Enefit Green

Unaudited Interim Report Q4 and 12 months 2023

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Legal name Enefit Green AS
Commercial Registry number 11184032
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Main activities Production of electricity and heat energy in cogeneration plants, production of electricity in wind farms, solar farms and a hydropower plant

Reporting period 1 January 2023 – 31 December 2023
Auditor AS PricewaterhouseCoopers

2023

OPERATING INCOME
€ 230 m

INVESTMENTS
€ 356 m

EBITDA*
€ 106 m

OPERATING CAPACITY (ELECTRICITY)
515 MW

NET PROFIT
€ 56 m

CAPACITY UNDER CONSTRUCTION (ELECTRICITY)
709 MW

PRODUCTION OF ELECTRICITY
1.3 TWh

EMPLOYEES (31 DECEMBER 2023)
154

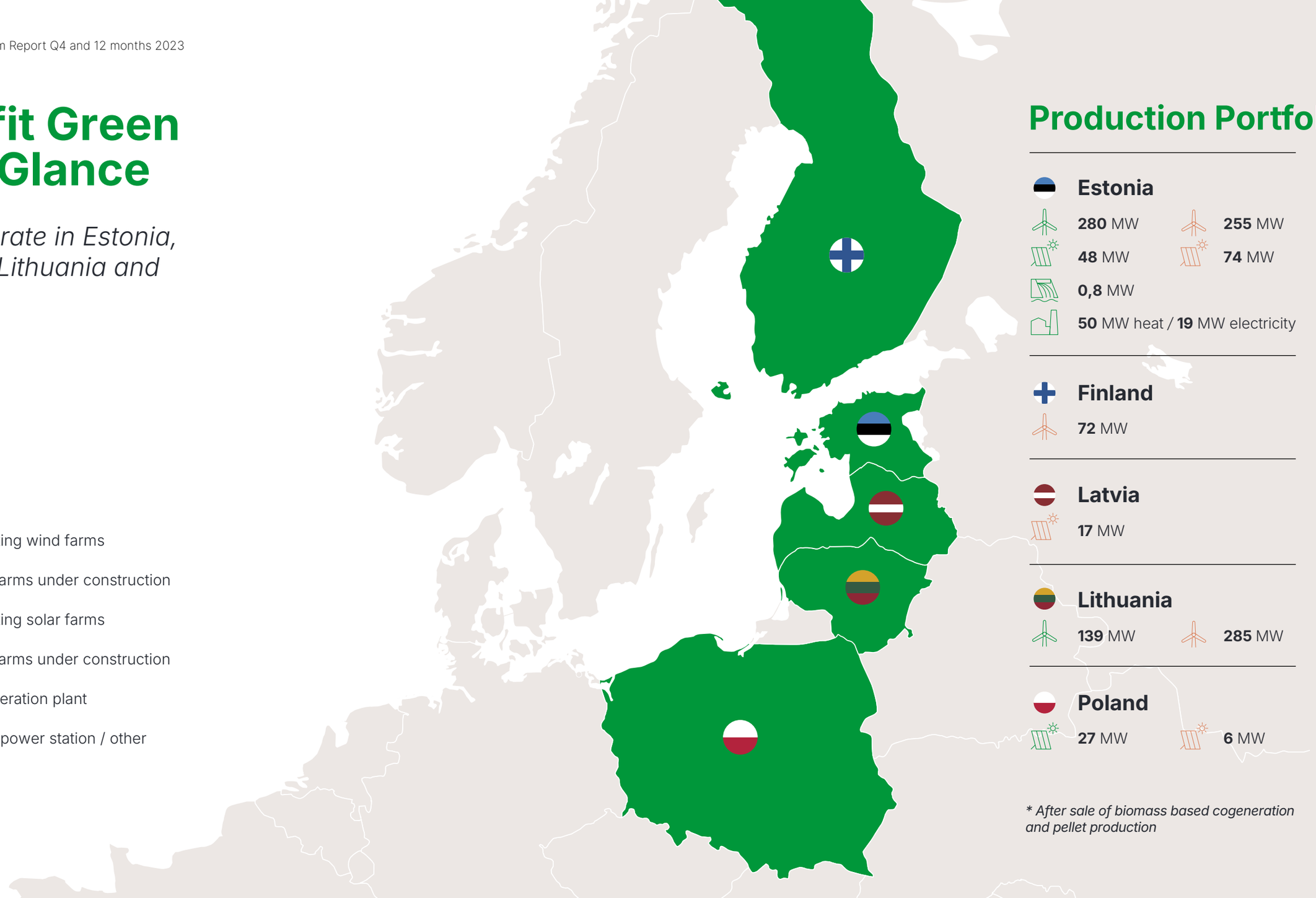
PRODUCTION OF HEAT ENERGY
604 GWh

INVESTORS
64,000

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

Enefit Green at a Glance

We operate in Estonia, Latvia, Lithuania and Finland



- Operating wind farms
- Wind farms under construction
- Operating solar farms
- Solar farms under construction
- Cogeneration plant
- Hydro power station / other

Production Portfolio*

Estonia

- **280** MW
- **255** MW
- **48** MW
- **74** MW
- **0,8** MW
- **50** MW heat / **19** MW electricity

Finland

- **72** MW

Latvia

- **17** MW

Lithuania

- **139** MW
- **285** MW

Poland

- **27** MW
- **6** MW

** After sale of biomass based cogeneration and pellet production*

Dear reader

Enefit Green is one of the leading growth-oriented renewable energy companies in the Baltic Sea region. At the end of 2023, Enefit Green had more than 700 MW of power generation assets under construction and more than 500 MW of power generation assets in operation. In the last three years, we have made 14 investment decisions worth almost €1bn. We have a strong short- and long-term development portfolio of onshore and offshore wind and solar farms totalling around 4,900 MW.

In 2023, we completed the first hybrid wind and solar farm in the Baltics in Purtse, Estonia, which started producing electricity just one year after the investment decision. The unique hybrid facility uses the same substation and connection point to deliver wind and solar power to the grid. In the future, we will add a battery storage solution to the hybrid farm.

We built a solar power plant (3 MW) on the territory of the Estonia mine in Estonia, which started producing electricity within six months of the start of construction and became fully operational in December. We also completed the construction of the Zambrów solar power plant (9 MW) in Poland, our largest solar plant in the country to date.

We continued the construction of Sopi-Tootsi – a renewable energy production area with the largest capacity in the Baltics. We are building a wind farm (255 MW) and a solar farm (74 MW) on the depleted Tootsi peat extraction site, Estonia, with a view to rehabilitating the low-value land and producing enough electricity to meet almost a tenth of Estonia's current electricity consumption. The wind and the solar farm are scheduled for completion in 2025.

Enefit Green's goal is to increase renewable energy production sustainably, while hedging risks and delivering a return on capital. We started 2023 with the expectation that we would be able to make investment decisions and start building new renewable energy assets of around 480 MW in the next 12 months. Despite the fall in electricity prices, we made investment decisions on renewable energy capacities of around 180 MW during the year.

We decided to start building the Kelmė II wind farm (87 MW) in Lithuania, the Sopi solar farm (74 MW, our largest solar farm to date) in Estonia and our first solar power plants in Latvia (Austrum 6 MW and Dzērves 11 MW). The total cost of these investments exceeds €200m.

Our biggest setback was at the Akmenė wind farm (75 MW) under construction in Lithuania, where one of the wind tur-

bines, which had not yet been delivered by the supplier, collapsed in May. At the end of the year, 13 of the 14 wind turbines at Akmenė were generating electricity.

At the Tolpanvaara wind farm in northern Finland (72 MW), strong winds hampered the installation of wind turbines and technical problems with the adjustment and testing of the turbines had to be resolved.

Enefit Green produced 1.3 TWh of electricity and 604 GWh of heat in 2023. Our electricity production grew by 20%, while heat production increased by 7% compared to 2022. The main contributors to the strong rise in electricity production were new wind farms, including those still under construction. The Purtse hybrid farm, together with the Šilalė II, Akmenė and Tolpanvaara wind farms, contributed significantly to the 20% increase in electricity production.

Although the new wind and solar farms made a significant contribution, electricity production did not reach the target. This was mainly due to weak wind conditions, the incident at Akmenė and the lower availability of the Šilutė wind farm.

Lower than planned production increased expenses on electricity purchased to meet obligations under long-term power purchase agreements. In order to mitigate price risk, Enefit Green has entered into long-term agreements and sold forward a large part of its electricity production. In a situation where actual production was significantly lower than planned, the shortfall had to be covered by electricity purchased from the market. In 2023, the related costs increased by €15.7m, accounting for most of the 18% increase in operating expenses.

In 2023, electricity prices fell several times compared to 2022. For most of the year, the electricity price was below 100 €/MWh, averaging 92.7 €/MWh in our core markets (2022: 205.5 €/MWh). Our implied captured electricity price in 2023 was 89.7 €/MWh (2022: 149.5 €/MWh). Operating income decreased by 10% to €230.1m, mainly due to lower market prices for electricity. As a result, EBITDA decreased by around one third to €105.9m. Net profit, which was further impacted by an increase in income tax expense of €4.1m and depreciation and amortisation of €2.8m, amounted to €55.8m.

Enefit Green is a company focused on sustainable growth. By the end of 2025, when the assets currently under construction have been completed, the capacity of our operating power generation assets will increase to 1.2 GW and our expected annual electricity production will be 3 TWh. This will make Enefit Green an even stronger company than it is today.

At the end of 2023, Enefit Green had more than

700

MW of production assets under construction

and more than

500

MW of production assets in operation.

To sharpen our focus and free up capital, we decided to sell our biomass cogeneration businesses in Estonia and Latvia and our pellet production business in Latvia at the end of 2023. This will allow us to focus even more on our strategic core business: the development of wind and solar power in the Baltic countries and Poland.

The key to a rapid, competitive and energy-independent green transition is electrification based on renewable energy. Wind and solar are the most competitive renewable energy technologies. There is no doubt that our energy system is shifting towards renewables, and the biggest growth will come from wind power.

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In 2023, for the first time in history, wind generated more electricity than gas in the EU. However, fossil fuels still account for 33% of the EU's total electricity generation, which cannot keep up with the growing demand for electricity. While a record 17 GW of new wind farms were built in the EU last year, this is less than is needed to meet the 2030 climate targets.

Falling interest rates and slowing inflation, together with the improving financial performance of wind turbine manufacturers, should accelerate growth in wind power deployment. Regulatory risks should also decrease as electricity prices have decreased compared to 2023.

In 2024, we will continue to make every effort to ensure that all assets under construction are completed and that every MWh of electricity is produced.

We are proud that our team's commitment and belief in the success of the company remain high. The trust of our 64,000 investors and their faith in the future of renewable energy give us the confidence to continue the sustainable development of Enefit Green.

My sincere thanks go to all our employees for their outstanding work and dedication, and to our investors and partners for the trust they have placed in Enefit Green.

Aavo Kärmas,
Chairman of the Management Board

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Highlights in 2023

Loan agreements are signed with SEB and the Nordic Investment Bank

A **contract for the supply and maintenance** of wind turbines at the **Sopi wind farm** is signed with Nordex

A cooperation agreement is signed with the Põhja-Pärnumaa Municipality

The Purtse wind farm (21 MW) starts partial electricity production

The **Gulf of Riga offshore wind farm** development project is acquired

A wind turbine collapses at the **Akmenė wind farm** (75 MW) **under construction** in Lithuania

An investment decision is made for the construction of the Sopi solar farm (74 MW) in Estonia

Annual general meeting

The Environmental Impact Assessment report for the **North-West Estonia offshore wind farm** is completed

A loan agreement is signed with the European Investment Bank

Phase I of the designated spatial plan for the **Risti wind farm is approved**

Investment decisions are made for the construction of solar farms (Austrum 6 MW and Dzērves 11 MW) in Latvia

The Paide and Valka district heating businesses purchase and sale agreement is signed with Utilitas

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

Wind turbine installation is completed and solar panel installation starts at the **Purtse hybrid park**

Roads and crane platforms are built for the **Sopi-Tootsi wind farm** (255 MW)

Andres Maasing takes office as Member of **Management Board and Chief Development Officer** (CDO)

Dividend distribution of €0.208 per share

The Zambrów solar farm (9 MW) is completed in Poland

The Purtse hybrid park (21 MW + 32 MW) is opened in Estonia

The cornerstone is laid for the **Sopi-Tootsi renewable energy production area** (255 MW + 74 MW) in Estonia

The Tolpanvaara wind farm (72 MW) starts partial electricity production

A survey by Kantar Emor shows significant support to wind energy in Estonia

The solar power plant of the Estonia mine (3 MW) starts electricity production

The solar power plant of the Estonia mine (3 MW) is launched

An investment decision is made for the construction of the **Kelmė II** wind farm (87 MW) in Lithuania

The Environmental Investment Centre makes **the financing decision** for the construction of a green hydrogen production plant

A contract for the supply and maintenance of wind turbines at the **Kelmė II wind farm** is signed with Vestas

The Brocēni cogeneration plant and the pellet factory are sold to Warmeston

The Ministry of Climate Approves EIA of North-Western Estonian Offshore Wind Farm

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Strategy 2026: check point 2023

Enefit Green is committed to providing environmentally friendly alternatives to conventional energy produced from fossil sources. We have grown into one of the leading growth-oriented renewable energy producers in the Baltic Sea region. We operate in Estonia, Lithuania, Finland, Poland and Latvia, with a focus on profitable development of new wind and solar power generation capacities in these markets. Our shares are listed on the Nasdaq Tallinn Stock Exchange and we have 64,000 shareholders.

Our efforts are supported by society's growing demand for renewable electricity and rapid development of technologies. We firmly believe that the green transition can only be delivered by renewables-based electrification of household and industrial consumption. The transition will ensure long-term growth in the demand for green electricity for decades to come.

Most of Enefit Green's core markets continue to face a serious energy deficit, with electricity consumption exceeding domestic production. Moreover, in several markets electricity generation is still very carbon-intensive, which means that electricity is more expensive than it would be with cleaner production. In most of our markets, governments increased the countries' renewable energy targets for 2030 last year, giving an indication of the way forward. The need for competitive renewable electricity and additional domestic power plants remains high.

When Enefit Green went public in 2021, we planned to increase our electricity production capacity 2.4 times by 2025, from 457 MW to 1,100 MW, by raising additional equity and later also debt capital. At the end of 2023, Enefit Green had over 500 MW of operating power generation assets and over 700 MW of wind and solar farms under construction. Over the past three years, we have been implementing our growth plan and made investment decisions of almost €1bn to develop onshore wind and solar farms in the markets where we operate.

We have a strong short- and long-term development portfolio, consisting of onshore and offshore wind and solar farms of around 4,900 MW. We have extensive development and operating experience and good access to capital markets. In spring 2022, when the energy crisis was driving up energy prices and the market for long-term power purchase agreements was developing rapidly, we raised our growth ambition and set the new target to increase our energy production capacity fourfold to 1,900 MW by the end of 2026.

We are committed to creating added value for our shareholders and increasing it by executing and operating profitable growth projects with carefully hedged risks. We make long-term investments and in making our investment decisions, we take into account long-term customer demand, our ability to generate electricity at a competitive price, and the objective that the project's rate of return should exceed our weighted average cost of capital by at least 2%.

The costs of the projects must be clearly fixed in supply and construction contracts and revenue must be adequately secured by long-term PPAs or national support schemes. In the past two years, electricity markets in the region have been very

volatile, with prices fluctuating from historical highs to negative. This means that achieving long-term revenue security is even more important than it was a few years ago.

When raising debt, we mainly consider the target level of the net debt to EBITDA ratio.

At the beginning of 2024, we can say that after the completion of projects under construction Enefit Green will have operating power generation assets with a capacity of over 1.2 GW and an expected annual output of over 3 TWh. This means that the growth target set at the time of the IPO will be achieved and even exceeded by almost 10%. In view of the changes in the macroeconomic environment and the electricity markets and the increase in the cost of new wind farms, we will focus in the near term on completing the farms under construction and signing new agreements with large customers with a long-term demand for electricity.

We are confident that our region needs a significant amount of new renewable energy capacities. The importance of hybrid solutions, storage and hydrogen technologies, and offshore wind farms is going to increase. We have a solid development portfolio, a strong team and good access to capital. However, the pace of our growth will be determined by the demand from our core markets and customers, and by our commitment to safeguard our shareholders' assets.

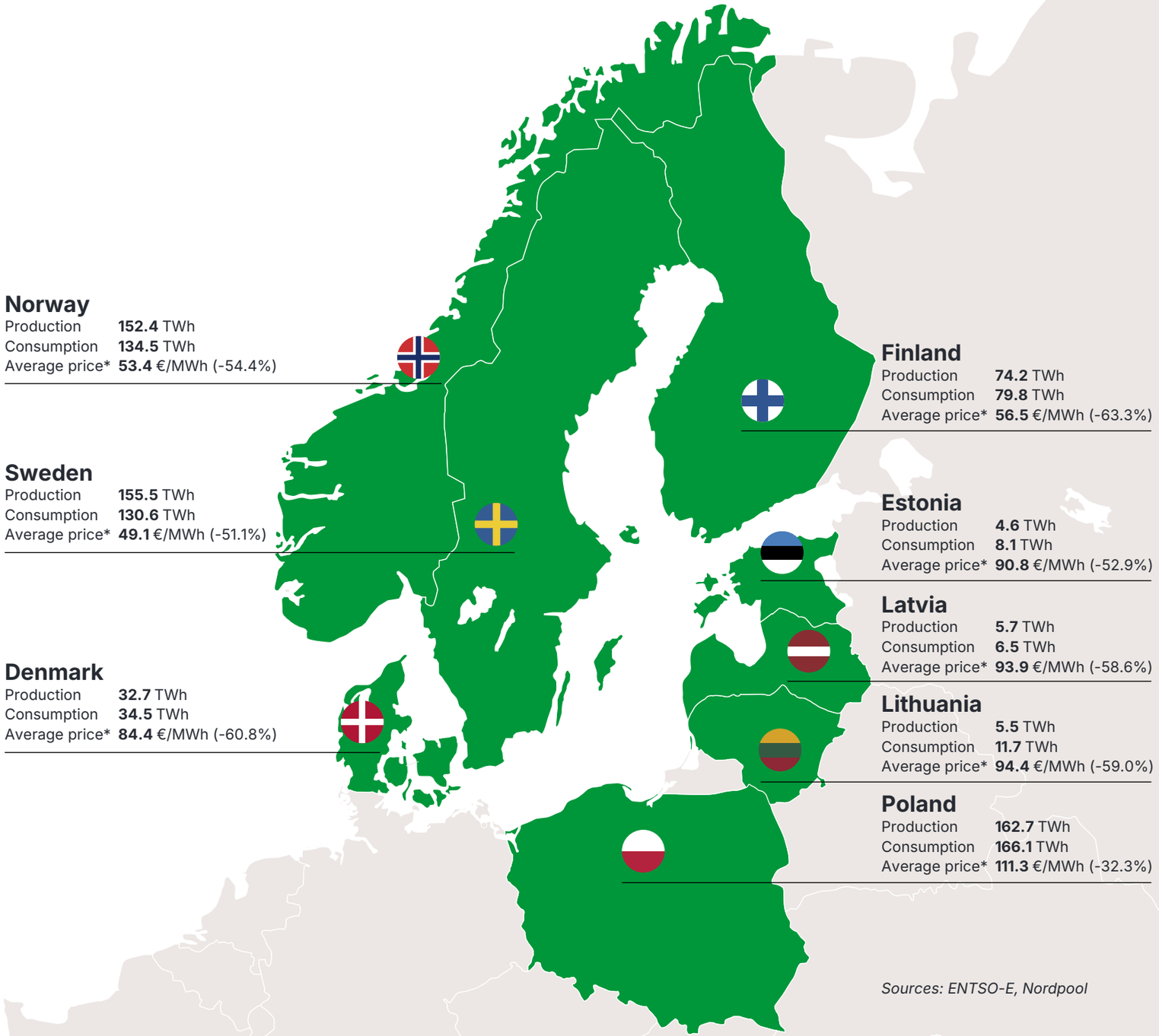
Operating Environment

We are a renewable energy company focused on wind and solar. As a result, our performance is influenced by electricity and emission allowance prices, electricity supply and demand, competition between energy types and suppliers, regulations governing the energy sector, and the weather (mainly wind conditions).

Average electricity prices in our core markets declined by more than 50% year on year

Enefit Green participates in the Nord Pool power exchange, where power producers that sell electricity on the exchange trade with power suppliers that buy electricity from the exchange in order to resell it to end consumers. Our performance indicators are the most sensitive to electricity prices in Estonia, Latvia, Lithuania and Poland, because we both produce and sell electricity in those countries. As our Tolpanvaara wind farm in Finland will start operating at full capacity from Q1 2024, the balance and prices in the Finnish electricity market will become more important than before.

Enefit Green's core markets are well connected by means of interconnectors. As a result, our electricity production and prices are also affected by various factors outside our main markets, such as the level of hydro resources in the Norwegian hydropower reservoirs and wind conditions in the region.



Sources: ENTSO-E, Nordpool

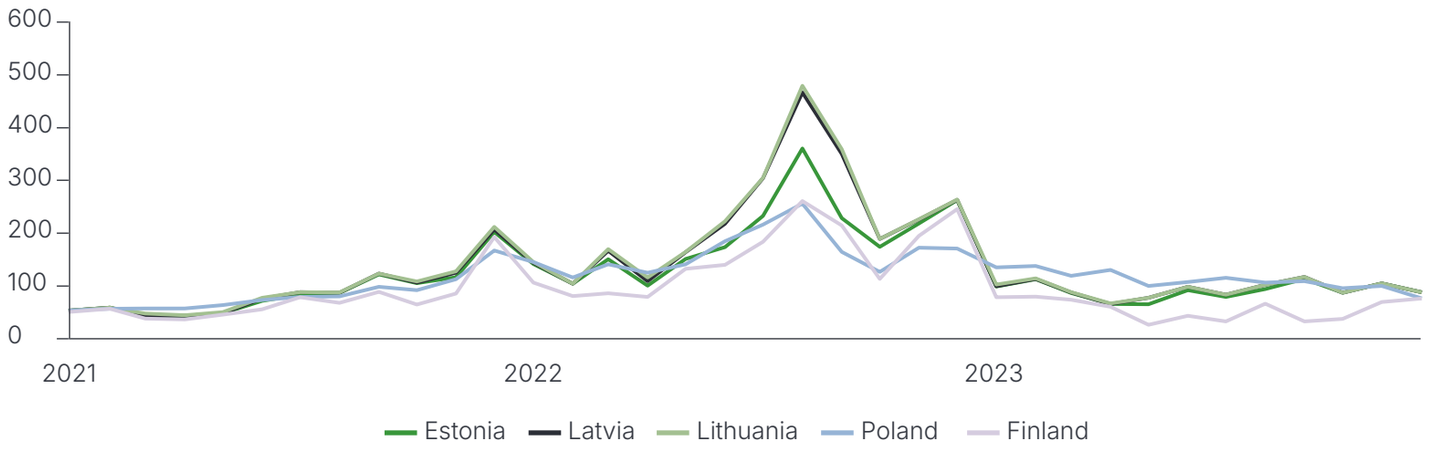
Baltic electricity prices were influenced by lower natural gas prices and growth in renewable energy production

The Nordic and Baltic market area produced 431 TWh and consumed 406 TWh of electricity in 2023. Compared to 2022, electricity production and consumption in the Nordic and Baltic market area increased by 5 and 2 TWh respectively. Norway and Sweden produced more electricity than they consumed in 2023. In Estonia, Latvia, Lithuania, Finland and Denmark, consumption exceeded domestic production and the countries had to import electricity.

In 2023, electricity prices in Estonia and nearby countries were influenced by a decline in electricity demand, a low market price for natural gas, the output of the Olkiluoto 3 nuclear power plant in Finland and the weather. In the first half of the year, weather conditions favoured higher-than-usual electricity production at wind farms and hydropower plants. As a result, the average electricity price in the Baltics was 90 €/MWh in the first half of 2023. In the second half of the year, several power plants in our core markets and nearby countries were offline for maintenance. In Q4, the weather was colder than usual, which boosted electricity demand, while renewable power generation decreased. The combined effect of these factors increased the average electricity price in the Baltic countries to 96 €/MWh.

Renewable energy production in Enefit Green's core markets continued to grow rapidly. Solar and wind power generation in the Baltic, Finnish and Polish markets increased by nearly 13 TWh compared to 2022.

Average monthly market prices of electricity in the core markets, €/MWh



Source: Nord Pool

Wind and solar energy production in Enefit Green's core markets, TWh

	2021		2022		2023	
	Solar	**Wind**	**Solar**	**Wind**	**Solar**	**Wind**
Estonia	0.3	0.8	0.6	0.7	0.7	0.8
Latvia*	-	0.1	-	0.2	-	0.3
Lithuania	0.1	1.3	0.4	1.5	0.7	2.4
Poland	4.6	15.3	9.3	18.8	13.2	22.2
Finland	-	7.9	-	11.1	0.9	14.1
Total	**5.1**	**25.3**	**10.2**	**32.3**	**15.4**	**39.8**
Growth, TWh			5.1	7.0	5.2	7.5
Growth, %			101%	28%	51%	23%

Source: ENTSO-E

** ENTSO-E does not publish data on Latvian solar energy production, but according to distribution network company ST Latvian solar energy production tripled to 0.128TWh in 2023.*

Natural gas prices affect the electricity market mainly due to the fact that gas-fired power plants mostly set the price level during peak consumption. The average price of natural gas on the Dutch gas trading platform TTF was 40.1 €/MWh in 2023 (-96.0 €/MWh, -70.5% compared to 2022). In the first half of 2023, the price of natural gas was mainly influenced by the weather, which was warmer and windier than usual, leading to an increase in hydro and wind power production.

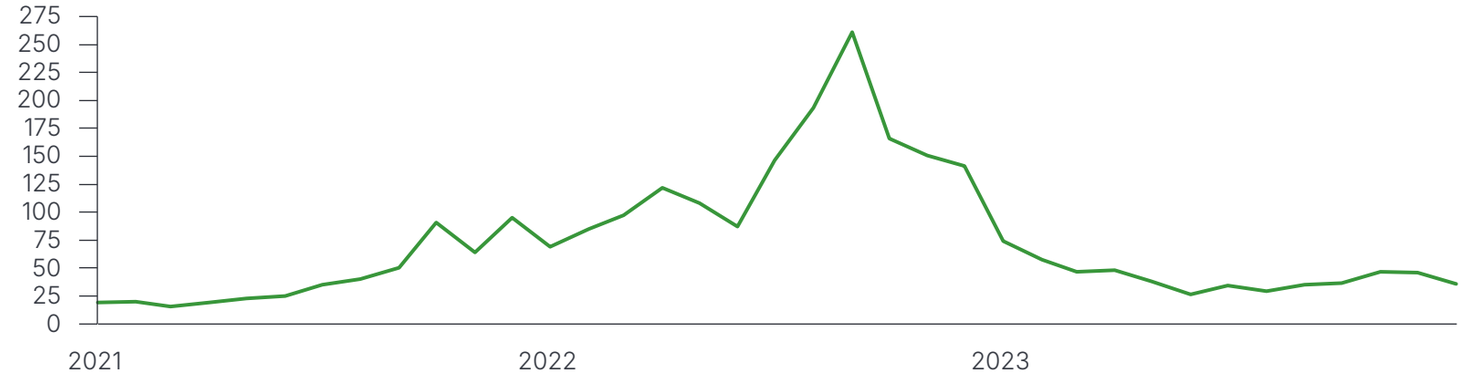
The price of natural gas increased slightly at the beginning of the second half of 2023 as LNG production problems in Australia reduced the global LNG supply by 6%, while LNG imports to Asia increased significantly. Although the decrease in LNG supply put upward pressure on prices, historically high gas inventories in Europe kept price increases in check. In the last months of the year, the price of natural gas was also affected by the conflict in the Middle East and the resulting uncertainty in energy markets.

Interconnectors supply the Baltic countries with Nordic hydropower, which is cheaper than other types of electricity. The average level of hydro resources in the Nordic hydropower reservoirs in 2023 was 57.9% of the maximum, which is 3.1 percentage points higher than in 2022 and 3.9 percentage points below the historical median.

CO_2 emission allowance prices remained at record highs

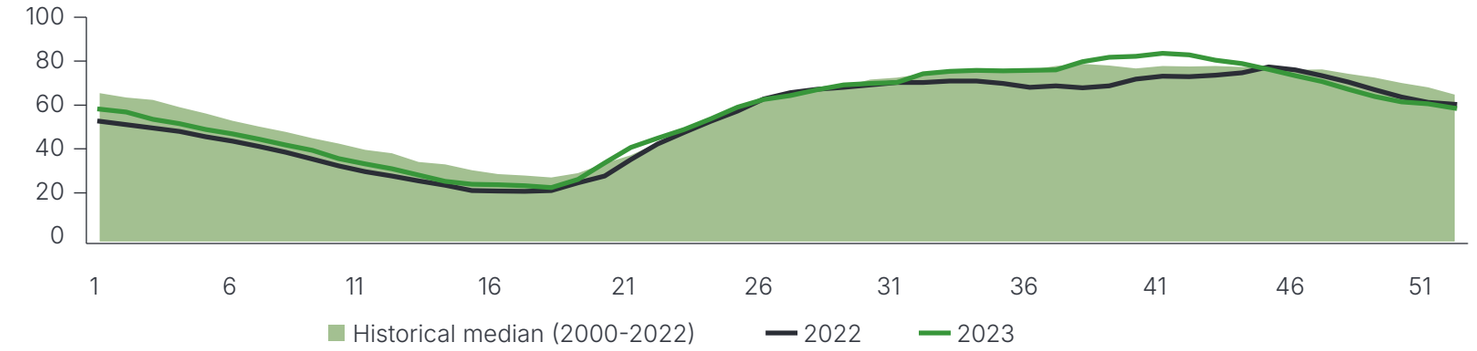
The purpose of the EU Emissions Trading System is to reduce greenhouse gas emissions in Europe and to encourage energy producers to generate more energy from renewable sources, which will become more competitive as the emission allowance price increases.

TTF natural gas price, €/MWh



Source: TTF

Weekly levels of Nordic hydro resources, % of maximum



Source: Nord Pool

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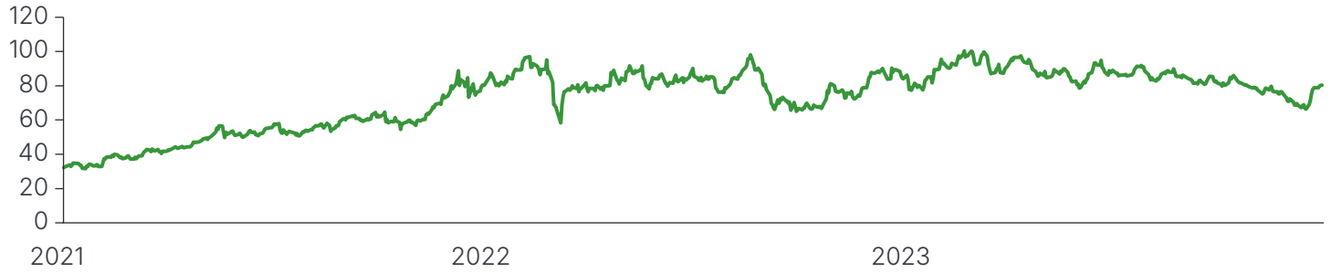
The average CO_2 emission allowance price in the first half of 2023 was 89.4 €/t, which is 6.9% (+5.8 €/t) higher than in the first half of 2022. During the first half-year, the price of CO_2 emission allowances was influenced by the widespread use of coal-fired power plants and the annual cycle of the emissions trading system, which ends after Q1. In April, the European Parliament decided to change the emission allowance policy and to update the EU's emissions reduction targets. According to the decision, free allocation of emission allowances to production facilities will end by 2034 and the target for 2030 is to reduce emissions by 55%, which is 15 percentage points higher than the previous target.

The average CO_2 emission allowance price in the second half of 2023 was 81.2 €/t, which is 2.8% (+2.2 €/t) higher than in the same period in 2022. In the second half of the year, the price of CO_2 emission allowances was mainly influenced by larger quantities of allowances traded, warmer than usual weather and forecasts of growth in renewable energy production. The price of CO_2 emission allowances is also closely related to the price of natural gas. As a result, the price of allowances dropped to 72.4 €/t in December 2023, the lowest level in the last 14 months. The average price of CO_2 emission allowances in 2023 was 85.3 €/t, which is 5% (+4.0 €/t) higher than in 2022.

Prices of CO_2 emission allowances, €/t



Source: Intercontinental Exchange

Regulatory developments

Many European countries amended their renewable energy legislation in 2023. As a result of the policy choices made, the regulatory frameworks in Enefit Green's core markets are becoming increasingly divergent. Regulations affect the construction of new renewable power plants, set conditions and requirements that shape investment decisions and guide our choices and actions.

Revenue cap

The revenue cap of 180 €/MWh imposed in December 2022 on electricity producers with low variable costs (incl. producers using wind, solar, waste and biomass as energy sources) had only a minor impact on Enefit Green.

In Estonia, Latvia and Lithuania, the revenue cap was implemented on the basis of either the average monthly market price or the average revenue earned over the term of the PPA. The cap was in force until the end of July 2023. As the average monthly market prices of electricity remained below 180 €/MWh in 2023, the revenue cap was not applied in these countries last year.

Poland set the revenue cap for electricity sold outside the renewable energy support scheme until the end of 2023 and the surplus revenue had to be calculated on the basis of the average daily market price. The impact of the regulation on Enefit Green's results was small, but increasing regulatory risks will have a negative impact on the future investment decisions of all market participants.

Changes in the electricity market design

At the beginning of 2023, the fall in the market price of natural gas lowered the market price of electricity. This reduced the political motivation for fast intervention in the functioning of the electricity market and more details were added to the changes to be made to the electricity market design.

The new European electricity market model was unexpectedly updated by granting the transmission system operators in Estonia, Latvia and Lithuania the exceptional right to purchase the creation of capacities needed to balance the electricity system under long-term contracts (signed for up to five years in advance). In addition, the Baltic transmission system operators can continue purchasing the service for up to eight years after separating from Russia's synchronous area. This may make the construction of the power plants and storage facilities needed to provide system services cheaper in Estonia, Latvia and Lithuania than in other European countries, where the service can only be purchased under short-term contracts.

