Interim report

1 April – 30 June 2023

Eesti Energia

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Letter from the CEO

Dear reader

While early 2023 brought a decline in energy prices in the Baltic Sea region, which had surged to exceptional heights in 2022, Q2 saw the emergence of new market challenges. The electricity price per megawatt hour, which in Q1 was 99.4 in Estonia, 100 in Latvia and 101.7 in Lithuania, plummeted in Q2, dropping to 74.4 in Estonia, 80.8 in Latvia and 81.3 in Lithuania.

Frequent falls of the of daytime electricity price to levels close to zero or, at times, to the negative side raised questions among consumers and worried micro-producers. To address the concerns, we explained in various channels how a negative electricity price affects electricity bills and why installing solar panels to cover self-consumption is still a cost-effective investment. On the other hand, low market prices increased interest in market-based electricity plans, prompting customers to leave the more expensive universal service.

Market price volatility highlighted the need for energy storage. Micro-producers' interest in our storage solutions broke a record in Q2. Firstly, storage systems help cut peak prices at times when there is a lack of favourably priced renewable energy in the grid. Secondly, they allow storing and deferring the consumption of renewable energy. Producers without a storage solution have to give away their surplus energy at an extremely low price or for free. In the long term, this does not have a positive impact on the energy system.

In Q2 we announced an international tender for Eesti Energia's first pilot project for large-scale energy storage. Sufficient storage capacity helps ensure affordable electricity prices, the resilience of the energy system, and more efficient use of renewable energy. The planned solution allows storing the output of around 2,500 home solar systems within two hours and consuming it during the evening peak hours when prices are higher. We would also like to operate storage installations across the region to bring down electricity prices for consumers, but this requires the Baltic transmission system operators to open up the system services market.

The importance of storage systems increases consistent with the pace of the transition to renewable energy. In Q2, we passed significant milestones in both micro and industrial production of renewable energy. Micro-production in the Estonian market has grown substantially. At the beginning of June, the quantity of electricity supplied to the grid by electricity producers connected to the distribution network operated by Elektrilevi for the first time exceeded 500 MW. At the end of Q2, Elektrilevi's network comprised 19,065 electricity producers with a total capacity of 724 MW.

This supplements the output of our renewable energy entity Enefit Green, which unveiled a unique renewable energy production facility in Estonia on 15 June. The Purtse hybrid farm comprises a wind farm with five wind generators and a solar farm with around 49,000 solar panels, whose total annual supply meets the electricity needs of approximately 25,000 Estonian households. The unique hybrid solution allows using the same network connection point for various production capacities and, in the future, a storage facility. Enefit Green has also started building Estonia's largest solar farm in the Sopi-Tootsi renewable energy zone. The projected annual output of the solar farm that is going to operate parallel to a wind farm is 75 GWh, which is enough to meet the annual electricity needs of around 22,500 Estonian households.

Renewable energy development is gaining momentum but when renewable energy production and storage capacities are insufficient, the oil shale-fired cogeneration plants operated by Enefit Power help ensure the security of supply. Due to low market prices, Enefit Power's six-month electricity output decreased to 1.3 TWh compared with 2.4 TWh in 2022. Its most competitive facility was the Auvere power plant that has a lower cost of conversion. In the first half year, the availability of the Auvere power plant was high: it produced 0.7 TWh of electricity, accounting for 27% of Estonia's overall electricity output. It should also be noted that around 40% of its electricity was produced using alternative energy sources such as retort gas and waste wood. Use of such fuels reduces carbon emissions, which in turn lowers electricity production costs and allows offering more favourably priced electricity.

Our target is to increase the share of renewable energy in the Group's total electricity output to 60% by 2027. As the production of oil shale-derived electricity decreased and the production of renewable energy increased in the first half of 2023, the share of renewable electricity in our total electricity output grew by around 20 percentage points year on year, rising to 43%.

The transition to renewable energy is supported by the electrification of heating systems and transport. We contribute to the shift towards electromobility by developing the Enefit Volt charging network and smart home chargers as well as public electric vehicle (EV) charging infrastructure in the Baltic countries and Poland. To accelerate the implementation of electric vehicles, we will install 1,000 new EV chargers in the Baltics and Poland by the end of next year. We are also going to supply 130 Elmo charging stations that were set up in Estonia ten years ago with new, state-of-the-art chargers.

The Group's Q2 capital investments grew by 85% year on year to 181 million euros. The figure comprises investments in development activities of 127 million euros and investments in the maintenance and improvement of existing assets of 53 million euros. Capital investments for six months were 340 million euros.

The Group's revenue for Q2 decreased by 0.1% year on year, declining to 416.1 million euros, of which 37% was generated in Estonia and 63% in other markets. Shale oil sales volume for Q2 grew by 18% to around 125,000 tonnes. In June, the Enefit 280 oil plant produced over 25,000 tonnes of shale oil, which is an absolute record for the facility.

Adjusted EBITDA for Q2 grew by 45%, rising to 115.7 million euros. Adjusted net profit for Q2 was 50.6 million euros, which is 17.3 million euros larger than in the same period last year.

Andrus Durejko

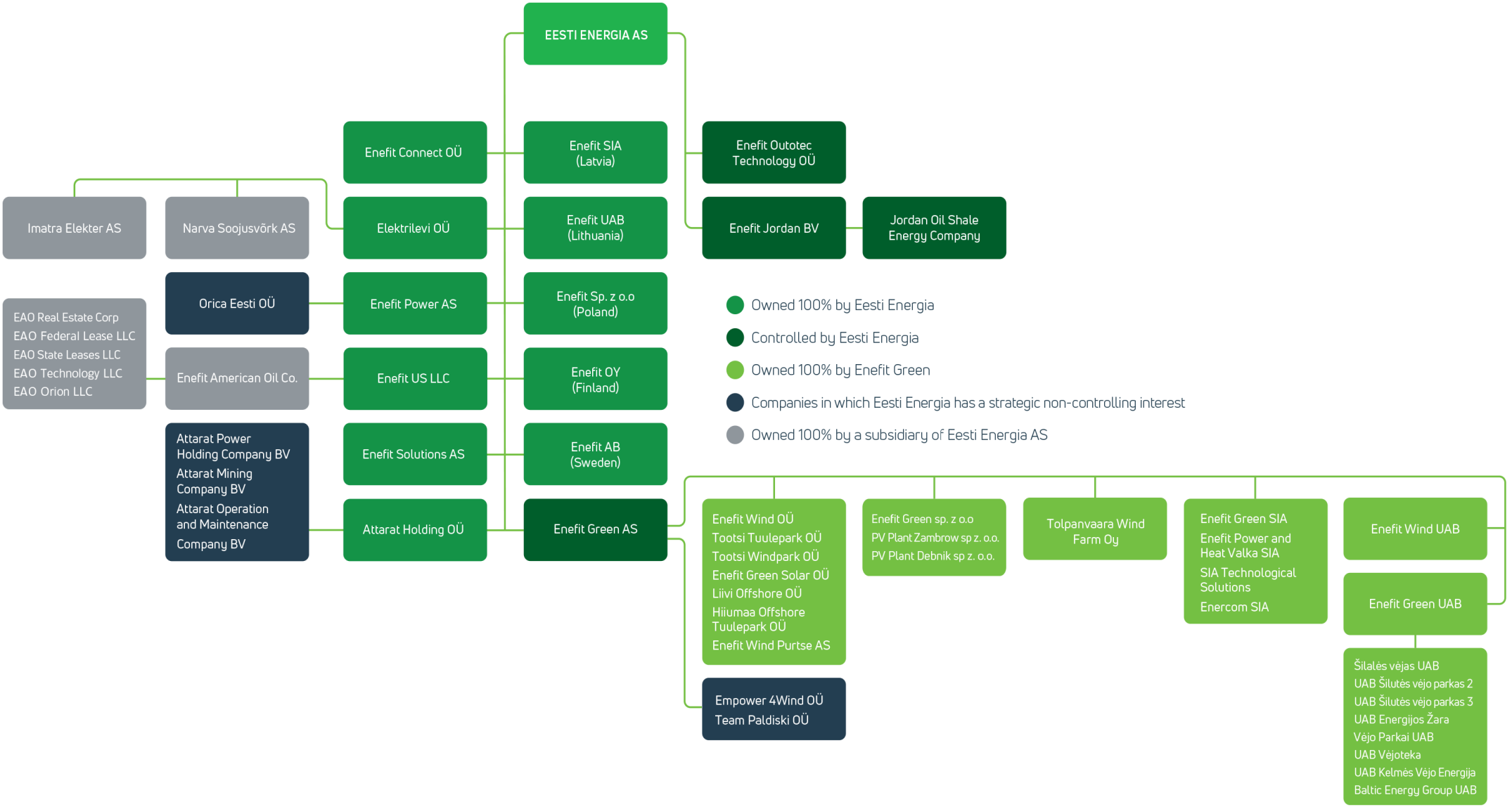
Chairman of the Management Board of Eesti Energia

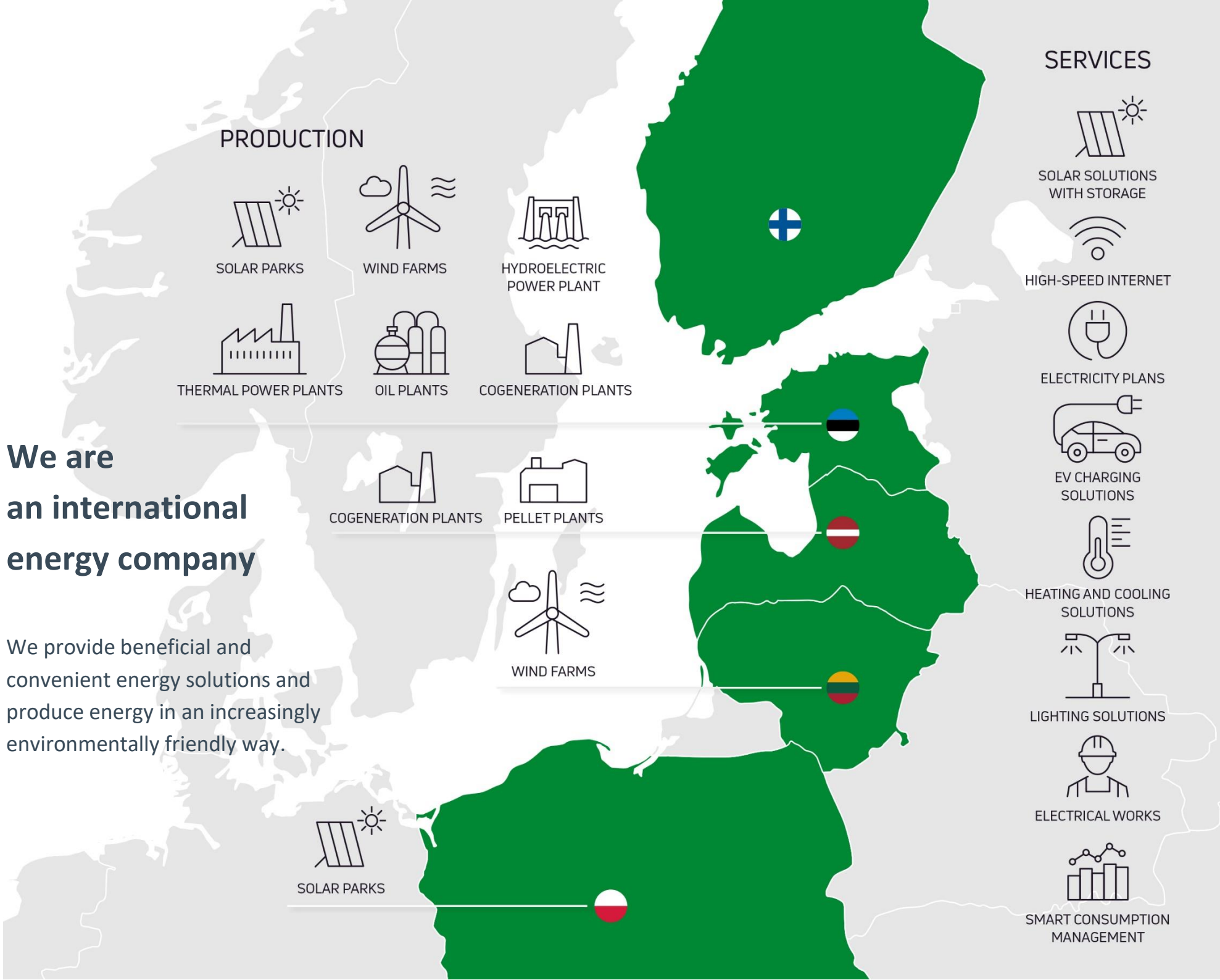
This is Eesti Energia

- Established **in 1939**
- **5,368 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 30 June 2023





