Interim report

1 January – 31 March 2023

Eesti Energia

Contents

Letter from the CEO

Dear reader

At the beginning of 2023, energy prices which had soared to exceptional heights in the Baltic Sea region began to decline. In the Baltic countries, the average market price of electricity, which had been nearly 265 €/MWh in December, dropped to around 100 €/MWh in January and even below 90 €/MWh in March.

While the downtrend in market prices was certainly a relief to tens of thousands of consumers, the drastic turnaround was not without challenges. Customer enquiries broke records in both February and March, increasing the workload of our customer service team, mostly because people sought advice on selecting an electricity plan. Our staff were particularly busy in Estonia where the national universal service caused additional enquiries.

Following the decrease in market prices, over 200,000 of Eesti Energia's customers that had been automatically transferred to universal service in Q4 2022 found that their electricity price was up to 45% higher than the market price. The law, however, does not permit the electricity supplier to automatically transfer customers to a more favourable electricity plan.

We thus decided in February to make all our universal service customers an offer to withdraw from universal service. By the end of March, more than 100,000 customers, that is over half of those that received the offer, had chosen a more favourably priced electricity plan and left universal service.

To support consumers in an environment of volatile electricity prices, we designed a new short-term fixed-price electricity plan, Fixed 6. The new solution that was launched in February has become a successful alternative to universal service, which is currently quite expensive. Fixed 6 enables customers to protect themselves against electricity price fluctuations by fixing the electricity price for six months without binding themselves to a fixed price on a long-term basis. Moreover, Fixed 6 has no early termination charge.

Since the beginning of 2023, over 130,000 customers have left universal service and over half of them have chosen a fixed-price electricity plan.

The only viable long-term solution to high electricity prices is renewable energy, which is also being developed by Eesti Energia's listed subsidiary Enefit Green. It is worth noting that the proportion of renewable electricity in our total electricity production has increased from around 25% in Q1 last year to over 40% in Q1 this year. Eesti Energia Group's renewable energy output in Q1 grew by 125 MWh year on year, rising to 539 MWh.

In Q1, Enefit Green continued development activities aimed at increasing renewable electricity output significantly before 2030. The company is currently building six wind farms in Estonia, Finland and Lithuania (with a total capacity of 546 MW) and two solar farms in Estonia and two in Poland (with a total capacity of 50 MW). Enefit Green is also continuing the development of the Gulf of Riga offshore wind farm, which is among the most advanced offshore projects in the Baltics, with the goal of bringing the offshore wind farm online already before the end of this decade. The production of offshore wind power is more stable and just 50 offshore wind turbines could supply half of the electricity currently consumed in Estonia.

Until we have sufficient new renewable energy production capacities, we will need oil-shale fired thermal power plants to ensure Estonia's security of supply. In Q1 2023, electricity production in Estonia extended to 1.3 TWh, of which 0.9 TWh, that is nearly 70%, was produced by the Group's subsidiary Enefit Power that operates the thermal power plants.

At the end of 2022, we replaced two defective heat exchangers at the Auvere power plant, which helped increase the availability of the plant. In Q1, the availability of the Auvere power plant was over 99% and the plant produced over 25% of total electricity generated in Estonia. The remaining two heat exchangers will be replaced during the plant's annual maintenance this year.

In oil shale consumption, we are moving consistently towards emission reduction and carbon neutrality. This also applies to electricity production at our thermal power plants in Narva. A third of electricity generated by Enefit Power in Q1 was produced from waste wood and retort gas, which is a by-product of shale oil production. The use of such fuels significantly reduces carbon emission, which in turn lowers electricity production costs and enables us to supply the market with more favourably priced electricity.

Micro-producers play an important role in increasing renewable energy production. Our responsibility is to support them and offer suitable solutions so that micro-production would sustain rapid growth. Micro-producer connection applications continue breaking records – 1,331 new electricity producers were connected to the distribution network of Eesti Energia's subsidiary Elektrilevi in Q1 2023. There are now nearly 17,000 electricity producers in Elektrilevi's network, including almost 9,000 micro-producers, that have a total generation capacity of 649 MW.

To enable new connections and improve operational reliability, we invested 32 million euros in the distribution network in Q1, which is 10 million euros more than a year earlier.

Our total capital expenditures grew more than twofold compared to the same period last year, rising to 160 million euros. The figure comprises development investments of 123 million euros and baseline investments of 37 million euros.

Eesti Energia's revenue for Q1 grew by 2% year on year, rising to 583 million euros, of which 43% was generated in Estonia and 57% in our other core markets. Shale oil production grew by 20% to 128 thousand euros, while shale oil sales volume increased by 8% to 112 thousand tonnes.

The Group's adjusted EBITDA for Q1 grew by 59% year on year, rising to 202 million euros and adjusted net profit improved by 85% year on year, rising to 143 million euros.

Andrus Durejko

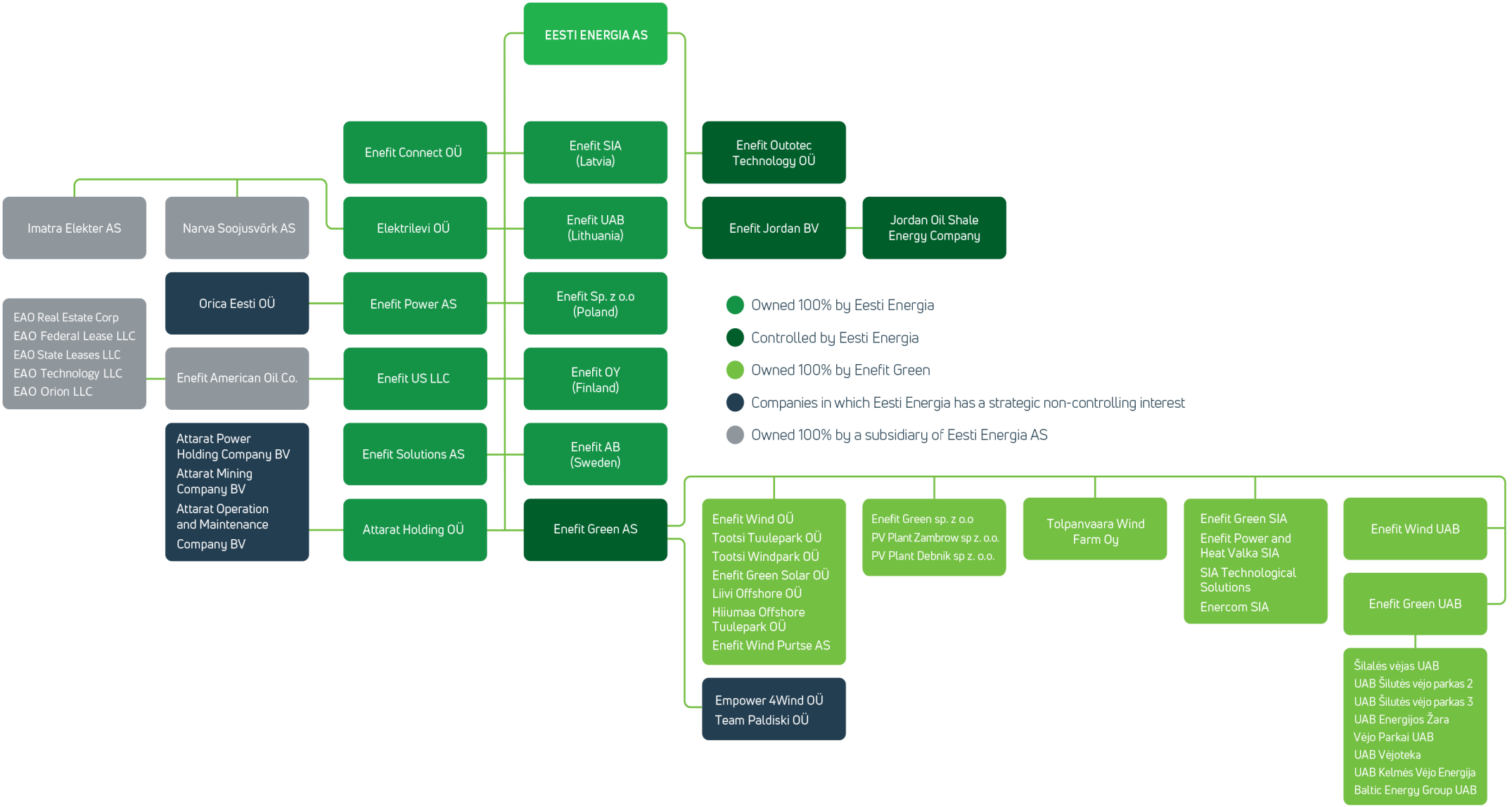
Chairman of the Management Board of Eesti Energia

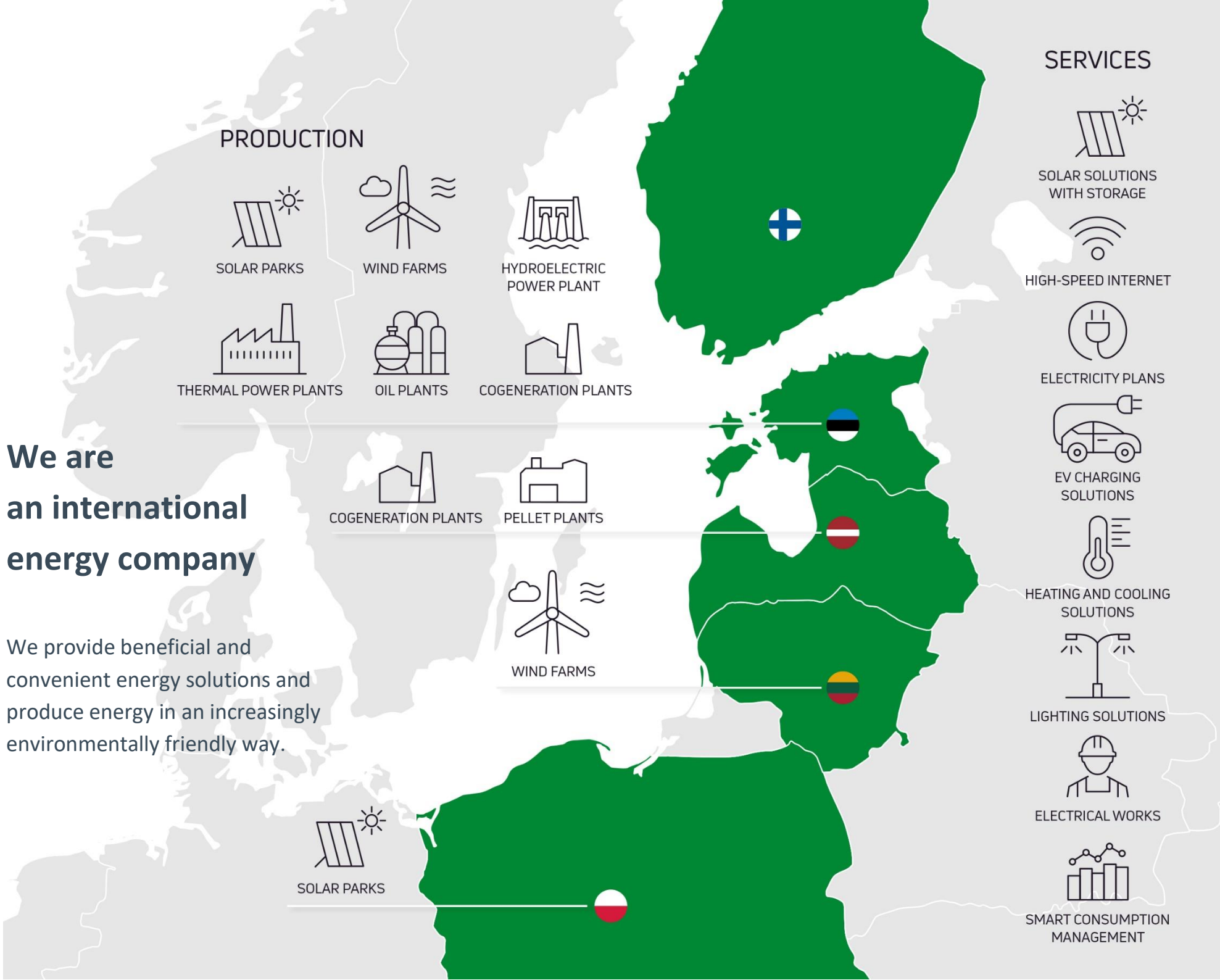
This is Eesti Energia

- Established **in 1939**
- **5,463 employees**
- **100%** owner: **Republic of Estonia**
- **5 home markets:** Estonia, Latvia, Lithuania, Poland, Finland
- **4 business lines:**
  - **Customer services** business line provides customers with useful energy solutions and exceptional customer experience. We sell electricity, heat, gas and energy solutions to both household and corporate customers.
  - **Renewable energy** business line consist of our subsidiary Enefit Green. Our renewable energy production sources are the most diverse in the Baltic Sea region. We produce energy from wind, sun, biomass, municipal waste and water.
  - **Large-scale energy production** business line incorporates our oil shale mining, electricity and oil production and asset management business units.
  - **Network services**: Our subsidiary Elektrilevi delivers electricity to almost all the households and companies in Estonia

The structure of Eesti Energia Group

as at 31 March 2023





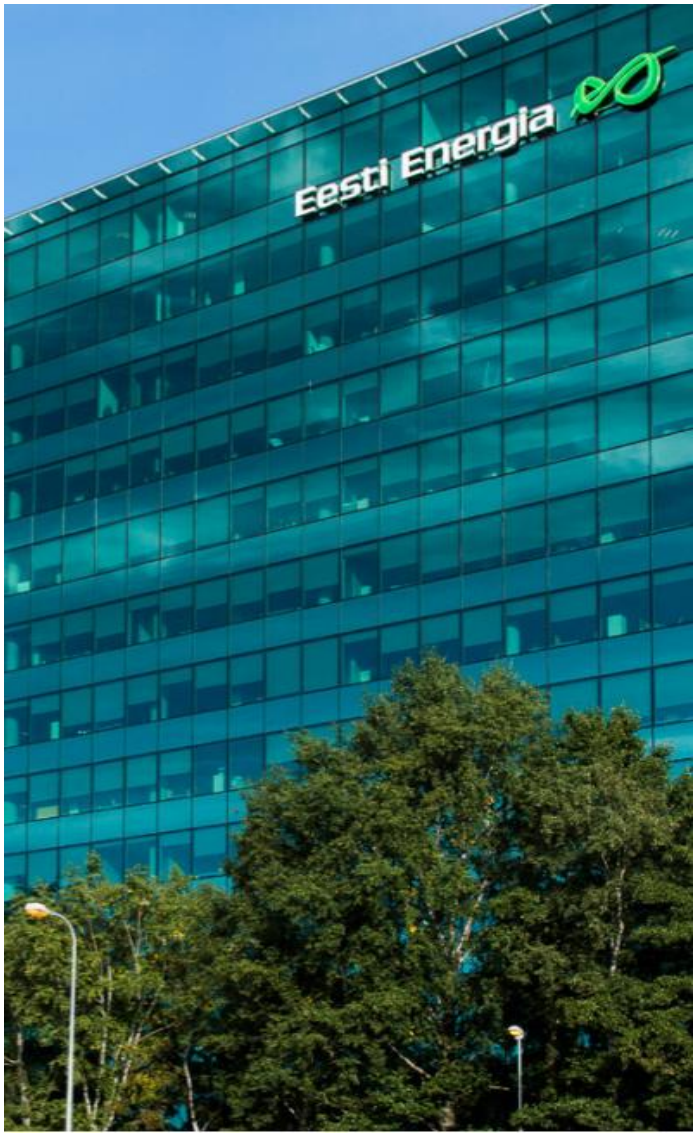
We are an international energy company

We provide beneficial and convenient energy solutions and produce energy in an increasingly environmentally friendly way.

