Interim report

1 April – 30 June 2022

Eesti Energia

Contents

Letter from the CEO

Dear reader

Unprecedentedly high energy prices continue to affect economies and people's wellbeing in both the markets where Eesti Energia operates as well as other European countries.

Russia is using natural gas as a political weapon and cut-off of supplies to Europe is a likely scenario. European leaders are calling for cutbacks in natural gas consumption. However, even if natural gas remains available, its price may surge to exorbitant heights. Peak demand for electricity in the Estonia, Latvia and Lithuania price areas is still met by gas-fired power plants.

In the past quarter, the average price of natural gas was four times higher than a year earlier. Depending on the area, the Q2 price of electricity on the Nordic and Baltic countries' common Nord Pool market was two to three times higher than in the same period last year.

Due to high energy demand, our thermal power plants, which are operated by Enefit Power, have been continuously online. In recent years, Estonia has been an energy importer but this year it is increasingly becoming an energy exporter because our hybrid power plants are currently more competitive than the gas-fired power plants in Latvia and Lithuania. Estonia was an energy exporter in May and June when domestic electricity production exceeded consumption. Eesti Energia's electricity production in Q2 2022 was 56% higher than in the same period last year. Enefit Power produced 1.1 TWh of electricity, which is 76% more than a year earlier.

Balancing of the affordability, sustainability and security of energy supply has become a critical topic in all countries where we operate. For society, the fastest and most cost effective solution is electrification: the replacement of fossil energy sources such as motor fuels in transport or natural gas in heat production with renewable electricity. Our updated strategy for the period 2022–2026 is focused on this solution.

According to our action plan for the next five years, by the end of 2026 Eesti Energia that operates in Finland, the Baltic countries and Poland will increase its renewable electricity production capacity almost four times compared with the current level (to approx. 1,900 MW). During the period, we will invest over 2 billion euros in new development projects, mostly new wind and solar farms. Our renewable energy growth ambition is being implemented by the subsidiary Enefit Green that is listed on the Tallinn Stock Exchange.

New electricity projects under construction include the Tolpanvaara (72 MW) wind farm in Finland, the Akmene (75 MW) and Šilale II (43 MW) wind farms in Lithuania, the Purtse (21 MW) wind farm in Estonia and two solar farms (15 MW) in Poland with a total capacity of 226 MW. In addition, Enefit Green acquired from Eesti Energia the Tootsi (74 MW) wind farm and is planning to build the Sopi (160 MW) and Tootsi wind farms simultaneously. This state-of-the-art combined wind project alone will double Estonia's current wind power production capacity.

Growth in the production of renewable energy reduces the carbon intensity of our energy production operations. Compared with the previous strategy period 2021–2025 when the goal was to reduce the CO_2 intensity of our operations by 26%, in the new strategy period we have increased our ambition, setting the bar at lowering carbon intensity by 43% to 0.21 t/MWh.

Eesti Energia is helping its customers implement their green transition and reduce their environmental footprint, among other things, by offering solar and heating solutions, charging, storage and lighting services and flexible energy consumption management. By the end of the current strategy period, 80% of our customers will be using at least one green service or product. For instance, we have nearly 100,000 of household customers in Lithuania that are consume renewable electricity. By choosing renewable electricity, every Enefit customer in Lithuania is contributing to the construction of new wind farms in Lithuania, Latvia and Estonia. Consumers' interest in producing electricity and selling it to the network also keeps growing. We help customers find the best solution that will enable them to produce green electricity for own use and selling to the network. In the first half of 2022, the number of solar solution agreements signed by us in the Estonian market more than doubled compared with a year earlier.

Eesti Energia's subsidiary Elektrilevi that operates the electricity distribution network must also ensure that small electricity producers in Estonia, particularly new solar power plants, can connect to the distribution network. In Q2, Elektrilevi received 3,218 electricity producer connection applications, over four times more than in the same period last year. As a result, nearly a thousand new producer connection agreements were signed. By the end of June, Elektrilevi's distribution network had electricity production facilities at 12,808 consumption points and the total capacity of connected production facilities had grown to 545.5 MW. On 23–26 June, for example, they covered more than half of Estonia's electricity consumption.

Capital investments made by Elektrilevi in Q2 2022 grew by 7% year on year, rising to nearly 25 million euros of which 15 million euros was invested in new network connections.

A significant element of Eesti Energia's long-term carbon neutrality strategy is gradual transition from the production of shale oil to the production of raw materials for the chemicals industry. To that end, we have set up alliances with partners and research institutions. European chemicals companies are already interested in the raw materials Eesti Energia is going to produce because their production process is more sustainable than that of materials obtained through crude oil processing. Namely, our Enefit technology allows using the co-pyrolysis of oil shale and waste to recycle old tyres and mixed plastic waste which until recently was considered to be unrecyclable.

In Q2 we signed a long-term supply contract with the Swedish tyre recycling organisation, which enables us to launch industrial-scale recycling of old tyres at the beginning of 2023 and thereby contribute to the reduction of a serious environmental problem. Swedish Tyre Recycling AB will supply our Enefit plants with 20,000 tonnes of shredded old tyres per year, a quarter of the amount discarded in Sweden annually. Our Enefit plants have the capacity to also recycle all old tyres accumulating in Estonia, Latvia and Lithuania in the total volume of nearly 55,000 tonnes per year.

Eesti Energia is a growing energy seller in the Baltic Sea region. Our Q2 retail sales of electricity in the region grew by 21%, rising to 2.3 TWh. Over half of the electricity (58%) was sold outside Estonia, i.e. in Finland, Latvia, Lithuania and Poland. The strongest retail sales growth (+56%) was achieved in Latvia.

Our Q2 shale oil production grew by 9.5% to 106 thousand tonnes and Q2 sales volume increased by 3% to 105 thousand tonnes.

The Group's revenue for Q2 was 73% larger than a year earlier, extending to 417 million euros. Revenue for the first half-year grew by 78% year on year, rising above 957 million euros. Adjusted EBITDA for Q2 grew by 148% to nearly 80 million euros and adjusted EBITDA for the first half-year increased by 108% to 207 million euros. Adjusted net profit for Q2 exceeded 33 million euros (+278%) and adjusted net profit for the first half-year was 110.5 million euros (+3,468%).

Consistent with the proposal of the nomination committee, the minister of finance Keit Pentus-Rosimannus that represents the general meeting of Eesti Energia removed Väino Kaldoja, Ants Pauls and Ivo Palu from the supervisory board of Eesti Energia effective from 12 May due to the expiry of their terms of office and appointed Taavi Tamkivi, Ahti Kuningas and Anne Mere as new members of the supervisory board. Based on the resolution of the general meeting, Anne Mere was elected the new chairman of the supervisory board. The term of office of the new members of the supervisory board is three years starting from 12 May 2022.

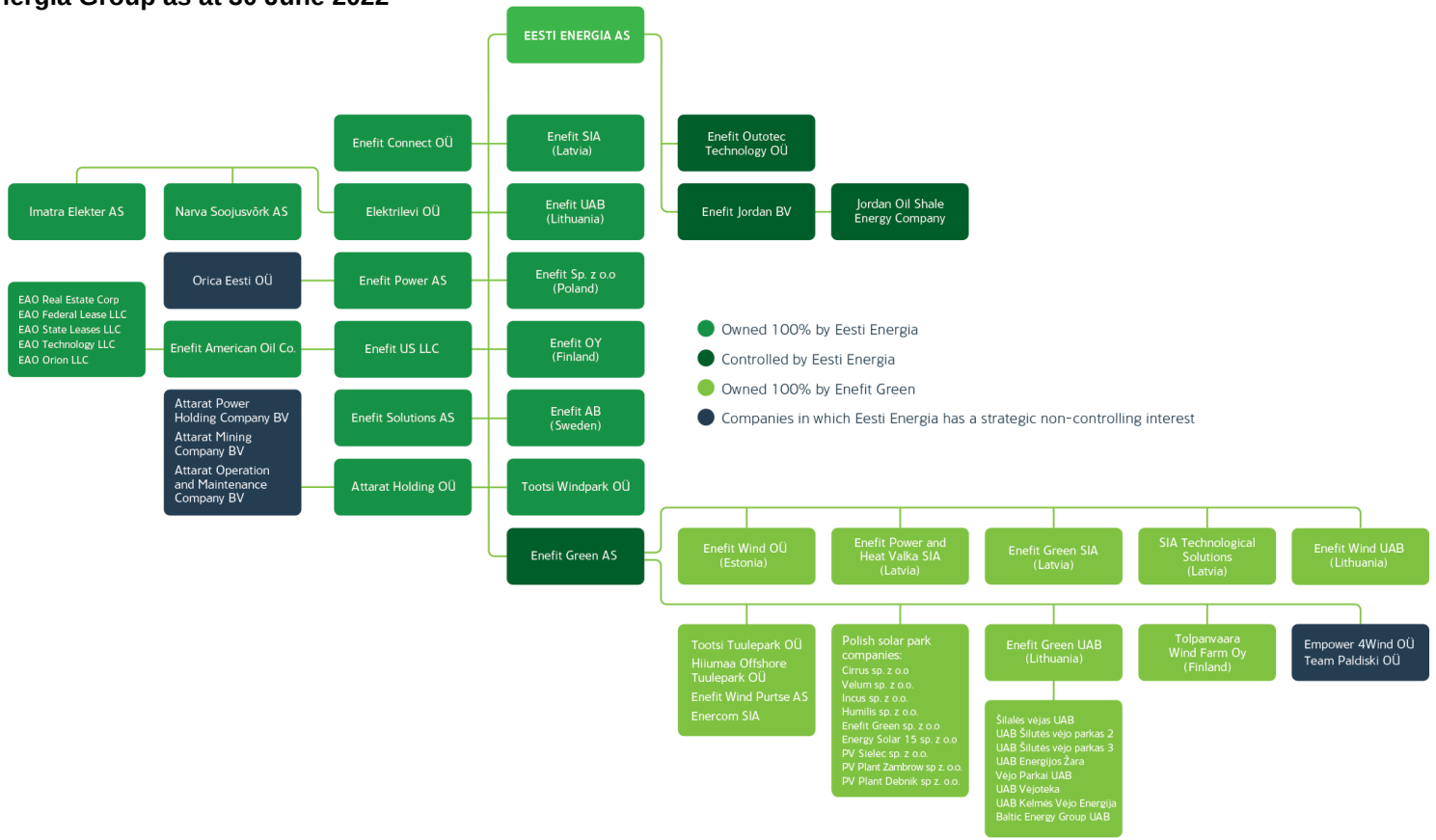
Hando Sutter

Chairman of the Management Board of Eesti Energia

This is Eesti Energia

- Established **in 1939**
- **4,910 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 2022



Home markets and business units

1

4,663

113

92

40

PRODUCTION UNITS
Oil shale mining
Oil shale electricity
Oil production
Cogeneration
Network services
Wind energy
Solar energy
Hydro energy
Waste-to-energy

DEVELOPMENTS
Oil shale mining
Oil shale electricity
Oil production
Wind energy

ENERGY SALES
Electricity
Gas

Key figures and ratios

		Q2 2022	Q2 2021	Change
Total electricity sales, of which	GWh	2,501	2,087	+19.8%
wholesale sales	GWh	195	185	+5.2%
retail sales	GWh	2,306	1,902	+21.3%
Electricity distributed	GWh	1,570	1,594	-1.5%
Shale oil sales	th t	105	102	+3.1%
Heat sales	GWh	185	181	+2.3%
Average number of employees	No.	4,690	4,318	+8.6%
Sales revenues	m€	416.6	241.1	+72.8%
EBITDA	m€	91.7	40.8	+124.6%
Operating profit	m€	47.8	-2.0	+2482.8%
Net profit	m€	45.2	-10.0	+552.2%
Investments	m€	97.7	54.2	+80.3%
Cash flow from operating activities	m€	303.1	5.0	+5957.3%
Non-current assets	m€	3,783.3	3,116.3	+21.4%
Equity	m€	3,077.9	2,009.1	+53.2%
Net debt	m€	436.8	797.5	-45.2%
Net debt / EBITDA**	times	0.9	3.6	-76.1%
EBITDA**/ interest cover**	times	18.4	7.4	+149.0%
Leverage	%	12.4	28.4	-16.0pp
ROIC**	%	10.9	2.2	+8.8pp
EBITDA margin	%	19.9	16.9	+3.0pp
Operating profit margin	%	10.4	-0.8	+11.2pp

Definitions of ratios and terms are explained in the Glossary section of the report, page 54

** rolling 12 months result*

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 2022 was strongly influenced by the following movements in market prices (compared with a year earlier):

- electricity prices soared, rising in Poland by 124%, in Finland by 154%, in Latvia and Lithuania by 192% and in Estonia by 161%;
- the average emission allowance price increased by 67%;
- the prices of crude oil and fuel oil grew by 62% and 70%, respectively.