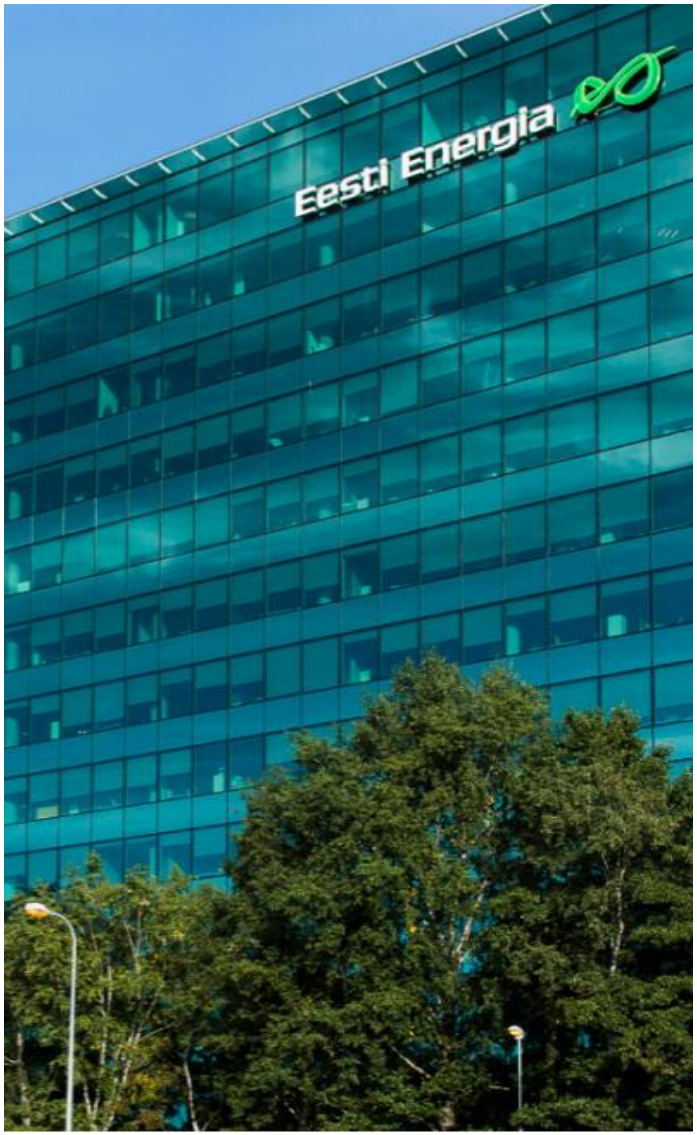
We are an international energy company

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

Key figures and ratios

		Q2 2023	Q2 2022
Total electricity sales	GWh	2,358	2,505
Electricity distributed	GWh	1,416	1,570
Shale oil sales	th t	125	105
Average number of employees	No.	5,287	4,690
Electricity production	GWh	706	1,408
Shale oil production	th t	125	106
Heat production	GWh	210	237
Sales revenues	m€	416.1	416.6
EBITDA	m€	107.7	91.7
Adjusted* EBITDA	m€	115.7	79.8
Net profit	m€	42.7	45.2
Adjusted* net profit	m€	50.6	33.3
Investments	m€	180.6	97.7
Cash flow from operating activities	m€	61.9	303.1
Non-current assets	m€	4,102.9	3,783.3
Equity	m€	2,834.1	3,077.9
Net debt	m€	1,278.1	435.7
Net debt / EBITDA	times	3.1	0.9
ROIC	%	5.9	10.8
EBITDA margin	%	25.9	22.1

** 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 Q2 2023 was strongly influenced by the following movements in market prices (compared with a year earlier):

- electricity prices tumbled, dropping by 48% in Estonia, 51% in Latvia and Lithuania, 25% in Poland and 63% in Finland;
- the average emission allowance price grew by 6%;
- the prices of crude oil and fuel oil fell by 30% and 32%, respectively.

Average electricity prices in our main markets dropped sharply in Q2

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.

Thus, our 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)	Q2 2023	Q2 2022	Change
Estonia	74.4	142.1	-47.6%
Latvia	80.8	164.0	-50.7%
Lithuania	81.3	168.1	-51.6%
Poland	112.9	150.9	-25.2%
Finland	43.3	117.5	-63.1%
Norway	54.9	93.9	-41.5%
Denmark	83.8	179.6	-53.3%
Sweden	51.0	85.6	-40.4%

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.

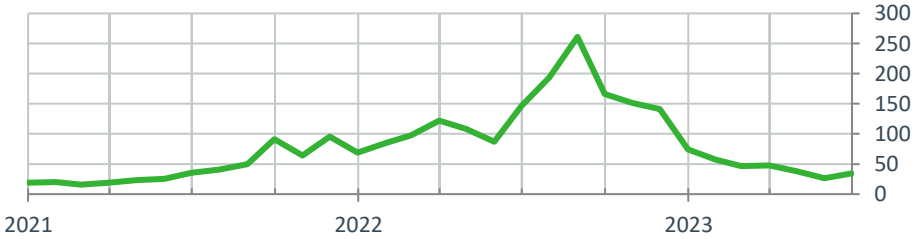
The average electricity price in Estonia in Q2 2023 was strongly affected by the downtrend in the prices of natural gas, warmer and windier weather than usual, and electricity production at the Finnish Olkiluoto 3 nuclear reactor and the neighbouring countries' hydropower plants.

Unusually warm weather lowered the demand for electricity in Q2. In the Baltics, electricity production grew quarter-on-quarter only in Latvia, mostly because hydropower plants were able to produce favourably priced electricity.

In addition to higher hydropower production, Q2 electricity prices were affected by the output of the Finnish Olkiluoto 3 nuclear reactor, which had the strongest impact in May when electricity prices in Finland were negative on some days. As a result, electricity prices in Estonia remained at the level of April while the average electricity prices in Latvia and Lithuania grew by 18% compared with April. In June, electricity prices in the Baltics were influenced by the scheduled maintenance of the region's power plants and low winds, which hindered wind power production.

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 Q2 2023 were lower than a year earlier. The average daily electricity price in Q2 was the highest on 15 June, when it was 130.7 €/MWh (-133.3 €/MWh compared with Q2 2022) and the lowest on 13 April, when it was 22.7 €/MWh (+2.1 €/MWh compared with Q2 2022).

TTF natural gas price €/MWh



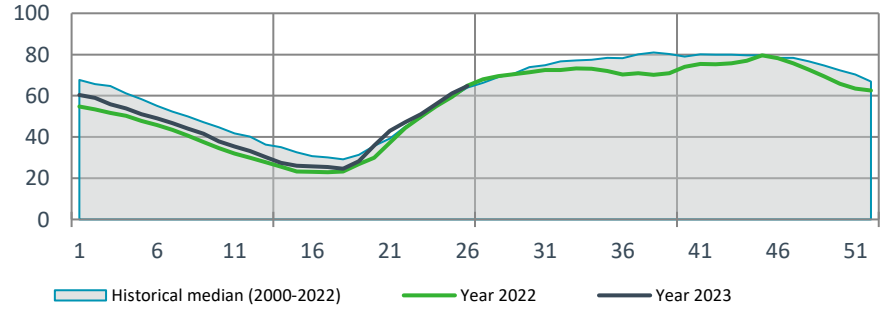
Source: TTF

The average price of natural gas on the Dutch gas trading platform TTF was 32.9 €/MWh in Q2 2023 (-80.9 €/MWh, -71.1% compared with Q2 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 allowed increasing wind power production. Moreover, the heating season ended and in 2023 the levels of natural gas inventories in Europe are significantly higher than in recent 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 significantly cut their natural gas consumption. In the first half of 2023, the demand for natural gas decreased by 93 TWh year on year. Due to larger inventories, growing LNG imports and lower demand, natural gas prices have dropped to their past two years' lowest level.

Weekly levels of Nordic water reservoirs, % of maximum



Source: Nord Pool

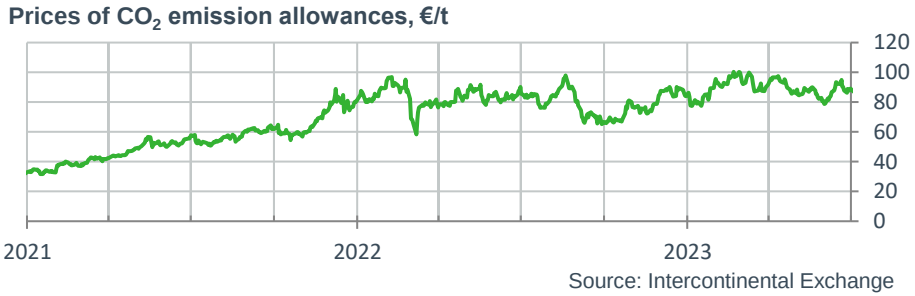
Interconnectors supply the Baltic countries with Nordic hydropower, which is cheaper than other types of electricity. The average level of hydro resources in the Nordic hydro reservoirs in Q2 2023 was 39.7% of the maximum, which is 2.4 percentage points higher than in Q2 2022.

As the volume of snow and surface water accumulated in the reservoirs this year is 39 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.

CO_2 emission allowance prices remained at the level of Q1

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.



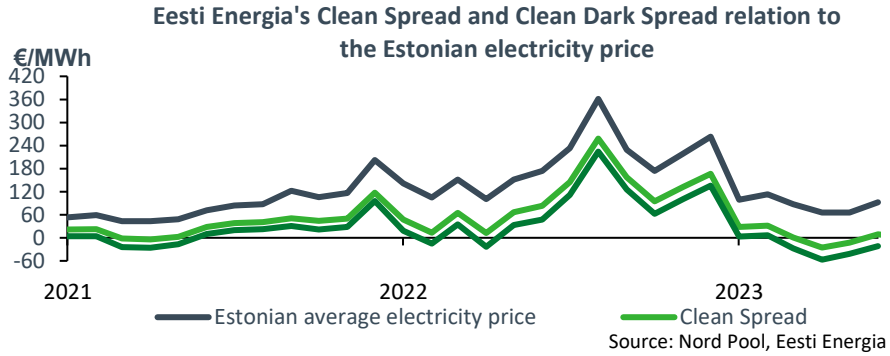
Source: Intercontinental Exchange

The average CO_2 emission allowance price in Q2 2023 was 88.6 €/t, which is 6% (+4.8 €/t) higher than a year earlier. In April, the European Parliament decided to change the emission allowance policy and to update the EU emissions reduction targets. Consistent with the new decision, free allocation of emission allowances to production installations will end by 2034 and the target for 2030 is to reduce greenhouse gas emissions by 55% compared to the 1990 levels, which is 15 percentage points higher than the previous target.

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

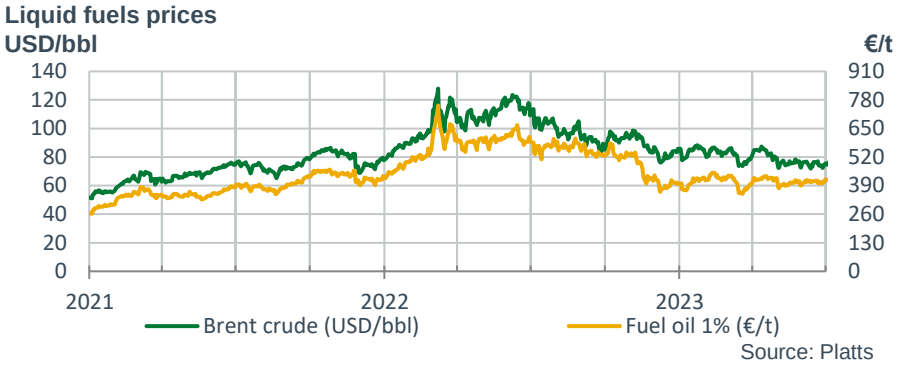
Eesti Energia's clean spread in Q2 2023 was -9.3 €/MWh (-64.1 €/MWh compared with Q2 2022). The decrease in the clean spread is mainly attributable to a decline in the electricity price in Estonia (-67.6 €/MWh compared with Q2 2022). The CO_2 emission allowance cost component decreased by 3.6 €/MWh compared with the same period last year.

Eesti Energia's CDS in Q2 2023 was -40.0 €/MWh (-59.7 €/MWh compared with Q2 2022). The oil shale cost component in CDS decreased by 4.4 €/MWh and the CO_2 emission allowance and oil shale cost component dropped by 8.0 €/MWh year on year.



Crude oil and fuel oil prices fell 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.



The average price of Brent crude oil in Q2 2023 was 77.7 USD/bbl, which is 30% (-34.0 USD/bbl) lower than in Q2 2022. Compared with Q1 2023, the average price of Brent crude decreased by 4.5 USD/bbl.

Liquid fuel prices followed a downward trend similar to the price of crude oil in Q2 2023, mainly due to the slowing of the global economy and the resulting decline in demand. While liquid fuel prices increased in response to the decision of OPEC+ to cut production by 1.16 million barrels per day, growth in the US oil inventories and China's economic slowdown, which has significantly weakened the demand for liquid fuels, had the opposite effect.

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 Q2. The average price of fuel oil with 1% sulphur content was 408.9 €/t in Q2 2023, which is 32% (-189.5 €/t) lower than in Q2 2022.

Key events and highlights of Q2

Customer services

Margin decrease for over 91,000 customers

Eesti Energia strives to be a long-term, transparent and reliable energy partner that offers quality service and reasonably priced electricity to all customers. Accordingly, we decided to harmonise the pricing of electricity plans which are linked to the electricity price on the power exchange in Estonia effective from 1 July. This meant a margin decrease for more than 91,000 customers. The main factors that enabled us to lower the price were the stabilisation of the energy market and continuous improvement of our forecasting models. The change also affected around 11,000 customers with an exchange price-linked electricity plan whose margin and monthly charge did not increase during the energy crisis last winter. For them, the service charge increased but the terms offered by Eesti Energia still remained among the best in the market.

