Unaudited interim report for Q4 2022 and 12 months 2022

Management Report Sustainability Report Financial Statements

Enefit Green

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Legal name Enefit Green AS
Commercial Registry number 11184032
Address Lelle tn 22, 11318 Tallinn, Eesti Vabariik
Phone +372 5865 4999
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Main activities Production of electricity and heat in cogeneration plants, production of electricity in wind farms, solar farms and a hydropower plant
Reporting period 1 January 2021 – 31 December 2021
Auditor AS PricewaterhouseCoopers

Dear reader

Last year made it abundantly clear that increasing the production of renewable energy is important not only for the achievement of climate goals but also for assuring energy security and affordable electricity. Russia's aggression against Ukraine led to high and volatile energy prices and security of supply risks, which made politicians, businesses, investors, energy producers and household consumers across Europe seek solutions and mitigation measures. The availability and affordability of energy became more important than ever.

Aavo Kärmas
Enefit Green Chairman of the Management Board

In the Baltics as well as in Europe, people explored different options, looking into inventories, supply chains and regulations, to overcome the energy crisis. Short-term mitigation measures that improve the situation of consumers are necessary, but they should not become obstacles to the development of green energy or cause long-term damage to the reliability of the market.

The most effective solution to the energy crisis is increasing the production of renewable energy. The more energy we produce in our home countries, the less we depend on uncertain and expensive fossil fuel supplies and the lower the price of electricity for every consumer. Enefit Green contributes to assuring energy security by building new wind and solar farms in the countries where it operates – the Baltic countries, Poland and Finland – and ensuring the output and availability of its existing power plants.

We have reviewed our five-year strategy focusing on an even more ambitious growth plan. We see additional development and investment opportunities for wind and solar farms at an accelerated pace. To improve the supply of affordable and sustainable electricity, we will increase the capacity of our production assets four-fold and boost our electricity production already in the near term. We are going to invest €1.5bn to raise our renewable electricity output to 4.5 TWh by the end of 2026.

In order to implement our growth plan, we made six investment decisions on three onshore wind farms and three solar farms of €0.5bn in total in 2022. At the end of 2022, Enefit Green was building six wind farms with a total capacity of 546 MW in Estonia, Lithuania and Finland and four solar farms with a total capacity of 50 MW of which two in Estonia and two in Poland. The total value of these investments is more than €0.7bn.

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Last year we began to build two large wind farms – one in Estonia and the other one in Lithuania, taking a major step towards resolving energy, security and climate issues. The 255 MW Sopi-Tootsi wind farm will be the most modern and powerful renewable energy production facility both in Estonia and the Baltics. The wind farm will nearly double the amount of wind energy currently produced in Estonia, meeting 8.5% of Estonia's total electricity consumption and 40% of households' electricity consumption when completed. In Lithuania, we started the first phase of a 320 MW Kelme wind energy project, which will have an even greater impact on the region's electricity market.

In building renewable power plants, Enefit Green relies on long-term power purchase agreements, which assure the stability of revenue streams. Interest in fixed-price electricity contracts continued to grow. We are grateful to all partners whose long-term power purchase agreements help us develop new production capacities. By the end of 2022, we had signed long-term power purchase agreements on 10.5 TWh.

Enefit Green produced 1.1 TWh of electricity and 566 GWh of heat in 2022. Both figures are lower than a year earlier, mainly because of less favourable wind conditions and lower availability of the production facilities. The year 2022 started with excellent wind conditions and January brought a wind energy production record. In the second half of the year, however, wind speed in both Lithuania and Estonia was below average. The availability of wind farms also decreased due to issues with the main components and blade icing. The availability of the cogeneration segment was influenced by our decision to replace the heat exchange of the Iru waste-to-energy unit, which caused a five-week shutdown.

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Enefit Green team is committed to achieving our goals and every other employee feels like a truly engaged leader. We have onboarded new members to the development team during the last year and our internal survey shows that both the engagement and the management quality have increased over the last year. A well-functioning, proactive and action-oriented team is the key to achieving our goals.

Last year we started to integrate the principles of a sustainable organization into our business objectives and strategic management. We understand that renewable energy production affects the environment, also and we work with our partners to ensure the sustainability and social responsibility of our operations. We act transparently and regularly report on our progress towards the sustainability goals. We are leading the transition to a future based on clean renewable energy and work to ensure a healthy living environment for future generations.

Enefit Green's financial performance improved compared with a year earlier. Despite a somewhat smaller production volume, revenue grew by 40%. EBITDA, which is one of our key performance indicators, increased by 27%, rising to €154.8m. Net profit for 2022 grew by 38% to €110.2m.

We continue to work to reach new investment decisions on onshore wind farms in Lithuania and solar farms in Estonia, Latvia and Lithuania of up to 480 MW in total in 2023. Our dedicated team is on course to deliver the company's growth plans and we are supported on our journey by nearly 60,000 investors. Enefit Green's share was the most actively traded one on the Nasdaq Baltic stock exchanges in 2022 and its total return including dividends reached 12.4%. Investors' trust and interest in renewable energy gives us assurance to continue with investments in green energy.

My heartfelt thanks go out to all Enefit Green employees for their dedication and investors and partners for their trust. Together we will be able to reach the goals and add green energy to the market!

Aavo Kärmas
Enefit Green Chairman
of the Management Board

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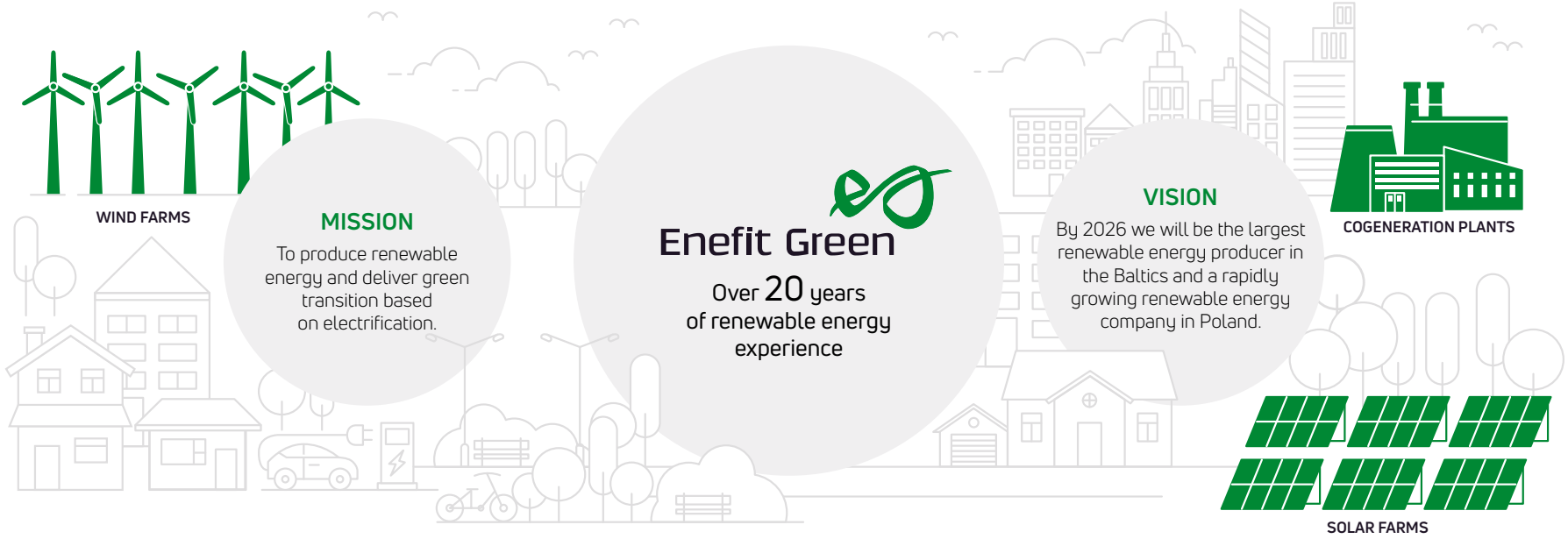
A Brief Overview of Enefit Green

Enefit Green is one of the leading growth-oriented renewable energy companies in the Baltic Sea region with the most diversified production portfolio. We operate in Estonia, Latvia, Lithuania, Poland and Finland. The company's shares are listed on the Nasdaq Tallinn stock exchange, providing investors with an opportunity to contribute to the green transition and be part of Enefit Green's growth story.

Enefit Green has a clear roadmap to quadruple renewable energy production capacity, to mitigate energy shortages, make electricity prices more affordable and secure energy security.



2022

Largest wind energy producer in the Baltics

178 employees in Estonia, Latvia, Lithuania and Poland

OPERATING CAPACITY
457 MW

PROJECTS UNDER CONSTRUCTION
596 MW

ELECTRICITY PRODUCTION
1,118 GWh

HEAT PRODUCTION
566 GWh

REVENUE
€ 257.0 m

EBITDA
€ 154.8 m

NET PROFIT
€ 110.2 m

Nasdaq
~ 60,000 investors

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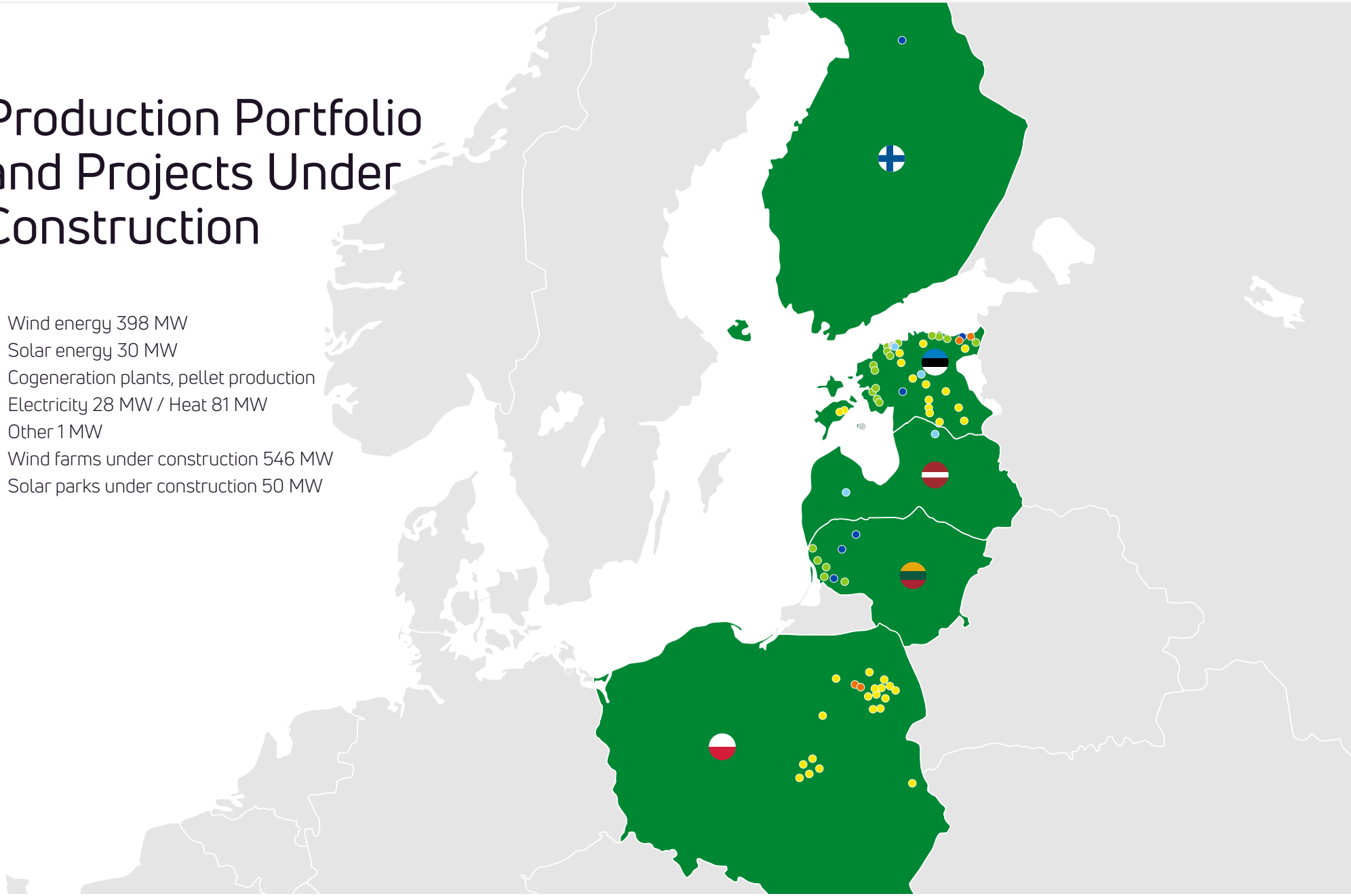
Production Portfolio and Projects Under Construction

- Wind energy 398 MW
- Solar energy 30 MW
- Cogeneration plants, pellet production
  Electricity 28 MW / Heat 81 MW
- Other 1 MW
- Wind farms under construction 546 MW
- Solar parks under construction 50 MW



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Highlights
in 2022

First general meeting of shareholders as a listed company

Disclosure of the **updated strategy** 2022-2026

Investment decision to build the Purtse solar farm (32 MW) in Estonia

Selling a minority stake in Wind Controller

The cornerstone of the **Purtse wind farm** (21 MW) in Estonia

The cornerstone of the **Šilale II wind farm** (43 MW) in Lithuania

Acquisition of **Tootsi Wind Farm** (74 MW) development

The cornerstone of the **Akmene wind farm** (75 MW) in Lithuania

Acquisition of solar energy development projects in Estonia with a total capacity of up to 200 MW

Wind farms under construction reaching the phase of installation of wind turbines

Signing a loan agreement with the Nordic Investment Bank

Investment decisions for the construction of the Purtse wind farm (21 MW) in Estonia and Debnik solar farm (6 MW) in Poland

Starting cooperation with Södra Group, the largest private forest owner in Latvia

Q1 **January** **February** **March** Q2 **April** **May** **June** Q3 **July** **August** **September** Q4 **October** **November** **December**

Signing of the contract for the supply and **maintenance of wind turbines of the Purtse wind farm** with Vestas

Signing a contract with the Ramboll consulting company for a preliminary design of the Hiiu offshore wind farm

CFO Veiko Räim the most influential CFO 2022

Dividend payment 0.151 euros per share

The cornerstone of the **Tolpanvaara wind farm** (72 MW) in Finland

Implementation of a virtual reality solution in development

Conclusion of **long-term electricity sales contracts** in Lithuania

Successful completion of renovation at **Iru power plant**

Internal survey showed **high employee engagement and management quality**

The first rescue exercise in Estonia to resolve an accident in a wind turbine

East Capital Award "Best Initial Public Offering"

Šilale II (43 MW) first electricity to the grid in Lithuania

Investment decisions to build Sopi-Tootsi (255 MW) wind farm in Estonia and Kelme I (80 MW) in Lithuania

Refinancing of SEB and Swedbank loan agreements in the amount of 100 million euros

Investment decision to build the Estonia solar farm (3 MW) in Estonia

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Operating Environment

As a renewable energy company primarily focusing on wind and solar energy, our results are influenced by prices of electricity and emission quota, electricity demand and supply, competition from different energy types, regulations governing the energy sector and weather (mainly wind conditions).

IMPORTANT TRENDS IN THE ECONOMY AND MARKETS:

- Slowdown in economic growth. The International Monetary Fund estimates that last year's real growth of the global economy was 3.2%, while growth rates in the Baltic States were between 1.0% and 2.5%. The reason for the slowdown in economic growth was the acceleration in the pace of inflation, the rise in interest rates and geopolitical events that led to disruptions in supply chains.
- Electricity prices were at record highs in 2022 due to high market prices of natural gas and CO_2 emission quotas.
- The price of emission quotas were driven to record highs by the record high market prices of natural gas, caused by geopolitical events and low gas reserves, which increased electricity production from oil shale and coal.

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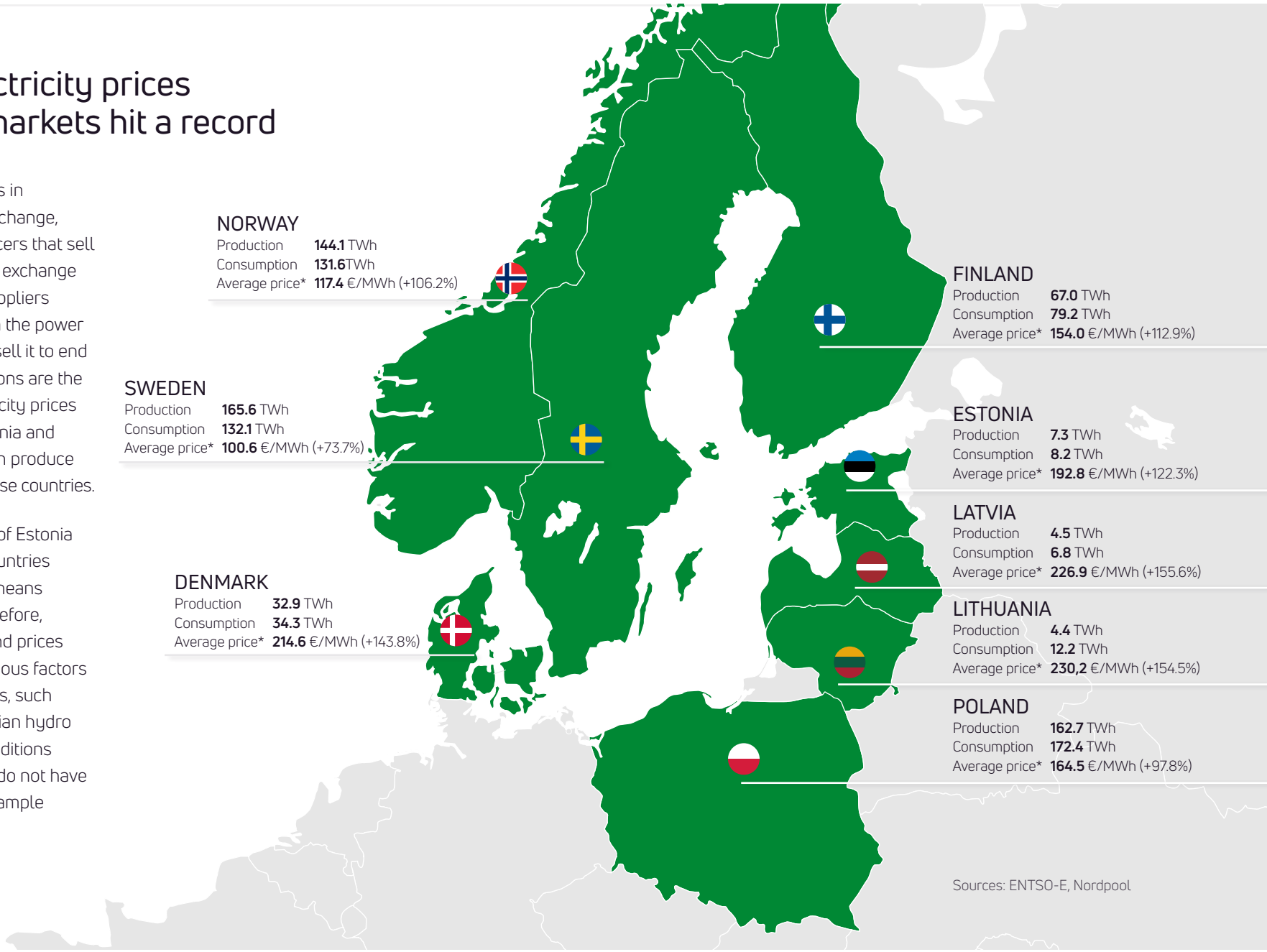
Average electricity prices in our core markets hit a record

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

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 and wind conditions in the region where we do not have operating assets (for example in Finland).



Sources: ENTSO-E, Nordpool

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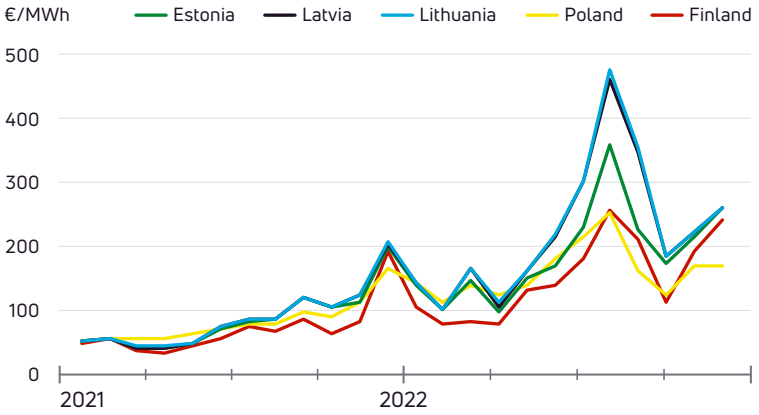
Baltic electricity prices were influenced by record-high natural gas prices

The Nordic and Baltic market area produced 425,8 TWh and consumed 404,4 TWh of electricity in 2022. Compared with a year earlier, electricity production in the Nordic and Baltic market area decreased by 4,4 TWh while consumption decreased by 23 TWh. Norway and Sweden produced more electricity than they consumed in 2022. In Estonia, Latvia, Lithuania, Finland and Denmark, consumption exceeded domestic production and the countries had to import electricity.

Electricity prices in Estonia and the neighbouring countries were influenced by the market price of natural gas and weather factors in 2022. Electricity prices spiked sharply in the summer when gas and CO_2 emission prices reached historic heights.

Average electricity prices in our home markets



Source: Nord Pool

The average price of natural gas on the Dutch gas trading platform TTF was 136.1 €/MWh in 2022 (+90.4 €/MWh, +198% compared with 2021). At the beginning of the year, the price of natural gas trended downward because import flows to the European gas markets were high. By the end of the heating period, however, inventories in Europe's gas storage facilities had dropped to their historic lows. This in combination with growing supply risks caused a lot of uncertainty, which triggered a surge in gas prices.

Fuelled by changes in the supply chains and negative shocks on the supply side of the gas market during the year, natural gas prices hit their historic highs in the second half of 2022. In the last quarter of the year, gas prices began to drop and by the end of December the price of natural gas was more or less at the same level where it had been the beginning of the year. The decrease in gas prices was supported by warm weather and a decrease in the demand for gas in Europe. In the second half of 2022, the European Parliament's Committee on Industry, Research and Energy endorsed the RePowerEU plan, which aims, among other things, to reduce the European Union's dependence on Russian gas. By the end of the year, the European Union had reduced its overall gas consumption by 20.1% compared with average figure for the previous five-year period, exceeding its target by 5.1 percentage points. The strongest reduction was achieved by Finland and the Baltic countries where gas consumption decreased by over 35%.

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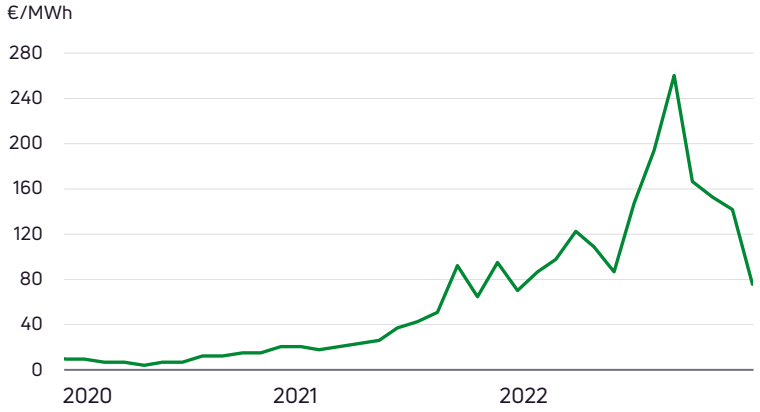
TTF natural gas price



Source: TTF

During peak hours, the electricity price in the region is typically determined by gas-fired power plants. High natural gas prices have 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 double than that of natural gas, has increased the demand for CO_2 emission allowances, driving up their prices.

Use of more CO_2 intensive oil shale- and coal-fired power plants drove carbon allowance prices to record heights

The purpose of the European Union's Emissions Trading System (EU ETS) is to reduce greenhouse gas emissions in Europe by motivating energy producers to produce more energy from renewable sources. At the same time, a higher CO_2 emission allowance price also increases the competitiveness of renewable energy production units.

Prices of CO_2 emission allowances

Source: Intercontinental Exchange

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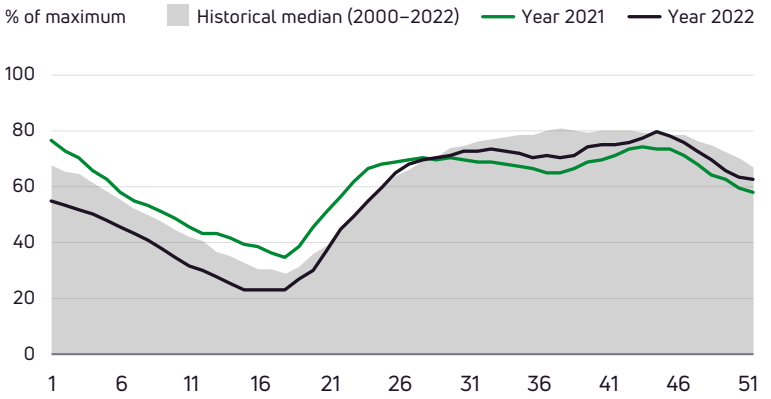
At the beginning of 2022 the price of CO_2 emission allowances was 80.0 €/t and continued to rise until March, when it dropped by 40% within a month and then stabilised at 78 €/t. Until mid-year, emission allowance prices were influenced by the soaring natural gas price, which caused a jump in the production of the more carbon intensive coal power in Europe. At the beginning of the second half-year, the European Parliament's Committee on Industry, Research and Energy adopted a decision on using the revenues from the sale CO_2 emission allowances to finance the achievement of renewable energy and energy efficiency targets. CO_2 emission allowance prices were additionally influenced by a special measure announced in the summer on the basis of which approximately 250 million allowances will be auctioned off over the next four years to finance the lowering of energy costs. As a result, the CO_2 emission allowance price dropped from its annual peak of 92.2 €/t to 66.5 €/t.

By the end of the year, the carbon allowance price rose to 83.9 €/t in response to the revision of the EU climate targets. The European Parliament's Committee on Environment, Public Health and Food Safety agreed the emission reduction target for sectors covered by the EU ETS. The sectors are expected to cut their emissions by 62% compared with the 2005 levels by 2030. The new target is 19 percentage points higher than the one set in 2014. The average price of CO_2 emission allowances was 81.2 €/t in 2022, 51.3% (+27.5 €/t) higher than in 2021.

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 2022 was 55.9% of the maximum, which is 5.1 percentage points lower than in 2021 and 5.7 percentage points below the historical median.

Weekly levels of Nordic hydro reservoirs



Source: Nord Pool

REGULATORY DEVELOPMENTS

Energy prices started to rise in 2021 due to recovering economic growth after the corona crisis. Russia's war against Ukraine, which began in February 2022, accelerated the rise in prices even more and it peaked in a full-scale energy crisis in the second half of the year. The high volatility in the energy markets led to a number of regulatory reactions from the European Union and its member states. At the end of 2022 and the beginning of 2023, the European Commission prepared a renewal of the European Union's electricity market model in order to reduce the impact of the day-ahead electricity market and increase the role of long bilateral electricity purchase and sale and hedging transactions. Due to its active presence in the Power Purchase Agreement (PPA) market, Enefit Green is relatively well prepared for a reform following such direction.

Electricity market model

- \+ Preparations by the European Commission for a reform, which seems to aim for decreasing role of day-ahead market and increasing role of PPAs
- − The uncertain regulation of renewable energy subsidies in Latvia caused us to abandon the support scheme at Valka cogeneration plant
- − Estonia: Uncertainty regarding fixed-price electricity contracts for private individuals – reduces the potential of the market model based on PPAs to support the development of new capacities
- − A revenue cap of 180 €/MWh for low-variable cost electricity producers (including those using wind, solar, waste and biomass as an energy source). A measure of a temporary nature for 7 months from 1 December 2022 to 30 June 2023, but with a possible extension
- \+ Implementation of the 180 €/MWh revenue cap in Estonia and Latvia, which enables to direct excess revenue to investments

Acceleration of renewable energy investments

- \+ Increasing national targets for renewable electricity production for 2030 in core markets: Estonia 40 → 100% Lithuania 45 → 70%
- \+ REPowerEU: A plan of the European Commission to speed up permitting procedures for renewable energy
- \+ Estonia: National reverse auctions for renewable electricity in 2023-2025 in the total amount of 1650 GWh p.a., focusing on wind energy
- − Latvia: Creation of a joint venture between the national energy company and the national forestry company, which will receive an exclusive right to develop renewable energy capacities on state-owned land

Wind energy

- \+ Lithuania: preparations for the announcement of the auction for the 700MW offshore wind farm in the second half of 2023
- \+ The introduction of a tolerability fee for wind farms in all Baltic States, which has increased the interest of local governments and communities towards wind farm development

Solar energy

- \+ Poland: preparation of regulation of direct electricity lines between producers and consumers
- − Lithuania: limiting the development of solar farms with over 100kW capacity to avoid exceeding the 2GW total capacity target. Restricts the development of hybrid farms.

Developments on fuel markets

- \+ Natural gas price volatility has increased public support for renewables, including biomass
- − Recognition of natural gas and nuclear energy as sustainable under the EU taxonomy
- − Delays and ambiguities in sustainability regulation for biomass

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Strategy 2022–2026

We strongly believe that the green transition can only be delivered through renewables-based electrification. To supply the market with affordable and environmentally friendly electricity, Enefit Green is going to quadruple its renewable energy production capacity already in the near term and will increase electricity production in all its core markets.

We will be the largest renewable energy producer in the Baltics and a rapidly growing renewable energy company in Poland by 2026.

OUR KEY STRENGTHS:

1. A dedicated and experienced team where every second employee feels like a leader.
2. Excellent capabilities to operate and develop renewable energy assets and a unique synergy between teams.
3. A sound financial position for implementing the growth plan.
4. Strong Enefit brand to support the initiation and execution of development projects.
5. The capabilities of the strategic owner, Eesti Energia, in energy trading, both in the long-term sale of electricity to end customers and the provision of high-quality support services.
6. Nearly 60,000 shareholders that support the growth of renewable energy production with their investment.

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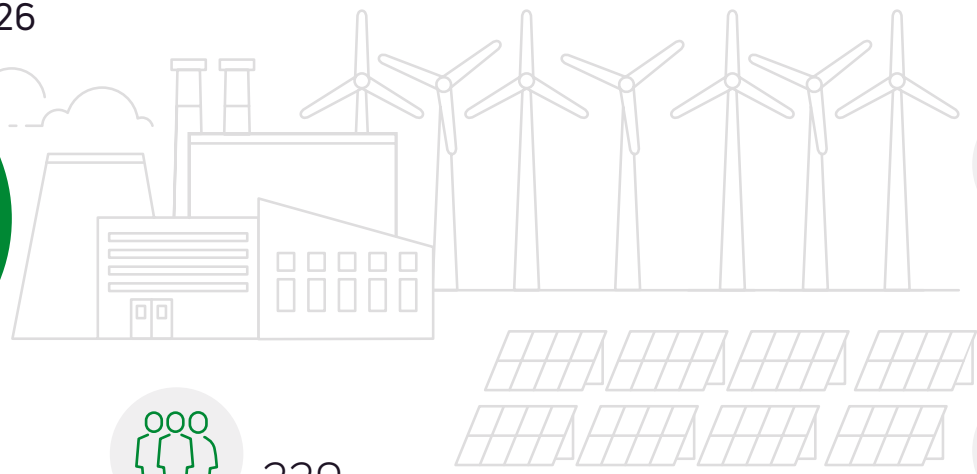
By the end of 2026

The total capacity of our **renewable energy production assets** has grown more than fourfold to 1,900 MW.



We will have €1.5bn **invested**

220 **employees**

Our annual renewable electricity production has grown to 4.5 TWh

The consumption of that quantity of wind and solar electricity will prevent the emission of **2.9 million tonnes** of **CO_2**.*

Our annual **thermal energy** production will be 600 GWh

To achieve its objectives, Enefit Green applies a vertically integrated business model, which is based on the planning, development, construction, and operation of projects. We produce renewable energy in our power and cogeneration plants as efficiently as possible, drawing on long-term operating experience and digitalised asset management.