Average electricity prices in our core markets remain high

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 and resell it to end consumers. Our performance indicators are 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 its neighbouring countries are well connected by means of interconnectors. Therefore, electricity production and prices are also affected by various factors outside our core markets, such as the levels of Norwegian hydro reservoirs, wind conditions in the region and the market price of natural gas.

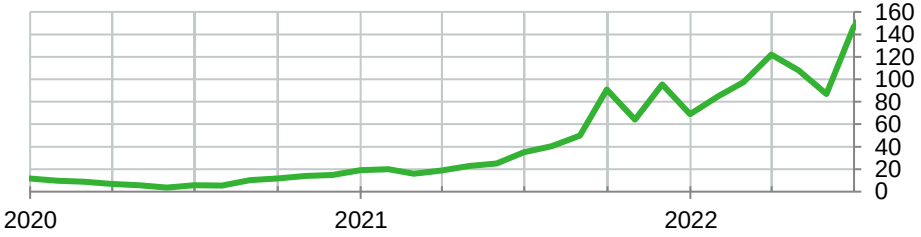
Average electricity price (€/MWh)	Q2 2022	Q2 2021	Change
Estonia	142.1	54.5	160.6%
Latvia	164.0	56.0	192.8%
Lithuania	168.1	57.5	192.1%
Poland	150.9	67.3	124.3%
Finland	117.5	46.3	154.0%
Norway	93.9	39.1	139.8%
Denmark	179.6	58.7	205.9%
Sweden	85.6	39.8	114.9%

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

The Estonian electricity price in Q2 2022 was strongly affected by the situation in the gas market. Due to high natural gas prices, electricity produced from Estonian oil shale is more competitive than ever. The average daily electricity price in Q2 2022 was the highest on 30 June, when it was 264.0 €/MWh (+166.0 €/MWh compared with Q2 2021), and the lowest on 10 April, when it was 20.6 €/MWh (+13.5 €/MWh compared with Q2 2021).

Average electricity prices in markets relevant to our business remain elevated because the price of natural gas and thus the cost price of electricity produced at gas-fired power plants have rocketed. The spike in the price of natural gas is attributable to supply disruptions as well as recent geopolitical events, which have increased uncertainty over gas supplies. While LNG supplies to Europe have grown, this has not had a significant effect on the price of natural gas.

TTF natural gas price €/MWh



Source: TTF

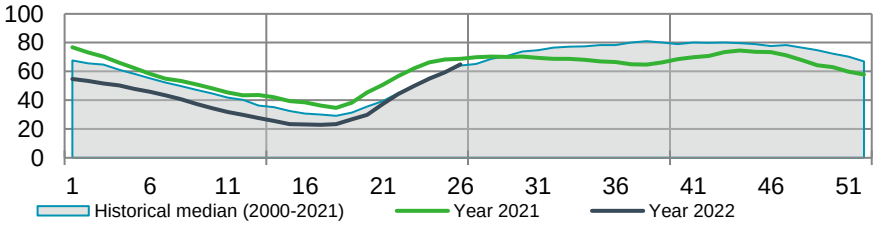
The average price of natural gas on the Dutch gas trading platform TTF was 113.8 €/MWh in Q2 2022 (+86 €/MWh, +310% compared with Q2 2021). The price increased from less than 100 €/MWh at the end of Q1 2022 to 144 €/MWh at the end of Q2.

In the summer, natural gas is procured and injected into storage facilities. In the winter, the stored inventories are withdrawn and consumed. Due to supply issues in 2021, gas storage facilities remained half empty and the deficit has caused gas prices to skyrocket. After Q2 2022, outlook for the coming winter remains similar due to uncertainty over natural gas supplies and the fact that in most countries the infrastructure for LNG, which could be an alternative to natural gas, is inadequate to accumulate inventories for the winter.

During peak hours, the electricity price in the region is typically determined by gas-fired power plants. A high gas price has created a situation in Europe where the cost price of electricity produced from gas is higher than the cost price of electricity produced from oil shale or coal.

Growing use of coal-fired power plants as an alternative to gas-fired power plants has triggered a sharp increase in the price of coal. At the same time, the use of coal, whose carbon intensity is half higher, has increased demand for CO_2 emission allowances, driving up their prices.

Weekly levels of Nordic water reservoirs, % of maximum



Source: Nord Pool

Interconnectors supply the Baltic countries with Nordic hydropower, which is cheaper than other types of electricity. The average level of the Nordic hydro reservoirs in Q2 2022 was 37.4% of the maximum, which is 12.4 percentage points lower than in Q2 2021.

The volume of snow and soil accumulated in the reservoirs in the past winter is 202 TWh lower than a year earlier, which is why in 2022 hydropower production is expected to decrease year on year. A decline in hydropower production will drive up electricity prices in the region because the gap will be filled by other types of electricity production that have higher variable costs.

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

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

Prices of CO_2 emission allowances, €/t

Source: Intercontinental Exchange

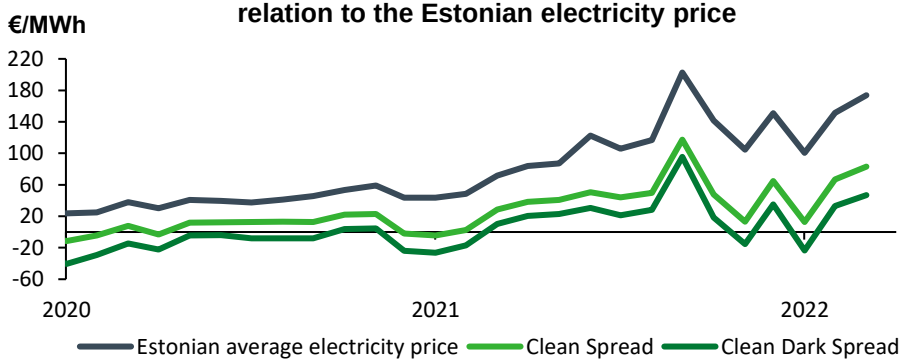
The average CO_2 emission allowance price in Q2 2022 was 83.8 €/t, 67% higher than in Q2 2021 (+33.5 €/t). During the quarter the price, which by the end of Q1 2022 had reached an equilibrium level of 75 €/t, increased due to soaring natural gas prices, which have forced European countries to increase the use of carbon intensive coal-fired power plants.

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 was 54.7 €/MWh in Q2 2022 (+45.4 €/MWh compared with Q2 2021). The increase in the clean spread is mainly attributable to growth in the electricity price in Estonia (+87.6 €/MWh compared with Q2 2021). The CO_2 emission allowance cost component grew by 42.2 €/MWh compared with Q2 2021.

Eesti Energia's CDS was 19.6 €/MWh in Q2 2022 (+30.2 €/MWh compared with Q2 2021). The oil shale cost component in CDS grew by 15.2 €/MWh and the CO_2 emission allowance and oil shale cost component grew by 57.3 €/MWh year on year.

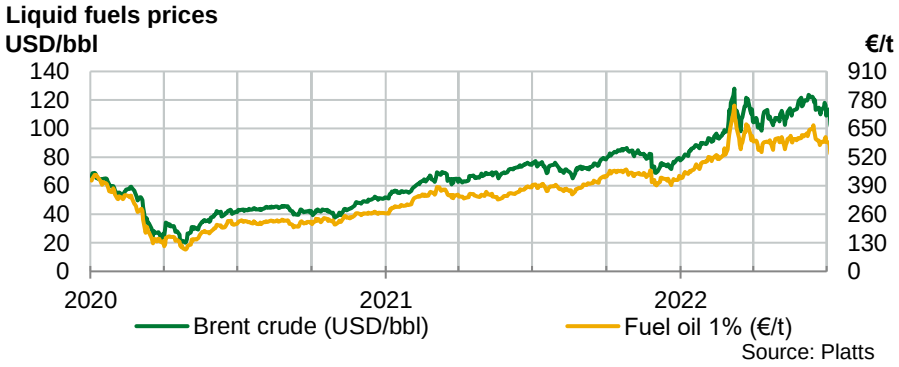
Eesti Energia's Clean Spread and Clean Dark Spread relation to the Estonian electricity price



Source: Nord Pool, Eesti Energia

Crude oil and fuel oil prices have increased 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 and thus increases our revenue.



Source: Platts

The average price of Brent crude oil in Q2 2022 was 111.7 USD/bbl, 62% (+42.7 USD/bbl) higher than in Q2 2021. The average price moved from 111.6 USD/bbl in April to 117.2 USD/bbl in May and 105.9 USD/bbl in June. The price of Brent crude did not increase significantly compared with the end of Q1.

Liquid fuel prices continued to grow in Q2 2022, driven by limited output. In Q2 2020, market supply of oil products was significantly reduced in response to the slump in demand triggered by the COVID-19 pandemic. Global liquid fuel demand has recovered, regaining its pre-pandemic level by Q2 this year, but supply is lagging behind.

The prices of oil products and fuel oil trended similarly in Q2. The period's average price of fuel oil with 1% sulphur content was 598.4 €/t, which is 70% (+247.3 €/t) higher than in Q2 2021.

Average price		Q2 2022	Q2 2021	Q2 2020
Brent crude oil	USD/bbl	111.7	69.1	33.4
Fuel oil 1%	€/t	598.4	351.1	168.1
Euro exchange rate	EUR/USD	1.1	1.2	1.1

Key events and highlights of Q2

Customer services

Already 10,000 households are using our Enefit high-speed internet

It is hard, if not impossible, to imagine present-day life without internet. More and more devices and applications require an internet connection. For telecommunications networks that have to meet growing demand for connectivity and bandwidth, fibre optic technology is the best choice. Enefit Connect is building a fibre optic network that offers both currently and in the near term the highest speed with the least volume restrictions.

Moreover, the network is operator neutral, which means that customers can choose their internet and telecommunications service provider. Already 10,000 customers have chosen the Enefit high-speed internet.

Renewable energy

Enefit Green will build the first hybrid wind and solar facility in Estonia

Enefit Green is going to build the first large hybrid wind and solar solution in Estonia, Lüganuse rural municipality, which is going to use a single network connection.

The hybrid solution that is going to use two energy sources will enable Enefit Green to save on power plant construction expenses and to use the limited network resource more efficiently. Consumers will benefit from a more favourable electricity price because every new renewable energy production facility helps lower the market price of electricity.

The projected annual output of the hybrid solution, which will consist of five wind turbines and around 49,000 solar panels, is 78 GWh, which should cover the annual electricity consumption of around 24,000 average households.

We laid the cornerstone for the Tolpanvaara wind farm in northern Finland

Large-scale production of affordably priced renewable energy requires new wind farms. Enefit Green is going to invest 1.5 billion euros in the development of wind and solar projects in the next five years.

The cornerstone of the Tolpanvaara wind farm, which is one of the four wind farms Enefit Green is currently building, was laid at the end of June. The farm, which will have 13 wind turbines, will start producing green energy at the end of next year.

The capacity of the farm is 72 MW and projected annual output 250 GWh, which is roughly one third of Estonia’s total wind power production in 2021. Enefit Green will invest around 83 million euros in the construction of the wind farm.

Large-scale energy production

The heart of the Auvere chemicals industry was installed

In June, we installed the retort (pyrolysis unit) of a new pyrolysis plant. When the plant becomes operational, the cylindrically shaped retort that may be called the heart of the plant will start recycling waste plastic, crushed old tyres and oil shale into liquid fuel and gas, which will be used by the chemicals industry. The new plant that should come online in 2024 will become an important part Eesti Energia’s chemicals industry.

Eesti Energia develops circular economy both in Estonia and abroad

For the first time in our history, in Q2 oil shale ash, which is a by-product of our energy production operations, was sent by sea to Scandinavia to be used in the construction sector. Around 4,000 tonnes, which is about 40% of average monthly sales, was loaded on the ship within a couple of days. In the past 10 years, we have sold over 1 million tonnes of oil shale ash, helping our customers on the journey to zero.