Higher customer service quality through a single call centre system

To offer faster and smoother customer support and increase the efficiency of our call centre operations, we began to transition to a single call centre system in all main markets starting from March. Previously, there were five separate solutions which had to be developed separately by relevant staff. Now, the required improvements can be made at once. This means that we can offer all customers consistently high-quality support and make developments and upgrades more quickly.

Low market prices spark interest in storage solutions

Daytime electricity prices in Q2 often dropped close to zero or even to the negative territory, which made owners of solar farms seek protection against the volatility of the energy market. Both traditional and social media began spreading misleading information according to which investing in solar farms was no longer cost-effective. To refute false statements and educate the public, we explained in different channels that solar farms designed to cover self-consumption are cost-effective even when the market price is negative. We also highlighted the fact that storage solutions enable electricity producers to protect themselves against negative prices. Despite market volatility, interest in storage solutions increased substantially in Q2.

Rapid expansion and development of the electric vehicle charging network

We are planning to expand Estonia’s largest public electric vehicle charging network Enefit Volt across our main markets by installing 1,000 chargers in the Baltic countries and Poland. Also, two thirds of the chargers that used to be part of the previous Elmo network will be replaced within two years to increase the availability of charging solutions suitable for all electric vehicles in both urban and rural areas. By the end of next year, 79 public charging stations with charging points for 260 vehicles will be upgraded.

Renewable energy

Enefit Green to build a vast solar farm in the Sopi-Tootsi renewable energy zone

Enefit Green has made an investment decision and started building Estonia's largest solar farm in the Sopi-Tootsi renewable energy zone. The 74 MW Sopi solar farm is scheduled to come online in early 2025. With a projected annual output of 75 GWh, it will cover the annual electricity consumption of nearly 22,500 average Estonian households. Installation of the roughly 112,000 bifacial solar panels will begin at the beginning of 2024.

Enefit Green opens Estonia's first hybrid solar and wind farm

On 15 June, Enefit Green opened a unique renewable electricity production facility in Estonia. The Purtse hybrid farm comprises a 21 MW wind farm with five wind turbines and a 32 MW solar farm with nearly 49,000 solar panels. Its annual output will meet the electricity needs of around 25,000 Estonian households. The turbines installed at Purtse have state-of-the art technology and the unique hybrid solution allows using a single network connection point for various production capacities and, in the future, a storage facility.

Large-scale energy production

Record output of oil – a raw material for the future chemicals industry

Our Enefit 280 plant produced over 25,000 tonnes of liquid fuels in June 2023. This is an absolute record, verifying the viability of the technology used. Altogether, the Enefit plants produced over 124,000 tonnes of oil in Q2, which is 18% more than in the same period last year. Output for six months grew by 19% year on year. The Enefit technology has proven its suitability for the development of a circular economy-based carbon-neutral chemicals industry towards which Eesti Energia is moving. The technology allows pyrolyzing old tyres and previously non-recyclable mixed plastic waste together with oil shale. After postprocessing, they can be used to produce everyday goods and materials. The circular economy-based development outlook also supports the sustainability of industry in Ida-Viru county.

Network services

Electricity supplied to the distribution network breaks the 500 MW barrier

In early June, the quantity of electricity supplied to Elektrilevi's distribution network by connected producers for the first time exceeded 500 MW. The bulk of it (499 MW) came from solar power plants.

At the end of Q2, Elektrilevi's network comprised 19,065 electricity producers with a total capacity of 724 MW. During the quarter, 2,172 new electricity producers with a total capacity of 75 MW were connected. In the first half of 2023, the number of new producers and the total connected production capacity increased nearly 1.5-fold and 1.8-fold year on year, respectively.

While the number of new producers has increased significantly, the number of new producer connection applications is decreasing. Compared with the same time last year, producer connection applications have decreased by

nearly 34% and the number of micro-producer connection applications has decreased by roughly 800.

Safety is a top priority

In May, Eesti Energia, the national transmission system operator Elering and the Estonian Rescue Board carried out an electrical safety campaign to help prevent electrical emergencies by raising risk awareness. The first part of the campaign focused on electrical hazards in people's homes, because the statistics of the Rescue Board reflect that every third fire is caused by electricity. The second half of the campaign highlighted the risks associated with power lines and substations.

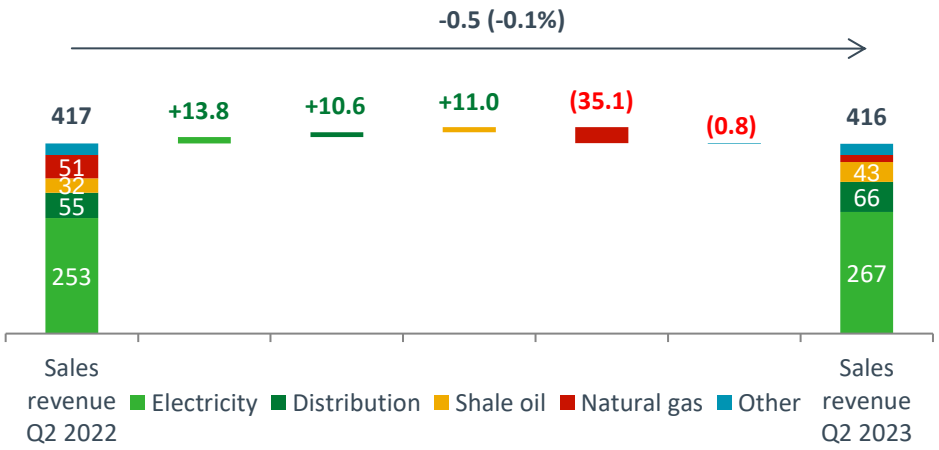
Every year we visit kindergartens, schools, summer camps and safety events to educate children about electrical safety. This spring and summer have been particularly busy for our trainers who have travelled around the country, from the island of Hiiumaa to the city of Paide, to provide safety instruction to more than 600 children and teenagers. In addition, we delivered four in-depth training courses for 4,000 rescuers and volunteers from across Estonia.

Financial results

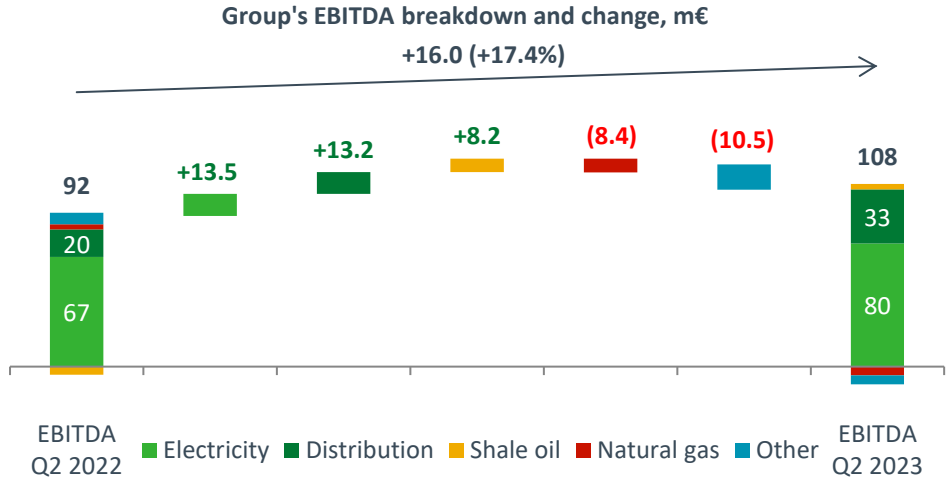
Revenue and EBITDA

Eesti Energia generated revenue of 416.1 million euros in Q2 2023. Revenue remained at the same level as in Q2 2022 (-0.5 million euros, -0.1%).

Group's sales revenue breakdown and change, m€



Group's EBITDA breakdown and change, m€



EBITDA amounted to 107.7 million euros, increasing by 17% (+16.0 million euros) year on year. EBITDA for Q2 includes the change in the value of long-term power purchase agreements (PPAs) of -8.0 million euros (Q2 2022: +11.9 million euros). Adjusted EBITDA (excl. the effect of PPAs) for Q2 2023 was 115.7 million euros (+35.8 million euros, +45%). Net profit for the period amounted to 42.7 million euros (-2.6 million euros, -6%) and adjusted net profit to 50.6 million euros (+17.3 million euros, +52%).

Electricity revenue grew by 5% year on year due to higher sales prices. Distribution service and shale oil revenue increased by 19% and 34%, respectively. Distribution revenue growth was underpinned by higher network charges and shale oil revenue grew due to a larger sales volume and a higher average price. Revenue from the sale of natural gas decreased by 69% due to a smaller sales volume and a lower price. Revenue from the sales of other products and ancillary services decreased by 3%.

Electricity EBITDA grew, supported by a higher margin and gain on realised derivative transactions. Distribution EBITDA improved due to a higher average sales price, while shale oil EBITDA increased due to a larger sales volume. Natural gas EBITDA decreased because variable profit declined and realised derivative transactions produced a loss. EBITDA on other products and services decreased compared with Q2 2022.

Electricity

Electricity revenue

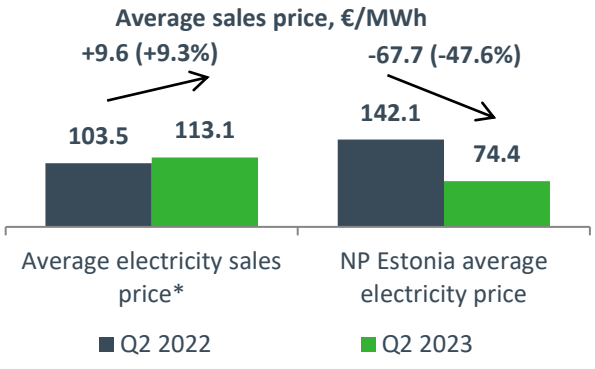
The sales price of electricity increased but the sales volume of electricity dropped slightly compared with Q2 2022. Electricity revenue for Q2 2023 grew by 5.5% year on year, rising to 266.7 million euros (+13.8 million euros).

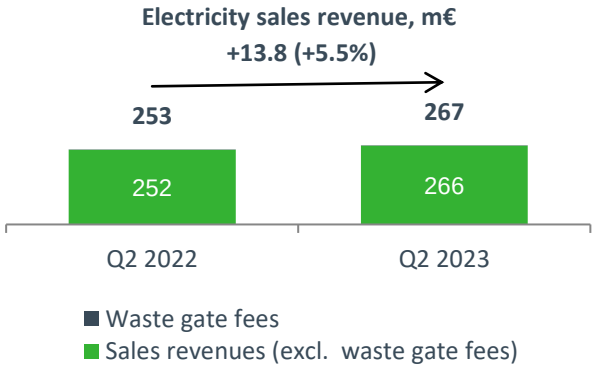
Average sales price of electricity

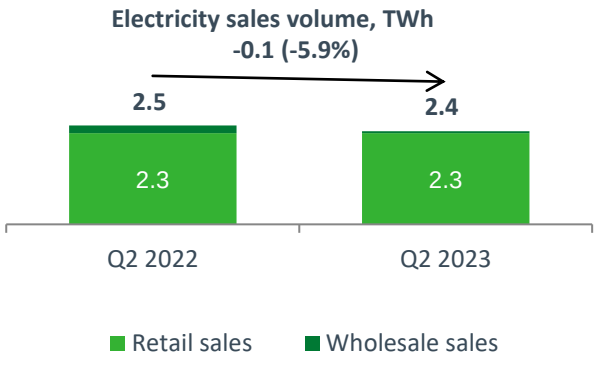
The Group's average sales price of electricity in Q2 2023 was 113.1 €/MWh, which is 9.3% (+9.6 €/MWh) higher than in Q2 2022.

The average sales price excludes the impact of derivative transactions. The period's average sales price including the impact of derivatives was 112.7 €/MWh, which is 12.0% (+12.1 €/MWh) higher than a year earlier.

Derivative transactions of Q2 2023 yielded a loss of 1.0 million euros compared with a loss of 7.4 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 2,358 GWh of electricity in Q2 2023, which is 147 GWh (-6%) less than in the same period last year.

Wholesale sales fell by 145 GWh (-74%) to 50 GWh and retail sales decreased by 2 GWh (-0.1%) to 2,309 GWh compared with Q2 2022. Retail sales broke down between markets as follows: Estonia 836 GWh (-138 GWh), Latvia 382 GWh (-57 GWh), Lithuania 544 GWh (+39 GWh), Poland 535 GWh (+152 GWh) and Finland 12 GWh (+1 GWh).

In terms of customers' electricity consumption volumes in Q2 2023, Eesti Energia's market share in Estonia was 51%, which is 3.2 percentage points lower than a year earlier (54%). Eesti Energia's market shares in Latvia and Lithuania in Q2 2023 were 30% and 23%, respectively.