Key figures and ratios

		Q1 2023	Q1 2022
Total electricity sales	GWh	2,868	2,880
Electricity distributed	GWh	1,879	1,967
Shale oil sales	th t	112	104
Average number of employees	No.	5,341	4,551
Electricity production	GWh	1,298	1,661
Shale oil production	th t	128	106
Heat production	GWh	397	419
Sales revenues	m€	582.7	571.5
EBITDA	m€	178.3	213.0
Adjusted* EBITDA	m€	202.3	127.3
Net profit	m€	118.6	163.0
Adjusted* net profit	m€	142.6	77.2
Investments	m€	159.5	59.3
Cash flow from operating activities	m€	71.2	268.1
Non-current assets	m€	3,975.8	3,636.5
Equity	m€	2,921.8	2,766.9
Net debt	m€	866.4	599.7
Net debt / EBITDA	times	2.2	1.3
ROIC	%	5.6	9.8
EBITDA margin	%	30.6	37.3

** Profit excluding the fair value adjustments of long-term PPAs*



Operating environment

We are an international energy company and, therefore, our business is mainly affected by oil, electricity and emission allowance prices, competition in the energy and customer markets, regulations that govern the energy sector and the development of new technologies.

Our performance in Q1 2023 was strongly influenced by the following movements in market prices (compared with a year earlier):

- electricity prices dropped by 26% in Estonia, 28% in Latvia and Lithuania, 3% in Poland and 15% in Finland;
- the average emission allowance price increased by 8%;
- the prices of crude oil and fuel oil decreased by 16% and 25%, respectively.

Electricity prices in our main markets dropped in Q1

Estonia participates in the Nord Pool power exchange where electricity producers that sell electricity on the power exchange trade with electricity suppliers that buy electricity from the power exchange in order to resell it to end consumers. Our performance indicators are the most sensitive to electricity prices in Estonia, Latvia, Lithuania and Poland because we both produce and sell electricity in those countries. Additionally, we sell electricity in Finland.

The electricity markets of Estonia and the neighbouring countries are well connected by means of interconnectors. Therefore, electricity production and prices are also affected by various factors outside our main markets, such as the levels of Norwegian hydro reservoirs, wind conditions in the region and the market price of natural gas.

Average electricity price (€/MWh)	Q1 2023	Q1 2022	Change
Estonia	99.4	133.4	-25.5%
Latvia	100.0	139.7	-28.4%
Lithuania	101.7	141.4	-28.1%
Poland	130.9	135.4	-3.3%
Finland	77.6	91.7	-15.4%
Norway	79.0	85.9	-8.0%
Denmark	103.1	152.6	-32.4%
Sweden	68.0	65.2	+4.2%

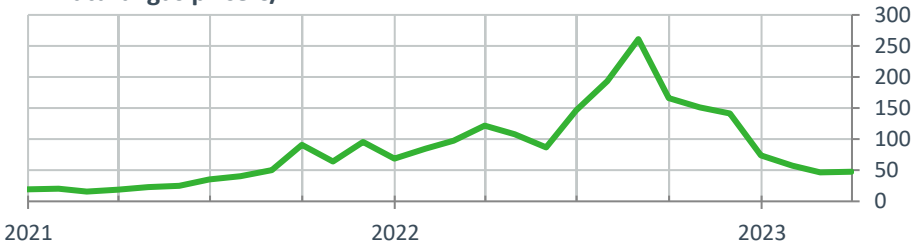
The Nord Pool intraday electricity prices have been highly volatile in recent years. During peak hours the electricity price is usually determined by the more expensive carbon-intensive power, whereas in base hours it is generally determined by renewable power, which has practically zero variable costs.

The Estonian electricity price in Q1 2023 was strongly affected by the downtrend in the prices of natural gas, warmer and windier weather than usual, and electricity production at the Finnish Olkiluoto 3 nuclear reactor and the neighbouring countries' hydropower plants.

Due to the weather, wind farms produced more electricity than usual while higher precipitation increased hydropower production. Water levels in Latvian rivers increased to their past 10 years' highest levels in Q1, supporting higher electricity output at the Plavinas and Daugava hydroelectric plants. In the second half of Q1, electricity prices were lowered by the test production phase at Olkiluoto 3 during which the nuclear reactor was operating at full capacity.

In peak hours, the electricity price in the region is typically determined by gas-fired power plants. As gas prices declined, peak hour electricity prices in Q1 2023 were lower than a year earlier. The average daily electricity price in Q1 was the highest on 23 January, when it was 173.4 €/MWh (-75.3 €/MWh compared with Q1 2022) and the lowest on 15 January, when it was 17.9 €/MWh (-6.3 €/MWh compared with Q1 2022).

TTF natural gas price €/MWh



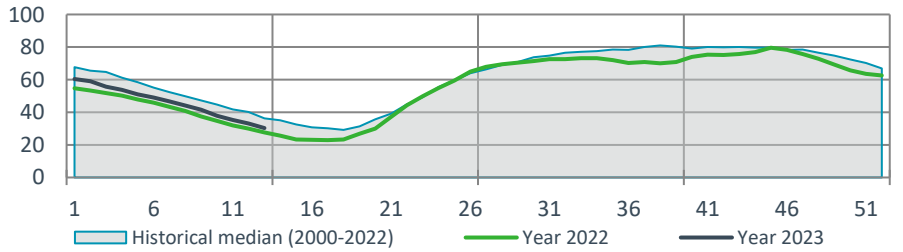
Source: TTF

The average price of natural gas on the Dutch gas trading platform TTF was 50.6 €/MWh in Q1 2023 (-50.8 €/MWh, -50.1% compared with Q1 2022). The steep fall in the price of natural gas is mainly attributable to relatively warm and windy weather, which reduced natural gas consumption and increased wind power production, as well as the levels of natural gas inventories in Europe, which are significantly higher than in previous years.

Natural gas is mostly procured and injected into storage facilities during the summer and withdrawn from storage and consumed during the winter. Therefore, the price of natural gas is exposed to cyclicality and spring is typically the period when the price hits a cyclical low.

The EU countries have also cut their natural gas consumption. In the period August – November last year, natural gas consumption in the EU dropped by 20% compared with the average consumption in the same period in 2017–2021. The biggest reductions were made in Finland and the Baltic countries. Due to higher solar and wind power production, the volume of electricity produced from natural gas has decreased by 90 TWh since March 2022.

Weekly levels of Nordic water reservoirs, % of maximum



Source: Nord Pool

Interconnectors supply the Baltic countries with Nordic hydropower, which is cheaper than other types of electricity. The average level of the Nordic hydro reservoirs in Q1 2023 was 46.0% of the maximum, which is 3.7 percentage points higher than in Q1 2022.

As the volume of snow and soil accumulated in the reservoirs this year is 63 TWh higher than a year earlier, hydropower production in 2023 is expected to increase year on year. Higher hydropower production will lower electricity prices in the region because a larger share of the required electricity can be produced by facilities with lower variable costs.

Use of coal-fired power plants is driving up emission allowance prices

The purpose of the EU Emissions Trading System (ETS) is to reduce greenhouse gas emissions in Europe by motivating energy producers to use less polluting raw materials and invest in more efficient production technologies.

The price of CO_2 emission allowances has a strong impact on the cost of electricity produced by the direct burning of oil shale, particularly at our older production facilities whose carbon intensity is higher. At the same time, a higher CO_2 emission allowance price increases the competitiveness of our renewable energy production units.

Prices of CO_2 emission allowances, €/t

Source: Intercontinental Exchange

The average CO_2 emission allowance price in Q1 2023 was 89.9 €/t, which is 8% (+6.7 €/t) higher than a year earlier. At the beginning of Q1, the allowance price continued rising due to higher coal power generation. In February 2023, the carbon allowance price broke the 100 €/t level for the first time, primarily because the EU ETS annual cycle ends after Q1. In connection with the decision of the European Parliament's Committee on Industry, Research and Energy to finance the achievement of renewable energy and energy efficiency targets with proceeds from the sale of CO_2 emission allowances earlier than originally planned, the prices dropped to 92 €/t by the end of Q1.

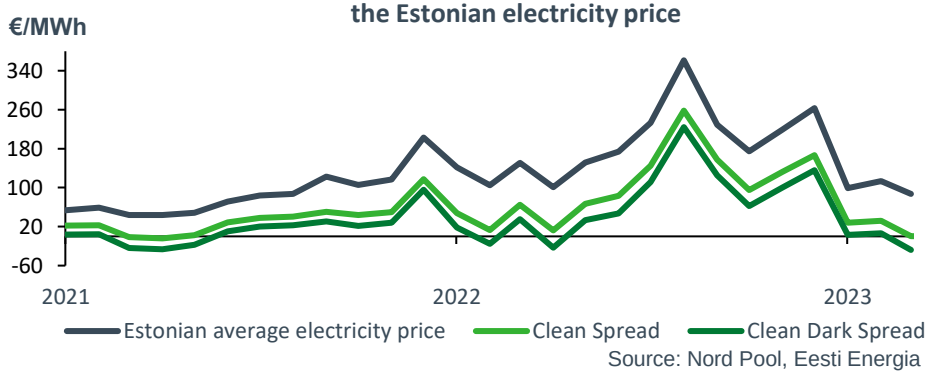
A key indicator for energy producers is the clean dark spread (CDS), which reflects an electricity producer's profit margin after the deduction of fuel and CO_2 emission allowance costs from the average market price of electricity. The clean spread is the sales margin that remains after the deduction of CO_2 emission allowance costs from the average market price of electricity.

Eesti Energia's clean spread in Q1 2023 was 20.3 €/MWh (-21.5 €/MWh compared with Q1 2022). The decrease in the clean spread is mainly attributable to a decline in the electricity price in Estonia (-34.0 €/MWh

compared with Q1 2022). The CO_2 emission allowance cost component decreased by 12.5 €/MWh compared with the same period last year.

Eesti Energia's CDS in Q1 2023 was -5.9 €/MWh (-18.3 €/MWh compared with Q1 2022). The oil shale cost component in CDS dropped by 3.2 €/MWh and the CO_2 emission allowance and oil shale cost component fell by 15.7 €/MWh year on year.

Eesti Energia's Clean Spread and Clean Dark Spread relation to the Estonian electricity price

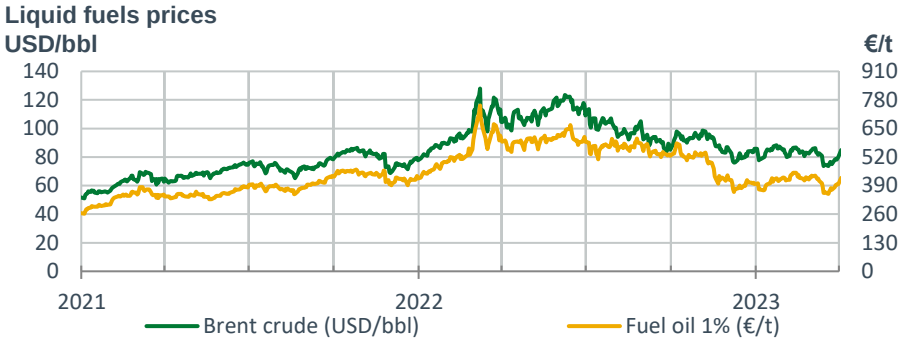


Source: Nord Pool, Eesti Energia

Crude oil and fuel oil prices decreased year on year

A widely-traded oil product that is closest in nature to our shale oil is fuel oil with 1% sulphur content whose price depends mainly on that of Brent crude oil. A rise in the prices of crude oil and fuel oil is positive for Eesti Energia because it raises the price of our shale oil, which increases our revenue.

Liquid fuels prices



Source: Platts

The average price of Brent crude oil in Q1 2023 was 82.2 USD/bbl, which is 16% (-15.6 USD/bbl) lower than in Q1 2022. Compared with Q4 2022, the average price of Brent crude decreased by 6.4 USD/bbl and was 79 USD/bbl at the end of March 2023.

Liquid fuel prices followed a downward trend similar to the price of crude oil in Q1 2023, mainly due to the slowing of the global economy and the resulting decline in demand. Due to the general market situation, liquid fuel prices were volatile in Q1. The main contributing factors were soaring inflation and the interest rate hikes implemented by central banks to curb inflation. Volatility was additionally fuelled by the easing of Covid-19 restrictions in China, which has increased the demand for liquid fuels.

The prices of oil products and fuel oil are mostly affected by the same factors, which is why oil and fuel oil prices trended in the same direction in Q1. The average price of fuel oil with 1% sulphur content was 407.4 €/t in Q1 2023, which is 25% (-136.9 €/t) lower than in Q1 2022.

Key events and highlights of Q1

Eesti Energia's supervisory board appointed a new management board

At the end of March, the previous management board led by Hando Sutter handed over the management of the company to the new chairman of the management board Andrus Durejko and his team, who took office on 1 April. On Eesti Energia's new board, Kelli Toss-Kaasik is responsible for customer solutions and services, Marlen Tamm is the CFO, Kristjan Kuhi is in charge of the Group's energy solutions development and Raine Pajo is responsible for the Group's strategic development projects and research activities.

Customer services

We offered 200,000 universal service customers a cheaper electricity plan

Universal service, created by the state in autumn 2022 to enable customers to buy electricity at a regulated price, provided certain relief for a few months but in Q1 2023 the market price of electricity dropped significantly, becoming over 20% lower than the price for universal service customers.

At the beginning of March Eesti Energia made its 200,000 universal service customers an offer to choose a cheaper fixed-price plan or an exchange price-based plan. Half of the universal service customers accepted the offer.

Altogether, over 130,000 customers have left universal service since the beginning of 2023 and over half of the leavers have chosen a fixed-price plan.

Renewable energy

Enefit Green acquired the Gulf of Riga offshore wind farm project

Enefit Green continues development activities aimed at launching large-scale renewable electricity production before 2030. The Gulf of Riga offshore wind farm is one of the most advanced offshore wind projects in the Baltics and the goal is to bring it online before the end of the current decade.