When building new renewable power plants, we rely on previous practice, unique synergies between our production and development teams, and long-term power purchase agreements. We have local development teams in all our core markets that can both develop projects from inception and add value to pre-developed projects.

The main basis for final investment decisions is whether revenue has been secured with long-term power purchase agreements. We additionally mitigate the electricity price risk of development projects by participating in reverse auctions for renewable energy arranged in our core markets.

The high productivity of Enefit Green's assets is underpinned by our innovative, professional, and multi-skilled production and asset management teams. By systematically digitising data and developing machine learning, we prevent production interruptions and extensive repairs and ensure high availability of our production facilities. We harness our experience to operate wind farms after the expiry of full-service contracts, to extend the technical life span of our wind farms and to carry out repowering (to extend the useful life of existing wind farms in the same location and erecting new wind farms to replace the old using the same grid connection).

Enefit Green's growth plan is implemented by dedicated and experienced professionals. Our focus is on attracting new talent, retaining existing experts and developing a strong leadership culture.

* Compared to electricity produced from fossil fuels.

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Trends that influence our business

The member states of the European Union have agreed that the European economy should be carbon-free by 2050. Rapidly rising energy prices, the war in Ukraine and withdrawal from Russian energy supplies highlight the need to accelerate renewable energy production. The energy trilemma – finding a balance between energy affordability, sustainability and security – has become a matter of national importance in all of Enefit Green's core markets.

ENEFIT GREEN'S OPERATIONS ARE INFLUENCED BY:

1. **electrification of energy consumption** (replacement of the consumption of fossil energy sources, preferably with the consumption of renewable electricity or energy sources produced from it, in various sectors of the economy such as industry, transport, and heating and cooling of buildings);
2. **increasing renewable energy production**;
3. **energy saving**, which includes reducing the amount of energy purchased (e.g. by using more energy efficient technologies and replacing purchased energy with locally produced renewable energy).

The member states of the European Union have agreed that the European economy should be carbon-free by 2050.

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Key goals

Enefit Green's three key goals are related to **operating our existing production assets, developing new wind and solar power plants**, and our **dearest asset – our people**.

We use existing assets as efficiently as possible to ensure maximum productivity.

- Digitalising asset management
- Extending the technical life span of wind farms
- Ensuring high availability
- Optimising maintenance costs
- Repowering existing wind farms
- Creating a long-term action plan for the Iru power plant
- Providing new services for transmission system operators in the Baltic countries

We develop wind and solar energy projects and increase sales of solar energy solutions.

- Ensuring the sustainability of development operations
- Executing projects under construction consistent with the budget and schedule
- Following a step-by-step development process
- Applying the agreed development principles
- Seeking new development opportunities
- Maximising the use of expertise
- Using and implementing hybrid solutions
- Adhering to approved investment criteria

We are a rapidly growing international company with a team of result-oriented professionals.

- Building a capable team in the core markets
- Developing the leadership and teamwork culture
- Recognising and valuing employees
- Supporting professional and self-development

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Overview of Development Activities

To supply the market with affordable green electricity, Enefit Green will increase its renewable energy production capacity fourfold in the coming years and boost electricity production in all its core markets.

To implement our growth plan, we made six investment decisions of €0.5bn in total in 2022 – three on onshore wind farms and three on solar farms. At the end of 2022, Enefit Green was building six wind farms with a total capacity of 546 MW in Estonia, Lithuania and Finland and four solar farms with a total capacity of 50 MW – two in Estonia and two in Poland.

At the end of the year, we decided to invest €450m in the construction of the 255 MW Sopi-Tootsi wind farm in Estonia and the 80 MW Kelme I wind farm in Lithuania. It is the largest renewable energy related investment in recent years in the whole region.

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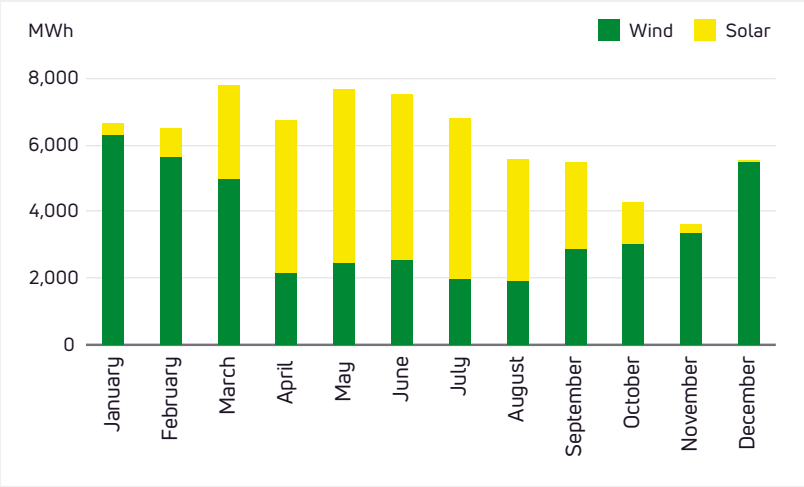
The 255 MW Sopi-Tootsi wind farm will be the most modern and powerful renewable energy production area in Estonia and the Baltic States, which will nearly double the current amount of wind energy produced in Estonia. The farm's output will meet 8.5% of Estonia's total current electricity consumption and 40% of household electricity consumption. The total capacity of the Kelme wind energy project to be developed in three phases in Lithuania will be nearly 320 MW.

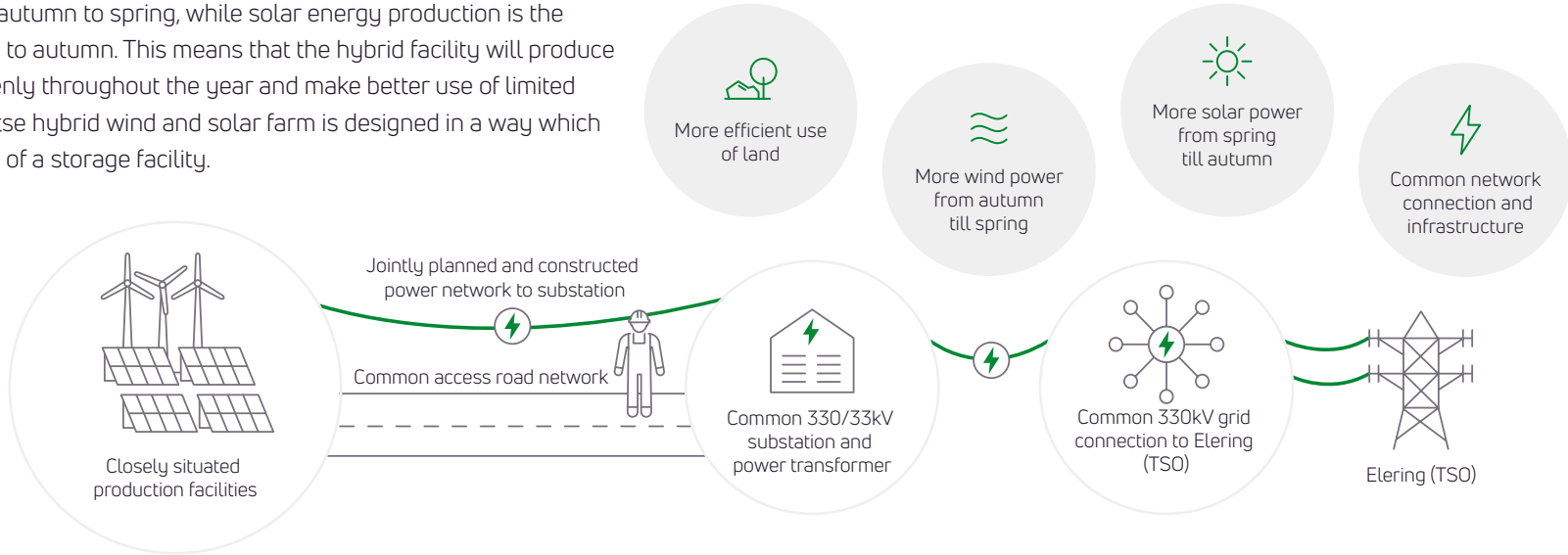
We are building a unique hybrid wind and solar farm in the Lüganuse municipality in Estonia.

The 21 MW Purtse wind farm and the 32 MW Purtse solar farm are being constructed as a hybrid wind and solar farm. It will use the same equipment, substation and interconnection to deliver electricity to consumers. The hybrid farm will also use a single interconnection capacity to supply wind and solar electricity to the grid. It is a reasonable solution as wind energy production is the highest from autumn to spring, while solar energy production is the highest from spring to autumn. This means that the hybrid facility will produce electricity more evenly throughout the year and make better use of limited grid resources. Purtse hybrid wind and solar farm is designed in a way which enables connection of a storage facility.

Expected average production of the Purtse Hybrid Farm



Hybrid Farm Concept



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Another unique project in Enefit Green's portfolio is the development of a solar farm in the industrial area of the Estonia mine. It will be constructed on a 27-metre-high structure made from waste rock extracted during oil shale mining. The solution enables us to use waste rock and land of low value, reduce shading losses in solar energy production, and supply the mine with green energy.

Of farms under construction, the first to supply electricity in 2022 was the 43 MW Šilale II wind farm in Lithuania (electricity produced in December 2022 was symbolic and did not have any impact on the financial result), which we started to build in 2021. The 75 MW Akmene wind farm in Lithuania and the 9 MW Zambrow solar farm in Poland will begin producing electricity in early 2023. The construction of the 21 MW wind farm and the 32 MW solar farm in Purtse as well as the 72 MW wind farm in Tolpanvaara is on schedule: the farms will deliver their first output in 2023. The 6 MW Debnik solar farm in Poland will start producing electricity in the second half of 2023.

We also made good progress with projects that are in the planning phase. Following the resolution of a legal dispute, the development of the Risti wind farm in Estonia has been relaunched and is now in the stage of approval of the preselected site.

We also expanded our short-term development portfolio with additional solar projects. We acquired land use rights for a future hybrid project in Vändra and supplemented the portfolio with Seinapalu solar farm project as well as solar projects in Lihula and Pärnu-Jaagupi (all in Estonia). Additionally, we are planning to build a nearly 75 MW solar farm in Sopi-Tootsi.

Enefit Green will sustain rapid growth in 2023. We expect to make an investment decision on the Kelme II and Kelme III onshore wind farms in Lithuania, which will have a total capacity of 240 MW. In addition, we are planning to make investment decisions on the construction of three solar farms in Estonia, two in Latvia and one in Lithuania with a total capacity of up to 240 MW.

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We need an offshore wind farm to move to the next level in renewable energy production

Offshore wind farms are the most realistic solution for reducing the energy deficit in the markets where we operate and producing large amounts of affordable renewable electricity before the end of the decade. As of the end of 2022, out of Estonia's offshore wind farm developments, the Gulf of Riga (Liivi) project, currently belonging to Eesti Energia, is in the most advanced stage of development. After completion the Gulf of Riga offshore wind farm would meet half of Estonia's electricity demand. Therefore, it would contribute significantly to solving the energy crisis and achieving the renewable energy targets.

Enefit Green and Eesti Energia have signed a memorandum of understanding, under which Enefit Green will participate in the farm's development, and Eesti Energia has agreed to offer Enefit Green the opportunity to acquire the project on market terms. The development of the Gulf of Riga offshore wind farm continues with the aim of reaching a final investment decision by 2025. Extensive environmental studies and a preliminary analysis of the farm's technical solution were launched and a designated national spatial plan for the construction of the farm's power connections was initiated. Continued cooperation with the world's leading wind energy developer, Ørsted, and preparations were made for separating the development project from Eesti Energia.

In the development of the Hiiumaa offshore wind farm, owned by Enefit Green, we continued to analyse different types of wind turbines in preparation of the environmental impact assessment. The draft technical plan of the farm was completed in 2022. Various types of wind turbines and solutions for the farm's substations and interconnectors were also analysed while preparing the preliminary building design. The analysis included mapping the capabilities and needs of nearby ports for the construction and maintenance of the wind farm.

Enefit Green's development principles

We use the best possible technologies
We plan for possible future scenarios so that we could use the latest and best technologies.

We do not cause significant harm to the environment
We carry out thorough and comprehensive environmental impact assessments and involve experts with diverse local and international experience.

Communities are our partners
We set up joint working groups to engage the communities and main stakeholder groups and to develop new projects inclusively.

We find synergies across various areas
We help communities plan their green journeys in a personal and flexible manner.

We involve the best international expertise
We lead the way and involve the best international partners.

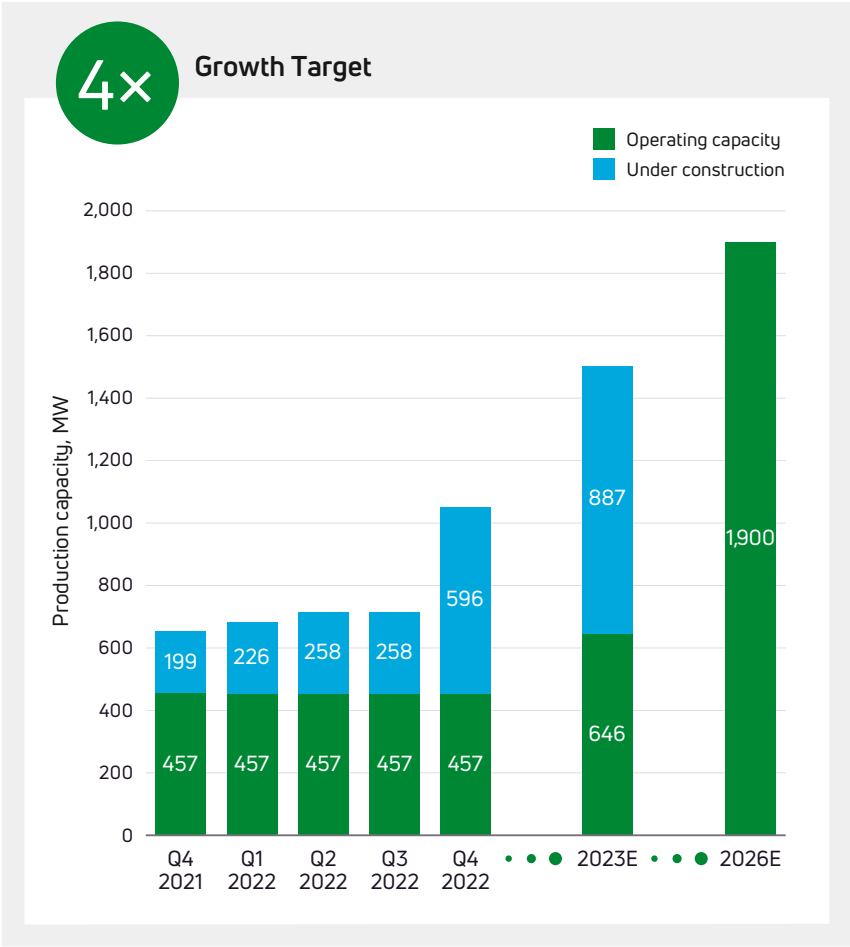
Construction of renewable power plants is supported by long-term power purchase agreements

Long-term power purchase agreements and national renewable energy auctions arranged in our home markets are key to the construction of new renewable power plants.

Consuming wind and solar electricity is an efficient and simple way for businesses and households to reduce their environmental footprint and gain long-term price security. Interest in fixed-price power purchase agreements continued to grow in 2022. There is a growing number of end-users willing to sign long-term agreements to buy green energy.

Enefit Green relies in the development of new projects, on long-term power purchase agreements with large electricity sellers (Eesti Energia, etc.), who in turn offer end-users long-term price certainty. In the case of new development projects, we fix the price for 60% of the wind or solar farm's projected electricity output and sell 40% of the output on merchant terms. By the end of 2022, we had signed long-term power purchase agreements on 10.5 TWh of electricity.

In August 2022, the results of a reverse auction held in Estonia were announced, which will supply the market with 540 GWh of renewable electricity in the coming years. We successfully participated in the auction with the output of the Sopi wind farm and the Purtse solar farm of 140 GWh in total. National reverse auctions in the markets where we operate complement growing demand for long-term power purchase agreements and support the development of new projects.



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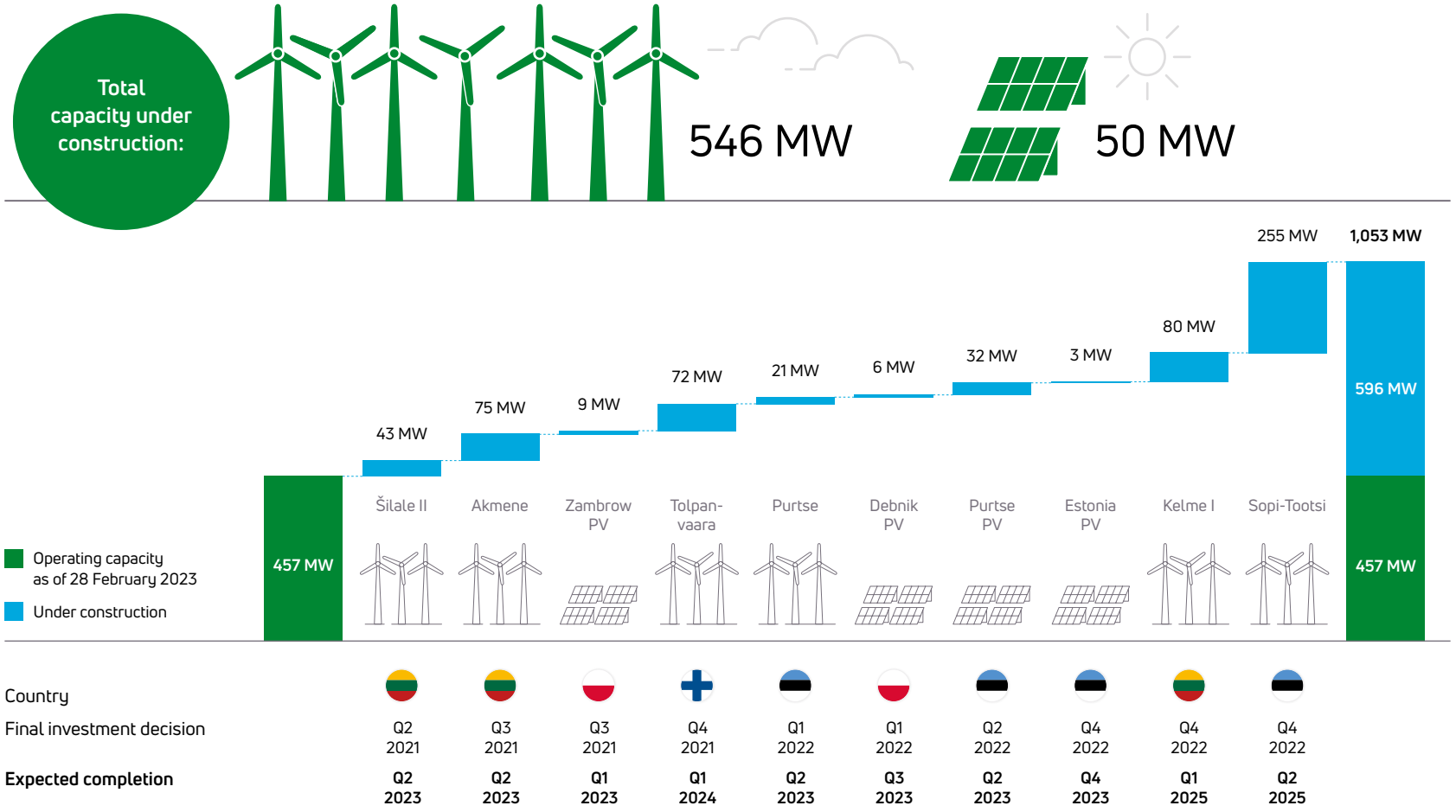
Projects under construction



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Projects under construction

	PURTSE	AKMENE	ŠILALE II	TOLPANVAARA	KELME I	SOPI-TOOTSI
Number of generators	5	14	12	13	14	38
Total capacity	21 MW	75 MW	43 MW	72 MW	80 MW	255 MW
Estimated annual output	*approx.* 46 GWh	*approx.* 258 GWh	*approx.* 160 GWh	*approx.* 250 GWh	*approx.* 266 GWh	*approx.* 700 GWh
Tower height	82 m	151 m	131,4 m	148 m	148 m	159 m
Tip height	150 m	230 m	200 m	229,5 m	229,5 m	250 m
Generator model	Vestas V136	General Electric 10x5.3-158, General Electric 4x5.5-158	General Electric GE3.6-137	Nordex N163/5.X	Nordex N163/5.X	Nordex N163/6.X
Construction partner(s)	YIT Eesti AS, AS Connecto	Merko	Merko	Nordex, Fimpec, InfraBuilders	Odne SA, AS A.C.B., Merko	NOBE, Verston, AS Connecto
Investment	*approx.* €28m	*approx.* €85m	*approx.* €60m	*approx.* €83m	*approx.* €145m	*approx.* €305m
Expected completion	Q2 2023	Q2 2023	Q2 2023	Q1 2024	Q1 2025	Q2 2025

	ZAMBROW	PURTSE	DEBNIK	ESTONIA
Total capacity	9 MW	32 MW	6 MW	*approx.* 3 MW
Estimated annual output	*approx.* 9,6 GWh	*approx.* 32 GWh	*approx.* 6,3 GWh	*approx.* 4,1 GWh
Panel producer	Risen	Yingli	Canadian Solar	Recom
Technology	*bifacial, half cut, PERC*	*bifacial, half cut*	*bifacial, half cut, PERC*	*bifacial, half cut, TopCon*
Number of panels	16 280	48 776	9 188	9 312
Construction partner(s)	P&Q Sp. z o. o.	Neith Elekter OÜ	Nomad Electric Sp. z o. o.	Neith Elekter OÜ
Investment	*approx.* €6m	*approx.* €18,8m	*approx.* €4m	*approx.* €2,7m
Expected completion	Q1 2023	Q2 2023	Q3 2023	Q4 2023

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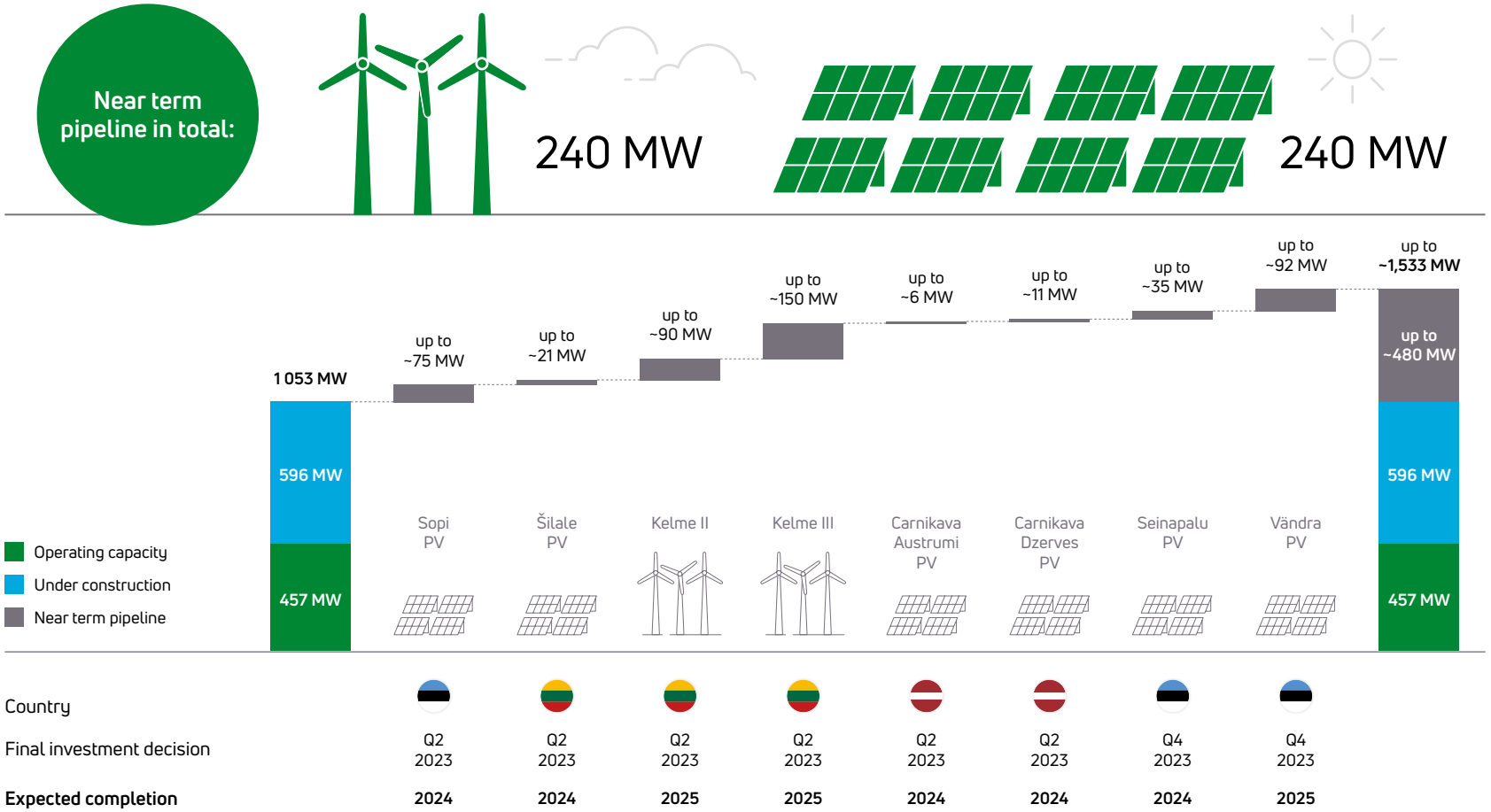
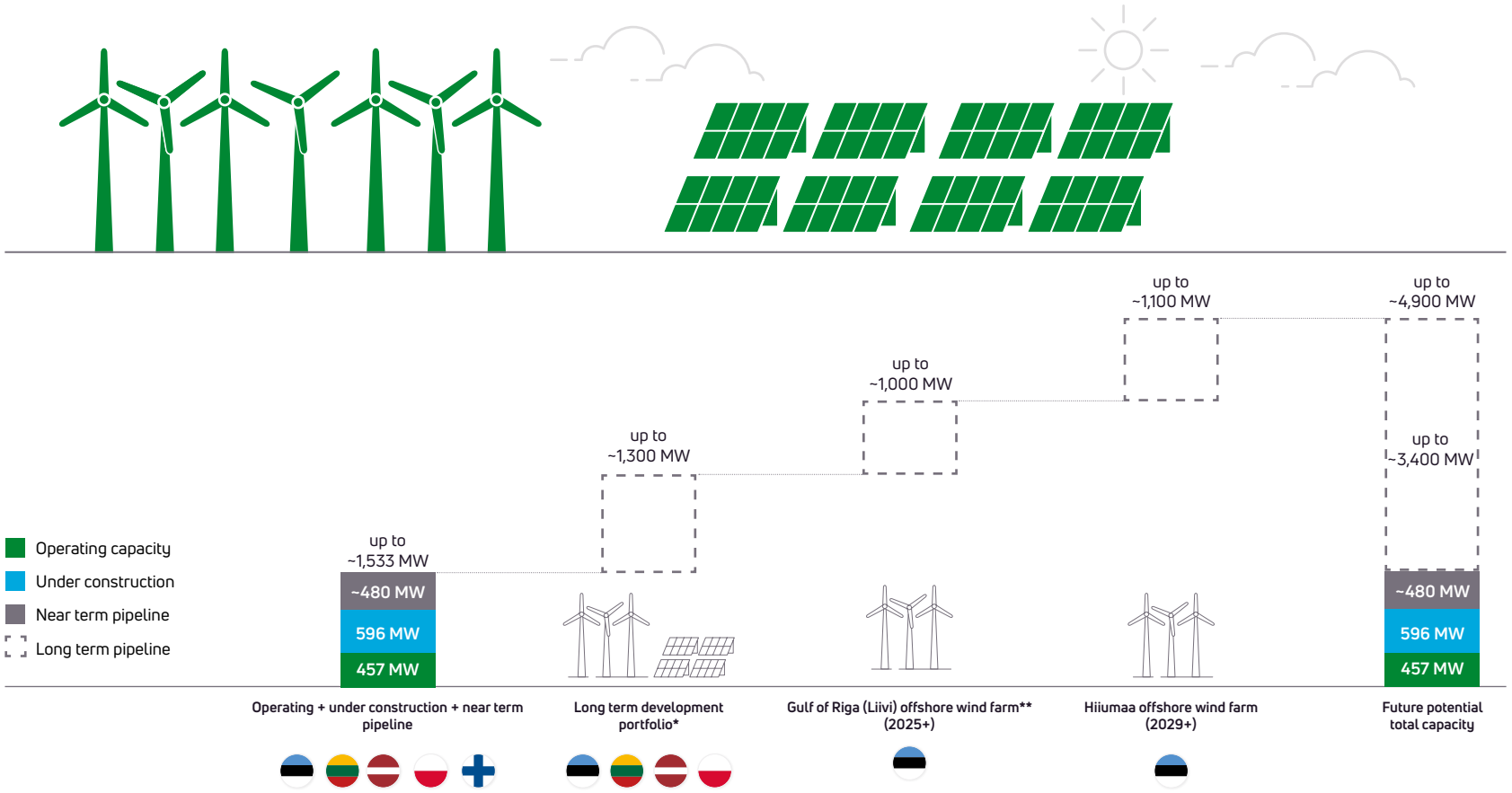
Near term development pipeline

Targeted investment decisions until the end of 2023



NB! Development projects are in continuous change. The presented information is management team's best assessment of the current status of the near term development portfolio as of 28 Feb 2023.

Complete view of the development portfolio



NB! Development projects are in continuous change.
* Various onshore wind and solar farm developments that are not expected to get final investment decision before 2024.
** Gulf of Riga (Liivi) Offshore wind farm development is owned by Eesti Energia. Eesti Energia is willing to offer Enefit Green a possibility to participate in the project and/or acquire the project based on market terms.

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Digitalised Asset Management

To support Enefit Green's growth plan, we developed uniform group-wide development policies that regulate both the engineering and digitalisation matters of our main wind and solar energy asset groups. A uniform approach creates prerequisites for reduction of maintenance costs and for achieving higher productivity in the later operating phase of additional farms.

Last year, our operating team joined forces with partners to carry out their first-ever extension of the technical life of a wind farm. This process gave us a technical assurance for the useful life that we started to use in accounting for certain type of wind farms some years ago. A thorough analysis of the safe operation of the Virtsu wind turbines was completed in cooperation with the consulting firm TÜV Nord, the wind turbine manufacturer Enercon and Enefit Solutions, which is a company of the Eesti Energia group that has competence in metal works. As a result of the technical and economic analyses, we extended the technical life cycle of the Virtsu I wind farm by ten years. Extending the life span of wind turbines enables us to use our technical and natural resources economically and to obtain assurance that earlier maintenance and repairs have been carried out sustainably. It also allows us to continue producing renewable energy in the coastal area with favourable wind conditions, without making additional investments.

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One of our success stories in 2022 was passing the automatic frequency restoration reserve (aFFR) test at our wind farms, which was carried out in cooperation with the Estonian transmission system operator Elering. The purpose was to prepare for participating in the reserve products market where we can offer new services with our production assets when the Baltic frequency regulation market opens up. For us, this is an opportunity to apply our engineering expertise and to offer additional services in an area where grid operators have not yet considered it possible. The Baltic transmission system operators are planning to set up a frequency reserve market in 2025.

Availability challenges

Our wind farms did not meet their availability target in 2022. Actual availability was 94.7%, lowest in the past three years. Availability was negatively affected by downtime resulting from several faults of the turbines' main components (main bearings, gearboxes) and weather conditions, which caused blade icing. Unlike many other wind power producers, Enefit Green does not exclude blade icing from its availability calculations in order to maintain focus on activities that help remove the ice and bring the wind turbines more quickly back online.

Availability of production assets

	2020	2021	2022
Wind farms	96.1%	95.6%	94.7%
Cogeneration plants	96.6%	96.8%	90.1%
Solar farms	99.9%	99.9%	99.8%
Keila-Joa hydroelectric facility	98.9%	97.8%	98.4%
Ruhnu renewable energy solution	100.0%	99.7%	99.8%

The availability of the cogeneration segment decreased significantly due to the malfunctions of the boiler grate of the Iru waste-to-energy power plant and the decision to replace one of the sections of the heat exchanger completely after the completion of planned maintenance.