Electricity production

We produced 706 GWh of electricity in Q2 2023, 49.8% (-702 GWh) less than in Q2 2022. The decline was attributable to low electricity prices, which were caused by lower natural gas prices and growth in electricity produced by solar power plants and panels. Production was also held back by high CO_2 allowance prices.

Our renewable energy output in Q2 2023 was 324 GWh (-11.0%, -40 GWh), of which 243 GWh was produced at Enefit Green (-2.2%, -5 GWh). Most of the renewable energy was produced by wind farms, which generated 191 GWh of electricity (-9.2%, -19 GWh). Production dropped because wind conditions in Estonia and Lithuania were less favourable for wind power production than in the same period last year.

Key figures of the electricity product

		Q2 2023	Q2 2022
Return on fixed assets	%	17.7	3.6
Electricity EBITDA	€/MWh	34.0	26.7

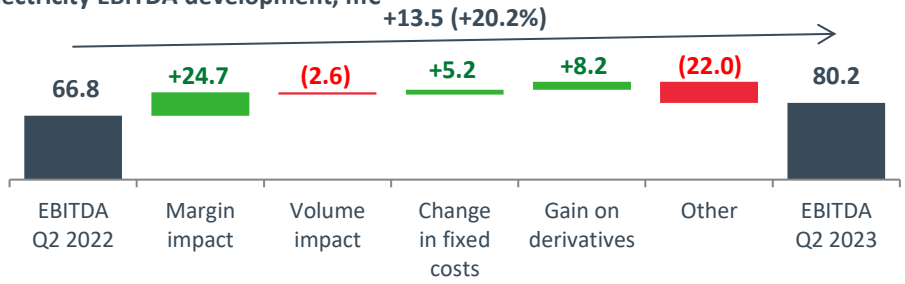
Electricity EBITDA

Electricity EBITDA for Q2 2023 was 80.2 million euros (+20%, +13.5 million euros).

The effect of a higher margin on EBITDA development was +24.7 million euros (+10.5 €/MWh). Average electricity revenue per MWh (excl. the effect of derivative transactions) grew by 9.1 euros (impact o: +21.4 million euros). Average variable costs decreased by 1.4 €/MWh (impact: +3.3 million euros).

The decrease in electricity sales volume lowered EBITDA by 2.6 million euros while derivative transactions improved EBITDA by 8.2 million euros.

Electricity EBITDA development, m€



The effect of a change in fixed costs was +5.2 million euros. Fixed costs decreased, mainly due to lower payroll costs (impact: +3.4 million euros). Other impacts of -22.0 million euros mostly reflect changes in the value of derivative transactions, including changes in the value of long-term PPAs of -19.9 million euros.

Distribution

Distribution revenue, sales volume and price

In Q2 2023, electricity distribution revenue grew by 19.1% year on year, rising to 65.9 million euros (+10.6 million euros), while sales volume declined by 9.8% year on year, decreasing to 1,416 GWh (-153.7 GWh).

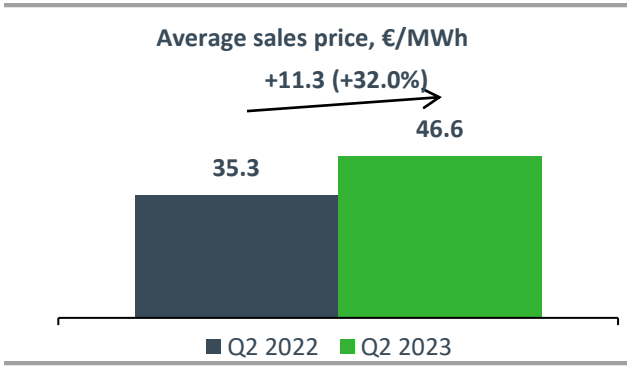
The average sales price of the distribution service was 46.6 €/MWh in Q2 2023, which is +11.3 €/MWh higher than a year earlier.

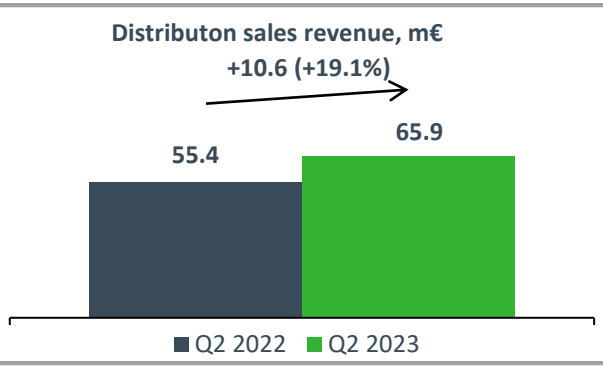
Distribution losses

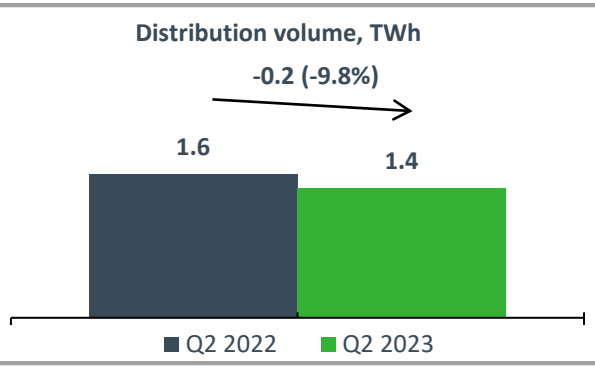
The period's electricity distribution losses amounted to 71.5 GWh, accounting for 4.4% of electricity entering the network (Q2 2022: 64.2 GWh and 3.7%).

Supply interruptions

The average duration of unplanned supply interruptions in Q2 2023 was 16.9 minutes (Q2 2022: 21.6 minutes) due normal weather conditions.







The average duration of planned supply interruptions was 19.3 minutes (Q2 2022: 16.7 minutes). The duration of planned supply interruptions depends on the volume of planned network maintenance and renewal.

Key figures of the distribution product

		Q2 2023	Q2 2022
Return on fixed assets	%	2.2	-0.8
Distribution losses	GWh	71.5	64.2
SAIFI	index	0.36	0.39
SAIDI (unplanned)	index	16.9	21.6
SAIDI (planned)	index	19.3	16.7
Adjusted RAB	€m	900	849

Power outages can be reduced by replacing bare conductors with weatherproof cables. At the end of Q2 2023, 95.1% of our low-voltage distribution network and 43.3% of our medium-voltage distribution network was weatherproof.

Distribution EBITDA

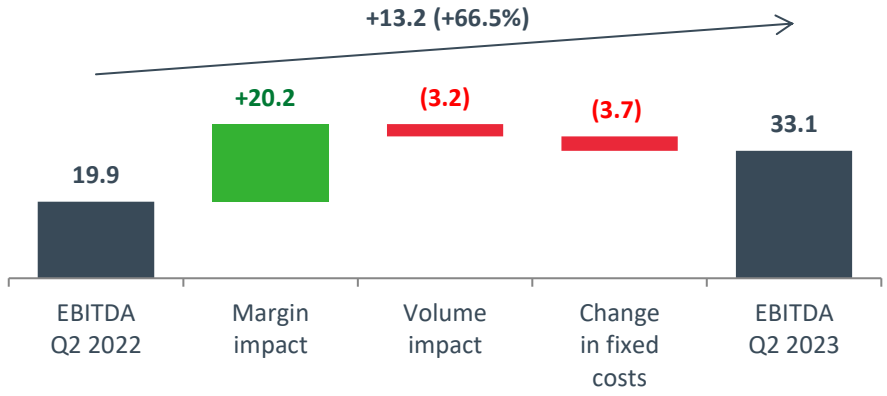
Distribution EBITDA for Q2 2023 was 33.1 million euros (+66%, +13.2 million euros).

The sales volume of the distribution service decreased by 10%. The effect on EBITDA was -3.2 million euros.

Fixed costs related to the distribution service grew by 3.7 million euros year on year due to higher payroll and repair and maintenance costs.

Distribution service margin increased in Q2 2023 (impact: +20.2 million euros). Average sales revenue grew by 11.3 €/MWh and average variable costs decreased by 2.9 €/MWh

Distribution EBITDA development, m€



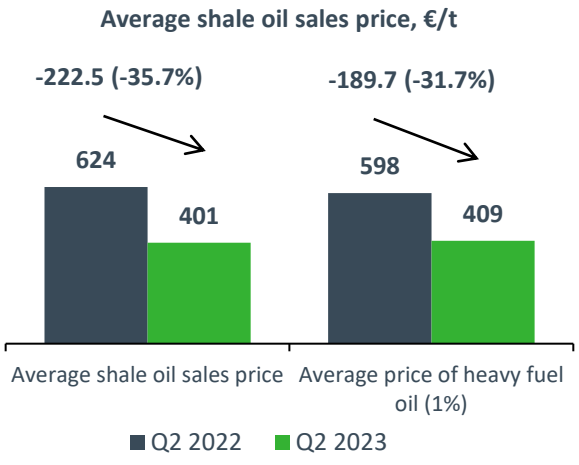
Shale oil

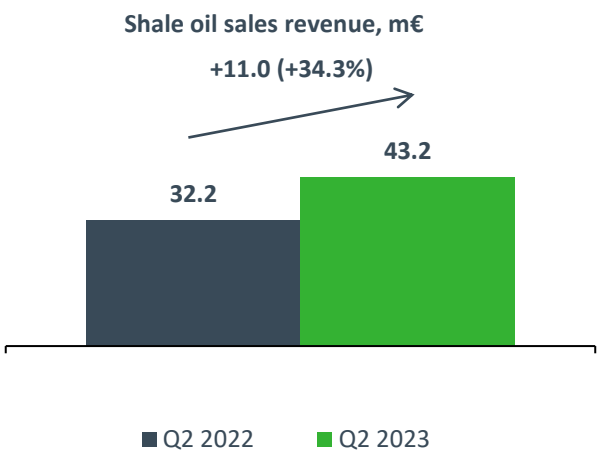
Shale oil revenue and sales volume

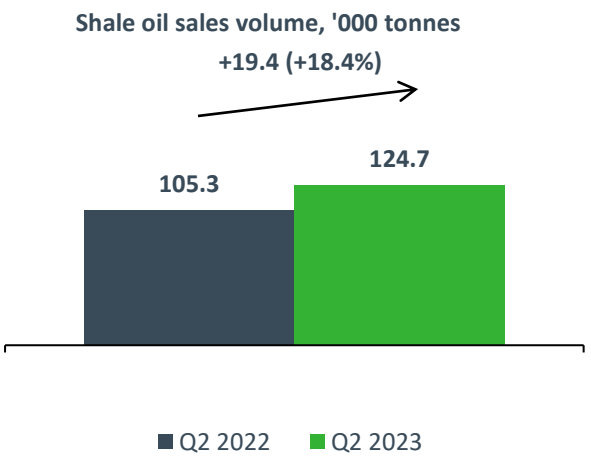
We sold 124.7 thousand tonnes of shale oil in Q2 2023, which generated revenue of 43.2 million euros. Shale oil revenue grew by 34.3% (+11.0 million euros) year on year. Sales volume increased by 18.4% (+19.4 thousand tonnes) due to higher production and sales optimisation.

Shale oil price

The average sales price of shale oil (excl. the impact of derivative transactions) decreased by 35.7% compared with Q2 2022, dropping to 401.1 €/t (-222.5 €/t).







Derivative transactions of the period yielded a loss of 54.5 €/t. The average sales price of shale oil including the impact of derivative transactions was 346.6 €/t (+13.4%, +41.0 €/t compared with Q2 2022).

Shale oil production volume

We produced 124.8 thousand tonnes of shale oil in Q1 2023, which is 17.7% (+18.8 thousand tonnes) more than in the same period last year. Production growth was supported by an increase in the scheduled operating time compared with the same period last year and earlier than expected implementation of the retort gas cooling unit of the Enefit 280 oil plant.

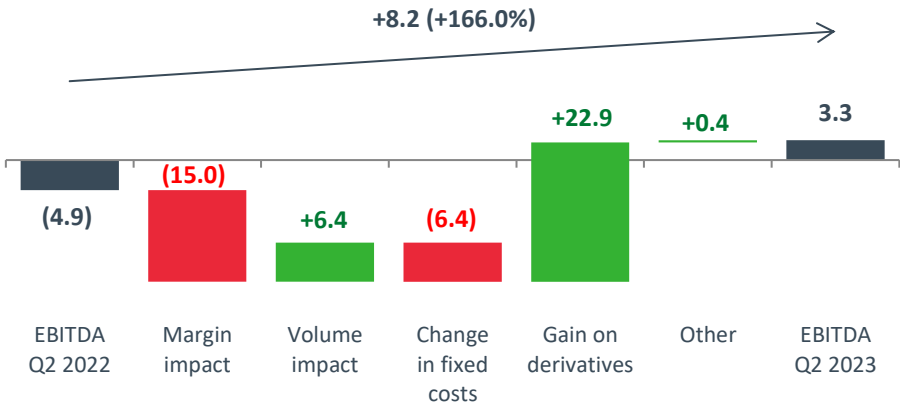
Key figures of the shale oil product

		Q2 2023	Q2 2022
Return on fixed assets	%	-7.0	-1.0
Shale oil EBITDA	€/t	26.1	-46.8

Shale oil EBITDA

Shale oil EBITDA for Q2 2023 was 3.3 million euros (+8.2 million euros compared with Q2 2022).