There is a growing need for sustainably produced and favourably priced electricity because many previously implemented technologies are being replaced by electricity-based solutions. Electricity production at the offshore wind farm would be more stable and it could supply half of the electricity currently consumed in Estonia with only 50 wind turbines.

Large-scale energy production

The availability of the Auvere power plant exceeded 99%

During the annual maintenance carried out in 2022, two heat exchangers at the Auvere power plant were replaced to increase the availability of the plant. The work served its purpose – in Q1 2023 the availability of the Auvere power plant exceeded 99% and the plant accounted for around 27% of electricity produced in Estonia during the period. The remaining two heat exchangers will be replaced during annual maintenance in 2023.

Network services

Elektrilevi training centre designed in a new modular design system

Last spring we began working with the Wooden Architecture Competence Centre of the Estonian Academy of Arts to design a low-carbon, modular, factory-produced, circular economy supporting wooden building for Elektrilevi's training centre. The best bidder for the construction work was Estnor OÜ that is going to build the very first building designed using the Academy of Arts' 369 Pattern Buildings design system in Kiili rural municipality in 2024. The project is a good example of how research and innovation can be used to build sustainably and smartly.

New micro-production records

Elektrilevi invested nearly 120 million euros in new connections and increasing the availability of the distribution network in 2022 but it is already clear that 2023 will see new records. The number of new micro-producer applications received in Q1 exceeded the figure for the same period last year by 400.

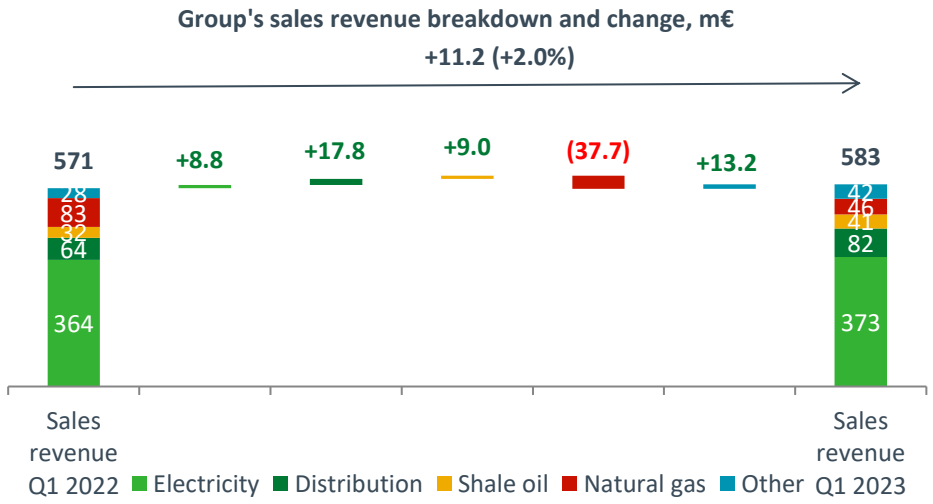
By the beginning of April, the number of electricity producers connected to Elektrilevi's network had increased to 16,893, the figure including 8,982 micro-producers. The total connected electricity production capacity was 649 MW. During Q1, 1,331 new electricity producers, including 1,121 micro-producers, were connected – the number of connected producers grew nearly 1.5 times while the connected production capacity grew nearly 2.5 times year on year.

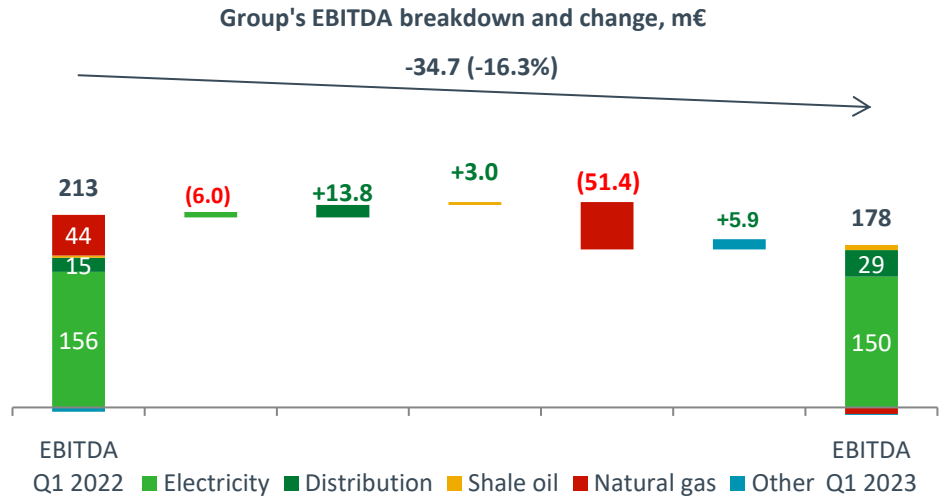
We send out fixed-price micro-producer connection offers within 11 days on average.

Financial results

Revenue and EBITDA

Eesti Energia's revenue for Q1 2023 was 582.7 million euros, which is 2% (+11.2 million euros) larger than in Q1 2022.





EBITDA amounted to 178.3 million euros, a decrease of 16% (-34.7 million euros) compared with a year earlier. EBITDA includes the change in the value of long-term power purchase agreements (PPAs) of -24.0 million euros (Q1 2022: +85.7 million euros). Adjusted EBITDA (excl. the effect of PPAs) for Q1 2023 was 202.3 million euros (+75.0 million euros, +59%). Net profit for the period was 118.6 million euros (-44.4 million euros, -27%) while adjusted net profit amounted to 142.6 million euros (+65.4 million euros, +85%).

Electricity revenue grew by 2% year on year, mainly due to higher sales prices. Distribution service and shale oil revenue grew by 28% and 29%, respectively. Distribution revenue grew through higher network charges and shale oil revenue increased due to a larges sales volume and a higher average price. Revenue from the sale of natural gas decreased by 45%, mostly due to a lower sales volume. Revenue from the sales of other products and ancillary services grew by 47%.

Electricity and natural gas EBITDA decreased year on year due to the remeasurement of unrealised derivative transactions. Adjusted electricity EBITDA, on the other hand, grew significantly compared with a year earlier. Distribution EBITDA increased, supported by a higher average sales price. Shale oil EBITDA grew, supported by a larger sales volume. EBITDA on other products and services improved year on year through growth in the sales volumes of ancillary services.

Electricity

Electricity revenue

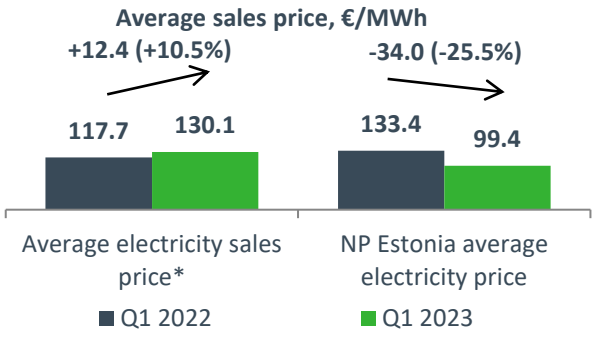
The sales price of electricity increased while the sales volume of electricity decreased slightly compared with Q1 2022. Electricity revenue for Q1 2023 grew by 2.4% year on year, rising to 373.3 million euros (+8.8 million euros).

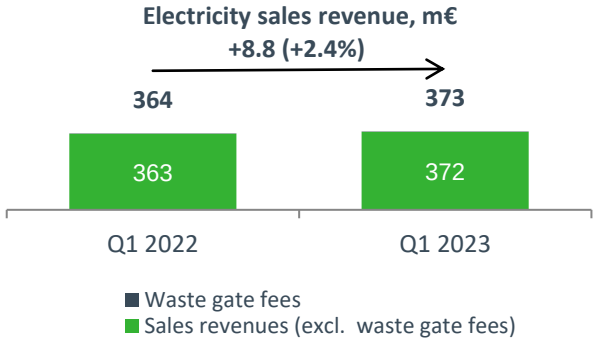
Average sales price of electricity

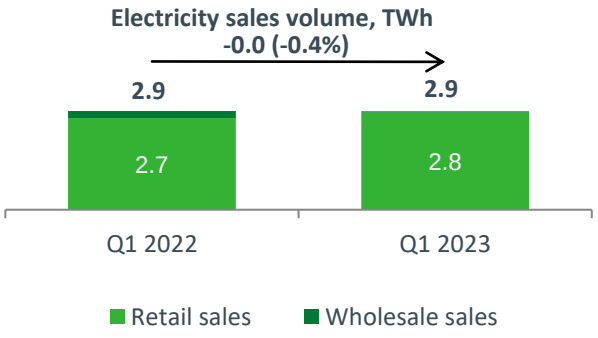
The Group's average sales price of electricity in Q1 2023 was 130.1 €/MWh, which is 10.5% (+12.4 €/MWh) higher than in Q1 2022.

The average sales price excludes the impact of derivative transactions. The period's average sales price, including the impact of derivatives, was 129.8 €/MWh, which is 2.9% (+3.6 €/MWh) higher than a year earlier.

Derivative transactions of Q1 2023 yielded a loss of 0.8 million euros compared with a gain of 24.5 million euros in the same period last year.







* Total average sales price of electricity product (including retail sales and wholesale). Average sales price excludes gain on derivatives and municipal waste gate fees

Electricity sales volume and Eesti Energia's market share

We sold 2,868 GWh of electricity in Q1 2023, which is 12 GWh (-0.4%) less than in the same period last year.

Compared with Q1 2022, wholesale sales decreased by 169 GWh (-81.4%) to 39 GWh while retail sales increased by 157 GWh (+5.9%), rising to 2,829 GWh. Retail sales broke down between markets as follows: Estonia 1,204 GWh (-16 GWh), Latvia 460 GWh (+1 GWh), Lithuania 659 GWh (+97 GWh), Poland 487 GWh (+74 GWh) and Finland 19 GWh (+1 GWh).

In terms of customers' electricity consumption volumes in Q1 2023, Eesti Energia's market share in Estonia was 59%, which is 2.5 percentage points larger than a year earlier (57%). Eesti Energia's market shares in Latvia and Lithuania in Q1 2023 were 18% and 21%, respectively.

Electricity production

We produced 1,298 GWh of electricity in Q1 2023, 21.9% (-364 GWh) less than in Q1 2022. The decline was attributable to a low electricity price, which was caused by lower natural gas prices, and warmer weather, which reduced electricity consumption. Production was also held back by high carbon allowance prices.

Our renewable energy output in Q1 2023 was 539 GWh (+30.2%, +125 GWh), of which 383 GWh was produced at Enefit Green (+10.9%, +38 GWh). The largest share of renewable energy was produced by wind farms, which generated 351 GWh of electricity (+13%, +39 GWh). The growth in renewable energy output was mainly due to the addition of new wind farms in Estonia and Lithuania.

Key figures of the electricity product

		Q1 2023	Q1 2022
Return on fixed assets	%	16.8	10.0
Electricity EBITDA	€/MWh	52.2	54.0

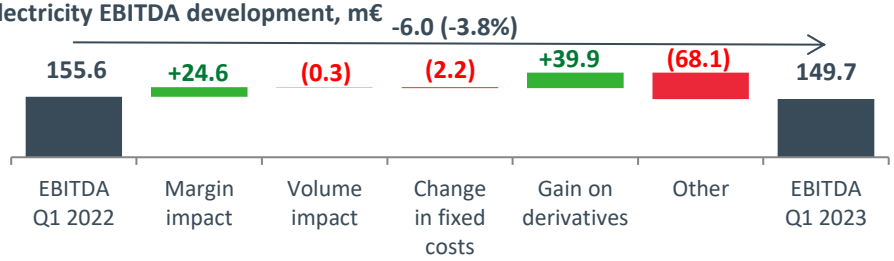
Electricity EBITDA

Electricity EBITDA for Q1 2023 was 149.7 million euros (-4%, -6.0 million euros).

The effect of a higher margin on EBITDA development was +24.6 million euros (+8.6 €/MWh). Average electricity revenue per megawatt hour (excl. the effect of derivative transactions) grew by 11.2 euros (impact: +32.2 million euros). Average variable costs grew by 2.7 €/MWh, which had an impact of -7.6 million euros, mainly due to higher electricity and biofuel purchase costs.

The decrease in electricity sales volume lowered EBITDA by 0.3 million euros while derivative transactions improved EBITDA by 39.9 million euros.

Electricity EBITDA development, m€



The effect of a change in fixed costs was -2.2 million euros. The growth in fixed costs was driven by higher payroll costs (impact: -3.3 million euros). Other impacts of -68.1 million euros mostly reflect changes in the value of derivative transactions, including changes in the values of long-term PPAs of -109.8 million euros.

Distribution

Distribution revenue, sales volume and price

In Q1 2023, electricity distribution revenue grew by 28.0% year on year, rising to 81.5 million euros (+17.8 million euros), while sales volume declined by 4.5% year on year, decreasing to 1,879 GWh (-88.6 GWh).

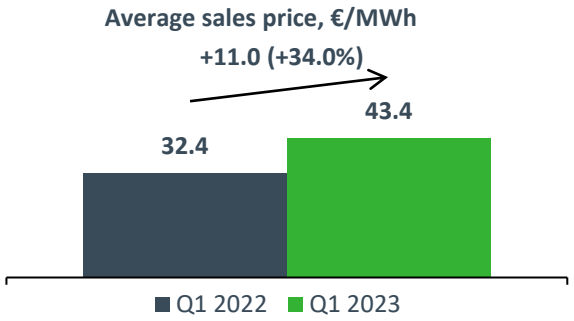
The average sales price of the distribution service was 43.4 €/MWh in Q1 2023, which is +11.0 €/MWh higher than a year earlier.

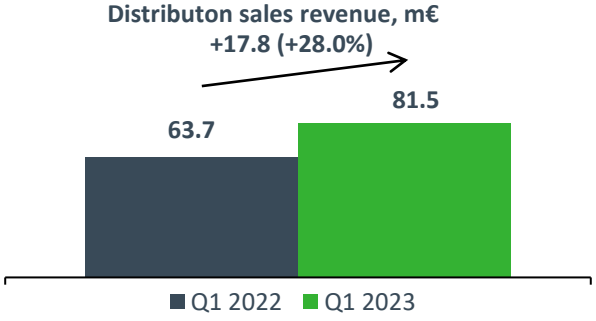
Distribution losses

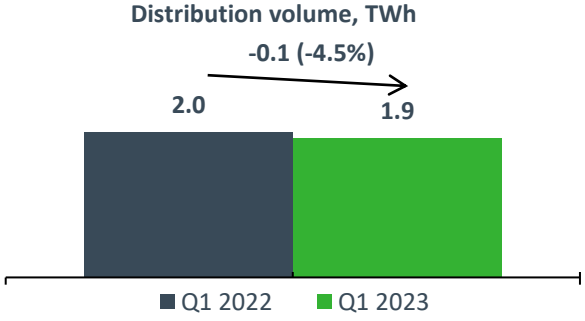
The period's electricity distribution losses totalled 84.5 GWh, accounting for 4.2% of electricity entering the network (Q1 2022: 74.5 GWh and 3.6%).