The availability of Enefit Green's Valka wood chip-fired power plant met expectations and the availability of the Broceni and Paide power plants exceeded expectations.

The availability of solar farms, which has been high throughout the years, remained high also in 2022. The assets of the solar segment are newer than those of the other segments and integrated into a central control and monitoring system, which ensures faster response to faults and quicker repairs.

On the whole, the availability of the renewable energy solution on the island of Ruhnu met expectations but due to difficult ice conditions the delivery of spare parts for the turbine and the transport of the crane to the island were delayed. The performance of the solar power plant, the battery bank and the biodiesel generator met expectations.

The Keila-Joa hydroelectric facility worked less than expected due to lack of precipitation.

We are exploring ways to shorten the downtime caused by the icing of the blades and reduce the icing of the blades. Faults of the main components have decreased, but we will continue to work with wind turbine service partners to shorten the duration of downtime and prevent breakdowns.

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Digitalisation

Use of digital solutions along with continuous analysis of big data and proactive identification of faults is one of the keys to our success. We have deployed the necessary basic systems and will continue to upgrade them to automate the processes and achieve high availability of assets and increase productivity.

We have been successfully developing a solution for improving the performance of our assets, which we call AIS (Asset Intelligence System). The solution serves several purposes, from displaying the assets' production data to detecting malfunctions with the assistance of machine learning models. It reduces the man-hours of production managers and enables us to focus more on preventive activities.

All our production assets across our markets are interfaced with AIS. We monitor the assets' status and production data. In addition, we can compare sensor data to identify emerging malfunctions, plan the necessary maintenance before any malfunctions occur, and thus shorten the duration of downtime. The system includes an analytics module, which provides production managers with a current overview of the main causes of downtime, enabling them to focus on faults that affect production the most and thereby to increase the productivity of the assets.

By reducing operating expenses and implementing digital solutions, we increased the company's revenue by an estimated €1.6m in 2022. The greatest savings resulted from upgrading the control logic of WinWinD and shortening the downtime caused by blade icing through a quicker response. When a developing malfunction is detected, we now limit the capacity of the asset to continue production until the component is replaced.

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Enefit Green's production assets as at 31 December 2022

Segment	Country	Production unit	Electrical capacity (MW)	Turbines (pcs)	Turbine supplier	Age (years)	Remaining useful life (years)
Wind	Estonia	Pakri	18.4	8	Nordex	18.7	6.4
Wind	Estonia	Esivere	8.0	4	Enercon	17.3	12.7
Wind	Estonia	Aulepa I	39.0	13	WinWind	13.8	6.2
Wind	Estonia	Tooma I	16.0	8	Enercon	13.1	16.9
Wind	Estonia	Virtsu I	1.2	2	Enercon	20.6	9.4
Wind	Estonia	Virtsu WT1	0.6	1	Enercon	20.2	9.8
Wind	Estonia	Virtsu WT2	0.8	1	Enercon	15.0	14.9
Wind	Estonia	Virtsu II	6.9	3	Enercon	14.8	15.3
Wind	Estonia	Virtsu III	6.9	3	Enercon	12.6	17.4
Wind	Estonia	Vanaküla	9.0	3	WinWind	13.0	7.0
Wind	Estonia	Aseriaru	24.0	8	WinWind	10.3	9.7
Wind	Estonia	Viru-Nigula	21.0	7	WinWind	15.5	4.4
Wind	Estonia	Narva	39.1	17	Enercon	10.0	20.0
Wind	Estonia	Paldiski I	22.5	9	GE	10.0	14.9
Wind	Estonia	Paldiski II	22.5	9	GE	10.2	14.9
Wind	Estonia	Aulepa II	9.0	3	WinWind	11.8	8.2
Wind	Estonia	Tooma II	7.1	3	Enercon	6.5	23.4
Wind	Estonia	Ojaküla	6.9	3	Enercon	9.7	20.3
Total Wind segment in Estonia			**258.9**	**105**		**12.4**	**12.4**

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Enefit Green tootmisvarad 31.12.2022 seisuga

Segment	Country	Production unit	Electrical capacity (MW)	Thermal capacity (MW)	Turbines/ inverters (pcs)	Turbine supplier	Age (years)	Remaining useful life (years)
Wind	Lithuania	Sudenai	14.0	-	7	Enercon	14.0	16.0
Wind	Lithuania	Mockiai	12.0	-	6	Enercon	12.1	17.9
Wind	Lithuania	Šilale	13.8	-	6	Siemens	11.3	13.8
Wind	Lithuania	Ciuteliai	39.1	-	17	Enercon	10.0	20.0
Wind	Lithuania	Šilute	60.0	-	24	GE	6.7	18.3
Total Wind segment in Lithuania			**138.9**		**60**		**9.3**	**18.1**
Solar	Estonia	19 farms	12.1	-	207		3.1	21.9
Solar	Poland	19 farms	18.2	-	323		3.7	21.3
Total Solar segment			**30.3**		**530**		**3.5**	**21.6**
Cogeneration (mixed municipal waste)	Estonia	Iru	19.3	50			9.3	15.7
Cogeneration (biomass)	Estonia	Paide	2.0	8			7.4	12.7
Cogeneration (biomass)	Latvia	Valka	2.4	8			10.4	9.6
Cogeneration (biomass)	Latvia	Broceni	4.0	15			6.1	13.9
Total Cogeneration segment			**27.7**	**81**			**8.8**	**14.7**
Other (hydro)	Estonia	Keila-Joa	0.4	-			18.0	7.1
Other (combined)	Estonia	Ruhnu	0.5	-			4.0	18.5
Total segment Other			**0.8**				**10.2**	**13.4**
TOTAL			**456.5**	**81**			**10.7**	**14.9**

Contents

Emergency reserve and peak capacity generation assets:

Segment	Country	Production unit	Electrical capacity (MW)	Thermal capacity (MW)	Year of commissioning	Fuel
Cogeneration	Estonia	Iru Water Boiler 1	-	50	1978	Natural gas
Cogeneration	Estonia	Iru Water Boiler 2	-	116	1978	Natural gas
Cogeneration	Estonia	Iru Water Boiler 3	-	116	1990	Natural gas
Cogeneration	Estonia	Iru Energy Block - 2	110	220	1982	Natural gas
Cogeneration	Estonia	Paide Water Boiler 1	-	8	2003	Biomass
Cogeneration	Estonia	Paide Water Boiler 2	-	8	2018	Gas
Cogeneration	Latvia	Valka Water Boiler 1	-	2.5	2002	Biomass
Cogeneration	Latvia	Valka Water Boiler 2	-	2.5	2002	Biomass
Cogeneration	Latvia	Valka Water Boiler 3	-	1.86	1997	Diesel
TOTAL			**110**	**524.9**		

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Sustainability Report

We are Committed to Building a Sustainable Future

At Enefit Green we are committed to operating sustainably and reducing our environmental footprint.

We understand that renewable energy production also affects the environment and we work with all partners to ensure the sustainability and social responsibility of our operations. We act transparently and regularly report on our progress towards our sustainability goals. We are leading the transition to a future based on clean renewable energy and work to ensure a healthy living environment for future generations.

Enefit Green's sustainability principles are aligned with the UN Sustainable Development Goals. We will gradually integrate selected environmental, social and governance criteria into our business goals.

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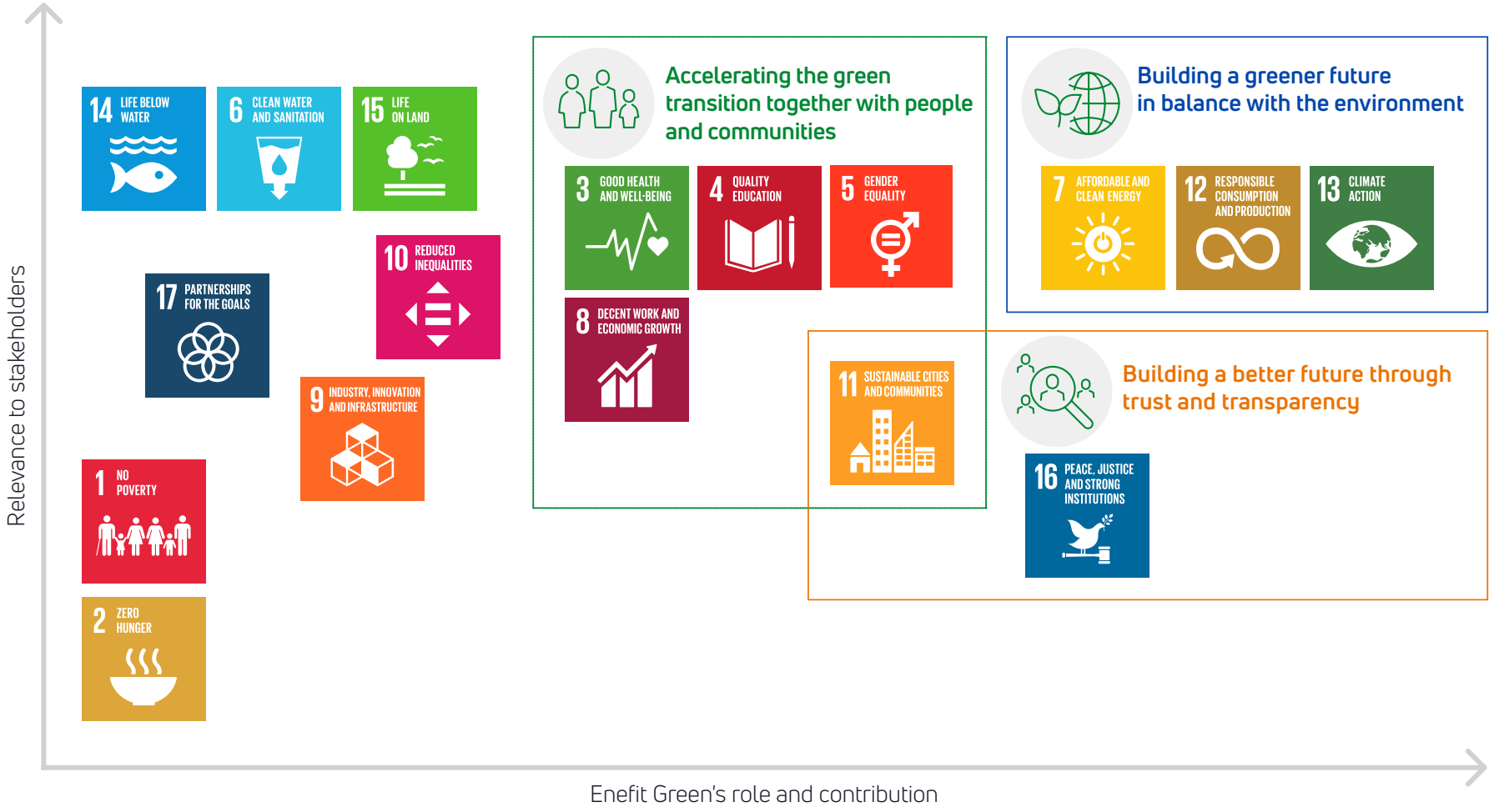
MANAGEMENT'S ASSESSMENT OF ADAPTABILITY OF UN SDGS IN ENEFIT GREEN



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Building a greener future in balance with the environment

We are committed to developing and operating production assets utilizing renewable energy sources, particularly wind and solar. We also cogenerate heat and electricity from biomass and mixed municipal waste.

Focusing on wind and solar energy

- We have set a strategic goal of increasing our energy production capacity fourfold by 2026, mainly by investing in new wind and solar energy production capacities.
- We believe that with skilful planning, we can minimise the environmental and community impacts of new renewable energy projects so that they will better fit into the living and natural environments.
- We seek ways to use resources to the maximum.
- We seek ways to combine different technologies when building new renewable power plants and making them compatible with our existing operating assets.

More sustainable cogeneration of heat and power

- In the area of cogeneration, we intend to operate our existing assets at the current levels of heat and electricity production and to improve the sustainability of those activities.
- To ensure sustainable use of biomass in our cogeneration plants, we are analysing options to bring the use of biomass in all our cogeneration plants in line with the requirements of the Renewable Energy Directive (RED II).
- Although on the whole the cogeneration of heat and electricity through the incineration of mixed municipal waste is not considered a sustainable economic activity (e.g. according to the EU taxonomy for sustainable activities), we believe that our Iru waste-to-energy unit is a more environmentally sustainable and resource-efficient option to dispose of waste than landfilling. To ensure that resources are used as sustainably as possible, we separate metals from the ash generated by the incineration of waste and our partners have found ways to recycle the ash.
- We adhere to strict environmental standards and measure and reduce emissions to air in all our cogeneration plants. We regularly report the measuring data to the management board and publish them in our sustainability report and a separate environmental report.

Sustainable pellet production

- Wood pellets produced at our Broceni pellet factory have the Sustainable Biomass Partnership (SBP) certification. This assures our customers that the entire pellet production process is sustainable and the biomass is sourced from legal and sustainable sources.

Overall energy efficiency

- We strive to reduce general energy consumption in our day-to-day business activities and to improve energy efficiency in all our business operations. We strive to use green energy in our operations where possible.
- We will continue investing in advanced technologies and the best available techniques that help us reduce our ecological footprint and operate more sustainably.

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Accelerating the green transition together with people and communities

We believe that the transition to a clean renewable energy future can only be achieved with dedicated and professional staff and in collaboration with local communities. On the journey to a more sustainable future, everyone matters and every action counts. Therefore, our current and future employees as well as communities are key to our success.

An employee-centric culture

- We support the development of new skills, create opportunities for internal mobility, promote diversity and encourage gender balance.
- We are committed to creating a healthy, safe and inclusive workplace and improving the sustainability of working life.
- We invest in employee development, conduct regular engagement surveys and use value-based management with a strong emphasis on coaching to lead the team successfully and effectively through change and developments.
- We acknowledge the lack of diversity in the energy sector and are working to improve t he situation.

Attracting future talent

- We recognise that renewable energy development increases the need for talented people with new skills and competencies who would be inspired to create new solutions.
- We work with higher education and vocational education institutions to have more future talents and help improve their study programmes.
- We invite students to our production units and organise open days to show them how our processes function.
- We grant scholarships to young people studying subjects related to renewable energy.
- We offer traineeship opportunities to students of different disciplines

Cooperation with local communities and partners

- We contribute to the overall development of the energy sector by participating in the activities of various professional associations.
- We invest in developing the regions where we operate or wish to develop renewable energy.
- We seek to tailor our initiatives to the needs of local communities, including by setting up and financing community support funds.
- To address issues relevant to the community, we set up joint working groups in the development phase of our projects so that we could regularly discuss any matters raised by the community during the planning process.

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Building a better future through trust and transparency

Good corporate governance is the basis for building trust with Enefit Green's stakeholders. As a company listed on the Nasdaq Tallinn stock exchange, Enefit Green is dedicated to applying the best governance practices. Besides the requirements of the Estonian Commercial Code, the company observes the guidance provided in the Corporate Governance Recommendations promulgated by the Estonian Financial Supervision and Resolution Authority and the rules established for listed companies.

Rule of law and fight against corruption

- We are committed to complying with all relevant laws and regulations and have zero tolerance for corruption, bribery and other inappropriate business practices.
- Our common standard of conduct is set out in detail in our Code of Ethics.

Independence of the supervisory board and the audit committee

- We are committed to protecting the interests of minority shareholders by ensuring adequate representation of independent members on the supervisory board and the audit committee.
- The supervisory board is responsible for the strategic planning of the company's economic activities and supervising the activities of the management board.
- The audit committee monitors that Enefit Green's transactions with related parties are conducted on market terms. Independent members have a majority of votes on the audit committee and the chair of the committee is elected from among independent members.

Labour and human rights

- We are committed to strengthening labour and human rights.
- We improve the safe working conditions, wellbeing and self-development of our employees.
- We treat everyone with courtesy, respect and consideration and do not tolerate discrimination, harassment, abuse or other inappropriate behaviour.

Sustainable supply chain

- In addition to promoting sustainable and ethical business practices in our own activities, we expect that our partners not only act in accordance with all applicable laws and regulations but also comply with the Code of Ethics for Partners. The Code sets out requirements for our contractual partners regarding respect for labour and human rights, observance of the principles of ethical business conduct, protection of employee health and safety, and application of responsible environmental policies.

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Building a Greener Future in Balance with the Environment

We are committed to developing and operating power generation units utilizing renewable energy sources, particularly wind and solar. We also cogenerate heat and electricity from biomass and waste.

Smaller environmental footprint

An essential part of Enefit Green's sustainable development is sustainable use of the environment and taking responsibility for preserving the natural environment. We are working to reduce the carbon footprint of our activities and thereby ensure our company's sustainable development and operation.

In our activities and decision-making, we observe the European Union's environmental policy and the legislation of the host countries as well as applicable international standards. We avoid polluting the environment and strive to reduce the environmental impacts of our activities.


An essential part of Enefit Green's sustainable development is sustainable use of the environment and taking responsibility for preserving the natural environment.

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Systematic and comprehensive approach

To uphold and improve our environmental performance, Enefit Green and its subsidiaries have implemented effective environmental management systems which support the environmental pillar of sustainability and ensure a systematic and comprehensive approach to environmental matters.
The environmental management systems of all our production units comply with the international standard ISO 14001.

At the Iru power plant, we have additionally implemented an environmental management system that complies with the EU Eco-Management and Audit Scheme (EMAS). The facility is also EMAS registered.

To promote environmentally friendly and economical use of resources at work and ensure a healthy and socially responsible work environment for our employees, we apply Green Office principles at our head office in Tallinn.

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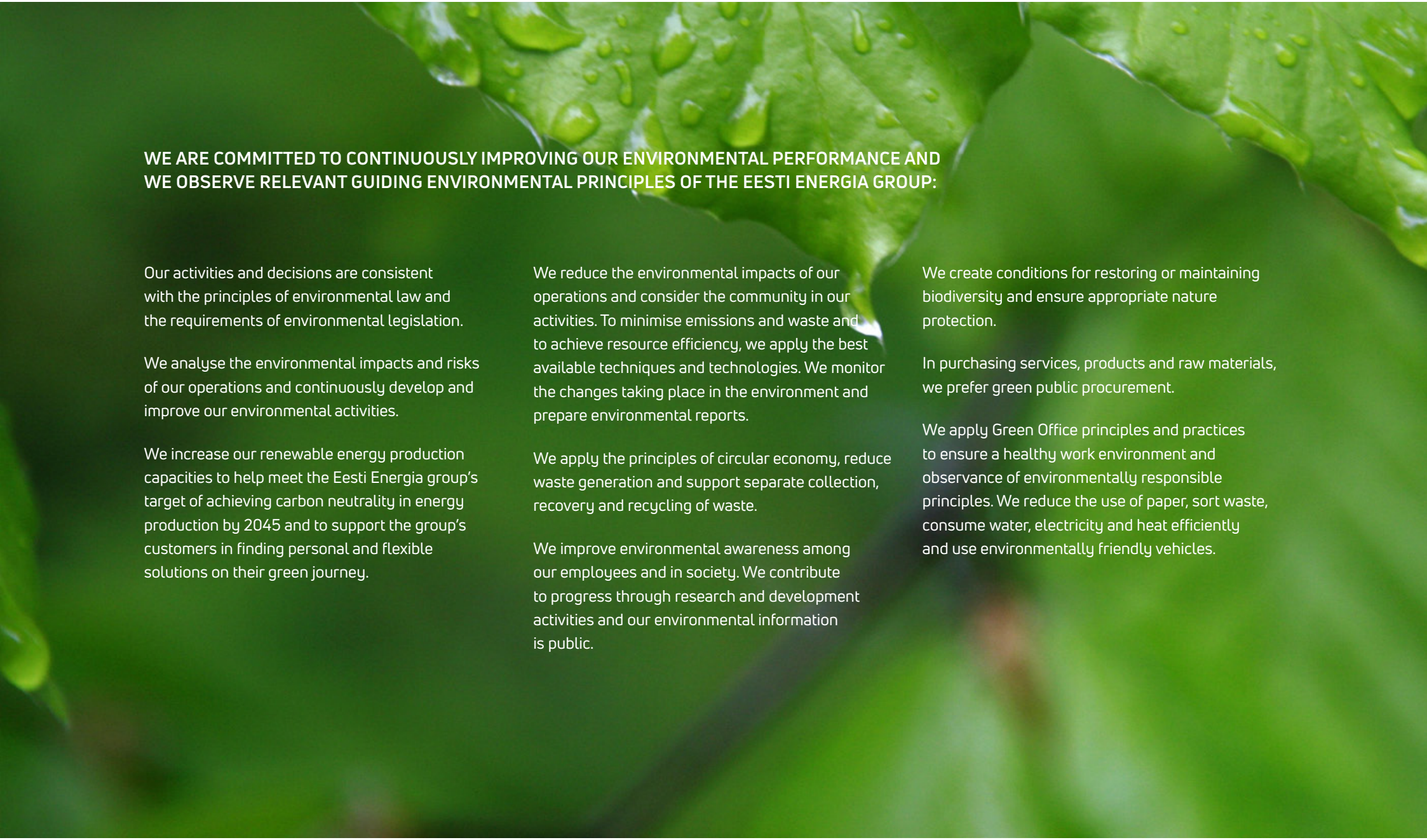

WE ARE COMMITTED TO CONTINUOUSLY IMPROVING OUR ENVIRONMENTAL PERFORMANCE AND WE OBSERVE RELEVANT GUIDING ENVIRONMENTAL PRINCIPLES OF THE EESTI ENERGIA GROUP:

Our activities and decisions are consistent with the principles of environmental law and the requirements of environmental legislation.

We analyse the environmental impacts and risks of our operations and continuously develop and improve our environmental activities.

We increase our renewable energy production capacities to help meet the Eesti Energia group's target of achieving carbon neutrality in energy production by 2045 and to support the group's customers in finding personal and flexible solutions on their green journey.

We reduce the environmental impacts of our operations and consider the community in our activities. To minimise emissions and waste and to achieve resource efficiency, we apply the best available techniques and technologies. We monitor the changes taking place in the environment and prepare environmental reports.

We apply the principles of circular economy, reduce waste generation and support separate collection, recovery and recycling of waste.

We improve environmental awareness among our employees and in society. We contribute to progress through research and development activities and our environmental information is public.

We create conditions for restoring or maintaining biodiversity and ensure appropriate nature protection.

In purchasing services, products and raw materials, we prefer green public procurement.

We apply Green Office principles and practices to ensure a healthy work environment and observance of environmentally responsible principles. We reduce the use of paper, sort waste, consume water, electricity and heat efficiently and use environmentally friendly vehicles.

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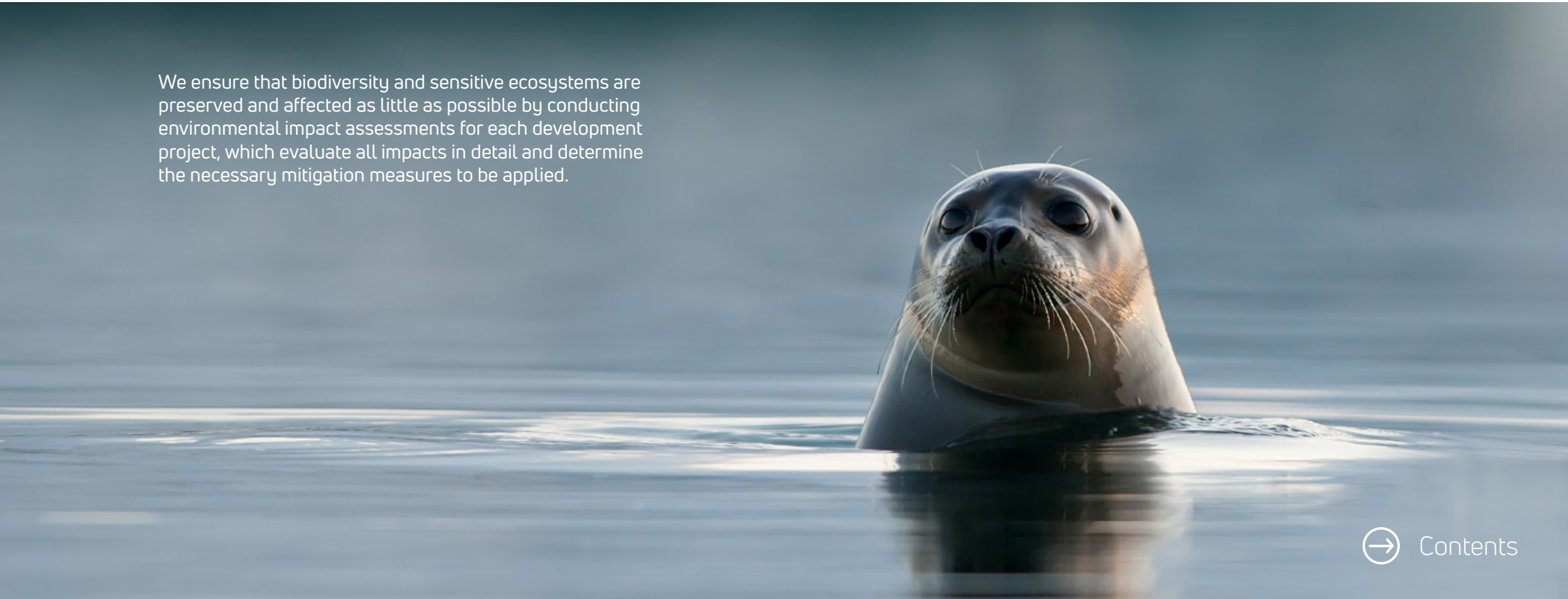
The Group's activities comply with the environmental requirements in force in the EU and Estonia. We make sure that our planned activities take into account the changes in environmental standards by continuously monitoring changes in legal requirements and working with regulators.

We assess the environmental impacts and risks of our activities at an early stage of planning. To this end, we carry out environmental impact assessments in the planning or design phase of wind farms and larger solar power plants. Our effective environmental management system also ensures that environmental impacts and risks are kept at acceptable levels.

At facilities where heat and electricity are generated with combustion equipment, we apply the best available techniques and technologies, such as low-NOx burners, flue gas scrubbers to reduce SO_2 emissions and capture equipment to minimise particulate emissions. To ensure long-term protection of surface water and groundwater resources and adequate water supply for production operations, cooling water is reused at the Iru power plant. One of the best examples of the recovery and recycling of waste generated in energy production is using the ash generated by the biomass boilers of the Paide, Valka and Broceni plants as soil fertiliser. Another example is the use of the bottom ash of the Iru waste-to-energy plant by a landfill operator as a layer material in a landfill, which helps to save natural resources.



We ensure that biodiversity and sensitive ecosystems are preserved and affected as little as possible by conducting environmental impact assessments for each development project, which evaluate all impacts in detail and determine the necessary mitigation measures to be applied.

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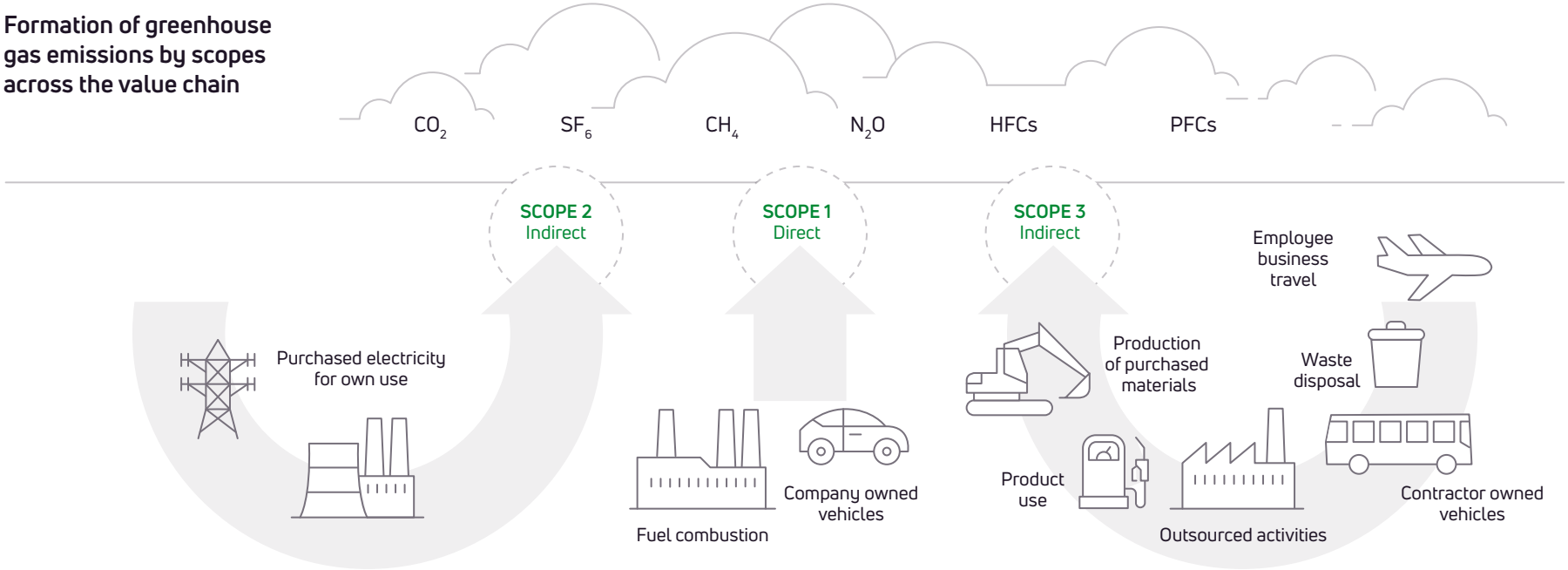
Transition to renewable electricity is the fastest route to carbon neutrality

In the energy sector, the green transition means gradual transition to renewable and green energy. As one of the leading and most diversified renewable energy producers in the Baltics, Enefit Green plays a vital role in achieving carbon-neutrality in energy production.

To expand carbon-neutral energy production, we develop onshore and offshore wind farms and solar farms along with storage systems in all our core markets. We also help offer customers practical, sustainable and energy-efficient end-to-end solutions.

Carbon footprint

Formation of greenhouse gas emissions by scopes across the value chain



Due to the urgent need to reduce carbon emissions or at least the carbon intensity of production operations in line with climate goals, Enefit Green started assessing the carbon footprint of its operations in 2021, choosing 2020 as the baseline year for the calculations. Enefit Green calculates its carbon footprint in accordance with the internationally recognised and most widely used greenhouse gas reporting standard, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2004), and its supplementary standard, The Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

The standard provides requirements and guidance for accounting for and reporting the emissions of seven greenhouse gases: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). Since NF_3 is mainly released in the production of LCD screens, which is not part of Enefit Green's operations, NF_3 emissions have been excluded from the company's greenhouse gas (GHG) reporting.

The carbon footprint expresses the total amount of greenhouse gas emissions resulting from the activities of Enefit Green in quantitative terms, measured in CO_2 equivalents. A CO_2 equivalent (CO_2e) is the universal unit of measurement which reflects the global warming potential of each greenhouse gas, expressed in tonnes of CO_2.

The standard classifies a company's GHG emissions into three scopes as described below.

Scope 1 – direct emissions from GHG emission sources owned or controlled by the company.

Scope 2 – indirect emissions from the generation of purchased energy consumed by the company.

Scope 3 – all other indirect emissions that occur as a consequence of the activities of the company up or down the value chain.

In accordance with the standard, direct biogenic CO_2 emissions must be reported separately from the above scopes.

Enefit Green's carbon footprint

Emissions, thousand tonnes	2020	2021	2022
Scope 1	137.6	142.0	129.7
Scope 2	20.3	20.3	20.7
Scope 3	18.8	16.1	14.7
Biogenic*	559.8	500.1	525.2

* CO_2 from biogenic sources

The carbon footprint report for 2020 and 2021 have been assured via ISAE 3410 report by AS PricewaterhouseCoopers. This work has been carried out separately from the financial audit. Due to the calculation methodology, the figures for 2022 are not audited and may be revised by the time the next annual report is published.

