2,30%	21 Sep.2011	30 Mar.2019	213	293
Silutes vejo projektai UAB	SEB	6 month Euribor + 1,2%	0,88%	22 Apr.2015	30 Jun.2028	563	945
Silutes vejo projektai UAB	KFW-IPEX	6 month Euribor + 1,2%	0,88%	22 Apr.2015	30 Jun.2028	562	942
CAP (Pakri Tuulepargid OÜ)*	SEB		4,30%	20 Apr.2006	20 Oct.2017	0	0
Total assets						**6 836**	**9 545**
Total Liabilities							

*To hedge an interest rate risk arising from a loan contract with a floating interest rate concluded with Pakri Tuulepargid OÜ, a derivative instrument (Interest Rate Cap) was used. The amount of the agreement is changing over time and the underlying amounts of the hedged instrument are not equal to the loan balance.

To hedge the interest risk arising from a loan agreement with floating interest rate, derivative instruments -Interest Rate Swaps have been used.

If a cash flow hedge meets the conditions for hedge accounting for the reporting period, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in equity (without any impact on profit or loss) and the ineffective portion (over-hedge above 100%) of the gain or loss on the hedging instrument is recognized in the income statement. In case a cash-flow hedge does not meet the conditions for hedge accounting, the cumulative gain or loss of the hedging instrument that has been recognized in revaluation reserve (equity) from the period when the hedge was effective is released to the profit (-loss) immediately.

10.4 Fair values

Set out below, is a comparison by class of the carrying amounts and fair values of the Group's financial instruments those where carrying amounts are reasonable approximations of fair values

	Carrying amount		**Fair value**	
	2017	**2016**	**2017**	**2016**
	As at 30 June	*As at 31 December*	*As at 30 June*	*As at 31 December*
	€000	**€000**	**€000**	**€000**
Assets				
Receivables from buyers	8 355	9 799	8 355	9 799
Short-term and long-term receivables				
Long-term loans	200	130	200	130
Short-term financial investments	11	0	11	0
Cash	24 871	28 117	24 871	28 117
Total	**33 437**	**38 046**	**33 437**	**38 046**
Liabilities				
Trade and other payables	5 051	5 093	5 051	5 093
Short-term loans and borrowings	24 316	32 238	24 316	32 238
Finance lease liabilities	15 578	17 019	15 578	17 019
Long-term loan loans and borrowings	218 932	220 949	218 932	220 949
Derivative instruments	6 836	9 545	6 836	9 545
Total	**270 713**	**284 844**	**270 713**	**284 844**

Cash, short-term and long-term receivables, loans, borrowings, finance lease liabilities and bonds are recognised in the consolidated statements by the amortized cost method and are assessed to be close to the market value.
Upon calculating fair value, the following methods have been used:

- Cash, short-term deposit and security deposits, accounts receivables, other short-term receivables, supplier payables and other short-term financial liabilities and payables are deemed to be equal to their fair value because they can be realised within one year.
- Other short-term financial liabilities, incl. derivative instruments are recognised at fair value in the consolidated financial statements (see Note 14).
- Fair value of long term loans and borrowings are determined by using discounted cash flow method using the prevailing market interest rate as at the end of reporting period. Due to the fact that all the borrowings are related to EURIBOR, the difference between estimated fair value and carrying amount were assessed to be insignificant.

10.5 Financial risk management objectives and policies

The management of different risks the Group encounters in its everyday activities is a significant and integral part of the Group's business activities. The organisation's ability to identify, measure and verify different risks is an important input to the Company's entire profitability. Risk is defined by the management as a potential negative deviation from the expected financial results. The main risk factors include: market risk (incl. currency risk and interest risk), credit risk and liquidity risk.

The Group's risk management is based on the requirements arising from the legislation, accounting standards as well as internal regulations and risk policies of the organisation. The risk management at a general level includes identification, measurement and supervision of risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

Interest risk

As at 30 June 2017, all long-term bank loans of the Group had a floating interest rate based on 1 month, 3 month or 6 month EURIBOR. As the Group uses derivative instruments, specifically swap-contracts and cap-contracts, to manage the interest risk of long-term bank loans, the financial expense does not depend on the movement of the European financial markets.

Foreign currency risk

The activities of the Group are aimed at the market of the Baltic States, the currencies of which are related to the euro. Thus, no significant currency risk exists and no separate instruments were used for hedging the currency risk in 2017.

Credit risk

No significant credit risk related to clients exists as electricity produced by the Group is paid for by the Estonian, Latvian and Lithuanian state companies, solvency of which cannot be doubted.