Supply interruptions

The average duration of unplanned supply interruptions in Q1 2023 was 61.5 minutes (Q1 2022: 110.8 minutes) due to ordinary weather conditions during the period – the weather in January was stormy as usual.







The average duration of planned supply interruptions was 18.8 minutes (Q1 2022: 19.2 minutes). The duration of planned supply interruptions depends on the volume of planned network maintenance and renewal.

Key figures of the distribution product

		Q1 2023	Q1 2022
Return on fixed assets	%	1.0	-0.9
Distribution losses	GWh	84.5	74.5
SAIFI	index	0.5	0.8
SAIDI (unplanned)	index	61.5	110.8
SAIDI (planned)	index	18.8	19.2
Adjusted RAB	€m	889	848

Power outages can be reduced by replacing bare conductors with weatherproof cables. At the end of Q1 2023, 95.0% of our low-voltage distribution network and 43.1% of our medium-voltage distribution network was weatherproof.

Distribution EBITDA

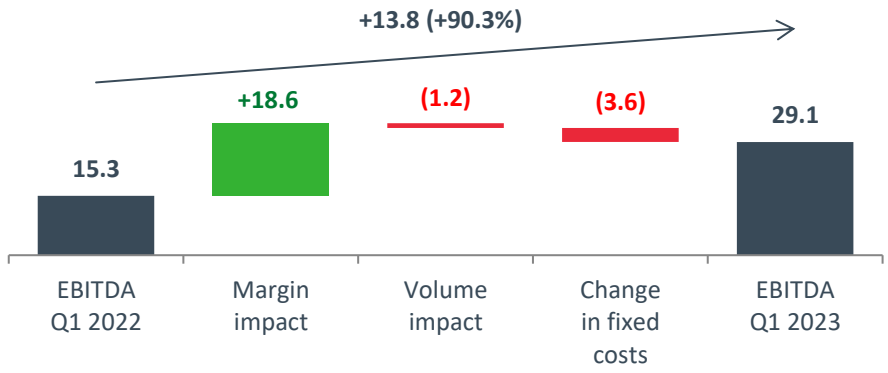
Distribution EBITDA for Q1 2023 was 29.1 million euros (+90%, +13.8 million euros).

The sales volume of the distribution service decreased by 5%. The effect on EBITDA was -1.2 million euros.

Fixed costs related to the distribution service grew by 3.6 million euros year on year, mainly due to higher payroll and repair and maintenance costs.

Distribution service margin increased in Q1 2023 (impact: +18.6 million euros). Average sales revenue grew by 11.0 €/MWh while average variable costs increased by 1.1 €/MWh.

Distribution EBITDA development, m€



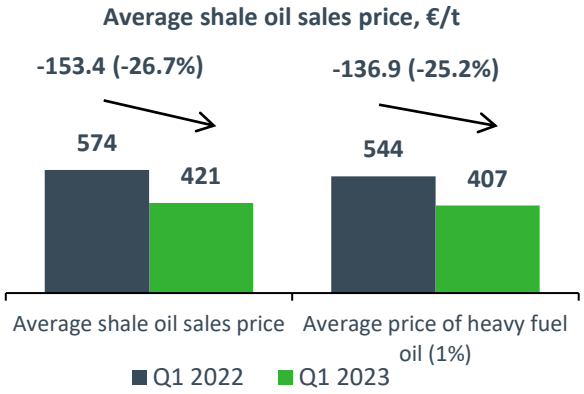
Shale oil

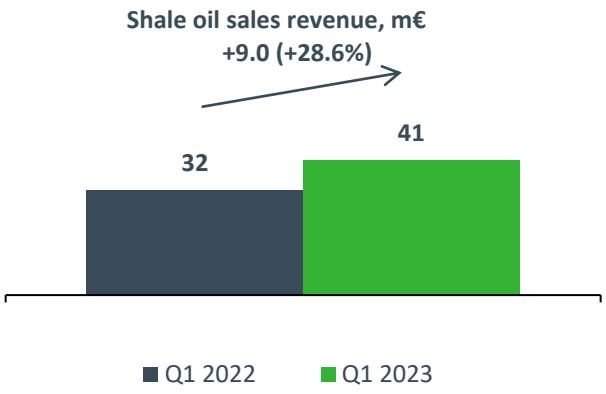
Shale oil revenue and sales volume

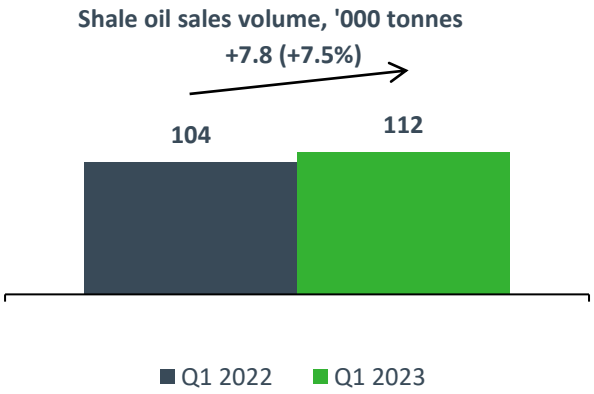
We sold 111.9 thousand tonnes of shale oil in Q1 2023, which generated revenue of 40.6 million euros. Shale oil revenue grew by 28.6% (+9.0 million euros) year on year. Sales volume increased by 7.5% (+7.8 thousand tonnes) due to growth in output and sales optimisation.

Shale oil price

The average sales price of shale oil (excl. the impact of derivative transactions) decreased by 26.7% compared with Q1 2022, dropping to 420.7 €/t (-153.4 €/t).







Derivative transactions of the period yielded a loss of 57.4 €/t. The average sales price of shale oil, including the impact of derivative transactions, was 363.3 €/t (+19.6%, +59.5 €/t compared with Q1 2022).

Shale oil production volume

We produced 127.6 thousand tonnes of shale oil in Q1 2023, which is 20.3% (+21.5 thousand tonnes) more than in the same period last year. Output increased due to greater availability.

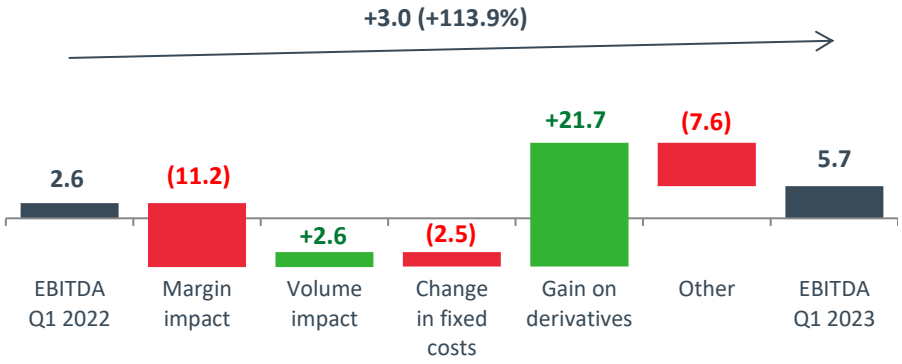
Key figures of the shale oil product

		Q1 2023	Q1 2022
Return on fixed assets	%	-10.1	-0.9
Shale oil EBITDA	€/t	50.7	25.5

Shale oil EBITDA

Shale oil EBITDA for Q1 2023 was 5.7 million euros (+114%, +3.0 million euros).

Shale Oil EBITDA development, m€



The impact of a lower margin on EBITDA development was -11.2 million euros (-100 €/t). The average sales price decreased by 153 €/t compared with a year earlier. Average variable costs decreased by 53 €/t, mainly due to lower greenhouse gas emission charges.

Shale oil sales volume grew by 7.8 thousand tonnes (+8%) year on year to 111.9 thousand tonnes. The growth in sales volume improved shale oil EBITDA by 2.6 million euros.

The effect of the segment's fixed costs was -2.5 million euros, mainly due to higher payroll costs. The impact of derivative transactions on EBITDA was +21.7 million euros compared with a year earlier. Other impacts of -7.6 million euros include mainly the change in the value of unrealised derivative transactions.

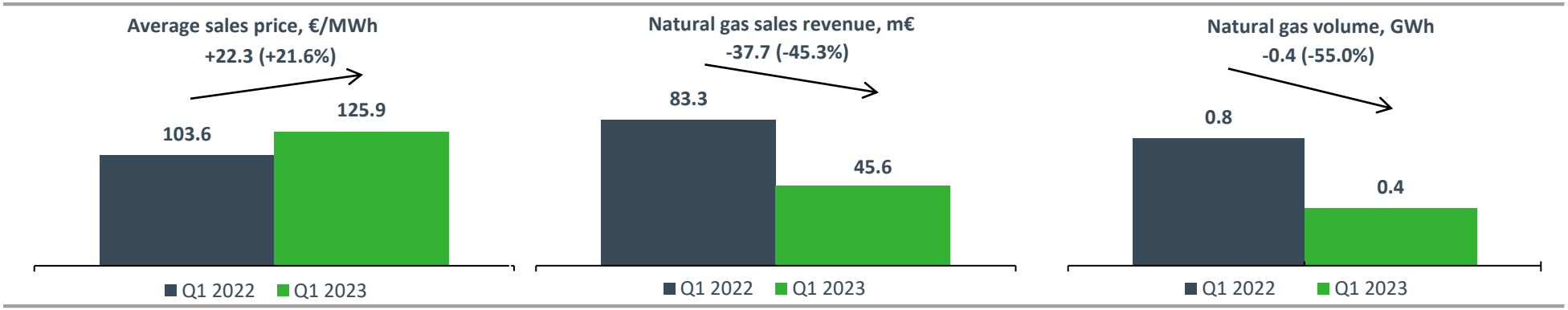
Natural gas

Natural gas revenue and sales volume

In Q1 2023, the Group's natural gas revenue decreased by 45.3% year on year to 45.6 million euros (-37.7 million euros) and sales volume declined by 55.0% to 362 GWh (-442 GWh). Natural gas sales broke down between markets as follows: Estonia 39 GWh (-173 GWh), Latvia 80 GWh (-36 GWh), Lithuania 24 GWh (-202 GWh) and Poland 218 GWh (-32 GWh).

Natural gas price

The average sales price of natural gas in Q1 2023 was 125.9 €/MWh, which is 21.6% (+22.3 €/MWh) higher than in Q1 2022.



Key figures of the natural gas product

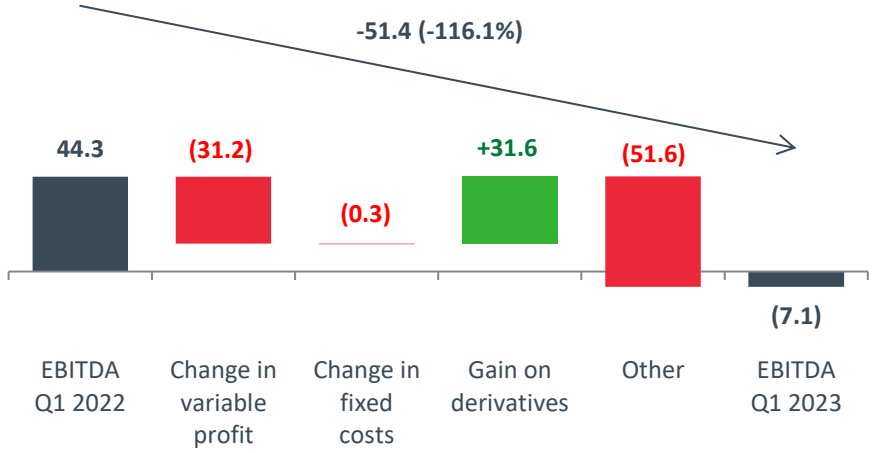
		Q1 2023	Q1 2022
Natural gas EBITDA	€/MWh	-19.7	55.1

Natural gas EBITDA

Natural gas EBITDA for Q1 2023 was -7,1 million euros (-116%, -51.4 million euros).

Variable profit on the sale of natural gas decreased by 31.2 million euros. The effect of growth in fixed costs was -0.3 million euros and the impact of realised derivative transactions was +31.6 million euros compared with a year earlier. Thus, EBITDA excluding the effect of the change in the value of derivative transactions remained at the level of the previous year. The item with the strongest impact on natural gas EBITDA was the change in the value of unrealised derivative financial instruments with a total effect of -51.6 million euros (+45.3 million euros in Q1 2022; -6.2 million euros in Q1 2023).

Natural gas EBITDA development, m€



Other products and services

The segment of other products and services comprises the sale of heat, industrial equipment and ancillary services. Our main ancillary services are charging, lighting, solar and flexibility services as well as services related to heating and cooling equipment. The effects of one-off transactions are also reported in this segment.

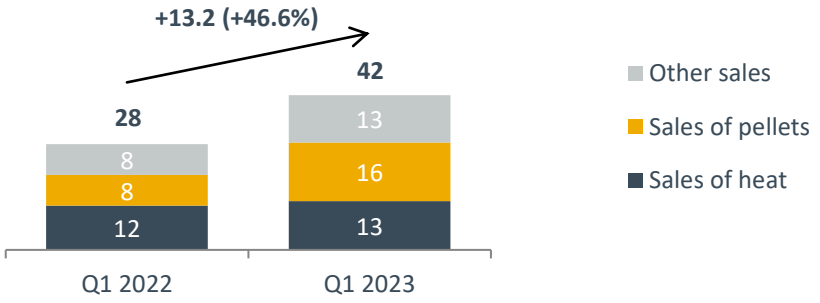
Revenue from the sale of other products and services

Revenue from the sale of other products and services amounted to 41.6 million euros in Q1 2023. Revenue grew by 47% (+13.2 million euros) compared with the same period in 2022.

Revenue from the sale of heat grew by 1.2 million euros due to a higher sales price.

Revenue from the sale of pellets grew by 7.5 million euros year on year. Total segment revenue was also supported by revenue from the sale of mining products and various ancillary services.

Sales revenue from other products and services, m€



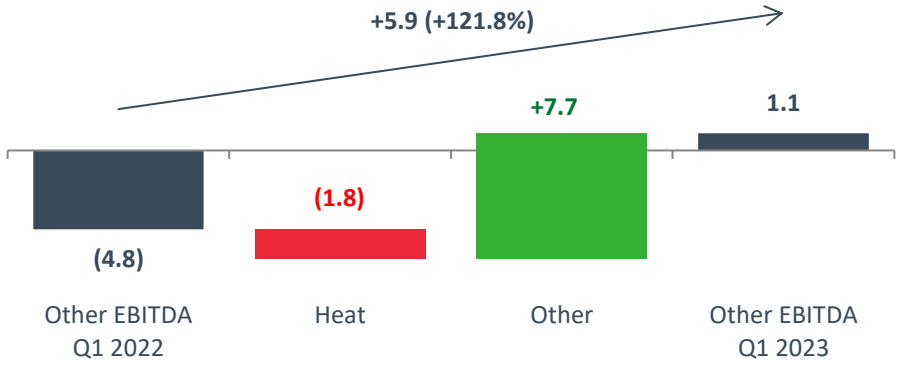
EBITDA on other products and services

In Q1 2023, EBITDA on other products and services grew by 5.9 million euros year on year, rising to 1.1 million euros.