Shale Oil EBITDA development, m€



The impact of a lower margin on EBITDA development was -15.0 million euros (-121 €/t). The average sales price (excl. the impact of derivative transactions) decreased by 222 €/t, while average variable costs decreased by 102 €/t compared with a year earlier.

Shale oil sales volume grew by 19.4 thousand tonnes (+18%) year on year to 124.7 thousand tonnes. The growth in sales volume improved shale oil EBITDA by 6.4 million euros.

The effect of the segment's fixed costs was -6.4 million euros, mainly due to higher payroll costs. The impact of derivative transactions on EBITDA was +22.9 million euros compared with a year earlier. Other impacts of +0.4 million euros include mainly the change in the value of unrealised derivative transactions.

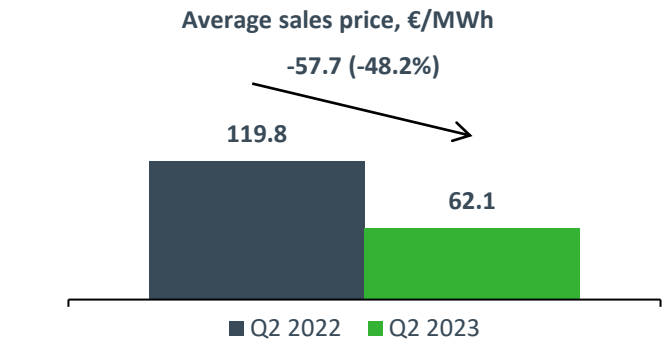
Natural gas

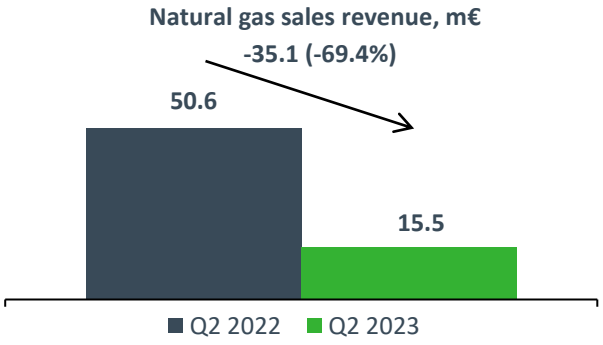
Natural gas revenue and sales volume

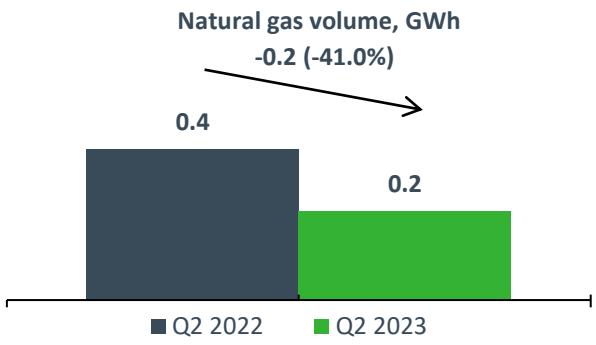
In Q2 2023, the Group's natural gas revenue decreased by 69.4% year on year, dropping to 15.5 million euros (-35.1 million euros), and sales volume declined by 41.0% to 249 GWh (-173 GWh). Natural gas sales broke down between markets as follows: Estonia 16 GWh (-81 GWh), Latvia 23 GWh (-21 GWh), Lithuania 11 GWh (-128 GWh) and Poland 168 GWh (+26 GWh).

Natural gas price

The average sales price of natural gas in Q2 2023 was 62.1 €/MWh, which is 48.2% (-57.7 €/MWh) lower than in Q2 2022.







Key figures of the natural gas product

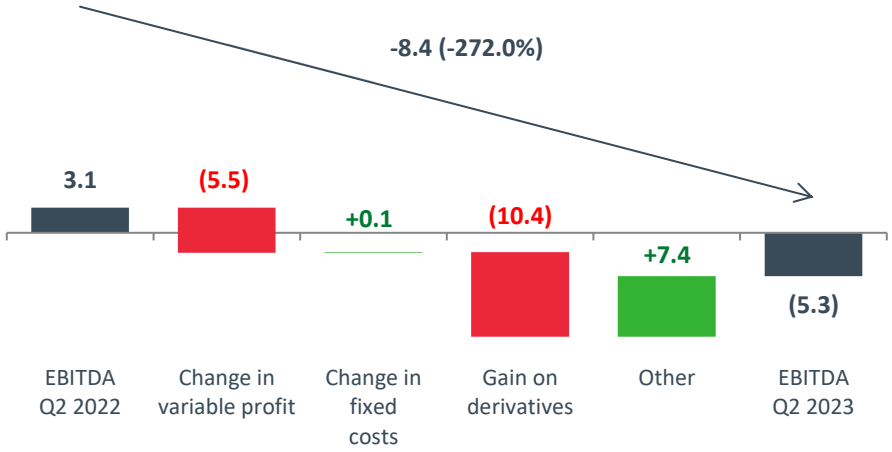
		Q2 2023	Q2 2022
Natural gas EBITDA	€/MWh	-21.3	7.3

Natural gas EBITDA

Natural gas EBITDA for Q2 2023 was -5.3 million euros (-272%, -8.4 million euros compared with Q2 2022).

Variable profit on the sale of natural gas decreased by 5.5 million euros. The decrease in fixed costs improved EBITDA by 0.1 million euros, while realised derivative transactions lowered EBITDA by 10.4 million compared with the same period last year. The change in the value of unrealised derivative financial instruments had a positive effect of +7.4 million euros (-10.0 million euros in Q2 2022 compared and -2.5 million euros in Q2 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.

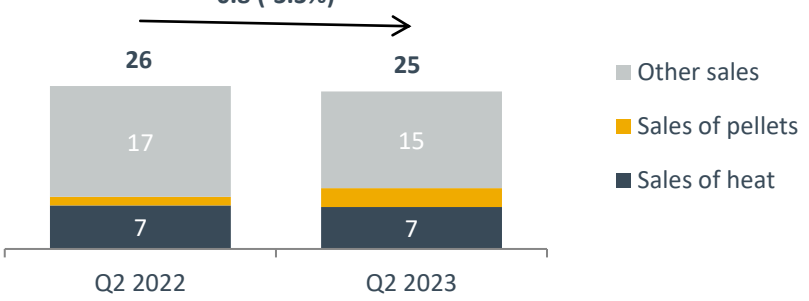
Revenue from the sale of other products and services

Revenue from the sale of other products and services amounted to 24.8 million euros in Q2 2023. Revenue decreased by 3% (-0.8 million euros) compared with the same period in 2022.

Revenue from the sale of heat decreased by 0.3 million euros due to a lower sales volume.

Revenue from the sale of pellets grew by 1.6 million euros year on year. Revenue from the provision of frequency restoration reserve services and sales of mining products decreased.

Sales revenue from other products and services, m€



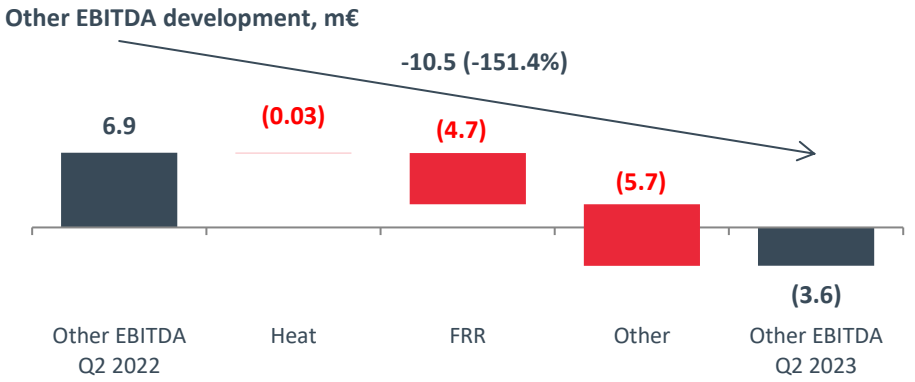
EBITDA on other products and services

In Q2 2023, EBITDA on other products and services decreased by 10.5 million euros year on year, falling to -3.6 million euros.

Heat EBITDA remained at the same level as in Q2 2022 (-1%, -0.03 million euros).

EBITDA on frequency restoration reserve (FRR) services fell sharply, which lowered EBITDA for the segment by 4.7 million euros.

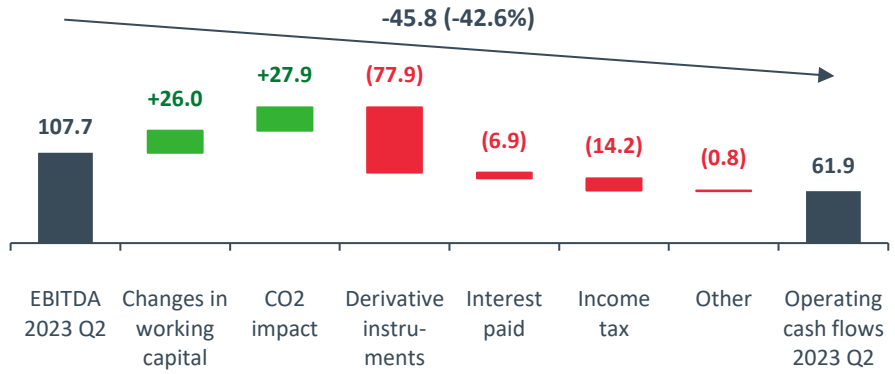
The effect of other impacts on EBITDA was -5.7 million euros.



Cash flows

The Group's net operating cash flow for Q2 2023 was 61.9 million euros, which is 45.8 million euros (42.6%) lower than EBITDA, which was 107.7 million euros.

EBITDA to operating cash flow development, m€



Changes in working capital increased net operating cash flow by 26.0 million euros compared with EBITDA. The main items that influenced working capital were a decrease in current receivables (+62.2 million euros) and increases in inventories (-24.0 million euros), other current assets (-12.9 million euros) and current liabilities (+0.7 million euros)

Settlements related to CO_2 emission allowances increased operating cash flow by 27.9 million euros compared with EBITDA.

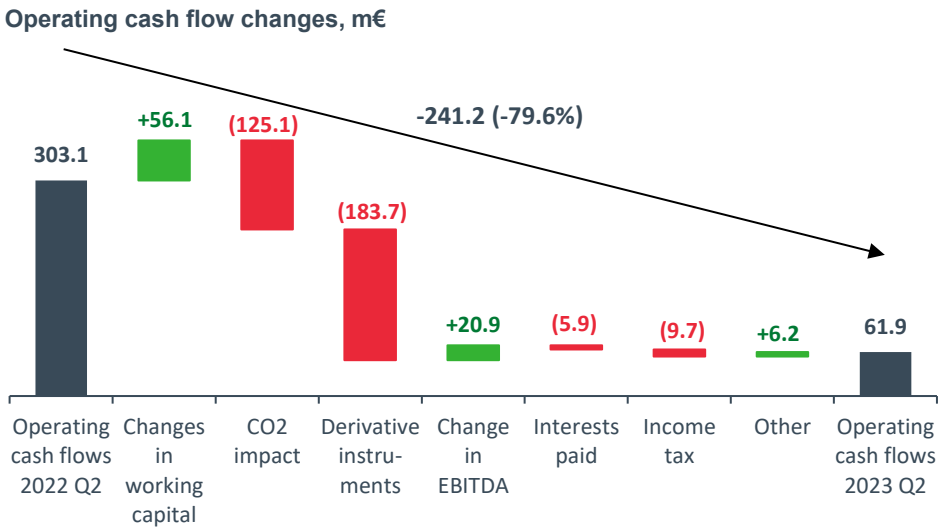
The impact of derivative financial instruments (excl. CO_2 instruments) was -77.9 million euros. The figure includes the impacts of electricity derivatives of -72.8 million euros, shale oil derivatives of -5.0 million euros and other derivatives of -0.1 million euros. The impacts of derivative financial instruments comprise both cash and non-cash impacts on EBITDA and operating cash flow.

Interest paid on borrowings reduced net operating cash flow by 6.9 million euros.

Income tax paid in Q2 2023 amounted to 14.2 million euros. Other impacts on operating cash flow totalled -0.8 million euros.

Q2 operating cash flow decreased by 241.2 million euros (79.6%) year on year.

Operating cash flow changes, m€



Changes in working capital increased net operating cash flow by 56.1 million euros compared with Q2 2022. The figure includes the effects of changes in current receivables of +42.2 million euros, in inventories of -3.7 million euros, in current liabilities of +11.6 million euros and in other current assets of +6.0 million euros.

The effect of settlements related to CO_2 emission allowances was -125.1 million euros.