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Enefit Green's carbon footprint by source

Source	EMISSIONS thousands of tonnes of CO_2e 2020	2021	2022
Scope 1			
Incineration of waste	129.5	138.2	128.1
Combustion of natural gas	7.6	3.4	1.1
Other estimated emissions with low impact	0.5	0.4	0.5
Scope 2			
Electricity purchased	20.3	20.3	20.7
Scope 3			
Transport of pellets to the consumer	4.3	3.6	4.1
Indirect CO_2e emissions from pellet combustion*	11.7	9.8	7.8
Transportation of waste	2.0	2.0	1.8
Other estimated emissions with low impact	0.8	0.7	1.0
Biogenic sources			
Combustion of biomass	136.0	139.7	144.7
Biogenic part of waste incineration	159.2	133.7	121.4
Biogenic part of pellet combustion	264.1	226.7	259.1
Combustion of biogas	0.5	0.0	0.0
Total	736.6	678.5	690.3

* CH_4 and N_2O resulting from the combustion of biogenic material and converted to CO_2e are regarded as part of the relevant scope.

Measuring and reporting emissions by scope allows setting targets for reducing of the company's carbon footprint. To this end, it is necessary to review the sources the carbon footprint and plan the reduction targets accordingly. Analysis shows that the most significant contributor to Enefit Green's carbon footprint is the emissions of the Iru power plant. To address the issue, Enefit Green has decided to prepare a long term development plan for Iru Power Plant.

A better overview of the company's emissions is provided by the emissions intensity indicator, which expresses the carbon footprint as a comparable ratio not dependent on the size of the company. For Enefit Green, the most meaningful indicator is the emissions intensity per kWh of energy produced.

Emissions intensity of Enefit Green's energy production operations (Scope 1, gCO_2/kWh)

	2020	2021	2022
Emissions intensity of energy production operations	73	78	77

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Compliance of Enefit Green's activities with the sustainability criteria of the EU taxonomy for sustainable activities

As one of the leading and most diversified renewable energy producers in the Baltic Sea region, we are aware of our role in achieving a carbon-neutral and more sustainable way of life. To increase the production of cleaner energy, we build onshore and offshore wind farms and solar farms along with storage systems. At the end of 2022, most of our production facilities with the exception of cogeneration plants met the sustainability criteria of the EU taxonomy for sustainable activities by contributing either to climate change mitigation or adaptation.

The sustainability requirements for solid biofuels used in cogeneration plants started to apply from the beginning of 2023 and therefore, until the end of 2022, we will not classify electricity and heat produced from cogeneration from biofuels as sustainable under the EU taxonomy.

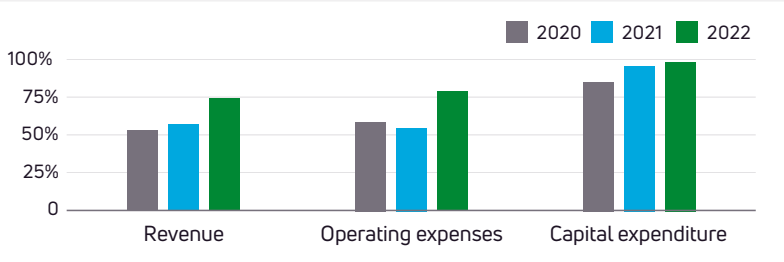
Also, the business of the Broceni pellet plant could not be considered a sustainable activity under the EU taxonomy until the end of 2021. Since in September 2022, the European Commission approved a certification scheme for wood used in the production of pellets, which is also used by Broceni pellet plant, we will classify the business of the Broceni pellet plant as sustainable from 2022 onwards.

In 2022, the share of sustainable, taxonomy-compliant economic activities was 75.2%, 80.3% and 99.6% of Enefit Green's consolidated revenue, operating expenses and capital expenditure, respectively.

Indicators for Enefit Green's activities that qualify as sustainable under the EU taxonomy

€m	2020	2021	2022
Revenue	62.6	89.4	175.5
Operating expenses	54.1	55.9	112.4
Capital expenditure	11.9	74.3	193.8

Proportion of sustainable activities under the EU taxonomy in Enefit Green's consolidated revenue, operating expenses and capital expenditure



We consistently reduce environmental emissions

Air emissions

The primary emissions to air that result from Enefit Green's operations are carbon dioxide (CO_2), sulphur compounds (SO_2), nitrogen compounds (NOx), carbon monoxide (CO), volatile organic compounds (VOCs), ammonia (NH_3)

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and particulate matter (PM), which are emitted by our fuel-burning power plants – the Iru, Paide, Valka and Broceni cogeneration plants. In addition, emissions to air contain heavy metals but the quantities are marginal.

The quantities of pollutants emitted to air by combustion equipment are obtained either by calculation or based on the concentrations of pollutants in waste gases measured by continuous monitoring, as is the case at the Iru power plant. Continuous monitoring enables us to check in real time whether the concentrations of pollutants comply with the emission limit values established in environmental permits and legislation, and thus to avoid exceeding air quality limit values.

Air emissions

		2020	2021	2022
CO_2, fossil	th tonnes	137	142	130
SO_2	th tonnes	0.034	0.042	0.036
NO_x	th tonnes	0.354	0.341	0.299
Particulates	th tonnes	0.171	0.136	0.112

The primary source of fossil CO_2 and nitrogen oxides is the Iru waste-to-energy plant, which incinerates mainly mixed municipal waste. The amount of mixed municipal waste incinerated per year has remained relatively stable, so the amount of fossil CO_2 has not fluctuated significantly over the years. At the same time, the largest amounts of particulates to air are emitted by medium-capacity biomass combustion plants. To keep emissions from all plants to a minimum, efficient capture equipment is used.

The average amount of biogenic CO_2 emissions to air from the biomass combustion plants that produce electricity and heat is 140k tonnes per year. CO_2 emissions from biomass combustion are considered climate neutral and, therefore, biomass combustion is considered emission-free from the climate change perspective. We have minimised energy production from natural gas, which involves significantly higher emissions to air than biomass combustion.

Quarterly and annual emissions are reported to the regional or national environmental authorities, depending on the requirements in force in the facility's host country.

All production units comply with the pollutant emission limit values and maximum permitted annual quantities for pollutants as well as the reporting requirements.

To prevent damage to the environment and repair the damage caused, use of the environment including pollution is subject to charges. Therefore, our entities pay pollution charges on pollutants discharged to air at the rates applicable in the host country.

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Use of water resources and generation of wastewater

Enefit Green's production units mainly use surface water in their operations. Water is also obtained from groundwater and local pipelines. The largest amount of surface water is used at the Iru power plant, where it is used for industrial and cooling purposes as well as for firefighting when necessary. Surface water is pumped from the Pirita river. To provide access to the water, a dam was built on the river near Nehatu. The cooling water of the Iru power plant is reused. When it has heated up, the water is cooled down again in a cooling tower and reused for cooling. The significant decrease in the use of surface water is mainly related to the fact that from 2021 the Iru power plant sells thermal energy all year round, and in connection with this, the need for cooling water has decreased in the summer period. The most significant amount of groundwater is used at the Valka cogeneration plant, again mainly for cooling. The conditions for water extraction (quantities of water, damming of water bodies, aquifers, monitoring of groundwater levels, etc.) are set out in the production units' environmental permits.

Use of water

Type of water	Unit	2020	2021	2022
Groundwater	th m^3	131.5	112.5	121.5
Surface water	th m^3	784.6	235.8	182.1
Water from pipelines	th m^3	15.6	19.9	15.4

Using water resources generates industrial wastewater (from water softening, desalination, etc.) and used cooling water. The industrial and municipal wastewater of all production units is discharged into the public sewerage system operated by the water undertaking providing the service in the area. The cooling water used at the Broceni pellet factory and cogeneration plant and the Iru power plant is discharged into the environment through sediment ponds. Before that, samples are taken from the wastewater, the pollutants contained therein are analysed, and the temperature of the water discharged into the environment is monitored. Production units monitor their compliance with national requirements for wastewater discharge into the environment, which are set out in their environmental permits.

Our production units keep records of the quantities of water extracted and discharged into the environment, fulfil the monitoring requirements set out in the environmental permits and pay national resource charges for the water used and environmental pollution charges for the pollutants contained in the wastewater. An annual report on the use of water resources is submitted to the state once a year.

Enefit Green's production units comply with the requirements set out in the environmental permits, and the quantities of water resources used have not exceeded the permitted levels. They also meet the conditions set out in the environmental permits for pollutants in wastewater.

Waste

Around 85% of the waste resulting from Enefit Green's production operations is non-hazardous. The largest share (93%) of non-hazardous waste is made up of ash, which results from both biomass and waste combustion. Ash from biomass combustion at the Paide, Valka and Broceni plants is delivered to farms, which use it as a fertiliser in agriculture.

Enefit Green considers it essential to reduce the amount of mixed municipal solid waste landfilled in Estonia. We use mixed municipal waste that cannot be recycled for electricity and heat production at the Iru power plant where we have implemented environmentally sustainable technology. The Iru waste-to-energy unit can produce heat and electricity from up to 260,000 tonnes of waste per year. Thanks to the Iru facility, it has been possible to discontinue large-scale landfilling of mixed municipal waste in Estonia. The share of the waste that remains after incineration is approximately 30% (bottom ash, metals separated from ash, hazardous fly ash and residues from flue gas purification).

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The environmental impact of using municipal waste to produce heat and electricity is hundreds of times smaller than that of landfilling, where waste decomposes and emits pollutants for decades.

Waste generation

	Unit	2020	2021	2022
Total non-hazardous waste	th tonnes	**63.4**	**71.5**	**64.2**
of which wood ash	th tonnes	3.0	2.8	2.8
of which bottom ash from waste incineration	th tonnes	58.8	64.2	57.6
of which metals	th tonnes	4.6	4.4	3.6
Total hazardous waste	th tonnes	**12.1**	**12.1**	**10.5**
of which fly ash	th tonnes	3.7	3.7	3.0
of which residues from flue gas purification	th tonnes	8.3	8.4	7.5

Residues from the incineration of municipal waste at the Iru waste-to-energy unit (bottom ash, fly ash, flue gas purification residues, etc.) account for the largest share of the waste generated by Enefit Green. The ash from waste incineration consists mostly of bottom ash and hazardous fly ash. The bottom ash is delivered to the Tallinn landfill, where it is aged and used as a substitute for mineral material when the landfill is closed. It can therefore be said that most of the non-hazardous waste that is generated is recycled. In addition to ash, there are large quantities of metal that is separated from bottom ash. Another source of metal waste is repair work carried out at our production facilities. Metal waste is handed over to metal waste handlers.

The primary source of hazardous waste is the Iru waste incineration plant. The incineration process generates fly ash which has hazardous properties

and flue gas purification generates gas purification residues. Hazardous waste is handed over to companies permitted to handle it.

The use of waste is regulated with environmental permits. At Enefit Green, only the Iru waste-to-energy unit uses waste in its production operations and, based on the technology used, the environmental permit sets out the requirements for waste incineration, both in terms of the quantities of waste and monitoring conditions.

Production units collect information on waste generated during the year and, based on the data collected, submit a waste report on the generation, handling and delivery of waste by the beginning of the following year.

We use natural resources sustainably

One of the cornerstones of sustainable development is sustainable management of natural resources. Our natural resource utilisation is guided by sustainability criteria. The water used in our production operations is reused, where possible, and we use low-energy bark chips instead of wood chips in energy production, where possible. We also seek technological options for reducing the use of natural resources.

Resources used in production

	Unit	2020	2021	2022
Biomass	th tonnes	377	361	377
of which used in pellet production	th tonnes	267	252	257
Mixed municipal solid waste	th tonnes	242	237	216
Biogas	th m^3	233	0	0
Natural gas*	th m^3	4,219	1,758	585

* The amounts of natural gas for 2020 and 2021 have been updated compared to 2021 annual report. The updated figures take into account also the natural gas burned in starter burner of Iru Power Plant

At the Paide and Valka power plants and the Broceni combined heat and power plant, we use biomass as a fuel, which is a renewable resource. CO_2 emissions from the combustion of biomass are considered climate neutral as they do not drive global greenhouse gas levels out of balance. Therefore, biomass combustion is also considered emission-free from the climate change perspective.

As natural gas is classified as a fossil fuel, we have reduced the use of natural gas for electricity and heat generation from year to year in order to move towards carbon-neutral energy production.

The Broceni pellet factory operates in conformity with the Sustainable Biomass Partnership (SBP) certificate. The SBP certification system is designed to provide assurance that biomass is sourced from legal and sustainable sources, the wood chip and pellet supply chain is environmentally friendly and socially responsible, and pellets are produced sustainably.

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Forest ownership and management

Enefit Green owns land plots which are intended to be used for different purposes. Most of these are cadastral units designated as production land (land under production and industrial construction works) or profit-yielding land (land to be used for the production of agricultural products or silviculture). The plots designated a profit-yielding land include 600 hectares of managed forest land. In using land, we are guided by the principle that land is a limited resource of the living environment which must be used prudently and managed sustainably consistent with its intended purpose. As regards agricultural land, we respect the principle that renewable energy can be produced in harmony with agricultural activities, and we see mutual benefits in cooperating and working with local farmers in matters related to land use.

Our forest management activities are carried out in accordance with the Programme for the Endorsement of Forest Certification (PEFC) standard to ensure environmentally friendly and sustainable forest management along with the production of renewable wind energy. On our forest land, we cooperate with regional hunters' associations, which help ensure that forest habitats remain in balance. We do not impose restrictions on picking forest products such as berries and mushrooms and we see wider public benefits in expanding shared use by renovating and building access routes to forest land. We are also planning to join the PEFC group certificate held by the Estonian national forest management organisation. This will allow us to increase our competence in the balanced activities of the knowledge-based alliance which are aimed at maintaining the biodiversity, productivity, regeneration capacity and vitality of forests.

We protect the environment

Modern energy production is moving increasingly closer to consumers and communities, which is why we work closely with local communities when we develop new renewable energy projects. In planning and building new wind and solar farms, we are guided by the principle that the impact of the development project on both the natural and human made environment as well as the communities should be minimal and contribute to the development of the region.

We respect the natural and the living environment. We plan new wind and solar farms outside vulnerable areas, such as the habitats of protected species, protected areas, and areas with sensitive ecosystems, and consider the need to preserve biodiversity.

When developing wind farms, we conduct thorough environmental impact assessments to identify the planned projects' broader effects on the environment, including people, and engage communities and the public. The environmental impact assessments include extensive preliminary studies related to the area of the project and the biota in its vicinity.

The assessments identify significant environmental impacts and propose mitigation measures and monitoring conditions. In certain cases, we continue monitoring the biota after the realisation of the project to obtain data on its effects on species and to be able to respond to changes in the natural environment where necessary.

Enefit Green responsibly complies with the requirements set out in environmental legislation and environmental permits. Environmental supervision agencies have not registered any breaches of environmental permits issued to the company. Nor have any instances of noncompliance been detected during regular reviews of our activities under the environmental permits.

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Accelerating the Green Transition Together with People and Communities

We believe that the transition to a clean renewable energy future can only be achieved with dedicated and professional staff and in collaboration with local communities. On the journey to a more sustainable future, everyone matters and every action counts. Therefore, our current and future employees as well as communities are key to our success.

Employee engagement and management quality increased

Enefit Green's international team is comprised of dedicated and talented people whose professionalism and innovative mindset help implement our growth strategy. On 31 December 2022, Enefit Green had 178 employees, including 149 men and 29 women. The number of executives was 30.

Workforce key indicators

	Unit	2020	2021	2022
Number of employees (by the end of the year)	Number	153	165	178
Payroll expenses	€m	6.1	6.7	9.1
Voluntary employee turnover	%	6.8	6.2	6.3
Management quality index		86	84	95
Employee engagement index (TRI*M)		89	86	91

TRI*M indeks on pühendumuse koondnäitaja, mis arvutatakse viie võtmeküsimuse põhjal.

According to a recent internal employee satisfaction survey, Enefit Green's employee engagement increased by five points, rising from 86 to 91 points in 2022. Management quality improved by eleven points, increasing from 84 to 95 points. There was a significant increase in the number of employees who feel that they are truly engaged leaders. As an all-time high, every second employee considers himself or herself as a leader.

Employees count motivating work environment, clear goals, high management quality and possibility to apply their knowledge and skills as Enefit Green's key strengths. In addition, employees value accessibility of work-related information and possibility to participate in company's development.

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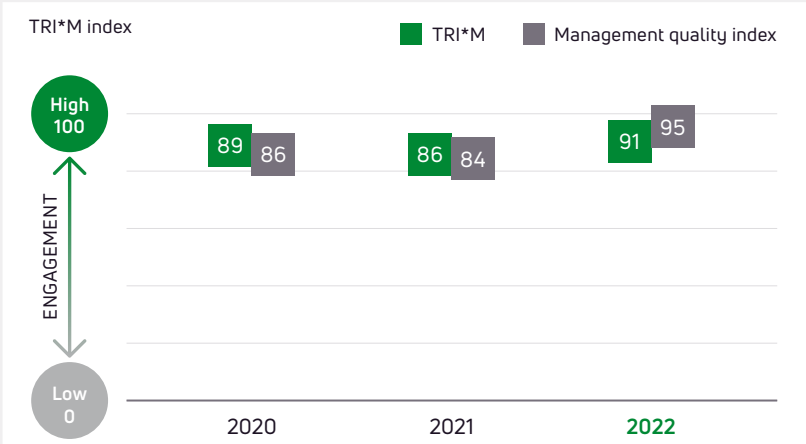
Employee engagement and management quality index at Enefit Green



Enefit Green was among the TOP 20 most attractive employers in Estonia in 2022, ranking 16th.

CV KESKUS TOP 20 Ihaldusväärseim tööandja Eestis 2022

Focus on a safe work environment and employee health and wellbeing

Our goal is to work without accidents and occupational diseases. Therefore, we make daily efforts to create and maintain a healthy and safe work environment.

We have assessed workplace risks and trained our staff to apply methods and techniques that are appropriate in view of the hazards or complexity of the working conditions. We have zero tolerance for accidents. We systematically promote a safety culture as well as safety education and regularly provide relevant training. Our safety culture is based on managers' leadership, employees' personal responsibility and collaboration.

We measure the safety of our work environment at all levels of management using the lost time injury frequency rate (LTIFR). It is a safety indicator for production units' work environment, which reflects the number of lost time due to injuries occurring in a workplace per one million hours worked. In Enefit Green's employees had no accidents at work in 2022.

KPI	2020	2021	2022
Lost time injury frequency rate	3.8	0	0

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We encourage dialogue with and between employees with a view to promoting health, supervision, safety and a cleaner working environment. Our employees can use a web application to report hazardous situations and near miss incidents. The reported data are registered and analysed to identify the root causes of potential hazards.

The main health and safety processes are group-wide and each company is responsible for their implementation.

Measures to ensure safety at work and protect employee health and wellbeing:

appointing persons responsible for health and safety at work

coordinating occupational health and safety matters at group level

assessing health and safety risks associated with workplaces

preparing safety instructions and guidelines for jobs

determining and implementing preventive measures based on the risk assessment

purchasing and providing employees with appropriate personal protective equipment

ensuring the safety of workplaces

arranging regular health checks

providing regular mandatory training to employees consistent with the safety and qualification requirements of their work and maintaining a database for monitoring employee training

conducting regular checks (safety days) and internal audits at workplaces in respect of the company's employees and subcontractors

reporting and registering hazardous situations, incidents and accidents

analysing breaches and a ccidents and identifying and implementing corrective measures

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Enefit Green develops new onshore and offshore wind farms to increase the production of green electricity. A larger number of wind turbines means that we must be ready to respond to incidents which may occur during turbine maintenance as well as other emergencies. Last year, we were the first in Estonia to organise an exercise with the Rescue Board and other partners in order to practice resolving an emergency situation on a wind turbine. Good collaboration with the Rescue Board, the emergency medical services and the police, along with a preparedness test, gives assurance for the future when the number of turbines is bigger but the safety of people continues to be our main priority

We value our employees' physical and mental health. Therefore, we have various health initiatives for our staff. We arrange regular health checks for our employees and enable them to vaccinate against influenza and tick-borne encephalitis.

In 2022, we offered our employees in all markets an opportunity to join a health insurance scheme, which allows them to use private medical services if necessary.

As part of a mental health campaign carried out by the non-profit association Peaasjad, our employees could test and assess the state of their mental balance. In connection with Russia's aggression against Ukraine, we provide our employees with additional free psychological counselling and reimburse their visits to a psychologist when they are referred by an occupational medical practitioner.

We encourage people to exercise at our sports club and reimburse their sports-related costs. To expand individual training opportunities, in 2022 the sports club joined the Stebby environment where employees can choose between different training options offered by more than 2,000 service providers.

We value career and development opportunities

We believe that continuous learning and development keep our employees motivated and engaged. We share knowledge and learn from one another to grow as a company and as people.

Mandatory and voluntary online courses play a significant role in staff development. In 2022, we offered more than 70 training courses to our employees. A major share of them focused on technical and project management competencies, which underpin our development activities.

To further support staff development, we launched a three-year training programme, Enefit Academy. It is a trilingual learning centre for employees, which is focused on developing value-based management, accountability and empowerment, leadership, self-management and network-based cooperation competencies as well as a sustainable mindset.

We ensure effective induction of new employees by means of a thorough onboarding programme that provides the necessary knowledge of the group's strategy, main business lines and goals. The programme includes ethics, fraud risk, cyber security and equal treatment training.

In addition to traditional classroom training, our employees can attend experience clubs, co-vision groups and language cafés as well as learn from more experienced colleagues through development partnerships. For example, in a series of monthly lectures titled 'The Journey to Zero', which focused on sustainability and the green transition, our employees spoke to colleagues about renewable energy.

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Inspiring future talent

Renewable energy development creates the need for future talent eager to create innovative solutions and be agents of change. Our mission is to attract, retain and develop top talent with the right attitudes, skills and knowledge.

We offered internship opportunities to 12 students in 2022. Every year we welcome IT, engineering and analytics students to gain valuable experience at our company.

We organise study trips for pupils and students, involve them in the world of work and show them how renewable energy processes function. Last year, we organised 26 excursions for 817 students from vocational education institutions, universities and secondary schools.

Our staff also contributed to education through practical training, workshops and lectures. We took part in the TV science show Rakett 69, gave a lecture on climate neutrality in the framework of the Back to School programme, and talked about renewable energy and the green transition at various educational institutions. We also supported the renovation of the premises of the TalTech Innovation and Business Centre Mektory.

The construction and operation of renewable energy production capacities is going to provide permanent employment for hundreds of people. Enefit Green continued working with the Estonian Wind Power Association, educational institutions and companies to develop a study programme for wind turbine maintenance. We selected Kuressaare Regional Training Centre and Pärnumaa Vocational Education Centre as our employee training partners. By developing vocational education, we can be sure that the jobs created through broader use of wind energy will stay in Estonia and support local governments and communities through tax revenue.

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We value strong relationships with communities and associations

There are various social issues we have to address in order to be able to build a more sustainable future. We acknowledge that the development of renewable energy comes with great responsibility.

We contribute to the overall development of the energy sector through professional associations.

Enefit Green is a member of the following organisations:

- Estonian Wind Power Association
- Latvian Wind Energy Association
- Lithuanian Wind Power Association
- Estonian Circular Economy Industries Association
- Estonian Power and Heat Association
- Latvian District Heating Association
- Paldiski Association of Entrepreneurs

For the fifth year in a row, we helped the Paldiski Association of Entrepreneurs organise the conference Another Kind of Paldiski, which is aimed at attracting industrial investments and developing entrepreneurship in the city of Paldiski. This time the main topics were the possibilities for creating smart green cities, gaseous fuels and hybrid power farms.

We strongly believe that local communities should benefit from development projects carried out in their area. We contribute to the well-being of people living in the neighbourhood of our wind farms through non-profit associations set up in partnership with local governments.

In 2022, the support provided to local projects through non-profit associations in Estonia amounted to €142k. In Lithuania, we have signed agreements with local governments under which we supported local communities with €138k.

In carrying out development projects, we observe the principles of transparency and community involvement. Last year we continued to lead

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working groups in various development projects to address issues important to the local communities. The objective is to regularly discuss matters raised by the community during the planning process. We arranged 15 working group meetings in 2022.

In the planning phase of new wind farms, people ask a lot of questions about the appearance of the wind turbines. The more clarity we can provide about our wind farms, the smaller the extent of false information and fear. We implemented a virtual reality solution to showcase new wind farms and give the people living in the neighbourhood a better idea of what wind turbines really look like. Using the new virtual reality solution, people can view the planned wind farm in the familiar landscape from different locations.

Just before the start of the school year in 2022, we helped set up 46 waste sorting stations at all schools on the islands of Saaremaa and Muhu in partnership with the Estonian Circular Economy Industries Association. It is essential to increase young people's awareness of the need to sort waste as well as the potential value of sorted waste. School is the ideal place to generate interest in waste management and give practical experience that children can share at home. Pupils and staff can now sort municipal waste into four categories: packaging, biodegradable, paper and cardboard, and mixed municipal waste. In 2021, the same project was carried out for the first time on the island of Hiiumaa.

Building a Sustainable Future Through Trust and Transparency

Good corporate governance is the basis for building trust with Enefit Green's stakeholders. As a company listed on the Nasdaq Tallinn stock exchange, Enefit Green is committed to applying the best governance practices. We follow the law in all our activities and expect the same from all our business partners.

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Corporate Governance Report

Governance principles

The objective of Enefit Green's supervisory board and management board is to develop and manage Enefit Green so that we would be a positive example for other companies in terms of a clear strategy, good corporate governance practices, operating efficiency, financial performance and collaboration with stakeholders.

As a public company listed on the Nasdaq Tallinn stock exchange, Enefit Green applies the best governance practices. Besides the requirements of the Estonian Commercial Code, the company observes the guidance provided in the Corporate Governance Recommendations promulgated by the Estonian Financial Supervision and Resolution Authority and the rules and regulations for listed companies.

Enefit Green's governance principles are aligned with its strategy and values as well as the expectation of its shareholders.

Eesti Energia whose sole shareholder is the Republic of Estonia, has a 77.2% ownership interest in Enefit Green. Accordingly, Enefit Green is also subject to certain governance-related provisions of the Estonian State Assets Act.

We set the company's strategic goals for a period of five years and update them annually. We have adopted key performance indicators (KPIs) for strategic goals, which are used to continuously assess the effectiveness of work done. The KPIs include EBITDA, the availability of wind farms and cogeneration plants, EBITDA on new services, lost time injury frequency rate (LTIFR), the collaboration index and management quality.

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In order to achieve the goals, managers engage and motivate the staff consistent with our values and group-wide management principles. We keep our employees informed about the organisation's goals and their achievement. We make sure that our people have a safe work environment and high work ethic. We pay our employees a competitive salary and notice and recognise them.

The company's management and supervisory boards are accountable to the shareholders for meeting shareholder expectations and achieving the goals. The company strives to be transparent in its economic activities, disclosure of information and relations with shareholders, customers, partners and other stakeholder groups. Enefit Green presents, and comments on, its financial results four times a year and makes its reports and related presentation materials available on its website. To further improve transparency, we publish and comment on our main production results on a monthly basis.

In 2022, we took a big step forward in improving the company's management system. We completed the certification of our integrated management system to the occupational health and safety management standard ISO 45001:2018 at all our entities.

For the first time, we are certified to three ISO standards in all our core markets: the quality management standard ISO 9001, the environmental management standard ISO 14001 and the occupational health and safety management standard ISO 45001. In addition, the Iru waste-to-energy plant has EMAS (EU Eco-Management and Audit Scheme) certification consistent with the regulation of the European Parliament and of the Council.

Code of Ethics

Enefit Green has adopted the Code of Ethics of the Eesti Energia group which states, among other things, that the organisation does not tolerate any discrimination, harassment, bullying, abuse or other inappropriate behaviour. All employees are treated fairly and equitably regardless of their ethnicity, age, race, gender, language, origin, skin colour, religion, disability, sexual orientation, or political or other beliefs. All staff passed an online ethics course in 2022. Ethics standards for our partners are set out in the Code of Ethics for Partners of the Eesti Energia Group, which is also applied by Enefit Green. The Code sets out, among other things, minimum standards for the prevention of fraud and corruption, and respect for labour and human rights.

Enefit Green has considered that it is not necessary to apply additional diversity policy in addition to the relevant provisions of the Code of Ethics. When selecting our employees and managers we always do that with the best interests of Enefit Green in our mind. Our personnel selection process is gender-neutral and non-discriminatory and is focused on person's education, skills and previous experience and, where applicable, compliance with legal requirements.

Conflicts of interest

In keeping with Enefit Green's values and ethics and to prevent corruption, we have put in place a group-wide procedure for avoiding conflicts of interest. The procedure requires both the members of the governing bodies and the employees of group companies who may encounter conflicts of interest due to their responsibilities, authority and/or liability to declare their business interests to the company.

Transactions with the members of the management board, the members of the supervisory board, and parties related to them are disclosed in the consolidated financial statements. All transactions that have been performed have been conducted in the ordinary course of business and on an arm's length basis.

Where there has been risk of a conflict of interest, the exposed person has refrained from discussing, and adopting resolutions on, the relevant agenda item.

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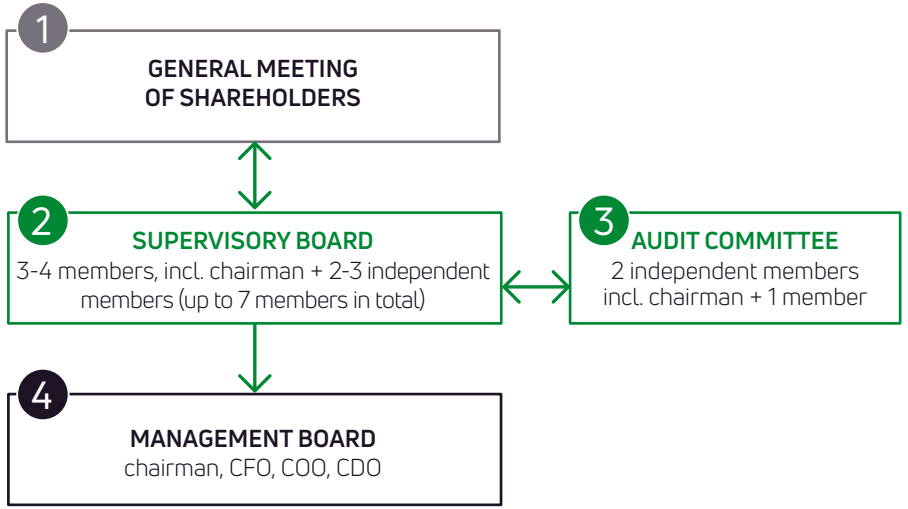
Organisational structure and governing bodies

We believe it is important to make sure that that the group's structure is clear and logical, that we are aligned with the organisation's goals and needs, and that we take into account changes in the business environment. The governing bodies of the group's parent, Enefit Green AS, are the general meeting, the supervisory board and the management board.

GOVERNING BODIES OF ENEFIT GREEN

1. Shareholders can use their vote on the general meeting regarding important matters related to the Company (for example – distribution of profit, electing supervisory board members, appointing an auditor etc)
2.
   - Strategic planning
   - Organising and supervision of management
   - Adopting major strategic decisions
3. Advising the supervisory board on accounting, auditing, risk management, internal control and audit, supervision, budgeting and compliance matters
4.
   - Daily operational management and respresentation of the Company
   - Business and financial reporting to the supervisory board



General meeting

Enefit Green's highest governing body is the general meeting of its shareholders, which decides (among other things):

- the establishment and acquisition of new companies;
- the liquidation of existing companies;
- the appointment and removal of the members of the supervisory board;
- major investments;
- the appointment of the auditor;
- the approval of the results of the financial year and the allocation of profit;
- the approval of the bases and principles for providing, and making significant changes to, the remuneration and work-related benefits of the members of the management board, including their termination, pension and other benefits;
- whether the actual remuneration provided to the members of the management board is consistent with the adopted remuneration principles;
- the approval of significant transactions (as defined in the rules and regulations of the Nasdaq Tallinn stock exchange) with related parties (as defined in the rules and regulations of the Nasdaq Tallinn stock exchange) in the cases outlined in the rules and regulations of the Nasdaq Tallinn stock exchange;
- the approval of transactions which need to be submitted for approval to the general meeting of the shareholders in accordance with the rules and regulations of the Nasdaq Tallinn stock exchange.

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The articles of association can be amended by the general meeting consistent with the requirements of the Estonian Commercial Code. A resolution on the amendment of the company's articles of association is adopted when at least two thirds of the votes represented at the general meeting vote in favour. The annual general meeting takes place once a year, within six months after the end of the group's financial year, at the time and in the place determined by the management board.

Supervisory board

The supervisory board is a governing body that has the following main responsibilities:

- planning the group's activities;
- organising the group's management and supervising the activities of the management board;
- approving the group's strategy and supervising the implementation of the strategy; and
- adopting major strategic decisions.