It is expected that the amendments to the EU electricity market regulations will be approved in Q1 2024.

In October, the European Commission published the European Wind Power Action Plan. Market participants were informed of the European Commission's plan to publish guidance on the conduct of reverse auctions for wind power generation in Q2 2024. Among other things, the guidance will set out additional mandatory 'non-price' award criteria for future reverse auctions to better secure the supply chains needed to build wind farms in the EU. The change may have a significant impact on future investments.

More ambitious renewable energy production targets and faster permitting

Amendments to the Renewable Energy Directive (RED III), adopted at the end of October 2023, set a more ambitious overall renewable energy target at the EU level: the share of renewable energy in total energy consumption must rise to at least 42.5% by 2030, with the aim of reaching 45%. For comparison, in 2018 the target was set at 32%.

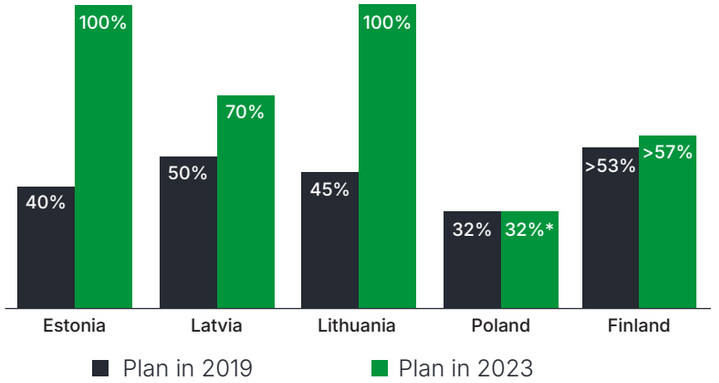
The part of the Renewable Energy Directive that is related to accelerating permitting will enter into force on 1 July 2024 and the remaining amendments on 25 May 2025.

In order to ensure that the permitting, construction and operation of renewable energy production plants and installations will have the status of overriding public interest, and to introduce other changes to accelerate the deployment of renewable energy, the validity of Council Regulation (EU) 2022/2577 laying down a framework to accelerate the deployment of renewable energy, in force until 1 June 2024, was extended for a further year in a slightly amended version.

Detailed rules were established for the production of transport fuels, including hydrogen, from renewable electricity, which allow to make plans for hydrogen production from renewable electricity.

The revised EU Directive establishing a system for trading in greenhouse gas emission allowances extends emissions trading to energy used in transport and buildings (ETS 2) starting from 2027. This is likely to significantly increase the demand for renewable electricity, as the CO_2 emission charges added to fossil fuels will make renewable electricity much more competitive.

Targets set out in national climate plans for the share of electricity produced from renewable sources in the country's electricity consumption in 2030



** based on Poland's 2019 plan.*
Source: National energy and climate plans

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New national energy and climate plans

EU member states had to submit their updated national energy and climate plans by 30 June 2023. By the end of the year, 23 member states had done so. Of the markets where Enefit Green operates, Poland has not submitted its updated energy and climate plan. Latvia submitted a draft plan at the end of 2023. National energy and climate plans are an important source of information for investors, supporting timely planning of renewable energy investments and reducing the risks of unexpected changes for electricity producers.

Electricity network

Estonia, Latvia and Lithuania enforced rules to prevent electricity producers from overbooking grid connections. This provides an incentive for developers to accelerate the implementation of their renewable energy projects, thus creating an advantage for stronger developers.

Estonia imposed a particularly strict additional requirement on electricity producers to supply to the grid 100% of the maximum capacity of the grid connection at least once every two years. If the amount of electricity produced is smaller, the producer must pay the connection fee again every two years, to cover the difference between the producer's connection capacity and the maximum capacity actually supplied to the grid. The new rule significantly increases the risks for electricity producers in Estonia.

The Estonian transmission system operator decided to stop charging for network services solely on the basis of energy consumption. From 2024, its network service fees will consist of consumption point fees and capacity fees, which will increase the cost of network services, particularly for solar and wind power producers. The new pricing system will create an incentive for developing hybrid electricity generation and storage solutions, making it less attractive to connect storage-only facilities to the grid.

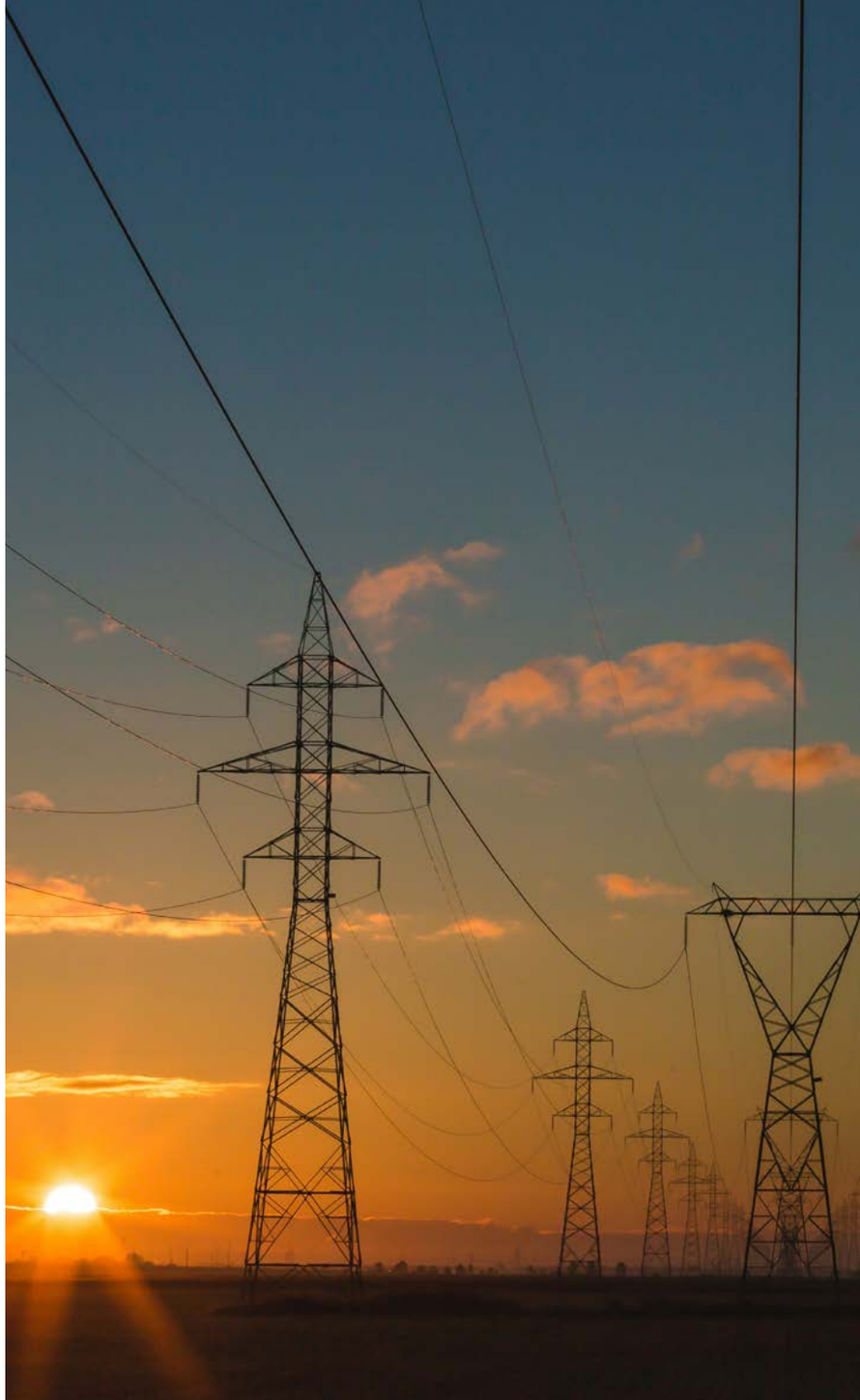
In Q3 2023, the Latvian transmission system operator AST temporarily suspended the acceptance of connection applications from electricity producers wishing to connect to the high-voltage grid if this requires changes to the 330 kV grid.

In Poland, permission was given to different kinds of electricity production equipment to be connected via a direct line to the connection points of existing power plants. For example, a wind turbine can be added to the network connection for solar power generation. This reduces the cost of building new power plants. Lithuania and Estonia have also facilitated the construction of hybrid power plants that combine different technologies.

Wind energy

Poland lifted the ban on building wind turbines closer to residential buildings than ten times the height of the wind turbine. The new restriction zone is 700 metres. A further reduction of the restriction zone to 500 metres is under preparation. This will significantly increase the opportunities for the construction of onshore wind farms in Poland.

The Latvian government established a procedure for granting



the right to build wind farms on land belonging to the state or a local government. The new regulation grants SIA Latvijas Vēja Park, a subsidiary of Latvenergo AS and Latvijas valsts meži AS, a one-off pre-emptive right to choose a plot for the construction of wind farms, which does not exceed 10% of the total area offered by the state-owned Latvijas valsts meži AS for the construction of wind farms. In Enefit Green's view, the Latvian state is giving an unjustified procedural advantage to a company it owns, which discriminates against other wind farm developers in Latvia.

The Lithuanian and Estonian governments organised the first auctions to find developers for offshore wind farms in dedicated development areas. Both auctions were won by the same company. In Estonia the right to develop the offshore wind farm was granted at the starting bid.

The European Commission pledged a grant of up to €193m for the construction of a 700 MW offshore wind farm in Lithuania's coastal waters. The beneficiary of the grant will be selected on the basis of a call for proposals. The grant will be issued on the basis of a bilateral contract for difference (CfD) for a period of 15 years.

The investment environment in Finland unexpectedly became riskier after the new government fixed in the coalition agreement that wind power generation will be subject to the obligation to finance the regulation of the electricity system, provided this does not hinder increasing wind power generation in Finland. The impact on Enefit Green's results will be marginal, but the increase in regulatory risks will have a negative impact on the future investment decisions of all market participants.

Estonia's newly established ministry of climate has proposed raising the average renewable electricity production target for 2030 from 100% to 120% of electricity consumption. It is likely that most of the additional renewable electricity will have to be produced from wind. To implement the proposal, the procedure for conducting reverse actions for renewable energy will have to be amended.

Solar energy

Poland prohibited the installation of solar power generation plants on class IV land when fast-track permitting is used starting from 2025. This will reduce the area of land that can be used to rapidly expand solar power production and will increase the need for using longer planning proceedings.

In February 2023, the Lithuanian government adopted a resolution setting out rules for connecting solar power generators to the grid, when solar power generators with a total capacity of 2 GW have already been connected to the grid in Lithuania. In November, the resolution was declared null and void by the Constitutional Court, which ordered the government to establish new rules by 2 May 2024 at the latest.

Finland was the first country in the EU to test the viability of the EU's renewable energy support scheme. In September, the results of the EU's first cross-border renewable energy tender that built on the commitments by Finland and Luxembourg to cooperate were announced. As a result, an investment grant will be given for solar power production projects in Finland with a total capacity of 400 MW.

Parliamentary elections were held in Estonia in March 2023. The new government's action programme includes a plan to promote solar power production by offering households and apartment associations producing up to 30 kW of electricity an opportunity to connect to the grid at a fixed price. The possibility to connect to the grid at a discount price may increase the overproduction of electricity during sunny hours and lower the market price of electricity.

Energy recovery from municipal waste

At the end of 2023, Estonia adopted its Waste Management Plan for 2023–2028 and initiated a waste management reform, with new rules to come into force in 2025. As a result of the reform, the amount of waste suitable for energy recovery will decrease in Estonia. Execution of the reform would be supported by increasing waste imports for energy recovery. If the import of waste is restricted, the production of heat from municipal waste will decrease.

The rules for assessing the composition of municipal waste were changed. New rules will be established by amending the environmental permit in Q1 2024.

On 1 July 2024, new pollution charges will take effect in Estonia. The biggest change is the 12-fold increase in the charge rate for CO_2 emissions from heat production, which will rise to 25 €/t. There will be an effect on cogeneration segment expenses of Enefit Green, but as heating tariffs are regulated part of the expense can and will be passed on into the regulated heating tariff.

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The role of long-term PPAs in hedging Enefit Green's exposure to electricity price risk

The importance of national support measures has declined

The share of national fixed-price renewable energy support measures in Enefit Green's portfolio has decreased significantly in recent years. In 2023 only 2% of Enefit Green's electricity production was covered with fixed-price support measures (contracts for difference (CfD) in Poland) compared with 26% in 2022.

The decline is mainly due to our own proactive replacement of Lithuanian national support measures with market-based contracts. The objective was to hedge the longer-term electricity price risks of the Lithuanian wind farms in a situation where the national support measures were about to expire in the coming years. The share of the feed-in premium (FiP) type of support, previously used in Estonia, is also declining in our portfolio: four fifths of the 12-year periods subject to this support scheme will expire by the end of 2025.

Share of long-term PPA has increased

The energy crisis of 2022 and the resulting high energy prices created strong market demand and the conditions for a shift towards market-based hedging. As most of the countries where we operate do not have an electricity futures market, the main market-based instruments that can be used to hedge electricity price risk are PPAs.

A PPA is a power purchase agreement under which the buyer commits to purchase and the seller commits to sell electricity at the time, price and amount agreed between the parties. A PPA can be physical, where electricity is delivered under the agreement, or virtual, where only a financial settlement is made. At 31 December 2023, all PPAs signed by Enefit Green were physical PPAs, i.e. with the physical delivery obligation.

In the case of PPAs, a distinction is made between two volume profiles: pay-as-produced PPAs and baseload PPAs.

- Under a pay-as-produced PPA, the contracted amount of electricity is determined by the actual future production of the underlying production facility.
- Under a baseload PPA, the parties agree a fixed amount of electricity that the seller is obliged to supply and the buyer is obliged to purchase each hour.

A pay-as-produced PPA involves a lower risk for the producer, as it guarantees an agreed price for each MWh produced and the producer only bears production volume risk. For the time being, however, there is not yet sufficient buyer demand for pay-as-produced PPAs in the Baltic markets. This is mainly due to the small share of large industrial consumers and limited experience in managing electricity price risk.

Baseload PPAs hedge the producer against the risk of low electricity prices, their format is standardised and their prices can be compared against the prices of futures contracts traded on Scandinavian markets.

However, baseload PPAs change the nature of the risk in the portfolio, as the producer bears the production profile risk, the profile discount risk and, to some extent, price risk resulting from the need to make purchases at market prices in the event of production shortfalls.

Most of Enefit Green's PPAs follow the monthly baseload model. It takes into account the different wind and solar monthly power generation profiles throughout the year, but the amount of electricity sold each month remains the same for all hours of a given month. Sufficient demand for such contracts in 2022 enabled Enefit Green to create competition between the region's leading energy companies and to sign a considerable number of attractively priced contracts. In 2023, however, demand weakened as end-customer interest in long-term power purchases declined. In 2023, we signed new long-term fixed-price PPAs in the amount of 52.6 GWh at an average price of 70 €/MWh (in 2022: 4,949 GWh at an average price of 108.5 €/MWh).

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In 2023, the profile risk in Enefit Green's portfolio materialised to a significant extent due to lower-than-expected electricity production. Production was 309 GWh smaller than anticipated, resulting in a higher than planned share of production covered by PPAs. This, in turn, resulted in a considerably higher need to purchase electricity to cover the PPA portfolio.

Larger electricity purchases increased electricity purchase costs, which had a significant negative impact on EBITDA. For further information, see the chapter The group's financial results 2023.

	Type of PPA	
	Monthly baseload	**Pay-as-produced**
Price of electricity	**Fixed**	**Fixed**
Amount of electricity	**Fixed** Equal amount of electricity in each hour of a month; months vary according to the contract	**Variable** Amount varies according to the actual production of a specific facility/farm, a minimum production requirement may apply
Bearer of profile risk	**PPA seller** In the event of a production shortfall, the seller has to buy electricity at the market price in order to ensure supply to the buyer	**PPA buyer** The amount depends on the actual production; in the case of a shortfall, the buyer has to buy electricity at the market price
Bearer of profile discount risk	**PPA seller** In the event of a production shortfall, the seller has to buy electricity at a market price that is likely to be higher than monthly average + a production surplus will have to be sold at a market price, which is likely to be below monthly average during periods of high renewable energy production; in addition, an increase in the profile discount is accompanied by an increase in the gap between purchase and sales prices	**PPA buyer** Electricity is likely to be supplied in a period when the market price is below monthly average + a shortfall occurs in a period when the market price is higher than monthly average

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Coverage of forecasted production volumes by different risk mitigation instruments in the period 2024–2033

Long-term PPAs

According to current practice, Enefit Green generally fixes the sales price of electricity for 60% of a development project's projected output for the first five years before the final investment decision on the project is made. Enefit Green has also used PPAs to hedge the price risk of its operating electricity production portfolio.

As at 31 December 2023, Enefit Green had signed PPAs in the volume of 9,625 GWh at an average price of 71 €/MWh for the period 2024–2033. The counterparty to most of the PPAs is Eesti Energia AS (8,562 GWh). 47% of Enefit Green's expected electricity production over next 5 years (ie period 2024-2028) is covered with PPAs at an average price of 68.2 €/MWh.

National support measures

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). 7% of Enefit Green's expected electricity production in 2024–2028 is covered with FiP support measures at an average FiP rate of 51 €/MWh.

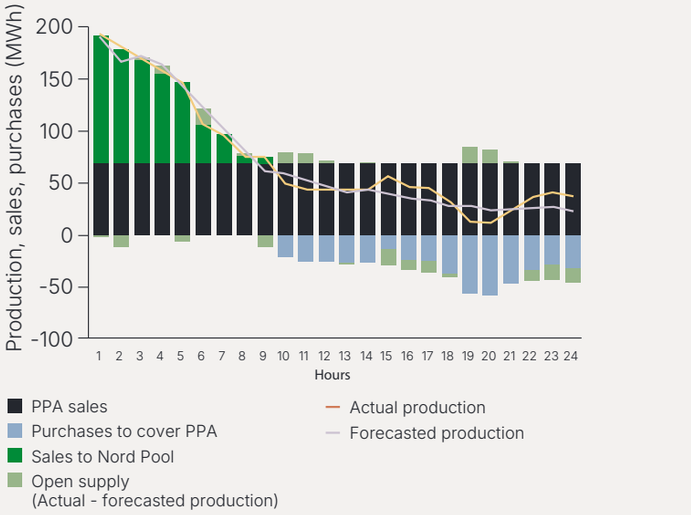
The share of fixed-price support measures has decreased significantly. Only 1% of Enefit Green's expected electricity production in 2024–2028 is covered with fixed-price support measures (contracts for difference (CfD) schemes in Poland) at an average price of 116.3 €/MWh.

Profile risk of baseload PPAs

The profile risk of baseload PPAs is the risk that the producer will have to cover the short-term production shortfalls arising from differences between the actual production profiles of its production assets and the baseload PPAs by purchasing electricity on the day-ahead market at current market prices. Electricity produced in excess of the PPA volumes is sold by the producer on the day-ahead market at the market price. The chart on the right illustrates how fluctuations in wind power production can cause electricity surpluses and shortfalls for the producer (compared to the fixed amounts sold under the baseload PPAs) and the resulting purchases and sales. The chart also reflects the day-ahead production forecast and the actual production volume, which, if different, give rise to the so-called open supply transactions (both purchases and sales).

In the case of purchases resulting from the materialisation of the profile risk of baseload PPAs, Enefit Green is also exposed to the price risk of these purchases. The price risk of purchases depends on two components: Nord Pool's general price level and the size of the profile discount. The profile discount results from the fact that the market price is lower when the production of a renewable energy asset is high and higher when the production of the asset is low or zero. As purchases are typically made during periods of low production, the purchase price is generally higher than the Nord Pool average. Therefore, the steeper the profile discount, the higher the purchase price compared to the Nord Pool average. In addition to the purchase price, the profile discount also affects the sales price of electricity produced in excess of the volume of baseload PPAs, as production surpluses generally occur when renewable energy production is high and prices are lower.

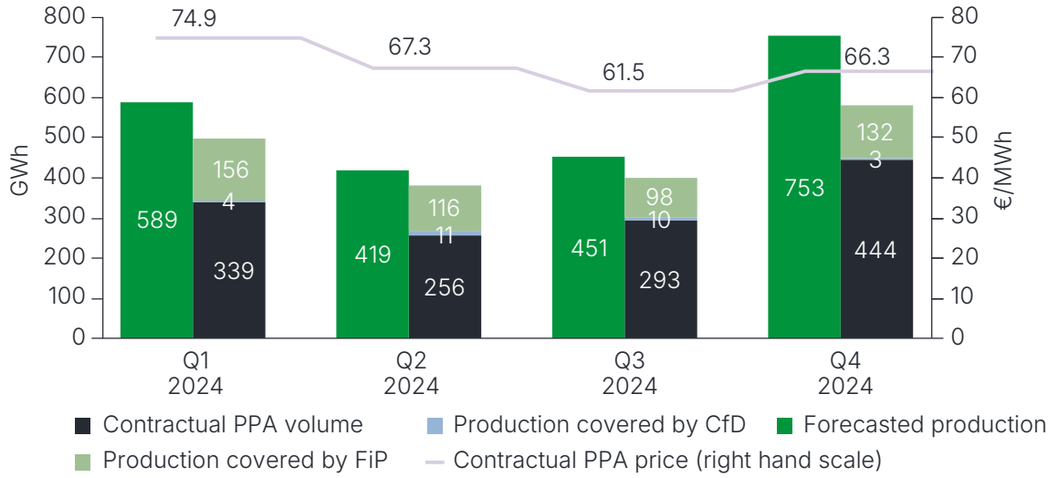
Example: transactions in a wind energy portfolio with baseload PPAs during a theoretical 24h period



Short-term view: electricity price risk management in 2024

On the whole, we expect our production assets to produce 2.21 TWh of electricity in 2024, of which 1.25 TWh is expected from operating assets and 0.96 TWh from newly completed assets and assets under construction. We have covered 1.33 TWh, i.e. 60%, of the expected electricity production in 2024 with PPAs at an average price of 67.6 €/MWh. The chart below shows the expected quarterly development of Enefit Green's electricity portfolio in 2024.

Enefit Green's electricity production portfolio in 2024, as at 31 December 2023



Long-term view: electricity price risk management until 2033

Enefit Green's electricity portfolio's coverage with PPAs and renewable energy support measures

	2024	2025	2026	2027	2028	Total period 2024–2028
PPAs*	**60%**	**49%**	**47%**	**47%**	**37%**	**47%**
Volume (GWh)	1,331	1,533	1,534	1,549	1,219	7,167
Price**, €/MWh	67.6	64.8	64.8	69.0	76.3	68.2
FiP support*	**23%**	**9%**	**3%**	**2%**	**2%**	**7%**
Volume (GWh)	502	266	99	79	75	1,021
Price**, €/MWh (added to the market price)	50.1	50.3	53.7	53.7	53.7	51.0
FiT/CfD*	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**
Volume (GWh)	28	28	28	28	28	141
Price**, €/MWh	112.1	113.9	116.2	118.5	120.9	116.3

For the years 2029–2033, Enefit Green has signed PPAs for a total of 2,458 GWh at an average price of 79 €/MWh..

The results of a renewable energy reverse auction held in Estonia in 2023

In 2023, Enefit Green participated in a renewable energy reverse auction in Estonia with two winning bids of 160 GWh/year and 100 GWh/year. The guarantee obtained through these bids is a 12-year price floor, which would apply to electricity price levels below 21.89 €/MWh and 23.89 €/MWh, respectively (the maximum amount of support would be 20 €/MWh). Enefit Green has not yet made any investment decisions on the projects that participated in the reverse auction. Therefore, the measures have not been taken into account in the table and chart above. The price guarantee measures will only apply if the projects that participated in the reverse auction (or, in exceptional cases, eligible alternative projects) are actually completed.

** Estimated share of production covered by the measure. Estimated production comprises the forecasted production of operating assets and assets under construction.*
*** Weighted average sales price or support for production covered by the measure.*

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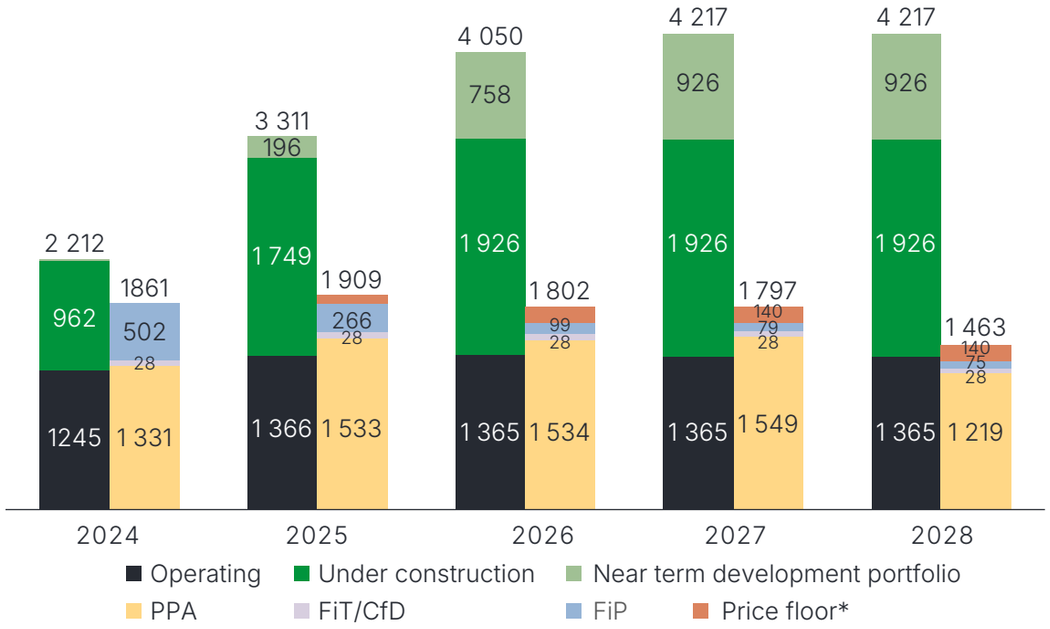
Forecasted production volumes of production assets (operating, under construction and planned) and their coverage with PPAs and renewable support measures, GWh



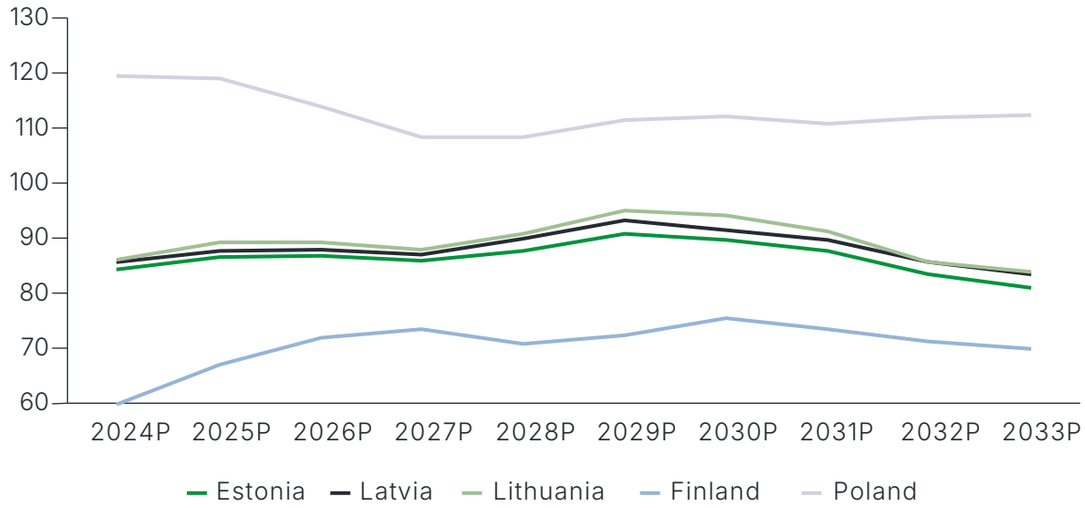
** Price floor – state support in the form of a price floor received through a reverse auction at a price level of 34.9 €/MWh (maximum support 20 €/MWh) for 12 years.*

Long-term electricity price expectations and their impact on the PPA market

In 2023, electricity spot prices (Nord Pool Spot) in Enefit Green's core markets fell sharply. As a result, analysts revised their long-term forecasts significantly downwards. During the year, analysts' electricity price expectations for Enefit Green's core markets in 2024 were lowered by up to 50%. The fall in future price expectations was also reflected in the aforementioned fall in PPA demand and prices.

In developing new production assets, we have considered it important to hedge some of the market price risk of new projects. All other factors being equal, the decrease in the demand for PPAs will weaken the ability of developers – including Enefit Green – to undertake new projects.

Core markets' electricity price forecast*, €/MWh



** The 2024E – 2033E electricity prices have been estimated by averaging the forecasts of market analysis companies SKM, Volue and Thema (SKM Market Predictor Long-Term Power Outlook – November 2023, Volue Long Term Price Forecast – December 2023, Thema Power Market Outlook – December 2023 (prices in Poland and Finland, May 2023)). The figures presented are nominal prices which have been estimated assuming a constant 2% rate of inflation.*

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Development activities

Enefit Green's development team of more than 40 people develops and builds renewable power plants in the Baltic countries, Poland and Finland. Through local units, the team has a thorough understanding of the specific features of each market, which is essential for the successful implementation of our development projects. At Enefit Green, we share and apply the project development experience and learnings across all of the markets where we operate.

Over the past three years, Enefit Green has made investment decisions worth almost €1bn, adding approximately 750 MW of new capacity to the portfolio. Enefit Green has started the construction of seven wind farms across Finland, Estonia and Lithuania, as well as seven solar power plants across Estonia, Latvia and Poland. After completion, which is scheduled for the end of 2025, these renewable power projects will increase our power generation capacity above 1,200 MW and our expected annual output to 3 TWh per annum. The investment decisions are aligned with our investment policy and long-term vision of renewable energy demand, which is outlined in our growth plan.

New renewable power plants in Estonia and Poland

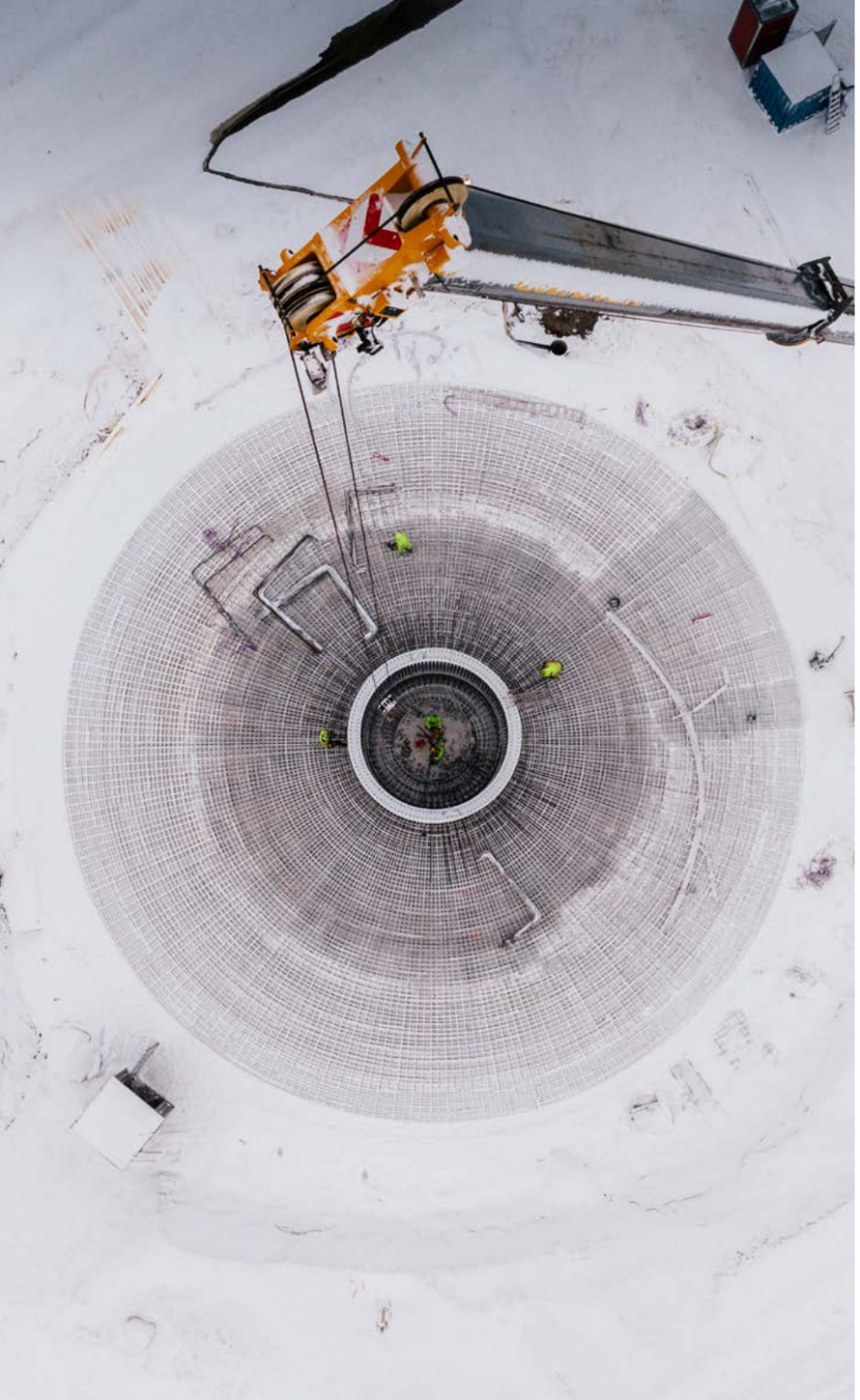
In 2023, three projects were completed: the Purtse hybrid farm (a 21 MW wind farm and a 32 MW solar farm) in Estonia; the solar farm at the Estonia mine (3 MW) in Estonia; and the Zambrów solar farm (9 MW) in Poland.

The Purtse hybrid farm, which came online in the summer, is the first wind and solar hybrid farm in the Baltics. In a unique solution, the wind and solar farms are connected to the same grid connection point and use the same connection equipment to supply electricity to the grid.

As wind can produce more electricity in autumn and winter, and solar more in spring and summer, the amount of electricity delivered to the grid is more consistent and the common connection is better utilised.