Waste rock, which is a mining by-product, was used in the construction of the track bed of the Keila-Valingu rail link. The rail link belonging to the railway operator Eesti Raudtee is being built by Go Track. The project is unique in that never before has waste rock been used so extensively in the construction of a new track bed.

Network services

Micro producer connections on track for a new record

Our distribution network operator Elektrilevi received 3,218 electricity producer connection applications in Q2. Electricity producers connected to Elektrilevi's network supplied 256.7 GWh of electricity to the network, which is 76 GWh (+42%) more than a year earlier. On 28 February 2022, maximum electricity production capacity in Elektrilevi's network for the first time exceeded 300 MW. During two middays in May (on 8 and 22 May), half of the total electricity consumption of Elektrilevi's customers was covered by small power plants. Solar energy accounted for 80% of the electricity supplied to the network. On Midsummer Day, when the weather was sunny and consumption decreased due to holidays, there was a stretch of four hours when the share of electricity supplied by small producers exceeded 60%. During the whole day on 24 June, small producers connected to Elektrilevi's network accounted for 29.5% of total electricity supplied to the network.

Safety first

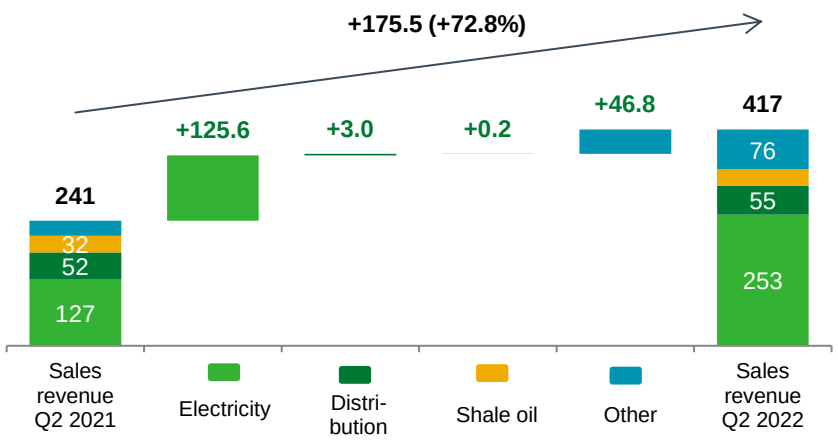
In May and June, Elektrilevi, the national transmission system operator Elering and the Estonian Rescue Board carried out an electrical safety campaign to educate the public about staying safe near power lines. This included the launch of a separate electrical safety page on Elektrilevi's website, radio and digital billboard advertising and publication of relevant stories in the media.

Financial results

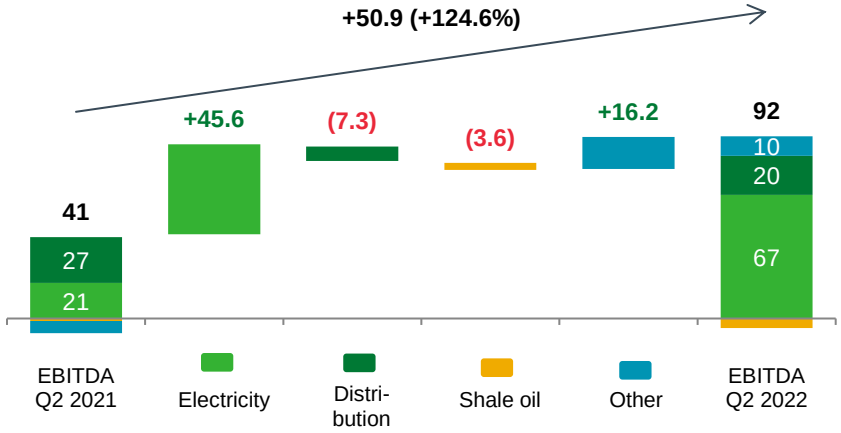
Revenue and EBITDA

Eesti Energia's revenue for Q2 2022 was 416.6 million euros, an increase of 72.8% (+175.5 million euros) compared with Q2 2021.

Group's sales revenue breakdown and change, m€



Group's EBITDA breakdown and change, m€



EBITDA amounted to 91.7 million euros, growing by 124.6% (+50.9 million euros) year on year. EBITDA for the period includes the effect of the change in the value of long-term power purchase agreements (PPAs) of 11.9 million euros (Q2 2021: 8.7 million euros). Adjusted EBITDA (excluding the effect of PPAs) for Q2 2022 was 79.8 million euros (+47.7 million euros, +148.4%). Net profit for the period amounted to 45.2 million euros (+55.2 million euros) and adjusted net profit to 33.3 million euros (+52.0 million euros).

Revenue growth was driven by electricity revenue, which grew due to considerably higher market prices and a 20% larger sales volume. Electricity distribution revenue and shale oil revenue grew at a more modest 6% and 1% year on year, respectively. Revenue generated by other products and services also increased, mainly through higher revenue from the sale of natural gas.

Electricity EBITDA improved year on year, mainly due to a higher margin and the gain on derivative financial instruments. Electricity distribution EBITDA decreased due to growth in the price of electricity purchased to cover distribution losses and higher fixed costs. Shale oil EBITDA decreased due to the negative effect of realised derivative financial instruments. EBITDA on other products and services increased year on year, mainly through higher EBITDA on the sale of natural gas and the provision of frequency reserve service.

Electricity

Through the years, electricity has been the main source of Eesti Energia's revenue and profit. We also earned the largest share of our revenue from the sale of electricity in Q2 2022.

Electricity revenue

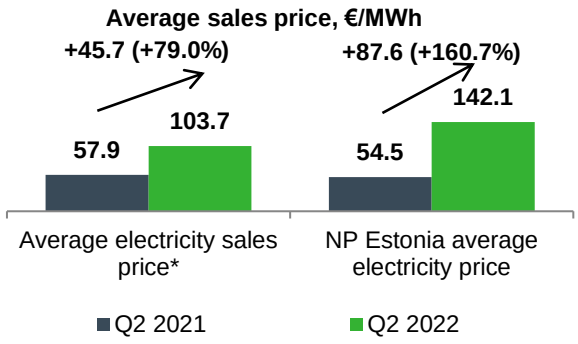
In Q2 2022, both the sales price and sales volume of electricity increased year on year. As a result, electricity revenue for Q2 2022 grew by 98.6%, rising to 252.9 million euros (+125.6 million euros).

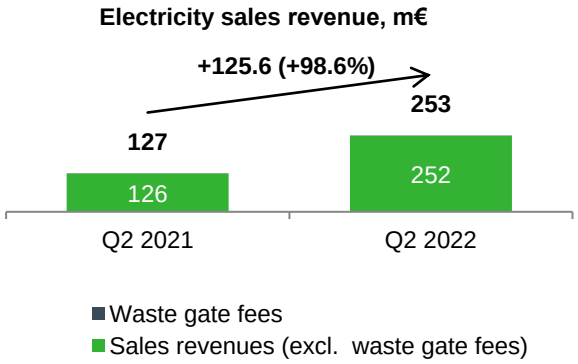
Average sales price of electricity

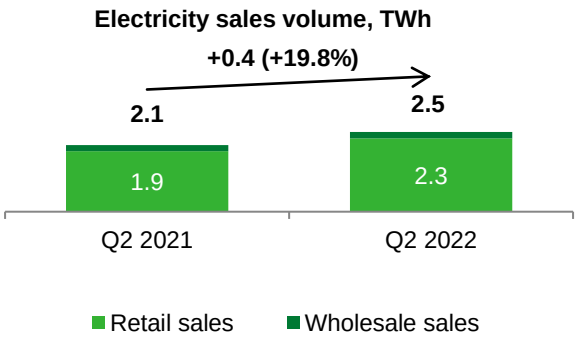
The Group's average sales price of electricity in Q2 2022 was 103.7 €/MWh, which is 79.0% (+45.7 €/MWh) higher than in Q2 2021.

The average sales price excludes the impact of derivative transactions. The period's average sales price including the impact of derivatives was 100.7 €/MWh, which is 66.3% (+40.2 €/MWh) higher than a year earlier.

Derivative transactions of Q2 2022 yielded a loss of 7.4 million euros compared with a gain of 5.5 million euros in the same period last year.







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

Electricity sales volume and Eesti Energia's market share

We sold 2,501 GWh of electricity in Q2 2022, which is 413.9 GWh (+19.8%) more than in the same period last year.

Wholesale sales grew by 10 GWh (+5.2%) to 195 GWh and retail sales by 404 GWh (+21.3%) to 2,306 GWh. Retail sales broke down between markets as follows: Estonia 974 GWh (+94 GWh), Latvia 435 GWh (+156 GWh), Lithuania 505 GWh (+61 GWh), Poland 383 GWh (+90 GWh) and Finland 10 GWh (+3 GWh).

In terms of customers' electricity consumption volumes in Q2 2022, Eesti Energia's market share in Estonia was 54.4%, which is around 2.2 percentage points smaller than a year earlier (56.6%). Eesti Energia's market shares in Latvia and Lithuania were 26.0% and 18.4%, respectively.

Electricity production

We produced 1,408 GWh of electricity in Q2 2022, which is 56.0% (+505 GWh) more than in Q2 2021. Production growth was supported by higher electricity prices, which surged due to record-high natural gas prices and the ban on electricity imports from third countries, and held back by higher CO_2 emission allowance prices.

Our renewable energy output in Q2 2022 was 364 GWh t (-3.6%, -14 GWh), of which 248 GWh (+5.9%, +14 GWh) was produced at Enefit Green. The largest share of renewable energy was produced by wind farms, which generated 210 GWh of electricity (+4%, +9 GWh). The rise is mainly attributable to wind conditions, which were more favourable for wind power production than a year earlier.

Key figures of the electricity product

		Q2 2022	Q2 2021
Return on fixed assets	%	24.6	0.8
Electricity EBITDA	€/MWh	26.7	10.1

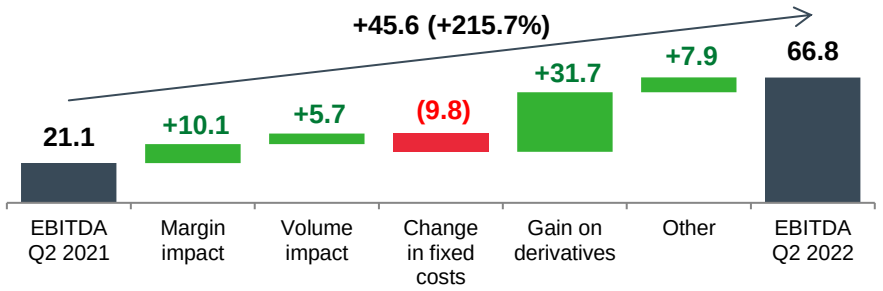
Electricity EBITDA

Electricity EBITDA for Q2 2022 was 66.8 million euros (+216%, +45.6 million euros).

The effect of a higher margin on EBITDA development was +10.1 million euros (+4.0 €/MWh). Average electricity revenue per megawatt hour (excluding the effect of derivative transactions) grew by 44.8 euros (impact: +112.0 million euros). Growth in average variable costs had an impact of -101.9 million euros, mainly due to higher electricity purchase and CO_2 emission allowance costs.

Growth in electricity sales volume improved EBITDA by 5.7 million euros and derivative transactions had an impact of +31.7 million euros.

Electricity EBITDA development, m€



The effect of a change in fixed costs was -9.8 million euros. The rise in fixed costs is mainly attributable to growth in labour costs (impact: -6.6 million euros).

Other impacts of +7.9 million euros mostly include the change in the value of derivative transactions.

Distribution

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

Distribution revenue, sales volume and price

In Q2 2022, electricity distribution revenue grew by 5.7% year on year, rising to 55.4 million euros (+3.0 million euros), while sales volume declined by 1.5% year on year, decreasing to 1,570 GWh (-24 GWh).