The maximum amount exposed to the credit risk as at the balance sheet date was as follows:

		2017	**2016**
		As at 30 June	*As at 31 December*
	Notes	**€000**	**€000**
Security deposits	10.1.1	9 833	9 892
Trade receivable		8 355	9 799
Other short term receivables		4	4
Long-term loans granted		200	130
Cash at bank and short term deposits	12	24 871	28 117
Total		**43 263**	**47 942**

Liquidity risk
Liquidity risk is a possible risk that the Group has limited or insufficient financial resources to fulfil the liabilities arising from the Group's activities. The management continuously monitors forecast cash flows by using the existence and sufficiency of the Group's financial resources to finance the assumed liabilities and fulfil the Group's strategic objectives. To manage the liquidity risk, the Group uses different financing sources, such as bank loans and owners' loans.

11. Inventories

		2017	2016
		As at 30 June	*As at 31 December*
	Notes	**€000**	**€000**
Supplies		2 630	2 059
Raw material		888	1 431
Unfinished production		0	11
Finished production		1 199	569
		4 717	**4 070**

12. Cash and short-term deposits

	2017	2016
	As at 30 June	*As at 31 December*
	€000	**€000**
Cash at banks and on hand	24 871	28 029
Short-term deposits	0	32
Escrow account*	0	56
	24 871	**28 117**

*Escrow account is restricted to the usage of bond emission money for specific investments and conditions.

13. Issued capital and reserves

	Ordinary shares	
	pcs	€000
At 31 June 2017	**8 279 414**	**82 794**
At 31 December 2016	**8 279 414**	**82 794**

Ordinary shares	**unit price**	**pcs**
2017	10	8 279 414
2016	10	8 279 414

Shareholder	Ordinary shares			
		2017 *As at 30 June*		2016 *As at 31 December*
	pcs	share %	pcs	share %
VARDAR EURUS AS	6 389 418	77,17%	6 389 418	77,17%
AS VESTMAN ENERGIA	360 602	4,35%	360 602	4,35%
HTB INVESTEERINGUTE AS	201 465	2,43%	201 465	2,43%
IVARD OÜ	446 243	5,39%	446 243	5,39%
JMB INVESTEERINGUTE OÜ	331 177	4,00%	331 177	4,00%
OÜ ATRADIUS	196 976	2,38%	196 976	2,38%
OÜ SOLARCOM	196 976	2,38%	196 976	2,38%
AMBIENT SOUND INVESTMENTS OÜ	121 694	1,47%	121 694	1,47%
OÜ KAKSSADA KAKSKÜMMEND VOLTI	12 532	0,15%	12 532	0,15%
OÜ UNITED PARTNERS INVESTMENTS	22 331	0,27%	22 331	0,27%
Total	**8 279 414**	**100%**	**8 279 414**	**100%**

	Notes	Risk hedge reserve
		€000
At 1 January 2016		**-3 264**
Change due to financial instruments revaluation	10.3	-514
Ineffective part of derivatives	10	621
At 31 December 2016		**-3 157**
Change due to financial instruments revaluation	10.3	2 659
At 30 June 2017		**-498**

Statutory capital reserve

According to the Commercial Code of the Republic of Estonia and the articles of association of the parent company, at least 5% of net profit is transferred to the legal reserve each year until the legal reserve accounts for at least 10% of share capital. The legal reserve may not be paid out as dividends, but it may be used to cover loss if losses cannot be covered from retained earnings and other reserves. The legal reserve may be also used to increase share capital.

14. Distributions made and proposed

	2017	2016
	€000	€000
Cash dividends on ordinary shares declared and paid		
Final dividend for 2015: 0,00 cents per share	0	0
Final dividend for 2016: 0,51 cents per share	4 217	0
	4 217	0
Proposed dividends on ordinary shares	4 217	0

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December 2016.

15. Government grants

	30 June 2017 Unaudited	31 December 2016 Unaudited
	€000	€000
At 1 January	**0**	**0**
Received subsidy	6 110	5 947
Reclassified to fixed assets	-587	0
Released subsidy to the statement of comprehensive income*	-5 487	-5 947
At 31 December	**36**	**0**
Current	0	0
Non-current	**36**	**0**

*In accordance with the Electricity Market Act § 59 and § 108 (3), Elering AS (Estonian transmission system operator) pays subsidy for electricity produced in the working wind farms and put to the network.

In Lithuania Feed in Tarif is used.

16. Commitments and contingencies

16.1 Operating lease commitments - Group as lessee

The Group has entered into commercial leases on certain motor vehicles, items of office equipment and office rentals. These leases have an average life between two and five years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The Group has a number of ground lease agreements varying from 20-99 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2017	2016
	As at 30 June	*As at 31 December*
	€000	**€000**
Within one year	979	979
After one year but not more than five years	3 938	3 989
After five years**	47 645	48 031
	52 563	**52 999**

*No ground lease future rentals have been disclosed in 2015, as gathering this information was not possible with reasonable effort and expense.
**The ground lease payments in Naujoji Energija UAB for the next 94 years are estimated to be in amount EUR 29 015 thousand euros.