In accordance with the articles of association, the supervisory board has five to seven members who are elected by the general meeting for a term of three years. At least half of the members of the supervisory board have to be independent in the meaning of the Corporate Governance Recommendations. When the supervisory board has an uneven number of members, the number of independent members may be one less than the number of dependent members.

The members of the supervisory board of Enefit Green are Hando Sutter (chairman), Andri Avila, Raine Pajo, Erkki Raasuke and Anne Sulling. The latter two are independent in the meaning of the Corporate Governance Recommendations.

The term of office of the current members of the supervisory board lasts until 21 October 2024.

Consistent with the resolution of the sole shareholder dated 14 October 2021, the remuneration of the independent members of the supervisory board is €1k per month. Other members of the supervisory board are not remunerated. The remuneration provided to the members of the supervisory board in 2022 is set out in the table below.

As a rule, the supervisory board meets once a month, except during the summer months. The supervisory board had 14 meetings including two online ones in 2022. All meetings were attended by all members of the supervisory board.

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SUPERVISORY BOARD | At 31 December 2022

HANDO SUTTER

Chairman of the Supervisory Board

ANDRI AVILA

Member of the Supervisory Board

RAINE PAJO

Member of the Supervisory Board

ERKKI RAASUKE

Member of the Supervisory Board

ANNE SULLING

Member of the Supervisory Board

Commencement of term of office: 4 Sep 2017 Expiry of term of office: 21 Oct 2024	Commencement of term of office: 4 Sep 2017 Expiry of term of office: 21 Oct 2024	Commencement of term of office: 1 Jan 2021 Expiry of term of office: 21 Oct 2024	Commencement of term of office: 21.10.2021 Expiry of term of office: 21 Oct 2021	Commencement of term of office: 21 Oct 2021 Expiry of term of office: 21 Oct 2024
EXPERIENCE				
2014–today Eesti Energia AS, Chairman of the Management Board 2015-today Eurelectric, Member of the Management Board 2010–2014 NordPool Spot AS, Regional Manager 2006–2009 US Invest, Development Manager 2002–2006 Olympic Entertainment Group AS, Operations Manager Previously has held various positions at AS Tolaram Investments, AS ESS Group and Eesti Talleks AS.	2014–today Eesti Energia AS, Member of the Management Board, Financial Director 2010–2014 AS Premia Foods, Member of the Management Board 2001–2009 Olympic Entertainment Group AS, Member of the Management Board 2007–today OÜ Geoplast, Member of the Management Board Previously has held various positions at different investment companies.	2006–today Eesti Energia AS, Member of the Management Board, Production Director 2007–2010 OÜ Põhivõrk, Chairman of the Supervisory Board 2000–2006 OÜ Põhivõrk, various positions Previously has held various positions in the energy sector.	2021–today OÜ Skeleton Technologies Group, Member of the Management Board, Financial Director 2016–2021 Luminor Group, Chairman of the Management Board 2013–2016 AS LHV Group, Chairman of the Management Board 2012–2013 Adviser to the Minister of Economic Affairs of the Republic of Estonia Previously has held various positions in Swedbank.	Independent consultant, has advised many companies on expanding into foreign markets 2015–2019 Member of the Estonian Parliament 2014–2015 Minister of Foreign Trade and Entrepreneurship. Previously has been active in selling Estonia's CO_2 quota at at the Center of Environmental Investments and leading Estonian euro transition project in Ministry of Finance. She has also served as an advisor to the Prime Minister and at various positions at Swedbank and Nelja Energia OÜ.
EDUCATION				
Estonian Business School, MBA programme Tallinn University of Technology, Mechanical Engineering	Concordia International University Estonia, International Business Administration	Tallinn University of Technology, School of Engineering, PhD in Engineering; School of Business and Governance, Master of Business Administration; School of Information Technologies, Master's degree	INSEAD, Advanced Management Programme Tallinn University of Technology, School of Business and Governance	Université Paris Dauphine-PSL, Master's degree in International Economics and Finance Smith College (USA), Economics and French Studies
REMUNERATION PAID TO THE MEMBER OF THE SUPERVISORY BOARD IN 2022, €				
–	–	–	12 ,000	12,000
NUMBER OF ENEFIT GREEN'S SHARES HELD BY THE MEMBER OF THE SUPERVISORY BOARD (31 Dec 2022)				
5,000	2,715	2,621	51,849	0
NUMBER OF SHARES HELD BY PERSONS CLOSELY ASSOCIATED WITH THE MEMBER OF THE SUPERVISORY BOARD (31 DEC 2022)				
3,000	0	0	29,359	1,275
ATTENDANCE RATE AT MEETINGS				
100%	100%	100%	100%	100%

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Management board

The group's day-to-day executive management is the responsibility of Enefit Green's management board. In managing the company, the management board follows the group's strategy that has been approved by the supervisory board.

The chairman of the management board is appointed by the supervisory board. The members of the management board are approved by the supervisory board based on the proposal made by the chairman of the management board. The supervisory board can also remove a member of the management board.

At 31 December 2022, the management board of Enefit Green comprised the chairman of the management board Aavo Kärmas and the members of the management board Veiko Räim and Innar Kaasik. The term of office of the current members of the management board lasts until 24 September 2024. The fourth member of the management board, Linas Sabaliauskas who was responsible for development activities, was removed at his own request effective from 1 August 2022. Until his replacement is found, development operations are overseen by the chairman of the management board Aavo Kärmas.

None of the members of the management board is a member of the management board or the chairman of the supervisory board of any other listed company. Nor is any member of the management board a member of the management board or a member of the supervisory board of any other company, except for the subsidiaries of Enefit Green AS. The members of the management board are not shareholders in any companies that are the customers, suppliers or otherwise business partners of Enefit Green.

The remuneration of the management board of Enefit Green is regulated by The principles of remunerating the members of the management board, which was approved by the supervisory board on 10 September 2021 and by the general meeting on 14 September 2021. Information about the remuneration paid to the members of the management board of Enefit Green in 2022 is presented in the Remuneration report included in the audited annual report.

Severance pay is paid in the cases set out in the contract signed with a member of the management board (e.g. a member of the management board is not entitled to severance pay if the member of the management board is removed from office by the supervisory board due to breach of obligations). Severance pay is not paid if this would clearly harm the interests of the company. The decision is made by the supervisory board.

The maximum amount of severance pay is four times the amount of the management board member's last basic remuneration. A member of the management board is not entitled to any other compensation or benefits in connection with the expiry of the contract or removal from office.

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MANAGEMENT BOARD | At 31 December 2022

AAVO KÄRMAS
Chairman of
the Management Board

INNAR KAASIK
Member of
the Management Board

VEIKO RÄIM
Member of
the Management Board

Commencement of term of office: 5 Jul 2017 Expiry of term of office: 24 Sep 2024	Commencement of term of office: 31 Aug 2012 Expiry of term of office: 24 Sep 2024	Commencement of term of office: 23 Oct 2017 Expiry of term of office: 24 Sep 2024
PREVIOUS POSITIONS HELD		
Omniva (Eesti Post), Chairman of the Management Board and CEO Eesti Post, Member of the Management Board Viljandi Aken ja Uks AS Various executive positions	Enefit Taastuvenergia, Member of the Management Board and CEO Eesti Energia, CEO of Renewable Energy and Small Cogeneration Business Unit Elektrilevi, Member of the Management Board responsible for asset management, Head of Network Management Department Elering, Project Manager	Eesti Energia, Energy Trading Director Eesti Energia, Head of Financing and Investor Relations SEB Enskilda, Member of Corporate Finance Team Dresdner Kleinwort Wasserstein, Analyst
EDUCATION		
Tallinn University of Technology, Public Administration	Tallinn University of Technology, Electrical Power Engineering Tallinn University of Technology, Business Administration	London Business School, Further studies Stockholm School of Economics, Financial Management Stockholm School of Economics in Riga, Economics and Business Administration
NUMBER OF ENEFIT GREEN'S SHARES HELD BY THE MEMBER OF THE MANAGEMENT BOARD		
10,155	3,000	2,071
NUMBER OF SHARES HELD BY PERSONS CLOSELY ASSOCIATED WITH THE MEMBER OF THE MANAGEMENT BOARD		
0	2,000	0

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Audit committee and internal control

The audit committee is a body set up by the supervisory board, which is responsible for advising the supervisory board in matters related to accounting, external audit, risk management, internal control and internal audit, supervision and budgeting, and legal and regulatory compliance. The committee reviews and assesses the organisation of all functions that provide assurance to shareholders (external audit, internal audit) and all assurance-providing activities implemented by the management board (risk management) to make sure that they function in the best possible manner and consider the company's needs and the interests of the controlling shareholder do not receive preferential treatment in the decisions made by the supervisory board and the management board. Among other things, the audit committee monitors that transactions with related parties would be conducted on market terms. Where necessary, the audit committee makes proposals to the management board and the supervisory board. The audit committee has three members. The majority of its members including the chairman have to be independent in the meaning of the Corporate Governance Recommendations.

Anne Sulling, Erkki Raasuke and Raine Pajo, who were elected as members of the audit committee at the meeting of the supervisory board on 22 October 2021, continued as members of the audit committee in 2022. Erkki Raasuke continued to serve as the chairman of the audit committee. Anne Sulling and Erkki Raasuke meet the independence requirements as defined in the Corporate Governance Recommendations.

The audit committee meets according to an agreed schedule, generally once a month. There were 11 ordinary and two extraordinary audit committee meetings in 2022, which were attended by all members of the committee. The audit committee submits its report to the supervisory board once a year, before the approval of the annual report by the supervisory board.

The rates of the remuneration of the independent members of the audit committee were established by the supervisory board on 22 October 2021. The rate of the remuneration of the chairman of the audit committee is €500 per meeting and the rate of the remuneration of a member of the audit committee is €250 per meeting. When a member does not attend a meeting, the member does not receive remuneration for the month in question. The remuneration provided to the members of the audit committee for participation in the work of the committee is disclosed in the table below.

The tasks and responsibilities of the internal audit function of Enefit Green AS have been assigned to the internal audit department, which consists of two employees. The internal audit department conducts its work in accordance with the Auditors Activities Act and related regulations as well as the International Standards for the Professional Practice of Internal Auditing, the International Professional Practices Framework and the Internal Audit Manual. The role of internal auditors is to contribute to improving the internal control environment, risk management and corporate governance culture. The scope of the internal audit function encompasses the activities of the whole Enefit Green group. The internal audit department is accountable to the audit committee and the supervisory board. The action plan and resources of the internal audit department are approved by the audit committee, which also oversees and evaluates the effectiveness of the internal audit function. The internal auditors' report on 2022 was submitted to the audit committee and the supervisory board in February 2023.

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AUDIT COMMITTEE | At 31 December 2022

ERKKI RAASUKE
Chairman of
the Audit Committee

RAINE PAJO
Member of
the Audit Committee

ANNE SULLING
Member of
the Audit Committee

Appointed: 22 Oct 2021	Appointed: 22 Oct 2021	Appointed: 22 Oct 2021

REMUNERATION PAID TO THE MEMBER OF THE COMMITTEE IN 2022		
7,500 €	–	3,250 €

Financial reporting

The preparation of financial statements is the responsibility of the company's management board. The consolidated financial statements are prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS EU).

The auditor of Enefit Green is PriceWaterhouseCoopers and the signatory of the independent auditors' report is Jüri Koltsov. The contract with the auditor was made for five years (for the audit of the financial statements for 2019–2023). The audit firm has not provided the company with any services that could jeopardise the auditor's independence.

In 2022, the fees paid or payable for services provided by audit and financial consulting firms totalled €179.8k (2021: €113.3k). The figure includes the fee for the financial audit of €112.9k (2021: €63.3k).

Statement of compliance with Corporate Governance Recommendations

As a listed company, we have to disclose our compliance with the Corporate Governance Recommendations promulgated by the Estonian Financial Supervision and Resolution Authority consistent with the 'comply or explain' principle which requires us to explain our positions and practice regarding those articles of the Corporate Governance Recommendations which Enefit Green does not comply with. The management board of Enefit Green has assessed the organisation and functioning of the group's governance on the basis of the Corporate Governance Recommendations. Material components of our corporate governance have been described above. Having assessed the compliance of the organisation and functioning of the company's corporate governance system, we find that the organisation and functioning of the corporate governance of Enefit Green comply with the Corporate Governance Recommendations.

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Share and Shareholders

First year as a listed company

Following a successful initial public offering (IPO) in autumn 2021, during which Enefit Green's shares were acquired by more than 60,000 investors at a price of €2.90 per share, the company's shares were listed on the Baltic Main List of the Nasdaq Tallinn stock exchange. The company raised €100m through new shares issued for the IPO. In addition, the former sole owner Eesti Energia sold shares, reducing its stake in Enefit Green to 77.2%.

All of Enefit Green's shares are ordinary registered shares of the same class, each carrying one vote at the general meeting of the company's shareholders.

Stock exchange	Nasdaq Tallinn
Listing date	21 October 2021
List/segment	Baltic Main List
Ticker symbol on the stock exchange	EGR1T
Bloomberg ticker symbol	EGR1T ET Equity
ISIN code	EE3100137985
Number of shares issued and listed	264,276,232
Par value	€1

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Dividend policy

Enefit Green's dividend policy was approved before the IPO in 2021. According to the policy, Enefit Green intends to distribute 50% of its net profit for the previous year to the shareholders each year. Exceptions are possible in the case of one-off negative effects, such as unfavourable market conditions, the need to implement growth and development strategies, and the need to maintain a reasonable level of liquidity.

Enefit Green's existing financing agreements do not impose any restrictions on the distribution of dividends.

The timing and amount of annual dividend distributions depend on the group's existing and future financial position, operating results, the need to maintain a reasonable capital structure, liquidity needs and other relevant circumstances.

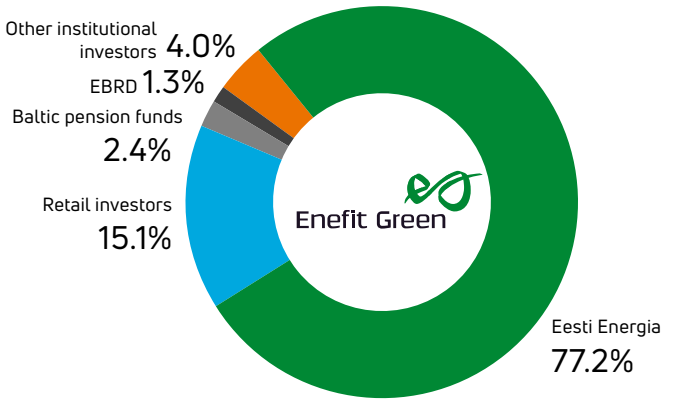
The amount of the dividend and the payment procedure are decided by the general meeting of the shareholders after the approval of the audited annual report.

In 2022, the general meeting of the shareholders was held on 17 May 2022. The general meeting decided to pay the shareholders a dividend of €39,906k (€0.151 per share) for the financial year 2021, which accounted for 50% of net profit for 2021.

Shareholders

After the IPO in autumn 2021 the number of Enefit Green's shareholders decreased slightly and the decline continued until the end of 2021. However, at the end of 2022 there were Enefit Green's shares in 60,401 thousand Nasdaq CSD securities accounts. During the year, the number of shareholders increased by more than 1,600. The ownership interests of retail investors (+0.6%) and Baltic pension funds (+0.1%) grew slightly while the ownership interests of foreign institutional investors decreased somewhat.

Shareholder structure As at 31 December 2022



Enefit Green's 10 largest shareholders

As at 31 December 2022

Shareholder	Number of shares	Proportion
Eesti Energia AS	203,931,405	77.17%
EBRD	3,464,691	1.31%
SEB AB/Säästopankki Korko Plus - Sijoitusrahasto	1,255,056	0.47%
Clearstream Banking AG	1,072,359	0.41%
SEB AB Lux Branch - UCITS Clients	1,043,235	0.39%
Citibank (New York) / Government of Norway	920,471	0.35%
SEB Progressiivne Pensionifond	828,521	0.31%
Nordea Bank ABP/Non-Treaty Clients	770,339	0.29%
Swedbanki Pensionifond 1970–79 sündinutele	766,142	0.29%
Swedbank Pensija 1975-1981	683,034	0.26%
Other (60,390 securities accounts)	49,540,979	18.75%
Total number of shares	**264,276,232**	**100.00%**

Trading statistics of the Enefit Green share

Since listing, Enefit Green's share has been the most traded share on the Nasdaq Baltic stock exchanges. Although trading activity dropped significantly following the first months after listing, the Enefit Green share had the highest turnover on the Nasdaq Baltic in Q2–Q4 and the second-highest in Q1 last year. The total value of trades with the share in 2022 was €115.3m, which accounted for 19% of the total turnover of the Main List on the Nasdaq Baltic. In more than 186k transactions, 28.6 million shares changed hands. The share traded at €3.334 to €4.932 during the year and closed at €4.378, rising by 8.3% over the year.

Adjusted for the dividend (€0.151 per share), total return of Enefit Green's share in 2022 was 12.4%, which exceeded the annual returns of all major benchmark indexes, which were negative, ranging from -7.9% to -17.8%. Among important benchmark indexes, we include the Nasdaq Baltic Benchmark and some European and Eastern European Utilities indexes, which are presented in the graph together with Enefit Green's share price and trading volume.

Trading statistics of the Enefit Green share on the Nasdaq Baltic Main List

	2021*	2022
Closing price, €	4.044	4.378
High price, €	4.580	4.932
Low price, €	3.255	3.334
Traded volume, m	16.7	28.6
Turnover, €m	63.8	115.3
Market capitalisation at the end of the year, €m	1,069	1,157

* since listing on 21 October 2021.

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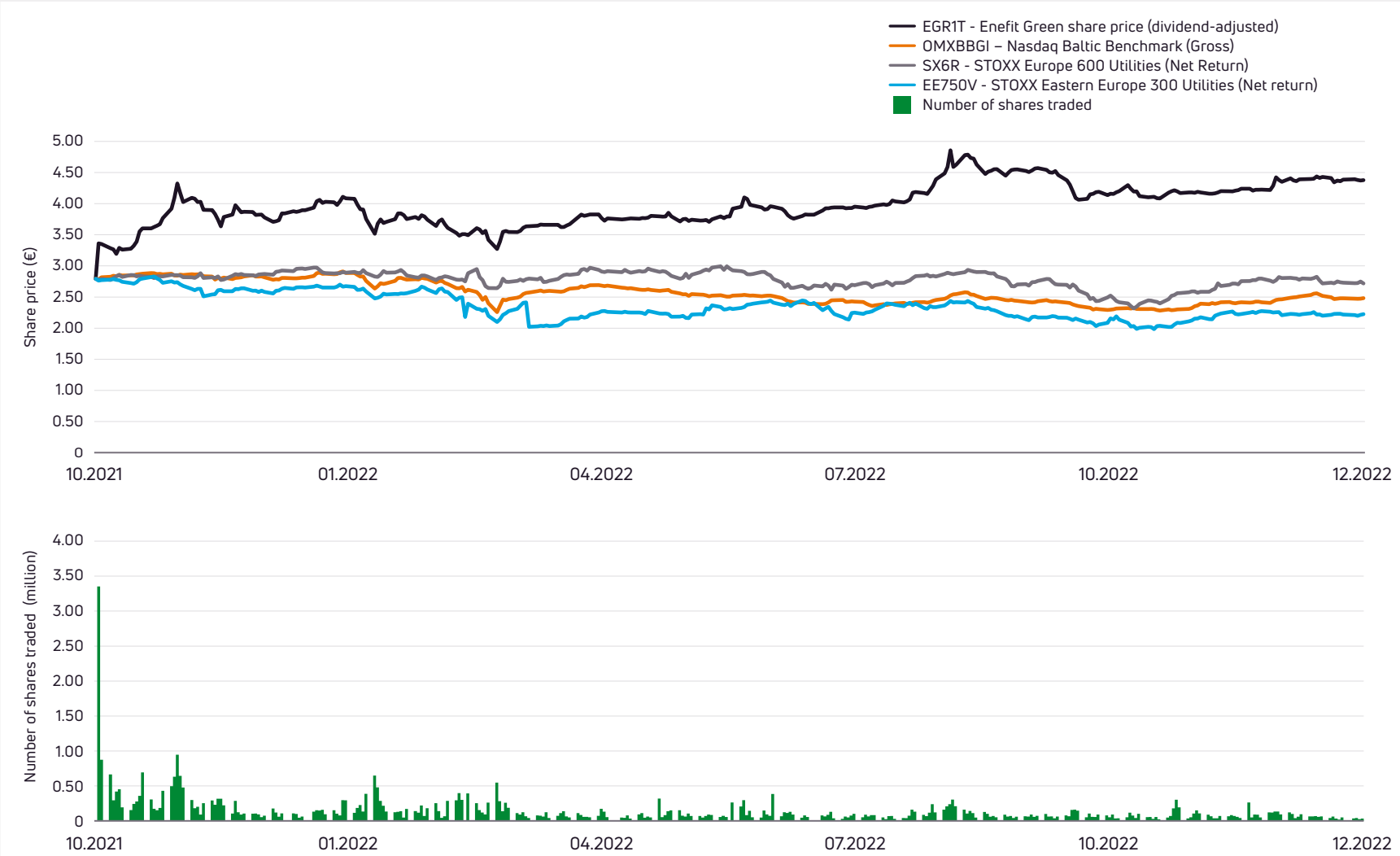
EGR1T share price and Trading volume compared to Regional and Sector benchmarks



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Tax Footprint

Our tax footprint reflects how we contribute to society through the taxes we pay.

In our activities, we observe tax risk management principles according to which we:

- fulfil all our obligations under tax laws and regulations;
- conduct all transactions at market prices and document them in accordance with relevant requirements;
- assess the tax consequences of new projects on Enefit Green's tax liabilities;
- maintain open and trust-based relations with the tax authorities; and
- involve external advisers in projects where we lack in-house tax-technical competencies.

Our tax footprint

In disclosing our tax footprint, we present tax information by taxes and countries.

In calculating the tax footprint, we distinguish between taxes borne and taxes collected:

- taxes borne are taxes directly borne by Enefit Green;
- taxes collected are taxes for which Enefit Green acts as an intermediary, i.e. we collect the taxes from consumers and employees and transmit them to the tax administrator.

Our tax footprint includes the taxes borne and collected in all our markets.

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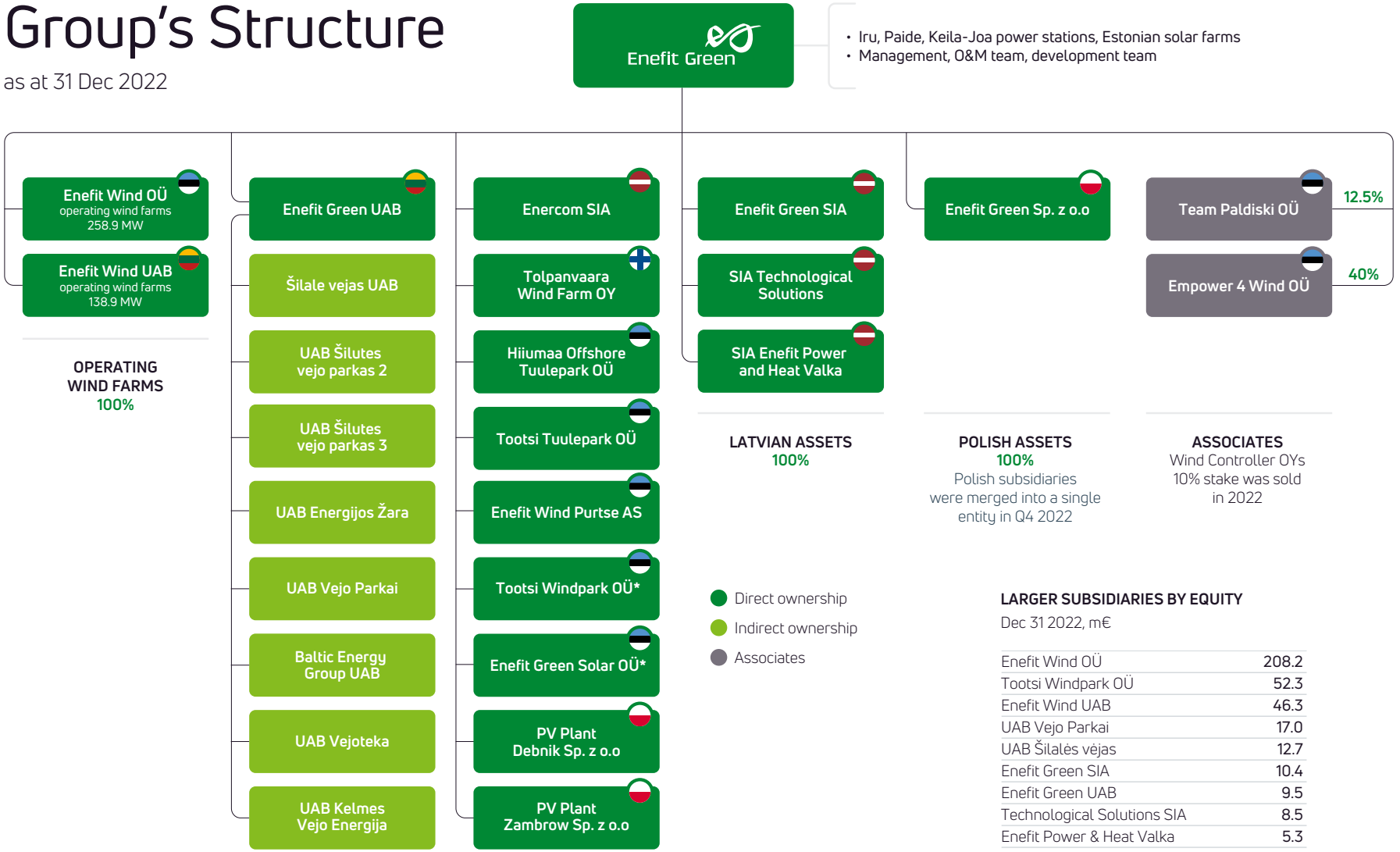
Tax footprint: Tax payments made by Enefit Green (€ thousand)

	2022					2021				
TAXES BORNE	**Estonia**	**Latvia**	**Lithuania**	**Poland**	**Total**	**Estonia**	**Latvia**	**Lithuania**	**Poland**	**Total**
Payroll taxes borne by the employer	1,401	354	12	30	1,796	1,091	279	8	0	1,378
Environmental charges	245	29	0	0	274	259	23	7	0	289
Corporate income tax	4,684	2	1,587	86	6,359	14	24	1,099	36	1,173
Customs VAT	0	0	0	0	0	0	0	1	0	1
Property taxes	62	7	797	40	905	61	3	608	40	713
Total taxes borne	**6,392**	**391**	**2,395**	**156**	**9,335**	**1,425**	**329**	**1,722**	**77**	**3,553**
TAXES COLLECTED										
Excise taxes	48	4	0	0	52	98	2	0	0	100
Employee's payroll taxes	1,029	401	266	29	1,726	759	337	196	7	1,299
VAT (balance: VAT on sales less VAT on purchases)	3,568	-66	3,706	1,236	8,443	78	255	5,775	247	6,355
Total taxes collected	**4,646**	**339**	**3,972**	**1,264**	**10,221**	**935**	**594**	**5,971**	**254**	**7,754**
Total taxes	**11,037**	**730**	**6,367**	**1,421**	**19,556**	**2,360**	**922**	**7,694**	**331**	**11,307**

In 2022, taxes borne and collected by us totalled €9,335k and €10,221k, respectively. The group's total tax footprint was thus €19,556k (+73% compared to 2021). Enefit Green paid €4,664k income tax on dividends distributed to shareholders.

Group's Structure

as at 31 Dec 2022



LARGER SUBSIDIARIES BY EQUITY

Dec 31 2022, m€

Enefit Wind OÜ	208.2
Tootsi Windpark OÜ	52.3
Enefit Wind UAB	46.3
UAB Vejo Parkai	17.0
UAB Šilalės vėjas	12.7
Enefit Green SIA	10.4
Enefit Green UAB	9.5
Technological Solutions SIA	8.5
Enefit Power & Heat Valka	5.3
Enefit Wind Purtse AS	5.2
UAB Energijos žara	4.1

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Risk Management

Risk management activities are a natural and integral part of the overall management of Enefit Green and thus embedded in all our processes and operations.

Risk management is aligned with shareholder expectations and the group's strategic goals. It is underpinned by uniform principles, systematic, consistent, transparent and up-to-date. Risk management measures are preventive by nature and developed and adjusted consistent with changes in the group's strategy, operations and organisation structure.

The objectives of risk management are to support the development and implementation of the strategy, to help achieve financial and operational goals, to identify potential opportunities, and to prevent undesirable events.

The group has risk management and control systems in place, which assure that strategic goals will be achieved, the risks inherent in and affecting our operations will be identified and assessed, and losses will be prevented.

We use the information, analyses and expert opinions collected for risk management to set the group's strategic goals and to plan the activities aimed at their achievement. We perform forward-looking analyses of the planned strategy, the risks which may affect the achievement strategic goals and related risk exposures.

To make sure that our risk management activities are effective and to prevent realisation of risks, we regularly and systematically collect information about risk realisation, threats of risk realisation, and incidents. The information is used to carry out improvements and thereby lower the probability of the recurrence of similar events and their future impacts.

Contents

Internal control and risk management systems relate to financial reporting process to ensure the group's unified and reliable financial performance reporting that is consistent with applicable laws and regulations and approved accounting and reporting principles.

Market risk

We define market risk as the risk that the values of the group's assets or liabilities or the amount of income it earns on its assets and services will fluctuate because of market developments (changes in demand or the prices of products and services). A significant market risk is the price risk inherent in the sale of electricity. A +/- 1 €/MWh change in the average realised market price of electricity would have had a +/- €666.7k impact on the group's profit before tax for 2022 (2021: +/- €750.2k).

In previous periods, renewable energy support has played an important role in mitigating the price risk of electricity sales, which is paid to Enefit Green in accordance with the laws and regulations of the markets where it operates and which lowers the impacts of variability in market prices.

Part of Enefit Green's electricity production in Estonia continues to receive renewable energy support, which is paid in addition to the sales price of electricity (Feed-in-Premium, FiP). 15% of Enefit Green's expected electricity production in 2023-2026 is covered with FiP support measures at an average FiP rate of 50.5 €/MWh.

The share of fixed-price support measures has decreased significantly. Only 1% of Enefit Green's expected electricity production in 2023-2026 is covered by fixed-price support measures. Depending on the market, these measures take the form of Feed-in Tariff (FiT) or Contract for Difference (CfD) at an average price of 83.4 €/MWh.

In the third quarter of 2022, we exited the FiT support scheme with all wind farms in Lithuania and signed long-term Power Purchase Agreements (PPA) to mitigate the price risk for a significant part of the expected production.

As of 2022, the Broceni CHP plant lost the FiP subsidy, and at 13 December 2022, the Valka CHP plant also exited the FiP support scheme.

In 2022, Enefit Green participated in the Estonian renewable energy support reverse auction. As a result, Enefit Green will receive a 12-year support for annual production of 140 GWh, with an expected start from the middle of 2025. This support measure takes a form of a price floor that applies below the electricity price level of 34.9 €/MWh (with the maximum support payable of 20 €/MWh).