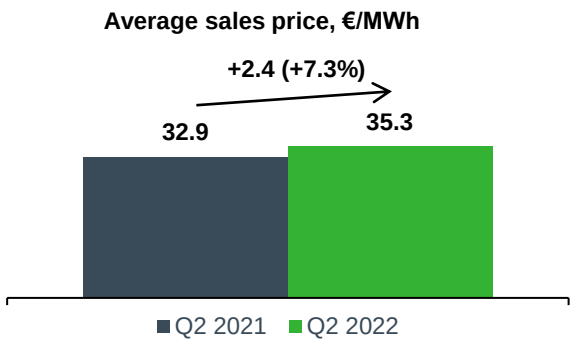
The average sales price of the distribution service was 35.3 €/MWh, 2.4 €/MWh higher than a year earlier.

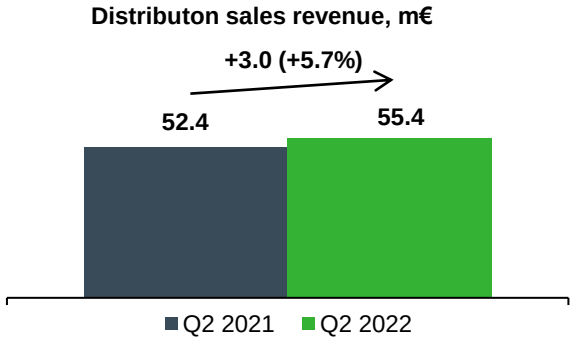
Distribution losses

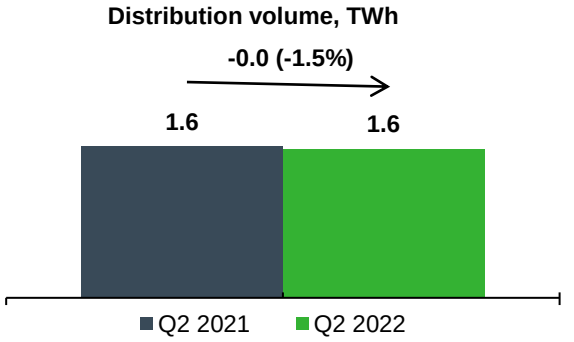
The period's electricity distribution losses totalled 64.2 GWh, accounting for 3.7% of electricity entering the network (Q2 2021: 70.7 GWh and 4.2%).

Supply interruptions

The average duration of unplanned interruptions in Q2 2022 was 19.1 minutes (Q2 2021: 46.0 minutes) due to usual weather conditions during the period.







The average duration of planned supply interruptions was 15.9 minutes (Q2 2021: 17.0 minutes). The duration of planned supply interruptions depends on the volume of planned network maintenance and renewal.

Key figures of the distribution product

		Q2 2022	Q2 2021
Return on fixed assets	%	1.6	4.4
Distribution losses	GWh	64.2	70.7
SAIFI	index	0.36	0.48
SAIDI (unplanned)	index	19.1	46.0
SAIDI (planned)	index	15.9	17.0
Adjusted RAB	m€	849	821

Power outages can be reduced by replacing bare conductors with weatherproof cables. At the end of Q2 2022, 93.7% of our low-voltage distribution network and 42.4% of our medium-voltage distribution network was weatherproof.

Distribution EBITDA

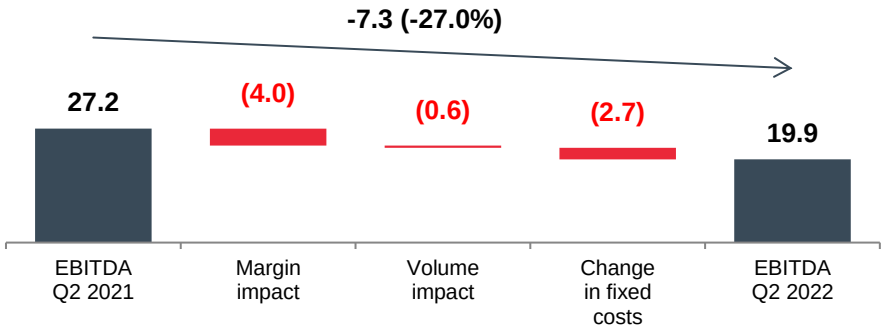
Distribution EBITDA for Q2 2022 was 19.9 million euros (-27.0%, -7.3 million euros).

Distribution sales volume decreased by 1.5%, lowering EBITDA by 0.6 million euros.

Fixed costs related to the distribution service grew by 2.7 million euros year on year, mainly due to higher labour costs.

Distribution service margin decreased in Q2 2022 (impact: -4.0 million euros) due to growth in the cost of electricity purchased to cover distribution losses.

Distribution EBITDA development, m€



Shale oil

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

Shale oil revenue and sales volume

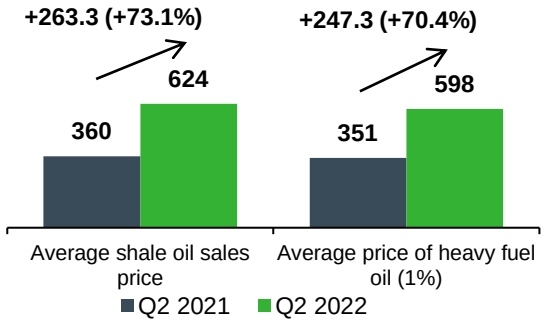
We sold 105.3 thousand tonnes of shale oil in Q2 2022, which generated revenue of 32.2 million euros. Shale oil revenue grew by 1% year on year (+0.2 million euros).

Shale oil sales volume increased by 3.1% year on year (+3.1 thousand tonnes) through sales optimisation.

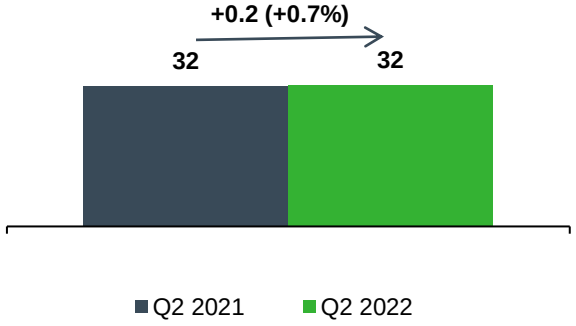
Shale oil price

The average sales price of shale oil (excluding the impact of derivative transactions) increased by 73.1% year on year, rising to 623.6 €/t (+263.3 €/t).

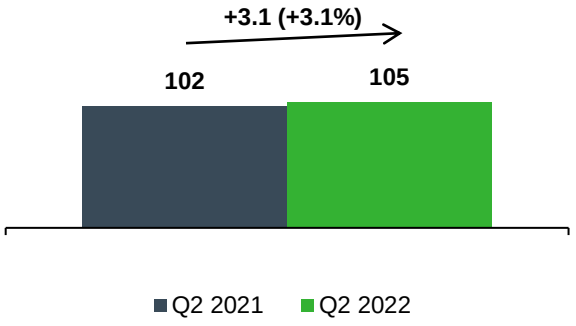
Average shale oil sales price, €/t



Shale oil sales revenue, m€



Shale oil sales volume, '000 tonnes



Derivative transactions of the period generated a loss of 318.0 €/t. The average sales price of shale oil including the impact of derivative transactions was 305.6 €/t (-2.3%, -7.1 €/t compared with Q2 2021).

Shale oil production volume

We produced 106.0 thousand tonnes of shale oil in Q2 2022, 9.5% (+9.2 thousand tonnes) more than in the same period last year. Growth in output was supported by the investments made in increasing the capacity of the Auvere power plant to use gas and a smaller amount of repairs.

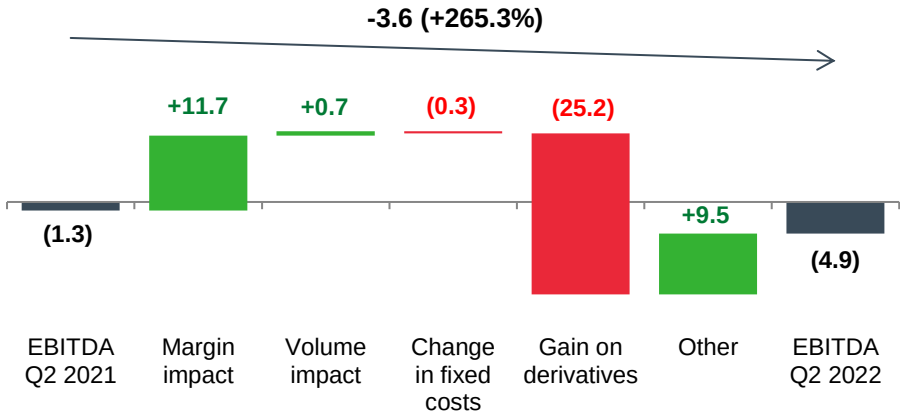
Key figures of the shale oil product

		Q2 2022	Q2 2021
Return on fixed assets	%	-6.1	4.2
Shale oil EBITDA	€/t	-46.8	-13.2

Shale oil EBITDA

Shale oil EBITDA for Q2 2022 was -4.9 million euros (-3.6 million euros).

Shale Oil EBITDA development, m€



The impact of a higher margin on EBITDA development was +11.7 million euros (+111.3 €/t). The average sales price grew by 263.3 €/t while average variable costs grew by 152.1 €/t year on year, mostly due to higher CO_2 emission allowance charges and larger environmental taxes.

Shale oil sales volume grew by 3.1 thousand tonnes (+3.1%) year on year to 105.3 thousand tonnes, which improved EBITDA by 0.7 million euros.

Fixed costs of the shale oil segment grew compared with the same period in 2021 (impact: -0.3 million euros). The outcome of derivative transactions had an impact of -25.2 million euros compared with a year earlier. Other impacts of +9.5 million euros included mainly the change in the value of derivative financial instruments.

Other products and services

The segment of other products and services comprises the sale of heat, natural gas and industrial equipment. The effects of one-off transactions are also reported within this segment.

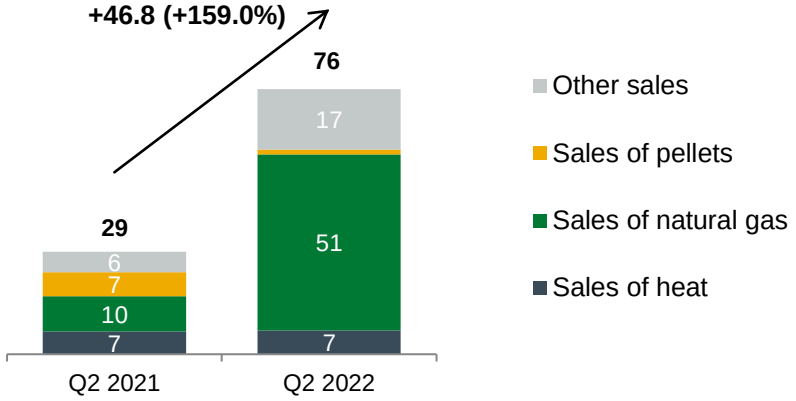
Revenue from the sale of other products and services

Revenue from the sale of other products and services in Q2 2022 amounted to 76.2 million euros, growing by 159.0% (+46.8 million euros) compared with a year earlier.

Revenue from the sale of heat grew by 0.3 million euros due to a larger sales volume. External heat sales increased by 4.2 GWh (+2.3%).

Revenue from the sale of natural gas grew by 40.5 million euros due to a higher sales price.

Sales revenue from other products and services, m€



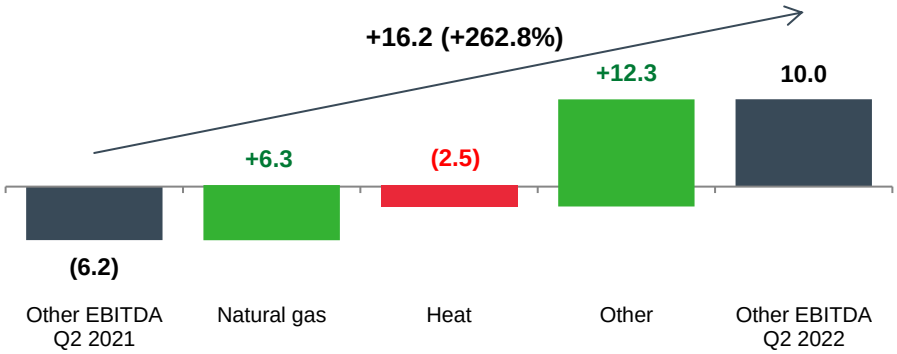
EBITDA on other products and services

In Q2 2022, EBITDA on other products and services grew by 16.2 million euros year on year, rising to 10.0 million euros.