Heat EBITDA decreased by 1.8 million euros due to higher variable and fixed costs.

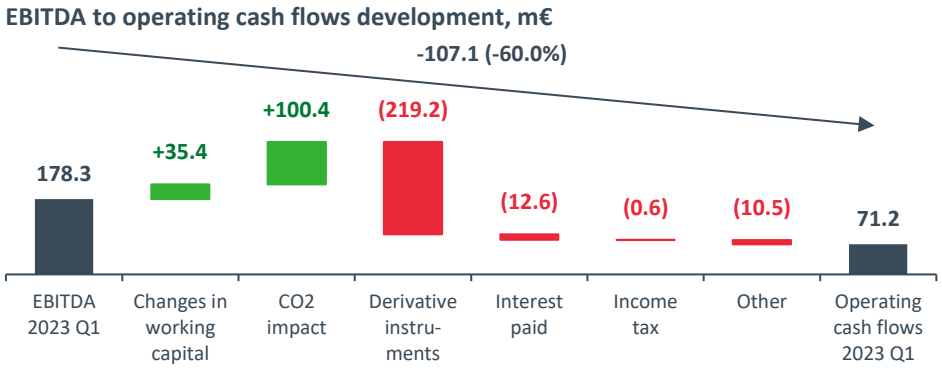
Other impacts on EBITDA totalled +7.7 million euros. The items with the strongest positive impact were the sales of pellets, frequency reserve services and solar services.

Other EBITDA development, m€



Cash flows

The Group's net operating cash flow for Q1 2023 amounted 71.2 million euros, being 107.1 million euros (60.0%) lower than EBITDA, which amounted to 178.3 million euros.



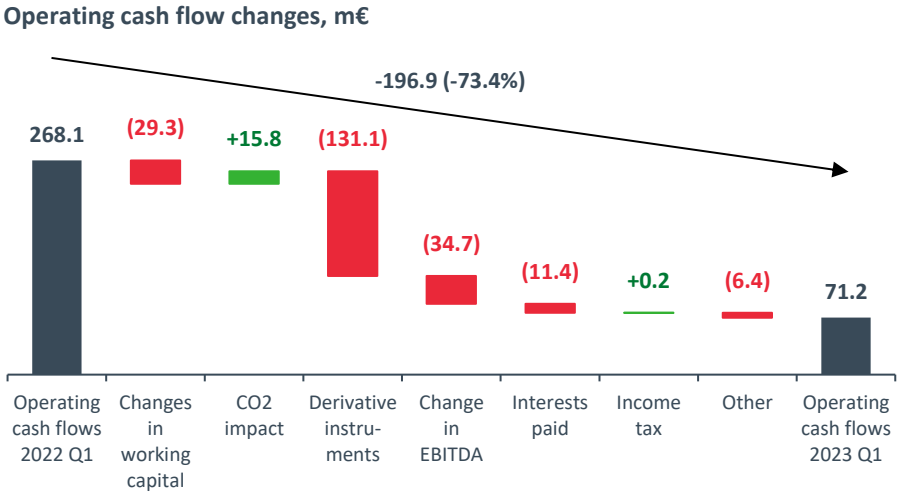
Changes in working capital increased net operating cash flow by 35.4 million euros compared with EBITDA. Working capital was strongly affected by a decrease in current receivables (+55.2 million euros), a decrease in inventories (+22.8 million euros), an increase in other current assets (-28.6 million euros) and a decrease in current liabilities (-14.0 million euros).

Settlements related to CO_2 emission allowances increased operating cash flow by 100.4 million euros compared with EBITDA.

The impact of derivative financial instruments (excl. CO_2 instruments) was -219.2 million euros. The figure includes the impacts of electricity derivatives of -200.5 million euros, shale oil derivatives of -21.1 million euros and natural gas derivatives of +1.6 million euros. The impacts of derivative financial instruments comprise both cash and non-cash impacts on EBITDA and operating cash flow.

Interest paid on borrowings reduced net operating cash flow by 12.6 million euros. Income tax paid in Q1 2023 amounted to 0.6 million euros. Other impacts on operating cash flow totalled -10.5 million euros.

Q1 operating cash flow decreased by 196.9 million euros (73.4%) year on year.



Changes in working capital reduced net operating cash flow by 29.3 million euros compared with Q1 2022. The figure includes the effects of changes in current receivables of +45.9 million euros, in inventories of +32.3 million euros, in current liabilities of -78.4 million euros and in other current assets of -29.1 million euros.

The impact of settlements related to CO_2 emission allowances was +15.8 million euros.

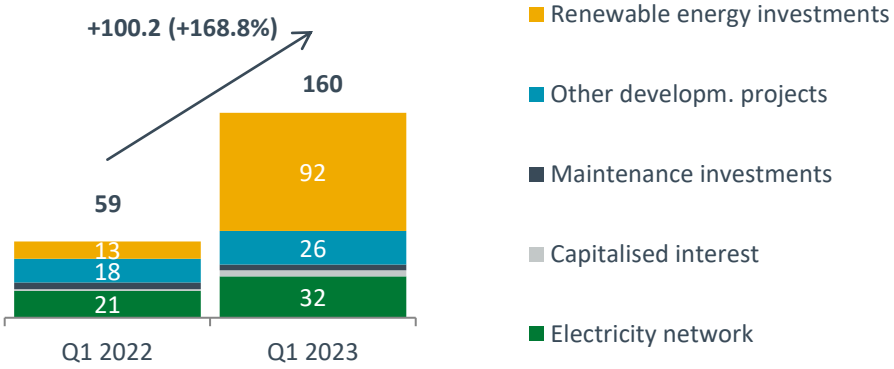
The impact of derivative financial instruments (excl. CO_2 instruments) was -131.1 million euros. The figure includes the impacts of electricity derivatives of -88.8 million euros, shale oil derivatives of -18.2 million euros, natural gas derivatives of +3.8 million euros and other derivatives of +0.7 million euros.

Income tax paid in Q1 2023 was 0.2 million euros lower than in Q1 2022. Interest paid on borrowings was 11.4 million euros larger than a year earlier. Other impacts totalled -6.4 million euros.

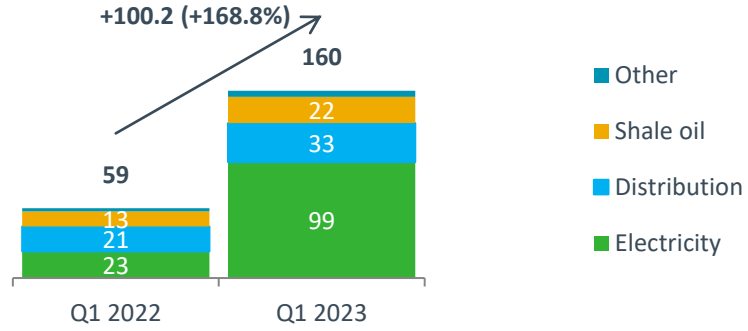
Investment

We invested 159.5 million euros in Q1 2023, which is 168.8% (+100.2 million euros) more than a year earlier. Expenditure on the electricity distribution network amounted to 32.2 million euros (+52.7%, +11.1 million euros) and expenditures on the maintenance and improvement of existing assets (excl. the distribution network) totalled 4.6 million euros (-11.1%, -0.6 million euros).

Capex breakdown by projects, m€



Investment breakdown by products, m€



Increasing renewable energy production

To increase our renewable energy output, we invested in wind farm developments in Estonia (48.6 million euros), Lithuania (26.9 million euros) and Finland (2.3 million euros). The largest investments were made in the Purtse and Tootsi wind farms in Estonia and in the Kelme, Akmene and Šilale wind farms in Lithuania.

The first wind turbines in the 75 MW Akmene wind farm have already come online and the 43 MW Šilale II wind farm has also produced its first electricity. In the 72 MW Tolpanvaara wind farm being built in Northern Finland, the foundations are ready and turbine installation will begin in Q2. Preliminary works in the area of the 80 MW Kelme I wind farm in Lithuania have also started.

Additionally, we invested 12.0 million euros in the development of solar farms in Estonia. The largest solar power investments were made in the Purtse solar farm.

Increasing the efficiency of large-scale energy production

Investments made in the development of the chemicals industry were 20.4 million euros in Q1. The new chemicals plant, which is scheduled to be completed in 2024, will increase our annual liquid fuel output to 700,000 tonnes.

We also continued to implement an oil shale gasoline project at our E280 liquid fuels plant. The project is aimed at increasing our oil shale gasoline output by around 8,400 tonnes per year and adding higher value to oil shale in our existing chemicals industry.

Improving the quality of the distribution service

Investments made in Q1 2023 to maintain and continuously improve the quality of the electricity distribution service totalled 18.0 million euros (Q1 2022: 12.1 million euros). We built 62 substations and 348 kilometres of network (Q1 2022: 68 substations and 244 kilometres of network).

At the end of Q1 2023, 95.0% of Elektrilevi's low-voltage distribution network was weatherproof (at the end of Q1 2022: 93.5%). During the quarter, the weatherproof low-voltage overhead network grew by 157 km and the bare conductor network decreased by 132 km. At the end of Q1 2023, 72.9% of Elektrilevi's entire low- and medium-voltage distribution network was weatherproof (at the end of Q1 2022: 71.4%).

At the end of Q1 2023, 93.4% of Imatra's low-voltage distribution network was weatherproof (Q1 2022: 93.1%) and 66.2% of its entire low- and medium-voltage distribution network was weatherproof.

Financing

Development projects in the energy sector are generally capital intensive. Our own available funds are not always sufficient to build new production facilities or to undertake significant business expansions. To carry out major development projects, we therefore raise debt capital from the market.

In making financing decisions, we observe Eesti Energia's financing policy, which sets out our financing principles as well as the permitted debt ratio and sources of debt financing. According to the policy, Eesti Energia's target is to keep its net debt to EBITDA ratio below 3.5 in the long term (the ceiling may be exceeded in the short term when major investments or acquisitions are made).

Our main sources of debt capital are the international bond market and investment loans from the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the Nordic Investment Bank (NIB) and commercial banks. We also use revolving credit and guarantee facilities obtained from regional banks.

The Group's borrowings at the end of Q1 2023 amounted to 1,093 million euros at nominal value (at the end of 2022: 1,050 million euros) and 1,100 million euros at amortised cost (at the end of 2022: 1,055 million euros).

Long-term borrowings as at the reporting date consisted of Eurobonds listed on the London Stock Exchange of 500 million euros and loans raised from EIB of 55 million euros, from NIB of 77 million euros, from EBRD of 7 million euros (31.1 million Polish zloty) and from commercial banks of 454 million euros, including revolving credit facilities of 120 million euros (all nominal amounts). At the end of Q1 2023, the Group's bank loans included loans of 268 million euros taken by the subsidiary Enefit Green, the figure including the 7 million euro loan from EBRD and the 77 million euro loan from NIB. The parent's loans from commercial banks amounted to 270 million euros, consisting of a loan of 150 million euros from Swedbank that will mature in June 2024 and use of revolving credit facilities of 120 million euros (70 million euros from Swedbank and 50 million euros from OP).

In Q1 2023, Enefit Green made regular contractual loan repayments of 2.5 million euros to the local commercial bank SEB, 1 million euros to the local commercial bank Swedbank and 3.5 million euros to NIB and the parent drew down 50 million euros from a revolving credit facility provided by OP.

The Group's liquid assets at the end of Q1 2023 totalled 233.6 million euros (cash at bank). In addition, at the reporting date the Group had undrawn loans of 1,370 million euros, of which 995 million euros was attributable to the parent and 375 million euros was attributable to the subsidiary Enefit Green. In Q1 2023, Enefit Green signed a loan agreement of 100 million euros with NIB and a loan agreement of 225 million euros with SEB. In February 2023, the Group's parent raised a sustainability linked syndicated loan of 600 million euros with a term of 5 years and a variable interest rate to refinance the repurchase of the bonds which mature in September 2023 and investments in the Group's carbon neutrality strategy.

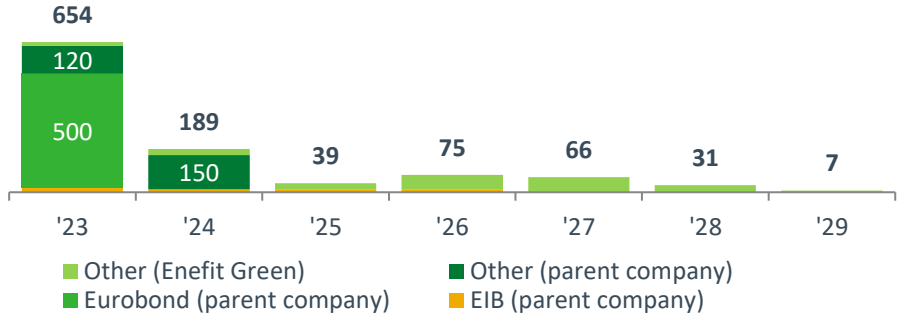
The Group's revolving credit facilities extended to 320 million euros at the reporting date (150 million euros from OP Corporate Bank, 100 million euros from SEB and 70 million euros from Swedbank), of which the Group had drawn down 70 million euros from Swedbank and 50 million euros from OP. The revolving credit facilities comprise credit lines raised by the parent of 270 million euros million euros and credit lines raised by Enefit Green of 50 million euros

The Group's undrawn long-term investment loans totalled 245 million euros at the end of Q1 2023. The figure comprises loans raised by Eesti Energia from EIB in December 2019 and June 2020 of 175 million euros and 70 million euros, respectively.

The parent's revolving credit facilities mature as follows: 70 million euros in August 2026 (0 million euros undrawn) and 200 million euros in September 2025 (150 million euros undrawn). Enefit Green's revolving credit facilities mature as follows: 20 million euros in both September 2024 and September 2026 (both amounts undrawn) and 10 million euros in May 2025 (10 million euros undrawn).

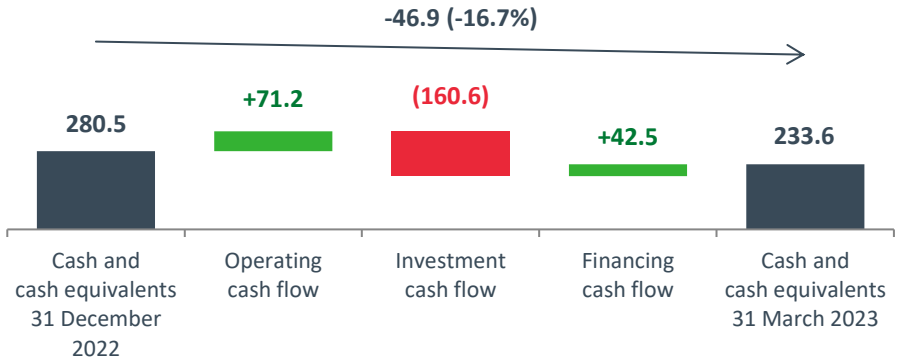
The weighted average interest rate of Eesti Energia's borrowings as at the end of Q1 2023 was 2.63% (at the end of 2022: 2.47%).