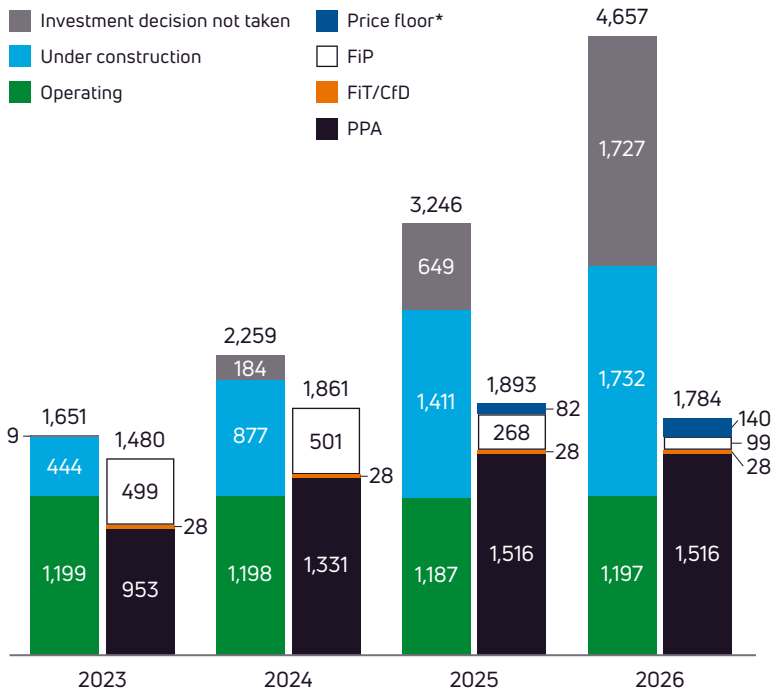
To mitigate the risks of electricity prices for development projects, Enefit Green uses long-term fixed-price PPAs. As a general rule, Enefit Green fixes the selling price of electricity for a minimum of 60% of the estimated production of the first five years of the respective development project by the time the final investment decision is made for the project. In total, Enefit Green signed new long-term fixed-price PPAs in the amount of 4,949 GWh in 2022 at an average price of 108.5 €/MWh, using them also partially to hedge the electricity price risk of the operating portfolio.

At 28 February 2023, Enefit Green has signed PPAs in the volume of 10,526 GWh at an average price of 72.4 €/MWh for the period 2023-2033. The counterparty to most of the concluded PPAs is Eesti Energia AS (in the volume of 9,315 GWh).

	2023	2024	2025	2026	Period 2023-2026 total
Share of production covered by FiT/CfD*	2%	1%	1%	1%	1%
Volume (GWh)	28	28	28	28	112
FiT/CfD weighted average price, €/MWh	80.5	82.6	84.3	86.0	83.4
Share of production covered by FiP*	30%	24%	10%	3%	15%
Volume (GWh)	499	501	268	99	1,367
FiP weighted average price, €/MWh (added to the market price)	50.1	50.2	50.6	53.7	50.5
Share of production covered by PPAs*	58%	64%	58%	52%	58%
Volume (GWh)	953	1,331	1,516	1,516	5,317
PPA weighted average price. €/MWh	86.9	67.6	64.7	64.7	69.4

* - expected production includes forecasted production from operating assets and assets under construction

Forecasted production volumes of production assets (operating, under construction and planned) and their coverage with PPAs and renewable support measures



* Price floor – state support in a form of a price floor received from reverse auction at price level of 34.9 €/MWh (maximum 20 €/MWh) with a duration of 12 years

Financial risks

Enefit Green uses financial leverage to expand its business volumes faster through the development of new production assets and to improve the return on equity. The risk associated with financial leverage is mitigated by monitoring the net debt to EBITDA ratio, which we target to reach a level of 4.0. This level may be exceeded on a short-term basis during the development phase of new projects.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market interest rate. Interest rate risk on cash flows arises from the group's floating rate debt obligations and lies in the risk that financial costs will increase as interest rates rise. Compared to the end of the previous financial year, there has been a change in the group's interest rate risk management in connection with the conclusion of interest rate swaps (IRS) in March and April 2022. At 31 December 2022, Enefit Green had opened three interest rate swaps in the nominal amount of €168,334k, which accounted for 61.2% of the borrowings.

At 31 December 2022, the weighted average effective interest rate on bank loans including the effect of concluded interest rate swaps was 2.6% (31 December 2021: 1.44%). The interest rate on Enefit Green's bank loans depends on the base interest rate (3 or 6-month Euribor level for borrowings denominated in euros, 6-month WIBOR for borrowings denominated in Polish zloty). At 31 December 2022, a 1.0% rise in the average base interest rate would have had an impact of €(1,066.0)k on Enefit Green's profit before tax for the year (31 December 2021: an impact of €(585.8)k).

Credit risk

Credit risk represents the potential loss that occurs when counterparties are unable to meet their contractual obligations. Cash at bank, long-term fixed-price electricity sales contracts, trade and other receivables and derivatives with a positive value are open to credit risk.

In the case of each long-term fixed-price electricity sales transaction to be concluded with a counterparty not belonging to the Eesti Energia Group, the size of the potential credit risk is assessed and appropriate credit risk mitigation measures are used – credit limit, parent company guarantee or bank guarantee. The counterparty to most of the signed long-term fixed electricity sales contracts is Eesti Energia AS (88.5% of the total volume of PPAs signed at 31 December 2022).

Liquidity risk

Liquidity risk is a risk that Enefit Green will not be able to meet its financial obligations due to insufficient cash flow. Short-term liquidity risk is a risk that there is insufficient cash on Enefit Green's bank accounts to meet current payment obligations. Long-term liquidity risk is a risk that Enefit Green does not have enough cash available to cover the future liquidity needs to implement its business plan and to fulfil its obligations.

In order to mitigate the short-term liquidity risk, Enefit Green holds a certain cash buffer in bank accounts to ensure that sufficient funds are available even in the event of deviations from the cash flow forecast.

In order to mitigate the long-term liquidity risk, Enefit Green regularly forecasts the liquidity needs for the next 12 months, taking into account the need for money for investments, loan repayments and dividend payments, as well

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as the positive cash flow earned from operating activities. In order to meet its liquidity needs, Enefit Green maintains a sufficient liquidity buffer in the form of available funds, undrawn loans and unused loan limits.

Legal risk

Enefit Green's operations are strongly influenced by the regulations adopted and treaties signed in our home markets as well as in the European Union. Legal risk arises from political decisions, the actions of regulators in interpreting regulations, etc., and affects our daily business. We manage legal risk by monitoring the trends and developments in the legal environment, participating actively in public discussions and the development of new legislation, and making sure that our activities comply with legislation. Where necessary, we consult law offices with relevant country-specific expertise.

IT risk

IT risk is the risk that Enefit Green will not be able to meet its business goals or will suffer a loss due to flaws in IT solutions or cyberattacks. We manage IT risk, including cyber risks, by carrying out and updating the risk analyses of all business-critical activities with a particular focus on the risks associated with business continuity, data integrity and loss of confidentiality. We enhance and improve the processes used to assess, mitigate and control IT risks.
We pay a lot of attention to increasing our employees' awareness of information and cyber security risks. All new employees are passing a cybersecurity e-course, and in recent years there have been campaigns to raise awareness of cybersecurity, and employees have undergone a mandatory thematic training.

Technical and technological risks

Identification and management of the risks associated with physical assets along with the implementation of preventive measures help avert or lower the risk that technological business risks will realise and the achievement of the organisation's goals will be adversely affected.

We prepare business continuity plans based on scenario-based risk analysis in order to be able to limit the scope and mitigate the negative consequences of incidents that may occur and to have appropriate solutions for restoring our production processes and services. Business continuity planning includes both services provided to achieve strategic business goals as well as socially vital district heating service.

We use criticality analyses, which are based on risk assessments for components of production assets, to achieve the expected availability of our production assets with optimal resources. We apply risk-specific preventive measures in planning maintenance and repair or, if an incident occurs, conduct previously planned activities to reduce its scope or duration in order to assure business continuity for the organisation and our production assets.

When more significant incidents occur, we analyse the root causes, draw conclusions, adopt decisions aimed at developing and implementing new or improving existing preventive measures, and communicate relevant information to employees.

Environmental risks

Our activities and decisions are aligned with our environmental policy, which sets a framework us. We avoid polluting the environment and minimise the environmental impacts of our operations. We feel that we are responsible for more than just the production of renewable energy. We want to contribute to creating a cleaner environment and reducing the carbon footprint in the world.

We define environmental risk as a situation where Enefit Green's activity or failure to act causes environmental damage that is not in accordance with the goals agreed, including the conditions specified in the environmental permits.

When starting new renewable energy development projects, we always assess their possible impacts on the environment and people as well as their potential community impacts.

To control, manage and reduce our environmental impacts, we have implemented a certified environmental management system, which complies with ISO 14001-2015 and, at the Iru waste-to-energy facility, with the EU Eco-Management and Audit Scheme (EMAS). Our environmental risk management measures are aimed at preventing the realisation of risks and we update them to reflect changes in the group's strategy, operations and organisational structure.

Fraud risk

Fraud is a deliberate act or failure to act on the part of a person belonging or not belonging to the group, which involves breach of laws or rules by misleading, making false representations, abusing trust, withholding information and deceiving. The Enefit Green group has zero tolerance to fraud – we respond to all incidents of fraud based on the nature and circumstances of the case and strive to reduce the impacts on the company. Any concerns can be communicated without fear of retaliation using a special hotline and anonymously if preferred.

Fraud risk management is focused on the application of preventive measures such as regularly improving awareness through ethics and fraud risk management training (including online courses). We have made the group's Code of Ethics and related explanatory material available to all staff. Employees are also asked to provide feedback on ethics topics in the engagement survey. Responses are analysed and used to develop improvement measures. We conduct background checks for new employees as well as those changing positions and have implemented a system for regular declaration of economic interests.

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The Group's Financial Results for Q4

In Q4 2022, Enefit Green's total revenues grew by 20% but due to 91% growth in operating expenses, EBITDA decreased by 8% year on year. Net profit for Q4 decreased by €4.0m, i.e. by 10% year on year, to €35.4m. The key factors which influenced the group's financial performance are described below.

Production

	Unit	Q4 2022	Q4 2021	Change	Change, %
Electricity production	GWh	291	385	(95)	(25)%
Heat production	GWh	157	174	(17)	(10)%
Pellet production	thousand t	42	38	3	9%
Pellet sales	thousand t	47	53	(6)	(12)%

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Total revenues

The group's electricity production in Q4 2022 was 291 GWh (Q4 2021: 385 GWh). The group's average implied captured electricity price* for the period was 163 €/MWh (Q4 2021: 131 €/MWh).

The group's total revenues grew by €13.8m, the figure comprising revenue growth of €17.0m and a decrease in renewable energy support and other income of €3.2m. Out of the €17.0m revenue growth, €11.5m was generated by electricity sales. The increase in electricity sales revenue was mainly driven by a rise in electricity prices in the Estonian price area and to a lesser extent by rising electricity price in the Lithuania price area of the Nord Pool power exchange (NP). The average market price of electricity in the NP Estonia price area was 218.9 €/MWh in Q4 2022 and 141.7 €/MWh in Q4 2021. The implied captured electricity prices of the group's Estonian production entities in the respective periods were 191.8 €/MWh and 165.0 €/MWh. The implied captured electricity price differs from the average NP price because wind farms do not produce the same amount of electricity in each hour and the figure also includes the effects of long-term fixed-price power purchase agreements (PPAs). In Q4 2022, we sold 116.2 GWh of electricity under long-term fixed-price PPAs at an average price of 125.8 €/MWh (39.9% of electricity produced in the period). The implied captured electricity prices of the group's Lithuanian production entities in Q4 2022 and Q4 2021 were 100.6 €/MWh and 81.0 €/MWh, respectively.

Another factor that strongly affected revenue development compared with a year earlier was the quantity of electricity produced: the effect for all four geographical markets was -€12.4m. The effects of the volumes of electricity produced in Estonia and Lithuania were -€9.2m and -€3.1m, respectively. Quantities decreased year on year because in Q4 2022 the availability of the Estonian and Lithuanian wind farms was lower than planned and wind conditions were less favourable.

Revenue growth was supported by pellet sales revenue, which grew by €6.1m. The group sold 47k tonnes of pellets in Q4 2022 and 53k tonnes of pellets in Q4 2021. While sales volumes were smaller, sales prices were higher.

Heat production decreased by 10% compared with Q4 2021 but the price of heat sold grew by 37% and thus heat sales revenue improved by €0.4m year on year.

Revenue from the provision of solar services decreased by €1.2m compared with Q4 2021 because we exited from the turnkey solar solutions business in mid-2022.

Expenses, EBITDA and net profit

Raw materials, consumables and services used

Expenses on raw materials, consumables and services grew by €16.6m, i.e. 119%. The biggest rise (€12.5m) was in electricity costs, which grew due to higher electricity prices, electricity purchased in hours of low wind speed to balance the PPA portfolio and an accounting policy change according to which the quantities of electricity purchased from the NP intraday market to balance the electricity portfolio are no longer offset against the quantities of electricity sold. Expenses on technological fuel grew by €4.2m.

* implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support – electricity purchases on the Nord Pool day-ahead and intraday market – balancing energy purchases) / production

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Consolidated income statement

€m	Q4 2022	Q4 2021	Change	Change, %
TOTAL REVENUES	**82.8**	**68.9**	**13.8**	**20%**
Revenue	76.4	59.3	17.0	29%
Renewable energy support and other income	6.4	9.6	(3.2)	(33)%
TOTAL OPERATING EXPENSES (excl. D&A)	**36.9**	**19.3**	**17.6**	**91%**
Raw materials, consumables and services used	30.5	13.9	16.6	119%
Payroll expenses	2.5	1.8	0.7	39%
Other operating expenses	2.7	2.2	0.5	23%
Change in inventories of finished goods and work in progress	1.3	1.5	(0.2)	(11)%
EBITDA	**45.8**	**49.6**	**(3.8)**	**(8)%**
Depreciation, amortisation and impairment	8.8	9.6	(0.7)	(7)%
OPERATING PROFIT	**37.0**	**40.0**	**(3.1)**	**(8)%**
Net finance costs	(1.4)	(0.2)	(1.3)	772%
Income tax expense	0.1	0.5	(0.4)	(76)%
NET PROFIT	**35.4**	**39.4**	**(4.0)**	**(10)%**
TOTAL OPERATING EXPENSES (excl. D&A)	**36.9**	**19.3**	**17.3**	**89%**
Variable costs (incl. balancing energy purchases)	26.3	10.1	16.2	159%
Fixed costs	9.3	7.7	1.6	21%
Change in inventories	1.3	1.5	(0.2)	(11)%

Payroll expenses

The group's payroll expenses grew by €0.7m, i.e. 39% year on year, due to an increase in the average number of full-time employees from 165 to 178 as well as growth in existing employees' payroll expenses. New people were mostly hired to the development team.

Other operating expenses

Other operating expenses grew by €0.5m. Several items increased slightly, including consulting expenses, IT expenses, real estate rental and maintenance, etc.

Change in inventories

Change in inventories reflects the change in pellet stocks, summarising the quantities of pellets produced and sold in the period under review. Pellet output was 42k tonnes (Q4 2021: 38k tonnes) and pellet sales were 47k tonnes (Q4 2021: 53k tonnes). The change in inventories amounted to €1.3m (Q4 2021: €1.5m).

Depreciation, amortisation and impairment (D&A)

D&A expense decreased by €0.7m year on year. The item was partly influenced by the restatement of the assets of the Polish solar farms and the Lithuanian and Estonian wind farms based on the results of impairment tests.

Variable costs

Variable costs comprise operating expenses that depend on the production volume, including purchases of electricity to balance the PPA portfolio in hours of low wind speed and purchases of balancing energy.

Fixed costs

Fixed costs comprise costs not directly dependent on the production volume. Fixed costs grew by €1.6m, i.e. 21% year on year. Both payroll expenses and research and consulting expenses grew to a certain extent

Net finance costs

Net finance costs increased by €1.3m year on year. The main reason was growth in borrowings but the item was also influenced by the capitalisation of borrowing costs and movements in the exchange rate of the Polish zloty (PLN).

Income tax

Income tax expense decreased by €0.4m compared with Q4 2021. Income tax expense has decreased mainly through the income tax effects of Lithuanian wind farms.

Net profit

The group's Q4 net profit decreased by €4.0m and was €35.4m. Net profit decreased due to decline in production volumes and an increase in electricity purchase expenses.

TOTAL REVENUES	EBITDA	NET PROFIT
€ 82.8 m	€ 45.8 m	€ 35.4 m
+20%	(8%)	(10%)

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The Group's Financial Results 2022

Enefit Green's consolidated financial results for 2022 improved significantly compared with 2021: total revenues grew by 40% and EBITDA increased by 27%. Net profit for the period grew by €30.5m, i.e. by 38%, rising to €110.2m. The key factors which influenced the group's financial performance are described below.

Enefit Green's production volumes

	Unit	2022	2021	Change	Change,%
Electricity production	GWh	1,118	1,193	(75)	(6)%
Heat production	GWh	566	618	(53)	(9)%
Pellet production	thousand t	154	135	19	14%
Pellet sales	thousand t	149	171	(23)	(13)%

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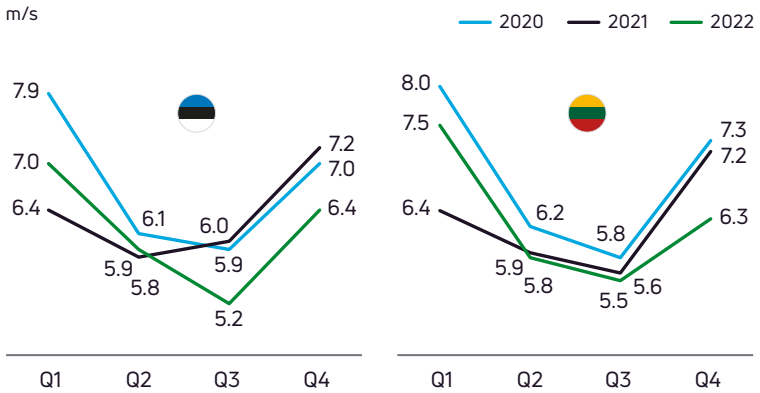
Wind conditions

Although early 2022 was relatively windy, wind speeds decreased in subsequent months, dropping below the long-term average in the second half-year, which had a negative impact on wind power production. In 2022, the average measured wind speeds in Enefit Green's wind farms in Estonia and Lithuania were 6.1 m/s and 6.3 m/s, respectively (2021: 6.4 m/s and 6.3 m/s*, respectively). Looking back, we can say that in 2020 wind speeds were the highest in Enefit Green's history, in 2021 wind conditions were modest and in 2022 poor wind conditions in the second half-year lowered the annual wind conditions below the long-term average.

Average quarterly wind speed at Enefit Green's Estonian and Lithuanian wind farms*



* In connection with the revision of the average wind speed calculation methodology, the figures for 2020 and 2021 have been adjusted compared with the metrics presented in the annual report for 2021. Consistent with the revised methodology, the average wind speeds of different wind farms are weighted to take account of the number of each park's wind turbines.

Total revenues

The group produced 1,118 GWh of electricity in 2022 (-75 GWh compared with 2021). The group's average implied captured electricity price** including support was 149 €/MWh (2021: 107 €/MWh).

Total revenues grew by €73.3m, the figure reflecting growth in sales revenue by €80.3m as well as a decrease in renewable energy support and other income by €7.0 million. Electricity sales revenue contributed €67.2m to the €80.3m growth in sales revenue. The increase in electricity sales revenue was mainly driven by a rise in electricity prices in the Estonia price area and to a lesser extent by rising electricity prices in the Latvia and Lithuania price areas of the Nord Pool power exchange (NP). The average market price in the NP Estonia price area was 192.0 €/MWh (2021: 86.5 €/MWh). The average implied captured electricity price of the group's Estonian production units was 182.2 €/MWh (2021: 122.8 €/MWh). The implied captured electricity price differs from the average NP price because wind farms do not produce the same amount of electricity in each hour and the figure also reflects the effects of long-term fixed-price power purchase agreements (PPAs). The share of production covered with PPAs and the prices per year are disclosed in the risk management chapter. The average implied captured electricity prices of the group's Latvian and Lithuanian production units were 208.7 €/MWh (2021: 100.6 €/MWh) and 86.9 €/MWh (2021: 78.9 €/MWh), respectively.

The effect of high electricity prices was counterbalanced by a lower electricity production volume in Estonia, which lowered sales revenue by €7.3m. Production volume decreased due to less favourable wind conditions and repair works lasting for five weeks at the Iru power plant which required the facility to be offline. Lower availability also reduced the quantity of electricity produced in Lithuania, which lowered sales revenue by €1.5m year on year.

** implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support – electricity purchases on the Nord Pool day-ahead and intraday market – balancing energy purchases) / production

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Pellet sales revenue supported total revenue growth with a strong €7.7m. Pellet sales volume was 149k tonnes compared with 171k tonnes in 2021. While sales volume was smaller, the average sales price grew by 55%, rising to 203 €/t.

Heat production decreased by 9% compared with 2021 but the price of heat sold grew by 14%.

The growth in total revenues was also supported by rapidly expanding turnkey solar services whose sales revenue grew by €5.9m year on year. Due to its low profit margin, we decided to exit this business in the middle 2022 and sold related inventories.

Expenses, EBITDA and net profit

Raw materials, consumables and services used

Expenses on raw materials, consumables and services grew by €42m, i.e. 95%. The biggest change was in electricity costs, which grew by €24.5m due to higher electricity prices which increased the costs on balancing energy and expenses to cover short-term imbalance of PPAs. Expenses on technological fuel grew by €10.8m due to significantly higher wood chip and waste wood prices. Expenses on materials, supplies and spare parts grew by €7.3m due to an increase in solar services. Due to its low profit margin, however, we decided to exit the solar services business in mid-2022 in order to focus on our more profitable core business and sold related inventories.

Consolidated income statement

€m	2022	2021	Change	Change, %
TOTAL REVENUES	**257.0**	**183.7**	**73.3**	**40%**
Revenue	233.3	153.0	80.3	52%
Renewable energy support and other income	23.7	30.7	(7.0)	(23)%
TOTAL operating expenses (excl. D&A)	**102.2**	**62.2**	**39.9**	**64%**
Raw materials, consumables and services used	86.0	44.0	42.0	95%
Payroll expenses	9.1	6.7	2.4	36%
Other operating expenses	10.4	7.8	2.6	33%
Change in inventories	(3.3)	3.7	(7.0)	(189)%
EBITDA**	**154.8**	**121.5**	**33.4**	**27%**
Depreciation, amortisation and impairment	37.8	38.1	(0.4)	(1)%
OPERATING PROFIT	**117.1**	**83.3**	**33.8**	**41%**
Net finance costs	(2.0)	(2.1)	0.1	(5)%
Loss from associates under the equity method	0,7	0	0.7	1463%
Income tax expense	5.6	1.6	4.0	251%
NET PROFIT	**110.2**	**79.7**	**30.5**	**38%**
TOTAL operating expenses (excl. D&A)	**102.2**	**62.2**	**39.9**	**64%**
Variable costs (incl. balancing energy purchases)	70.1	28.2	41.8	148%
Fixed costs	35.4	30.3	5.1	17%
Change in inventories	(3.3)	3.7	(7.0)	(189)%

** EBITDA – earnings before net finance costs, profit or loss from associates under the equity method, tax, depreciation, amortisation and impairment losses.

Payroll expenses

The group's payroll expenses grew by €2.4m, i.e. 36% compared with 2021 due to an increase in the average number of full-time employees from 165 to 178 as well as growth in existing employees' payroll expenses. New people were mostly hired to the development team to support the group's growth plan in all its core markets.

Other operating expenses

Other operating expenses grew by €2.6m. Several cost items increased, including consulting expenses by €0.8m, IT expenses by €0.1m, business travel expenses by €0.2m and land-related expenses by €0.7m. Land-related expenses have increased due to higher electricity prices.

Change in inventories

Change in inventories reflects the change in pellet stocks, summarising the quantities of pellets produced and sold in the period under review. The group produced 154k tonnes (2021: 135k tonnes) and sold 149k tonnes (2021: 171k tonnes) of pellets in 2022. The change in finished goods inventories of €3.3m had a positive effect on profitability because production exceeded sales whereas in 2021 the effect was negative €(3.7)m because sales exceeded production.

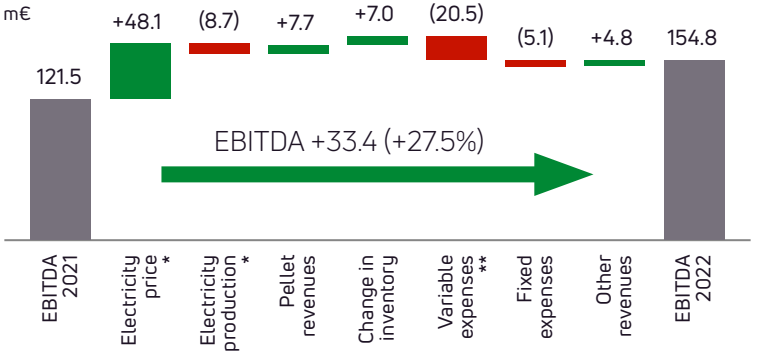
Depreciation, amortisation and impairment (D&A)

D&A expense remained stable compared with a year earlier. Although the volume of investments made in 2022 extended to €194.6m, this did not affect D&A expense because investments were mostly made in wind and solar farm development projects which are still in the construction phase.

Variable costs

Variable costs comprise operating expenses that depend on the production volume, including purchases of balancing energy. Variable costs increased, mainly in connection with higher expenses on intraday purchases of balancing energy and the purchases of electricity to balance PPA portfolio.

Group's EBITDA development by drivers



* Calculated based implied electricity prices in 2021 and 2022 and respective electricity quantities. Also included PPA revenues.
** Purchase of balance power is excluded form vabiable costs, because it is already included in electricity price and electricity production columns.

Fixed costs

Fixed costs comprise costs not directly dependent on the production volume. Fixed costs grew by €5.1m, i.e. 17% in 2022 through growth in payroll, research and consulting expenses.

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Net finance costs

Net finance costs decreased by €0.1m year on year, mainly due to the capitalisation of borrowing costs and movements in the exchange rate of the Polish zloty (PLN).

Income tax

Income tax expense grew by €4.0m compared with 2021 in connection with income tax expense on the distribution of dividends in Estonia.

Net profit

The group's net profit grew by €30.5m, rising to €110.2m. The key factor behind the vigorous growth was high market prices of electricity.

REVENUE	EBITDA	NET PROFIT
€257.0m	€154.8m	€110.2m
+40%	+27%	+38%

Dividend proposal

In coordination with the supervisory board, the management board proposes that the company pay the shareholders dividends of €55.0m (€0.208 per share) from retained earnings, which is equivalent to 49.9% of the group's unaudited net profit for 2022.

Financing

The Enefit Green group finances its operations with equity and debt capital. In a successful initial public offering carried out in October 2021, the company issued new shares of €100m. In 2022, we focused on optimising our capital structure by drawing down and refinancing previously secured loans as well as signing and preparing new loan agreements to finance our ongoing wind and solar energy investment programme.

The group's main sources of debt capital are investment loans and credit facilities raised from leading regional commercial banks, the Nordic Investment Bank (NIB) and the European Bank for Reconstruction and Development (EBRD).

In January 2022, we raised a 12-year loan of €80m from NIB. We drew down loans of €170m, including the loan from NIB as well as two loans taken from SEB and OP with terms of seven and five years, respectively, and fixed the interest rates of the loans until maturity.

In December 2022, we raised new loans from SEB and Swedbank in order to refinance the loans maturing in 2023. Both new loans were taken in the amount of €50m for a term of five years.

Enefit Green has signed three revolving credit facility agreements of €50m in total, which mature in the period 2024–2026 (all facilities were undrawn at 31 December 2022).

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The amortised cost of the group's interest-bearing liabilities at 31 December 2022 was €279.6m (31 December 2021: €123.5m). The figure comprises bank loans and finance lease liabilities of €275.0m and €4.6m, respectively.

The average interest rate of bank loans (considering also concluded interest rate swaps) drawn down at 31 December 2022 was 2.60% (31 December 2021: 1.44%). The base interest rates at the end of 2022 were significantly higher than a year earlier. During the year, 3-month Euribor increased by 2.70 percentage points, rising to 2.13%, and 6-month Euribor increased by 3.24 percentage points, rising to 2.69%. At 31 December, the interest rate risk of 61.2% of the loans drawn down by Enefit Green was hedged with interest rate swap agreements.

After the reporting period, in January 2023, Enefit Green signed loan agreements of €325m in total with SEB and NIB. The amount of the loan raised from NIB is €100m and the loan term is 12 years. The amount of the loans raised from SEB is €225m and the loan term is seven years.

Loan covenants

The group's loan agreements include covenants which set certain limits to the group's consolidated financial indicators. At the end of 2022 and 2021, the group was in compliance with all loan terms and conditions, including the covenants.

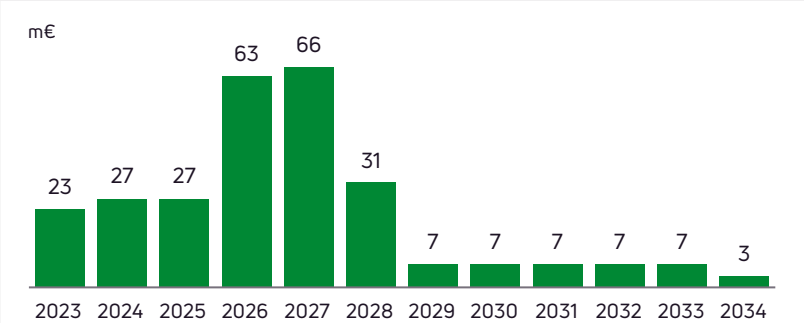
Cash flows

Net cash generated from operating activities of €126.2m reflects changes in cash generated from operations (+€136.2m), interest and loan fees paid (-€3.2m), interest received (+€0.3m) and income tax paid (-€7.0m).

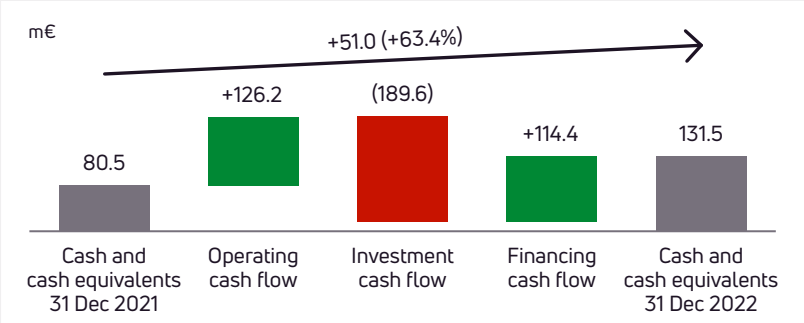
Net cash used in investing activities of €189.6m reflects mainly the cash paid for property, plant and equipment and intangible assets.

Net cash generated from financing activities reflects changes in bank loans received (+€270m), repayments of bank loans (-€115.3m), payments for lease liabilities (-€0.4m) and dividends paid (-€39.9m).

Loans repayment schedule



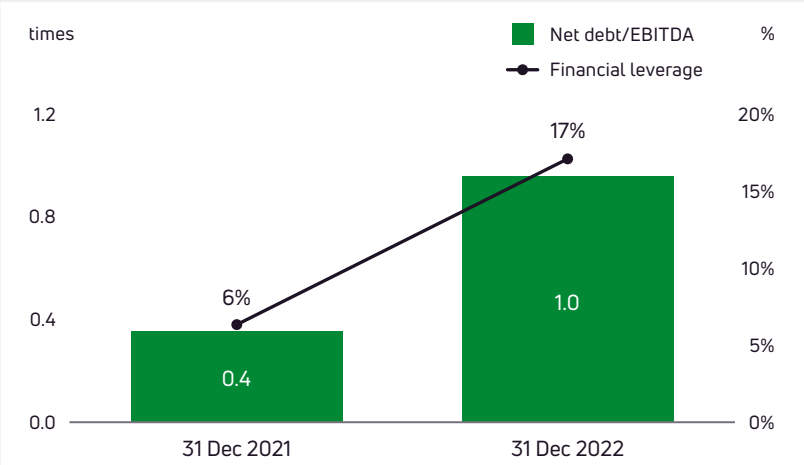
Liquidity development 2022



Financing and return ratios

The group's management determines the maximum level of debt by reference to financial leverage and the net debt to EBITDA ratio. At the end of 2022, the level of financial leverage was higher than a year earlier due to growth in debt and debt-like items. Return on invested capital and return on equity remained at a level similar to 2021.

Net Debt/EBITDA and financial leverage



Finantseerimise ja tootluse suhtarvud aasta lõpu seisuga

€m	31 Dec 2022	31 Dec 2021
Debt and debt-like items	279.6	123.5
Minus cash and cash equivalents	(131.5)	(80.5)
Net debt	**148.1**	**43.0**
Equity	718.7	633.5
Invested capital	**866.8**	**676.5**
EBITDA	154.8	121.5
Operating profit	117.1	83.3
Net profit	110.2	79.7
Financial leverage [1]	17%	6%
Net debt / EBITDA	0.96	0.35
Return on invested capital [2]	13.5%	12.3%
Return on equity [3]	15.3%	12.6%

(1) Financial leverage = net debt / (net debt + equity)
(2) Return on invested capital = operating profit for the last 12 months / (net debt + equity)
(3) Return on equity = net profit for the last 12 months / equity

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Segment Reporting

Enefit Green's management assesses the group's financial performance and makes management decisions on the basis of segment reporting where the group's reportable operating segments have been identified by reference to the main business lines of its business units. All production units operated by the group have been divided into operating segments based on the way they produce energy. Other internal structural units have been divided between operating segments based on their core activity.