The Purtse hybrid farm's annual output of nearly 78 GWh is enough to meet the annual electricity needs of around 25,000 households. Last year, preparations also began for a battery storage pilot project to be connected to the Purtse hybrid renewable power project. After making the investment decision for the wind and solar farm in 2022, Enefit Green reached production readiness in about a year, which is an outstanding achievement. Our hybrid farm was awarded the title of the Ida-Viru County Business Achievement Award for 2023.

The construction of a solar power plant for the Estonia mine (3 MW) in Ida-Viru County, in Estonia, began in April and the solar farm was inaugurated in early December. The investment decision was made at the end of 2022. The time from construction to production was only six months, which is an excellent result for a facility of this size and complexity.



The solar farm is located on top of a 27-metre-high overburden structure, which reduces losses due to shading and making electricity generation more efficient. The development of renewable energy production on the industrial site serves several environmental objectives. On the one hand, one can use the overburden rock from the extraction process as a building material and, on the other hand, supply the mine with green energy.

In Poland, the Zambrów solar power plant was completed and began to produce electricity in April. It is Enefit Green's largest solar farm in Poland to date, with an annual electricity production of around 9 GWh. The farm produces enough green electricity to meet the annual electricity needs of almost 3,700 households. The construction works in Zambrów took longer than planned due to delays in the work of the local distribution network operator.

Onshore wind farms under construction

At the end of 2023, Enefit Green had six wind farms under construction with a total capacity of 612 MW – one in Estonia, one in Finland and four in Lithuania.

In Estonia, construction continued on the Sopi-Tootsi wind farm (255 MW), which is the largest project of its kind in the Baltic countries. Land development, roads and wind turbine sites were completed during the year. The transport and installation of the wind turbine components is expected to start at the end of Q1 2024. The project is expected to start generating electricity at the end of 2024 and to be fully operational at the beginning of 2025. Its output will cover 8.5% of Estonia's electricity consumption and 40% of households' electricity needs.

At the Tolpanvaara wind farm (72 MW), in northern Finland, all 13 wind turbines have been installed and partial electricity generation has started. The wind farm is located about 30 kilometres from the town of Pudasjärvi and has excellent wind conditions. High winds made the installation of the wind turbines difficult and caused delays in the construction schedule. The wind farm is expected to start operating at full capacity in Q1 2024, after all the necessary testing and commissioning has been completed.

In Lithuania, the company has continued the construction of the Šilalė II (43 MW), Akmenė (75 MW) and Kelmė I (80 MW) wind farms. At the end of the year, the company also made a further investment decision and started the construction of the Kelmė II wind farm (87 MW).

The construction of the Šilalė II wind farm (43 MW) started in autumn 2021 and a year later, in December, it started supplying electricity to the grid. The farm was originally scheduled to be completed in Q1 2023. However, due to problems with the wind turbine blades caused during transportation, the grid tests were postponed until the summer. The last major grid test is the power oscillation damping test (POD Test), which has recently been enforced in the EU and the Lithuanian grid. Enefit Green, together with the wind turbine manufacturer General Electric, are working on a solution to perform the required grid tests. Despite the challenges related to POD tests, the project is generating electricity at full capacity and is expected to be fully commissioned in the second half of 2024.

The construction of the Akmenė wind farm (75 MW) started in February 2022 and partial electricity generation began in early 2023. During the construction period, two incidents occurred that affected the time schedule of the development. In April 2023, a technical problem occurred with the nacelle of a wind turbine that was replaced at the end of the year. At the begin-

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ning of May, another wind turbine collapsed and subsequently the operation of all wind turbines onsite was suspended to ensure safety and assess the root cause.

The collapsed wind turbine had not been handed over to Enefit Green by the time of the incident. An in-depth technical investigation established that the collapse of the turbine was caused by a malfunctioning sensor and associated equipment. Following the identification of the root cause and some further checks, the other wind turbines of the project were gradually brought back online from September onwards. At the end of the year, 13 wind turbines were generating electricity and the collapsed 14th turbine was scheduled to be replaced in the first half of 2024, after which grid tests will be carried out. The wind farm is expected to be fully completed in the first half of 2024.

In the Kelmė I wind farm (80 MW), the main construction works, including the construction of access roads, foundations and cable infrastructure, were carried out. The transport and installation of the wind turbine components is expected to start in Q1 2024. All 14 wind turbines should be installed by autumn 2024 at which time the wind farm should start producing around 266 GWh of electricity per annum.

At the end of 2023, the company made the investment decision worth around €150m to build the Kelmė II wind farm (87 MW). It is the second phase of a three-phase development project. The wind farm, which will have 14 wind turbines, will produce approximately 315 GWh of electricity per annum and will be Enefit Green's largest wind farm in Lithuania. At the time of the investment decision the company also executed contracts for the supply and maintenance of wind turbines with the Danish wind turbine manufacturer Vestas. Vestas' EnVentus 6.2 MW wind turbines proved to be the most suitable for the Kelmė II wind farm and will also assist in diversifying Enefit Green's technology portfolio.

Solar power plants under construction

At the end of 2023, Enefit Green had four solar power plants under construction with a total capacity of 97 MW – one in Estonia, two in Latvia and one in Poland. During the year the company decided to invest about €53m in the construction of the Sopi solar farm (74 MW, in Estonia), as well as, Carnikava Austrum and Carnikava Dzērves (17 MW in total, in Latvia) solar power plants.

The Sopi solar farm is located in the northern part of Pärnu County, near the Sopi-Tootsi wind farm, which is earmarked to become the largest renewable energy area in the Baltics. Construction work at this solar farm began in the summer with the construction of roads on the abandoned peat production field. The installation of the ground frames for the solar panels began in September. The Sopi solar farm is expected to start producing electricity at the end of 2024 and to be completed by the end of 2025. With about 112,000 bifacial solar panels, the solar farm's projected annual electricity production is nearly 75 GWh per annum, which will meet the annual electricity needs of around 21,500 households.

In November, the company took an investment decision and started the construction of the two solar power plants in the Ādaži and Carnikava regions of the western part of Latvia. These are Enefit Green's first solar farms in Latvia. The Austrum and Dzērves solar power plants, with a combined installed capacity of 17 MW, will produce around 18 GWh of green electricity per annum, which is expected to meet the annual electricity needs of around 8,500 households. The solar farms are expected to start generating electricity in Q3 2024.

In Poland, the construction of the Debnik solar farm (6 MW) continued and the first electricity was produced at the end of December. The annual output of this solar farm, which has over

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9,000 bifacial solar panels installed, is nearly 6.3 GWh of green electricity per annum, which will meet the annual electricity needs of around 2,500 households. The construction works of the farm have taken longer than planned due to delays in the interconnection works managed by the local distribution network operator. The Debnik wind farm is expected to be completed in the first half of 2024.

In addition to the larger projects listed above, during the year Enefit Green signed a long-term build and operate agreement with Eesti Energia for the construction of the Kabala (0.2 MW) and Mõisavalla (0.2 MW) solar farms in Järva County, Estonia. These plants will be built near Eesti Energia's customer's industrial facilities. Enefit Green signed the delivery contract for these projects in December and the farms are expected to start producing electricity in spring 2024.

Near-term and long-term development portfolio

Enefit Green has a solid near- and long-term development pipeline, which it has continued to manage actively during the year. A number of wind farm and solar farm development projects have reached a ready-to-build status, but the investment decisions are affected by various factors – these being: the demand for long-term PPA's or an availability of other revenue security instruments (i.e. national feed in tariff or contract for difference auctions, other green energy support measures, etc.) and Enefit Green's own financing capacity.

During the reporting period, Enefit Green increased the installed capacity of the solar farms in its development portfolio by more than 500 MW in order to facilitate the future production of renewable electricity in Latvia, Lithuania and Poland. In Estonia, the company focused on furthering of the development of the established pipeline and construction of its existing projects.

During the reporting period, Enefit Green also continued to work on wind farm development projects in Estonia, Latvia and Lithuania. September saw the long-awaited progress of the Risti wind farm development project in Estonia, whereby the first phase of the designated spatial plan was approved by the Lääne-Nigula local council, allowing for the installation of up to 25 wind turbines with a height of up to 270 metres. The next phase will provide a more detailed solution, including the exact locations of the wind turbines.

In December, Enefit Green held the first public hearings in the Dundaga and Alsunga regions in Latvia. The company presented the plans for the Tebra (formerly Dundaga) and Pilsupe (formerly Alsunga) development projects and the content of the forthcoming environmental impact assessment to the local communities.

In addition to projects under construction, Enefit Green had a near- and long-term solar energy pipeline of approximately 900 MW and a wind energy pipeline of approximately 1900 MW at the end of 2023.

At the beginning of 2024, the results of the Estonian Government's reverse auction were announced, which is intended to facilitate a further 780 GWh of renewable electricity to the market in the coming years. Enefit Green successfully participated in the auction with Vändra hybrid wind and solar farm; the Põlendmaa wind farm; and the Seinapalu solar farm, where the company secured Government support fora total combined volume across all of the projects of 260 GWh. National reverse auctions, such as the one described above in the markets where the company operates, complement growing demand

for the long-term power purchase agreements and supports the development of new projects.

Offshore wind energy

Alongside onshore wind and solar farms, the best way to meet the existing and growing energy needs is to use electricity generated by offshore wind farms. Due to more consistent wind conditions at sea, offshore wind farms can generate more energy and complement the output of onshore wind and solar farms in the nation's energy mix. Prospective energy generated by fifty offshore wind turbines at Enefit Green's offshore windfarm can provide almost half of the electricity currently consumed in Estonia.

Furthermore, offshore wind farms have a wider socio-economic impact, with the increased availability of renewable electricity attracting investment in energy-intensive and value-adding industries in the area. According to the analysis by the Estonian Business and Innovation Agency, the additional potential for industrial electricity consumption is around 6 TWh per year compared to the current consumption in Estonia of around 8 TWh per year. It can thus contribute to the development of the local community (€1m–€1.4m euros per year in support of neighbouring municipalities) and create around 150 direct and 150 indirect jobs.

In March, Enefit Green acquired the Gulf of Riga offshore wind farm development project for €6.2m from its parent company Eesti Energia. It is one of the most advanced projects in the Baltic countries with the prospect of becoming operational at the end of the decade. The planned capacity and expected output of this offshore wind farm is 1 GW and around 4 TWh per annum respectively.

The studies needed to assess the environmental impact of the project and the preliminary analysis of the technical solution for the wind farm continued during the reporting period. The principles for preparing national designated spatial plans for grid connections and the impact assessment programme were put in place. This document provides an overview of the general principles to be followed in the planning process and the implementation of the plan. It also outlines the main issues to be resolved, the studies to be carried out in the siting phase and the significant impacts that may result from the construction of the grid connection.

In addition to the Gulf of Riga project, the company is also developing the 1 GW North-West Estonia offshore wind farm that is located to the north of the island of Hiiumaa, which is expected to start producing electricity midway through the next decade. During the application process for the special use of water permit, Enefit Green prepared the environmental impact assessment report for the North-West Estonia offshore wind farm development project, which was approved by the ministry of climate. It is the most extensively studied marine area in Estonia. The environmental impact assessment report shows that the offshore wind farm can be built without causing a significant negative environmental impact. The next steps in the development process include the preparation of the technical design for the building permit process and the adoption of a marine spatial plan. The design process will clarify the construction technology and will require further studies.

To ensure that the construction of at least one offshore wind farm, which would produce vast amounts of renewable energy for the entire Baltic region, can start before the end of this decade, a clear plan is needed, in particular with regards to the tim-

ing and conditions of a Government supported revenue security mechanism (i.e. Feed-in-Tariff, Contract for Difference, etc.).

In our view, the best way to achieve this would be to introduce a bilateral Contract for Difference (CfD), which would fix the floor price and the price cap. When the electricity price falls below the floor price, the state compensates the producer for the difference, and when the price rises above the price ceiling, the producer pays the surplus to the state. In theory, the greater the difference between the floor price and the ceiling price, the lower the floor price that creates costs for consumers.

Battery storage and hydrogen technology

Energy storage technologies will play an important role in the continued growth of renewable energy and in ensuring security of supply. Storage solutions will also be needed to ensure competitive electricity prices, the reliability of the energy system and the highest possible share of renewable electricity. Storage solutions will make it possible to shift electricity supply from hours of high renewable energy production to hours of low production.

In 2023, Enefit Green started preparations for a battery energy storage system (BESS) pilot project in the Purtse hybrid project. The project will provide the Estonian electricity system with quickly dispatchable reserve capacity, supporting its upcoming synchronisation with the Continental Europe Synchronous Area. It will also help balance out intraday wind and solar power generation variability and make the generated and stored energy dispatchable.
The plan is to install a BESS with a capacity of 4 MW and 8 MWh. The system is scheduled to be operational in 2025. Following a success of this pilot project, Enefit Green will implement and expand the concept in other development projects in Estonia and its other core markets.

In addition to the battery storage system, Enefit Green is planning to also build a green hydrogen production plant with an electrolyser sized at circa 0.5 MW, capable of supplying enough fuel to ensure the operation of at least seven city buses per year. The project will reduce annual greenhouse gas emissions from vehicles by 1,200 tonnes. The green hydrogen will be delivered to Alexela's filling stations, and will be used by GoBus buses, Alexela trucks, and Eesti Energia and Alexela cars. The hydrogen production unit is currently scheduled to be completed in autumn 2025 and hydrogen consumption is earmarked to start in 2026.

It is important for Enefit Green to support the use of clean fuels and the development of new, environmentally friendly energy sources in the transport sector, which is the second largest source of CO_2 emissions after the power generation sector. The production of green hydrogen will open up new green energy markets and sales opportunities for Enefit Green in the form of green liquid fuels and green chemical input materials.

The pilot projects of the battery storage system and the construction of the green hydrogen production plant will be supported in part by the Environmental Investment Centre with funding from the Recovery and Resilience Facility of the NextGenerationEU programme. The construction of the battery storage system will be supported with €1m. The total cost of the complete hydrogen supply chain (production-distribution-consumption) project is €12.5m, of which the Environmental Investment Centre will contribute €9.9m to all partners.

Enefit Greeni põhimõtted arendamisel

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

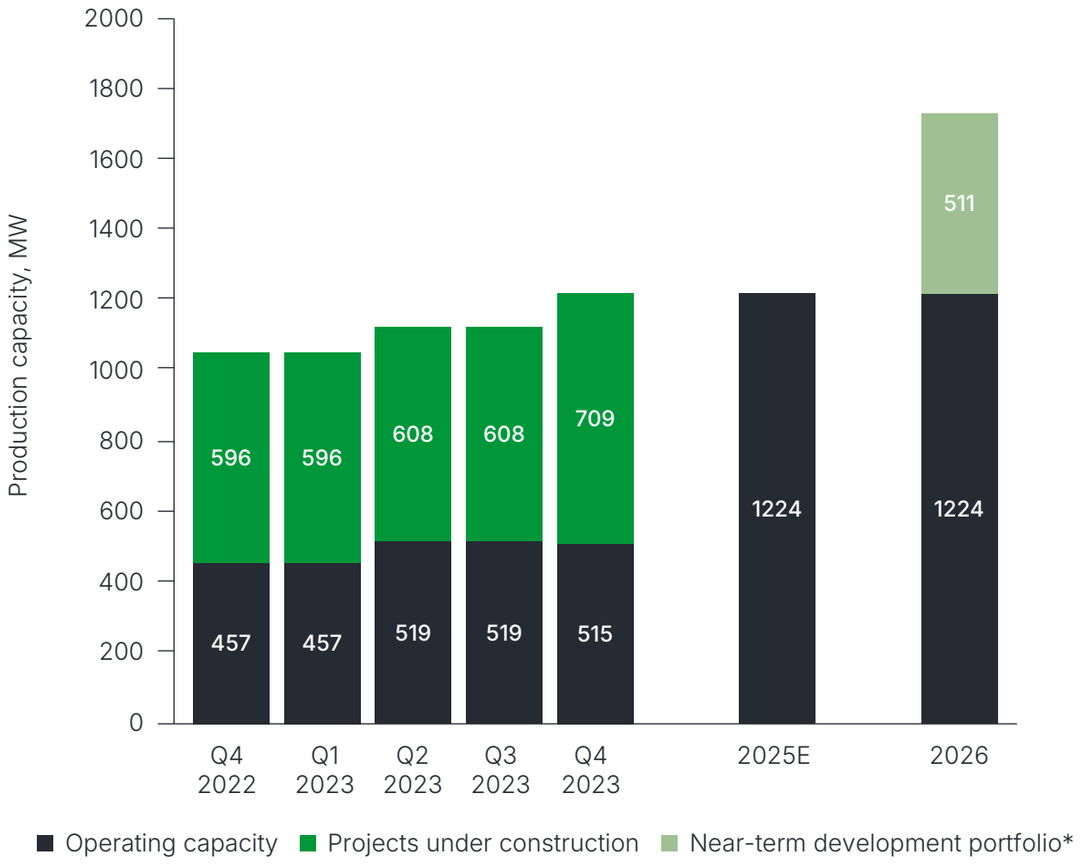
We do not cause harm to the environment
We carry out thorough and comprehensive environmental impact assessments and involve experts with diverse local and international experience.

We partner with our host and neighbouring Communities
We set up joint working groups to engage the communities and main stakeholder groups and to develop new projects inclusively.

We find synergies
We help communities plan their green journeys in an individual and flexible manner.

We involve the best international expertise
We lead the way and involve the best international experts in their field.

Development of Enefit Green production portfolio



** Near-term development portfolio includes projects, which are developed to the state of final investment decision (FID) readiness before the end of 2024. The actual timing of FID depends of PPA demand, availability of other instruments for revenue security (state auctions, possible support mechanisms etc), pricing of equipment for electricity production, construction prices and financing.*

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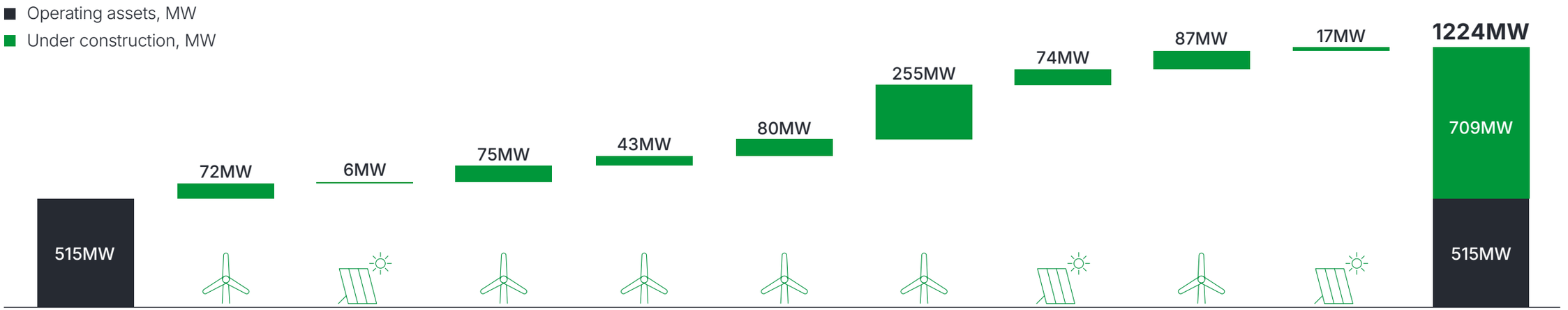
Projects under construction

612 MW

97 MW



	Tolpanvaara	Debnik	Akmenė	Šilalė II	Kelmė I	Sopi-Tootsi	Sopi	Kelmė II	Carnikava A+D
Final investment decision	Q1 2021	Q1 2022	Q3 2021	Q2 2021	Q4 2022	Q4 2022	Q2 2023	Q4 2023	Q4 2023
First production / % in testing phase	100%	100%	93% (13/14)	100%	Q4 2024	Q4 2024	Q4 2024	Q4 2025	Q3 2024
COD**	Q1 2024	Q1 2024	Q2 2024	Q4 2024*	Q1 2025	Q1 2025	Q4 2025	Q2 2026	Q4 2024

** Šilale wind farm generates electricity at full capacity, but passing of certain grid tests (POD, power oscillation damping test) requires additional development activities.*
*** COD – Commercial Operating Date (a date when the asset will be categorised as operating asset) During 2023 following projects have been categorised as operating: Purtse WF (21MW), Purtse PV (32MW), Zambrów PV (9MW), Estonia (3MW).*

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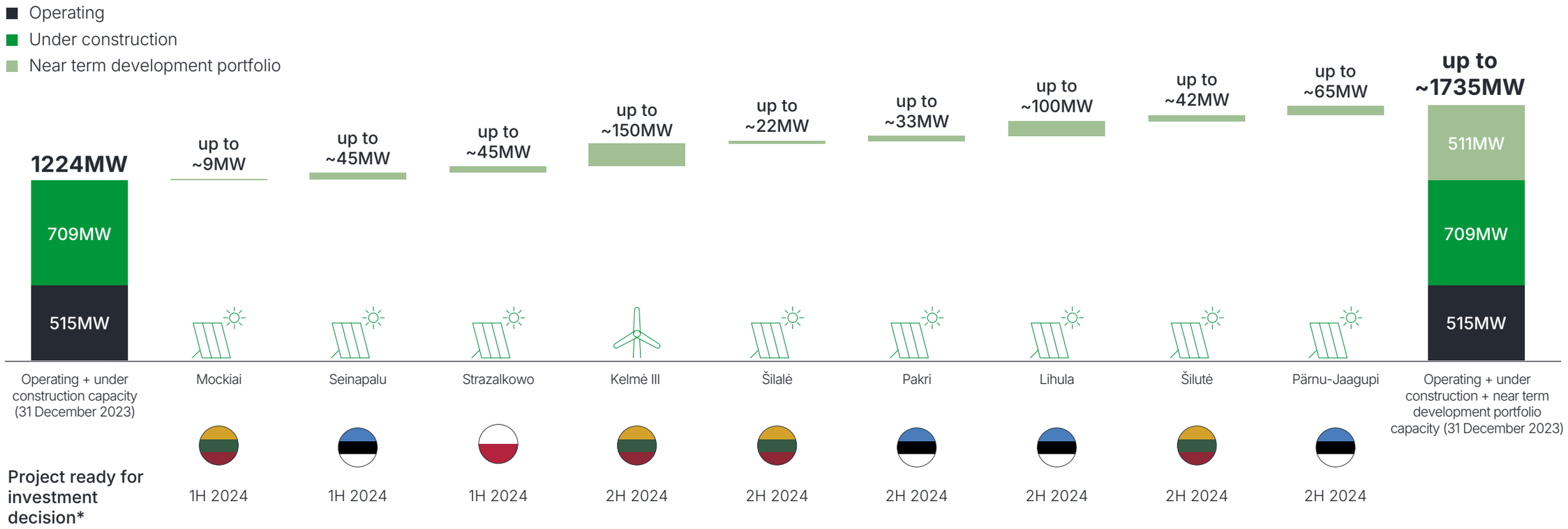
Near term development portfolio

Projects which are developed to be ready for final investment decision before the end of 2024*

150 MW

361 MW



** Projects are being developed to the state of final investment decision (FID) readiness by the indicated time. The actual timing of FID depends of PPA demand, availability of other instruments for revenue security (state auctions, possible support mechanisms etc), pricing of equipment for electricity production, construction prices and financing.*

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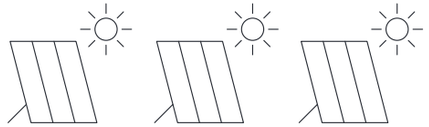
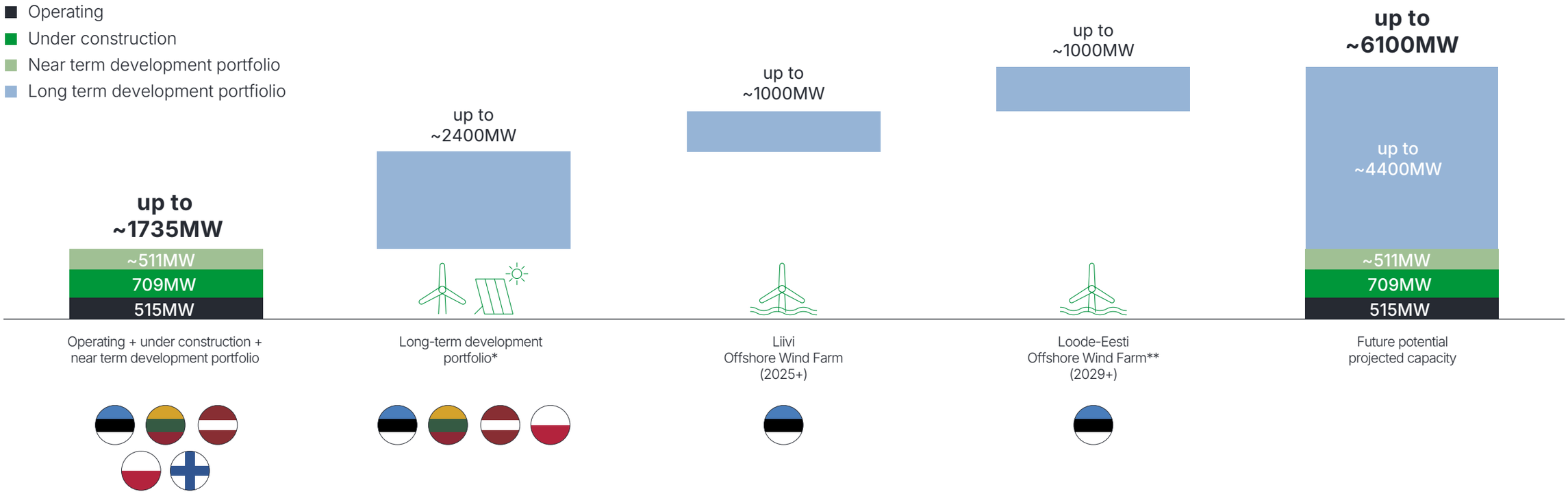
Complete view of the development portfolio





** Various onshore wind and solar farm developments that are not expected to get final investment decision before 2025. The actual timing of FID depends of PPA demand, availability of other instruments for revenue security (state auctions, possible support mechanisms etc), pricing of equipment for electricity production, construction prices and financing.*
*** Also known as Hiiumaa Offshore Wind Farm*

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Asset management

The aim of asset management is to create the technological prerequisites for ensuring the sustainability of the company's assets and the implementation of its growth plan through the adoption and continuous improvement of digitalised asset management processes. Our goal is to reduce the maintenance costs of our existing and new production facilities, increase productivity and develop innovative additional digital services required for the regulation of electricity systems and desynchronisation from Russian electricity grid.

Availability of production assets in 2023

Wind energy segment

In 2023, the overall availability of our wind farms was 93.6%, 1.1 percentage points lower than in the previous year and below the target of 96.8%.

We had great difficulty in working with General Electric, the maintenance and repair partner for the Šilutė wind farm in Lithuania, where availability issues needed to be resolved. By the end of the year, however, we had reached agreement on how to improve availability in the future. Our contract terms also provide for the application of liquidated damages to compensate for the lack of availability. The situation at the Šilutė wind farm was further complicated by the failure of the substation's power cables, which took a long time to repair. The lower availability of the Mockiai wind farm in Lithuania resulted from the extended downtime of a wind turbine whose main bearings had to be replaced.

Annual availabilities of production assets 2021–2023

	2021	2022	2023
Wind farms	95.6%	94.7%	93.6%
Cogeneration plants	96.8%	90.1%	95.1%
Solar farms	99.9%	99.8%	99.8%
Keila-Joa hydroelectric facility	97.8%	98.4%	100.0%
Ruhnu renewable energy solution	99.7%	99.8%	99.8%

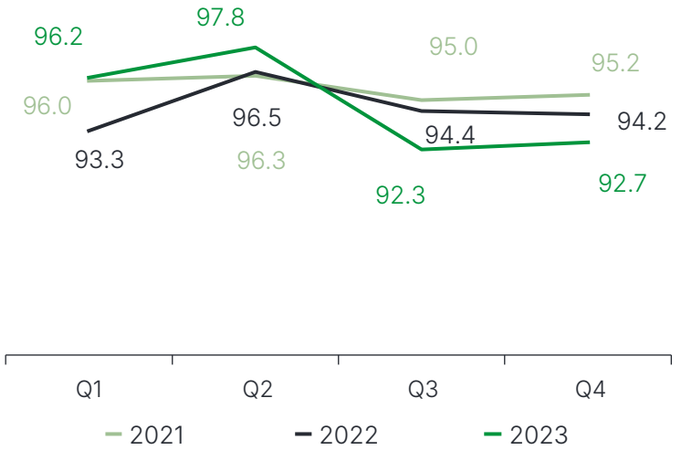
Last year, we also saw a growing need for the maintenance of wind turbine blades. It is not surprising, considering the age of the existing turbine stock – from the tenth year of operation the need for the maintenance and repair of the blades increases. We carry out preventive maintenance to minimise production interruptions due to lengthy repairs and have revised our blade maintenance strategy to make maintenance activities more systematic. We will also introduce a dedicated software solution in 2024 and engage a partner for AI-powered drone inspections.

In wind farms with WinWinD turbines, we have achieved over 90% availability in the last three years. The 2023 result of 92.6% is 1.7 percentage points higher than in 2022, despite the replacement of two gearboxes. This is the second best availability result in the last ten years and confirms the high quality and professionalism of our work and that of our partners in the preventive and planned maintenance of the WinWinD technology.

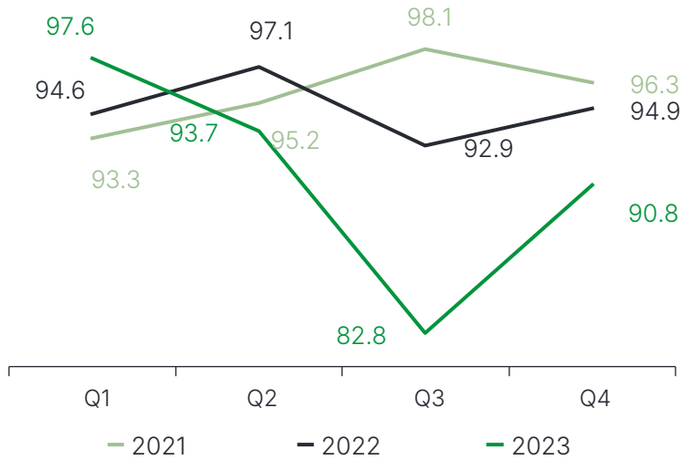
There were no extraordinary events affecting the availability of wind farms with Enercon, Siemens and Nordex wind turbines.

Quarterly availabilities of production assets 2021–2023

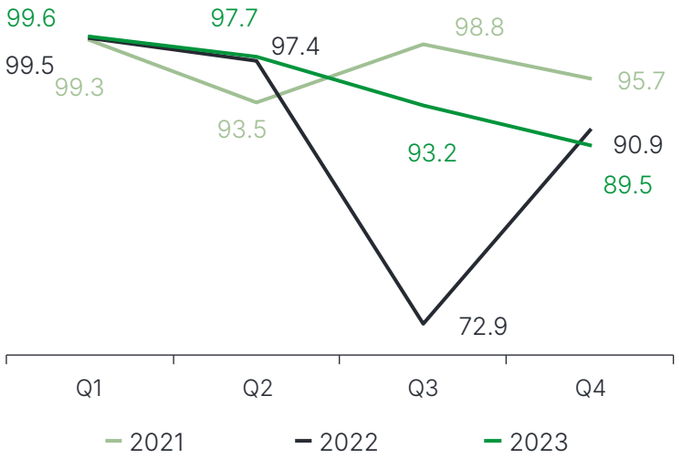
Availability of Estonian wind farms (%)



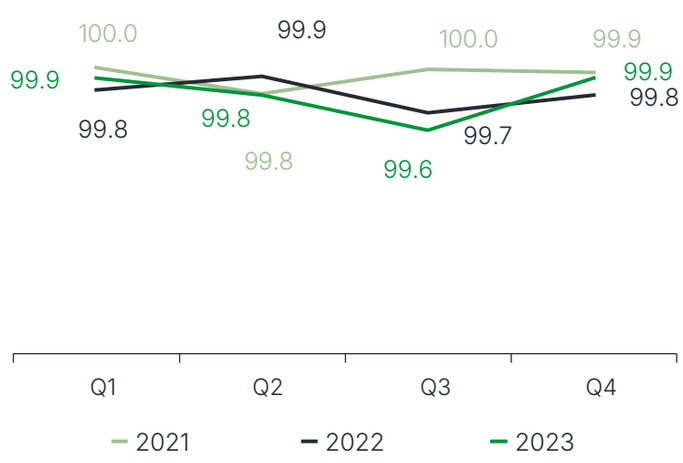
Availability of Lithuanian wind farms (%)



Availability of cogeneration plants (%)



Availability of solar farms (%)



Cogeneration and Solar energy segments

In 2023, the availability of the Cogeneration segment was significantly higher than in the comparative period, when there was an unplanned replacement of the heat exchanger at the Iru waste-to-energy plant. In 2023, the segment's availability was affected by the replacement of the transformer at the Brocēni CHP plant and the extension of the planned maintenance of the Iru waste-to-energy plant due to the work performed on the masonry wall of the boiler. At the same time, it should be noted that the Valka and Paide CHP plants had very high availability, which ensured that the overall annual performance of the four plants and the segment was at a normal level.

As usual, our solar power plants showed very high availability last year.

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Digitalisation

The overall production result of the Wind energy segment improved by an estimated 15.6 GWh, partly due to the automatic 'storm mode' solution implemented on the WinWinD turbines in previous years and partly due to the 'ice reset' function implemented on the Enercon wind turbines and carried out in cooperation with our maintenance partners.

The 'storm mode' solution makes it possible to increase the output of WinWinD turbines in turbulent, high wind conditions through automation. The 'ice reset' enables safe and fast de-icing of frozen wind turbines, increasing the amount of electricity produced.

The growth of renewable energy production assets has brought to the market weather-dependent power sources whose capacity can sometimes change rapidly. This, in turn, means that such assets are included in the necessary system services provided by transmission system operators. In the longer term, we see the potential to generate additional revenue by participating in the provision of system services and have therefore started developing relevant competences.