Debt maturity, m€



At the end of Q1 2023, the Group had borrowings of 719 million euros with fixed interest rates and borrowings of 374 million euros with floating interest rates (at the end of 2022: borrowings of 723 million euros with fixed interest rates and borrowings of 327 million euros with floating interest rates). Out of total borrowings, 99% are denominated in euros. One loan liability of 7 million euros (the loan from EBRD) is denominated in Polish zloty.

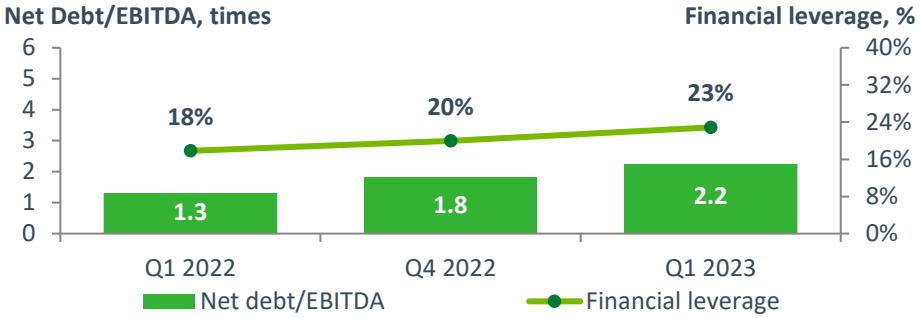
Liquidity development in Q1 2023, m€



At the reporting date, the Group's net debt amounted to 866.4 million euros (at the end of 2022: 774.1 million euros) and net debt to EBITDA ratio was 2.2 (at the end of 2022: 1.8). The current net debt to EBITDA ratio is below the target ceiling of 3.5 set out in the Group's financing policy. In March 2023, the credit rating agency S&P updated Eesti Energia's credit analysis: the credit rating remained the same but outlook was revised from negative to stable. At the end of Q1 2023, Eesti Energia's credit ratings were the same.

Eesti Energia's credit ratings are BBB- (Standard & Poor's, outlook stable) and Baa3 (Moody's, outlook stable). Eesti Energia's financing policy is aimed at maintaining investment grade credit ratings from international rating agencies.

Net debt/EBITDA ratio and financial leverage



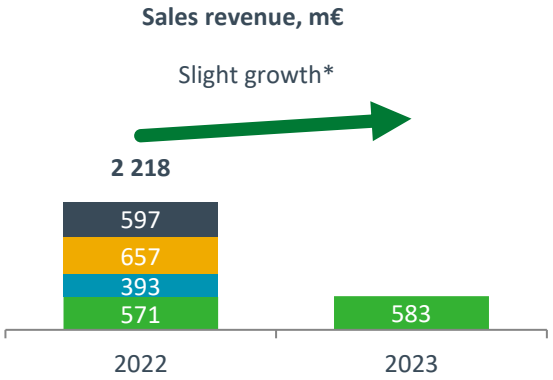
Outlook for 2023

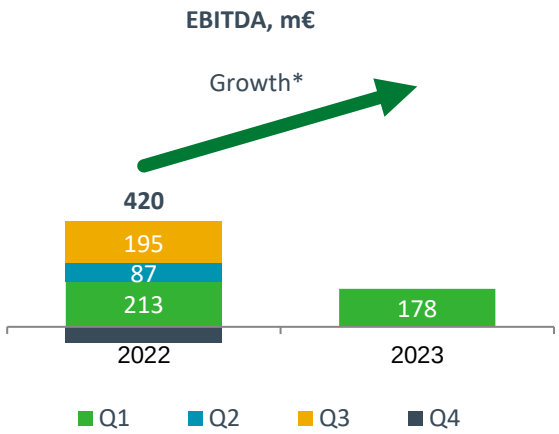
The main factors that affect the outlook for the Group's performance in 2023 are developments in the energy markets and the general economic environment.

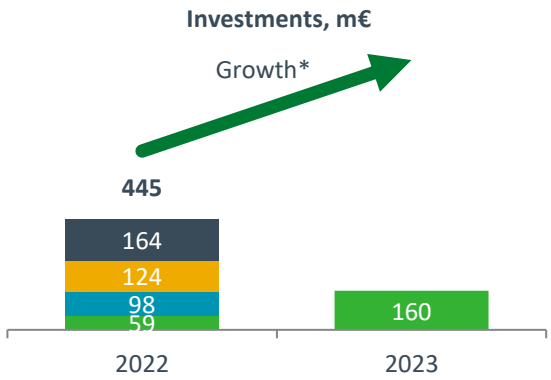
We expect energy market volatility to decrease in 2023. In the liquid fuels market, prices returned to the levels prior to the Russian aggression already at the end of 2022. We expect market prices of electricity to decrease somewhat and stabilise in 2023. Besides energy prices, our performance is strongly influenced by other developments in our operating environment. Exceptionally high inflation will continue to have a strong effect on the purchase prices of goods and services while the raising of interest rates by central banks will affect financing costs.

We forecast that our revenue will remain at the same level as in 2022 but our investments and EBITDA will grow in 2023. We will continue selling electricity, shale oil, natural gas and network services as well as energy solutions. Our main energy services are charging, lighting, solar and flexibility services as well as services related to heating and cooling equipment.

We are planning to increase our investments compared with 2022. The largest development investments in 2023 will be made in expanding our renewable energy portfolio and developing our chemicals industry.







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

Condensed consolidated interim income statement and statement of comprehensive income

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

in million EUR	Note	1st Quarter 2023	1st Quarter 2022
Revenue	4	582.7	571.5
Other operating income	5	115.7	144.6
Government grants		0.3	0.3
Change in inventories of finished goods and work-in-progress		6.4	(6.7)
Raw materials and consumables used	6	(364.2)	(419.9)
Payroll expenses		(51.9)	(40.7)
Depreciation, amortisation and impairment		(45.6)	(43.6)
Other operating expenses	7	(110.6)	(36.1)
OPERATING PROFIT/(LOSS)		132.8	169.4
Finance income		0.9	0.2
Finance costs		(9.9)	(6.0)
Net finance costs		(9.0)	(5.8)
Profit(loss) from associates under the equity method		0.0	0.2
PROFIT/(LOSS) BEFORE TAX		123.8	163.7
Corporate income tax expense		(5.2)	(0.7)
PROFIT/(LOSS) FOR THE PERIOD		118.6	163.0
Equity holder of the Parent Company		111.7	154.9
Non-controlling interest		6.9	8.1
Basic earnings per share (euros)	11	0.2	0.2
Diluted earnings per share (euros)	11	0.2	0.2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Note	1st Quarter 2023	2022
PROFIT FOR THE PERIOD		**118.6**	**163.0**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Revaluation of hedging instruments net of reclassifications to profit or loss		**(316.7)**	**137.5**
Of which share of non-controlling interest		(3.4)	0.2
Impact of comprehensie income of associates		(1.5)	-
Excange differences on the transactions of foregin operations		1.4	0.6
Other comprehensive income for the period		**(316.8)**	**138.2**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(198.2)**	**301.2**
Equity holder of the Parent Company		**(201.7)**	**293.1**
Non-controlling interest		**3.5**	**8.1**

Condensed consolidated interim statement of financial position

in million EUR	Note	31.03.2023	31.03.2022	31.12.2022
ASSETS				
Non-current assets				
Property, plant and equipment	8	3,349.8	2,991.6	3,253.6
Right of use assets		11.2	10.9	11.2
Intangible assets		82.7	87.1	81.9
Prepayments for non-current assets	8	61.6	47.1	44.9
Investments in associates		78.9	63.9	76.9
Deferred tax assets	9	3.8	2.0	3.8
Derivative financial instruments		386.8	434.0	496.5
Non-current receivables		1.0		1.0
Total non-current assets		3,975.8	3,636.5	3,969.8
Current assets				
Inventories		154.3	123.5	176.8
Greenhouse gas allowances and certificates of origin		446.7	213.2	444.1
Trade and other receivables		478.6	342.2	430.8
Derivative financial instruments	9	133.1	294.4	204.2
Cash and cash equivalents		233.6	305.8	280.5
Total current assets		1,446.3	1,279.1	1,536.4
Total assets	**3**	**5,422.1**	**4,915.6**	**5,506.2**

in million EUR	Note	31.03.2023	31.03.2022	31.12.2022
EQUITY				
Capital and reserves attributable to equity holder of the Parent Company				
Share capital	10	746.6	746.6	746.6
Share premium		259.8	259.8	259.8
Statutory reserve capital		75.0	75.0	75.0
Other reserves		397.6	358.0	711.0
Retained earnings		1,272.4	1,172.5	1,160.7
Total equity and reserves attributable to equity holder of the Parent Company		2,751.4	2,611.9	2,953.1
Non-controlling interest		170.4	154.9	166.9
Total equity		2,921.8	2,766.8	3,120.0
LIABILITIES				
Non-current liabilities				
Borrowings	12	445.8	797.5	449.0
Deferred tax liabilities		27.2	21.7	22.1
Other payables		4.9	3.0	4.8
Derivate financial instruments	9	24.1	96.3	32.1
Contract liabilities and government grants		362.3	308.4	351.1
Provisions	13	23.1	27.6	22.7
Total non-current liabilities		887.4	1,254.5	881.8
Current liabilities		-	-	-
Borrowings	12	654.2	108.1	605.6
Trade and other payables		285.3	251.9	293.2
Derivative financial instruments	9	160.4	236.5	169.1
Contract liabilities and government grants		1.5	0.4	0.5
Provisions	13	511.5	297.5	436.0
Total current liabilities		1,612.9	894.4	1,504.4
Total liabilities		2,500.3	2,148.9	2,386.2
Total liabilities and equity		**5,422.1**	**4,915.6**	**5,506.2**

Condensed consolidated interim statement of cash flows

in million EUR	Note	1st Quarter 2023	2022
Cash flows/ used from operating activities			
Cash generated from operations	15	**83.6**	**270.0**
Interest and loan fees paid		(12.6)	(1.2)
Interest received		0.8	-
Corporate income tax paid		(0.6)	(0.8)
Net cash generated from operating activities		**71.2**	**268.0**
Cash flows used in investing activities			
Purchase of property, plant and equipment and intangible assets		(160.7)	(103.2)
Proceeds from grants of property, plant and equipment		-	3.7
Proceeds from sale of property, plant and equipment	16	0.1	2.0
Dividends received from associates	16	-	1.5
Net cash used in investing activities		**(160.6)**	**(105.3)**
Cash flows used in financing activities			
Loas received	12	50.0	-
Repayments of bank loans	12	(7.1)	(54.6)
Repayments of financial leases		(0.4)	(0.3)
Net cash used in financing activities		**42.5**	**(54.9)**
Net cash flows		**(46.9)**	**107.8**
Cash and cash equivalents at the beginning of the period		280.5	198.0
Cash and cash equivalents at the end of the period		233.6	305.8
Net change in cash and cash equivalents		**(46.9)**	**107.8**

Condensed consolidated interim statement of changes in equity

in million EUR	Attributable to equity holder of the Parent Company							
	Share capital (Note 10)	Share premium	Statutory legal reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total
Equity as at 31.12.2021	**746.6**	**259.8**	**75.0**	**219.8**	**1,017.6**	**2,318.8**	**146.8**	**2,465.6**
Profit for the period	**-**	**-**	**-**	**-**	**154.9**	154.9	**8.1**	**163.0**
Other comprehensive income for the period	**-**	**-**	**-**	**138.2**	**-**	138.2	**-**	**138.2**
Total comprehensive income for the period	**-**	**-**	**-**	**138.2**	**154.9**	293.1	**8.1**	**301.2**
Equity as at 31.03.2022	**746.6**	**259.8**	**75.0**	**358.0**	**1,172.5**	2,611.9	**154.9**	**2,766.8**
Equity as at 31.12.2022	**746.6**	**259.8**	**75.0**	**711.0**	**1,160.7**	2,953.1	**166.9**	**3,120.0**
Profit for the period	**-**	**-**	**-**	**-**	**111.7**	111.7	**6.9**	**118.6**
Other comprehensive income for the period	**-**	**-**	**-**	**(313.4)**	**-**	(313.4)	**(3.4)**	**(316.8)**
Total comprehensive income for the period	**-**	**-**	**-**	**(313.4)**	**111.7**	(201.7)	**3.5**	**(198.2)**
Equity as at 31.03.2023	**746.6**	**259.8**	**75.0**	**397.6**	**1,272.4**	2,751.4	**170.4**	**2,921.8**

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 consolidated statements for the year ended 31 December 2021, which have been prepared in accordance with IFRSs as adopted by the EU.

Accounting policies and presentation of information applied to this interim report were consistent with those used in the consolidated financial statements for the financial year that ended on 31 December 2021.

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 2021.

According to the Management Board the interim report prepared for the period 1 January 2023 – 31 March 2023 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 2022.

2.2. Interest rate swap transactions

Enefit Green signed two loan agreements in Q3 2021 of EUR 50.0 million and EUR 40.0 million and one loan agreement in Q1 2022, of EUR 80.0 million. As at 30 September 2022, all three loans of EUR 170.0 million in total were in use. In In March and April 2022 Enefit Green signed interest rate swap agreements in respect of the above mentioned loans. The interest rate swaps have been designated as hedging instruments in cash flow hedges. There is an economic relationship between the hedging instruments (interest rate swaps) and the hedged items (the loan agreements) because at 30 June 2022 the main terms of the interest rate swaps matched the terms of the loans (i.e. their notional amounts, currencies, and maturity, payment and other dates). The forward hedges have a hedge ratio of 1:1. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair values of the interest rate swaps against the changes in fair values of the loan agreements.

Hedge ineffectiveness can arise from the following sources:

- A change in the credit risk of the counterparty of the interest rate swap. The effect of credit risk may cause an imbalance in the economic relationship between the hedging instrument and the hedged item so that the values of the hedging instrument and the hedged item no longer move in opposite directions. According to the assessment of the group's management, it is highly unlikely that credit risk will cause significant hedge ineffectiveness.