THE GROUP HAS IDENTIFIED THREE MAIN BUSINESS LINES, WHICH ARE PRESENTED AS SEPARATE REPORTABLE SEGMENTS, AND LESS SIGNIFICANT BUSINESS ACTIVITIES AND FUNCTIONS, WHICH ARE PRESENTED WITHIN OTHER:

1. Wind energy (comprises all of the group's wind farms);
2. Cogeneration (comprises all of the group's cogeneration plants and the pellet factory);
3. Solar energy (comprises all of the group's solar farms);
4. Other (comprises hydropower, hybrid renewable energy solutions, and central development and management units).

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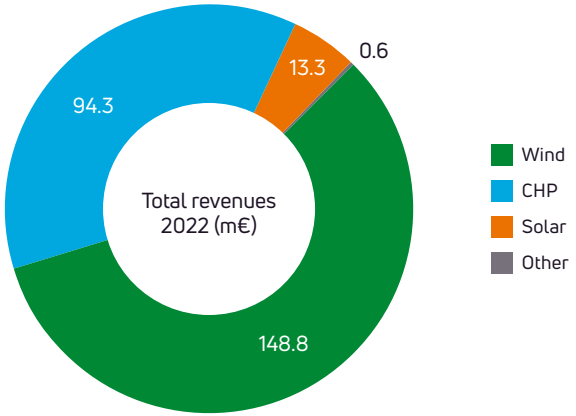
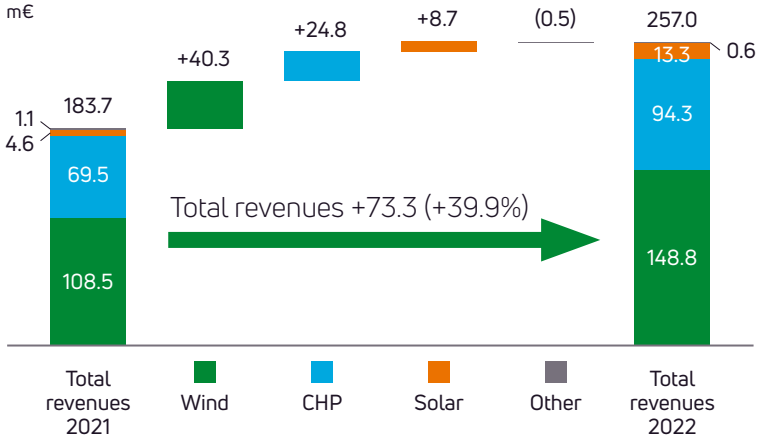
Total revenues by segment



Total revenues by segment

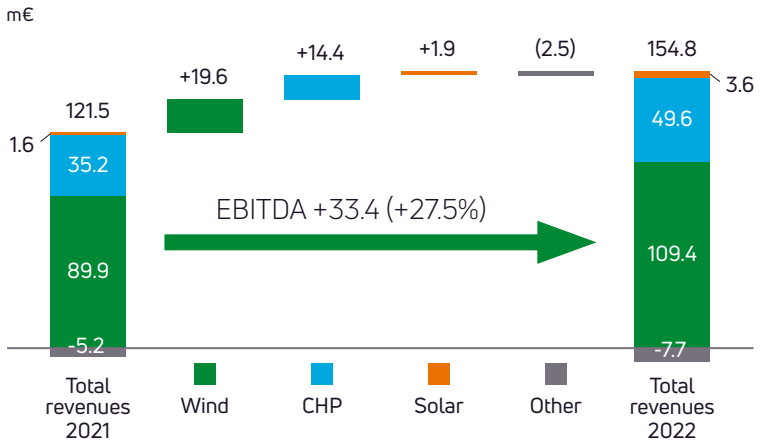


Based on total revenues and EBITDA for 2022, the group's largest segment is Wind energy which accounted for 58% of total revenues and 71% of EBITDA. The Cogeneration segment contributed 37% to total revenues and 32% to EBITDA. The smallest reportable segment is Solar energy, which accounted for 5% of total revenues and 2% of EBITDA.

In absolute terms, the EBITDA of the Wind energy and Cogeneration segments showed the strongest growth as those segments benefited the most from higher market prices of electricity. In percentage terms, however, the total revenues of the Solar segment grew the most (188%).

The EBITDA of the segment Other mainly includes unallocated general administrative expenses, which is the largest item for the segment. The segment also includes the network construction services of the Paide cogeneration facility, the Keila-Joa hydroelectric facility, and the renewable energy solution on the island of Ruhnu. The loss of the segment Other increased by €2.5m, primarily due to growth in the payroll expenses of the group's central management staff and consulting expenses.

Group's EBITDA breakdown and change



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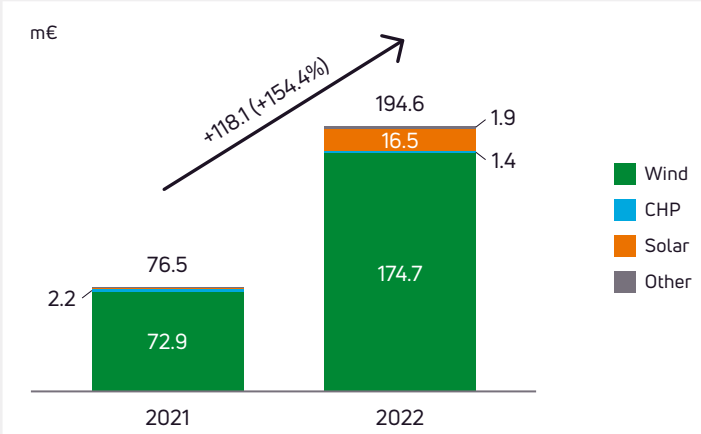
Investment

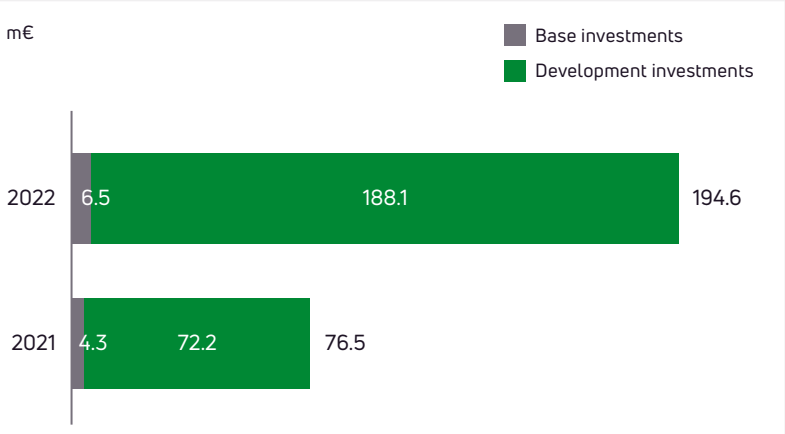
The group's capital expenditures grew by €118.1m year on year, rising to €194.6m in 2022. Growth resulted from development investments, which extended to €188.1m. Out of the total, €111.4m was invested in the construction of three wind farms: €62.5m in the Akmene wind farm, €30.7m in the Šilale II wind farm and €18.3m in the Tolpanvaara wind farm. In addition, Enefit Green acquired the Tootsi wind farm development from Eesti Energia for €26.9m. The largest expenditures on solar developments were investments of €10.0m made in the development of the Vändra solar farm and additionally the group acquired Enefit Green Solar OÜ for €6.6m. Baseline investments (expenditure on the improvement and maintenance of existing assets) amounted to €6.5m compared with €4.3m in 2021. 2022 baseline investments were mainly made in the Estonian wind farms (€2.3m) and the Iru cogeneration plant (€1.8 m).

At 31 December 2022, the assets of the Wind energy segment included goodwill of €23.7m (2021: €23.7m), the assets of the Cogeneration energy segment included goodwill of €32.7m (2021: €32.7m) and the assets of the Solar energy segment included goodwill of €2.3 (2021: €2.9m). The goodwill allocated to the Solar segment was written down based on the results of an impairment test.

Investments by segments



Investments by type



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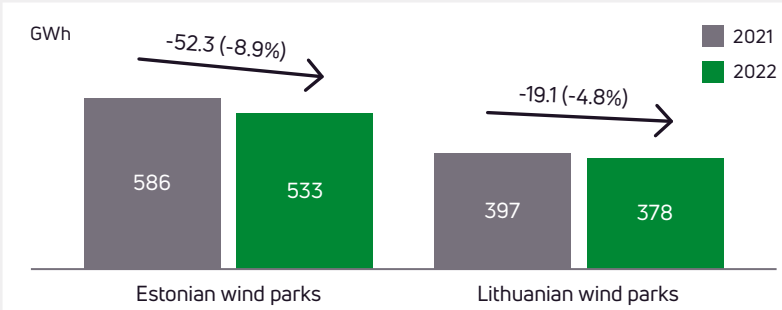
Wind energy segment

The Wind energy segment comprises operating wind farms, wind farm developments and a portion of the management expenses of both wind farm developments and operating wind farms.

Electricity production

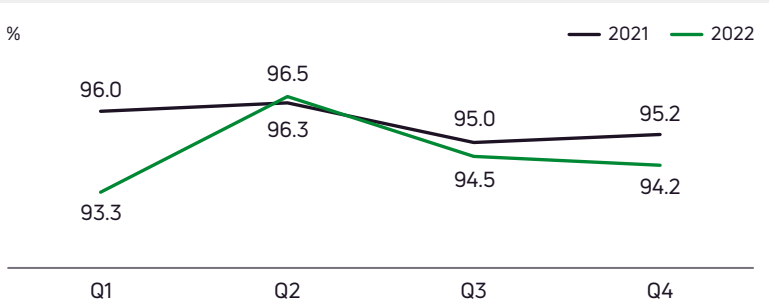


Production and availability

In 2022, wind conditions were somewhat less favourable and the availability of wind farms was somewhat lower than in the comparative period. The electricity production of our Estonian and Lithuanian wind farms dropped by 8.9% and 4.8%, respectively. Our total wind energy output was 911 GWh, which is 7.3% smaller than in 2021.

The availability of our Estonian wind farms was 94.5%, 1.1 percentage points weaker than a year earlier (2021: 95.6%), which lowered variable profit by €2.1m compared with 2021. The availability of our Lithuanian wind farms was 94.9%, 0.7 percentage points weaker than a year earlier (2021: 95.6%), which lowered variable profit by €0.4m year on year. For further information about availability, see the asset management chapter.

Availability of Estonian wind farms



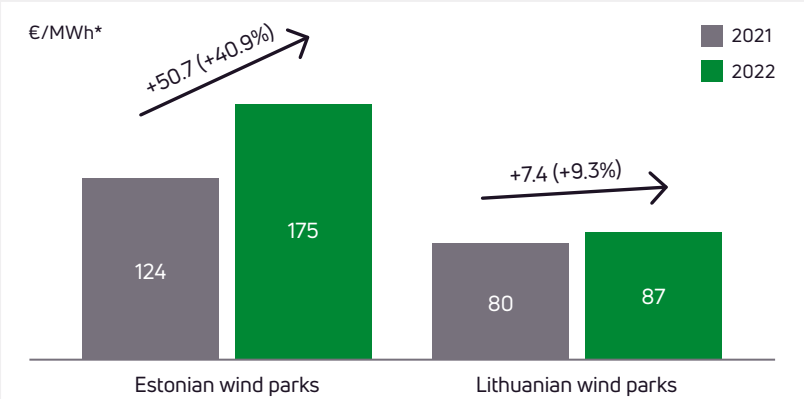
Availability of Lithuanian wind farms

Electricity prices

In addition to the market price of electricity, our Estonian wind farms whose eligibility period has not expired receive renewable energy support at the rate of 53.7 €/MWh. Since March 2022, our Estonian wind farms have also been selling part of their electricity at fixed prices. As a result, their production is not fully exposed to fluctuations in the market price of electricity. The 14 MW Sudenai wind farm in Lithuania has been selling its output on the power exchange, in the NP Lithuania price area, since June 2021. In Q3 2022, we replaced the previous feed-in-tariff (FiT) based revenue model for all our Lithuanian wind farms with a revenue model based on a combination of long-term fixed-price PPAs and the market price. In 2022, we sold 158.3 GWh of electricity at an average price of 112.8 €/MWh (14.2% of our annual output) under long-term PPAs.

Our Estonian wind farms' average implied captured electricity price including support was 174.7 €/MWh in 2022 (+41% compared with 2021). Our Lithuanian wind farms' average implied captured electricity price was 86.9 €/MWh (+9%). Since Q4 2022, all Lithuanian wind farms have been selling electricity on market terms, which has increased the average electricity price compared with the price previously received under the FiT model but due to covering short-term imbalance of PPAs and growth in electricity purchase expenses, the increase in the average price remained modest. The average price calculations take into account the impacts of fixed-price PPAs and electricity purchase expenses.

Implied captured electricity price



* implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support – electricity purchases on the Nord Pool day-ahead and intraday market – balancing energy purchases) / production

Total revenues

High market prices of electricity increased the revenue of the Wind energy segment to €149m, 37% up on 2021. Higher prices counterbalanced the effect of a 7.3% lower production volume.

Operating expenses

The operating expenses of the Wind energy segment (excluding D&A) grew by €20.6m, rising to €65.2m. Growth was largely attributable to electricity purchase expenses, which grew by €18.6m: expenses on balancing energy grew by €5.8m due to higher electricity prices and expenses on electricity purchased to cover short-term imbalance of PPAs grew by €7m. Other operating expenses (excluding growth in expenses on balancing energy, electricity purchased to service PPAs and D&A) grew by €2m, mainly through expenses on equipment and structures.

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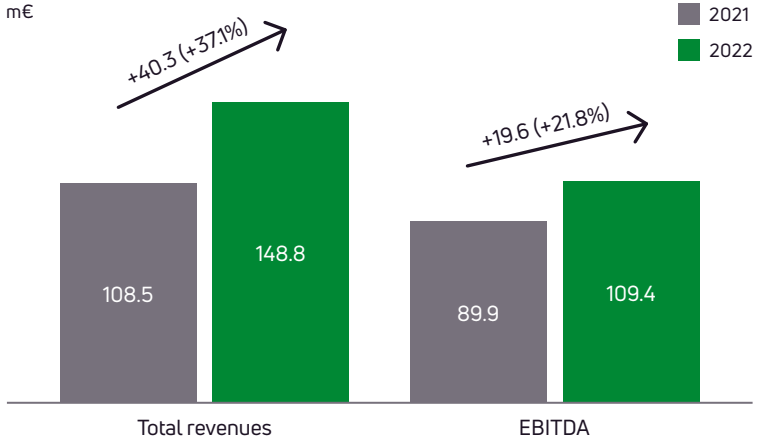
EBITDA

The Wind energy segment's total revenues grew by €40.3m, operating expenses increased by €20.6m and EBITDA grew to €109.4m (2021: €89.9m). The growth in both revenues and expenses was mainly attributable to higher electricity prices.

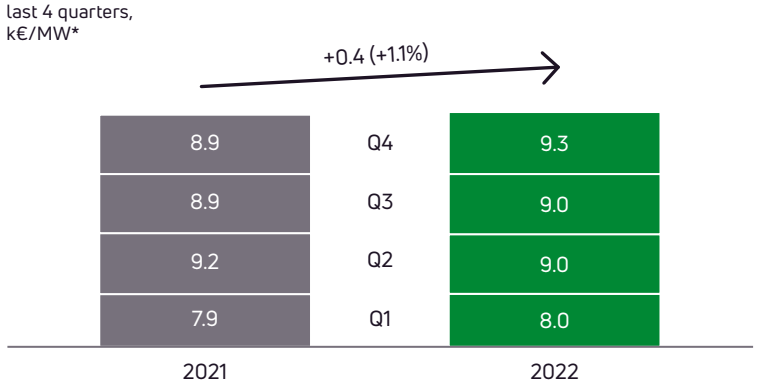
Operating expenses per MW

Our wind farm operators' (Enefit Wind OÜ and Enefit Wind UAB) operating expenses (excluding D&A, balancing energy purchases and expenses on servicing PPAs) per installed capacity (MW) increased by 1.1% year on year, rising from 35k €/MW to 35.3k €/MW. The cost stability derived from new maintenance contracts has counterbalanced natural indexation-related growth in maintenance expenses.

Total revenues and EBITDA



Operating expenses per MW



* (Total operating expenses – balancing energy purchase – D&A) / operating capacity. Only operating wind assets are included: Enefit Wind OÜ and Enefit Wind UAB.

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Cogeneration segment

The Cogeneration segment comprises the Iru, Paide, Valka and Broceni cogeneration (CHP) plants and a pellet factory.

Electricity production and prices

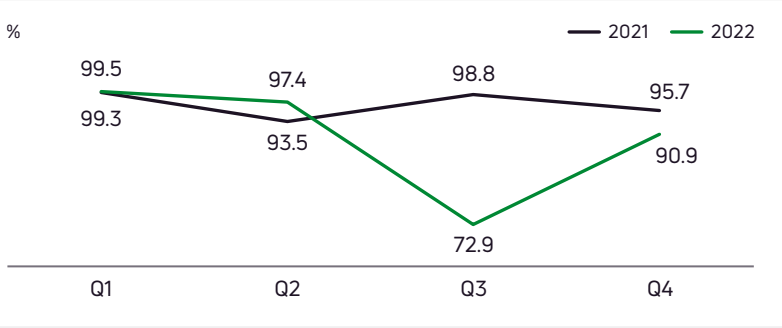
The Cogeneration segment produced 173.1 GWh of electricity in 2022, which is 6% less than in the comparative period (2021: 184.6 GWh). Electricity production decreased due to repair works at the Iru cogeneration plant, which interrupted production for nearly five weeks.

In addition to the market price of electricity, the Iru and Paide cogeneration plants receive renewable energy support of 53.7 €/MWh for electricity produced from renewable sources and efficient cogeneration support of 32 €/MWh for electricity produced from non-renewable sources in efficient cogeneration mode. Since mid-December 2022, the Valka cogeneration plant has been selling electricity at the prices of the NP Latvia price area. Previously, it had been assigned fixed prices in the range of 79.75 €/MWh and 105.6 €/MWh. The Broceni cogeneration plant lost its fixed electricity price of 143.6 €/MWh retrospectively from March 2021 due to the decision of the Latvian construction control bureau BVKB made in October 2021. Enefit Green's subsidiary SIA Technological Solutions has challenged the BVKB's decision in court. From November 2021 until the legal dispute is resolved, the Broceni cogeneration plant will sell electricity at the prices of the NP Latvia price area.

Supported by high market prices in the NP Estonia price area and the NP Latvia price area (which influences the Broceni cogeneration plant), the segment's average implied captured electricity price grew by 84% in 2022, rising to 213 €/MWh (2021: 116 €/MWh).

Our cogeneration facilities' availability in 2022 was 90.1% (2021: 96.8%). The decrease in availability by 6.7 percentage points lowered variable profit by €6.7m. For further information about availability, see the asset management chapter.

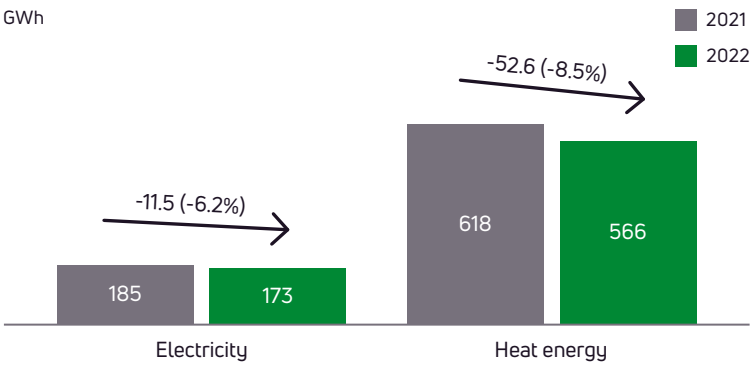
CHP availabilities



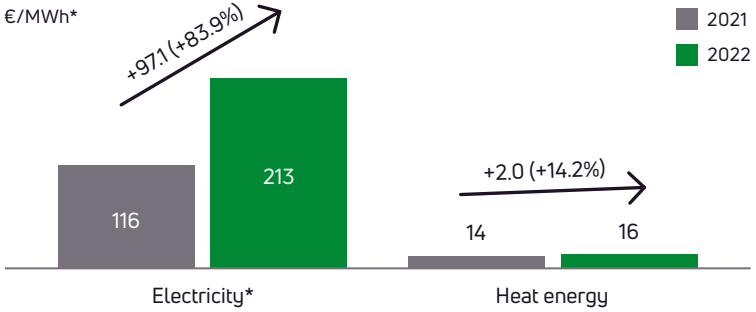
Heat production and prices

Heat production decreased by 9% compared with 2021, dropping to 566 GWh. The decline in output was attributable to extensive repairs at the Iru cogeneration plant.

Production



Implied captured electricity price



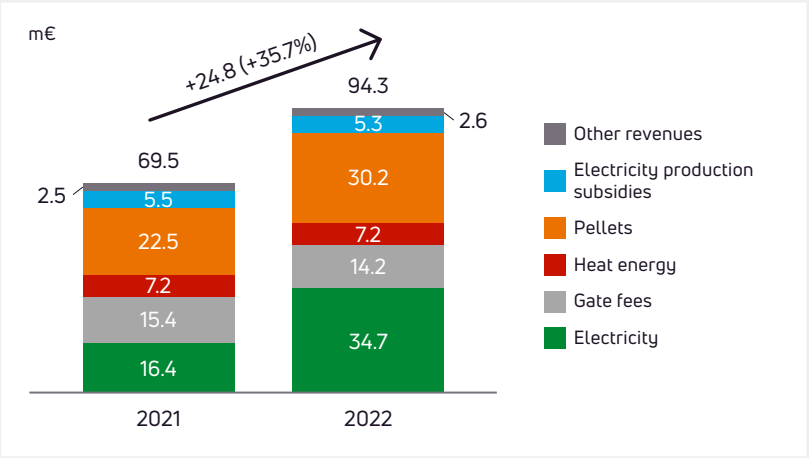
*implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support – electricity purchases on the Nord Pool day-ahead and intraday market – balancing energy purchases) / production

The average sales price of heat per MWh increased by 14%, rising to around 16 €/MWh (2021: 14 €/MWh). The price cap for heat produced by the Iru cogeneration plant was the same in the reporting and the comparative period, i.e. 7.98 €/MWh, but the price of heat produced by the Paide and Valka cogeneration plants grew due to an increase in the cost of purchased biomass.

Total revenues

The Cogeneration segment's total revenues grew year on year, rising from €69.5m to €94.3m (+36%). The strongest year-on-year growth was in electricity sales revenue (+€18.3m, +112%), which was driven by higher market prices, and pellet sales revenue (+€7.7m, +34%), which increased due to higher sales prices. There was a slight decrease in gate fees (the charges levied for waste received) revenue, which dropped by €1.2m, and electricity production support, which declined by €0.2m, due to a smaller production volume. Heat sales revenue remained at the same level as in 2021 despite the decrease in output and other income grew by €0.1m to €2.6m.

Total revenues



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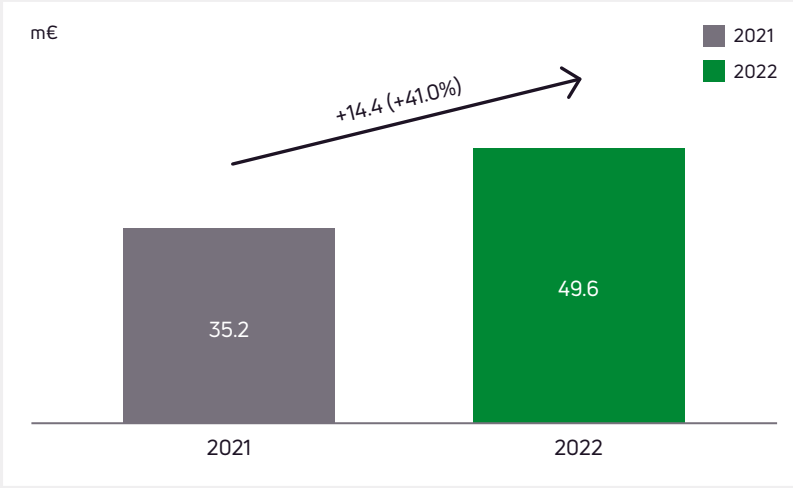
Operating expenses

The change in finished goods inventories was negative at €3.3m in 2022 because production exceeded sales whereas in 2021 the change was positive at €3.7m because sales exceeded production. The segment's variable costs grew by €16.7m in 2022 due to an increase in the price of biomass. Fixed costs grew by €0.6m to €10.1m. The main growth driver was payroll expenses, which increased by €0.6m.

EBITDA

The Cogeneration segment's EBITDA grew by €14.4m, i.e. by 41% compared with a year earlier, rising to €49.6m. Growth was mainly underpinned by high market prices of electricity and the EBITDA contribution of the pellet production business.

EBITDA



Solar energy segment

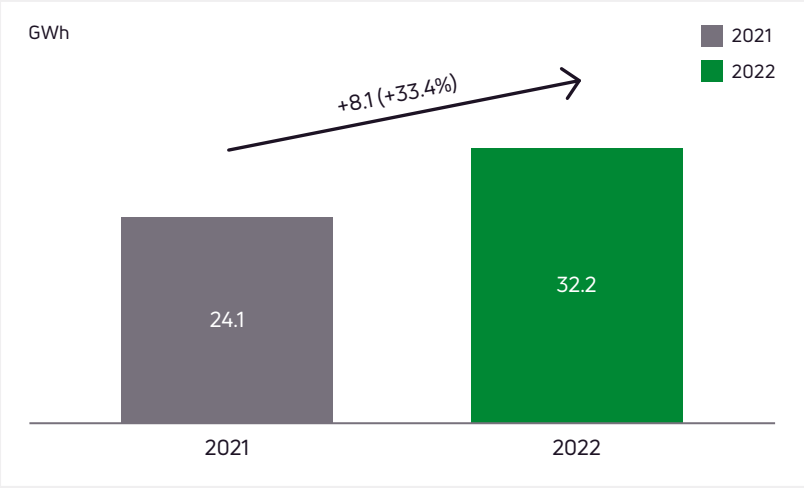
The Solar energy segment comprises the group's operating solar farms, solar farm developments and solar services.

Production

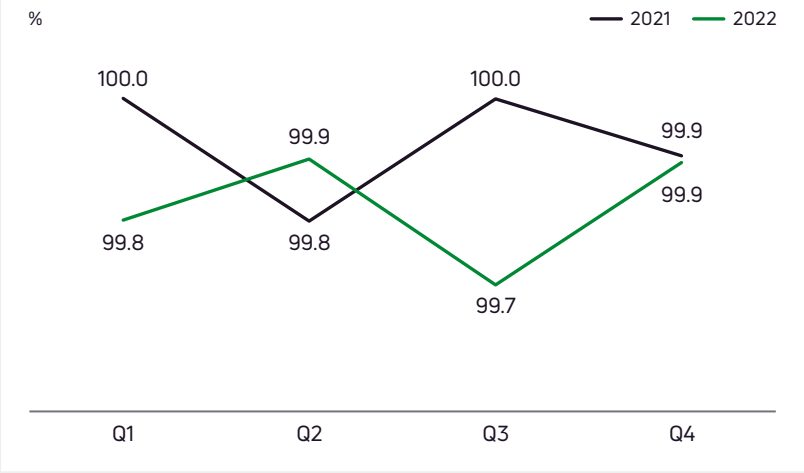
We produced 32.2 GWh of solar power in 2022, which is 8.1 GWh, i.e. 33%, more than in 2021. Sunny weather increased solar energy production in both Estonia and Poland.

The availability of solar farms was 99.8% in 2022 (2021: 99.9%). The 0.1 percentage point decrease in availability did not have a significant impact on variable profit.

Electricity production



Reliability of solar parks



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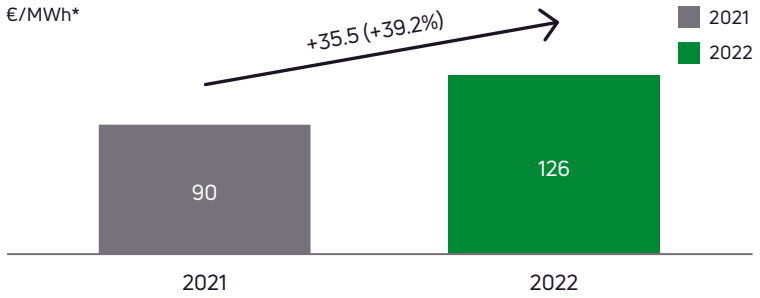
Electricity prices

Our solar farms in Estonia are partly exposed to movements in the market price of electricity. Our solar farms in Poland sell electricity at fixed prices which are adjusted for inflation on an annual basis – the price for 2022 was 430–460 PLN/MWh (92–98 €/MWh at the annual average zloty (PLN) exchange rate).

Implied captured electricity price

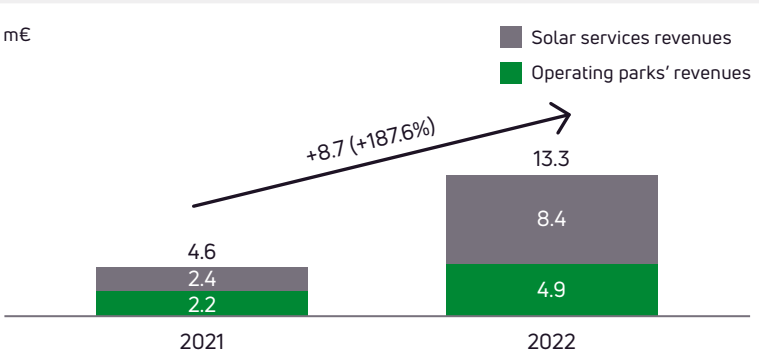


* implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support – electricity purchases on the Nord Pool day-ahead and intraday market – balancing energy purchases) / production

Total revenues

The total revenues of operating solar farms grew by €2.7m, supported by a larger sales volume and a higher average implied captured electricity price. Revenue from solar services amounted to €8.4m. Although the business is growing rapidly, its profit margin is low. Therefore, we decided to exit the turnkey solar solutions business in 2022.

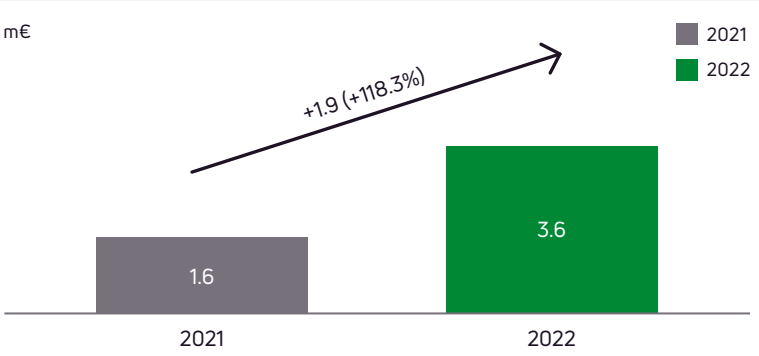
Total revenues



EBITDA

The Solar energy segment's EBITDA for 2022 was €3.6m, which is 118% higher than in 2021 (€1.9m). EBITDA grew mainly through growth in the production of solar energy and higher electricity prices in Estonia.