In 2023, the Baltic electricity markets for the first time saw negative electricity prices for long periods within a day. As a result, we improved our digital data platform and Virtual Power Plant solution to curtail (dispatch down) our wind farms during periods of negative energy prices. By now we have created curtailment capacity for nearly half of our existing wind farms. For all new wind farms, we will build the capacity during the development phase. Last year we responded quickly to market changes and curtailed our renewable energy assets by 6.3 GWh, which we did not need for fulfilling our obligations and which would have otherwise caused an equivalent negative sales result in our production portfolio. In 2024, we will continue to develop this solution in the wind farms under construction and the smaller older farms. Our aim is to test and gain experience in providing system services.

We will continue the gradual in-house development of AIS (Asset Intelligence System), a solution for improving the performance of our assets. Last year, we detected ten anomalies related to the temperatures of wind turbine components in our wind farms using the machine learning models of AIS. These helped us respond proactively and report the faults to our maintenance and repair partners for timely rectification. In this way, we can prevent the downtime of wind turbines and reduce production losses.

The production results of the Cogeneration segment were improved by an estimated 1.6 GWh by the digital solutions implemented in previous years to upgrade the combustion modes of the Iru and Valka cogeneration plants.

The biggest digitalisation project undertaken last year was the creation and implementation of the Monitoring and Control Centre (MCC). The capacity of our assets has reached a level that requires us to take the next step and deploy asset monitoring, maintenance and repair teams that are staffed 24/7/365. This will help us improve our work arrangements and response times to asset failures. By coordinating the work of our maintenance partners more professionally, we can maintain the current production results in the existing ageing wind turbine portfolio and ensure high availability in the newer one. The MCC pilot project will run until October 2024. In the future, the MCC will allow us to expand our cooperation with the Baltic transmission system operators, which will develop the necessary system services in 2024 to desynchronise the Baltic electricity networks from the Russian grid in 2025.

In 2023, we also continued the development of the automatic CM (Condition Manager) system for detecting maintenance needs. Its purpose is to automate the work orders issued to our maintenance and repair partners in the event of typical incidents at our production facilities. The system is planned to be piloted in 2024.

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Operating assets of Enefit Green at 31 December 2023

Segment	Country	Production unit	Electrical capacity (MW)	Turbines (pcs)	Turbine supplier	Age (years)	Remaining useful life (years)	Expiry of renewable energy support (month/year)
Wind	Estonia	Pakri	18.4	8	Nordex	19.7	5.3	-
Wind	Estonia	Esivere	8.3	4	Enercon	18.3	11.7	-
Wind	Estonia	Aulepa I	39	13	WinWinD	14.8	5.2	-
Wind	Estonia	Tooma I	16	8	Enercon	14.1	15.9	-
Wind	Estonia	Virtsu I	1.2	2	Enercon	21.6	8.4	-
Wind	Estonia	Virtsu WT1	0.6	1	Enercon	21.2	8.8	-
Wind	Estonia	Virtsu WT2	0.8	1	Enercon	16	14	-
Wind	Estonia	Virtsu II	6.9	3	Enercon	15.8	14.2	-
Wind	Estonia	Virtsu III	6.9	3	Enercon	13.6	16.4	-
Wind	Estonia	Vanaküla	9	3	WinWind	14	6	-
Wind	Estonia	Aseriaru	24	8	WinWind	11.3	8.7	10/2024
Wind	Estonia	Viru-Nigula	21	7	WinWind	16.5	3.5	04/2025
Wind	Estonia	Narva	39.1	17	Enercon	11	19	06/2025
Wind	Estonia	Paldiski I	22.5	9	GE	11.2	13.8	06/2025
Wind	Estonia	Paldiski II	22.5	9	GE	11.2	13.8	06/2025
Wind	Estonia	Aulepa II	9	3	WinWind	12.8	7.2	03/2027
Wind	Estonia	Tooma II	7.1	3	Enercon	7.5	22.5	05/2029
Wind	Estonia	Ojaküla	6.9	3	Enercon	10.7	19.3	-
Wind	Estonia	Purtse	21	5	Vestas	0.8	29.2	-
Total Wind energy segment in Estonia			**280.2**	**110**		**12.5**	**12.7**	
Wind	Lithuania	Sudenai	14	7	Enercon	15	15	-
Wind	Lithuania	Mockiai	12	6	Enercon	13.1	16.9	-
Wind	Lithuania	Šilale	13.8	6	Siemens	12.3	12.8	-
Wind	Lithuania	Ciuteliai	39.1	17	Enercon	11	19	-
Wind	Lithuania	Šilute	60	24	GE	7.7	17.3	-
Total Wind energy segment in Lithuania			**138.9**	**60**		**10.3**	**17.1**	

The average age and remaining useful life of the assets are shown in the summary rows as capacity-weighted averages.

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Segment	Country	Production unit	Electrical capacity (MW)	Heat energy capacity (MW)	Inverters (pcs)	Age (years)	Remaining useful life (years)	Expiry of renewable energy support (month/year)
Solar	Estonia	22 farms	48.2	-	370	1.5	30.5	To the extent of 12.1 MW; average remaining period 8.6 years
Solar	Poland	20 farms	27.2	-	354	3.4	21.6	To the extent of 18.2 MW; average remaining period 10.3 years
Total Solar segment			**75.4**		**724**	**2.2**	**27.3**	
Cogeneration (mixed municipal waste)	Estonia	Iru	19.3	50		10.3	14.7	07/2025
Cogeneration (biomass)	Estonia	Paide*	2	8		8.4	11.6	07/2026
Cogeneration (biomass)	Latvia	Valka*	2.4	8		11.4	8.6	-
Total Cogeneration segment			**23.7**	**66**		**10.2**	**13.9**	
Other (hydro)	Estonia	Keila-Joa	0.4	-		19	6.1	-
Other (combined)	Estonia	Ruhnu	0.5	-		5	17.5	03/2033
Total segment Other			**0.8**			**11.2**	**12.4**	
TOTAL			**519.0**	**66**				

The average age and remaining useful life of the assets are shown in the summary rows as capacity-weighted averages.

** The contract for the sale of Paide and Valka cogeneration plants was signed in Q4 2023, but at the end of the year the transaction had not yet received the necessary approvals from the Estonian Competition Authority and the Consumer Protection and Technical Regulatory Authority for the transaction to be finalised.*

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Sustainability report

Towards a more sustainable future

At Enefit Green, we are committed to operating sustainably and reducing our environmental footprint. We understand that the production of renewable energy has an impact on the environment and we work with all stakeholders to ensure the sustainability and social responsibility of our operations. We are transparent and report regularly on our progress towards our sustainability goals. We are leading the transition to a future based on clean renewable energy and are working to make the world a better place for future generations.

We started a more conscious and systematic journey towards sustainability in 2022. For the first time, we set out Enefit Green's sustainability principles in line with the UN Sustainable Development Goals.

In 2023, we continued to raise awareness of sustainability topics among our employees. At the end of the year, with the help of KPMG as our external adviser, we started a formal materiality assessment process, engaging internal and external stakeholders to map our key sustainability issues.

As a result, we are taking our sustainability strategy to the next level by setting metrics and targets, strengthening our reporting and integrating our sustainability strategy into the company's overall business strategy. Alongside our key performance indicators, sustainability targets will become an integral part of the performance management system.

Management's assessment of adaptability of United Nations' Sustainable Development Goals in Enefit Green

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Building a greener future in balance with the environment

We are committed to developing and operating renewable energy sources, particularly wind and solar.

Focus on wind and solar

- We have set a strategic goal of increasing our energy production capacity by investing in new wind and solar energy production capacities. Projects under construction at the end of 2023, when completed by the end of 2025, will increase our electricity generation capacity by a factor of 2.7, compared to 2021.
- We believe that with careful planning, we can minimise the environmental and community impacts of new renewable energy projects, making them more compatible with the living and natural environment.
- We look for ways to maximise the use of resources.
- When building new renewable power plants, we look for ways to combine different technologies and make them fit in with our existing operations.

Efficient cogeneration

- In cogeneration, we decided to exit the biomass business in 2023 by divesting biomass-fired cogeneration plants and the pellet factory. This will allow us to focus on our core business – the generation and development of wind and solar energy.
- Although energy recovery from mixed municipal waste to cogenerate heat and electricity is not generally regarded as a sustainable economic activity (e.g. according to the EU taxonomy), we consider the method used at the Iru power plant to be a more sustainable approach than landfilling. We do not use sorted waste for energy recovery and are committed to waste recycling.
- To ensure the most sustainable use of resources, we separate metals from the ash produced during the incineration of mixed municipal waste. Our partners have also found ways to recycle the ash.
- We comply with strict environmental standards for cogeneration, and measure and reduce emissions to air. Measurement results are regularly reported to the management board and published in our Sustainability Report and in a separate Environmental Report.

Overall energy efficiency

- We are committed to using green energy in our operations wherever possible.
- We strive to reduce overall energy consumption of our day-to-day business operations and to improve energy efficiency throughout our business.
- We will continue to invest in advanced technologies and the best available techniques that help us reduce our ecological footprint and operate more sustainably.

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 partnership with local communities. On the journey to a more sustainable future, everyone matters and every action counts. That is why our current and future employees and 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 development.
- We acknowledge the lack of diversity in the energy sector and are working to improve the situation.

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Attracting future talent

- We recognise that the development of renewable energy increases the need for talented people with new skills and competencies who are inspired to create new solutions.
- We are working with higher education and vocational training institutions to identify future talent and help improve the study programmes.
- We invite students to our production units and organise open days to show them how our processes work.
- We grant scholarships to young people studying subjects related to renewable energy.

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 the development of the regions where we operate or intend to develop renewable energy.
- We seek to tailor our initiatives to the needs of local communities, including by creating and contributing to community support funds.
- To address issues of concern to the community, we set up joint working groups in the development phase of our projects so that we can regularly discuss any issues raised by the community during the planning process.

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 committed to applying the best governance practices. In addition to the requirements of the Estonian Commercial Code, the company follows the guidelines of the Corporate Governance Recommendations approved by the Estonian Financial Supervision and Resolution Authority and the rules established for listed companies.

Compliance and anti-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 non-controlling shareholders by ensuring adequate representation of independent members on the supervisory board and the audit committee.
- The management board is responsible for managing Enefit Green's day-to-day operations and authorised to represent the company in accordance with the law and the articles of association.
- 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 ensures 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 the independent members.

Labour and human rights

- We are committed to strengthening labour and human rights.
- We promote safe working conditions, employee well-being and personal development.
- 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 operations, we expect our partners not only to comply with all applicable laws and regulations but also to adhere to our Code of Ethics for Partners. The Code sets out requirements for our contractual partners regarding respect for labour and human rights, adherence to the principles of ethical business conduct, protection of the health and safety of employees, and the application of responsible environmental policies.

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Environmental report

Balance is the key to sustainable management

Energy production from renewable sources is an important prerequisite to achieve climate neutrality. Enefit Green is committed to the development of wind and solar power but we are also involved in the cogeneration of heat and electricity from mixed municipal waste.

We are aware that all activities and production processes have an impact on the environment. We therefore consider it very important to assess the impacts and to operate in balance with the environment. This is the only way to achieve sustainability. Our aim is to use resources efficiently and to take responsibility for protecting the environment.

Focus on the natural environment

We recognise our role in the transition to a greener and a more sustainable world and we want to help reduce the global carbon footprint. By striving for environmental sustainability and measuring the impact of our activities, we show our commitment to sustainable development. We prioritise assessing, preventing, mitigating, or compensating for environmental impacts in all our activities.

We base our strategic decisions on the global sustainable development goals, the European environmental policy, the legislation of the host countries of our development projects and facilities, and the national goals and targets of our core markets.

We also seek to take into account the views and expectations of the local communities and other stakeholder groups.

Integrated environmental management

Environmental management is part of Enefit Green's overall corporate governance. It aims to address environmental issues in an integrated way and to incorporate environmental protection and sustainability principles into our day-to-day operations.

The implementation of an environmental management system, i.e. a systematic approach to environmental management, helps ensure the success of environmental activities and the prevention or reduction of environmental impacts. Enefit Green has an integrated management system, which ensures the effectiveness of environmental activities in all units. The environmental management systems of all our production units are certified and meet the requirements of international environmental management 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 has been EMAS registered since 2004.

Environmental sustainability starts from within, which is why it is important that every employee understands the environmental impact of both their own and the company's activities. To improve employee awareness, we launched a mandatory e-learning course on the environment in 2023. In addition, all employees are invited to participate in the 'The Journey to Zero' series of lectures and the environmental training courses of the Enefit Academy, which were launched last year. The tradition of organising an annual Environment Day also continues in the Eesti Energia group. The theme of the 2023 Environment Day was 'Life after mining, or from resource extraction towards biodiversity'.

Enefit Green's management system is based on the plan-do-check-act approach, where environmental compliance is an important element. To stay aligned with the environmental requirements of the European Union and our core markets, we keep up with regulatory changes and work with policymakers.

A well-functioning environmental management system ensures that environmental risks are prevented and managed, minimising potential damage to the environment from accidents and emergencies.

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In 2023, there was an incident in the Akmene wind farm (under construction) in Lithuania where a turbine tower collapsed. The potential risk of pollution from the wind turbine to the environment was avoided through a well-considered and systematic approach to environmental risk. All contaminated soil was excavated and was handed over to a specialised waste processing company to ensure that the pollution from the wind turbine would not harm the surrounding environment.

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.

In 2023, the total amount of environmental charges paid by Enefit Green was approximately €280k, of which the largest share (approximately €255k) was the ambient air pollution charge for the Iru power plant.

Supporting biodiversity

We prioritise protecting biodiversity and sensitive ecosystems and minimising the impacts of our activities. The assessment of the environmental impacts and risks associated with Enefit Green's activities is carried out at an early stage in the planning of activities, including environmental impact assessments during the planning or design phase of wind and solar farms.

Enefit Green's activities support the sustainable development and carbon neutrality objectives of the Eesti Energia group and contribute to the achievement of Estonia's and the European Union's climate targets.

We are committed to continuously improving our environmental performance and adhere to the following environmental principles:

- • Our activities and decisions are in accordance 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 technologies. We monitor the changes taking place in the environment and prepare environmental reports.
- We apply the principles of the 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.

In the case of development projects, we assess existing biodiversity and find solutions or create conditions to maintain or restore it. The environmental impact assessment includes monitoring and surveys to find solutions to the potential impact on species. In line with expert assessments, monitoring and surveys are carried out during the pre-construction design phase, during the construction phase and after the completion of the production area.

In the design of all production areas, we take care to ensure that developments are not located in environmentally sensitive or protected areas. In the development of solar farms, we follow the principle that these should not be built on valuable agricultural land. When designing fencing for solar farms, we consider the need to ensure that small wild game have a passage through the farm.

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In wind farm development projects, we create green corridors to ensure freedom of movement for wildlife.

When clearing or maintaining production areas, we refrain from using chemicals so as not to harm biodiversity.

In addition Enefit Green participates in the rewetting of exhausted peatlands in the Sopi-Tootsi solar farm area in cooperation with the Estonian State Forest Management Centre. We will build a water regime in the solar farm area that will create the right conditions for the restoration of the bog on an area of about 100 hectares. As a result of the rewetting, carbon emissions from peat decomposition will significantly decrease and the conditions for increasing biodiversity will improve. The project will also assess how solar farms can be used to restore old mining sites.

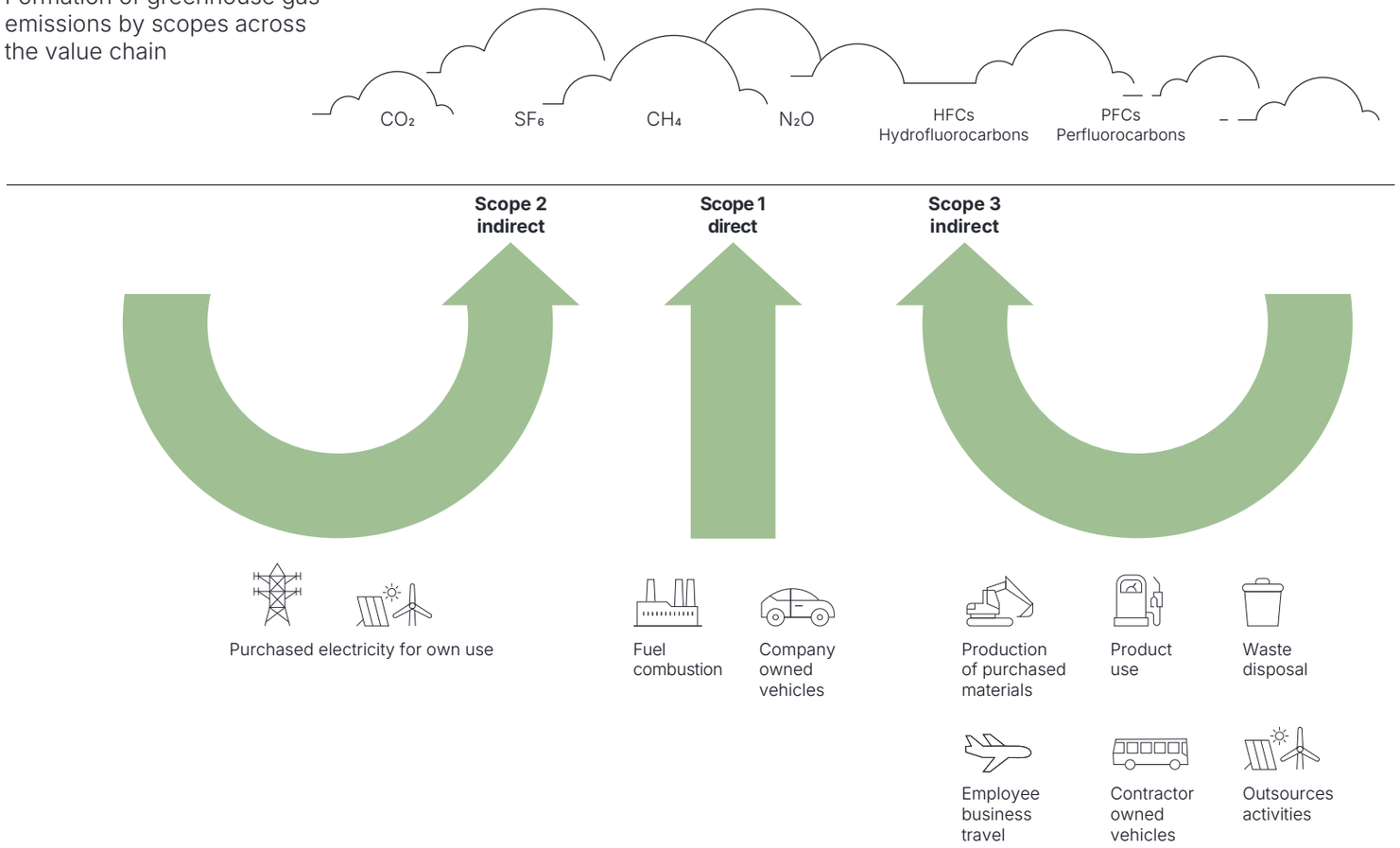
We also look for opportunities to build renewable energy solutions on sites that are already degraded or have a less valuable role in terms of biodiversity. Last year, we built a solar power plant on the industrial site of the Estonia mine in Ida-Viru County, using waste rock produced during mining as building material.

Green Office

We aim to ensure that our employees can work in offices implementing the Green Office principles. The purpose of the Green Office scheme is to raise environmental awareness among employees and to continuously monitor and reduce the environmental impact of office activities. This will result in cost savings, sustainable use of natural resources, waste reduction and a healthier work environment. Enefit Green's head office in Tallinn is certified as a European Green Office.

Carbon footprint

Formation of greenhouse gas emissions by scopes across the value chain



Switching to renewable electricity is the fastest route to carbon neutrality

In the energy sector, the green transition means gradual switching to renewable energy. As one of the leading renewable energy producers in the region, 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 are also taking the first steps in hydrogen production at a pilot project level.

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 from 2020.

The carbon footprint expresses the total amount of greenhouse gas emissions resulting from a company's activities in quantitative terms.

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.

The carbon footprint report was verified in 2021 and 2022 by AS PricewaterhouseCoopers that issued an assurance report on it under ISAE 3410. This was a separate engagement, not part of the financial audit. Due to the calculation methodology, the figures for 2023 are unaudited and may be revised by the time the next annual report is published.

For the sake of comparability, the verified data for 2021 have been added an estimated amount of emissions based on a new methodology verified in 2022, which has not been separately validated.

Measuring emissions by scope allows setting targets for reducing the company's carbon footprint. To this end, it is necessary to review the sources of 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 these emissions, we have started drawing up a long-term development plan for the plant, which will focus, among other things, on maintaining the positive socio-economic impact that the plant provides and on ways of reducing the carbon footprint per unit of energy produced.

Until the end of 2023, the data include the three cogeneration plants (Paide, Valka and Brocēni CHPs) and the pellet factory, which were sold at the end of 2023. As a result of these transactions, Enefit Green's carbon footprint will decrease. The share of these plants in the 2023 carbon footprint was <1%, 77% and 43% for scopes 1, 2, and 3, respectively, and 74% for biogenic CO_2 emissions.

Enefit Green's carbon footprint by source (thousand tonnes CO_2e)

Scope / activity	2021	2022	2023
Scope 1			
Incineration of waste	138.2	128.1	147.7
Combustion of natural gas	3.4	1.1	2.3
Other low-impact emissions assessed	0.4	0.5	0.4
Scope 1 total	**142.0**	**129.7**	**150.4**
Scope 2			
Electricity purchased	20.3	23.3	24.4
Scope 2 total	**20.3**	**23.3**	**24.4**
Scope 3			
Transport of pellets to the consumer	3.6	4.1	4.2
Fossil part of pellet combustion*	9.8	7.8	8.0
Production of solar panels and wind turbines**	12.7	12.1	15.3
Transport of waste	2.0	1.8	1.8
Other low-impact emissions assessed	0.7	1.0	0.8
Scope 3 total	**28.8**	**26.8**	**30.1**
Scope 1, 2, 3 total	**191.1**	**179.8**	**204.9**
Biogenic sources ***			
Combustion of biomass	139.7	144.7	135.4
Biogenic part of waste incineration	133.7	121.4	141.1
Biogenic part of pellet combustion	226.7	259.1	261
Biogenic total	**500.1**	**525.2**	**537.5**
Total	**691.2**	**705.0**	**742.4**

** 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.*
*** From 2021, scope 3 includes greenhouse gas emissions from the production of wind turbines and solar panels installed in wind and solar farms.*
**** CO_2 from biogenic sources*

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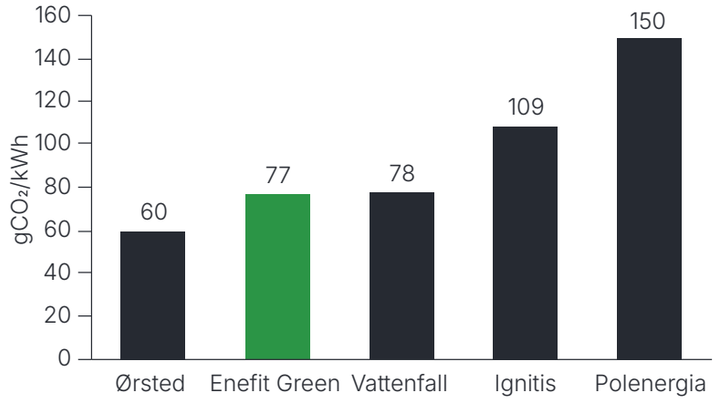
Carbon intensity of heat and electricity production at Enefit Green (scope 1, gCO_2/kWh).

	2021	2022	2023
Carbon intensity of energy production	78	77	77

Carbon intensity of energy production compared to peer group companies (2022)



Source: companies' annual reports / sustainability reports

To maintain the comparability of the carbon footprint after the clarification and revision of the calculations, a system has been created to include the emissions from the production of newly installed solar panels and wind turbines in Enefit Green's carbon footprint. The estimate of the carbon footprint from production is divided over the useful life of the respective asset and linked to the expected output to derive the annual carbon emissions that are included in scope 3 of the reportable carbon footprint.

A better overview of the company's emissions is provided by the emissions intensity indicator, which measures the carbon footprint as a comparable ratio not dependent on the size of the company. For Enefit Green, the most meaningful indicator is the carbon intensity of scope 1 emissions per kWh of heat and electricity produced.

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

At the end of 2023, most of our production facilities met the sustainability criteria of the EU taxonomy for sustainable activities by contributing either to climate change mitigation or adaptation.

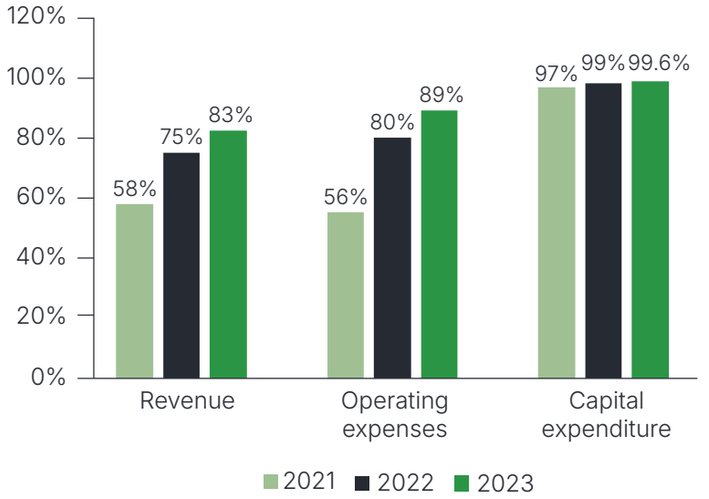
As the sustainability requirements for solid biofuels used in cogeneration plants came into force at the beginning of 2023, electricity and heat produced from biofuels in cogeneration were not classified as taxonomy compliant until the end of 2022.

Likewise, the Brocēni pellet factory's operations were not considered EU taxonomy compliant until the end of 2021.

As in September 2022, the European Commission approved the certification scheme for wood used in the production of pellets, which is also used by the Brocēni pellet factory, we have classified the factory's operations as sustainable from 2022 onwards.

In accordance with the regulations that entered into force in 2023, a sustainable biomass accounting system was introduced at the Paide power plant, and a procedure was set up to certify the compliance of biomass. Under the system put in place, all biomass received by the Paide plant was certified as compliant with sustainability criteria.

Share of sustainable economic activities in Enefit Green's revenue, operating expenses and capital expenditure according to the EU taxonomy.



In 2023, the share of sustainable, taxonomy-compliant economic activities in Enefit Green's consolidated revenue, operating expenses and capital expenditures was 82.7%, 89.4% and 99.6%, respectively.

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

€m	2021	2022	2023
Revenue	89.4	175.5	170.1
Operating expenses	55.9	112.4	147.3
Capital expenditure	74.3	190.7	354.3

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We consistently work to reduce environmental emissions

Emissions to air

The primary emissions to air that result from Enefit Green's operations are carbon dioxide (CO_2), sulphur (SO_2) and nitrogen compounds (NO_x), carbon monoxide (CO), volatile organic compounds (VOCs), ammonia (NH_3) and particulate matter (PM). Emissions to air are emitted by our fuel-burning power and cogeneration facilities (the Iru, Paide and Valka power plants and the Brocēni cogeneration facility). Combustion can also release small amounts of heavy metals into the atmosphere.

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.

Emissions to air (thousand tonnes)

	2021	2022	2023
CO_2, fossil	**142**	**130**	**150**
incl. Iru power plant*	141	130	150
SO_2	**0.04**	**0.04**	**0.03**
incl. Iru power plant*	0.03	0.02	0.02
NO_x	**0.34**	**0.30**	**0.31**
incl. Iru power plant*	0.22	0.17	0.20
Particulates	**0.14**	**0.11**	**0.19**
incl. Iru power plant*	0	0	0

** At the end of 2023, Enefit Green signed an agreement to exit the biomass-based cogeneration and pellet businesses. Following these transactions, the Iru power plant, which uses municipal waste as fuel, remains the main production unit with emissions to air.*

All our production units that emit pollutants to air have environmental permits, which set out emission limit values and maximum permitted annual quantities for pollutants in waste gases. 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.

Biomass combustion facilities producing electricity and heat emit biogenic CO_2 to air, averaging 140k tonnes per year. CO_2 emissions from biomass combustion are considered to be climate neutral and therefore biomass combustion is also considered to be climate neutral.

Iru power plant

The most important source of fossil CO_2 and nitrogen oxide emissions is the waste incinerator at the Iru power plant, which mainly incinerates mixed municipal waste. The amount of mixed municipal waste incinerated per year (see the table 'Resources used in production') has remained relatively stable, so the amount of fossil CO_2 has not fluctuated much over the years. Concentrations of pollutants emitted to ambient air are monitored by continuous monitoring equipment. The equipment monitoring the concentrations of combustion gases from waste incineration were replaced at the end of 2022. The new monitors were put into operation at the beginning of 2023, after mandatory calibrations to ensure the accuracy of the data output.

The production of energy from natural gas, which has higher emissions to ambient air than biomass combustion, has been minimised by the use of low-nitrogen-emitting boilers, which help reduce the formation of nitrogen oxides (NO_x) during combustion. In 2023, the burners of the Iru natural gas-fired standby steam boiler were modernised using this technology.

Use of water resources and generation of wastewater

Enefit Green's production units (power plants and the cogeneration facility) 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 has been built on the river near Nehatu.

In order to ensure the long-term protection of surface and groundwater resources and an adequate water supply for production, the Iru waste-to-energy power plant reuses the cooling water. The heated water is cooled in the cooling tower and reused after cooling. By implementing these measures, we have minimised the use of additional water resources. In 2023, the surface water use of the Iru power plant was higher than in previous years. The plant operated in condensation mode for a longer period of time, which increased the amount of cooled water in the cooling tower. As the cooling water is reused, the

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quality of the water deteriorates after multiple uses and additional pumping of raw water is necessary.

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 (thousand m^3/y)

Facility	Type of water	2021	2022	2023
Iru power plant	Groundwater	3.6	3.0	2.7
	Surface water	235.8	182.1	284.4
Iru power plant total		**239.4**	**185.1**	**287.1**
Biomass facilities	Ground water	108.9	118.5	83.9
	Water from the public supply	19.9	15.4	16.0
Biomass facilities total		**128.8**	**133.9**	**99.9**
All facilities total		**368.2**	**319.0**	**387.0**

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 Brocēni pellet factory and cogeneration plant and the Iru waste-to-energy 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 authorities 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, recycling and circular economy

Around 86% of the waste resulting from Enefit Green's production operations is non-hazardous. The largest share (90%) of non-hazardous waste is made up of ash, which results from both biomass and mixed municipal waste combustion. Most of the non-hazardous waste generated by Enefit Green is reused or recycled.

Enefit Green attaches great importance to reducing waste and contributing to the circular economy and recycling. Incineration of waste for energy recovery is one way of reusing waste. We use non-recyclable municipal solid waste for electricity and heat production at the Iru power plant where we have implemented an environmentally sustainable technology.

An important example of the circular economy is the transfer of all wood ash from biomass combustion at the Paide, Valka and Brocēni facilities to local farms for use as fertiliser to improve soil fertility. The Iru waste-to-energy unit can produce heat and electricity from up to 260,000 tonnes of waste per year. As the Iru power plant is the only one of its kind in Estonia that is allowed to incinerate mixed municipal waste, it has put an end to the large-scale landfilling of mixed municipal waste.

The environmental impact of using municipal waste to produce heat and electricity is much smaller than that of landfilling, where waste decomposes and emits pollutants for decades. The share of waste that remains after incineration is approximately 30% (bottom ash, metals separated from ash, hazardous fly ash and residues from flue gas purification).

Waste incineration produces different types of ash: non-hazardous ash (bottom ash) and hazardous fly ash and residues from flue gas purification. 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. All non-hazardous waste generated during incineration is recycled or reused.

The bottom ash from waste incineration is delivered to the Tallinn landfill, where it is aged and used as a substitute for mineral material when the landfill is closed. In addition to ash, the Iru waste-to-energy power plant generates metals separated from bottom ash. The metals are recycled, as is the scrap metal generated during repair works in the production units.

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Waste generation (thousand t/y)

Facility/Type of waste	2021	2022	2023
Iru power plant			
Bottom ash from waste incineration	64,2	57,6	63,4
Metals	4.4	3.6	3.5
Total non-hazardous waste	**68.7**	**61.3**	**66.9**
Fly ash	3.7	3.0	3.5
Residues from flue gas purification	8.4	7.5	7.6
Total hazardous waste	**12.1**	**10.5**	**11.1**
Biomass facilities			
Wood ash	**2.8**	**2.8**	**2.9**
Total waste	**83.6**	**74.6**	**80.9**

The primary source of hazardous waste is the Iru power 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

Facility	Type of fuel	Unit	2021	2022	2023
Iru	Mixed municipal waste	thousand tonnes	237	216	249
	Natural gas	thousand m^3	1 614	530	1157
Biomass facilities	Biomass	thousand tonnes	361	377	374
	Natural gas	thousand m^3	144	55	66
	Biomass used in pellet production	thousand tonnes	252	257	269

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. Natural gas is used to start and shut off the Iru waste incinerator and to heat water in the boilers. The water heating boilers are used during the period when the incinerator is not in operation, to ensure the heat supply to the district heating network. In 2023, there was a small number of incinerator outages and water boilers were used for heat production. As a consequence, the amount of natural gas used was higher compared to 2022.

Land resource and forest management

For the most part, the land owned by the company consists of cadastral units designated as production land or profit-yielding land (land zoned for agricultural use or silviculture). Profit-yielding land includes 600 hectares of managed forest. In using land, we are guided by the principle that land is a limited resource which must be used prudently.

In regards to 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. 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 fruits and mushrooms and we see wider public benefits in expanding shared use by renovating and building access routes to forest land.

Development activities: focus on thorough preparations

We believe that environmentally responsible behaviour starts from the early stages of a project, with careful assessment of the surrounding environment, risks and opportunities. We trust that renewable energy development projects can be planned with minimal impact on the environment and communities.

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 development project should not have a significant negative impact on the natural and human-made environment and that it should 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 project's 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.

2023 saw the completion of the environmental impact assessment (EIA) of the North-West Estonia Offshore Wind Farm – this was the first EIA of an offshore wind farm in Estonia. Granting the approval was preceded by a long-term impact assessment process involving experts and external partners. The EIA was initiated on the basis of an application for a permit for special use of water. It will be followed by the next stage of the EIA and the necessary planning activities. The process will take account of the results of the initial EIA and involve further surveys.