2.3 Derivatives used to hedge the risks associated with the purchase of electricity

The Group sells electricity to its customers in the retail market. Part of the customers have fixed-rate agreements. To hedge against the risk of fluctuations in electricity prices, the Group uses derivative instruments (futures, forwards and long-term power purchase agreements), which are entered into for the purchase of electricity at each hour of trading. Transactions aimed at hedging the risk of fluctuations in electricity prices are designated as hedging instruments in cash flow hedges. The underlying hedged item is the risk components of highly probable forecast electricity purchase transactions: the TGE Polish base and peak load prices (Polish market), and the Nord Pool system price and the difference between the system price and the Finnish area price i.e. the price spread (markets other than Poland). Long-term cash-settled power purchase agreements hedge the exposure to the Nord Pool Lithuanian price area. The volume of derivative instruments entered into to hedge the price risk associated with

the electricity sold to customers in Estonia, Latvia, Lithuania and Poland under long-term fixed-price contracts depends on the electricity sales volumes forecast based on the contracts signed for future periods. The hedge ratio of the hedging relationships is one to one.

2.4 Derivatives used to hedge the risks associated with the sale of electricity

The Group has electricity production facilities in Estonia that operate partially or in full on oil shale and it sells the produced electricity on the Estonian Nord Pool market. The Group uses derivatives (futures and forwards) to hedge the risk of fluctuations in electricity prices, which are entered into for the sale of electricity at each hour of trading. Transactions designed to hedge the risk of fluctuations in electricity prices are designated as hedging instruments in cash flow hedges. The underlying hedged item is the risk components of highly probable forecast electricity sale transactions: the Nord Pool system price, and the difference between the system price and the Estonian area price i.e. the price spread. The volume of derivative transactions entered into to hedge the price risk of electricity sales depends on the production plan. The hedge ratio of the hedging relationships is one to one.

2.5 Derivatives used to hedge the risks associated with the sale of natural gas

The Group sells gas to its clients at the retail market. Part of the clients have agreements with floating rates. The Group uses derivatives (futures and forwards) to hedge the risk of natural gas price volatility on the Baltic market and has applied hedge accounting principles to the given derivatives from 1 March 2022.

In order to mitigate the price risk associated with the natural gas sold to customers in Baltics under long-term float-price contracts from Inčukalns storage the Group sells derivatives, which allow to turn the fixed price of natural gas in Inčukalns into floating price. The underlying hedged item is the risk component of highly probable forecast of gas sales transactions priced on TTF ICE Endex Future. The hedge ratio of the hedging relationships is one to one.

2.6 Derivatives used to hedge the risks associated with the purchase of natural gas

The Group sells natural gas to its customers in the retail market. Part of the customers have fixed-rate agreements. The Group uses derivatives (futures and forwards) to hedge the risk of fluctuations in natural gas prices in the Polish market, which are entered into for the purchase of a specific amount of gas in each month. Transactions designed to hedge the risk of fluctuations in gas prices are designated as hedging instruments in cash flow hedges. The underlying hedged item is the risk component of highly probable forecast gas purchase transactions: the purchase price of natural gas on the Polish power exchange. The volume of derivative instruments entered into to hedge the price risk associated with the natural gas sold to customers in Poland under long-term fixed-price agreements depends on the natural gas sales volumes forecast based on the contracts signed for future periods. The hedge ratio of the hedging relationships is one to one.

2.7. Derivatives used to hedge the risks associated with the sale of shale oil and shale oil gasoline

The Group has shale oil production facilities in Estonia and it sells the produced shale oil and shale oil gasoline in global energy markets. The Group uses derivatives (futures and swaps) to hedge the risk of variability in the prices of shale oil and shale oil

gasoline (for shale oil gasoline from 1 January 2022). In these transactions, the counterparty undertakes to pay the difference between the fixed price and the market price in a given period of time. According to the Group's hedging policy, the purpose of hedging is to ensure a predefined amount of profit after variable expenses. Contracts are concluded for the sale of specific amounts of shale oil and shale oil gasoline in future periods and they are designated as hedging instruments in cash flow hedges. The underlying hedged item is the risk component of highly probable forecast shale oil sales transactions: heavy fuel oil with 1% sulphur content or its separately identifiable subcomponents. For shale oil gasoline, the underlying hedged item is the risk component of highly probable forecast shale oil gasoline sale transactions: Naphtha Cargoes CIF NWE, or its separately identifiable subcomponents. The volume of derivative transactions entered into to hedge the price risk of the sale of shale oil and shale oil gasoline depends on long-term sales contracts signed for future periods and the production plan. Consistent with the Group's hedging strategy, derivative contracts are concluded for the next three years to the extent of up to 90% of the volumes of highly probable forecast sales transactions. The percentage of hedged sales volumes is higher for the years closer to the reporting date, due to the liquidity of the derivatives and the Group's hedging strategy. The hedge ratio of the hedging relationships is one to one.

2.8. Fair value measurement

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 31 March 2023 and 31 December 2022:

31.03.2023				
in million EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trading derivatives (Note 10)	71.8	7.6	172.8	252.2
Cash flow hedges (Note 10)	5.9	14.4	247.4	267.7
Total financial assets	**77.7**	**22.0**	**420.2**	**519.9**
Liabilities				
Trading derivatives (Note 10)	85.2	3.9	10.9	100.0
Cash flow hedges (Note 10)	79.8	4.7	-	84.5
Total financial liabilities	**165.0**	**8.6**	**10.9**	**184.5**

31.12.2022				
in million EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trading derivatives (Note 10)	58.2	35.3	183.3	276.8
Cash flow hedges (Note 10)	32.7	30.5	360.7	423.9
Total financial assets	**90.9**	**65.8**	**544.0**	**700.7**
Liabilities				
Trading derivatives (Note 10)	63.9	0.5	46.8	111.2
Cash flow hedges (Note 10)	89.8	0.2	-	90.0
Total financial liabilities	**153.7**	**0.7**	**46.8**	**201.2**

2.8. Fair value estimation, cont.

Financial instruments 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. The Group's electricity, natural gas and shale oil and shale oil gasoline derivatives that are traded on the Nasdaq OMX, ICE, Platts European Marketscan, TGE, Argus and Nymex exchanges are classified as Level 1 instruments. The fair values of forwards, swaps and futures are determined on the basis of their forward prices at the reporting date.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximize 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 values of the Group's derivatives arising from Baltic electricity and interest rate swap transactions are calculated using valuation techniques, which are based on the quotations of Nasdaq OMX and the interbank swap market at the reporting date.

Financial instruments in level 3

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximize 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 3 if one or more significant inputs are not based on observable market data. The Group classifies the universal service, guarantees of origin and long-term power purchase agreements (PPAs) as level 3 financial instruments.

The financial risk management department of the Group performs the valuations of derivative items required for financial reporting purposes, including level 3 fair values. This team reports directly to the financial risk committee who approves the valuation technique. Discussions of valuation processes and results are held between the financial risk committee and the valuation team at least once every quarter, in line with the Group's quarterly reporting periods.

The fair value of long-term power purchase agreements (PPAs) is calculated based on the actual long-term (over 5 years) PPAs that the Group has signed with its customers. The fair value calculations are made on a monthly basis using the weighted average price of long-term PPAs signed in the month preceding the reporting date, which is converted into the base load electricity price that is used to measure the value of the PPAs.

The fair value of level 3 derivatives of guarantees of origin (GoOs) is calculated using a valuation technique, which is based on the bid and ask quotations of traders in GoOs. The fair value calculations are made on a daily basis.

The fair value of level 3 derivatives of the universal service is calculated using a valuation technique, which is based on different inputs. The market price is found using valuation techniques, which are based on Nasdaq OMX quotations and fair value is calculated based on the difference between the market price and the universal service price established by the Estonian Competition Authority. The Group has estimated the quantities based on the forecasts of quantities provided by external resellers, taking into account the possible movement of customers between electricity plans (packages), which is estimated by reference to the comparison of the market price and the price of the universal service. The quantities of the universal service have been accounted for only until Q1 2024, because management estimates that thereafter the market price will be permanently lower than the established price of the universal service and customers will leave the universal service plan.

Financial instruments in level 3

in million EUR	Cash flow hedges	Trading derivatives
Opening balance 1 January 2022	**95.5**	**83.7**
Gains recognised in other comprehensive income	265.2	-
Gains recognised in other operating income	-	99.6
Loss recognised in other operating expenses	-	(46.8)
Closing balance 31 December 2022	**360.7**	**136.5**
Loss recognised in other comprehensive income	(113.3)	-
Gains recognised in other operating income	-	25.4
Closing balance 31 March 2023	**247.4**	**161.9**

Gains recognized in other comprehensive income are accounted for on the line "revaluation of hedging instruments net of reclassifications to profit or loss". Gains recognized in other income are accounted for on the line "gain from revaluation of derivatives".

2.9. Fair value of financial assets and liabilities measured at amortized cost

The fair value of bonds, bank loans and finance lease liabilities:

in million EUR	31.03.2023	31.12.2022
Nominal value of bonds	500.0	500.0
Market value of bonds on the basis of quoted sales price	495.0	493.8
Nominal value of bank loans with fixed interest rate	55.0	55.0
Fair value of bank loans with fixed interest rate	53.0	52.2
Nominal value of bank loans with fixed interest swap rate	164.0	168.3
Fair value of bank loans with fixed interest swap rate	164.0	168.3
Nominal value of bank loans with floating interest rate	373.9	326.7
Fair value of bank loans with floating interest rate	373.9	326.7

The bond is denominated in euros and listed on the London Stock Exchange. The fair value of the bond 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 2 of the fair value hierarchy.

Other financial assets and liabilities of which fair value is approximate to their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

3. Segment reporting

For the purposes of monitoring the Group's performance and making management decisions, the Management Board uses product-based reporting. The Group has determined main products and services, i.e. value-creating units that generate external revenues and profit, and built up a methodology of allocating revenues, expenses, and assets to the products.

The Group has distinguished four 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 products and services":

1) Electrical Energy (production and sale of electricity generated from renewable and non-renewable sources, and electricity trading);

2) Network Services (sale of electricity distribution network services on regulated market and sale of additional services by Elektrilevi);

3) Liquid Fuels (production and sale of liquid fuels);

4) Natural gas (sale of natural gas);

5) Other products and services (including production and sale of heat, construction of power engineering equipment and services, sale of old metal, sale of mining products, sale of other products and services).

From 2022, the natural gas segment has been recognized as a separately as the sales to external customers arising from this segment surpass the quantities thresholds set by IFRS 8. This change to the operating segments disclosed has been made retrospectively.

Other segments include by-products and services which individual share of the Group's revenue and EBITDA is immaterial. None of these products and services meet the quantitative thresholds that would require separate reporting disclosures.

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

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

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. EBITDA is not a defined performance measure under IFRS. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

The Group's assets are allocated to the segments based on their purpose of use. Liabilities are not allocated to the segments as they are managed centrally by the Group's finance department.

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). The sales prices for all other segments are not regulated by the law.

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.

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

	1st Quarter	
in million EUR	**2023**	**2022**
Electrical Energy	373.3	364.5
Network Services	81.5	63.7
Liquid Fuels	40.6	31.6
Natural Gas	45.6	83.3
Total reportable segments	541,0	543.1
Other products and services	41.6	28.4
Total (Note 5)	**582.6**	**571.5**

ASSETS

in million EUR	31.03.2022	31.12.2022
Electrical Energy	2,888.8	2,989.3
Network Services	1,304.8	1,292.6
Liquid Fuels	569.9	547.7
Natural Gas	143.5	154.7
Total reportable segments	**4,907.0**	**4,984.3**
Other products and services	515.1	521.9
Total	**5,422.1**	**5,506.2**

EBITDA

	1st Quarter	
in million EUR	**2023**	**2022**
Electrical Energy	149.7	155.6
Network Services	29.1	15.3
Natural gas		
Liquid Fuels	5.7	2.6
Other products and services	1.1	(4.8)
Total reportable segments	**178.3**	**213.0**
Depreciation, amortisation and impairment	(45.6)	(43.6)
Net finance costs	(9.0)	(5.8)
Profit(loss) from associates under the equity method	0.0	0.2
Profit(loss) before tax	**123.7**	**163.8**

4. Revenue

	1st Quarter	
in million EUR	2023	2022
By activity		
Sale of goods		
Shale oil	40.6	31.6
Pellets	15.6	8.1
Shale rock	0.1	0.8
Other goods	1.0	0.9
Total sale of goods	**57.3**	**41.4**
Sale of services		
Electricity	369.0	363.7
Sales of services related to network	82.2	63.2
Gas energy	45.6	83.3
Heat	9.6	8.7
Waste reception and resale	4.6	4.3
Rental and maintenance income	0.3	0.3
Other services	14.1	6.6
Total sale of services	**525.4**	**530.1**
Total revenue	**582.7**	**571.5**

5. Other operating income

	1st Quarter	
in million EUR	2023	2022
Gain from revaluation of derivatives	105.9	132.9
Renewable energy grant	7.3	8.3
Fines, penalties and compensations	1.7	0.9
Gain on greenhouse gas emission allowances sold	-	1.9
Gain on disposal of property, plant and equipment	0.1	0.4
Other operating income	0.7	0.2
Total other operating income	**9.8**	**144.6**

6. Raw materials and consumables used

in million EUR	1st Quarter 2023	2022
Electricity	130.1	183.3
Greenhouse gases emissions expense	73.5	96.6
Gas bought for resale	51.9	60.7
Transmission services	29.0	24.9
Resource tax on mineral resources	7.6	13.3
Technological fuel	32.6	10.1
Materials and spare parts	15.7	10.4
Maintenance and repairs	6.2	8.6
Purchased works and services	6.0	4.6
Services for own production	4.8	-
Environmental pollution charges	3.4	4.3
Recognition and reversal of environmental and mining termination provisions	-	0.1
Other raw materials and consumables used	3.4	3.0
Total raw materials and consumables used	**364.2**	**419.9**

7. Other operating expenses

in million EUR	1st Quarter 2022	2021
Loss from revaluation of derivatives	96.7	23.1
Miscellaneous office expenses	4.1	3.3
Consultation	1.6	1.1
Insurance	1.5	1.2
Building and structure costs	1.5	1.4
Rental expense	1.4	1.0
Taxes	1.2	1.6
Research and development costs	1.0	0.4
Compensations	0.1	0.1
Other operating expenses	1.5	2.9
Total other operating expenses	**110.6**	**36.1**

8. Property, plant and equipment

in million EUR	Land	Buildings	Construction	Plant and equipment	Other	Construction in progress	Prepayments	Total
Property, plant and equipment as at 31.12.2022								
Cost	94.5	330.7	1,418.2	3,351.9	6.9	422.6	44.9	5,669.7
Accumulated depreciation	-	(137.5)	(603.2)	(1,625.0)	(5.5)	-	-	(2,371.2)
Carrying amount at 31.12.2022	94.5	193.2	815.0	1,726.9	1.4	422.6	44.9	3,298.5
Movements in the reporting period								
Additions	-	-	-	3.7	0.1	136.2	16.7	156.7
Depreciation charge and write-downs	-	(1.8)	(9.2)	(32.7)	(0.1)	-	-	(43.8)
Transfers	-	0.2	20.4	22.3	-	(42.9)	-	-
Total changes occurred in period	-	(1.6)	11.2	(6.7)	-	93.3	16.7	112.9
Property, plant and equipment as at 31.03.2023								
Cost	94.5	330.9	1,438.3	3,376.9	7.0	515.9	61.6	5,825.1
Accumulated depreciation	-	(139.3)	(612.1)	(1,656.7)	(5.6)	-	-	(2,413.7)
Net book amount	94.5	191.6	826.2	1,720.2	1.4	515.9	61.6	3,411.4
Total property, plant and equipment as at 31.03.2023	94.5	191.6	826.2	1,720.2	1.4	515.9	61.6	3,411.4

As at 31 March 2023, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 692.5 million (31 December 2022 EUR 484.6 million).