Natural gas EBITDA grew by 6.3 million euros of which 2.8 million euros was the effect of derivative transactions. Heat EBITDA decreased by 2.5 million euros due to higher variable costs.

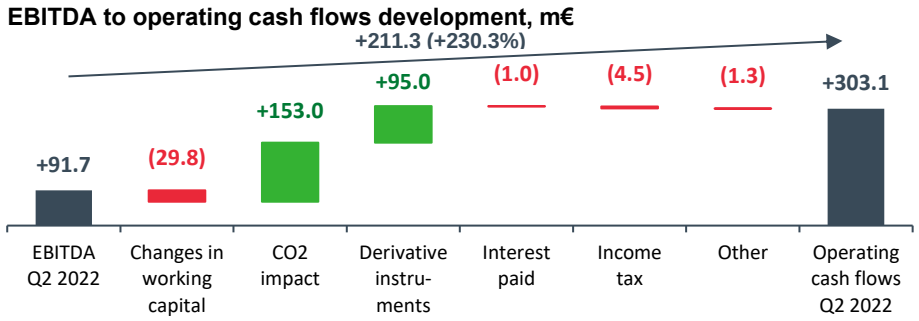
Other impacts on EBITDA totalled +12.3 million euros. The largest item in other impacts was growth in revenue from the provision of frequency reserve service (+6.8 million euros).

Other EBITDA development, m€



Cash flows

Net operating cash flow for Q2 2022 was 303.1 million euros, 211.3 million euros (+230.3%) higher than EBITDA, which amounted to 91.7 million euros.



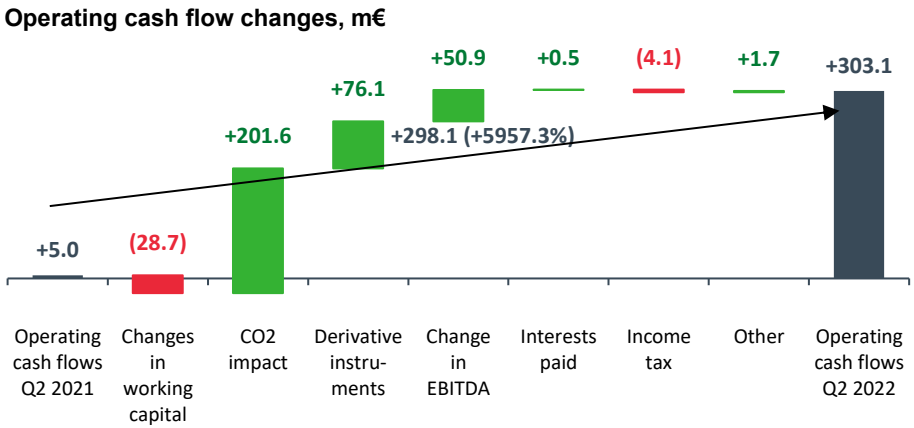
Changes in working capital lowered net operating cash flow by 29.8 million euros compared with EBITDA. Within working capital, current liabilities increased by 10.9 million euros, inventories increased by 20.3 million euros, other current assets increased by 18.7 million euros and current receivables decreased by 20.1 million euros.

Settlements related to CO_2 emission allowances increased operating cash flow by 153.0 million euros relative to EBITDA.

The impact of derivative financial instruments (excluding CO_2 instruments) was +95.0 million euros. The figure includes the impacts of electricity derivatives of +91.2 million euros, shale oil derivatives of +10.4 million euros and natural gas derivatives of -6.6 million euros. The impacts of derivative financial instruments comprise both cash and non-cash impacts on EBITDA and operating cash flow.

Interest paid on borrowings reduced operating cash flow by 1.0 million euros. Income tax paid in Q2 2022 amounted to 4.5 million euros. Other impacts on operating cash flow totalled -1.3 million euros.

Net operating cash flow grew by 298.1 million euros (+5,957.3%) year on year.



Changes in working capital lowered net operating cash flow by 28.7 million euros compared with Q2 2021. The figure includes the effects of changes in current receivables of +1.3 million euros, in inventories of -5.0 million euros, in current liabilities of -11.8 million euros and in other current assets of -13.2 million euros.

Settlements related to CO_2 emission allowances increased operating cash flow by 201.6 million euros compared with Q2 2021.

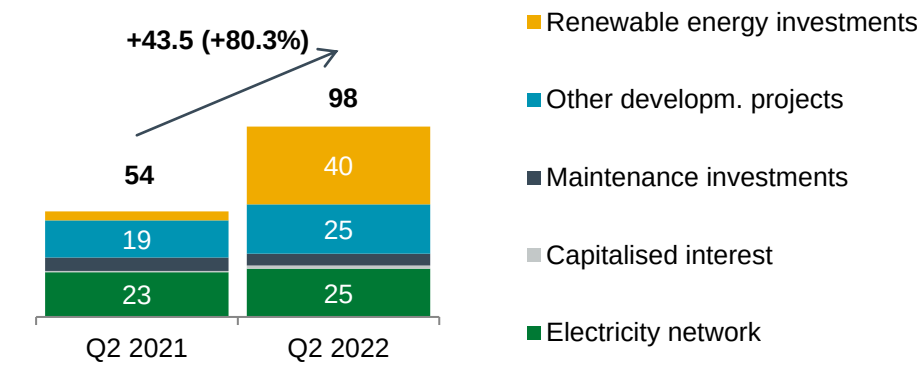
The impact of derivative financial instruments (excluding CO_2 instruments) was +76.1 million euros. The figure includes the impacts of electricity derivatives of +84.8 million euros, shale oil derivatives of -1.7 million euros, natural gas derivatives of -5.9 million euros and other derivatives of -1.0 million euros.

Income tax paid in Q2 2022 was 4.1 million euros larger than in Q2 2021. Interest paid on borrowings was 0.5 million euros smaller than a year earlier. Other impacts totalled +1.7 million euros.

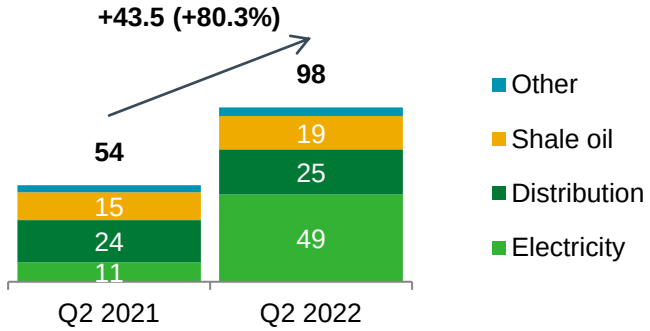
Investment

We invested 97.7 million euros in Q2 2022, 80.3% (+43.5 million euros) more than a year earlier. Expenditure on the distribution network amounted to 24.7 million euros (+7.2%, +1.7 million euros) and expenditure on the maintenance and improvement of existing assets (excluding the distribution network) totalled 6.2 million euros (-10.3%, -0.7 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 the development of wind farms 31.8 million euros in Lithuania, 1.4 million euros in Estonia and 6.0 million euros in Finland. The Akmene (75 MW) and Šilale 2 (43 MW) wind farms are scheduled to come online in 2023 and the Tolpanvaara (72 MW) wind farm in 2024. The Purtse solar farm (32 MW) in Lüganuse rural municipality is expected to be completed in 2023.

We also invested 0.2 million euros in the development of solar farms in Poland of which the Zambrow (9 MW) solar farm is scheduled to be completed in 2022.

Increasing the efficiency of large-scale energy production

We continued work on the construction of a new shale oil plant in which we invested 16.8 million euros in Q2 2022. The plant, which is scheduled to be completed in 2024, will increase our annual shale oil output to 700,000 tonnes

Additionally, we invested 1.3 million euros in increasing the Auvere power plant's capacity to use retort gas from 10% to 35% and carried out performance testing on the plant's new gas burning systems.

Improving the quality of the distribution service

Investments made in Q2 2022 to maintain and continuously improve the quality of the electricity distribution service provided by the Elektrilevi group totalled 24.7 million euros (Q2 2021: 23.0 million euros). We built 86 substations and 269 km of network (Q2 2021: 167 substations and 384 km of network).

At the end of Q2 2022, 93.7% of Elektrilevi's low-voltage distribution network was weatherproof (at the end of Q2 2021: 92.6%). Within a year, the weatherproof low-voltage overhead network grew by 1,351 km and the bare conductor network decreased by 229 km. At the end of Q2 2022, 71.8% of Elektrilevi's entire low- and medium-voltage distribution network was weatherproof (at the end of Q2 2021: 70.7%).

At the end of Q2 2022, 92.9% of Imatra Elekter's low-voltage distribution network was weatherproof (comparative data for Q2 2021 is not available) and 65.7% of its entire low- and medium-voltage distribution network was weatherproof.

Financing

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 liquidity loans and guarantee facilities obtained from regional banks.

The Group's borrowings at the end of Q2 2022 amounted to 874 million euros at both nominal value and amortised cost (at the end of Q1 2022: 909 million euros at nominal value and 906 million euros at amortised cost).

Long-term borrowings as at the reporting date consisted of Eurobonds listed on the London Stock Exchange of 500 million euros, loans from EIB of 73 million euros, a loan from EBRD of 7 million euros (32.9 million Polish zloty), loans from commercial banks of 294 million euros (no revolving credit lines were in use) and long-term lease liabilities for right-of-use assets of 12.2 million euros (all nominal amounts). The Group's loans at the end of Q2 2022 included loans of 151 million euros taken by Enefit Green (the figure includes the 7 million euro loan from EBRD). The parent's loans from commercial banks amounted to 150 million euros, consisting of a loan from Swedbank that will mature in June 2024. In Q2 2022, Enefit Green drew down a long-term loan from the local commercial bank SEB of 40 million euros that will mature in September 2028 and made regular contractual bank loan repayments of 4.6 million euros to SEB and 0.4 million euros (1.8 million Polish zloty) to EBRD. The Group's parent settled in Q2 revolving liquidity loan liabilities of 70 million euros.

The Group's liquid assets at the end of Q2 2022 totalled 436.9 million euros (cash at bank). In addition, at the reporting date the Group had undrawn loans of 695 million euros, of which 515 million euros was attributable to the parent and 180 million euros was attributable to the subsidiary Enefit Green. No new loan agreements were signed in Q2 2022.

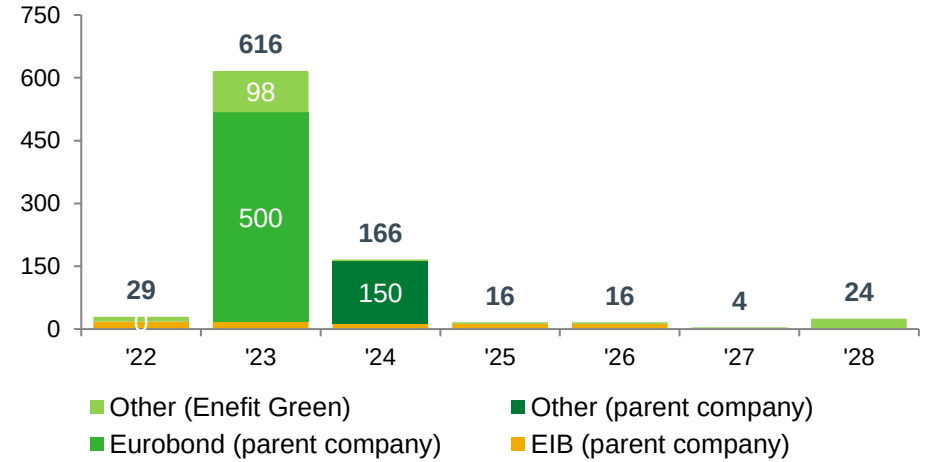
The Group's revolving liquidity loans which extended to 320 million euros at the end of Q2 2022 (150 million euros from OP Corporate Bank, 100 million euros from SEB and 70 million euros from Swedbank) were in use at the reporting date. The revolving credit lines comprise loans raised by the parent of 270 million euros and loans raised by Enefit Green of 50 million euros.

The Group's undrawn long-term investment loans totalled 375 million euros at the end of Q2 2022. The figure comprises loans raised by Eesti Energia from EIB in December 2019 and June 2020 of 175 million euros and 70 million euros, respectively, and loans raised by Enefit Green in September 2021 from OP Corporate Bank of 50 million euros and in January 2022 from NIB of 80 million euros.