We have set out to develop the Gulf of Riga offshore wind farm as a priority. For this, we started in 2023 large-scale surveys necessary for the EIA in the development area. The surveys will cover both wildlife (birds, fish, marine mammals, bats) and seabed geology, as well as the processes taking place in the development area.

In 2023, the first monitoring survey based on maps created by digital aerial imagery was launched in Estonia in the development area of the Gulf of Riga offshore wind farm. In the course of the process, monitoring transects of the survey area are photographed and aerial photo maps are produced based on overlay digital images. The survey is characterised by a high degree of accuracy, as the identification and counting of birds is done by software at the initial stage of post-processing. This allows the ornithologists to focus on analysis and on identifying situations that are more difficult to detect. The survey will help assess the impact of the offshore wind farm on bird populations and will provide better fundamental knowledge.

Social engagement and community collaboration

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, Enefit Green's current and future employees as well as communities are key to our success.

Employee engagement and management quality continue to be high

Enefit Green's international team is comprised of dedicated people, many of whom feel that they are truly engaged leaders. In 2023, the number of executives (incl. all levels) was 33 and the total number of employees before the sale of the Brocēni cogeneration business at the end of December was 194. As a result of the transaction, headcount decreased by 40.

	2021	2022	2023
Number of employees at year-end	165	183	154
Women	26	29	30
Men	139	149	124
Payroll expenses*, €m	6.7	9.1	10.8*
Voluntary employee turnover, %	6.2	6.3	5.3
Number of interns during the year	7	12	6

** Payroll expenses include the 2023 staff costs of the entities sold at the end of the year.*

According to the results of the annual engagement survey, employee engagement and management quality continue to be high. The engagement index decreased by two percentage points, from 91 to 89, but remained high. Management quality decreased by one percentage point year on year, from 95 to 94. Almost half of the employees feel that they are true leaders, which reflects a positive work environment and a high degree of personal motivation.

Employee engagement index and management quality index

	2021	2022	2023
Employee engagement index	84	91	89
Management quality index	86	95	94

High levels of engagement and management quality are indications of a positive organisational culture. According to employees, a motivating work environment, clear goals and a strong employee value proposition are Enefit Green's key strengths.

In 2023, Enefit Green was selected as one of Estonia's top 10 most desirable employers. Enefit Green also showed the biggest rise in the ranking, improving its position by six places compared with the previous year.

Focused professional development

We believe that continuous learning and development keep our employees motivated and engaged. We carry out systematic development activities in order to improve business performance and enhance the organisational culture.

In 2023, we offered our employees over 80 different training courses, a major share of which was aimed at developing and maintaining technical and professional competences. In addition to traditional classroom training, our people can participate in experience clubs, co-vision groups and language cafés.

The focus was on harmonising and developing project management competences. We developed a career and development policy and launched a project management development programme. This includes onboarding support for new staff, developing the competences of the existing staff and an opportunity to obtain an internationally recognised project management certificate. Almost 70% of the members of the development team completed the certification training programme and 20% of the participants applied for certification. We launched monthly organisation-wide development days and on the last Friday of each month our people can learn, either individually or collectively.

In cooperation with Fontes, the first brand ambassador training programme was held, which was attended by seven of our employees. The brand ambassadors participated in workshops and short training sessions (learning bites) over a three-month

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period and acquired the knowledge and skills to act as the ambassadors of Enefit Green.

We also made preparations to launch a pilot project for a 24/7 monitoring and control centre at the Iru waste-to-energy plant in 2024. In cooperation with TalTech's Institute of Electrical Power Engineering and Mechatronics, we set up a training programme for operators. The central control centre will speed up the response to incidents to ensure high availability and productivity of the assets.

Training the next generation of energy experts

We need young visionaries who want to create new solutions and build an ambitious carbon-neutral energy system. Our mission is to find, retain and develop top performers with the right attitude, skills and knowledge.

We had six interns in 2023. Every year, we welcome IT, engineering and analytics students interested in gaining valuable experience at our company. We organised 55 study trips during the year, which were attended by more than a thousand students from vocational and secondary schools and universities. The students could visit the Iru waste-to-energy plant, the Paldiski wind and solar farm, the Purtse hybrid farm and the Keila-Joa hydroelectric facility. Enefit Green awarded four scholarships to support young people studying in areas relevant to our business.

In September, Enefit Green helped organise the first Positron, a major event, which brought together the biggest players in the electricity sector. Students, teachers and other interested parties had the chance to get to know the different aspects of the energy world. Our people introduced participants to the renewable energy sector. In addition, we helped the Wind Energy Association organise a practical workshop for children in Häädemeeste municipality. We explained to them how offshore wind turbines work and built the first offshore wind turbines together.

Last year, we worked with the Videoõps (Video Tutor) team to produce a series of videos for schoolchildren about Enefit Green's renewable power plants. Although the Videoõps videos are intended for formal learning at school, they can also be used for individual study. The educational videos have good visuals, explain complex issues in simple terms, and relate the learning to real-life examples. In cooperation with the Videõps team, we produced educational videos to explain the operating principles of the Keila-Joa hydroelectric facility, the Iru waste-to-energy plant and the Paldiski wind and solar farm.

Health and safety are our core values

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. 'Safety foremost' is one of our core values and the guiding principle in everything we do.

We have assessed workplace risks and trained our staff to apply appropriate methods and techniques in hazardous situations. We have zero tolerance for accidents. We systematically promote a safety culture and regularly provide safety education and 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 injuries occurring in a workplace per one million hours worked. Enefit Green's employees had no accidents at work in 2023.

KPI	2021	2022	2023
Lost time injury frequency rate	0	0	0

We encourage dialogue with and between employees with a view to promoting health, supervision, safety and a cleaner work 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;
- determining and implementing preventive measures based on the risk assessment;
- preparing safety instructions and guidelines for jobs;
- purchasing and providing employees with appropriate personal protective equipment;
- ensuring the safety of workplaces;
- arranging regular health checks;
- providing regular mandatory training to employees

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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 accidents and identifying and implementing corrective measures.

Enefit Green operates and develops production units in a number of countries, from Finland to Poland. We must be ready to respond to incidents in production units and to other accidents. We organise regular health and safety training and information sessions to enhance employee awareness. We also monitor compliance with occupational safety requirements and policies in all units.

In the past year, we continued to work with various rescue and law enforcement agencies in order to prepare for possible emergencies. Together with the Estonian Rescue Board, Enefit Green organised drill exercises at the Iru waste-to-energy plant and the wind farms. The Estonian Defence Forces practised how to safeguard a production unit in a war situation. Good co-operation with the Rescue Board, the Ambulance Services and the Police, as well as emergency preparedness testing give us confidence for the future.

We value our employees' physical and mental health. Therefore, we have various health initiatives for our staff. We arrange regular health checks and offer vaccination against influenza

and tick-borne encephalitis. For the second year in a row, our employees in all core markets were given the opportunity to join a health insurance scheme and have access to private medical services if needed.

Through the Stebby platform, we support employees' fitness and sport activities, including participation in various sport events. They can choose the type of exercise that suits them best from thousands of service providers.

Enefit Green's employees took part in the Energy Sports series and represented the company at various sports events. In addition, our people could attend health forums, webinars, exercise evenings and joint training sessions in the offices.

Strong community relations

We contribute to the development of the areas where we operate today or in the future. In carrying out development projects, we observe the principles of transparency and community involvement.

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

Enefit Green's success is determined and influenced by the strength of its relationships with stakeholders. We operate in a transparent and inclusive manner and work closely with a wide range of stakeholders. During the year, we organised over 200 meetings with different stakeholders to drive development projects.

The need to increase the production of renewable energy has highlighted the need for a local (community) benefits model, which would motivate local authorities and communities to work with wind farm developers. In July 2023, an environmental fee was imposed on wind farms in Estonia, which will bring additional revenue to people and communities living in the neighbourhood of new wind farms. The fee is imposed on wind farms that are under construction or have started production after 1 July 2023. The amount of the fee depends on the amount of electricity produced and the exchange price of electricity in the previous quarter. The fee on wind turbines under construction is one tenth of the applicable wind turbine fee. Enefit Green paid €7,200 to the municipality of Lüganuse for the Purtse wind farm and €21,500 to the municipality of Põhja-Pärnumaa for the Sopi-Tootsi wind farm.

For years, Enefit Green has supported the development of the areas in the immediate vicinity of its wind farms in Estonia and Lithuania. Last year, we continued to contribute to the well-being of the communities living near the wind farms through the non-profit associations we have set up with local authorities. In 2023, the support provided to local projects through non-profit associations in Estonia amounted to €113,000. In Lithuania, we have signed agreements with local governments under which we supported local communities with €118,000. The amount of the support depends on the terms of the agreement and the output of the wind farms.

Grant amounts in 2021–2023, thousand €

	2021	2022	2023
Estonia	148	142	113
Lithuania	130	138	118

For the sixth time, we helped organise the conference Another Kind of Paldiski. The theme of the conference was 'Paldiski - at the forefront of the green transition'. The conference featured inspiring presentations on the transition to green energy, ensuring energy security and creating the living environment of the future by top experts from Estonia and abroad.

We believe it is important to raise young people's awareness of waste sorting and the potential value of waste. Together with the Estonian Circular Economy Industries Association, Lääne-Harju municipality and local companies, we helped install 35 sorting stations in all schools in Lääne-Harju municipality. 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 and in 2022 on the island of Saaremaa.

Corporate governance report

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.

Governance princip les

The objective of Enefit Green's supervisory board and management board is to develop and manage Enefit Green in such a way that we set 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. In addition to the requirements of the Estonian Commercial Code, the company follows the guidelines of the Corporate Governance Recommendations approved 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 expectations of its shareholders. Eesti Energia, whose sole shareholder is the Republic of Estonia, owns 77.2% of 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 we use to continuously assess the effectiveness of work done. The KPIs include EBITDA, the availability of wind farms and cogeneration plants, capacity (in megawatts) of development projects which have reached final investment decision, lost time injury frequency rate (LTIFR) and management quality.

To achieve the goals, managers engage and motivate the staff in line with our values and group-wide management principles. We keep our employees informed about the organisation's goals and how we are achieving them. We make sure that our people have a safe working environment and a high work ethic. We pay our employees a competitive salary and recognise and reward them.

The company's management and supervisory boards are accountable to the shareholders for meeting shareholder expectations and achieving the goals. The company is committed to transparency in its operations, disclosure of information and relationships 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.

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 is EMAS (EU Eco-Management and Audit Scheme) certified.

In 2023, DNV GL carried out a surveillance audit that confirmed the compliance of the integrated management system with three ISO standards throughout the organisation: ISO 9001 Quality Management, ISO 14001 Environmental Management and ISO 45001 Occupational Health and Safety Management. In addition, Metrosert's surveillance audit confirmed that the environmental management system of the Iru waste-to-energy plant complies with EMAS requirements.

Code of Ethics

Enefit Green has adopted the Code of Ethics of the Eesti Energia Group which states, among other things, that the organisation

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does not tolerate any discrimination, harassment, bullying, abuse or any 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 employees have completed an online ethics course. In 2023, additional training was provided in all core markets, focusing on the prevention of corruption. The training also took into account the specific legal requirements in each market.

Ethical 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 requirements for the prevention of fraud and corruption and for the respect of labour and human rights.

At Enefit Green, we have zero tolerance for any unethical and fraudulent behaviour, both from employees and partner organisations. All cases of suspected corrupt behaviour will be investigated without exception, and any suspicions or findings of suspected wrongdoing or unethical behaviour will be reported to the relevant authorities.

In 2023, Enefit Green's internal audit function finished investigation of two cases of fraud and corruption.

Infringement of the public procurement procedure. On 26 September 2023, law enforcement authorities detained two long-term employees of the Iru waste-to-energy plant on suspicion of violating section 300(1) of the Estonian Penal Code. Enefit Green AS terminated the employment contracts of these employees. The pre-trial investigation led by the Estonian Prosecutor's Office continued in January 2024.

A bribe offered by a Polish bidding company to an employee of Enefit Green UAB (Article 227(3) of the Lithuanian Criminal Code). At the end of the internal investigation, Enefit Green UAB reported the alleged misconduct to the Central Investigation Department of the Special Investigation Service of the Republic of Lithuania, which opened a criminal case for further investigation. Enefit Green UAB has banned the aforementioned company from further participation in its tenders and terminated two construction contracts it had previously signed with the company. The pre-trial investigation, led by the Lithuanian Prosecutor's Office, continued in January 2024.

Avoidance of conflicts of interest

In line with Enefit Green's values and ethics and in order to prevent corruption, we have adopted a group-wide policy for avoiding conflicts of interest. The policy 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 such transactions were performed in the ordinary course of business and on an arm's length basis.

Where there is a risk of a conflict of interest, the person exposed to the risk refrains from discussing and voting on the relevant agenda item.

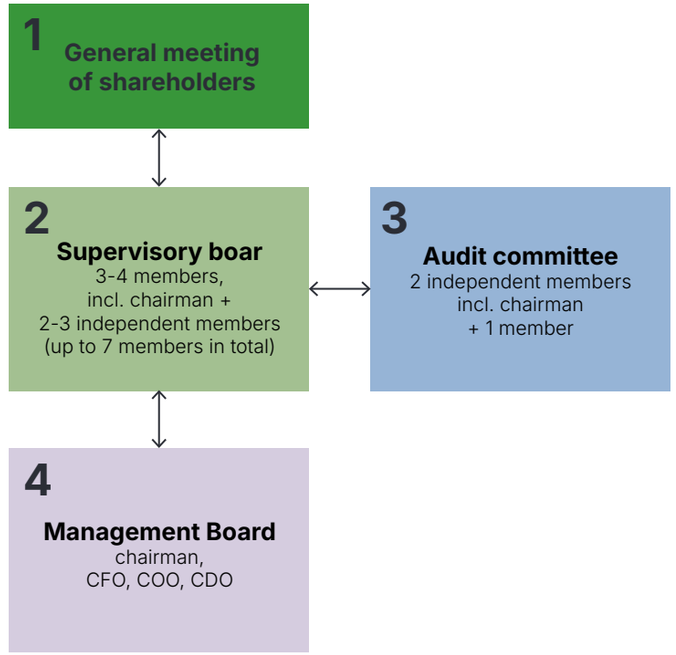
Enefit Green's governing bodies

1
- Shareholders can use their voting power 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



Organisational structure and governing bodies

We believe it is important to ensure 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.

General meeting

Enefit Green's highest governing body is the general meeting, which, among other things, decides on:

- amendments to the articles of association and the share capital;
- the appointment and removal of the members of the supervisory board;
- the appointment and remuneration of the auditor;

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- the approval of the results of the financial year and the allocation of profit;
- the approval of the remuneration policy for members of the management board;
- the approval of transactions which, according to the rules and regulations of the Nasdaq Tallinn Stock Exchange, must be submitted the general meeting for approval.

The general meeting may change the articles of association in accordance with the requirements of the Estonian Commercial Code. A resolution to amend the articles of association is adopted if it is passed by at least two thirds of the votes represented at the general meeting. The annual general meeting is held once a year, within six months after the end of the group's financial year, at a time and place determined by the management board.

Supervisory board

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

- planning the group's activities;
- organising the management of the group and supervising the activities of the management board;
- approving the group's strategy and supervising its implementation; 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 as defined in the Corporate Governance Recommendations. When the supervisory board has an odd number of members, the number of independent members may be one less than the number of dependent members.

The chairman of the supervisory board of Enefit Green is Andrus Durejko (in office since 25 May 2023). Hando Sutter (the former chairman) and Andri Avila were removed from the supervisory board by a resolution of the general meeting of 24 May 2023. At the same general meeting, Andrus Durejko and Marlen Tamm were appointed as members of the supervisory board. At 31 December 2023, the members of the supervisory board of Enefit Green were Andrus Durejko, Marlen Tamm, Raine Pajo, Erkki Raasuke and Anne Sulling, the latter two being independent members as defined in the Corporate Governance Recommendations.

The members of the supervisory board do not have an ownership interest in companies that are partners, suppliers or customers of Enefit Green. Information on memberships in the governing bodies of other companies is presented in the table below.

The terms of office of Andrus Durejko and Marlen Tamm expire on 25 May 2026. The terms of office of the other members of the supervisory board expire on 21 October 2024.

In accordance with the resolution of the sole shareholder dated 14 October 2021, the remuneration of the independent members of Enefit Green's supervisory board is €1k per month. The other members of the supervisory board do not receive any remuneration. The remuneration of the members of the supervisory board in 2023 is presented in the table below.

The supervisory board normally meets once a month, except during the summer months. In 2023, the supervisory board held 13 meetings. In addition, on nine occasions decisions were taken by electronic means. All meetings were attended by all members of the supervisory board.

Supervisory board

At 31 December 2023

Andrus Durejko
Chairman of the Supervisory Board

Marlen Tamm
Member of the Supervisory Board

Raine Pajo
Member of the Supervisory Board

Erkki Raasuke
Member of the Supervisory Board (independent)

Anne Sulling
Member of the Supervisory Board (independent)

	Andrus Durejko	Marlen Tamm	Raine Pajo	Erkki Raasuke	Anne Sulling
Commencement of term of office	24 May 2023	24 May 2023	1 Jan 2021	21 Oct 2021	21 Oct 2021
Expiry of term of office	24 May 2026	24 May 2026	21 Oct 2024	21 Oct 2024	21 Oct 2024
Experience	2023 - ... Eesti Energia, Chairman of the Management Board, 2018–2023 Ericsson Eesti and Ericsson Latvia, Chairman of the Management Board and CEO, 2016–2018 Ericsson Eesti, Head of Digital Services in Estonia, Sweden, Finland and the Baltics, 2014–2016 Ericsson Eesti, Program Director in the Nordic and Baltic region, 1996–2014 Ericsson, various positions Previously worked for Reveko Telekom AS, OY LM Ericsson AB and Baltcom Eesti AS.	2023 - ... Eesti Energia, Member of the Management Board, 2021–2023 Eesti Energia, Head of Management Accounting, 2019 –2021 Eesti Energia, Head of Controlling 2016–2019 Eesti Energia, Head of Financial Controllers of Management Accounting, 2012–2016 Eesti Energia, Lead Financial Controller Previously held various positions in Swedbank.	2006 - ... Eesti Energia AS, Member of the Management Board, Production Director 2000–2010 various positions at Elering AS / OÜ Põhivõrk Previously held various positions in the energy sector Lecturer and mentor	2021 - ... 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 held various positions in the banking sector.	Independent consultant, has advised many companies on expanding into foreign markets. 2015–2019 Member of the Estonian Parliament 2014–2015 Minister for Foreign Trade and Entrepreneurship Previously was involved in the sale of Estonia's CO2 emission allowances at the Environmental Investment Centre and led Estonia's euro adoption project at the Ministry of Finance. Has also worked as an adviser to the Prime Minister and served at Swedbank and Nelja Energia OÜ.
Education	Estonian University of Life Sciences, Electrical Power Engineering, Master of Science	Estonian Business School, Economics/-Business Administration, Master of Science, cum laude Tallinn University of Technology, Economics/Business Administration, Bachelor's degree	Tallinn University of Technology, School of Information Technologies, Master's degree Tallinn University of Technology, School of Business and Governance, Master of Business Administration Tallinn University of Technology, School of Engineering, PhD in Engineering	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
Membership in governing bodies of other companies	Member of the Supervisory Boards of Enefit Outotec Technology OÜ, Enefit OÜ and Enefit Power AS	Member of the Management Board of Attarat Holding OÜ, Member of the Supervisory Boards of Enefit Solutions AS, Enefit OÜ and Enefit Power AS	Member of the Management Board of Attarat Holding OÜ, Member of the Supervisory Boards of Enefit Solutions AS, Enefit Outotec Technology OÜ and Enefit Power AS	Member of the Supervisory Board of AS Inbank	Member of the Management Boards of Arctic Affair OÜ and Idee & Arendus OÜ
Remuneration paid to the member of the supervisory board in 2023	–	–	–	12,000	12,000
Number of Enefit Green's shares held by the member of the supervisory board (at 31 December 2023)	1,000	950	2,621	51,849	0
Number of Enefit Green's shares held by persons closely associated with the member of the supervisory board (as at 31 December 2023)	0	401	0	29,356	0
Attendance rate at meetings	100 %	100 %	100 %	100 %	100 %

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Management board

The day-to-day management of the group is the responsibility of Enefit Green's management board. In managing the company, the management board follows the group's strategy, which 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 on the basis of a proposal from the chairman of the management board. The supervisory board can remove a member of the management board.

At 31 December 2023, the management board of Enefit Green consisted of the chairman of the management board, Aavo Kärmas, and the members of the management board Andres Maasing, Veiko Räim and Innar Kaasik. Andres Maasing was appointed a member of the management board as of 3 April 2023. Until that date in 2023 the management board consisted of three members and the chairman of the management board was responsible for development activities.

Andres Maasing's term of office expires on 3 April 2026 and the terms of office of the other members of the management board expire on 24 September 2024.

None of the members of the management board is a member of the management board or the chairman of the supervisory board of another listed company. The memberships of the members of the management board in the governing bodies of other companies, except Enefit Green AS group companies, are presented in the table below. The members of the management board are not shareholders in any companies that are

Management board

At 31 December 2023

Aavo Kärmas
Chairman of the Management Board

Innar Kaasik
Member of the Management Board Responsible for production

Andres Maasing
Member of the Management Board Responsible for development

Veiko Räim
Member of the Management Board Responsible for finance

	Aavo Kärmas	Innar Kaasik	Andres Maasing	Veiko Räim
Commencement of term of office	5 Jul 2017	31 Aug 2012	3 April 2023	23 Oct 2017
Expiry of term of office	24 Sept 2024	24 Sept 2024	3 April 2026	24 Sept 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	Cubico Sustainable Investments Australia, Development and Acquisition Manager for Renewable Energy Projects Tilt Renewables, Development Manager for renewable Energy Projects; Mitsui & Co., Ltd – Development and Financing of Infrastructure Projects; Ernst & Young and PriceWaterhouse Coopers, Project and Corporate Finance and Acquisition Advisory roles	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	Australian Institute of Company Directors, Professional Development Training Griffith University, Australia: Master of Law Bachelor of International Business	London Business School Further Studies Stockholm School of Economics Financial Management Stockholm School of Economics in Riga Economics and Business Administration
Membership in the governing bodies of other companies	Member of the Supervisory Board of Empower 4Wind OÜ	Member of the Supervisory Board of Empower 4Wind OÜ	Member of the Management Board of Wind OÜ	–
Number of Enefit Green's shares held by the member of the management board	15,405	3,000	1,006	2,071
Number of Enefit Green shares held by persons closely associated with the member of the management board	0	2,000	0	0

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the customers, suppliers or other business partners of Enefit Green.

The remuneration of the management board of Enefit Green is governed by the principles for remuneration of the members of the management board, which were 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 2023 will be presented in the remuneration report which will be included in audited annual report.

Severance pay is paid in the cases specified in the contract signed with the 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 duty). Severance pay is not paid if this would be clearly detrimental to 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 last basic remuneration of the member of the management board. 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.

Audit committee and internal audit

The audit committee is a body set up by the supervisory board, which is responsible for advising the supervisory board in matters relating 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, that they take into account the needs of the company and that and that the interests of the controlling shareholder are not favoured in the decisions made by the supervisory board and the management board. Among other things, the audit committee monitors that transactions with related parties are conducted on market terms. Where necessary, the audit committee makes proposals to the management board and the supervisory board. The audit committee consists of three members. The majority of its members, including the chairman, have to be independent as defined in 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 2023. 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 2023. Anne Sulling was unable to attend one of the meetings, the rest of the meetings 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.

Audit committee

At 31 December 2023

	Erkki Raasuke Chairman of the Audit Committee	Raine Pajo Member of the Audit Committee	Anne Sulling Member of the Audit Committee
Appointed	22.10.2021	22.10.2021	22.10.2021
Remuneration paid to the member of the committee in 2023	6 500	–	3 000

The rates of the remuneration of the independent members of the audit committee were set 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 any remuneration for that month. The remuneration of the members of the audit committee for participation in the work of the committee is presented 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 carries out 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 Statutes approved by the supervisory board. The role of the internal auditors is to contribute to the improvement of the internal control environment, risk management and corporate governance culture. The scope of the internal audit function covers the activities of the entire Enefit Green group. The internal audit department reports 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 2023 was submitted to the audit committee and the supervisory board in February 2024.

Financial reporting

The preparation of the 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 signed for five years (for the audit of the financial statements for 2019–2023). The audit firm has not provided any services to the company that could compromise the auditor's independence. In 2023, the total amount of fees paid or payable for the services provided by PriceWaterhouseCoopers was €138k (2022: €125.3k), of which €54.7k was audit fee of Enefit Green group (2022: €54.2k) and the remaining were the fees of the subsidiaries of Enefit Green group. The services included financial audit fees of €138k (2022: €114.3k) and other services of €0 (2022: €11k). Other services in 2022 were related to agreed-upon procedures.

Statement of compliance with Corporate Governance Recommendations

As a listed company, we have to disclose our compliance with the Corporate Governance Recommendations approved by the Estonian Financial Supervision and Resolution Authority in accordance with the 'comply or explain' principle, which requires us to explain our positions and practices regarding those articles of the Corporate Governance Recommendations that 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. The main elements of our corporate governance have been described above. Having assessed the compliance of the organisation and the functioning of the company's corporate governance system, we conclude that the organisation and functioning of the corporate governance of Enefit Green comply with the Corporate Governance Recommendations.

Risk Management

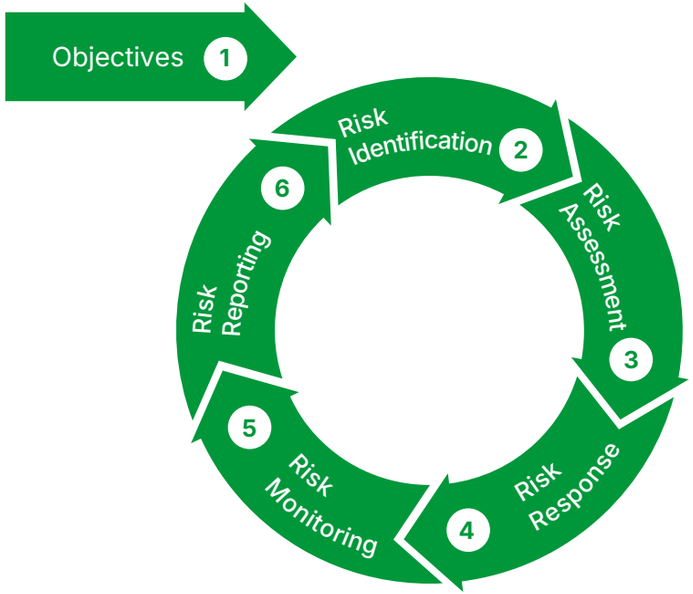
Risk management activities are a natural and integral part of the management of Enefit Green and thus embedded in all our processes and operations.

The main objective of risk management is to support the achievement of Enefit Green's strategic objectives, i.e. to help mitigate the business risks associated with the execution of the strategy and to identify new business opportunities. At Enefit Green, risks are managed in accordance with the risk management policy, which sets out the rules for systematic, consistent, transparent and up-to-date management of risks.

We apply the three lines of defence approach to risk management in our organisational structure, which helps assure that the risks inherent in and affecting our operations are identified, assessed, mitigated and controlled effectively and that losses are prevented.

Risk management is integrated into various stages of Enefit Green's business operations and it is a natural part of our processes and activities. The structure of Enefit Green's risk management process can be summarised as follows:

Our objective is to ensure a risk-conscious approach to development activities, operations, change management and business continuity. To make sure that our risk management activities are effective and to prevent risks from materialising, we regularly and systematically collect information about the realisation of risk, threats of the realisation of risk, and incidents. Risks are assessed by using a risk matrix (probability x impact) methodology.



When risks realise (i.e. a risk incident occurs), we carry out an incident analysis to identify the root cause and improve risk mitigation measures, if necessary. We also analyse near misses so that additional measures could be applied before the risk materialises. This information is used to make improvements and thereby lower the probability of the recurrence and/or impact of similar events in the future.

We use the information, analyses and expert assessments gathered in the course of risk management to set the group's strategic objectives and plan the activities to achieve them. The aim is to gain the best possible understanding of the risks and their potential impact, and to adjust the planned strategy accordingly.

Price risk

Due to market developments (changes in demand or the prices of products and services), Enefit Green is exposed to fluctuations in the value of its assets or liabilities, or in the amount of income it earns on its assets and services.

The main market risk for Enefit Green is the electricity price risk. In previous periods, renewable energy support measures have played an important role in mitigating the electricity price risk, reducing the impact of price volatility on financial performance. In 2023, the role of baseload PPAs in hedging the electricity price risk increased significantly. A larger share of baseload PPAs increased profile and production shortfall risks. For further information on baseload PPAs and their role in managing electricity price risk, see the chapter Long-term PPAs.

A +/- 10 €/MWh change in the average realised sales price of electricity would have had a +/- €7,665k impact on the group's profit before tax for 2023. A +/- 10 €/MWh change in the average realised purchase price of electricity would have had a +/- €4,109k impact on the group's profit before tax for 2023. Even though purchase and sales prices do not always follow the same trend, a simultaneous +/- €10/MWh change in the purchase price

and sales price would have had a +/- €3,556k impact on the group's profit before tax for 2023 (2022: +/- €6,709k).

Risk associated with financial leverage

Enefit Green uses financial leverage to increase its business volumes faster through the development of new production assets and to improve return on equity.

The risk associated with financial leverage is mitigated by setting a target level for the ratio of net debt to EBITDA, which in the stable operating phase is 4.0. At 31 December 2023 net debt to EBITDA stood at 3.9 (31 December 2022: 1.0). The level of the ratio is regularly monitored.

We have projected that in the active development phase of new projects, the ratio may increase significantly and rise to 5.0 or even higher in the short term. After the active development phase, when we expect the absolute and relative volume of construction projects to decline, we project that the ratio will normalise within a few years. When we make investment decisions on new projects, we analyse the potential impact of these projects on the ratio.

Interest rate risk

The fair value or cash flows of financial instruments may fluctuate due to changes in market interest rates, which may have a positive or negative effect. Cash flow interest rate risk arises from the group's floating-rate borrowings and is the risk that finance costs will increase when interest rates rise.

We mitigate interest rate risk partly by raising debt at fixed interest rates and partly through floating-rate borrowings, where the interest expense is fixed by means of interest rate swaps.

At 31 December 2023, Enefit Green had three interest rate swap agreements in the nominal amount of €157,003k (31 December 2022: €168,334k), which accounted for 33.3% (31 December 2022: 61.2%) of total borrowings.

At 31 December 2023, the weighted average effective interest rate of bank loans including the effect of interest rate swaps was 3.75 % (31 December 2022: 2.6%). The interest rate of Enefit Green's bank loans depends on the base interest rate (the level of the 3- or 6-month EURIBOR for borrowings denominated in euros, and the level of the 6-month WIBOR for borrowings denominated in Polish zloty). At 31 December 2023, a 1.0% percentage point rise in the average base interest rate would have had an impact of -€3,150k on Enefit Green's profit before tax for the year (31 December 2022: -€1,066k).

Credit risk

Credit risk is the risk of a credit loss that occurs when a counterparty is unable to meet its contractual obligations. Cash at bank, long-term fixed-price PPAs, trade and other receivables and derivatives with a positive value are exposed to credit risk.

In the case of each long-term fixed-price PPA signed with a counterparty not belonging to the Eesti Energia Group, the potential credit risk is assessed and appropriate credit risk mitigation measures – a credit limit, a parent company guarantee or a bank guarantee – are used.

At 31 December 2023, the counterparty to 88.9% of the group's long-term fixed-price PPAs was Eesti Energia AS (31 December 2022: 88.5%).

During 2023, no credit risk events were registered.

Liquidity risk

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

Enefit Green mitigates short-term liquidity risk by keeping a sufficient cash buffer in its bank accounts to ensure that funds are available even when there is a deviation from the cash flow forecast.

Long-term liquidity risk is mitigated by regularly forecasting the liquidity needs for the next 12 months, taking into account the need to finance investments and make loan repayments and dividend payments, and cash inflow 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

Legal risk is the risk that legislation affecting Enefit Green's operations in its core markets or at the EU level will change and prevent us from achieving our business objectives.

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We mitigate legal risk by monitoring the developments and planned changes in the regulatory environment, both in our core markets and at the EU level, participating actively in public debates and discussions on the development of new legislation, and making sure that our activities comply with legislation.

IT risk

IT risk is the risk that Enefit Green will not be able to meet its business objectives or will suffer a loss due to flaws in the use of IT solutions or cyberattacks.

In 2023, we noticed a growing trend of cyberattacks against renewable energy companies. 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 have established cybersecurity requirements for our business partners to help mitigate IT risks associated with counterparties. It is important to raise the staff's awareness of cybersecurity on an ongoing basis.

Technical and technological risks

Identification and management of the risks associated with physical assets and technological solutions used to achieve our business objectives along with the implementation of preventive measures help avert or lower the risk that business risks will materialise and adversely affect the achievement of the organisation's objectives.

On 2 May 2023, risk materialised at the Akmenė wind farm, which is under construction in Lithuania, where a General Electric GE 5.5-158 wind turbine collapsed. No one was injured in the incident. The operation of all wind turbines at the Akmenė wind farm was suspended for the investigation of the root cause. A thorough analysis revealed that a malfunctioning sensor had sent incorrect information to the turbine controller, causing an excessive load on the tower structure and leading to the collapse of the turbine. After determining the cause of the failure, General Electric identified and will implement additional safeguards to prevent the same or similar incidents from occurring in the future.

After a thorough four-month analysis aimed at determining the root cause of the incident which occurred at the Akmenė wind farm at the beginning of May, the management board of Enefit Green decided at the beginning of September that wind turbines not affected by the incident would be gradually restarted. At 31 December 2023, 13 of the wind farm's 14 wind turbines were back in operation.

Business continuity planning includes services provided to achieve strategic business objectives and for district heating as a vital service. We use criticality analyses, which are based on the risk assessments for components of production assets, to achieve the expected availability and operational reliability of our production assets with optimal resources. We apply risk-specific preventive measures in planning maintenance and repair or, if an extraordinary incident occurs, carry out previously planned activities to reduce its scope or duration to assure business continuity of the organisation and our production assets. With business continuity risk assessments and business continuity plans (incl. recovery plans) in place, we are better prepared to respond to unexpected events and mitigate negative impacts.