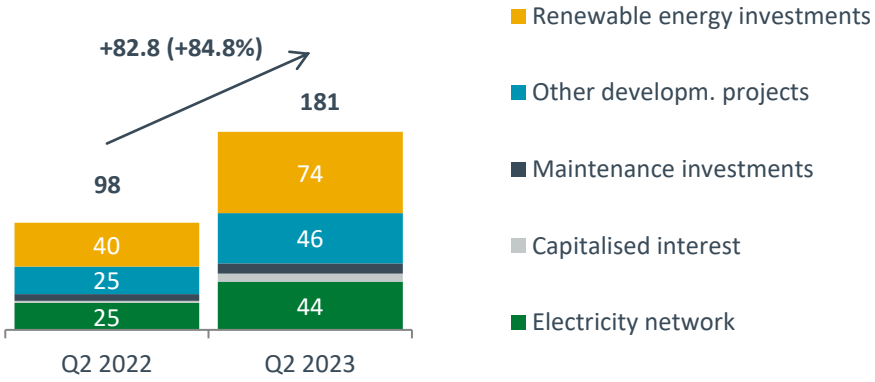
The impact of derivative financial instruments (excl. CO_2 instruments) was -183.7 million euros. The figure includes the impacts of electricity derivatives of -183.8 million euros, shale oil derivatives of -6.0 million euros, natural gas derivatives of +5.1 million euros and other derivatives of +1.0 million euros.

Income tax paid in Q2 2023 was 9.7 million euros larger than in Q2 2022. Interest paid on borrowings grew by 5.9 million euros compared with a year earlier. The impact of other changes was +6.2 million euros.

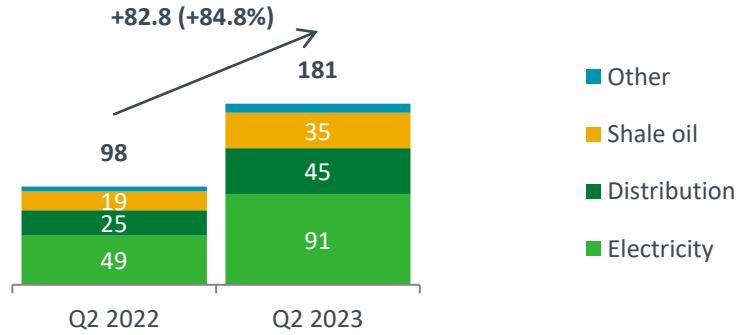
Investment

We invested 180.6 million euros in Q2 2023, which is 84.8% (+82.8 million euros) more than a year earlier. Expenditure on the electricity distribution network was 43.9 million euros (+77.5%, +19.2 million euros) and expenditures on the maintenance and improvement of existing assets (excl. the distribution network) were 9.6 million euros (+51.8%, +3.3 million euros).

Capex breakdown by projects, m€



Investment breakdown by products, m€



Increasing renewable energy production

To increase our renewable energy production capacity, we invested in wind farm developments in Finland (31.7 million euros), Estonia (15.0 million euros) and Lithuania (6.1 million euros). The largest investments in Estonia were made in the Sopi and Tootsi wind farms and in Lithuania in the Akmene, Šilale II and Kelme wind farms. We also continued investing in the Tolpanvaara wind farm in Finland.

Investments in solar projects in Estonia amounted to 18.2 million euros, half of which was invested in the Vändra solar farm and the rest in the Seinapalu, Sopi and Pärnu-Jaagupi solar projects. The Purtse solar farm in Estonia and the Zambrow solar farm in Poland supplied their first electricity to the grid in Q2.

Increasing the efficiency of large-scale energy production

Investments in the development of the chemicals industry amounted to 32.1 million euros in Q2. The new chemicals plant, which is scheduled to be completed in 2024, will increase our annual liquid fuel output to 700,000 tonnes.

We continued to implement an oil shale gasoline project at our E280 liquid fuels plant The purpose of the project is to increase our oil shale gasoline output by around 8,400 tonnes per year and to add higher value to oil shale in our existing chemicals industry.

In order to increase output, we acquired a wheel loader and two crawler dozers weighing over 100 tonnes (3.2 million euros in total) for the Narva opencast and three underground loaders (1.6 million euros in total) for the Estonia mine.

Improving the quality of the distribution service

Investments made to maintain and continuously improve the quality of the electricity distribution service in Q2 2023 amounted to 29.0 million euros (Q2 2022: 13.9 million euros). We built 85 substations and 230 km of network (Q2 2022: 86 substations and 269 km of network).

At the end of Q2 2023, 95.1% of Elektrilevi's low-voltage distribution network was weatherproof (at the end of Q2 2022: 93.7%). During the quarter, the weatherproof low-voltage overhead network grew by 80 km and the bare conductor network decreased by 41 km. At the end of Q2 2023, 73.0% of Elektrilevi's entire low- and medium-voltage distribution network was weatherproof (at the end of Q2 2022: 71.7%).

At the end of Q2 2023, 93.5% of Imatra Elekter's low-voltage distribution network was weatherproof (Q2 2022: 93.2%) and 66.5% of its entire low- and medium-voltage distribution network was weatherproof.

Financing

Development projects in the energy sector are mostly capital intensive. Our own available funds are not always sufficient to build new production facilities or to undertake significant business expansion. 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 Q2 2023 were 1,690 million euros at nominal value (at the end of Q1 2023: 1,093 million euros) and 1,687 million euros at amortised cost (at the end of Q1 2023: 1,100 million euros).

Long-term borrowings as at the reporting date consisted of Eurobonds listed on the London Stock Exchange of 500 million euros, a syndicated loan of 600 million euros, and loans from EIB of 85 million euros, NIB of 117 million euros, EBRD of 7 million euros (29.3 million Polish zloty), and commercial banks of 381 million euros including revolving credit facilities of 50 million euros (all nominal amounts).

At the end of Q2 2023, the Group's loans comprised loans of 354 million euros taken by the subsidiary Enefit Green, the figure including the 7 million euro loan from EBRD, the 117 million euro loan from NIB and the revolving credit facilities of 50 million euros from SEB. The parent's loans from commercial banks were 150 million euros, consisting of a loan from Swedbank that will mature in June 2024.

In Q2 2023, Enefit Green made regular contractual loan repayments of 2.5 million euros to the local commercial bank SEB and 1 million euros to the local commercial bank Swedbank and drew down the revolving credit facilities of 50 million euros raised from SEB. The parent drew down the syndicated loan of 600 million euros and 30 million euros of the loan raised from EIB.

The Group's liquid assets as at the end of Q2 2023 were 409 million euros (cash at bank). In addition, at the reporting date the Group had undrawn loans of 730 million euros, of which 445 million euros was attributable to the parent and 285 million euros was attributable to the subsidiary Enefit Green.

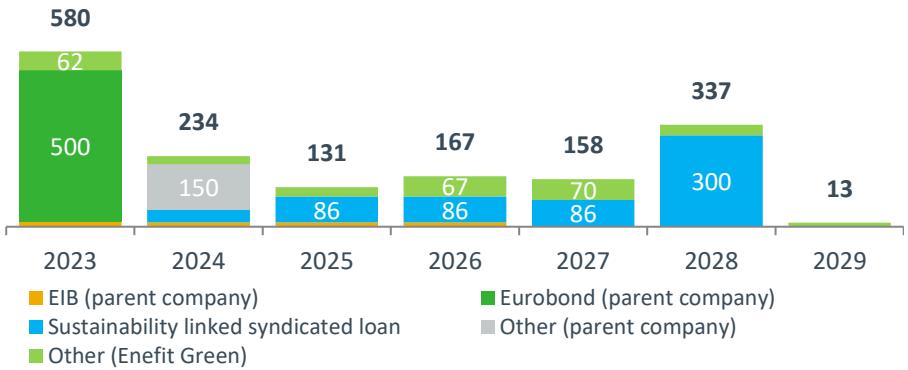
The Group's revolving credit facilities extended to 320 million euros at the reporting date (150 million euros from OP Corporate Bank, 100 million euros from SEB and 70 million euros from Swedbank) of which the Group had drawn down 50 million euros from SEB. The revolving credit facilities comprise credit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

The Group's undrawn long-term investment loans amounted to 175 million euros at the end of Q2 2023. The figure comprises the loan raised by Eesti Energia from EIB in December 2019.

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

The weighted average interest rate of Eesti Energia's borrowings as at the end of Q2 2023 was 4.65% (at the end of Q1 2023: 2.63%).

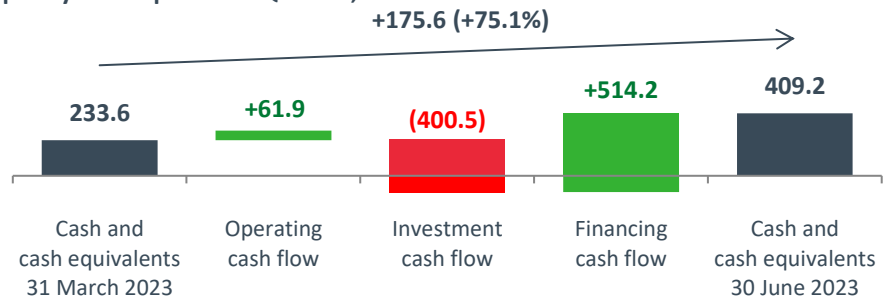
Debt maturity, m€



At the end of Q2 2023, the Group had borrowings of 718 million euros with fixed interest rates and borrowings of 970 million euros with floating interest rates (at the end of Q1 2023: borrowings of 719 million euros with fixed interest rates and borrowings of 374 million euros with floating interest rates).

Out of total borrowings, 99% are denominated in euros. One loan of 7 million euros (the loan from EBRD) is denominated in Polish zloty.

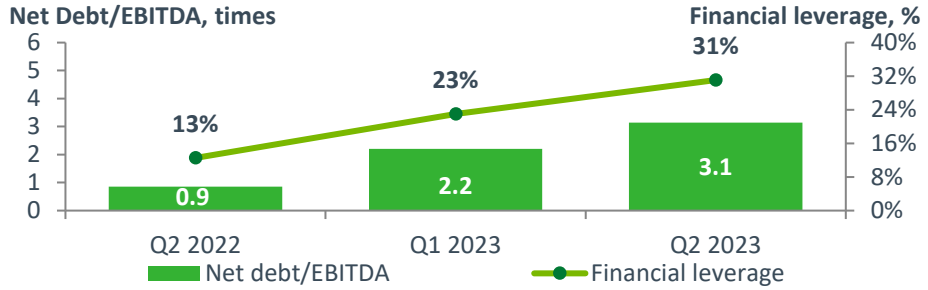
Liquidity development in Q2 2023, m€



At the end of Q2 2023, the Group's net debt was 1,278.1 million euros (at the end of Q2 2023: 435.7 million euros) and net debt to EBITDA ratio was 3.1 (at the end of Q2 2023: 0.9). The current net debt to EBITDA ratio is below the target ceiling of 3.5 set out in the Group's financing policy. In May 2023, the credit rating agency Moody's updated Eesti Energia's credit analysis: both the credit rating and outlook remained unchanged. At the end of Q2 2023, Eesti Energia's credit ratings were unchanged.

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

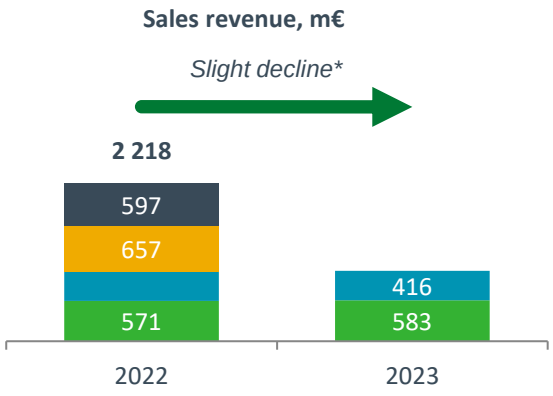
The main factors that affect the outlook for the Group's performance in 2023 are developments in the energy markets and the general economic environment.

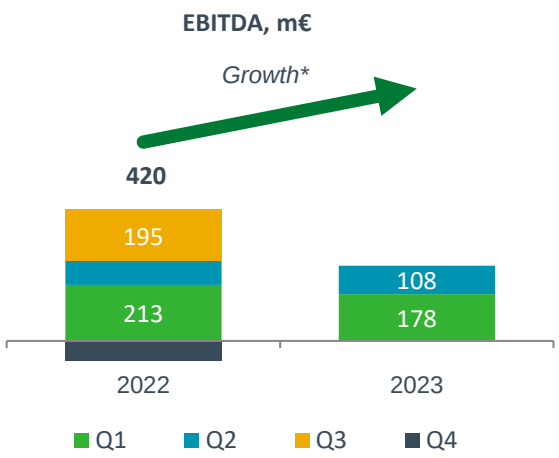
We expect energy market volatility to decrease in 2023. In the liquid fuels market, prices returned to the levels prior to the Russian aggression already at the end of 2022. We expect market prices of electricity to stabilise compared with last year.

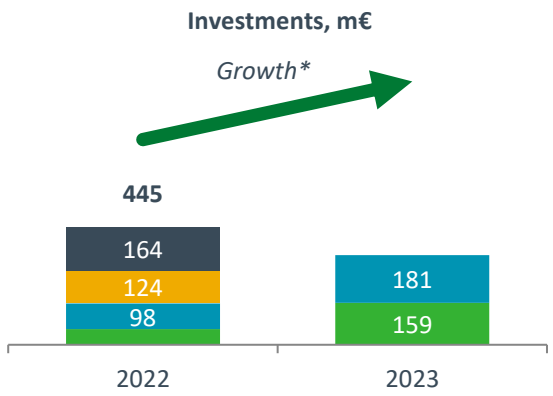
Besides energy prices, our performance is strongly influenced by other developments in our operating environment. Exceptionally high inflation will continue to have a strong effect on the purchase prices of goods and services while the raising of interest rates by central banks will affect financing costs.