16.1 Finance lease commitments

The Group has finance lease contracts for wind parks.

	Lender	Interest rate	Agreement date	Repayment date	Lease amount	Lease liability 2017	2016
						As at 30 June	*As at 31 December*
					€000	**€000**	**€000**
Iverneta UAB	Swedbank Lizingas UAB	6 month Euribor + 2,19%	27 May 2009	30 Mar.2023	21 564	9 445	10 159
Sudenu vejo elektra UAB	Swedbank Lizingas UAB	6 month Euribor + 2,19%	09 Jan.2009	30 May 2021	14 256	5 934	6 661
SIA Pellet 4Energia	SIA SEB Lizings	Fix 2,30%	09 Aug.2016	25 Aug.2021	140	176	133
SIA Pellet 4Energia	SIA SEB Lizings	Fix 2,25%	18 Aug.2016	25 Aug.2020	80	23	66
					35 820	**15 578**	**17 019**

Future minimum lease payments are, as follows:

	2017	2016
	As at 30 June	*As at 31 December*
	€000	**€000**
Within one year	2 939	2 940
After one year but not more than five years	12 639	11 820
More than five years	0	2 259
Total minimum lease payments	**15 578**	**17 019**

16.2 Guarantees
as at 30 June

Shares of the subsidiaries secure the loans which are related to the project financing of wind farms:	**Lender**	**Nominal value of shares**
		€000
Hanila Tuulepargid OÜ	SEB	32
Pakri Tuulepargid OÜ	SEB, Pohjola	32
Oceanside OÜ	SEB	213
Aseriaru Tuulepark OÜ	Swedbank	7 989
Naujoji energija UAB	SEB, Pohjola	9 818
Silales vejo elektra UAB	SEB	5 160
Iverneta UAB	Swedbank Lizingas UAB	3 739
Sudenu vejo elektra UAB	Swedbank Lizingas UAB	1 710
Silutes vejo projektai UAB	KFW-IPEX, SEB AB	8 468
		37 161

Other guarantees	**Receiver**	**Amount**	**End date**
		€000	
Silutes Vejo Projektai UAB to Lithuanian Military Forces	SEB AB	904	9 Feb.2019
		904	

17. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant period

2017	**Sales to related parties** *As at 30 June*	**Purchase from related parties** *As at 30 June*	**Amounts owed by related parties*** *as at 31 December*	**Amounts owed to related parties*** *as at 31 December*
	€000	**€000**	**€000**	**€000**
Empower 4 Wind OÜ	0	579	0	64
Oisu Biogaas OÜ	21	115	47	18
Vinni Biogaas OÜ	20	118	69	25
Wind Controller JV OY	0	160	0	42
	41	972	116	149

2016	**Sales to related parties** *As at 30 June*	**Purchase from related parties** *As at 30 June*	**Amounts owed by related parties*** *as at 31 December*	**Amounts owed to related parties*** *as at 31 December*
	€000	**€000**	**€000**	**€000**
Empower 4 Wind OÜ	0	715	0	104
Oisu Biogaas OÜ	26	145	29	31
Vinni Biogaas OÜ	28	137	53	34
Wind Controller JV OY	0	278	0	24
	54	1 275	82	193

* The amounts are classified as trade receivables and trade payables

2017	Interest income €000	Interest expense €000	Loan amounts owed by related parties ** *as at 31 December* €000	Loan amounts owed to related parties ** *as at 31 December* €000
Oisu Biogaas OÜ	1	0	81	0
Vinni Biogaas OÜ	7	0	130	0
	8	0	211	0

2016	Interest income €000	Interest expense €000	Loan amounts owed by related parties ** *as at 31 December* €000	Loan amounts owed to related parties ** *as at 31 December* €000
Oisu Biogaas OÜ*	0	0	0	0
Vinni Biogaas OÜ*	0	0	134	0
	0	0	134	0

Transactions with key management personnel

In the 2016, the management of Nelja Energia AS consisted of 3 members who were paid remunerations for the period 01 January till 30 June in 2017 in the total amount of EUR 129 thousand (01 January-30 June 2016: EUR 126 thousand). Members of the management have not received any pension-related rights from the Group.

Statement by the management board

Hereby we declare our responsibility for the Interim Condensed Consolidated Financial Statements and confirm that Nelja Energia AS unaudited Interim Condensed Consolidated Financial Statements for the semi-annual period of the financial year 2017 ended at 30 June 2017 give true and fair view of the financial position of the Group and of its operations and cash flows.

Member of the Management Board

Chief Executive Officer

Martin Kruus

Member of the Management Board

Chief Financial Officer

Kalle Kiigske

Member of the Management Board

Chief Technical Officer

Andrus Zavadskis

Tallinn, 31 July 2017