Environmental risks

We define environmental risk as a situation in which Enefit Green's activity or failure to act causes damage to the environment that exceeds permissible limits and does not comply with the agreed requirements, including the conditions specified in environmental permits.

To control, manage and reduce our environmental impacts, we have implemented certified environmental management systems, which comply with the ISO 14001-2015 standard and, at the Iru waste-to-energy facility, with the EU EcoManagement and Audit Scheme (EMAS). In 2023, we successfully passed the ISO and EMAS surveillance audits.

Our environmental risk management measures are aimed at preventing the materialisation of risk 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.

Further information on fraud risk issues, including two incidents in 2023, can be found in the Corporate Governance Report.

Share and Shareholders

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 registered ordinary 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

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 events, such as adverse market conditions, major asset transactions with one-off effects, the need to implement growth and development strategies, and the need to maintain an appropriate level of liquidity and a reasonable capital structure.

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

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 2023, the annual general meeting of the shareholders was held on 24 May. The annual general meeting decided to pay the shareholders a dividend of €54,969k (€0.208 per share) for the financial year 2022, which accounted for 50% of net profit for 2022. In 2022, a dividend of €39,906k (€0.151 per share) was paid to the shareholders.

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Shareholders

After the IPO in autumn 2021, the number of Enefit Green's shareholders decreased slightly until the end of the year, but started to grow in 2022 and continued to grow in 2023. At the end of 2023, Enefit Green's shares were held in 64,101 Nasdaq CSD securities accounts. The number of shareholders increased by 3,700 during the year. Trends in the shareholder structure were similar to those seen in 2022: retail investors (+0.9%) and Baltic pension funds (+0.3%) increased their shareholdings while the ownership interests of foreign institutional investors decreased somewhat.

Investor relations

In order to further develop investor relations and to better inform investors, we continued to present our quarterly results in Estonian and English through separate webinars held every quarter. We also participated in various conferences for institutional and retail investors and organised meetings where retail investors could meet the company's management. Details as summarised in the table below.

Main investor relations events in 2023

Conference/event	Location	Time	Comments
Citi European Utilities Conference 2023	Virtual	12 January 2023	1:1 meetings with 6 institutional Investors
The Investor Toomas Conference (Äripäev)	Tallinn, Estonia	21 January 2023	Conference for retail investors
Inderes Greentech Seminar	Virtual	2 May 2023	Online presentation
The Investor Toomas Investment Club at Paldiski Wind Farm	Paldiski, Estonia	17 May 2023	A visit to the Paldiski wind farm and a meeting with management
Citi's 2023 12th Annual Virtual Frontier Markets Symposium	Virtual	18 May 2023	1:1 meetings with 2 institutional investors
Nasdaq Vilnius: CEO Meets investors	Virtual	8 June 2023	Online presentation
Investment Festival 2023	Toosikannu, Estonia	7 July 2023	Conference for retail investors
Swedbank Estonian Investment Club I	Tallinn, Estonia	24 August 2023	Meeting with the management, visit to the Paldiski wind farm
Swedbank Estonian Investment Club II	Tallinn, Estonia	7 September 2023	Meeting with management
Erste CEElection Conference 2023	Vienna, Austria	10–11 October 2023	1:1 meetings with 11 institutional investors
Wood WinterWonderland 2023	Prague, Czech Republic	7–8 December 2023	1:1 meetings with 9 institutional investors

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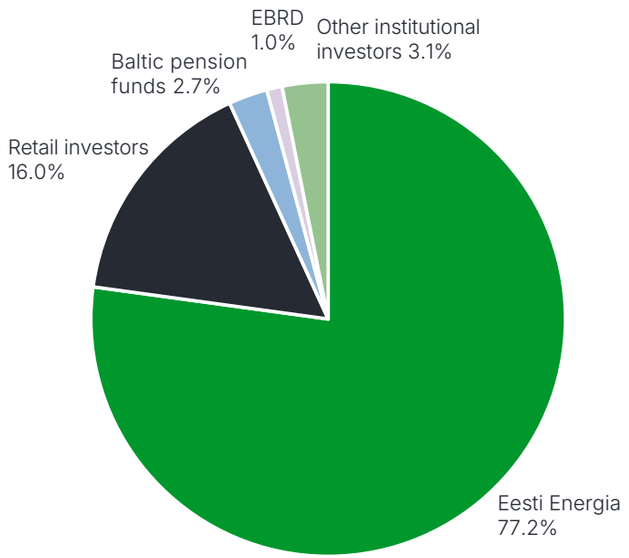
Enefit Green's 10 largest shareholders
As at 31 December 2023

Shareholder	Number of shares	%
Eesti Energia AS	203,931,405	77.17%
EBRD	2,773,277	1.05%
SEB AB/Säästopankki Korko Plus - Sijoitusrahasto	1,161,056	0.44%
Swedbank Pension Fund Generation 1970–79	1,078,942	0.41%
Swedbank AB Clients	929,991	0.35%
SEB Pension Fund 55+	828,521	0.31%
Swedbank AS Clients	749,171	0.28%
SEB AB Lux Branch - UCITS Clients	742,755	0.28%
AS LHV Pank	727,915	0.28%
Swedbank Pensija 1975–1981	683,034	0.26%
Other (64,090 securities accounts)	50,670,165	19.17%
Total number of shares	**264,276,232**	**100.00%**

Shareholder structure
At 31 December 2023



Trading statistics of the Enefit Green share

Since listing, the Enefit Green share has been the most traded share on the Nasdaq Baltic stock exchanges Although trading activity has decreased over time, the Enefit Green share remained the share with the highest turnover on the Baltic stock exchanges also in 2023. The total value of trades with the share was €72.3m, which accounted for 16% of the total turnover of the Main List on the Nasdaq Baltic. In more than 164k transactions, 17.3m shares changed hands. During the year, the share traded between €3.420 and €4.888 and closed at €3.566, decreasing by 18.8% over the year.

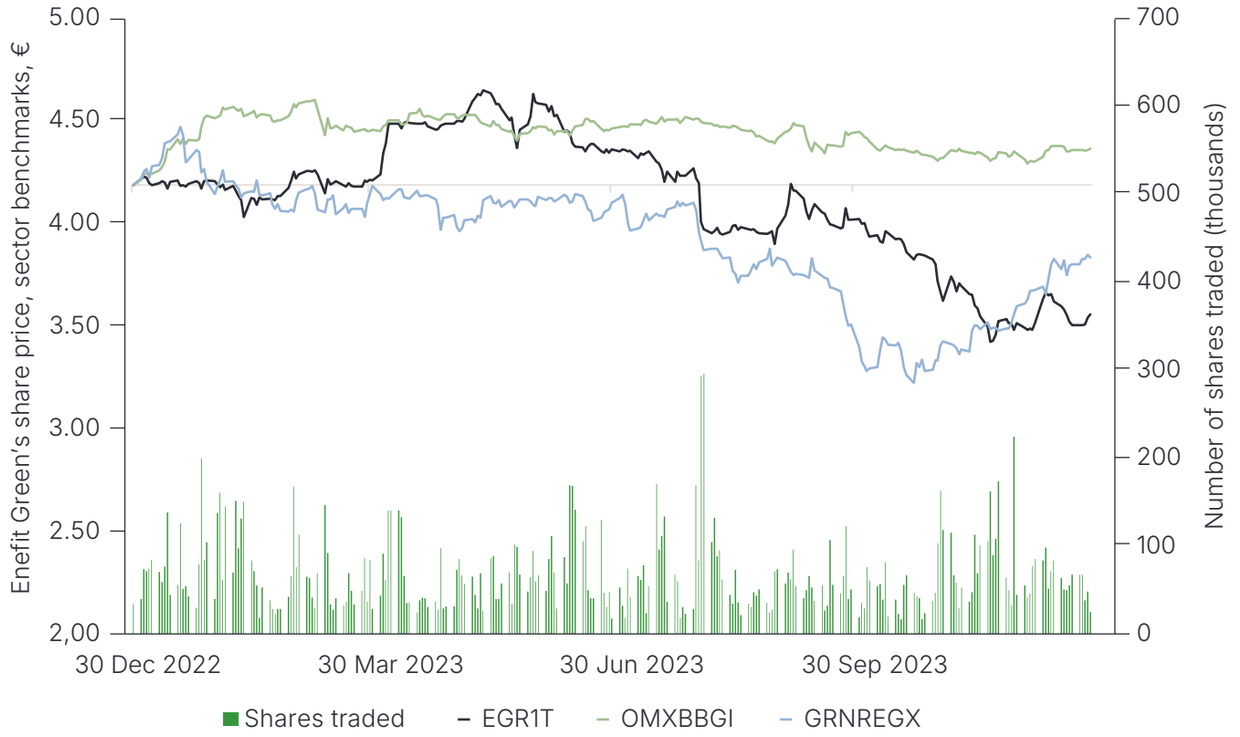
Adjusted for the dividend (€0.208 per share), the total return of the Enefit Green share in 2023 was -15.1%. It was the first time since the IPO that the share underperformed its benchmark indexes. Relevant benchmark indexes include the Nasdaq Baltic Benchmark (last year's return +4.2%) and the Nasdaq OMX Renewable Energy Generation Total Return Index, which tracks the share prices of global renewable energy companies (last year's return -8.4%). Movements in the benchmark indexes and the price and trading volume of the Enefit Green share are shown in the chart below.

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

	2021*	2022	2023
Closing price, €	4.044	4.378	3.556
High, €	4.580	4.932	4.888
Low , €	3.255	3.334	3.420
Traded volume, m	16.7	28.6	17.3
Turnover, €m	63.8	115.3	72.3
Market capitalisation at the end of the year, €m	1,069	1,157	938

* - since listing on 21 October 2021

Enefit Green's share price and benchmarks in 2023



EGR1T - Enefit Green's share price (dividend-adjusted) Benchmark indexes
OMXBBGI – Nasdaq Baltic Benchmark (Gross Return)
GRNREGX – Nasdaq OMX Renewable Energy Generation Total Return Index (tracks the share prices of global renewable energy companies)

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Tax Footprint

The tax footprint reflects how Enefit Green contributes to society by paying taxes.

In carrying out our activities, we adhere to the following tax risk management principles according to which we:

- comply with all applicable tax laws and regulations;
- conduct all transactions at market prices and document them in accordance with relevant requirements;
- assess the tax implications of new projects for Enefit Green's tax liabilities;
- maintain open and trusting relationships with the tax authorities; and
- engage external advisers in projects where we do not have in-house tax expertise.

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

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

- taxes borne are taxes that are borne directly 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 transfer them to the tax administrator.

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

In 2023, the taxes borne by Enefit Green totalled €15,197k (2022: €9,335k) and the taxes collected totalled (€23,020k) (2022: €10,221k). As a result, the group's tax footprint was (€7,822k) (2022: €19,556k). The tax footprint was negative due to VAT refunds related to the development of new production assets.

In 2023, Enefit Green paid income tax of €9,481k on dividends distributed to shareholders (€4,684k).

Tax Footprint: Tax payments made by Enefit Green (€k)

	2023						2022					
TAXES BORNE	**Estonia**	**Latvia**	**Lithuania**	**Poland**	**Finland**	**Total**	**Estonia**	**Latvia**	**Lithuania**	**Poland**	**Finland**	**Total**
Payroll taxes borne by the employer	1,659	412	18	54	0	**2,143**	1,401	354	12	30	0	**1,796**
Environmental charges	267	33	0	0	0	**301**	245	29	0	0	0	**274**
Corporate income tax	9,514	0	2,154	39	0	**11,707**	4,684	2	1,587	86	0	**6,359**
Property taxes	66	5	934	41	0	**1,046**	62	7	797	40	0	**905**
Total taxes borne	**11,507**	**451**	**3,106**	**134**	**0**	15,197	**6,392**	**391**	**2,395**	**156**	**0**	**9,335**
TAXES COLLECTED												
Excise taxes	63	1	0	0	0	**64**	48	4	0	0	0	**52**
Employees' payroll taxes	1,227	502	416	71	0	**2,217**	1,029	401	266	29	0	**1,726**
VAT (VAT on sales less VAT on purchases)	(10,383)	(1,793)	(1,620)	381	(11,885)	**(13,415)**	3,568	(66)	3,706	1,236	0	**8,443**
Total taxes collected	**(9,093)**	**(1,289)**	**(1,204)**	**452**	**(11,885)**	(23,020)	**4,646**	**339**	**3,972**	**1,264**	**0**	**10,221**
Total taxes	**2,414**	**(838)**	**1,902**	**586**	**(11,885)**	(7,822)	**11,037**	**730**	**6,367**	**1,421**	**0**	**19,556**

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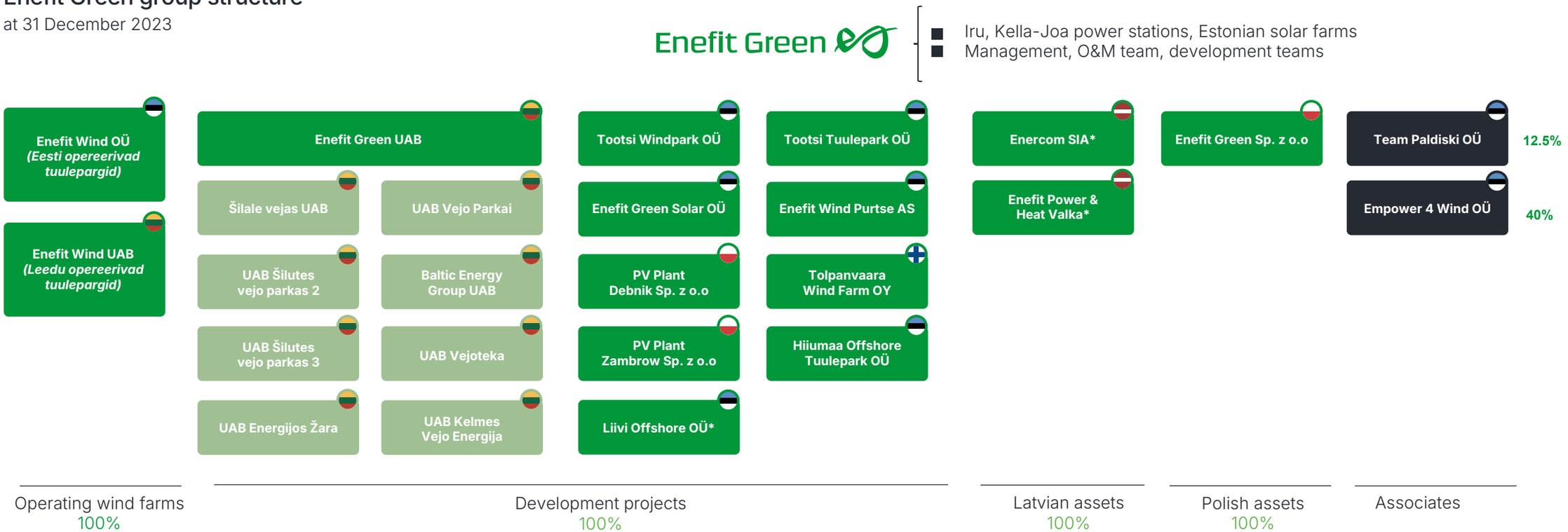
Enefit Green group structure

at 31 December 2023



** In Q4 2023, Enefit Green signed contracts for the sale of biomass-fuelled cogeneration plants in Broceni, Valka and Paide and for the sale of a pellet factory in Broceni, and merged all its operations in Latvia into Enercom SIA.*

The divestment of the cogeneration plant in Broceni and the pellet plant was completed before the end of 2023.

As of 31 December 2023, the divestment of the Valka and Paide cogeneration plants was still pending approval by the Estonian Competition Authority and the Consumer Protection and Technical Inspection Authority, and thus Paide cogeneration plant and Enefit Power & Heat Valka SIA had not yet been transferred to the new owner.

Enercom SIA has been renamed Enefit Green SIA at the beginning of 2024.

In March 2023, Enefit Green AS acquired 100% of the shares in Liivi Offshore OÜ from Eesti Energia AS. The acquired company is the development project of the Gulf of Riga (Liivi) offshore wind farm.

Larger subsidiaries by equity

€m	**31 December 2023**
Enefit Wind OÜ	236.5
Tootsi Windpark OÜ	51.9
Enefit Wind UAB	34.4
UAB Vejo Parkai	17.5
UAB Šilalės vėjas	15.9
UAB Energijos žara	15.8
Enefit Green UAB	12.4
UAB Vejoteka	5.2
Enefit Power & Heat Valka*	4.4
Liivi Offshore OÜ	3.5

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Analysis of financial statements
Q4 and 12 months 2023

The group's financial results for Q4 2023

Enefit Green's operating income for Q4 2023 decreased by 19%, while operating expenses increased by 1% compared to the same period in 2022. As a result, EBITDA declined by 35% to €29.6m. Net profit for Q4 decreased by €16.3m to €19.1m. The main drivers of the Group's financial performance are described below.

Operating income

Total operating income decreased by €15.9m, the figure reflecting a decrease in revenue of €15.2m and an increase in renewable energy support and other operating income of €0.6m.

Of the €15.2m revenue decrease, €11.5m was attributable to electricity sales, which were strongly influenced by the market price of electricity. The average electricity price** in the group's core markets was 93.1 €/MWh in Q4 2023 (Q4 2022: 221.5 €/MWh).

The group's average implied captured electricity price*** for the period was 80.9 €/MWh (Q4 2022: 163.0 €/MWh). The implied captured electricity price differs from the average market price in the core markets, because it takes into account long-term fixed-price PPAs, renewable energy support, purchases of balancing energy, electricity purchases from the Nord Pool day-ahead and intraday markets, and the fact that wind farms do not produce the same amount of electricity every hour.

The group's average price of electricity sold to the market in Q4 2023 was 64.1 €/MWh compared with 179.0 €/MWh a year earlier. The group sold 247 GWh of electricity to the market in Q4 2023 compared with 220 GWh in Q4 2022.

In Q4 2023, 273 GWh of the group's portfolio was covered by PPAs at an average price of 91.2 €/MWh. A year earlier, 120 GWh of electricity was sold under PPAs at an average price of 126.2 €/MWh. The share and prices of production covered by PPAs in future periods are disclosed in the chapter Long-term PPAs.

Production and sales volumes

		Q4 2023	Q4 2022	Change	Change, %
Electricity production	GWh	413	291	122	42%
Of which by new wind and solar farms	GWh	112	0	112	-
Electricity sales*	GWh	520	340	180	53%
Heat production	GWh	172	157	15	10%
Pellet production	kt	42	42	0	0%
Pellet sales	kt	43	47	(4)	(9)%

** The difference between the quantities of electricity sold and produced is attributable to differences between sales under base load PPAs and wind production profiles as well as day-ahead forecasts and unrealised production, which is covered with purchases from Nord Pool and/or the energy imbalance market.*
*** Production-weighted average market price in the group's core markets*
**** Implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support + revenue from sale of guarantees of origin – day-ahead and intraday purchases on Nord Pool – balancing energy purchases) / production*

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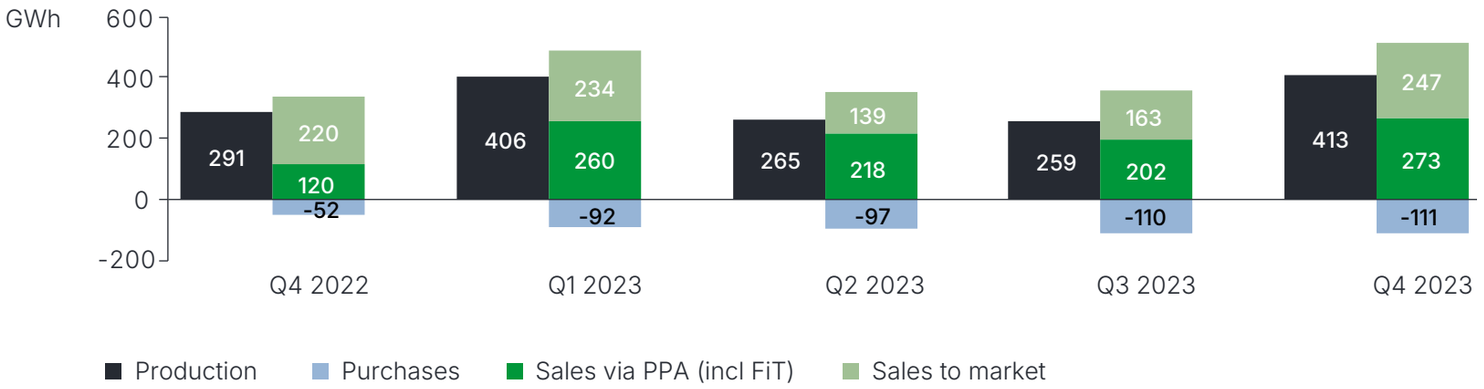
Electricity produced, purchased and sold



Average electricity prices, €/MWh

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Core markets' average electricity price*	**221.5**	**100.5**	**78.7**	**97.8**	**93.1**
Price of electricity sold to the market	179.0	82.4	63.7	82.2	64.1
PPA price (incl. FiT until Q4 2022)	126.2	89.8	83.5	80.9	91.2
Realised purchase price	271.1	116.7	83.8	116.5	121.5
Implied captured electricity price**	**163.0**	**101.4**	**89.9**	**84.9**	**80.9**

** Production-weighted average market price in the group's core markets*
*** Implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support + revenue from sale of guarantees of origin – day-ahead and intraday purchases on Nord Pool – balancing energy purchases) / production*

An overview of the amounts of electricity produced, purchased and sold, the realised prices and the resulting implied captured electricity price for the past five quarters is presented in the charts below.

In Q4 2023, we purchased 111 GWh of electricity from the market at an average price of 121.5 €/MWh compared with 52 GWh at an average price of 271.1 €/MWh in the same period last year (the prices and volumes exclude the electricity purchased for pellet production). In Q4 2022, the amount of electricity purchased from the market was significantly lower as part of the production was covered by the fixed-price FiT support scheme and the volumes agreed under PPAs were very small. Electricity purchase costs were also increased by lower than expected electricity production.

The electricity price in Enefit Green's core markets, which is presented in the chart, is the average quarterly price in the Baltic and Polish markets, weighted by Enefit Green's production volumes.

Pellet sales revenue decreased by €4.4m year on year. The average sales price of pellets declined by 26%, from 289.7 €/t in Q4 2022 to 213.4 €/t in Q4 2023. Pellet sales volume for Q4 2023 was 43k tonnes compared with 47k tonnes a year earlier.

Heat production grew by 15 GWh to 172 GWh (Q4 2022: 157 GWh), while the heat price decreased by 5% (-1.0 €/MWh). Through the combined effect of higher production and a lower price, heat sales revenue grew by €0.1m.

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	Q4 2023	Q4 2022	Change	Change, %
TOTAL OPERATING INCOME	**66.9**	**82.8**	**(15.9)**	**(19)%**
Revenue	61.2	76.4	(15.2)	(20)%
Renewable energy support and other operating income	5.7	6.4	(0.6)	(10)%
TOTAL OPERATING EXPENSES (excl. D&A)	**37.3**	**36.9**	**0.4**	**1%**
Raw materials, consumables and services used (excl. electricity)	14.3	14.7	(0.4)	(3)%
Electricity	14.7	15.8	(1.1)	(7)%
Payroll expenses	2.8	2.5	0.3	13%
Other operating expenses	4.5	2.7	1.8	68%
Change in inventories	1.1	1.3	(0.2)	(19)%
EBITDA*	**29.6**	**45.8**	**(16.2)**	**(35)%**
Depreciation, amortisation and impairment (D&A)	10.8	8.8	2.0	22%
OPERATING PROFIT	**18.8**	**37.0**	**(18.2)**	**(49)%**
Net finance income and costs	(0.4)	(1.4)	1.1	(73)%
Profit from associates under the equity method	(0.02)	0.03	(0.05)	(174)%
Income tax expense	(0.7)	0.1	(0.8)	(646)%
NET PROFIT	**19.1**	**35.4**	**(16.3)**	**(46)%**
TOTAL OPERATING EXPENSES (excl. D&A)	**37.3**	**36.9**	**0.4**	**1%**
Variable costs (incl. balancing energy purchases)	23.9	26.3	(2.5)	(9)%
Fixed costs	12.4	9.3	3.0	33%
Change in inventories	1.1	1.3	(0.2)	(19)%

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

Other operating income

Other operating income was also supported by liquidated damages of €0.5m received for the low availability of the Šilute wind farm and a gain of €1.0m on the sale of the Brocēni CHP plant and the pellet factory.

Raw materials, consumables and services used

Expenses on raw materials, consumables and services decreased by €1.5m (-5%). Electricity costs decreased by €1.1m due a significantly lower realised purchase price (Q4 2023: 121.5 €/MWh, Q4 2022: 271.1 €/MWh). The volumes and prices of electricity purchased from the market are disclosed in the table and on the chart on page 74.

Technological fuel costs decreased by €1.7m due to a decline in the price for wood chips in Q4 2023. Repair and maintenance costs increased by €1.3m due to the indexation of full service maintenance contracts and additional planned and unplanned maintenance of wind farms.

Payroll expenses

The group's payroll expenses grew by 13% year on year, mainly due to an increase in the number of full-time equivalent staff from 183 to 194 and a general pay rise. The sale of the Brocēni HCP plant and the pellet factory, which was finalised on 29 December 2023, reduced the group's headcount to 154.

Other operating expenses

Other operating expenses increased by €1.8m (+68%). The main growth drivers were research and consulting expenses related to development projects (+€1.0m), the costs of the last realised solar service project (+€0.5m, effect on EBITDA for 2023: €0.3m) and the write-off of uncollectible receivables of €0.2m in Lithuania. Consulting expenses were incurred in connection with wind energy development projects (€0.5m), solar energy development projects (€0.2m) and the sale of the CHP plants and the pellet factory (€0.4m).

Change in inventories

The change in inventories reflects the change in pellet stocks, summarising the amounts of pellets produced and sold in the period under review.

In Q4 2023, the group produced 42k tonnes (Q4 2022: 42k tonnes) and sold 43k tonnes (Q4 2022: 47k tonnes) of pellets. The change in inventories was at €1.1m (Q4 2022: at €1.3m). The average sales price of pellets decreased by 26%, dropping from 289.7 €/t in Q4 2022 to 213.4 €/t in Q4 2023.

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EBITDA and fixed costs

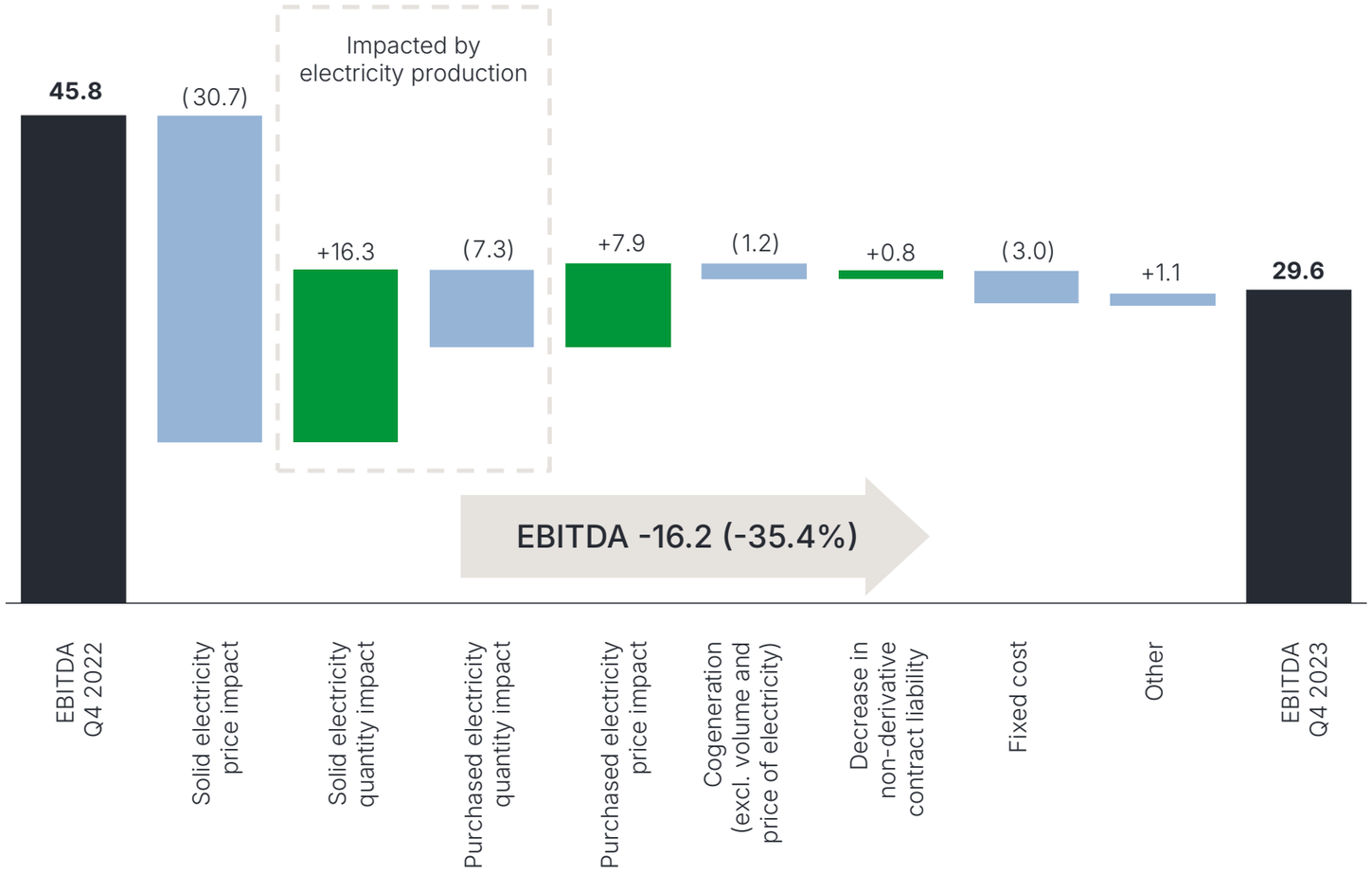
The factor with the strongest impact on EBITDA development was the price of electricity sold, which fell steeply compared to Q4 2022 (negative impact: €30.7m). Due to PPAs, the quantity of electricity sold grew significantly (positive impact: €16.3m), which also increased the volume of electricity purchased to balance the electricity portfolio (negative impact: €7.3m). The combined effect of the above factors on EBITDA development is influenced by the volume and profile of electricity produced during the period. Electricity production grew by 42% compared to Q4 2022.

Excluding the effects of the electricity price and volume, the Cogeneration segment had a negative impact on EBITDA despite the gain on the sale of the Brocēni CHP plant and the pellet factory of €1.0m, which was recognised in Q4 2023. The calculation takes into account the effects of pellet sales revenue, the change in inventories, the impact of technological fuel, and heat sales revenue.

The change in the non-derivative contract liability increased EBITDA year on year.

Fixed costs are costs that are not directly dependent on the production volume. Fixed costs increased by €3.0m (32%) year on year. The increase in fixed costs was attributable to maintenance costs (€1.1m), payroll expenses (€0.3m), and research and consulting expenses (€1.0m). Smaller increases were also recorded for IT expenses, insurance expenses and expenses on premises.

Group's EBITDA change by drivers, €m



Depreciation, amortisation and impairment (D&A)

D&A expense grew by €2.0m (+22%). Compared to Q4 2022, depreciable assets have increased by the Purtse wind and solar farm and the Estonia mine solar farm in Estonia and the Zambrów solar farm in Poland.

Major additions were the Purtse wind and solar farm and the Zambrów solar farm. The write-off of the assets of the Aulepa wind farm amounted to €0.3m and adjustments to development projects' capitalised expenditures amounted to €0.2m. D&A expense for Q4 2022 was reduced by €1.4m by the reversal of the impairment losses recognised for the Aulepa and the Šilale wind farms.

Net finance costs

Net finance costs decreased by €1.1m year on year. Interest expense on bank loans grew by €3.3m to €4.8m but 92% of it was capitalised due to the wind farms still being under construction. The change in the exchange rate of the Polish zloty had a positive impact on net finance costs compared to a year earlier.

Income tax

Income tax expense decreased by €0.8m compared to Q4 2022.

Net profit

The group's net profit for Q4 decreased by €16.3m year on year to €19.1m. The decline is attributable to lower electricity prices.

The group's financial results 2023

Enefit Green's operating income for 2023 decreased by 10%, while operating expenses increased by 18% compared to 2022. As a result, EBITDA declined by 32% to €105.9m. Net profit for 2023 decreased by €54.4m to €55.8m. The main drivers of the Group's financial performance are described below.

Operating income

Total operating income decreased by €27.0m, the figure reflecting a decrease in revenue of €27.5m and an increase in renewable energy support and other operating income of €0.6m. Of the €27.5m revenue decrease, €24.4m was attributable to electricity sales, which were strongly influenced by the market price of electricity. In 2023, the average electricity price** in the group's core markets was 92.7 €/MWh (2022: 205.5 €/MWh) and the group's average implied captured electricity price*** was 89.6 €/MWh (2022: 149.5 €/MWh).

The implied captured electricity price differs from the average market price in the group's core markets, because it takes into account long-term fixed-price power purchase agreements (PPAs), renewable energy support, purchases of balancing energy, electricity purchases from the Nord Pool day-ahead and intraday markets, and the fact that wind farms do not produce the same amount of electricity every hour.

The group's average price of electricity sold to the market in 2023 was 73.0 €/MWh compared with 165.7 €/MWh in 2022. The group sold 783 GWh of electricity to the market in 2023 compared, with 786 GWh in 2022.

Production and sales volumes

		2023	2022	Change	Change, %
Electricity production	*GWh*	1,343	1,118	225	20%
Of which by new wind and solar farms	*GWh*	259	0	259	-
Electricity sales*	*GWh*	1,736	1,217	519	43%
Heat production	*GWh*	604	566	38	7%
Pellet production	*kt*	156	154	2	1%
Pellet sales	*kt*	134	149	(15)	(10)%

In 2023, 953 GWh of the group's portfolio was covered by PPAs at an average price of 86.9 €/MWh. A year earlier, 432 GWh of electricity was sold under an income model based on PPAs and the feed-in tariff (FiT) at an average price of 90.8 €/MWh. The share and prices of production covered by PPAs in future periods are disclosed in the chapter Long-term PPAs.