We forecast that our revenue will decrease slightly while capital investments and EBITDA will grow somewhat compared with 2022. We will continue selling electricity, shale oil, natural gas and network services and offering 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 capital expenditure compared with 2022. The largest investments in 2023 will be made in expanding the renewable energy portfolio, improving the electricity distribution network and developing the 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	2nd Quarter 2023	2nd Quarter 2022	Half-year 2023	Half-year 2022
Revenue	4	416.1	416.6	998.8	957.3
Other operating income	5	112.6	80.1	228.3	147.9
Government grants		0.3	-	0.6	-
Change in inventories of finished goods and work-in-progress		10.7	1.2	17.1	(5.5)
Raw materials and consumables used	6	(249.6)	(299.2)	(613.8)	(688.4)
Payroll expenses		(50.0)	(42.1)	(102.0)	(82.8)
Depreciation, amortisation and impairment		(46.1)	(43.9)	(91.8)	(87.5)
Other operating expenses	7	(132.4)	(64.9)	(243.0)	(23.8)
OPERATING PROFIT/(LOSS)		**61.6**	**47.8**	**194.2**	**217.2**
Finance income		2.6	-	3.5	0.1
Finance costs		(7.5)	(2.5)	(17.4)	(8.5)
Net finance costs		(4.9)	(2.5)	(13.9)	(8.4)
Profit from associates under the equity method		1.3	1.0	1.5	(1.0)
PROFIT BEFORE TAX		**58.0**	**46.3**	**181.8**	**207.8**
Corporate income tax expense		(15.3)	(1.1)	(20.6)	0.4
PROFIT FOR THE PERIOD		**42.7**	**45.2**	**161.2**	**208.2**
Equity holder of the Parent Company		**42.1**	**40.2**	**153.7**	**195.1**
Non-controlling interest		**0.6**	**5.0**	**7.5**	**13.1**
Basic earnings per share (euros)	11	0.06	(0.01)	(0.01)	(0.01)
Diluted earnings per share (euros)	11	0.06	(0.01)	(0.01)	(0.01)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Note	2nd Quarter		Half-year	
		2023	2022	2023	2022
PROFIT FOR THE PERIOD		**42.7**	**45.2**	161.2	208.2
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Revaluation of hedging instruments net of reclassifications to profit or loss		**(46.6)**	**317.7**	(360.2)	455.4
Of which share of non-controlling interest		0.3	-	(3.1)	-
Impact of comprehensie income of associates		-	4.4	(1.6)	4.4
Excange differences on the transactions of foregin operations		(2.3)	(0.6)	(0.7)	-
Other comprehensive income for the period		**(48.9)**	**321.5**	**(365.6)**	**459.8**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(6.2)**	**366.7**	**(204.4)**	**668.0**
Equity holder of the Parent Company		**(7.1)**	**361.7**	**(211.9)**	**654.9**
Non-controlling interest		**0.9**	**5.0**	**4.4**	**13.1**

Condensed consolidated interim statement of financial position

in million EUR	Note	30.06.2023	30.06.2022	31.12.2022
ASSETS				
Non-current assets				
Property, plant and equipment	8	3,472.9	3,044.3	3,253.6
Right of use assets		11.0	11.7	11.2
Intangible assets		83.7	89.0	81.9
Prepayments for non-current assets	8	74.0	46.8	44.9
Investments in associates		78.6	65.5	76.9
Deferred tax assets	9	4.3	2.4	3.8
Derivative financial instruments		377.4	522.6	496.5
Non-current receivables		1.0	1.0	1.0
Total non-current assets		**4,102.9**	**3,783.3**	**3,969.8**
Current assets				
Inventories		179.3	143.8	176.8
Greenhouse gas allowances and certificates of origin		18.0	19.5	444.1
Trade and other receivables		684.6	389.1	430.8
Derivative financial instruments	9	134.2	286.3	204.2
Cash and cash equivalents		409.2	436.9	280.5
Total current assets		**1,425.3**	**1,275.6**	**1,536.4**
Total assets	**3**	**5,528.2**	**5,058.9**	**5,506.2**

in million EUR	Note	30.06.2023	30.06.2022	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		348.5	679.6	711.0
Retained earnings		1,245.5	1,166.0	1,160.7
Total equity and reserves attributable to equity holder of the Parent Company		**2,675.4**	**2,927.0**	**2,953.1**
Non-controlling interest		**158.7**	**150.9**	**166.9**
Total equity		**2,834.1**	**3,077.9**	**3,120.0**
LIABILITIES				
Non-current liabilities				
Borrowings	12	945.3	832.4	449.0
Deferred tax liabilities		19.9	12.4	22.1
Other payables		9.1	3.0	4.8
Derivate financial instruments	9	21.9	72.2	32.1
Contract liabilities and government grants		375.3	316.9	351.1
Provisions	13	23.3	27.8	22.7
Total non-current liabilities		**1,394.8**	**1,264.7**	**881.8**
Current liabilities				
Borrowings	12	742.0	41.3	605.6
Trade and other payables		287.7	309.7	293.2
Derivative financial instruments	9	148.1	167.7	169.1
Contract liabilities and government grants		1.5	0.6	0.5
Provisions	13	120.0	197.0	436.0
Total current liabilities		**1,299.3**	**716.3**	**1,504.4**
Total liabilities		**2,694.1**	**1,981.0**	**2,386.2**
Total liabilities and equity		**5,528.2**	**5,058.9**	**5,506.2**

Condensed consolidated interim statement of cash flows

in million EUR	Note	2nd Quarter 2023	2nd Quarter 2022	Half-year 2023	Half-year 2022
Cash flows/ used from operating activities					
Cash generated from operations	**15**	81.6	308.6	168.0	575.8
Interest and loan fees paid		(6.9)	(1.0)	(19.6)	(2.2)
Interest received		1.4	-	2.3	-
Corporate income tax paid		(14.2)	(4.5)	(14.8)	(5.3)
Net cash generated from operating activities		**61.9**	**303.1**	**135.9**	**568.3**
Cash flows used in investing activities					
Purchase of property, plant and equipment and intangible assets		(159.3)	(81.7)	(320.6)	(178.4)
Proceeds from grants of property, plant and equipment	16	2.1	-	3.2	-
Proceeds from sale of property, plant and equipment	16	0.1	-	0.2	2.0
Net change in deposits not recognised as cash equivalents		(245.0)	-	(245.0)	-
Contribution to the share capital of associates		-	-	(3.3)	(9.3)
Dividends received from associates		1.6	-	1.6	1.5
Proceeds from sale of shares of business		-	0.7	-	0.7
Net cash used in investing activities		**(400.5)**	**(81.0)**	**(563.9)**	**(183.5)**
Cash flows used in financing activities					
Loas received	**12**	770.0	40.0	820.5	40.0
Repayments of bank loans	**12**	(174.0)	(75.1)	(181.7)	(129.7)
Repayments of leases		(0.3)	(0.2)	(0.6)	(0.5)
Dividend paid		(81.5)	(55.7)	(81.5)	(55.7)
Net cash used in financing activities		**514.2**	**(91.0)**	**556.7**	**(145.9)**
Net cash flows		**175.6**	**131.1**	**128.7**	**238.9**
Cash and cash equivalents at the beginning of the period		233.6	305.8	280.5	198.0
Cash and cash equivalents at the end of the period		409.2	436.9	409.2	437.0
Net change in cash and cash equivalents		**175.6**	**131.1**	**128.7**	**238.9**

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	**-**	**-**	**-**	**-**	**195.1**	195.1	**13.1**	**208.2**
Other comprehensive income for the period	**-**	**-**	**-**	**459.8**	**-**	459.8	**-**	**459.8**
Total comprehensive income for the period	**-**	**-**	**-**	**459.8**	**195.1**	654.9	**13.1**	**668.0**
Dividends declared	**-**	**-**	**-**	**-**	**(46.7)**	(46.7)	**(9.0)**	**(55.7)**
Total contributions by and distributions to owners of the Group, recognised directly in equity	**-**	**-**	**-**	**-**	**(46.7)**	(46.7)	**(9.0)**	**(55.7)**
Equity as at 30.06.2022	**746.6**	**259.8**	**75.0**	**679.6**	**1,166.0**	2,927.0	**150.9**	**3,077.9**
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	-	-	-	-	153.7	153.7	7.5	161.2
Other comprehensive income for the period	-	-	-	(362.5)	-	(362.5)	(3.1)	(365.6)
Total comprehensive income for the period	**-**	**-**	**-**	**(362.5)**	**153.7**	(208.8)	**4.4**	**(204.4)**
Dividends declared	-	-	-	-	(68.9)	(68.9)	(12.6)	(81.5)
Total contributions by and distributions to owners of the Group, recognised directly in equity	**-**	**-**	**-**	**-**	**(68.9)**	(68.9)	**(12.6)**	**(81.5)**
Equity as at 30.06.2023	**746.6**	**259.8**	**75.0**	**348.5**	**1,245.5**	2,675.4	**158.7**	**2,834.1**

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 2022, 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 2022.

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 2022.

According to the Management Board the interim report prepared for the period 1 January 2023 – 30 June 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 total nominal amount of the interest rate swaps at 30 June 2023 was EUR 163.2 million euros.

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 30 June 2023 and 31 December 2022:

30.06.2023

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 10)	56.5	25.5	165.3	247.3
Cash flow hedges (Note 10)	9.1	13.8	241.4	264.3
Total financial assets	**65.6**	**39.3**	**406.7**	**511.6**
Liabilities				
Trading derivatives (Note 10)	68.3	23.9	10.1	102.3
Cash flow hedges (Note 10)	56.6	11.1	-	67.7
Total financial liabilities	**124.9**	**35.0**	**10.1**	**170.0**

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 using a valuation technique which is based on various inputs. The value of the market price is found using valuation techniques which are based on the quotations of Nasdaq OMX and the fundamental model for the Nord Pool region whose inputs are obtained from Volue and SKM. The fair value calculations are made on a daily basis.

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	(119.3)	-
Gains recognised in other operating income	-	18.7
Closing balance 30 June 2023	**241.4**	**155.2**

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	30.06.2023	31.12.2022
Nominal value of bonds	500.0	500.0
Market value of bonds on the basis of quoted sales price	496.4	493.8
Nominal value of bank loans with fixed interest rate	55.0	55.0
Fair value of bank loans with fixed interest rate	53.2	52.2
Nominal value of bank loans with fixed interest swap rate	163.2	168.3
Fair value of bank loans with fixed interest swap rate	163.2	168.3
Nominal value of bank loans with floating interest rate	970.9	326.7
Fair value of bank loans with floating interest rate	970.9	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		Half-year	
in million EUR	**2023**	**2022**	**2023**	**2022**
Electrical Energy	266.7	252.9	640.0	586.6
Network Services	65.9	55.4	147.4	119.0
Liquid Fuels	43.2	32.2	83.8	63.8
Natural Gas	15.5	50.6	61.1	133.5
Total reportable segments	**391.3**	**390.9**	**932.3**	**910.1**
Other products and services	24.8	25.7	66.4	47.2
Total (Note 5)	**416.1**	**416.6**	**998.7**	**957.3**

ASSETS

in million EUR	**30.06.2023**	**31.12.2022**
Electrical Energy	2,786.8	2,989.3
Network Services	1,450.5	1,292.6
Liquid Fuels	586.0	547.7
Natural Gas	162.1	154.7
Total reportable segments	**4,967.2**	**4,984.3**
Other products and services	561.0	521.9
Total	**5,528.2**	**5,506.2**

EBITDA

	1st Quarter		Half-year	
in million EUR	**2023**	**2022**	**2023**	**2022**
Electrical Energy	80.2	66.7	229.9	222.4
Network Services	33.1	19.9	62.2	35.1
Natural gas	3.3	(4.9)	9.0	(2.3)
Liquid Fuels	(5.3)	3.1	(12.4)	48.3
Other products and services	(3.6)	6.9	(2.5)	1.2
Total reportable segments	**107.7**	**91.7**	**286.0**	**304.7**
Depreciation, amortisation and impairment	(46.2)	(43.9)	(91.8)	(87.5)
Net finance costs	(4.8)	(2.5)	(13.8)	(8.4)
Profit(loss) from associates under the equity method	1.3	1.0	1.3	(1.0)
Profit(loss) before tax	**58.0**	**46.3**	**181.7**	**207.8**

4. Revenue

in million EUR	2nd Quarter 2023	2nd Quarter 2022	2023	2022
By activity				
Sale of goods				
Shale oil	43.2	32.2	83.9	70.9
Pellets	2.7	1.3	18.3	9.4
Shale rock	0.9	2.3	0.9	3.1
Other goods	3.6	1.4	4.7	2.3
Total sale of goods	**50.4**	**37.2**	**107.8**	85.7
Sale of services				
Electricity	263.2	252.9	632.2	586.6
Sales of services related to network	64.8	55.4	147.0	119.0
Gas energy	15.5	50.6	61.0	133.9
Heat	3.6	3.9	13.2	12.5
Waste reception and resale	3.9	3.9	8.5	8.2
Rental and maintenance income	0.3	0.3	0.6	0.5
Other services	14.4	12.4	28.5	10.9
Total sale of services	**365.7**	**379.4**	**891.0**	**871.6**
Total revenue	**416.1**	**416.6**	**998.8**	**957.3**