The parent's revolving liquidity loans mature as follows: 120 million euros in September 2023 (120 million euros undrawn) and 150 million euros in September 2025 (150 million euros undrawn). Enefit Green's revolving liquidity loans mature as follows: 20 million euros in both September 2024 and September 2026 (both amounts undrawn) and 10 million euros in May 2025 (10 million euros undrawn).

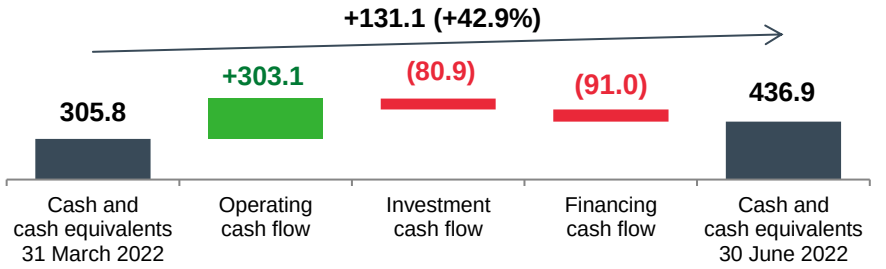
The weighted average interest rate of Eesti Energia's borrowings at the end of Q2 2022 was 1.80% (at the end of Q1 2022: 1.69%).

Debt maturity, m€



At the reporting date, the Group had borrowings of 613 million euros with fixed interest rates and borrowings of 261 million euros with floating interest rates (at the end of Q1 2022: borrowings of 573 million euros with fixed interest rates and borrowings of 336 million euros with floating interest rates). Out of total borrowings, 99% were denominated in euros. One loan liability of 7 million euros (the loan from EBRD) was denominated in Polish zloty.

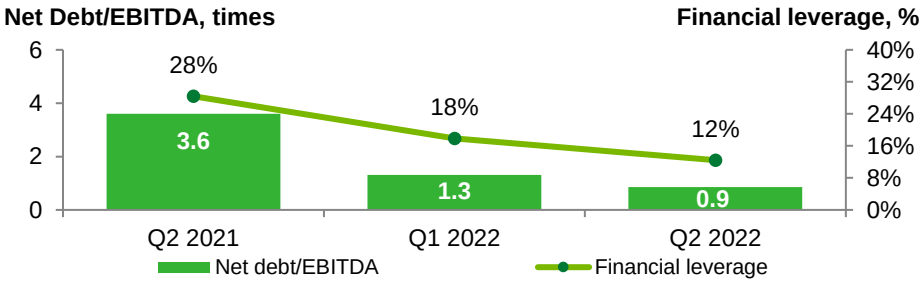
Liquidity development in Q2 2022, m €



At the end of Q2 2022, the Group's net debt amounted to 436.8 million euros (at the end of Q1 2022: 599.7 million euros) and net debt to EBITDA ratio was 0.9 (at the end of Q1 2022: 1.3). The current net debt to EBITDA ratio is below the target ceiling of 3.5 set out in the Group's financing policy. In January 2022, credit rating agency Moody's updated Eesti Energia's credit analysis but left the credit rating and outlook unchanged.

At the end of Q2 2022, Eesti Energia's credit ratings were BBB- (Standard and Poor's, outlook negative) 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



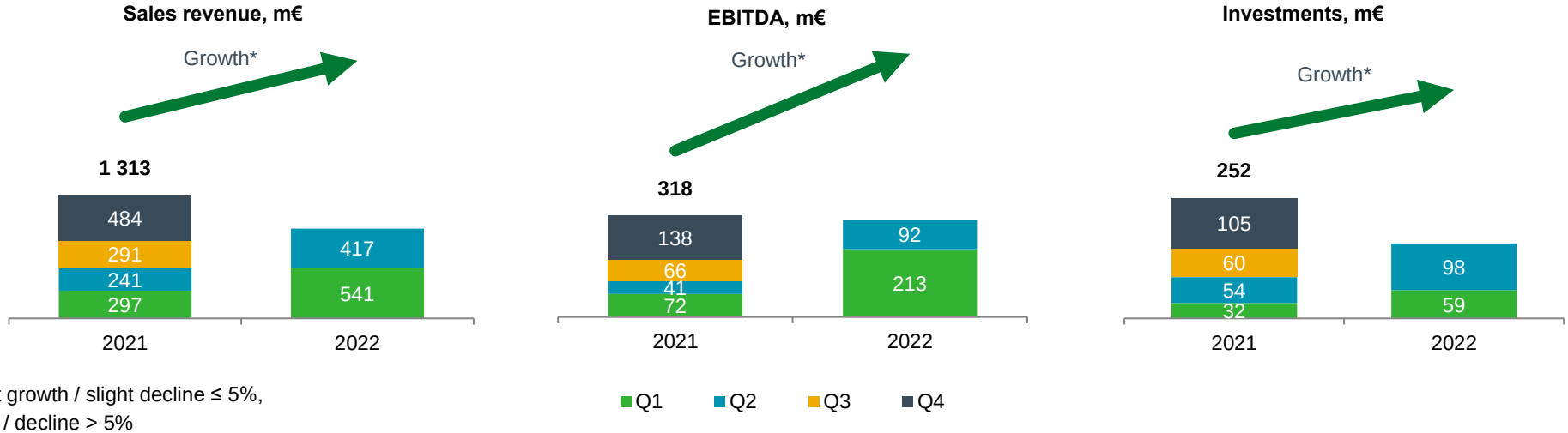
Outlook for 2022

We forecast that our revenue, investments and EBITDA will grow in 2022.

We expect electricity revenue and EBITDA to increase, supported by both growth in sales volumes and a higher average sales price of electricity. The positive effect of higher electricity prices will be counterbalanced by the continuing rise in CO_2 emission allowance prices, which substantially increases the cost of electricity produced at oil shale-fired power plants. We also expect an increase in shale oil revenue. Shale oil revenue and EBITDA will be supported by growth in the average sales price of shale oil, resulting from higher market prices and stronger demand for our products, and negatively affected by the rise in emission allowance prices.

We expect energy services to contribute to revenue growth. Our main ancillary services are charging, lighting, solar and flexibility services as well as services related to heating and cooling equipment.

We are planning to increase our investments compared with 2021. The period's largest development investments will be made in the development of our renewable energy portfolio and the construction of a chemicals plant.



* 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	Q2 2022	Q2 2021	6m 2022	6m 2021
Revenue	4	416.6	241.1	957.3	538.4
Other operating income	5	80.1	20.1	147.9	39.7
Government grants		-	0.3	-	0.5
Change in inventories of finished goods and work-in-progress		1.2	(1.2)	(5.5)	(4.7)
Raw materials and consumables used		(299.2)	(170.1)	(688.4)	(360.7)
Payroll expenses		(42.1)	(32.9)	(82.8)	(66.8)
Depreciation, amortisation and impairment		(43.9)	(42.9)	(87.5)	(84.8)
Other operating expenses		(64.9)	(16.4)	(23.8)	(33.2)
OPERATING PROFIT		**47.8**	**(2.0)**	**217.2**	**28.4**
Financial income		-	-	0.1	0.1
Financial expenses		(2.5)	(7.9)	(8.5)	(12.9)
Net financial income (expense)		**(2.5)**	**(7.9)**	**(8.4)**	**(12.8)**
Profit from associates using equity method		1.0	0.3	(1.0)	1.2
PROFIT BEFORE TAX		**46.3**	**(9.6)**	**207.8**	**16.8**
CORPORATE INCOME TAX EXPENSE		**(1.1)**	**(0.4)**	**0.4**	**(0.3)**
PROFIT FOR THE PERIOD		**45.2**	**(10.0)**	**208.2**	**16.5**
Equity holder of the Parent Company		**40.2**	**(9.9)**	**195.1**	**16.6**
Non-controlling interest		**5.0**	**(0.1)**	**13.1**	**(0.1)**
Basic earnings per share (euros)	10	(0.01)	(0.01)	(0.01)	0.02
Diluted earnings per share (euros)	10	(0.01)	(0.01)	(0.01)	0.02

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million EUR	Note	Q2 2022	Q2 2021	6m 2022	6m 2021
PROFIT FOR THE PERIOD		**45.2**	**(10.0)**	**208.2**	**16.5**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Revaluation of hedging instruments net of reclassifications to profit or loss		317.7	(12.2)	455.4	(50.3)
Impact of comprehensie income of associates		4.4	-	4.4	-
Exchange differences on the translation of foreign operations		(0.6)	1.4	-	1.9
Other comprehensive income for the period		**321.5**	**(10.8)**	**459.8**	**(48.4)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**366.7**	**(20.8)**	**668.0**	**(31.9)**
Equity holder of the Parent Company		**361.7**	**(20.7)**	**654.9**	**(31.8)**
Non-controlling interest		**5.0**	**(0.1)**	**13.1**	**(0.1)**

Condensed consolidated interim statement of financial position

in million EUR	Note	30.06.2022	30.06.2021	31.12.2021
Non-current assets				
Property, plant and equipment	7	3,044.3	2,902.2	2,979.5
Right-use-of assets		11.7	2.1	9.5
Intangible assets		89.0	83.1	86.3
Prepayments for non-current assets		46.8	19.9	45.9
Deferred tax assets		2.4	1.8	1.9
Derivative financial instruments	8	522.6	58.6	187.6
Investments in associates		65.5	47.4	54.9
Non-current receivables		1.0	1.1	1.1
Total non-current assets		**3,783.3**	**3,116.3**	**3,366.7**
Current assets				
Inventories		143.8	124.1	114.1
Greenhouse gas allowances and certificates of origin		19.5	12.2	208.6
Trade and other receivables		389.1	215.3	336.6
Derivative financial instruments	8	286.3	82.0	160.2
Cash and cash equivalents		436.9	142.4	198.0
Total current assets		**1,275.6**	**576.0**	**1,017.5**
Total assets	**3**	**5,058.9**	**3,692.3**	**4,384.2**

in million EUR	Note	30.06.2022	30.06.2021	31.12.2021
EQUITY				
Total equity and reserves attributable to equity holder of the Parent Company				
Share capital	9	746.6	746.6	746.6
Share premium		259.8	259.8	259.8
Statutory reserve capital		75.0	75.0	75.0
Hedge reserve		667.0	22.0	211.6
Unrealised exchange rate differences		9.0	7.4	9.0
Ohter reserves	8	3.6		(0.8)
Retained earnings		1,166.0	897.2	1,017.6
Total equity and reserves attributable to equity holder of the Parent Company		**2,927.0**	**2,008.0**	**2,318.8**
Non-controlling interest		**150.9**	**1.1**	**146.8**
Total equity		**3,077.9**	**2,009.1**	**2,465.6**
LIABILITIES				
Non-current liabilities				
Borrowings	10	832.4	844.3	788.3
Deferred tax liabilities		12.4	12.6	21.8
Other payables		3.0	0.9	3.0
Derivate financial instruments	7	72.2	33.5	37.8
Contract liabilities and government grants		316.9	279.3	300.9
Provisions	12	27.8	56.3	27.5
Total non-current liabilities		**1,264.7**	**1,226.9**	**1,179.3**
Current liabilities				
Borrowings	10	41.3	95.6	168.2
Trade and other payables		309.7	198.7	255.5
Derivative financial instruments	7	167.7	98.7	116.1
Contract liabilities and government grants		0.6	1.0	0.7
Provisions	12	197.0	62.4	198.8
Total current liabilities		**716.3**	**456.4**	**739.3**
Total liabilities		**1,981.0**	**1,683.3**	**1,918.6**
Total liabilities and equity		**5,058.9**	**3,692.3**	**4,384.2**