** The difference between the quantities of electricity sold and produced is attributable to differences between sales under base load PPAs and wind production profiles as well as day-ahead forecasts and unrealised production, which is covered with purchases from Nord Pool and/or the energy imbalance market.*
*** Production-weighted average market price in the group's core markets*
**** Implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support + revenue from sale of guarantees of origin – day-ahead and intraday purchases on Nord Pool – balancing energy purchases) / production*

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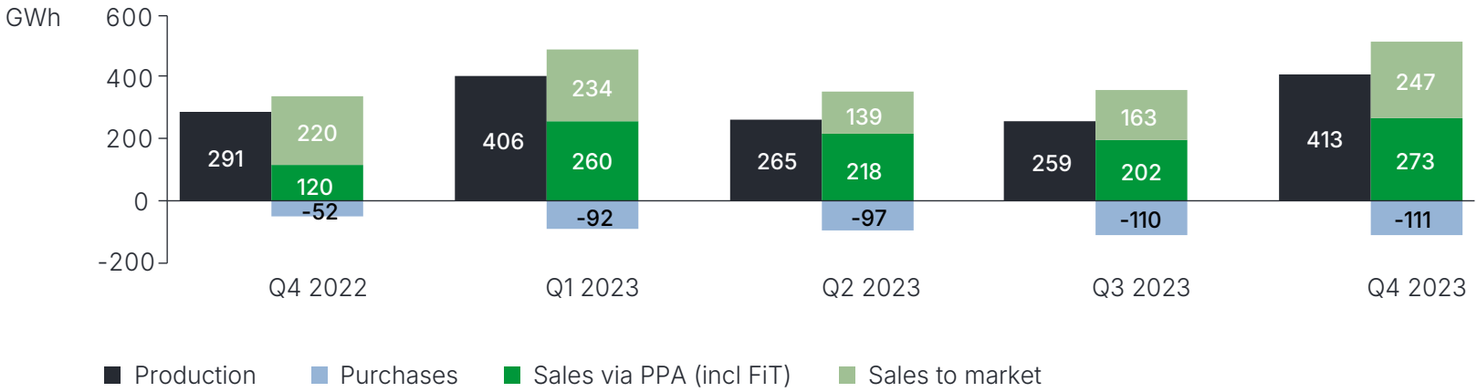
Electricity produced, purchased and sold



Average electricity prices

Prices, €/MWh	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2022	2023
Core markets' average electricity price*	**221.5**	**100.5**	**78.7**	**97.8**	**93.1**	**205.5**	**92.7**
Price of electricity sold to the market	179.0	82.4	63.7	82.2	64.1	165.7	73.0
PPA price (incl. FiT until Q4 2022)	126.2	89.8	83.5	80.9	91.2	90.8	86.9
Realised purchase price	271.1	116.7	83.8	116.5	121.5	229.2	110.2
Implied captured electricity price**	**163.0**	**101.4**	**89.9**	**84.9**	**80.9**	**149.5**	**89.6**

** Production-weighted average market price in the group's core markets*
*** (Electricity sales revenue + renewable energy support and efficient cogeneration support + revenue from sale of guarantees of origin – day-ahead and intraday purchases on Nord Pool – balancing energy purchases) / production*

An overview of the amounts of electricity produced, purchased and sold, the realised prices and the resulting implied captured electricity price in 2023 and 2022 is presented in the charts below.

In 2023, we purchased 411 GWh of electricity from the market at an average price of 110.2 €/MWh, compared with 115 GWh at an average price of 229.2 €/MWh in 2022 (the prices and volumes exclude the electricity purchased for pellet production). In 2022, the amount of electricity purchased from the market was significantly lower as part of the production was covered by the fixed-price FiT support scheme and the volumes agreed under PPAs were very small. Lower than expected production increased electricity purchase costs – in order to meet our obligations under the PPAs, we had to purchase electricity from the market to cover the shortfall between the sales volumes agreed in the PPAs and the volume of electricity produced by our wind farms.

Pellet sales revenue grew by €1.7m compared to the previous year. While the average sales price of pellets increased by 17% to 238.6 €/t in 2023, the pellet sales volume decreased by 10% to 134 k tonnes.

Heat production grew by 38 GWh to 604 GWh (2022: 566 GWh) and the heat price increased by 11% (+1.7 €/MWh). Through the combined effect of higher production and a higher price, heat sales revenue grew by €1.4m.

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Consolidated income statement

€m	2023	2022	Change	Change, %
TOTAL OPERATING INCOME	**230.1**	**257.0**	**(27.0)**	**(10)%**
Revenue	205.8	233.3	(27.5)	(12)%
Renewable energy support and other operating income	24.3	23.7	0.6	2%
TOTAL OPERATING EXPENSES (excl. D&A)	**124.2**	**102.2**	**22.0**	**22%**
Raw materials, consumables and services used (excl. electricity)	51.9	53.2	(1.3)	(2)%
Electricity	48.4	32.7	15.7	48%
Payroll expenses	10.8	9.1	1.7	19%
Other operating expenses	15.2	10.4	4.8	46%
Change in inventories	(2.2)	(3.3)	1.1	(33)%
EBITDA*	**105.9**	**154.8**	**(48.9)**	**(32)%**
Depreciation, amortisation and impairment (D&A)	40.5	37.8	2.8	7%
OPERATING PROFIT	**65.3**	**117.1**	**(51.7)**	**(44)%**
Net finance income and costs	0.1	(2.0)	2.1	(105)%
Profit from associates under the equity method	0.1	0.7	(0.6)	(91)%
Income tax expense	9.7	5.6	4.1	75%
NET PROFIT	**55.8**	**110.2**	**(54.4)**	**(49)%**
TOTAL OPERATING EXPENSES (excl. D&A)	**124.2**	**102.2**	**22.0**	**22%**
Variable costs (incl. balancing energy purchases)	82.4	70.1	12.3	18%
Fixed costs	44.0	35.4	8.6	24%
Change in inventories	(2.2)	(3.3)	1.1	(33)%

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

Other operating income

Other operating income grew by €0.6m to €24.3 million (2022: €23.7m). Other operating income was also supported by liquidated damages of €1.0m received for the low availability of the Šilute wind farm and a gain of €1.0m on the sale of the Brocēni cogeneration (CHP) plant and the pellet factory.

Raw materials, consumables and services used

Expenses on raw materials, consumables and services increased by €14.4m (17%). The biggest changes were in electricity costs, which grew by €15.7m due an increase in balancing energy costs (up €1.7m due to production growth) and the cost of electricity purchased to service the PPA portfolio (up €16.8m compared to 2022).

Technological fuel costs grew by €3.8m, driven by an increase in the price of wood chips. Repair and maintenance costs increased by €2.5m due to the indexation of full service maintenance contracts and additional planned and unplanned maintenance of wind farms.

Expenses on materials, supplies and spare parts decreased by €7.5. Expenses on materials, supplies and spare parts were higher in 2022 due to a 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.

Payroll expenses

The group's payroll expenses grew by 1.7m (19%) compared to 2022, mainly due to an increase in the number of full-time equivalent staff from 183 to 194 and a general pay rise. The sale of the Brocēni HCP plant and the pellet factory, which was finalised on 29 December 2023, reduced the group's headcount by 40 to 154 by the end of 2023.

Other operating expenses

Other operating expenses increased by €4.8m, driven by growth in consulting expenses (€2.9m), IT expenses (€0.3m) and insurance expenses (€0.2m). The biggest items within consulting expenses were the compensation paid to Eesti Energia AS for development expenses incurred in connection with development projects (€0.7m) and consulting expenses related to wind energy development projects (€0.8m), solar energy development projects (€0.4m) and the sale of the CHP plants and the pellet factory (€0.4m).

Change in inventories

The change in inventories reflects the change in pellet stocks, summarising the amounts of pellets produced and sold in the period under review. In 2023, the group produced 156k tonnes (2022: 154k tonnes) and sold 134k tonnes (2022: 149k tonnes) of pellets. The change in finished goods inventories was positive at €2.2m (2022: positive at €3.3m), because pellet production exceeded pellet sales.

EBITDA and fixed costs

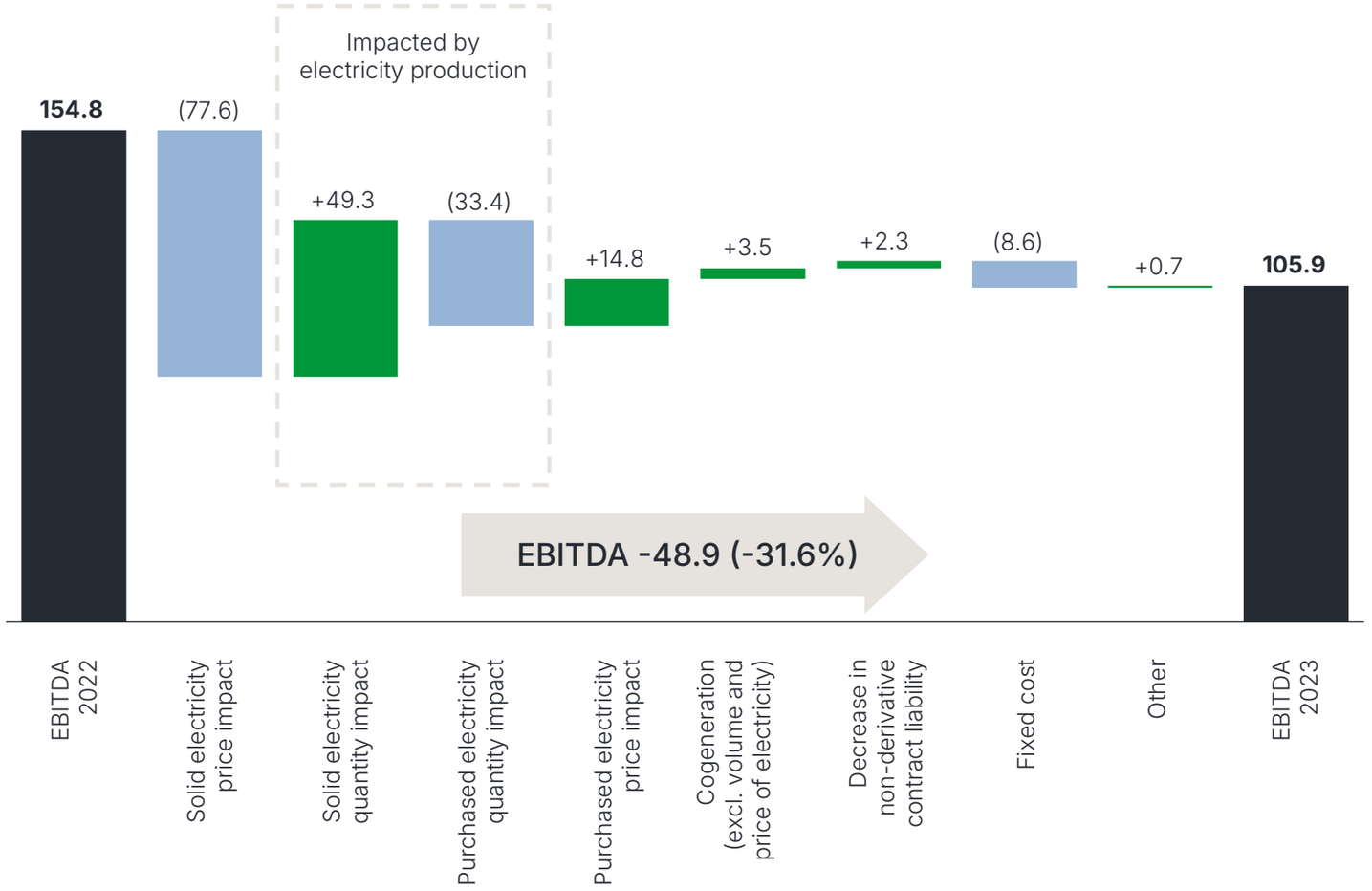
The factor with the strongest impact on EBITDA development was the price of electricity sold, which fell steeply compared to 2022 (negative impact: €77.6m). Due to PPAs, the volume of electricity purchase to balance the electricity portfolio grew significantly (negative impact: €33.4m), which also increased the volume of electricity sold (positive impact: €49.3m).The combined effect of the above factors on EBITDA development is influenced by the volume and profile of electricity produced during the period. Electricity production grew by 20% compared to 2022.

Excluding the effects of the electricity price and volume, the Cogeneration segment had a positive impact on EBITDA (+3.5m). The calculation takes into account the effects of pellet sales revenue, the change in inventories, the impact of technological fuel, and heat sales revenue. The Q4 result of the Cogeneration segment includes the gain on the sale of the Brocēni CHP plant and the pellet factory of €1.0m.

The change in the non-derivative contract liability increased EBITDA by €2.3m compared to the previous year. See the section on other operating income for further information. The non-derivative contract liability results from earlier electricity derivatives (base load swaps), which were converted into fixed-price physical power purchase agreements (PPAs). The decrease in the non-derivative contract liability does not affect cash flow and the monetary settlement of related electricity sales takes place on the basis of the PPAs.

Fixed costs are costs that are not directly dependent on the production volume. Fixed costs increased by €8.6m (24%). The increase in fixed costs was attributable to growth in maintenance costs, research and consulting expenses and payroll expenses.

Group's EBITDA change by drivers, €m



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Depreciation, amortisation and impairment (D&A)

D&A expense grew by €2.8m to €40.6m in 2023 (2022: €37.8m). Major assets completed and recognised during the period included the Purtse wind and solar farm and a solar power plant built for the Estonia mine in Estonia and the Zambrów solar farm in Poland. Recognition of the Purtse wind and solar farm and the Zambrów solar farm increased D&A expense by €0.9m and €0.1m, respectively. D&A expense for 2022 was reduced by €1.4m by the reversal of the impairment losses recognised for the Aulepa and the Šilale wind farms.

Net finance income

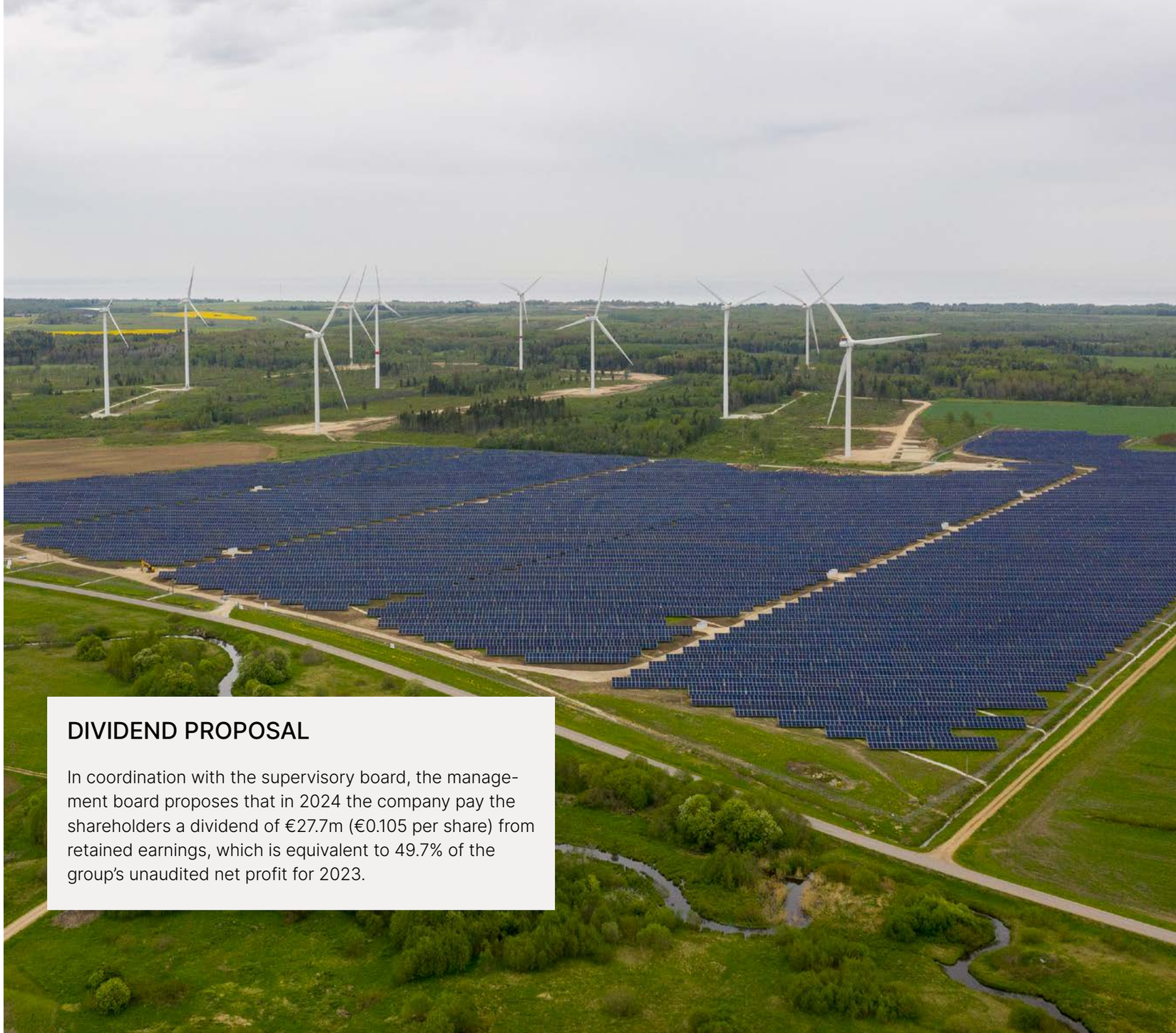
Net finance income increased by €2.1m year on year. Interest expense on bank loans grew by €9.5m to €12.9m but 94% of it was capitalised due to the wind farms still being under construction. The change in the exchange rate of the Polish zloty had a positive impact (2023: a gain of €0.5m, 2022: a loss of €0.5m).

Income tax

Income tax expense increased by €4.1m compared to 2022, because income tax paid in Estonia grew due to the distribution of a larger dividend.

Net profit

The group's net profit decreased by €54.4m to €55.8m.



DIVIDEND PROPOSAL

In coordination with the supervisory board, the management board proposes that in 2024 the company pay the shareholders a dividend of €27.7m (€0.105 per share) from retained earnings, which is equivalent to 49.7% of the group's unaudited net profit for 2023.

Financing

Enefit Green finances its operations with equity and debt capital. In 2023, we continued to optimise our capital structure by raising debt by securing new and drawing down previously secured loans to finance our ongoing investment programme for wind and solar farms.

During the year, we signed new loan agreements for €505m. In January, we signed a 12-year loan agreement for €100m with NIB and a 7-year loan agreement for €225m with SEB. In September, we signed a 12-year loan agreement for €180m with EIB.

As of 31 December 2023, we had €285m of undrawn investment loans.

In addition to investment loans, Enefit Green has signed three revolving credit facility agreements of €50m in total, which mature between 2024–2026 (all facilities were undrawn as of 31 December 2023).

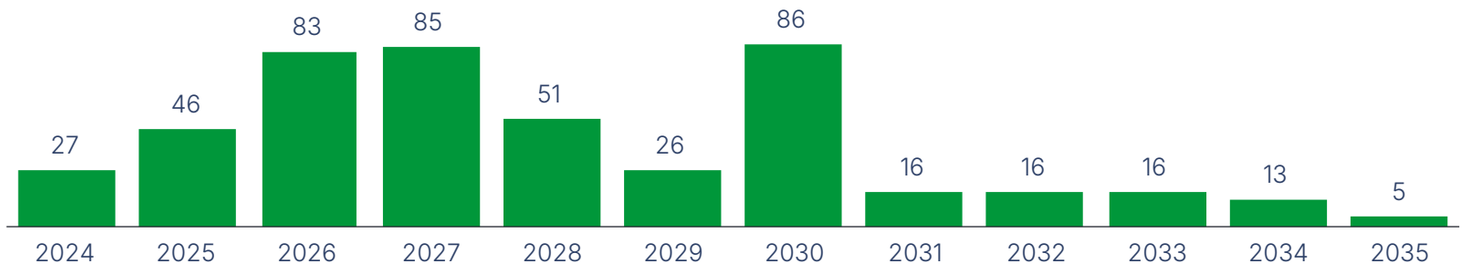
As of 31 December 2023, the amortised cost of the group's interest-bearing liabilities was €482.4m (31 December 2022: €279.6m). The figure comprises bank loans and finance lease liabilities of €472.6m and €9.8m, respectively.

The weighted average interest rate of bank loans drawn down as at 31 December 2023 was 3.75% (31 December 2022: 2.60%). The base rates at the end of 2023 were significantly higher than a year earlier. During the year, the 3-month Euribor increased by 1.78 percentage points to 3.91% and the 6-month Euribor increased by 1.17 percentage points to 3.86%. As of 31 December 2023, 33.3% of the loans drawn down by Enefit Green were hedged with interest rate swaps.

Loan covenants

The group's loan agreements include covenants, which set certain limits to the group's consolidated financial indicators. At the end of 2023 and 2022, the group was in compliance with all loan terms, conditions, and covenants.

Loan repayment schedule, €m



Cash flows

Net cash generated from operating activities of €74.2m reflects changes in cash generated from operations (€94.9m), interest and loan fees paid (-€9.9m), interest received (€0.8m) and income tax paid (-€11.7m).

Net cash used in investing activities of €282.1m includes cash paid for property, plant and equipment and intangible assets (-€312.7m) and proceeds from sale of a business (€30.5m).

Net cash generated from financing activities reflects proceeds from bank loans (€302m), repayments of bank loans (€104.6m), repayments of lease principal (-€0.3m) and dividends paid (-€55m).

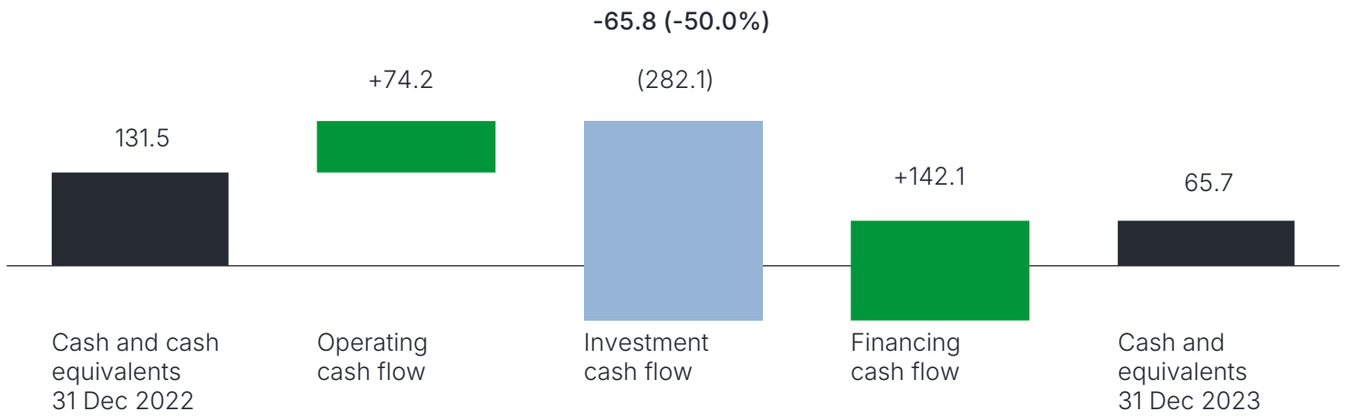
Financing and return ratios

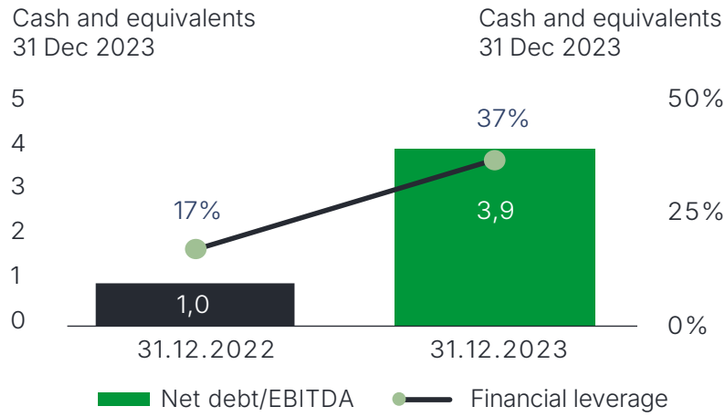
The group's management determines the maximum level of debt by reference to financial leverage and the ratio of net debt to EBITDA. At the end of 2023, the level of borrowings was higher than a year earlier due to ongoing investments in new wind and solar farms. Return on invested capital and return on equity have decreased due to the decline in operating profit and net profit and the fact that most of the investments made during the year were in assets under construction, which have not yet started production.

€m	31 Dec 2023	31 Dec 2022
Interest-bearing liabilities	482.4	279.6
Less cash and cash equivalents	(65.7)	(131.5)
Net debt	**416.8**	**148.1**
Equity	717.2	718.7
Invested capital	**1,133.9**	**866.8**
EBITDA	105.9	154.8
Operating profit	65.3	117.1
Net profit	55.8	110.2
Financial leverage (1)	37%	17%
Net debt / EBITDA	3.94	0.96
Return on invested capital (2)	5.8%	13.5%
Return on equity (3)	7.8%	15.3%
Interest cover (4)	7.9	42.8

(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
(4) Interest cover = EBITDA for the last 12 months / interest expense

Liquidity development 2023, €m





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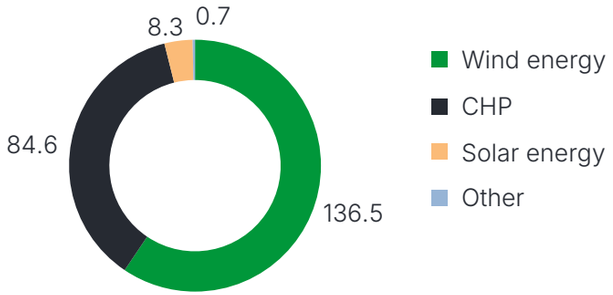
SEGMENT REPORTING

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 operating wind farms, wind farm developments and the management expenses of both wind farm developments and operating wind farms);
2. Cogeneration (comprises all of the group's cogeneration (CHP) plants and a pellet factory);
3. Solar energy (comprises all of the group's operating solar farms, solar farm developments, the management expenses of solar farm developments and operating solar farms, and solar services);
4. Other (incl. hydropower, hybrid renewable energy solutions, and central management units).

Operating income by segment



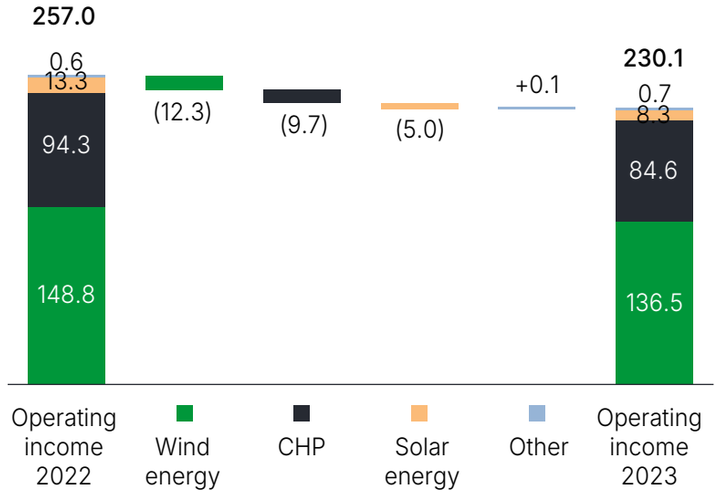
Operating income by segment

In terms of operating income and EBITDA for 2023, the group's largest segment is Wind energy, which accounted for 59% of operating income and 71% of EBITDA. The Cogeneration segment contributed 37% of operating income and 35% of EBITDA. The smallest reportable segment is Solar energy, which accounted for 4% of operating income and 3% of EBITDA.

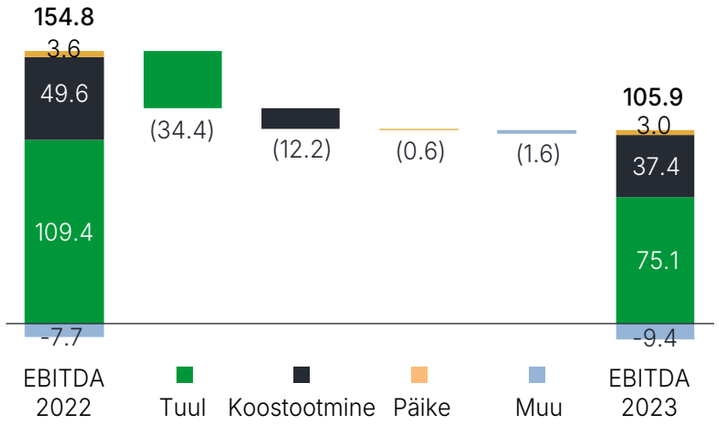
In absolute terms, the EBITDA of the Wind energy and the Cogeneration segments decreased the most as those segments were hit the hardest by the fall in the market price of electricity.

The EBITDA of the segment Other mainly includes general management expenses. The segment Other also includes network construction services (Paide CHP), the Keila-Joa hydroelectric facility and the renewable energy solution on the island of Ruhnu. The increase in the loss of the segment Other by €1.8m is primarily attributable to growth in consulting expenses.

Operating income by segment, €m



Group's EBITDA breakdown and change, €m



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Investment

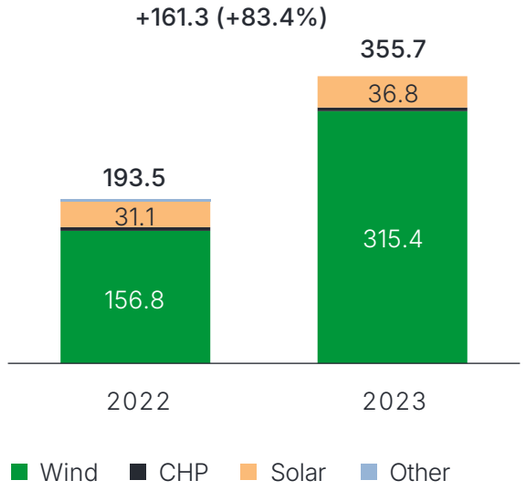
The group invested €355.7m in 2023, which is €162.2m more than in 2022. Growth resulted from development investments, which extended to €350.6m. Of this, €262.5m was invested in the construction of three wind farms: €127.5m in the Kelmė wind farms, €84.1m in the Sopi-Tootsi wind farm and €51.8m in the Tolpanvaara wind farm. Investments made in the Kelmė wind farms consisted of investments of €89.5m in the Kelmė I wind farm, €27.9m in the Kelmė II wind farm and €10.2m in the Kelme III wind farm.

The largest investments in the development of solar energy were €12.7m for the Purtse solar farm and €9.4m for the Vändra solar farm. Baseline investments (expenditure for the maintenance and improvement of existing assets) amounted to €5.1m (2022: €5.4m) and were mainly related to the Estonian wind farms (€2.5m) and the Iru power plant (€1.3m).

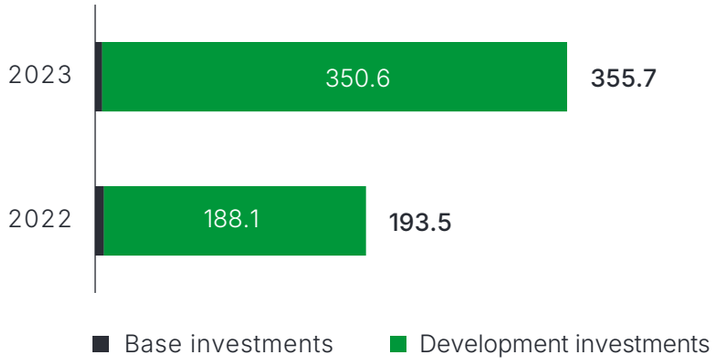
The segments had the following amounts of non-current assets at 31 December 2023: Wind energy €962.3m (49% under construction), Cogeneration €98.1m (0% under construction), Solar energy €92.7m (41% under construction) and Other €5.8m.

At 31 December 2023, the assets of the Wind energy segment included goodwill of €23.6m (2022: €23.7m), the assets of the Cogeneration energy segment included goodwill of €32.4m (2022: €32.7m) and the assets of the Solar energy segment included goodwill of €2.2m (2022: €2.3m).

Investments by segments, €m



Investments by type, €m



WIND ENERGY SEGMENT

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

Wind conditions and production

Wind conditions in Estonia and Lithuania were somewhat different in 2023. While Estonia saw another year of particularly weak wind conditions, in Lithuania the annual average wind speed was slightly above recent years' weakest level, mainly due to good wind conditions in Q4.

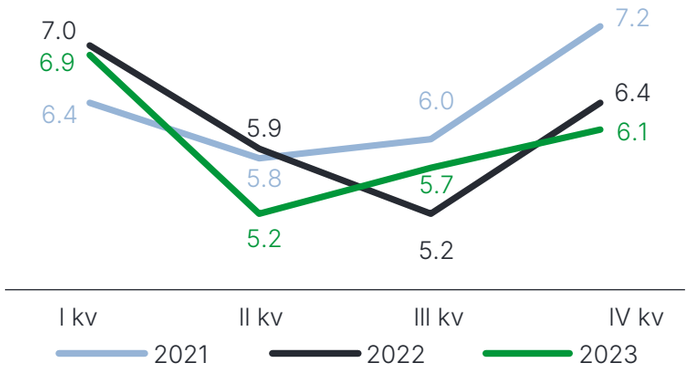
In 2023, the average measured wind speeds in Enefit Green's Estonian and Lithuanian wind farms were 6.0 m/s and 6.4 m/s, respectively (2022: 6.1 m/s and 6.3 m/s, respectively). Due to weaker wind conditions, the electricity produced by our operating wind farms in 2023 was around 75 GWh lower than it would have been in a year of average wind conditions (P50 forecast).

Wind power production decreased by -0.8% at the Estonian wind farms and increased by 48.7% at the Lithuanian wind farms. The group's total annual wind power production was 1,103 GWh, which is 21% higher than in 2022. Production growth came from new wind farms (incl. those under construction), which contributed 226 GWh to the annual production.