EBITDA



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Condensed Consolidated Interim Financial Statements

for Q4 2022 and 12 months of 2022

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Condensed Consolidated Interim Income Statement

€ thousand	Note	Q4 2022	Q4 2021	2022	2021
Revenue	9	76,381	59,346	233,280	153,002
Renewable energy support and other income	10	6,372	9,562	23,735	30,705
Change in inventories of finished goods and work in progress		(1,304)	(1,468)	3,303	(3,708)
Raw materials, consumables and services used	11	(30,486)	(13,854)	(85,954)	(44,038)
Payroll expenses		(2,470)	(1,781)	(9,111)	(6,713)
Depreciation, amortisation and impairment		(8,847)	(9,553)	(37,777)	(38,146)
Other operating expenses		(2,690)	(2,236)	(10,411)	(7,790)
OPERATING PROFIT		**36,956**	**40,016**	**117,065**	**83,312**
Finance income	14	240	503	337	721
Finance costs	14	(1,688)	(669)	(2,342)	(2,833)
Net finance costs		**(1,448)**	**(166)**	**(2,005)**	**(2,112)**
Profit from associates under the equity method		27	36	714	46
PROFIT BEFORE TAX		**35,535**	**39,886**	**115,774**	**81,246**
Income tax expense		(126)	(516)	(5,567)	(1,585)
PROFIT FOR THE PERIOD		**35,409**	**39,370**	**110,207**	**79,661**
Basic and diluted earnings per share					
Weighted average number of shares, thousand	6	264,276	256,405	264,276	86,707
Basic earnings per share, €	6	0.13	0.15	0.42	0.92
Diluted earnings per share, €	6	0.13	0.15	0.42	0.92
Basic earnings per share based on the post-IPO number of shares					
Post-IPO number of shares, thousand	6	264,276	264,276	264,276	264,276
Basic earnings per share	6	0.13	0.15	0.42	0.30

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Condensed Consolidated Interim Statement of Comprehensive Income

€ thousand	Note	Q4 2022	Q4 2021	2022	2021
PROFIT FOR THE PERIOD		**35,409**	**39,370**	**110,207**	**79,661**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Revaluation of hedging instruments (2022: incl items reclassified to profit and loss; 2021: items reclassified to profit and loss: nil)	5, 7	909	0	14,626	(12,426)
Exchange differences on the translation of foreign operations	7	884	57	203	(131)
Other comprehensive income (loss) for the period		**1,793**	**57**	**14,829**	**(12,557)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**37,202**	**39,427**	**125,036**	**67,104**

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Condensed Consolidated Interim Statement of Financial Position

€ thousand	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment	4	776,870	612,503
Intangible assets		60,382	68,239
Right-of-use assets		4,239	2,750
Prepayments for property, plant and equipment	4	19,412	20,710
Deferred tax assets		1,321	442
Investments in associates		506	578
Derivative financial instruments	5, 7	11,277	0
Long-term receivables		40	78
Total non-current assets		**874,047**	**705,300**
Current assets			
Inventories		14,227	9,529
Trade and other receivables and prepayments		41,091	22,373
Cash and cash equivalents		131,456	80,454
Derivative financial instruments	5, 7	3,349	0
Total current assets		**190,123**	**112,356**
Total assets		**1,064,170**	**817,656**

€ thousand	Note	31 Dec 2022	31 Dec 2021
EQUITY			
Equity and reserves attributable to owners the parent			
Share capital		264,276	264,276
Share premium	6	60,351	60,351
Statutory capital reserve		3,259	479
Other reserves	5, 7	166,419	151,793
Foreign currency translation reserve	7	(762)	(965)
Retained earnings		225,190	157,673
Total equity		**718,733**	**633,607**
LIABILITIES			
Non-current liabilities			
Borrowings	8	255,755	93,884
Government grants		7,115	7,458
Non-derivative contract liability	5, 7	18,086	23,207
Deferred tax liabilities		12,326	12,568
Other non-current liabilities		3,000	3,000
Provisions		9	13
Total non-current liabilities		**296,291**	**140,130**
Current liabilities			
Borrowings	8	23,808	29,572
Trade and other payables		20,215	14,291
Provisions		2	56
Non-derivative contract liability	5, 7	5,121	0
Total current liabilities		**49,146**	**43,919**
Total liabilities		**345,437**	**184,049**
Total equity and liabilities		**1,064,170**	**817,656**

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Condensed Consolidated Interim Statement of Cash Flows

€ thousand	Note	Q4 2022	Q4 2021	2022	2021
Cash flows from operating activities					
Cash generated from operations	12	30,481	48,634	136,223	121,532
Interest and loan fees paid		(1,360)	(1,016)	(3,202)	(3,377)
Interest received		239	3	251	25
Corporate income tax paid		(829)	(270)	(7,046)	(970)
Net cash generated from operating activities		**28,531**	**47,351**	**126,226**	**117,210**
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	4	(60,487)	(23,119)	(190,436)	(74,844)
Proceeds from sale of property, plant and equipment		0	74	3	96
Dividends received from associates		0	0	62	68
Proceeds from sale of shares in an associate		0	0	724	0
Net cash used in investing activities		**(60,487)**	**(23,045)**	**(189,647)**	**(74,680)**
Cash flows from financing activities					
Change in overdraft(net)		0	0	0	33,312
Bank loans received	8	100,000	0	270,000	10,000
Repayments of bank loans	8	(100,131)	(52,529)	(115,277)	(83,634)
Repayments of lease liabilities	8	(168)	(291)	(431)	(262)
Dividends paid		0	0	(39,906)	(27,100)
Proceeds from issue of shares		0	100,000	0	100,000
Share issue costs paid		0	(5,166)	0	(5,166)
Other adjustments		0	0	37	0
Net cash used in financing activities		**(299)**	**42,014**	**114,423**	**27,150**
Net cash flow		**(32,255)**	**66,320**	**51,002**	**69,680**
Cash and cash equivalents at the beginning of the period		163,711	14,134	80,454	10,774
Cash and cash equivalents at the end of the period		131,456	80,454	131,456	80,454
Net increase (decrease) in cash and cash equivalents		**(32,255)**	**66,320**	**51,002**	**69,680**

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Condensed Consolidated Interim Statement of Changes in Equity

€ thousand	Share capital	Share premium	Statutory capital reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total equity
Equity as at 1 January 2021	4,794	0	479	400,000	(834)	105,111	509,550
Profit for the period	0	0	0	0	0	79,661	79,661
Other comprehensive loss for the period	0	0	0	(12,426)	(131)	0	(12,557)
Total comprehensive income for the period	**0**	**0**	**0**	**(12,426)**	**(131)**	**79,661**	**67,104**
Bonus share issue	225,000	0	0	(225,000)	0	0	0
Issue of share capital (note 6)	34,482	60,351	0	0	0	0	94,833
Fair value on initial recognition of derivative financial instrument transactions conducted with the parent	0	0	0	(10,781)	0	0	(10,781)
Dividends paid	0	0	0	0	0	(27,100)	(27,100)
Other adjustments	0	0	0	0	0	1	1
Total contributions by and distributions to owners of the company, recognised directly in equity	**259,483**	**60 351**	**0**	**(235,781)**	**0**	**(27,099)**	**56,953**
Equity as at 31 December 2021	**264,276**	**60,351**	**479**	**151,793**	**(965)**	**157,673**	**633,607**
Equity as at 1 January 2022	**264,276**	**60,351**	**479**	**151,793**	**(965)**	**157,673**	**633,607**
Profit for the period	0	0	0	0	0	110,207	110,207
Other comprehensive income for the period	0	0	0	14,626	203	0	14,829
Total comprehensive income for the period	**0**	**0**	**0**	**14,626**	**203**	**110,207**	**125,036**
Increase of the statutory capital reserve	0	0	2,780	0	0	(2,780)	0
Dividends paid	0	0	0	0	0	(39,906)	(39,906)
Other adjustments	0	0	0	0	0	(4)	(4)
Total contributions by and distributions to owners of the company, recognised directly in equity	**0**	**0**	**2,780**	**0**	**0**	**(42,690)**	**(39,910)**
Equity as at 31 December 2022	**264,276**	**60,351**	**3,259**	**166,419**	**(762)**	**225,190**	**718,733**

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Notes to the Condensed Consolidated Interim Financial Statements

1. Summary of significant accounting policies

These condensed consolidated interim financial statements (interim financial statements) have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and they do not include all the notes normally included in the annual financial statements. Thus, they should be read in conjunction with the group's annual financial statements as at and for the year ended 31 December 2021, which have been prepared in accordance with IFRS as adopted by the European Union.

These interim financial statements have been prepared using the same accounting policies as those applied in the preparation of the group's annual financial statements as at and for the year ended 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, and income and expenses. Actual results may differ from those estimates. Significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were mainly the same as those described in the group's annual financial statements as at and for the year ended 31 December 2021.

These interim financial statements have not been audited or otherwise checked by auditors.

2. Financial risk management

Through its activities, the group is exposed to various financial risks: market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. Condensed interim financial statements do not contain all the information about the group's financial risk management which is required to be disclosed in the annual financial statements. Therefore, these interim financial statements should be read in conjunction with group's annual financial statements as at and for the year ended 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 March 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. Interest rate risk is mitigated partly by raising debt at fixed interest rates and partly by hedging: fixing the interest expenses of floating-rate borrowings raised with IRS instruments. Information on IRS transactions is disclosed in note 5.

The group regards equity and borrowings (debt) as capital. In order to maintain or change its capital structure, the group may change the dividend distribution rate, repay capital contributions to owners, issue new shares or sell assets to reduce its financial liabilities, and raise debt capital in the form of loans.

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On raising loans, management assesses the group's ability to service the principal and interest payments with operating cash flow and, where necessary, starts timely negotiations to refinance existing loans before their maturity. For further information about financing ratios and borrowings, see in the financing chapter in the management report.

3. Segment reporting

Enefit Green's management board assesses the group's financial performance and makes management decisions on the basis of segment reporting where the group's reportable operating segments have been identified by reference to the main business lines of its business units. All production units operated by the group have been divided into operating segments based on the way they produce energy. Other internal structural units have been divided between operating segments based on their core activity.

The group has identified three main business lines, which are presented as separate reportable segments, and less significant business activities and functions, which are presented within Other:

1. Wind energy (comprises all of the group's wind farms);
2. Cogeneration (comprises all of the group's cogeneration plants and the pellet factory);
3. Solar energy (comprises all of the group's solar farms);;
4. Other (hydropower, hybrid renewable energy solutions, and central development and management units).

The segment Other comprises activities whose individual contribution to the group's revenue and EBITDA is insignificant. None of those activities exceeds the quantitative thresholds for separate disclosure.

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, there are no intragroup transactions between segments to be eliminated.

Management assesses segment results mainly on the basis of EBITDA, but also monitors operating profit. Finance income and costs, income tax expense and profits and losses on investments in equity-accounted investees are not allocated to operating segments.

The group's non-current assets are allocated to segments based on their purpose of use. Liabilities and current assets are not allocated to segments.

Financial results by segments

€ thousand	Q4 2022	Q4 2021	2022	2021
REVENUE				
Wind energy	43,582	37,419	130,709	84,409
Cogeneration	31,778	20,208	88,288	63,579
Solar energy	765	1,427	13,597	4,149
Total reportable segments	**76,125**	**59,054**	**232,595**	**152,138**
Other	255	292	686	864
Total	**76,380**	**59,346**	**233,280**	**153,002**
RENEWABLE ENERGY SUPPORT AND OTHER INCOME				
Wind energy	4,273	7,833	18,088	24,114
Cogeneration	1,994	1,719	6,015	5,906
Solar energy	178	(37)	(323)	465
Total reportable segments	**6,446**	**9,515**	**23,780**	**30,485**
Other	(74)	47	(44)	220
Total	**6,372**	**9,562**	**23,735**	**30,705**
EBITDA				
Wind energy	30,331	39,768	109,423	89,860
Cogeneration	17,520	11,311	49,610	35,181
Solar energy	211	28	3,553	1,628
Total reportable segments	**48,062**	**51,108**	**162,585**	**126,669**
Other	(2,259)	(1,538)	(7,743)	(5,211)
Total EBITDA	**45,803**	**49,569**	**154,842**	**121,457**
Depreciation, amortisation and impairment losses	(8,847)	(9,553)	(37,777)	(38,145)
Net finance costs	(1,142)	(166)	(2,005)	(2,112)
Profit (loss) from associates under the equity method	(27)	(36)	714	46
Profit before tax	**35,841**	**39,886**	**115 774**	**81,246**
OPERATING PROFIT				
Wind energy	25,031	32,998	83,646	62,729
Cogeneration	14,908	8,743	39,366	24,998
Solar energy	(679)	(160)	1,984	917
Total reportable segments	**39,260**	**41,580**	**124,997**	**88,645**
Other	(2,305)	(1,564)	(7,932)	(5,333)
Total	**36,955**	**40,016**	**117,065**	**83,312**

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€ thousand	Q4 2022	Q4 2021	2022	2021
INVESTMENTS IN NON-CURRENT ASSETS				
Wind energy	56,362	23,283	174,729	72,866
Cogeneration	432	619	1,367	2,217
Solar energy	2,431	195	16,548	953
Total reportable segments	**59,225**	**24,098**	**192,643**	**76,036**
Other	927	272	1,913	435
Total	**60,152**	**24,370**	**194,556**	**76,471**

€ thousand	31 Dec 2022	31 Dec 2021
NON-CURRENT ASSETS		
Wind energy	673,650	535,000
Cogeneration	134,352	141,286
Solar energy	49,965	25,691
Total reportable segments	**857,968**	**701,977**
Other	4,802	3,322
Total	**862,770**	**705,300**

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4. Property, plant and equipment

€ thousand	Land	Buildings	Structures	Plant and equipment	Construction in progress	Pre-payments	Total
Property, plant and equipment as at 31 December 2021							
Cost	39,944	25,415	42,067	744,494	33,883	20,710	906,513
Accumulated depreciation	0	(9,745)	(23,746)	(239,791)	(18)	0	(273,300)
Carrying amount	39,944	15,670	18,321	504,703	33,865	20,710	633,213
Total property, plant and equipment as at 31 December 2021	**39,944**	**15,670**	**18,321**	**504,703**	**33,865**	**20,710**	**633,213**
Movements in the reporting period							
Purchases of property, plant and equipment	23,986	0	15	1,068	169,109	(1, 684)	192,494
Exchange differences	0	(6)	(2)	(177)	(5)	1	(189)
Transfers	23	164	138	6,136	650	385	7,496
Depreciation and write-down	0	(640)	(1,268)	(34,824)	0	0	(36,732)
Total movements in 2022	**24,009**	**(482)**	**(1,117)**	**(27,797)**	**169,754**	**(1,298)**	**163,069**
Property, plant and equipment as at 31 December 2022							
Cost	63,953	25,573	42,218	751,521	203,637	19,412	1,106,314
Accumulated depreciation	0	(10,385)	(25,014)	(274,615)	(18)	0	(310,032)
Carrying amount as at 31 December 2022	**63,953**	**15,188**	**17,204**	**476,906**	**203,619**	**19,412**	**796,282**

At 31 December 2022, the group had committed to capital expenditures of €89,623k (31 December 2021: €194,691k).

5. Non-derivative contract liability, derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method for recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if it is, the nature of the item being hedged. As at 31 December 2022, the group used cash flow hedging instruments in order to hedge the exposure to interest rate risk resulting from floating-rate borrowings.

The group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, and its risk management objectives and strategy for undertaking various hedge transactions. The group also documents whether there is an economic relationship between the derivatives that are used in hedging transactions and the changes in the cash flows of the hedged items. At inception of the hedge, the group documents the sources of hedge ineffectiveness. Hedge ineffectiveness is quantified in each reporting period and recognised in profit or loss.

The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedging instrument is more than 12 months and as a current asset or liability when the remaining maturity of the hedging instrument is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as a net amount within other income or other operating expenses. The day one fair value of derivative instruments entered into with the parent is recognised directly in equity when its economic substance is a distribution to the parent of resources embodying economic benefits.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in other income or other operating expenses in profit or loss.

The different levels for the determination of the fair value of financial instruments have been defined as follows:

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The valuation techniques maximise the use of observable market data where it is available and rely as little as possible on the group's own estimates. An instrument is included in level 3 if one or more significant inputs are not based on observable market data.

Non-derivative contract liability

During 2021 the group used cash flow hedging instruments in order to hedge the exposure to variability in the price of electricity.

A part of the renewable electricity production assets operated by the group which is not subject to a subsidy scheme under a feed-in-tariff is exposed to the risk of electricity price fluctuations as the electricity is sold on the Nord Pool power exchange. To hedge the risk of electricity price volatility, the group has used base load swap derivative contracts. Under the given derivatives, the group is the payer of the floating price and the counterparty the payer of the fixed price.

Transactions designed to hedge the risk of variability in electricity prices are designated as hedging instruments under cash flow hedges. The underlying hedged item is the market price risk of highly probable forecast renewable electricity sales transactions that are exposed to market price fluctuations. The hedge ratio of the hedging relationships is one to one.

The fair values of the level 3 instruments have been estimated using a combination of market prices, mathematical models, and assumptions based on historical and forward-looking market and other relevant data. The most significant input of the fair value of the derivatives is the long-term electricity price. The group determined the underlying price for the calculation of fair value based on a long-term price curve for the Lithuanian and Estonian electricity markets, which was between 34 €/MWh and 59 €/MWh. Derivative financial instruments were remeasured to fair value as at 17 August 2021.

At the trade date the fair value of derivatives designated as hedging instruments was negative at €(10,781)k, which was recognised directly in equity as it reflected a transaction with the parent, Eesti Energia AS. The balance at 31 December 2022 was €(10,781)k.

Enefit Green AS and its parent Eesti Energia AS entered into an EFET General Agreement Concerning the Delivery and Acceptance of Electricity (EFET General Agreement) on 17 August 2021, simultaneously terminating all open derivative contracts existing between them. By signing the agreement, the parties entered into a fixed-price physical electricity sales contract for the period 2023–2027. The contract was entered into for the same quantities of electricity and at the same fixed prices as had been agreed for the originally recognised derivatives.

The group continued to apply hedge accounting to the open derivatives position until 17 August 2021, recognising changes in the fair value of the derivatives until the date of signature of the EFET General Agreement. The negative value of the derivative financial instruments classified as liabilities increased from €(10,781)k at the trade date to €(23,207)k at 31 December 2021 due to the change in the electricity price in the period from the trade date to 17 August 2021. The negative fair value change of €(12,426)k has been recognised in other comprehensive income as no material sources of hedge ineffectiveness were identified in the hedging relationships in the period between 1 July and 17 August 2021. Since the derivative financial instruments had been measured to fair value by the date of conclusion of the EFET General Agreement, (measurement date 17 August 2021), their value, which has been classified as a liability, will not change before the arrival of the supply period determined in the EFET General Agreement, which is 2023–2027. The balance at 31 December 2022 was €(12,426)k.

The EFET General Agreement meets the own use exemption and, therefore, is not considered to be a financial instrument that is required to be measured at fair value under IFRS 9. Rather, it is to be accounted for as an executory contract under IFRS 15 Revenue from Contracts with Customers with the revenue being recognised at a fixed per-unit value only when the delivery of electricity takes place in the years 2023–2027. No gains or losses were recognised at the date the derivative contracts were replaced with the EFET General Agreement. Upon entering into the EFET General Agreement, the carrying amount of the derivatives classified as a liability at that date, which was €(23,207)k, was reclassified as a non-derivative liability, which will gradually increase recognised revenue until the EFET General Agreement is fulfilled. Such an increase in revenue will be partially offset by the reclassification of the €(12,426)k accumulated in the electricity cash flow hedge reserve to profit or loss due to the discontinuance of hedge accounting. The amount is the difference between the fair value of the derivative financial instruments at 17 August 2021 of €(23,207)k and the trade date fair value of the derivatives of €(10,781)k, which is recognised directly in equity. See note 7 for further information.

Interest rate swap transactions

At 31 December 2022, the group had three interest rate swap agreements in place to hedge the exposure to the interest rate risk of three loans (no interest rate swaps in the comparative period):

- An interest rate swap with a notional amount of €80,000k whereby the group receives interest at a rate equal to 6 month EURIBOR and pays a fixed rate of interest of 1.1%. The swap is designed to hedge the exposure to the interest rate risk of a floating-rate loan paid out on 30 September 2022.
- An interest rate swap with a notional amount of €50,000k whereby the group receives interest at a rate equal to 3 month EURIBOR and pays a fixed rate of interest of 1.049%. The swap is designed to hedge the exposure to the interest rate risk of a floating-rate loan paid out on 24 September 2022.
- An interest rate swap with a notional amount of €38,334k whereby the group receives interest at a rate equal to 6 month EURIBOR and pays a fixed rate of interest of 1.125%. The swap is designed to hedge the exposure to the interest rate risk of a floating-rate loan paid out on 30 June 2022

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 December 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 one to one. 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.

At 31 December 2022, the effect of hedging instruments on the group's statement of financial position was as follows (€ thousand):

	Notional amount	Carrying amount (Asset)	Carrying amount (Liability)	Line item in the statement of financial position	Change in fair value*	Hedge ineffectiveness recognised in profit or loss	Amounts transferred from hedge reserve to profit or loss
Interest rate swaps	168,334	14,626	0	Tuletisinstrumendid	909	0	0

* Recognised in other comprehensive income compared to 30 September 2022

At 31 December 2022, the effect of the hedged items on the group's statement of financial position was as follows (€ thousand):

	Change in fair value used to measure ineffectiveness	Amounts recognised in hedge reserve	Amounts recognised in hedge reserve to which hedge accounting is no longer applied
Floating rate loans	14,626	14,626	0

Fair value has been measured based on a model from a third party, which was supported by the confirmation of the counterparty to the trade.

In its internal calculations, the group determines the fair value of interest rate swaps by estimating the present value of the expected future cash flows based on the interest rate curves of EURIBOR observable in the market.

The fair value measurement takes into account the credit risk of the group and the counterparty, which is calculated based on current credit spreads derived from credit default swaps or bond prices. The fair value of interest rate swaps qualifies as a level 2 measurement.

6. Share capital and dividends

At 31 December 2022, the number of the registered shares of Enefit Green AS amounted to 264,276,232 (31 December 2021: 264,276,232 shares).
The nominal value of a share is 1 euro.

Basic earnings per share (EPS) have been calculated by dividing profit for the period attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period. Since the group has no potential ordinary shares, diluted earnings per share for all periods presented equal basic earnings per share.

The company's number of shares changed significantly during the comparative period due to both a bonus issue and the sale of new shares. Therefore, in addition to presenting EPS consistent with IFRS requirements as described above, it may be informative to analyse EPS calculated based on the number of shares outstanding at the end of the reporting period (i.e. by taking into account the bonus issue and IPO in 2021).

The figure is an alternative performance measure (APM), which is not defined in IFRS and may not be comparable with the APMs of other companies.
The group believes that APMs provide the readers of the consolidated financial statements with additional useful information about the group's financial performance. The APMs should be viewed as supplemental to, and not as a substitute for, the measures presented in the consolidated financial statements in accordance with IFRS.

Basic and diluted earnings per share (based on the weighted average number of shares)

	Unit	Q4 2022	Q4 2021	2022	2021
Profit attributable to owners of the parent	€ thousand	35,408	39,370	110,206	79,661
Weighted average number of shares	thousand	264,276	256,405	264,276	86,707
Basic earnings per share	€	0.13	0.15	0.42	0.92
Diluted earnings per share	€	0.13	0.15	0.42	0.92

Basic earnings per share based on the post-IPO number of shares

	Unit	Q4 2022	Q4 2021	2022	2021
Number of shares at end of period	thousand	264,276	264,276	264,276	264,276
Basic earnings per share	€	0.13	0.15	0.42	0.30

Dividend

According to the decision of the general meeting of the shareholders that took place on 17 May 2022, dividends of €39,906k euros in total (€0.151 per share) were paid out on 8 June 2022.

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7. Other reserves

€ thousand	31 Dec 2022	31 Dec 2021
Other reserves at the beginning of the period	**150,828**	**399,165**
of which currency translation reserve	(965)	(835)
of which electricity cash flow hedge reserve	(12,426)	0
of which fair value on initial recognition of a derivative financial instruments transaction conducted with the parent	(10,781)	0
of which other reserves	175,000	400,000
Increase of share capital through a bonus issue	0	(225,000)
Change in fair value of cash flow hedges	0	(12,426)
of which electricity cash flow hedge reserve	0	(12,426)
Fair value on initial recognition of a derivative financial instruments transaction conducted with the parent	0	(10,781)
Interest rate swap transactions	14,626	0
Exchange differences on the translation of foreign operations	203	(130)
Other reserves at the end of the period	**165,657**	**150,828**
of which currency translation reserve	(762)	(965)
of which interest rate swap transactions	14,626	0
of which electricity cash flow hedge reserve	(12,426)	(12,426)
of which fair value on initial recognition of a derivative financial instruments transaction conducted with the parent	(10,781)	(10,781)
of which other reserves	175,000	175,000

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8. Borrowings at amortised cost

€ thousand	Short-term borrowings		Long-term borrowings		
	Bank loans	Lease liabilities	Bank loans	Lease liabilities	Total
Borrowings at amortised cost 31 December 2021	**29,348**	**224**	**91,049**	**2,835**	**123,456**
Movements in the reporting period					
Monetary movements					
Borrowings received	0	115	270,000	0	270,115
Repayments of borrowings	(115,277)	(431)	0	0	(115,708)
Non-monetary movements					
Initial recognition of lease liabilities	0	108	0	1,745	1,853
Transfers	109,348	396	(109,348)	(396)	0
Other movements	(23)	0	(124)	(6)	(153)
Total movements in 2022	**(5,952)**	**188**	**160,528**	**1,343**	**156,107**
Borrowings at amortised cost 31 December 2022	**23,396**	**412**	**251,577**	**4,178**	**279,563**

Line item 'Transfers' comprises the change in the short-term principal amount of the loan due to the changes in the repayment schedule.

9. Revenue

€ thousand	Q4 2022	Q4 2021	2022	2021
Revenue by activity				
Sale of goods				
Pellets	13,618	7,517	30,234	22,507
Scrap metal	293	304	1,049	1,090
Other goods	(14)	92	3,343	244
Total sale of goods	**13,897**	**7,913**	**34,626**	**23,840**
Sale of services				
Heat	2,555	2,119	7,227	7,187
Electricity	55,251	43,696	170,456	103,213
Waste reception and resale	3,806	3,913	14,195	15,371
Rental and maintenance of assets	392	1,333	6,015	2,961
Other services	480	373	761	430
Total sale of services	**62,484**	**51,433**	**198,654**	**129,161**
Total revenue	**76,381**	**59,346**	**233,280**	**153,002**

10. Renewable energy support and other income

€ thousand	Q4 2022	Q4 2021	2022	2021
Renewable energy support	6,076	8,955	22,827	29,546
Government grants	94	183	435	588
Other income	202	424	473	571
Total renewable energy support and other income	**6,372**	**9,562**	**23,735**	**30,705**

11. Raw materials, consumables and services used

€ thousand	Q4 2022	Q4 2021	2022	2021
Maintenance and repairs	3,681	3,689	15,038	15,354
Technological fuel	8,382	4,212	23,187	12,381
Electricity	15,795	3,279	32,712	8,169
Services related to ash treatment	502	875	2,137	2,812
Transport services for sale of finished goods	554	483	1,815	1,769
Materials and spare parts for production	907	963	9,578	2,303
Transmission services	104	68	309	344
Waste handling	436	101	683	385
Resource charges for natural resources	2	2	8	7
Other raw materials, consumables and services used	51	106	228	232
Environmental pollution charges	72	77	259	282
Total raw materials, consumables and services used	**30,486**	**13,854**	**85,954**	**44,037**

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12. Cash generated from operations

€ thousand	Q4 2022	Q4 2021	2022	2021
Profit before tax	**35,535**	**39,886**	**115,774**	**81,246**
Adjustments				
Depreciation and impairment of property, plant and equipment	8,536	9,470	37,355	38,028
Amortisation and impairment of intangible assets	310	83	422	118
Amortisation of government grants related to assets	(94)	(148)	(435)	(554)
Interest expense on borrowings	664	632	1,697	2,816
Gain on sale of a business	0	0	(645)	0
Profit from associates using the equity method	(27)	(104)	(7)	(115)
(Gain) loss on disposal of property, plant and equipment	0	17	(3)	19
Interest and other finance income	(239)	(2)	(251)	(26)
Amortisation of connection fees and other service charges	0	0	0	(8)
(Gain) loss on other non-cash transactions	0	(691)	0	(691)
Foreign exchange (gain) loss loans granted and taken out	230	36	(147)	(67)
Adjusted net profit before tax	**44,915**	**49,179**	**153,760**	**120,766**
Net change in current assets relating to operating activities				
Change in receivables related to operating activities	(7,954)	(1,921)	(686)	(712)
Change in inventories	1,116	1,513	(4,699)	1,556
Net change in other current assets related to operating activities	(9,609)	(3,644)	(16,803)	(2,361)
Total net change in current assets related to operating activities	**(16,447)**	**(4,053)**	**(22,188)**	**(1,517)**
Net change in current liabilities related to operating activities				
Change in provisions	(26)	(57)	(58)	(57)
Change in trade payables	2,635	(1,201)	4,814	(2,062)
Net change in other liabilities related to operating activities	(596)	4,766	(105)	4,402
Total net change in liabilities related to operating activities	**2,013**	**3,508**	**4,651**	**2,283**
Cash generated from operations	**30,481**	**48,634**	**136,223**	**121,532**

13. Transactions and balances with related parties

The parent of Enefit Green AS is Eesti Energia AS. At 31 December 2022, the sole shareholder of Eesti Energia AS was the Republic of Estonia.

For the purposes of the condensed consolidated interim financial statements of Enefit Green, related parties include the owners, other companies belonging to the same group (group companies), members of the executive and higher management, and close family members of the above persons and companies under their control or significant influence. Related parties also include entities under the control or significant influence of the state.

The Group has applied the exemption from disclosure of individually insignificant transactions and balances with the government and other related parties where the state has control or joint control of, or significant influence over, such parties.

Enefit Green AS and its subsidiaries produce renewable energy that is sold directly to third parties (incl. to the Nord Pool power exchange). The parent, Eesti Energia AS, provides Enefit Green AS with back-office services to assist in those sales procedures. The costs related to the services are presented in the table within purchases of services.

The original negative fair value of the derivative financial liability of €(10,780) k has been recognised directly in equity. The subsequent cumulative negative change in the fair value of the derivative financial liability of €(12,426)k has been recognised in other comprehensive income and the cash flow hedge reserve in equity (see also notes 5 and 7).

The group also discloses transactions with companies under the control or significant influence of the state. In the reporting period and the comparative period, the group conducted significant purchase and sales transactions with the Estonian transmission system operator Elering AS, which is wholly owned by the state.

At 31 December 2022, Enefit Green AS had signed long-term physical electricity sales contracts of 9,315 GWh with Eesti Energia AS for the supply of electricity in the Lithuanian, Estonian, Finnish and Polish electricity networks in the period 2023–2033. The contracts are for the supply of both annual and monthly baseload energy. The weighted average price of the physical electricity sales contracts signed with the related party is 69.5 €/MWh.

€ thousand	Q4 2022	Q4 2021	2022	2021	€ thousand	31 Dec 2022	31 Dec 2021
TRANSACTIONS					BALANCES		
THE PARENT							
Purchase of services	5,682	3,530	15,252	8,664	Receivables	11,967	3,293
Sale of goods	0	0	0	3			
Sale of services	19,500	4,815	32,320	8,090	Payables	26,412	24,755
					Of which non-derivative contract liability	23,207	23,207
OTHER GROUP COMPANIES							
Purchase of goods	65	0	73	304	Receivables	31	908
Purchase of services	1,636	1,341	6,180	2,387	Payables	731	941
Sale of goods	(50)	46	3,155	106			
Sale of services	379	1,469	7,907	3,222			
OTHER RELATED PARTIES (INCLUDING ASSOCIATES)							
Purchase of services	338	654	1,587	1,833	Receivables	21	0
Sale of services	16	16	18	16	Payables	251	454
ELERING AS							
Purchase of services	10,967	72	11,139	330	Receivables	2,064	2,718
Sale of services	5,944	9,105	23,891	29,441	Payables	29	43

14. Net financial costs

In 2022 previously published unaudited interim reports, financial costs and financial income have been equally reported as higher by capitalised interest expenses. In Enefit Green's 9 month interim report, the difference in both financial costs and financial income was 985 thousand euros. The net financial costs have been reported correctly.

€ thousand	9 months 2022		
	Reported	Corrected	Difference
Financial income	1,703	718	(985)
Financial costs	(2,261)	(1,276)	+985
Net financial costs	**(588)**	**(588)**	**0**

15. Events after the reporting period

On 6 January 2023, Enefit Green signed financing agreements of €325m in total with SEB and the Nordic Investment Bank. The amount of the loan agreement signed with the Nordic Investment Bank is €100m and the loan term is 12 years. The total volume of the financing agreements with SEB is up to €225m and the loan term is seven years.

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