Condensed consolidated interim statement of cash flows

in million EUR	Note	Q2 2022	Q2 2021	6m 2022	6m 2021
Cash flows from operating activities					
Cash generated from operations	12	308.6	(2.9)	575.8	118.8
Interest and loan fees paid		(1.0)	(1.6)	(2.2)	(2.7)
Corporate income tax paid		(4.5)	(0.4)	(5.3)	(0.4)
Net cash generated from operating activities		**303.1**	**(4.9)**	**568.3**	**115.7**
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(81.7)	(39.6)	(178.4)	(83.3)
Proceeds from connection and other fees		-	9.9	-	18.5
Proceeds from grants of property, plant and equipment		-	0.5	-	0.5
Proceeds from sale of property, plant and equipment		-	1.3	2.0	1.7
Contribution to the share capital of associates		-	-	(9.3)	-
Dividends received from long-term financial investments		-	-	1.5	1.5
Proceeds from repurchase of shares and liquidation of associate		0.7	-	0.7	-
Net cash used in investing activities		**(81.0)**	**(27.9)**	**(183.5)**	**(61.1)**
Cash flows from financing activities					
Loans received		40.0	10.0	40.0	10.0
Repayments of bank loans		(75.1)	(59.7)	(129.7)	(89.0)
Repayments of financial leases		(0.2)	-	(0.5)	(0.1)
Dividends paid		(55.7)	-	(55.7)	-
Net cash used in financing activities		**(91.0)**	**(49.7)**	**(145.9)**	**(79.1)**
Net cash flows		**131.1**	**(82.5)**	**238.9**	**(24.5)**
Cash and cash equivalents at the beginning of the period		305.8	224.9	198.0	166.9
Cash and cash equivalents at the end of the period		436.9	142.4	436.9	142.4
Net increase / (-) decrease in cash and cash equivalents		**131.1**	**(82.5)**	**238.9**	**(24.5)**

Condensed consolidated interim statement of changes in equity

in million EUR	Attributable to equity holder of the Parent Company						Non-controlling interest	Total
	Share capital (Note 8)	Share premium	Statutory reserve capital	Other reserves	Retained earnings	Total		
Equity as at 31.12.2020	**746.6**	**259.8**	**62.1**	**40.2**	**898.4**	**2,007.1**	**1.2**	**2,008.3**
Profit for the period	-	-	-	-	16.6	16.6	(0.1)	16.5
Other comprehensive income for the period	-	-	-	(10.8)	-	(10.8)	-	(10.8)
Total comprehensive income for the period	**-**	**-**	**-**	**(10.8)**	**16.6**	**5.8**	**(0.1)**	**5.7**
Increasing of statutory reserve capital	**-**	**-**	**-**	**-**	(12.8)	-	-	-
Dividends declared	-	-	-	-	(5.0)	(5.0)	-	(5.0)
Total transactions with owners of the company, recognised directly in equity	**-**	**-**	**12.8**	**-**	**(17.8)**	**(5.0)**	**-**	**(5.0)**
Equity as at 30.06.2021	**746.6**	**259.8**	**75.0**	**29.4**	**897.2**	**2,008.0**	**1.1**	**2,009.1**
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)	**-**	(55.7)
Total transactions with owners of the company, 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**

Notes to the condensed interim consolidated financial statement

1. Accounting policies

These condensed consolidated interim financial statements have been prepared in accordance **with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations** as adopted by the European Union. These consolidated interim condensed financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting". The consolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with IFRSs as adopted by the EU.

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

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

According to the Management Board the interim report prepared for the period 1 January 2022 – 30 June 2022 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. Significant changes in the current reporting period

The Group's financial position and financial performance in Q2, which ended on 30 June 2022, were affected the most by the following events:

- On 24 February, Russia started a war against Ukraine, which has had a significant impact on energy prices across the world. The market prices of natural gas, liquid fuels and electricity have spiked and price volatility has increased. Price fluctuations in energy markets affect both the Group's revenue and energy purchase expenses. The Group's profit is not particularly exposed to movements in the market prices of energy because relevant price risk has largely been hedged with hedging instruments. Market prices have had the strongest effect on the results of the electricity segment. The Group's electricity revenue for Q2 2022 grew by 99% compared with Q2 2021, supported by the average sales price and sales volume of electricity, which increased by 79% and 20% year on year, respectively. Growth in electricity and shale oil revenues, which was driven by the uptrend in the market prices of energy, was offset by growth in emission allowance expenses, brought about by a rise in emission allowance prices. Soaring energy prices have triggered high inflation, which is affecting the purchase costs of all goods and services to some extent.
- The Group began to apply the IFRS 9 hedge accounting rules to oil shale gasoline from 1 January 2022 and to Baltic gas purchase transactions and interest rate swap transactions from 1 March 2022 (see also note 3.2).

3. Financial risk management

3.1. 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 2021.

The group's interest rate risk management has changed compared with the previous financial year-end in connection with the conclusion of interest rate swap (IRS) agreements at the end of June 2022.

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Cash flow interest rate risk arises from the group's floating-rate borrowings and is the risk that finance costs will grow when interest rates increase.

3.2. Interest rate swap transactions

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 31 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 group or 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 effectiveness.

3.3. Fair value estimation

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2);

inputs for the asset or liability that are not based on observable market data (Level 3)

The following tables present the Group's assets and liabilities that are measured at fair value by the level in the fair value hierarchy as at 30 June 2022 and 31 December 2021:

30.06.2022

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 8)	-	17.2	195.6	212.8
Cash flow hedges (Note 8)	-	596.1	-	596.1
Total financial assets	**-**	**613.3**	**195.6**	**808.9**
Liabilities				
Trading derivatives (Note 8)	-	10.7	-	10.7
Cash flow hedges (Note 8)	-	229.2	-	229.2
Total financial liabilities	**-**	**239.9**	**-**	**239.9**

31.12.2021

in million EUR	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives (Note 8)	-	56.1	83.7	139.8
Cash flow hedges (Note 8)	-	112.5	95.5	208.0
Total financial assets	**-**	**168.6**	**179.2**	**347.8**
Liabilities				
Trading derivatives (Note 8)	-	75.2	-	75.2
Cash flow hedges (Note 8)	-	78.7	-	78.7
Total financial liabilities	**-**	**153.9**	**-**	**153.9**

3. Financial risk management, cont.

3.4. 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 derivatives that are traded in Nasdaq OMX are classified as Level 1 instruments.

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 maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. An instrument is included in level 2 if all the significant inputs required to establish the fair value of the instrument are observable. If one or more significant inputs are not based on observable market data, an instrument is included in level 3. The value of trading derivatives and cash flow hedges are found using notations of Nasdaq OMX, ICE, Platt's European Marcetscani and Nymex.

The fair value of forward, swap and future contracts is determined using forward prices at the balance sheet date, with the resulting value discounted back to present value.

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 maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. An instrument is included in level 3 if one or more significant inputs are not based on observable market data. The Group classifies power purchase agreements ("PPA") 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.

In 2020, the fair value of level 3 derivatives was calculated based on the mathematical model that forecasted future period electricity prices. The model combined market based inputs for the Nord Pool system price and Helsinki EPAD, as quoted on Nasdaq OMX at the balance sheet date, with unobservable variable inputs such as actual production and consumption data of market participants, market prices of fuel inputs (CO2, gas, coal), data of plant and/or cable outages, knowledge of future developments.

Starting from 2021, the valuation technique has changed. Fair value of level 3 derivatives is calculated based on the actual long-term (over 5 years) electricity sales agreements that the Group has concluded with its clients. The fair value calculation is performed on a monthly basis, therefore the calculation utilizes a weighted average price of long-term electricity sales agreements that have been signed during the month preceding the balance sheet date, which is then converted into baseload electricity price for the valuation of PPA agreements.

The technique has been changed due to the fact that there is limited market data available for longer period than 7 years. The new technique gives more accurate inputs to calculate market value for long-term derivatives.

3. Financial risk management, cont.

3.5. Fair value of financial assets and liabilities measured at amortised cost

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

in million EUR	30.06.2022	31.12.2021
Nominal value of bonds	500.0	500.0
Market value of bonds on the basis of quoted sales price	493.6	518.3
Nominal value of bank loans with fixed interest rate	72.9	72.9
Fair value of bank loans with fixed interest rate	72.7	74.5
Nominal value of bank loans with floating interest rate	300.6	390.4
Fair value of bank loans with floating interest rate	300.6	390.4

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 3 of the fair value hierarchy.

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

- Trade and other receivables
- Deposits not recognised as cash equivalents
- Cash and cash equivalents
- Trade and other payables

4. 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 three main products and services, which are presented as separately reportable segments, and a number of minor products and services that are presented together as "Other segments": 1) electricity (production and sale of electricity generated from renewable and non-renewable sources, and electricity trading); 2) distribution (sale of electricity distribution network services on regulated market and sale of additional services by Elektrilevi); 3) shale oil (production and sale of liquid fuels); 4) other 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 gas, sale of other products and services).

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 obtained 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.

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. 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 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.

4. Segment reporting, cont.

Revenue

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

REVENUE FROM EXTERNAL CUSTOMERS

in million EUR	Q2 2022	Q2 2021	6m 2022	6m 2021
Electricity	252.9	127.3	586,6	275.3
Distribution	55.4	52.4	119.0	118.0
Shale oil	32.2	32.0	63.8	67.0
Other products and services	76.2	29.4	187.9	78.1
Total	**416.6**	**241.1**	**957.3**	**538.4**

ASSETS

in million EUR	30.06.2022	30.06.2021	31.12.2021
Electricity	2,632.1	1,595.3	2,134.0
Distribution	1,271.1	1,162.7	1,212.2
Shale oil	472.3	398.6	450.0
Other products and services	683.4	535.7	588.0
Total	**5,058.9**	**3,692.3**	**4,384.2**

EBITDA

in million EUR	Q2 2022	Q2 2021	6m 2022	6m 2021
Electricity	66.7	21.1	222.4	54.2
Distribution	19.9	27.2	35.1	50.9
Shale oil	(4.9)	(1.3)	(2.3)	4.5
Other products and services	10.0	(6.2)	49.5	3.6
Total	**91.7**	**40.8**	**304.7**	**113.2**
Depreciation, amortisation and impairment	(43.9)	(42.9)	(87.5)	(84.8)
Net financial income (expense)	(2.5)	(7.9)	(8.4)	(12.8)
Profit from associates under the equity method	1.0	0.3	(1.0)	1.2
Profit before tax	**46.3**	**(9.7)**	**207.8**	**16.8**

5. Seasonality of operating profit

Temperature is the most important factor influencing the domestic electricity and heat demand. Lower temperatures in winter induce higher energy consumption and thus higher revenues and operating profit. In summer, higher temperatures lead to lower electricity and heat consumption and correspondingly to lower revenues and lower operating profit.

6. Other operating income

in million EUR	Q2 2022	Q2 2021	6m 2022	6m 2021
Renewable energy grant	5.6	6.7	13.9	14.5
Gain on greenhouse gas emission allowances sold	-	0.5	-	1.6
Gain on disposal of property, plant and equipment	0.6	0.7	1.0	1.2
Gain from revaluation of derivatives	72.1	11.5	129.9	20.6
Fines, penalties and compensations	1.0	0.7	1.8	1.6
Other operating income	0.8	-	1.3	0.2
Total other operating income	**80.1**	**20.1**	**147.9**	**39.7**

7. Property, plant and equipment

in million EUR	Land	Buildings	Const-ruction	Plant and equipment	Other	Construction in progress and prepayments	Prepayments	Total
Property, plant and equipment as at 31.12.2021								
Cost	87.8	331.3	1,335.1	3,302.3	7.0	137.1	45.9	5,246.5
Accumulated depreciation	-	(131.9)	(571.1)	(1,512.8)	(5.3)	-	-	(2,221.1)
Carrying amount at 31.12.2021	87.8	199.4	764.0	1,789.5	1.7	137.1	45.9	3,025.4
	-	-	-	-	-	-	-	-
Movements in the reporting period								
Purchases of property, plant and equipment	-	-	-	1.5	-	148.1	1.4	151.0
Depreciation charge and write-downs	-	(3.6)	(17.2)	(63.6)	(0.2)	-	-	(84.6)
Disposals (at carrying amount)	(0.2)	(0.3)	-	(0.2)	-	-	-	(0.7)
Exchange differences	0.3	-	-	(0.2)	-	-	-	0.1
Transfers	-	0.4	33.1	22.0	-	(55.1)	(0.5)	(0.1)
Total changes occurred in H1 2022 period	**0.1**	**(3.5)**	**15.9**	**(40.5)**	**(0.2)**	**93.0**	**0.9**	**65.7**
Property, plant and equipment as at 30.06.2022								
Cost	87.9	331.1	1,368.1	3,318.2	6.9	230.1	46.8	5,389.1
Accumulated depreciation	-	(135.2)	(588.2)	(1,569.1)	(5.4)	-	-	(2,297.9)
Net book amount	87.9	195.9	779.9	1,749.0	1.5	230.1	46.8	3,091.2
Total property, plant and equipment as at 30.06.2022	**87.9**	**195.9**	**779.9**	**1,749.0**	**1.5**	**230.1**	**46.8**	**3,091.1**

As at 30 June 2022, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 455.6 million (31 December 2021 EUR 434.2 million).