5. Other operating income

in million EUR	2nd Quarter 2023	2nd Quarter 2022	Half-year 2023	Half-year 2022
Gain from revaluation of derivatives	105.5	72.1	211.4	129.9
Renewable energy grant	4.4	5.6	11.6	13.9
Fines, penalties and compensations	1.7	1.0	3.4	1.8
Gain on greenhouse gas emission allowances sold	1.0	-	1.0	-
Gain on disposal of property, plant and equipment	-	0.6	0.2	1.0
Other operating income	-	0.8	0.7	1.3
Total other operating income	**112.6**	**80.1**	**228.3**	**147.9**

6. Raw materials and consumables used

	2nd Quarter		Half-year	
in million EUR	2023	2022	2023	2022
Electricity	117.9	80.2	247.9	232.8
Greenhouse gases emissions expense	39.4	92.9	112.9	189.5
Gas bought for resale	17.8	46.5	69.7	107.2
Transmission services	11.6	13.1	40.6	38.0
Resource tax on mineral resources	6.2	16.1	13.8	29.5
Technological fuel	19.7	15.4	52.3	25.5
Materials and spare parts	14.0	12.5	29.8	22.8
Maintenance and repairs	6.5	9.8	12.7	18.5
Purchased works and services	6.7	4.9	12.7	9.6
Services for own production	4.9	-	9.8	-
Environmental pollution charges	2.6	4.0	6.0	8.4
Recognition and reversal of environmental and mining termination provisions	-	0.1	-	-
Other raw materials and consumables used	2.3	3.7	5.6	6.6
Total raw materials and consumables used	**249.6**	**299.2**	**613.8**	**688.4**

7. Other operating expenses

	2nd Quarter		Half-year	
in million EUR	2023	2022	2023	2022
Loss from revaluation of derivatives	117.5	51.8	214.2	-
Miscellaneous office expenses	4.7	3.8	8.8	7.1
Consultation	1.7	1.4	3.3	2.5
Insurance	1.5	1.4	3.1	2.6
Building and structure costs	1.3	1.1	2.8	2.5
Rental expense	1.4	1.1	2.8	2.1
Taxes	0.7	0.9	1.9	2.5
Research and development costs	0.9	0.7	1.8	1.1
Compensations	0.2	0.2	0.3	0.2
Other operating expenses	2.5	2.5	4.0	3.2
Total other operating expenses	**132.4**	**64.9**	**243.0**	**23.8**

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	-	-	-	10.1	0.1	295.9	29.1	335.2
Depreciation charge and write-downs	-	(3.6)	(18.5)	(65.2)	(0.3)	(0.2)	-	(87.8)
Effects on movements in foreign exchange rates	-	-	-	0.5	-	0.5	-	1.0
Transfers	-	0.3	50.6	40.9	-	(91.8)	-	-
Total changes occurred in period	**-**	**(3.3)**	**32.1**	**(13.7)**	**(0.2)**	**204.4**	**29.1**	**248.4**
Property, plant and equipment as at 30.06.2023								
Cost	94.5	331.0	1,468.5	3,401.3	7.0	627.0	74.0	6,003.3
Accumulated depreciation	-	(141.1)	(621.4)	(1,688.1)	(5.8)	-	-	(2,456.4)
Net book amount	94.5	189.9	847.1	1,713.2	1.2	627.0	74.0	3,546.9
Total property, plant and equipment as at 30.06.2023	**94.5**	**189.9**	**847.1**	**1,713.2**	**1.2**	**627.0**	**74.0**	**3,546.9**

As at 30 June 2023, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 728.7 million (31 December 2022 EUR 484.6 million).

9. Derivative financial instruments

in million EUR	30.06.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
Forward- and future contracts for buying and selling electricity as cash flow hedges	241.4	35.4	399.8	0.1
Forward- and future contracts for buying and selling electricity as trading derivatives	154.5	8.7	206.4	0.8
Swap and future contracts for buying and selling gas cash flow hedges	-	4.0	6.0	-
Swap and future contracts for buying and selling gas as trading derivatives	79.0	79.4	63.0	60.3
Swap and forward contracts for selling fuel oil as cash flow hedges	9.1	28.3	3.5	89.8
Swap and forward contracts for selling fuel oil as trading derivatives	-	-	0.4	0.4
Interest rate swap	13.8	-	14.6	-
Universal service	6.0	-	-	37.1
Other derivatives	7.8	14.2	7.0	12.7
Total derivative financial instruments	**511.6**	**170.0**	**700.7**	**201.2**
including non-current portion:				
Forward- and future contracts for buying and selling electricity as cash flow hedges	221.9	9.8	330.4	-
Forward contracts for buying and selling electricity as trading derivatives	133.6	1.2	145.0	-
Swap and future contracts for buying and selling gas as cash flow hedges	-	1.5	0.6	-
Swap and future contracts for buying and selling gas as trading derivatives	0.2	-	1.2	-
Swap and forward contracts for selling fuel oil as cash flow hedges	5.8	0.9	2.2	19.0
Interest rate swap	8.9	-	11.3	-
Universal service	-	-	-	5.1
Other derivatives	7.0	8.5	5.8	8.0
Total non-current portion	**377.4**	**21.9**	**496.5**	**32.1**
Total current portion	**134.2**	**148.1**	**204.2**	**169.1**

10.Share capital and dividends

As at 30 June 2023, Eesti Energia AS had 746 645 750 registered shares (31 December 2022: 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, 2023.

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.

	2nd Quarter		Half-Year	
in million EUR	2023	2022	2023	2022
Profit attributable to the equity holders of the company (million EUR)	42.1	40.2	153.7	195.1
Weighted average number of shares (million)	746.6	746.6	746.6	746.6
Basic earnings per share (EUR)	0.06	0.05	0.21	0.26
Diluted earnings per share (EUR)	0.06	0.05	0.21	0.26

12. Borrowings at amortized cost

	Short-term borrowings			Long-term borrowings			
in million EUR	Bank loans	Bonds issued	Lease liabilities	Bank loans	Bonds issued	Lease liabilities	Total
Borrowings at amortized cost 31.12.2022	**111.3**	**492.8**	**1.4**	**438.7**	**-**	**10.4**	**1,054.6**
Movements in the reporting period							
Cash movements							
Borrowings received	150.5	-	-	670.0	-	-	820.5
Repayments of borrowings	(181.7)	-	(0.7)	-	-	-	(182.4)
Non-cash movements	-	-	-	-	-	-	-
Initial recognition of lease liability	-	-	-	-	-	**0.3**	0.3
Transfers	163.3	-	-	(163.3)	-	-	-
Accrued interest	-	4.9	-	(11.3)	-	-	(6.4)
Other movements	-	-	0.2	0.2	-	**0.3**	0.7
Total movements in 6m 2023 period	**132.1**	**4.9**	**(0.5)**	**495.6**	**-**	**0.6**	**632.7**
Borrowings at amortized cost 30.06.2023	**243.4**	**497.7**	**0.9**	**934.3**	**-**	**11.0**	**1,687.3**

As at 30 June 2023, the Group had undrawn loan facilities of EUR 730.0 million (31 December 2022: EUR 495.0 million), including long-term investment loans of EUR 460.0 million and undrawn revolving liquidity loans of EUR 270.0 million.

13.Provisions

in million EUR	Opening balance 31.12.2022	Recognition and reversal of provisions	Interest charge	Use	Closing balance 30.06.2023	
					Short term provision	Long term provision
Environmental protection provisions	16.2	-	0.4	(0.6)	1.9	14.0
Employee related provisions	3.4	-	0.1	(0.3)	0.5	2.7
Provision for dismantling cost of assets	6.4	-	0.2	-	-	6.5
Provision for greenhouse gas emissions	428.7	112.9	-	(429.0)	112.6	-
Provision for onerous contracts	0.3	-	-	-	0.2	-
Provision for renewable energy certificates	3.7	4.0	-	-	4.8	-
Total provisions	**458.7**	**116.9**	**0.7**	**(429.9)**	**120.0**	**23.3**

14.Other reserves

in million EUR	30.06.2023	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	**(288.0)**	**670.3**
of which electricity cash flow hedges	(302.9)	706.0
of which shale oil cash flow hedges	30.8	(76.7)
of which gas cash flow hedges	(16.3)	26.5
of which other cash flow hedges	0.4	14.5
Recognised as an increase/decrease of revenue	**(13.2)**	**(155.0)**
of which recognised as an increase/decrease of revenue of electricity	-	(58.9)
of which recognised as an increase/decrease of revenue of shale oil	(13.2)	(96.1)
Recognised as an increase/decrease of cost of goods sold	**(87.2)**	**(335.1)**
of which recognised as an increase/decrease of cost of electricity	(92.3)	(304.4)
of which recognised as an increase/decrease of cost of gas	5.1	(30.7)
Recognized as an increase/decrease of interest expenses	**(1.3)**	**0.1**
Currency translation differences attributable to foreign subsidiaries	**(0.7)**	**(3.3)**
Non-controlling interest of hedging instruments (Note 11)	**3.1**	**(3.3)**
Change in associates other comprehensive income	**(1.6)**	**7.6**
Other reserves at the end of the period	**348.5**	**711.0**
of which hedge reserve at the end of the period	338.3	698.5
of which currency translation reserve at the end of the period	4.9	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	2nd Quarter 2023	2nd Quarter 2022	Half-year 2023	Half-year 2022
Profit before tax	**58.0**	**44.1**	**181.8**	**207.8**
Adjustments				
Depreciation and impairment of property, plant and equipment	44.0	42.9	87.8	85.1
Amortisation and impairment of intangible assets	2.1	1.2	4.0	2.4
Deferred income from connection and other service fees	(3.4)	(3.1)	(6.7)	(6.1)
Gain on disposal of property, plant and equipment	-	(0.6)	(0.2)	(1.0)
Loss on disposal of associate	-	(0.6)	-	(0.6)
Amortisation of government grant received to purchase non-current assets	(0.3)	(0.2)	(0.6)	(0.5)
Profit/loss from associates using equity method	(1.3)	1.8	-	1.6
Unpaid/unsettled gain/loss on derivatives	(53.0)	144.3	(205.5)	80.4
Profit (loss) from other non-cash transactions	0.3	(0.1)	(1.2)	(0.1)
Interest expense on borrowings	11.0	5.2	17.7	10.7
Interest and other financial income	(2.6)	-	(3.5)	-
Adjusted net profit before tax	**54.8**	**234.9**	**73.6**	**379.7**
Net change in current assets relating to operating activities				
Change in receivables related to operating activities	62.2	20.0	117.5	33.1
Change in inventories	(24.9)	(20.3)	(2.4)	(29.8)
Net change in other current assets relating to operating activities	393.2	125.1	299.0	60.1
Total net change in current assets relating to operating activities	**430.5**	**124.8**	**414.1**	**63.4**
Net change in current liabilities relating to operating activities				
Change in provisions	(391.3)	(100.4)	(315.4)	(1.4)
Change in trade payables	(4.9)	(19.3)	(37.2)	19.0
Net change in liabilities relating to other operating activities	(7.6)	68.6	32.9	115.1
Total net change in liabilities relating to operating activities	**(403.8)**	**(51.1)**	**(319.7)**	**132.7**
Cash generated from operations	**81.6**	**308.6**	**168.0**	**575.8**

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

	2nd Quarter		Half-year	
in million EUR	2023	2022	2023	2022
Purchase of goods	3.2	4.1	8.9	7.8
Purchase of services	0.2	0.2	0.4	0.6
Proceeds from sale of goods	-	0.8	-	-
Proceeds from sale of services	0.1	0.8	0.1	1.1
Proceeds from sale of associate	-	0.7	-	0.7
Dividends received	1.6	-	1.6	1.5

RECEIVABLES FROM ASSOCIATES AND PAYABLES TO ASSOCIATES

in million EUR	30.06.2023	31.12.2022
Receivables	12.3	12.6
incl long-term loan receivables	12.3	12.6
Allowance for doubtful loan receivables	(12.3)	(12.6)
Payables	1.3	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 – 30 June 2023 remuneration to management and supervisory boards amounted to EUR 2.4 million (1 January – 30 June 2022: EUR 2.3 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

	2nd Quarter		Half-year	
in million EUR	2023	2022	2023	2022
Purchase of services	29.0	13.5	58.2	39.4
Purchase of goods	3.9	8.2	13.3	22.3
Purchase of property, plant and equipment and prepayments	6.6	0.3	6.6	2.2
Sale of goods and services	8.7	16.5	21.7	31.9
Renewable energy grant	29.0	13.5	58.2	39.4

RECEIVABLES FROM ELERING AS AND PAYABLES TO ELERING AS

in million EUR	30.06.2023	31.12.2022
Receivables	3.4	3.3
Payables	12.2	4.9

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