9. Derivative financial instruments

in million EUR	31.03.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
Forward- and future contracts for buying and selling electricity as cash flow hedges	248.3	31.8	399.8	0.1
Forward- and future contracts for buying and selling electricity as trading derivatives	162.2	11.4	206.4	0.8
Swap and future contracts for buying and selling gas cash flow hedges	-	(1.0)	6.0	-
Swap and future contracts for buying and selling gas as trading derivatives	73.7	74.2	63.0	60.3
Swap and forward contracts for selling fuel oil as cash flow hedges	6.3	53.7	3.5	89.8
Swap and forward contracts for selling fuel oil as trading derivatives	-	-	0.4	0.4
Interest rate swap	13.1	-	14.6	-
Universal service	9.0	-	-	37.1
Other derivatives	7.3	14.4	7.0	12.7
Total derivative financial instruments	519.9	184.5	700.7	201.2
including non-current portion:				
Forward- and future contracts for buying and selling electricity as cash flow hedges	257.4	6.8	330.4	-
Forward contracts for buying and selling electricity as trading derivatives	109.3	1.3	145.0	-
Swap and future contracts for buying and selling gas as cash flow hedges	-	0.6	0.6	-
Swap and future contracts for buying and selling gas as trading derivatives	0.4	-	1.2	-
Swap and forward contracts for selling fuel oil as cash flow hedges	3.7	7.6	2.2	19.0
Interest rate swap	9.2	-	11.3	-
Universal service	-	-	-	5.1
Other derivatives	6.8	7.8	5.8	8.0
Total non-current portion	386.8	24.1	496.5	32.1
Total current portion	133.1	160.4	204.2	169.1

10.Share capital and dividends

As at 31 March 2023, Eesti Energia AS had 746 645 750 registered shares (31 December 2021: 746 645 750 registered shares). The nominal value of each share is 1 euro.

On 30. March 2023 the sole shareholder made a resolution to pay to the shareholder dividend EUR 68.9 million (dividend per share 0.09 euros). Dividends were paid on April 11, 2

11.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.

	1st Quarter	
in million EUR	2023	2022
Profit attributable to the equity holders of the company (million EUR)	111.7	154.9
Weighted average number of shares (million)	746.6	746.6
Basic earnings per share (EUR)	0.1	0.21
Diluted earnings per share (EUR)	0.1	0.21

12. Borrowings at amortized cost

	Short-term borrowings		Long-term borrowings			
in million EUR	Bank loans	Lease liabilities	Bank loans	Bonds issued	Lease liabilities	Total
Borrowings at amortized cost 31.12.2021	**111.3**	**492.8**	**1.4**	**438.7**	**10.4**	**1,054.6**
Movements in the reporting period						
Cash movements						
Borrowings received	50.0	-	-	-	-	-
Repayments of borrowings	(7.1)	-	(0.4)	-	-	-
Non-cash movements	-	-	-	-	-	-
Initial recognition of lease liability	-	-	-	-	-	**0.3**
Transfers	3.7	-	-	(3.7)	-	-
Accrued interest	-	2.4	-	-	-	-
Other movements	(0.1)	-	0.2	-	-	**0.1**
Total movements in 3m 2023 period	**46.5**	**-**	**(0.2)**	**(3.7)**	**-**	**0.4**
Borrowings at amortized cost 31.03.2023	**157.8**	**495.2**	**1.2**	**435.0**	**-**	**10.8**

As at 31 March 2023, the Group had undrawn loan facilities of EUR 1,370.0 million (31 December 2022: EUR 495.0 million), including long-term investment loans of EUR 245.0 million and undrawn revolving liquidity loans of EUR 200.0 million. In Q1 of 2023, Enefit Green signed loan agreements with NIB for EUR 100 million and with SEB for EUR 225 million and in February 2023, Eesti Energia's parent company raised a sustainability linked loan of EUR 600 million with a term of 5 years and a variable interest rate to finance the repurchase of bonds which mature in September 2023 and investments in the Group's carbon neutrality strategy.

13.Provisions

in million EUR	Opening balance 31.12.2021	Recognition and reversal of provisions	Interest charge	Use	Closing balance 31.03.2023	
					Short term provision	Long term provision
Environmental protection provisions	16.2	-	0.2	-	2.5	13.8
Employee related provisions	3.4	-		(0.1)	0.5	2.8
Provision for dismantling cost of assets	6.4	-	0.1	-	-	6.5
Provision for greenhouse gas emissions	428.7	73.5	-	-	502.2	-
Provision for onerous contracts	0.3	-	-	-	0.3	-
Provision for renewable energy certificates	3.7	2.3	-	-	6.0	-
Total provisions	**458.7**	**75.8**	**0.3**	**(0.1)**	**511.5**	**23.1**

14.Other reserves

in million EUR	31.03.2023	31.12.2022
Other reserves at the beginning of the period	**711.0**	**219.7**
of which hedge reserve at the beginning of the period	698.5	211.5
of which currency translation reserve at the beginning of the period	5.7	9.0
of which reserve related to other comprehensive income of associates at the end of the period	6.8	(0.8)
Change in fair value of cash flow hedges	**(324.9)**	**670.3**
of which electricity cash flow hedges	(325.9)	706.0
of which shale oil cash flow hedges	16.4	(76.7)
of which gas cash flow hedges	(14.5)	26.5
of which other cash flow hedges	(0.9)	14.5
Recognised as an increase/decrease of revenue	**(6.5)**	**(155.0)**
of which recognised as an increase/decrease of revenue of electricity	(0.1)	(58.9)
of which recognised as an increase/decrease of revenue of shale oil	(6.4)	(96.1)
	-	**-**
Recognised as an increase/decrease of cost of goods sold	**2.3**	**(335.1)**
of which recognised as an increase/decrease of cost of electricity	(5.6)	(304.4)
of which recognised as an increase/decrease of cost of gas	7.9	(30.7)
Recognized as an increase/decrease of interest expenses	**(0.6)**	**0.1**
Currency translation differences attributable to foreign subsidiaries	**1.4**	**(3.3)**
Non-controlling interest of hedging instruments (Note 11)	**3.4**	**(3.3)**
Change in associates other comprehensive income	**(1.5)**	**7.6**
Other reserves at the end of the period	**397.6**	**711.0**
of which hedge reserve at the end of the period	**385.2**	**698.5**
of which currency translation reserve at the end of the period	**7.1**	**5.7**
of which reserve related to other comprehensive income of associates at the end of the period	**5.3**	**6.8**

15.Cash generated from operations

in million EUR	1st Quarter 2023	2022
Profit before tax	**123.8**	**163.7**
Adjustments		
Depreciation and impairment of property, plant and equipment	43.8	42.3
Amortisation and impairment of intangible assets	1.9	1.3
Deferred income from connection and other service fees	(3.3)	(3.0)
Gain on disposal of property, plant and equipment	(0.1)	(0.4)
Amortisation of government grant received to purchase non-current assets	(0.3)	(0.2)
Profit/loss from associates using equity method	(3.5)	(0.2)
Unpaid/unsettled gain/loss on derivatives	(152.5)	(63.9)
Profit (loss) from other non-cash transactions	-	(0.1)
Interest expense on borrowings	6.7	5.5
Interest and other financial income	(0.9)	-
Adjusted net profit before tax	**15.6**	**145.0**
Net change in current assets relating to operating activities		
Change in receivables related to operating activities	**55.2**	**9.3**
Change in inventories	22.5	(9.5)
Net change in other current assets relating to operating activities	(95.2)	(23.3)
Total net change in current assets relating to operating activities	**(17.5)**	**(23.5)**
Net change in current liabilities relating to operating activities		
Change in provisions	75.9	98.9
Change in trade payables	(32.3)	44.7
Net change in liabilities relating to other operating activities	41.9	4.9
Total net change in liabilities relating to operating activities	**85.5**	**148.5**
Cash generated from operations	**83.6**	**270.0**

16.Related party transactions

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

TRANSACTIONS WITH ASSOCIATES

	1st Quarter	
in million EUR	2022	2021
Purchase of goods	5.8	0.1
Purchase of services	0.2	0.3
Proceeds from sale of services	0.1	-
Proceeds from sale of associate	-	0.1

RECEIVABLES FROM ASSOCIATES AND PAYABLES TO ASSOCIATES

in million EUR	31.03.2023	31.12.2022
Receivables	-	-
incl long-term loan receivables	12.3	12.6
Allowance for doubtful loan receivables	(12.3)	(12.6)
Payables	2.0	2.7

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 - 31 March 2023 remuneration to management and supervisory boards amounted to EUR 1.5 million (1 January – 31 March 2022: EUR 0.9 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

	1st Quarter	
in million EUR	2023	2022
Purchase of services	29.2	78.0
Purchase of goods	9.4	23.6
Purchase of property, plant and equipment and prepayments	-	1.6
Sale of goods and services	5.7	19.0
Renewable energy grant	15.0	8.4

RECEIVABLES FROM ELERING AS AND PAYABLES TO ELERING AS

in million EUR	31.03.2023	31.12.2022
Receivables	4.3	4.6
Payables	24.4	21.3

17.Contingent liabilities

Litigation in progress

Eesti Energia AS through its subsidiary Attarat Holding OÜ owns a 10% shareholding in Attarat Power Company (APCO) in Jordan. On 19 December 2020 the Government of Jordan (GoJ) and National Electric Power Company (NEPCO) issued their respective requests for arbitration to the ICC arbitral tribunal. Both GoJ and NEPCO are claiming a deduction on the agreed electricity tariff under the signed power purchase agreement. APCO management have nominated Slaughter and May as well as Jordanian based Obeidat Law to represent them in the arbitration process. APCO management maintains the position that both claims are fully without merit and will deny them. At the date this report is authorised for issue, it is not possible to estimate with reasonable certainty the impact of the arbitration process. The dispute is expected to be resolved in 2023. Therefore, no provision has been recognised for the legal action and the claim is disclosed as a contingent liability. If the arbitration process is resolved with a negative outcome for the Group, the equity investment (as at 31 March 2023: EUR 70.0 million; as at 31 December 2022: EUR 68.8 million) recognised in the statement of financial position may need to be written down.

In 2021, Soscor Energy PTE Ltd (Soscor), a company registered in Singapore, participated in the call for tenders for the sale of shale oil gasoline organised by Eesti Energia AS on behalf of its subsidiary Enefit Power AS (the seller). Soscor submitted a bid, which was initially declared successful. Subsequent follow-up on the background check revealed that Soscor did not meet the requirements for transaction partners. Soscor was therefore excluded from the competition and it was decided not to sign a sales contract with Soscor. Soscor did not accept the exclusion from the competition and held that the contract had already been entered into. In 2022, Soscor lodged an arbitration claim against Enefit Power AS. The amount of the claim is between USD 5.6 million and USD 11.9 million. According to management's assessment, the claim is unsubstantiated and it is not likely that the case will be settled against Eesti Energia.

Eesti Energia AS's subsidiary Enefit sp. z o.o. has initiated legal proceedings against Nova Ceramica sp. z o.o. Nova Ceramica sp. z o.o., claim of EUR 1.7 million (PLN 8.0 million), commencement of legal proceedings on 22 February 2023, the dispute is expected to be resolved in 2024. The Eesti Energia Group expects the claims to be satisfied in full. As at 31 March 2023, the Group had written down the associated receivables in full.

On 16 November 2022, Enefit Connect OÜ, a subsidiary of Eesti Energia AS, filed a claim against Energo Veritas OÜ for breach of contract. The claim amounts to EUR 5,057,562.49, consisting of a contractual penalty of EUR 1,182,888.62 and compensation for damages of EUR 3, 874,673.87. The parties are currently negotiating a compromise to end the dispute.

At the reporting date, Eesti Energia AS's subsidiary Enefit Power AS was engaged in regulatory approval proceedings conducted by the Estonian Competition Authority as part of the process of establishing the price the producer may charge for the production of electricity for universal service as well as the maximum price for district heating.

The Competition Authority set the provisional price for the production for electricity for the universal service at 154.08 €/MWh in 2022. According to submitted applications, however, the justified price would be 172.59 €/MWh for the production of electricity by means of the circulating fluidised bed technology and 188.43 €/MWh for the production of

electricity by means of the pulverised fuel firing technology. Since Enefit Power AS is forced to guarantee the price for electricity suppliers at a level which does not enable Enefit Power AS to recover its justified costs, , the Group has included in the results of Q1 of 2023 Group-level profit of EUR 9.0 million to be realised from relevant derivatives in future periods (Enefit Power AS: EUR 19.0 million)On 17 March 2023, the Competition Authority announced that it had decided to reject the application.

The Competition Authority has not approved the application for the approval of the maximum price for district heating for more than a year. Based on the latest application, the justified price of heat would be 65.01 €/MWh, whereas the current sales price of heat is 31.23 €/MWh. On 10 March 2023, the Competition Authority announced that it had decided to reject the application., after which Enefit Power AS filed a complaint with the administrative court on 10 April 2023.

18.Events after the reporting date

In April 2023, Estonia's government signed a new coalition agreement, the aims of which include increasing the security of energy supply and the development of green energy. In connection with this, indication has been given of the intention to finalise the separation of Elektrilevi and oil shale mining from the Eesti Energia Group. The realisation of this plan may significantly reduce the Group's assets and affect the Group's capacity to raise financing.

The coalition also expects the burning of wood in industrial-scale electricity production should be terminated, which may increase the product cost of electricity produced by Eesti Energia.

The coalition agreement regards renewable energy as a matter of overriding public interest and sets out the goal of speeding up the planning, construction and connection to the grid of renewable energy capacities. This may have a significant impact on the importance and growth of Eesti Energia's green energy business.

Eesti Energia has started analysing the above developments to determine their impacts on the Group's financial position and financial performance.

Glossary

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

Controllable production assets – Production assets which operate on energy sources such as oil shale, oil shale gas, wood chips, peat and tyre chips

EBITDA – profit before finance income and costs, profit (loss) from associates under the equity method, tax-, depreciation-, amortisation, impairment losses

EBITDA margin – profit before finance income and costs, profit (loss) from associates under the equity method, tax-, depreciation-, amortisation, impairment losses divided by revenue

FFO – Funds from operations. Cash flow from operations, excluding changes in working capital

Level of water reservoirs – The level of water in the reservoirs of hydro power plants as a percentage of the maximum possible level. Most of the Nordic countries' electricity production 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

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

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.

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

RAB – Regulated Asset Base, which represents the value of assets used to provide regulated services

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