8. Derivative financial instruments

in million EUR	30.06.2022		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
Forward- and future contracts for buying and selling electricity as cash flow hedges	542.1	3.8	193.7	2.5
Forward- and future contracts for buying and selling electricity as trading derivatives	201.6	5.3	87.3	4.3
Swap and future contracts for buying and selling gas cash flow hedges	45.4	-	12.5	-
Swap and future contracts for buying and selling gas as trading derivatives	11.0	5.2	52.3	51.9
Swap and forward contracts for selling fuel oil as cash flow hedges	2.1	225.4	1.8	76.2
Swap and forward contracts for selling fuel oil as trading derivatives	-	-	-	18.8
Other derivatives	6.7	0.2	0.2	0.2
Total derivative financial instruments	**808.9**	**239.9**	**347.9**	**153.9**
including non-current portion:				
Forward- and future contracts for buying and selling electricity as cash flow hedges	366.2	-	105.9	0.2
Forward contracts for buying and selling electricity as trading derivatives	137.9	0.3	76.6	0.3
Swap and future contracts for buying and selling gas as cash flow hedges	9.9	-	3.2	-
Swap and future contracts for buying and selling gas as trading derivatives	1.4	-	0.2	-
Swap and forward contracts for selling fuel oil as cash flow hedges	-	71.9	1.7	29.4
Swap and forward contracts for selling fuel oil as trading derivatives	0.5	-	-	7.9
Other derivatives	6.7	-	-	-
Total non-current portion	**522.6**	**72.2**	**187.6**	**37.8**
Total current portion	**286.3**	**167.7**	**160.2**	**116.1**

9. Share capital and dividends

As at 30 June 2022, Eesti Energia AS had 746 645 750 registered shares (31 December 2021: 746 645 750 registered shares). The nominal value of each share is 1 euro.

On 26 April 2022 the sole shareholder made a resolution to pay to the shareholder dividend EUR 46.7 million (dividend per share 0.06 euros). Dividends were paid on May 3, 2022.

10. Earnings per share

Basic earnings per share are calculated by dividing profit attributable to the equity holder of the Parent Company by the weighted average number of ordinary shares outstanding. As there are no potential ordinary shares, diluted earnings per share equal to basic earnings per share all the periods.

	Q2 2022	Q2 2021	6m 2022	6m 2021
Profit attributable to the equity holders of the company (million EUR)	40.2	(9.9)	195.1	16.6
Weighted average number of shares (million)	746.6	746.6	746.6	746.6
Basic earnings per share (EUR)	0.05	(0.01)	0.26	0.02
Diluted earnings per share (EUR)	0.05	(0.01)	0.26	0.02

11. Borrowings at amortised cost

in million EUR	Short-term borrowings		Long-term borrowings			Total
	Bank loans	Lease liabilities	Bank loans	Bonds issued	Lease liabilities	
Borrowings at amortised cost 31.12.2021	**167.2**	**1.0**	**296.0**	**483.4**	**8.9**	**956.5**
Movements in the reporting period						
Borrowings received	-	0.1	40.0	4.6	2.7	47.4
Repayments of borrowings	(129.7)	(0.5)	-	-	-	(130.2)
Transfers	3.0	0.1	(3.0)	-	(0.1)	-
	-	-	(0.1)	-	-	(0.1)
Total movements in 6m 2022 period	**(126.7)**	**(0.3)**	**36.9**	**4.6**	**2.6**	**(85.5)**
Borrowings at amortised cost 30.06.2022	**40.6**	**0.7**	**332.9**	**488.0**	**11.5**	**873.7**

As at 30 June 2022 the Group had undrawn loan facilities of EUR 695.0 million (31 December 2021: EUR 535.0), consisting of long-term loans of EUR 375.0 million and undrawn liquidity loans of EUR 320.0 million. In the second quarter of 2022 no new loan contracts were signed.

12. Cash generated from operations

in million EUR	Q2 2022	Q2 2021	6m 2022	6m 2021
Profit before tax	**44.1**	**(9.6)**	**207.8**	**16.8**
Adjustments				
Depreciation and impairment of property, plant and equipment and right-of-use assets	42.9	42.0	85.1	82.9
Amortisation and impairment of intangible assets	1.2	0.9	2.4	1.9
Deferred income from connection and other service fees	(3.1)	(2.6)	(6.1)	(5.1)
Gain on disposal of property, plant and equipment	(0.6)	(0.7)	(1.0)	(1.2)
Gain on disposal of associate	(0.6)	-	(0.6)	-
Amortisation of government grant received to purchase non-current assets	(0.2)	(0.2)	(0.5)	(0.4)
Gain/loss from associates using equity method	1.8	(0.8)	1.6	(2.0)
Unpaid/unsettled gain/loss on derivatives	144.3	14.5	80.4	20.1
Gain (loss) from other non-cash transactions	(0.1)	0.3	(0.1)	0.2
Interest expense on borrowings	5.2	6.5	10.7	12.9
Interest and other financial income	-	-	-	-
Adjusted net profit before tax	**234.9**	**50.3**	**379.7**	**126.1**
Net change in current assets relating to operating activities				
Change in receivables related to operating activities	20.0	30.7	33.1	13.2
Change in inventories	(20.3)	(15.3)	(29.8)	(6.6)
Net change in other current assets relating to operating activities	125.1	66.8	60.1	51.1
Total net change in current assets relating to operating activities	**124.8**	**82.2**	**63.4**	**57.7**
Net change in current liabilities relating to operating activities				
Change in provisions	(100.4)	(48.5)	(1.4)	8.2
Change in trade payables	(19.3)	(8.2)	19.0	(12.4)
Net change in liabilities relating to other operating activities	68.6	(78.7)	115.1	(60.8)
Total net change in liabilities relating to operating activities	**(51.1)**	**(135.4)**	**132.7**	**(65.0)**
Cash generated from operations	**308.6**	**(2.9)**	**575.8**	**118.8**

13. Provisions

in million EUR	Opening balance 31.12.2021	Recognition and reversal of provisions	Interest charge	Use	Closing balance 30.06.2022	Closing balance 30.06.2022
					Short term provision	Long term provision
Environmental protection provisions	19.4	-	0.2	(0.4)	1.7	17.5
Employee related provisions	5.3	-	-	(0.3)	0.9	4.1
Provision for dismantling cost of assets	6.0	-	0.2	-	-	6.2
Provision for greenhouse gas emissions	193.2	189.5	-	(193.2)	189.5	-
Provision for onerous contracts	0.1	-	-	-	0.1	-
Provision for obligations arising from treaties	0.1	-	-	-	0.1	-
Provision for renewable energy certificates	2.2	4.6	-	(2.1)	4.7	-
Total provisions	**226.3**	**194.1**	**0.4**	**(196.0)**	**197.0**	**27.8**

14. Related party transactions

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

TRANSACTIONS WITH ASSOCIATES

in million EUR	6m 2022	6m 2021
Purchase of goods	7.7	4.2
Purchase of services	-	0.8
Proceeds from sale of services	0.2	0.1

RECEIVABLES FROM ASSOCIATES AND PAYABLES TO ASSOCIATES

in million EUR	30.06.2022	31.12.2021
Receivables	12.8	11.8
incl long-term loan receivables	12.8	11.7
Allowance for doubtful loan receivables	(12.8)	(11.7)
Payables	1.4	0.7

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 2022 remuneration to management and supervisory boards amounted to EUR 2.3 million (1 January - 31 June 2021: EUR 1.5 million).

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

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

TRANSACTIONS WITH ELERING AS

in million EUR	6m 2022	6m 2021
Purchase of services	39.4	40.3
Purchase of goods	22.3	6.6
Purchase of property, plant and equpiment and prepayments	2.2	0.8
Sale of goods and services (incl. renewable energy grant)	31.9	21.0

RECEIVABLES FROM ELERING AS AND PAYABLES TO ELERING AS

in million EUR	30.06.2022	31.12.2021
Receivables	4.4	4.6
Payables	15.5	9.1

15. Financial information regarding significant subsidiary with a non-controlling intrerest

In October 2021, the initial public offering (“IPO”) of the shares of the subsidiary Enefit Green AS was carried out, as a result of which the subsidiary issued 34,482,759 new shares and Eesti Energia AS reduced its ownership by selling additional 25,862,068 shares. The selling price of the shares during the IPO was 2.9 euros per share. As a result of the transaction, Eesti Energia AS received EUR 75.0 million and the subsidiary itself received EUR 100.0 million for the newly issued shares (excluding the costs associated with the issue). The total amount of costs associated with the issue were EUR 8.8 million, which has been recognised as a reduction on the line of “Retained earnings”. Issue costs (incl. financial advisory costs, legal audit and advisory costs, etc.) have been assessed by the Group as capitalisable, as the realisation of these costs was an unavoidable precondition for the issue to take place.

In total, the Group received EUR 175.0 million from the partial disposal of the shares in its subsidiary. The Group accounted non-controlling interest in the amount of EUR 138.5 million taking into account the proportion of shares owned by the non-controlling interest and the net assets of the subsidiary on the transaction date. The difference between the amount by which the non-controlling interests were adjusted and the fair value of the consideration received (EUR 36.5 million) was recognised directly in equity, on the line “Retained earnings”. This amount has been adjusted with the total amount of costs associated with the issue (EUR 8.8 million).

As a result of the public offering, the number of shares issued by the subsidiary ended up at 264,276,232 and the ownership of Eesti Energia AS is 77.17%. As of 21 October 2021, the shares of Enefit Green AS were listed on the main list of Nasdaq OMX Baltic.

Set out below is the financial information for the only subsidiary that has non-controlling interests (NCI) that are material to the group. The amounts disclosed are before inter-company eliminations.

in million EUR	Enefit Green Group 30.06.2022	Enefit Green Group 31.12.2021
Summarised statement of financial position		
Cash	90.8	80.5
Trade and other receivables	23.5	22.4
Inventories	16.3	9.5
Total short-term assets	130.6	112.4
Total non-current assets	748.4	705.3
Total liabilities	49.0	43.9
Total non-current liabilities	178.2	140.1
Total liabilities	227.2	184.0
Equity	651.8	633.6
Non-controlling interest %	22.83%	22.83%
Non-controlling interest	148,8	144.7
Summarised statement of comprehensive income	**01.01-30.06.2022**	**01.01-31.12.2021**
Revaluation of hedging instruments net of reclassifications to profit or loss	6.5	(12.4)
Excange differences on the translation of foreign operations	(0.2)	(0.1)
Net profit (loss) for the period	51.8	79.6
Comprehensive profit (loss) for the period	58.1	67.1
Summarised cash flow statement	**01.01-30.06.2022**	**01.01-31.12.2021**
Total cash flow from operating activities	66.4	117.2
Total cash flow from investing activities	(46.3)	(74.7)
Total cash flows from financing activities	(9.7)	27.2
Change in cash and cash equivalets	10.4	69.7

16. Events after the reporting date

According to the management, there have been no such events that would hve impact on the group’s financial results.

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

Financial leverage – Net debt divided by the sum of net debt and equity

Future – A contract between counterparties which obligates to buy or sell an underlying asset (e.g. a commodity) at a pre-agreed price

Green paper on industrial policy – A document prepared by the state and employers' associations which outlines the bottlenecks of industrial development and suggests solutions for their elimination and improving industrial development

Level of water reservoirs – The 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. The network operator has to compensate energy losses and for this a corresponding amount of electricity has to be purchased every hour

NP system price – The price on the Nord Pool power exchange that is calculated on the basis of all purchase and sale bids without taking into account transmission capacity limitations

Oil shale resource charge – A charge to be paid to the state for the use of 1 tonne of oil shale located in the mineral deposit

Position hedged with forward transactions – The quantity of electricity and shale oil to be sold and emission allowances to be purchased in future periods whose average price is previously fixed

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

Return on Fixed Assets (ROFA) – Operating profit (rolling 12 months) divided by average fixed assets excluding assets under construction (allocated to specific products)

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