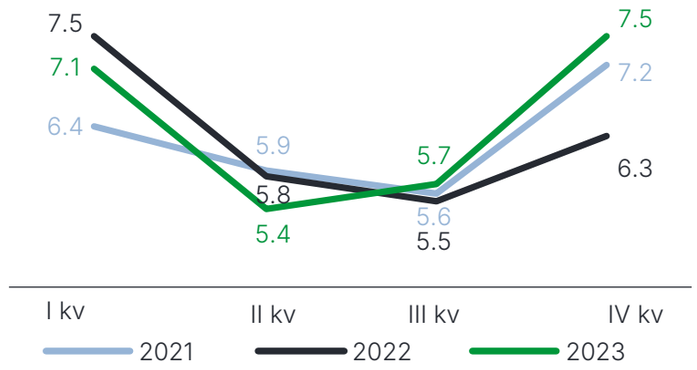
In 2023, the availability of operating wind farms was 1.1 percentage points lower than in 2022, which lowered the annual production volume by around 10 GWh. See the chapter "Asset management" for further information about availabilitiesfor further information about availabilities.

Average quarterly wind speeds at Enefit Green's Estonian and Lithuanian wind farms, m/s

Estonian wind farms



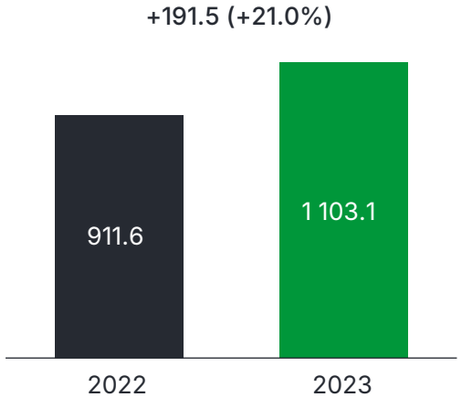
Lithuanian wind farms



Wind power production by countries and older and new (under construction or completed in 2023) wind farms, GWh

	2023	2022	Change	Change, %
Estonian wind farms	529	533	(4)	(1)%
of which older	504	533	(29)	(5)%
of which new	24	0	24	-
Lithuanian wind farms	562	378	184	49%
of which older	373	378	(6)	(2)%
of which new	190	0	190	-
Finnish wind farm (new)	12	0	12	-
Total	**1,103**	**912**	**191**	**21%**

Electricity production, GWh



Electricity prices

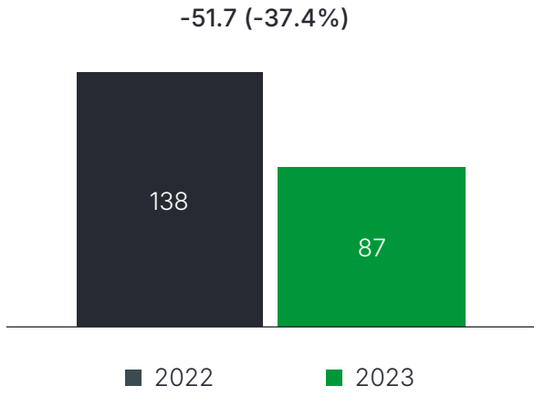
The implied captured electricity prices of both our Estonian and Lithuanian wind farms depend on the combination of the market price and PPAs. Our Estonian wind farms' average implied captured electricity price including support was 105.4 €/MWh in 2023 (-40% compared to 2022). Our Lithuanian wind farms' average implied captured electricity price was 65.5 €/MWh (-25%).

The implied captured electricity prices in both countries were affected by lower prices on the Nord Pool market, the addition of long-term PPAs and higher electricity purchase expenses. The difference between the implied captured electricity prices in Estonia and Lithuania is largely (to the extent of 31.2 €/MWh) attributable to the feed-in premium (FiP) support received by many of our Estonian wind farms. However, purchases made to balance the PPA portfolio also have a significant impact.

Due to the incident in the Akmenė wind farm, wind power production in Lithuania was significantly smaller than expected in 2023 and 31.8% of the electricity required to meet our obligations under PPAs had to be purchased from the market whereas in Estonia the share of electricity that had to be purchased for PPAs was only 15.3%. Furthermore, due to a higher wind profile discount, the price of electricity purchased in Lithuania was higher than in Estonia, the prices being 117.0 €/MWh and 106.8 €/MWh, respectively.

In addition to the market price of electricity, our Estonian wind farms whose eligibility period has not expired receive renewable energy support in the form of feed-in premium (FiP) at the rate of 53.7 €/MWh. The most recent eligibility expirations were in Q3 2022 for the Virtsu III (7 MW) and the Vanaküla (9 MW) wind farms. The next will be in Q4 2024, when the eligibility period of the Aseriaru (24 MW) wind farm expires.

Implied captured electricity price, €/MWh*



**(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*

In Q3 2022, we replaced the previous feed-in tariff (FiT) based income model with an income model based on the combination of long-term fixed-price PPAs and the market price for all our Lithuanian wind farms.

Operating income

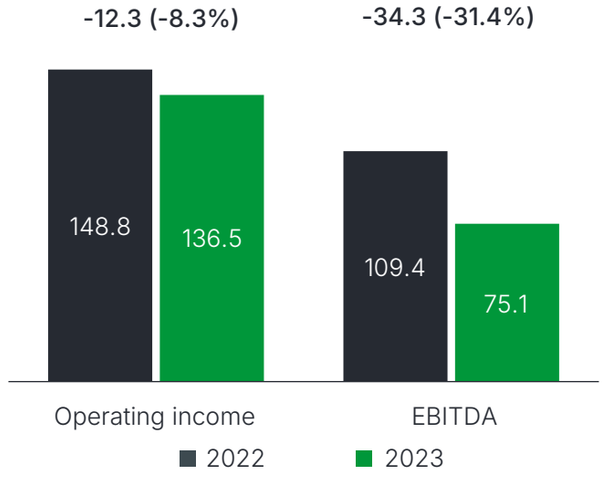
The Wind energy segment's operating income, which was improved by higher electricity production and significantly weakened by a lower implied captured electricity price, decreased by 8.3% year on year to €136.5m. Liquidated damages of €1.0m received for the low availability of the Šilute wind farm have been recognised in other operating income.

EBITDA and operating expenses

The Wind energy segment's EBITDA decreased to €75.1m (2022: €109.4m). The decline was mainly attributable to the decrease in the market price of electricity and the cost of electricity purchased to balance the PPA portfolio.

Other operating expenses (excl. electricity purchases, expenses on balancing energy and growth in D&A) grew by €3.8m (+23%) compared to 2022. The largest growth in other operating expenses was recorded for the maintenance and repair costs of operating wind farms (+€1.9m), the research and consulting expenses of wind farms under development (+€0.9m) and payroll expenses (+€0.4m), which increased due to growth in the number of staff.

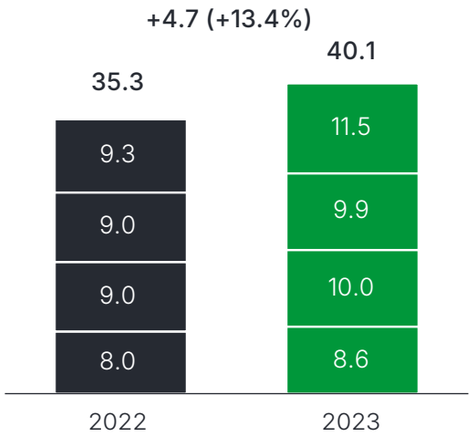
Operating income and EBITDA, €m



Operating expenses per MW

According to the expenses of entities incorporating our operating wind farms (Enefit Wind OÜ and Enefit Wind UAB) which belong to the Wind energy segment, wind farm operating expenses (excluding D&A, balancing energy purchases and electricity purchases to service PPAs) per installed capacity (MW) increased by 13% year on year, rising from 35.3k €/MW to 40.0k €/MW. Since Q3 2023, operating wind farms have included the Purtse wind farm with an installed capacity of 21 MW whose operating expenses in 2023 were nearly a third lower than the average figure for the older wind farms.

Operating expenses per MW for last 4 quarters, €k/MW*



(Total operating expenses - balancing energy purchase - D&A) / operating capacity. Only operating wind assets are included: Enefit Wind OÜ, Enefit Wind UAB and starting from Q3 2023 Purtse wind farm.

COGENERATION SEGMENT

Until the end of 2023, the Cogeneration segment comprised the Iru, Paide, Valka and Brocēni CHP plants and a pellet factory. In Q4, we announced the sale of the Paide, Valka and Brocēni CHP plants and the pellet factory.

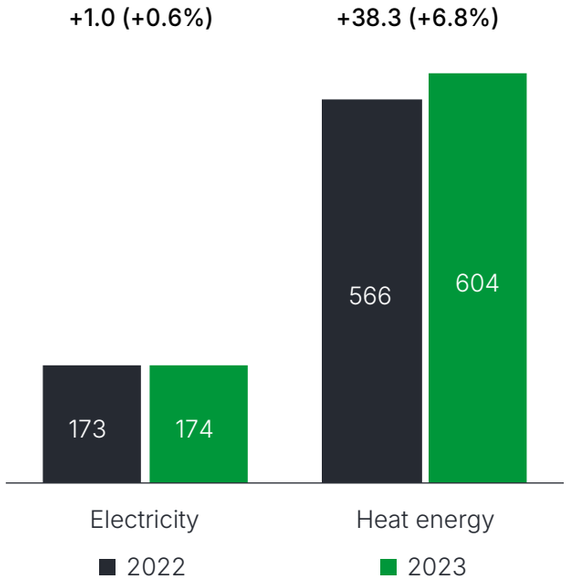
The sale of the Brocēni CHP plant and the pellet factory was finalised before the end of the year but the sale of the Paide and Valka CHP plants was awaiting the approval of the Estonian Competition Authority and the Consumer Protection and Technical Regulatory Authority at the reporting date.

Electricity production and prices

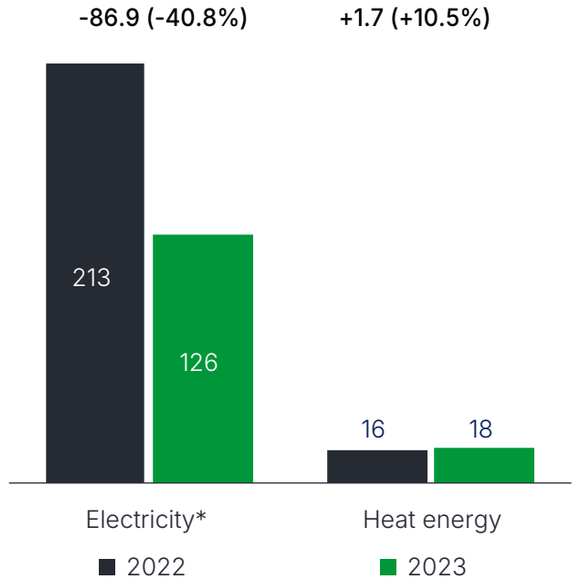
The Cogeneration segment produced 174.1 GWh of electricity in 2023, 1% more than in the comparative period (2022: 173.1 GWh). The Iru power plant produced 131.4 GWh (+8%) of electricity in 2023.

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 an efficient cogeneration mode. Since mid-December 2022, the Valka CHP 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 Brocēni cogeneration plant sold electricity at the prices of the Nord Pool (NP) Latvia price area in both 2023 and 2022.

Production, GWh



Implied captured electricity price, €/MWh*



**(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*

Due to the decrease in market prices in the NP Estonia and the NP Latvia price areas, the segment's average implied captured electricity price declined by 41% to 126.1 €/MWh in 2023 (2022: 213.0 €/MWh).

Heat production and prices

Heat production increased by 7% year on year to 604 GWh, of which 416 GWh was produced by the Iru power plant (+10%). The average sales price of heat per MWh increased by 11% to around 18 €/MWh (2022: 16 €/MWh). The price cap for heat produced by the Iru power plant was the same in 2023 and

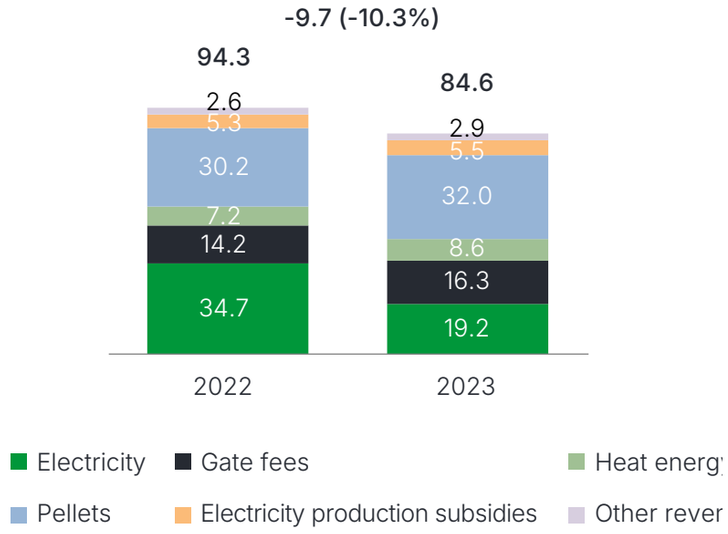
2022, i.e. 7.98 €/MWh, but the price of heat produced by the Paide and Valka CHP plants decreased due to the decline in the cost of purchased biomass.

Operating income

The Cogeneration segment's operating income decreased from €94.3m in 2022 to €84.6m (-10%) in 2023. Electricity sales revenue decreased the most (-€15.5m, -45%) due to lower market prices for electricity.

Pellet sales revenue grew (+€1.7m, +6%) due to an increase in the sales price. In 2023, the average sales price for pellets was 240.8 €/t compared with 203.4 €/t in 2022. Revenue from

Operating income, €m



gate fees (the charges for waste received) increased by €2.1m, while electricity production support increased by €0.2m due to production growth. Heat sales revenue grew by €1.4m (+19%), supported by larger production and a higher sales price.

Other operating income remained comparable to 2022, growing by €0.3m to €2.9m. Other operating income includes a gain of €1.0m on the sale of the Brocēni CHP plant and the pellet factory.

Operating expenses

The segment's variable costs grew by €0.6m in 2023, mainly due to an increase in the price of biomass. Average biomass expenses in pellet production grew by 22% year on year. The average cost of biomass in 2023 was 142.2 €/t compared with 116.8 €/t in 2022.

Fixed costs grew by €0.8m to €10.9m. The main growth driver was payroll expenses, which increased by €0.5m. The change in finished goods inventories reduced operating expenses for 2023 by €2.2m, because pellet production exceeded pellet sales. In 2022, the situation was the same: pellet production exceeded pellet sales and the change in inventories was €3.3m.

EBITDA

The Cogeneration segment's EBITDA for 2023 was €37.4m, which is €12.2m (-25%) lower than the year before. The main reason for the decrease was a lower market price for electricity. The EBITDA of the Iru power plant was €29.1m (-26%) in 2023.

SOLAR ENERGY SEGMENT

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

Electricity production and prices

The Solar energy segment produced 64.0 GWh of solar power in 2023, 31.8 GWh (99%) more than in 2022 because several new solar farms came online: the Purtse solar farm in Estonia and the Zambrów solar farm in Poland in Q2 and the Estonia solar farm in Estonia in Q4.

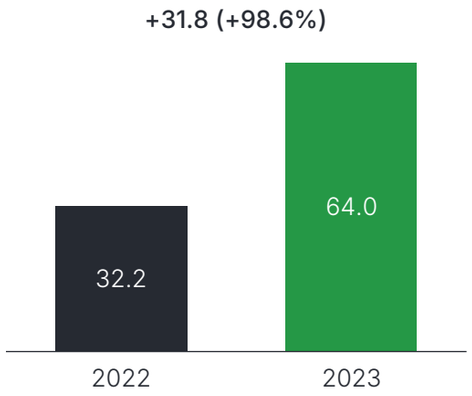
Our solar farms in Estonia are partly exposed to movements in the market price of electricity. Most of our solar farms in Poland sell electricity at fixed prices, which are adjusted for inflation on an annual basis – the price in 2023 was 492–526 PLN/MWh (108–116 €/MWh at the annual average zloty (PLN) exchange rate).

The Solar energy segment sold 31.8 GWh of electricity under PPAs in 2023. The segment's average implied captured electricity price in 2023 was 102 €/MWh, which is 19% lower than in 2022. The decline resulted from the Estonian solar farms, which were affected by lower market prices and the addition of PPAs at an average price of 78.9 €/MWh.

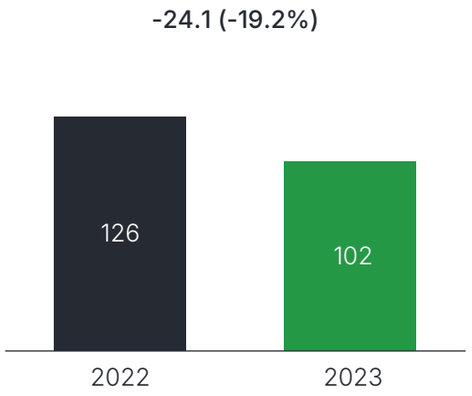
Operating income

The operating income of operating solar farms increased by €2.4m. Growth was driven by an increase in production: during the year three new solar farms came online. Operating income from solar services includes income from Enefit Green's last turnkey solar solution project, which was executed in Lithuania.

Electricity production, GWh

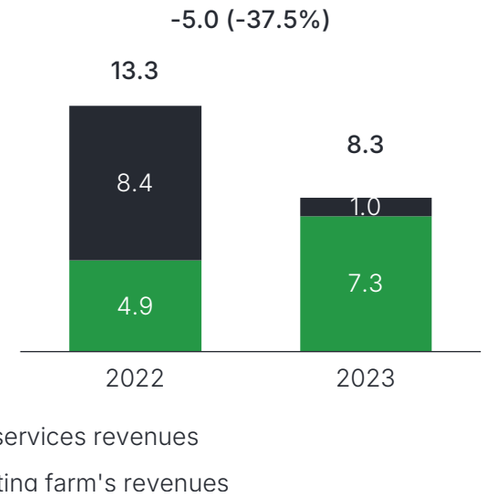


Implied captured electricity price, €/MWh*



**(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*

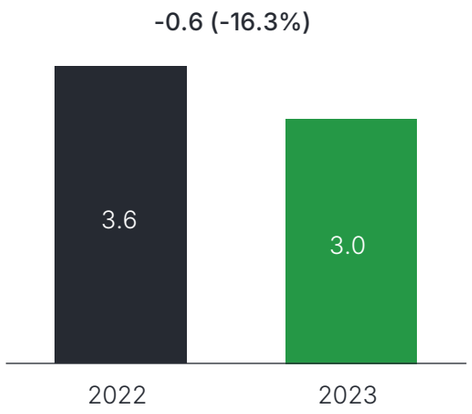
Operating income, €m



EBITDA

The Solar energy segment's EBITDA for 2023 was €3.0m. EBITDA was improved by the production volumes and operating income of three new solar farms but €2.2m (174%) growth in fixed costs had a negative impact. Payroll expenses grew due to the implementation of the group's growth plan, land-related costs increased due to new development projects and research and consulting expenses grew due to the transition of projects from the pre-development to the construction phase. Solar services had no impact on EBITDA in 2022, because their operating expenses and operating income were similar. In 2022, we decided to exit the turnkey solar solutions business, which is growing rapidly but has a low profit margin. The impact of the last turnkey solar solution project on EBITDA for 2023 was €0.3m.

EBITDA, €m



Unaudited condensed consolidated interim financial statements Q4 and 12 months 2023

Condensed consolidated interim income statement

€ thousand	Note	Q4 2023	Q4 2022	2023	2022
Revenue	9	61,157	76,380	205,757	233,280
Renewable energy support and other operating income	10	5,745	6,372	24,307	23,735
Change in inventories of finished goods and work in progress		(1,056)	(1,304)	2,210	3,303
Raw materials, consumables and services used	11	(28,944)	(30,486)	(100,330)	(85,954)
Payroll expenses		(2,782)	(2,470)	(10,807)	(9,111)
Depreciation, amortisation and impairment		(10,819)	(8,848)	(40,559)	(37,777)
Other operating expenses		(4,520)	(2,688)	(15,237)	(10,411)
OPERATING PROFIT		**18,781**	**36,956**	**65,341**	**117,065**
Finance income		1,134	240	1,960	337
Finance costs		(1,481)	(1,688)	(1,858)	(2,342)
Net finance income and costs		**(347)**	**(1,448)**	**102**	**(2,005)**
Profit (loss) from associates under the equity method		(20)	27	66	714
PROFIT BEFORE TAX		**18,414**	**35,535**	**65,509**	**115,774**
Income tax expense		690	(126)	(9,716)	(5,567)
PROFIT FOR THE PERIOD		**19,104**	**35,409**	**55,793**	**110,207**
Basic and diluted earnings per share					
Weighted average number of shares, thousand	6	264,276	264,276	264,276	264,276
Basic earnings per share, €	6	0.07	0.13	0.21	0.42
Diluted earnings per share, €	6	0.07	0.13	0.21	0.42

Contents

Condensed consolidated interim statement of comprehensive income

€ thousand	Note	Q4 2023	Q4 2022	2023	2022
PROFIT FOR THE PERIOD		**19,104**	**35,409**	**55,793**	**110,207**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Remeasurement of hedging instruments in cash flow hedges (incl. reclassifications to profit or loss)	5, 7	(4,170)	909	(2,968)	14,626
Exchange differences on the translation of foreign operations	7	548	884	600	203
Other comprehensive income (loss) for the period		**(3,622)**	**1,793**	**(2,368)**	**14,829**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**15,482**	**37,202**	**53,425**	**125,036**

Condensed consolidated interim statement of financial position

€ thousand	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,027,057	776,870
Intangible assets		59,891	60,382
Right-of-use assets		9,097	4,239
Prepayments for non-current assets	4	55,148	19,412
Deferred tax assets		2,013	1,321
Investments in associates		548	506
Derivative financial instruments	5, 7	5,054	11,277
Non-current receivables			40
Total non-current assets		**1,158,808**	**874,047**
Current assets			
Inventories		3,180	14,227
Assets of a company held for held for sale		15,370	0
Trade and other receivables and prepayments		55,082	41,091
Cash and cash equivalents		65,677	131,456
Derivative financial instruments	5	3,806	3,349
Total current assets		**143,115**	**190,123**
Total assets		**1,301,923**	**1,064,170**

€ thousand	Note	31 December 2023	31 December 2022
EQUITY			
Equity and reserves attributable to shareholders of the parent			
Share capital		264,276	264,276
Share premium	6	60,351	60,351
Statutory capital reserve		5,556	3,259
Other reserves	5, 7	163,451	166,419
Foreign currency translation reserve	7	(162)	(762)
Retained earnings		223,718	225,190
Total equity		**717,190**	**718,733**
LIABILITIES			
Non-current liabilities			
Borrowings	8	454,272	255,755
Government grants		3,102	7,115
Non-derivative contract liability	5, 7	12,412	18,086
Deferred tax liabilities		12,497	12,326
Other non-current liabilities		5,239	3,000
Provisions		8	9
Total non-current liabilities		**487,530**	**296,291**
Current liabilities			
Borrowings	8	28,159	23,808
Trade and other payables		58,412	20,215
Liabilities of a company held for sale		4,952	0
Provisions		6	2
Non-derivative contract liability	5	5,674	5,121
Total current liabilities		**97,203**	**49,146**
Total liabilities		**584,733**	**345,437**
Total equity and liabilities		**1,301,923**	**1,064,170**

Contents

Condensed consolidated statement of cash flows

€ thousand	Note	Q4 2023	Q4 2022	2023	2022
Cash flows from operating activities					
Cash generated from operations	12	17,596	30,481	94,917	136,223
Interest and loan fees paid		(2,726)	(1,360)	(9,862)	(3,202)
Interest received		181	239	826	251
Income tax paid		(501)	(829)	(11,676)	(7,046)
Net cash generated from operating activities		**14,550**	**28,531**	**74,205**	**126,226**
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	4	(70,847)	(60,487)	(312,692)	(190,436)
Paid on acquisition of subsidiaries		0	0	0	0
Collection of finance lease receivables		0	0	1	0
Proceeds from sale of property, plant and equipment		0	0	0	3
Proceeds from sale of a business		30,548	0	30,548	724
Dividends from investments in financial assets		0	0	24	62
Net cash used in investing activities		**(40,299)**	**(60,487)**	**(282,119)**	**(189,647)**
Cash flows from financing activities					
Proceeds from bank loans	8	142,000	100,000	302,000	270,000
Repayments of bank loans	8	(76,257)	(100,131)	(104,571)	(115,277)
Repayments of lease principal	8	(48)	(168)	(324)	(431)
Dividends paid		0	0	(54,970)	(39,906)
Net change in intragroup debt		0	0	0	37
Net cash generated from (used in) financing activities		**65,695**	**(299)**	**142,135**	114,423
Net cash flow		**39,946**	**(32,255)**	**(65,779)**	**51,002**
Cash and cash equivalents at the beginning of the period		25,731	163,711	131,456	80,454
Cash and cash equivalents at the end of the period		65,677	131,456	65,677	131,456
Change in cash and cash equivalents		**39,946**	**(32,255)**	**(65,779)**	**51,002**

Contents

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 31 December 2021	**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 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 shareholders 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**
Profit for the period	0	0	0	0	0	55,793	55,793
Other comprehensive income/(-loss) for the period	0	0	0	(2,968)	600	0	(2,368)
Total comprehensive income/(-loss) for the period	**0**	**0**	**0**	**(2,968)**	**600**	**55,793**	**53,425**
Increase of statutory capital reserve	0	0	2,297	0	0	(2,297)	0
Dividends paid	0	0	0	0	0	(54,970)	(54,970)
Total contributions by and distributions to shareholders of the company, recognised directly in equity	**0**	**0**	**2,297**	**0**	**0**	**(57,267)**	**(54,970)**
Equity as at 31 December 2023	**264,276**	**60,351**	**5,556**	**163,451**	**(162)**	**223,718**	**717,190**

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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 2022, 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 2022.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, 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 2022.

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 (incl. 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 2022.

The group uses interest rate swaps (IRS) for interest rate risk management. 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 increase when interest rates rise. Interest rate risk is mitigated partly by raising debt at fixed interest rates and partly by hedging: raising floating-rate borrowings and fixing their interest expenses 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 shareholders, issue new shares or sell assets to reduce its financial liabilities, and raise debt capital in the form of loans. 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 the chapter "The group's financial results 2023" 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.

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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 and other operating income include revenues and other operating income from external customers only, generated by the sale of respective products or services. As the segments are based on externally sold 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 (associates) 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 2023	Q4 2022	2023	2022
REVENUE				
Wind energy	37,916	43,582	119,971	130,709
Cogeneration	21,579	31,778	77,703	88,288
Solar energy	1,496	765	7,425	13,597
Total reportable segments	**60,991**	**76,125**	**205,098**	**232,595**
Other	166	255	659	686
Total	**61,157**	**76,380**	**205,757**	**233,280**
RENEWABLE ENERGY SUPPORT AND OTHER OPERATING INCOME				
Wind energy	3,105	4,273	16,543	18,088
Cogeneration	2,476	1,994	6,858	6,015
Solar energy	145	178	873	(323)
Total reportable segments	**5,726**	**6,446**	**24,274**	**23,780**
Other	18	(74)	33	(44)
Total	**5,745**	**6,372**	**24,307**	**23,735**
EBITDA				
Wind energy	21,888	30,331	75,051	109,423
Cogeneration	10,284	17,520	37,407	49,610
Solar energy	140	211	2,972	3,553
Total reportable segments	**32,312**	**48,062**	**115,430**	**162,582**
Other	(2,713)	(2,259)	(9,529)	(7,743)
Total EBITDA	**29,599**	**45,803**	**105,901**	**154,842**

€ thousand	Q4 2023	Q4 2022	2023	2022
Total EBITDA	**29,599**	**45,803**	**105,901**	**154,842**
Depreciation, amortisation and impairment losses	10,819	8,847	40,559	37,777
Net finance income	(347)	(1,448)	102	(2,005)
Profit (loss) from associates under the equity method	(20)	27	66	714
Profit before tax	**18,413**	**35,535**	**65,509**	**115,774**
OPERATING PROFIT				
Wind energy	14,291	25,031	46,591	83,646
Cogeneration	7,658	14,908	27,030	39,366
Solar energy	(308)	(679)	1,634	1,984
Total reportable segments	**21,641**	**39,260**	**75,256**	**124,997**
Other	(2,861)	(2,305)	(9,914)	(7,932)
Total	**18,780**	**36,956**	**65,341**	**117,065**

€ thousand	Q4 2023	Q4 2022	2023	2022
INVESTMENTS IN NON-CURRENT ASSETS				
Wind energy	96,440	56,362	315,425	156,753
Cogeneration	2,135	432	3,456	3,294
Solar energy	3,324	2,431	36,809	31,103
Total reportable segments	**101,899**	**59,225**	**355,690**	**191,150**
Other	0	927	0	2,304
Total	**101,899**	**60,152**	**355,690**	**193,454**

€ thousand	31 December 2023	31 December 2022
NON-CURRENT ASSETS		
Wind energy	962,266	668,422
Cogeneration	98,051	134,510
Solar energy	92,738	55,035
Total reportable segments	**1,153,056**	**857,968**
Other	5,752	16,079
Total	**1,158,808**	**874,047**

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4. Property, plant and equipment

€ thousand	Land	Buildings	Facilities and structures	Machinery and equipment	Assets under construction	Pre-payments	Total
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)**
Total property, plant and equipment as at 31 December 2022	**63,953**	**15,188**	**17,204**	**476,906**	**203,619**	**19,412**	**796,282**
Movements in the reporting period							
Additions	0	153	497	5,273	310,925	38,834	**355,682**
Sales	(89)	0	0	(17,836)	(303)	0	**(18,228)**
Classified as held-for-sale fixed assets	(43)	(2,252)	(1,036)	(9,421	(194)	(10)	**(12,956)**
Exchange differences	0	11	50	333	533	13	**940**
Transfers	161	154	3,962	54,570	(55,746)	(3,101)	**0**
Depreciation and impairment	0	(743)	(1,320)	(37,452)	0	0	**(39,515)**
Total movements in 2023	**29**	**(2,677)**	**2,153**	**(4,533)**	**255,215**	**35,736**	**285,923**
Property, plant and equipment as at 31 December 2023							
Cost	63,982	23,639	45,691	784,440	458,852	55,148	**1,431,752**
Accumulated depreciation	0	(11,128)	(26,334)	(312,067)	(18)	0	**(349,547)**
Carrying amount as at 31 December 2023	**63,982**	**12,511**	**19,357**	**472,373**	**458,834**	**55,148**	**1,082,205**

At 31 December 2023, the group had committed to capital expenditures of €368 953k (30 September 2023: €347 139k and 31 December 2022: 89 623 €k).

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

Derivatives are initially recognised at fair value on the date the 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. At 31 December 2023, 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 is 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 operating 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 forecasted 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 forecasted transaction is ultimately recognised in profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in other operating 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

In 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 in cash flow hedges. The underlying hedged item is the market price risk of highly probable forecasted 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 the long-term price curve for the Lith-

uanian 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 2023 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 power purchase agreement for the physical supply of electricity for the period 2023–2027. The agreement 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 the trade date 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 electricity supply period under the EFET agreements began on 1 January 2023. Accordingly, the balance of the liability decreased by €754k in Q4 2023 and was €(9,629)k at 31 December 2023.

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 contract 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 about reserves.

At 31 December 2023, the remaining balance of the liability of €18,086k was classified into a current portion of €5,674k and a non-current portion of €12,411k.

In connection with the continuation of the supply period under the EFET agreements, the following changes will be made to the group's reserves and income statement in 2024:

€ thousand	**Note**	**Q1 2024**	**Q2 2024**	**Q3 2024**	**Q4 2024**	**Total**
Non-derivative contract liability		(2,012)	(911)	(1,085)	(1,666)	(5,674)
Electricity cash flow hedge reserve	7	1,086	711	679	827	3,303
Gain on derivative financial instruments	10	926	199	406	840	2,371

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Interest rate swap transactions

At 31 December 2023, the group had three interest rate swap agreements to hedge the exposure to the interest rate risk of three loans:

- An interest rate swap with a notional amount of €73,043k, 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 taken out on 30 September 2022.
- An interest rate swap with a notional amount of €48,958k, 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 taken out on 24 September 2022.
- An interest rate swap with a notional amount of €35,001k, 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 taken 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 as at 31 December 2023 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 the 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 ineffectiveness.

At 31 December 2023, 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	8,859	8,859	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.

At 31 December 2023, the effect of the 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	157,003	8,859	0	Derivatives	(3,760)	0	1,164

* Change compared to 30 September 2023, recognised in other comprehensive income

6. Share capital

At 31 December 2023, Enefit Green AS had 264,276,232 registered shares (31 December 2022: 264,276,232 shares). The nominal value of a share is €1.

Basic earnings per share (EPS) have been calculated by dividing profit for the period attributable to shareholders 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.

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

	Unit	Q4 2023	Q4 2022	2023	2022
Profit attributable to shareholders of the parent	€ thousand	19,104	35,409	55,793	110,207
Weighted average number of shares	thousand	264,276	264,276	264,276	264,276
Basic earnings per share	€	0.07	0.13	0.21	0.42
Diluted earnings per share	€	0.07	0.13	0.21	0.42

7. Other reserves

€ thousand	31 Dec 2023	31 Dec 2022
Other reserves at the beginning of the period	**165,657**	**150,828**
of which currency translation reserve	(762)	(965)
of which interest rate swap (IRS) 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 transaction with the parent	(10,781)	(10,781)
of which other reserves	175,000	175,000
Change in fair value of cash flow hedges	2,798	0
of which electricity cash flow hedge reserve	2,798	0
Interest rate swap (IRS) transactions	(2,221)	14,529
Recognised as an increase in interest expense	(3,545)	97
Exchange differences on the translation of foreign operations	600	203
Other reserves at the end of the period	**163,289**	**165,657**
of which currency translation reserve	(162)	(762)
of which interest rate swap (IRS) transactions	8,860	14,626
of which electricity cash flow hedge reserve	(9,628)	(12,426)
of which fair value on initial recognition of a derivative transaction 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	Current borrowings		Non-current borrowings		Total
	Bank loans	Lease liabilities	Bank loans	Lease liabilities	
Borrowings at amortised cost as at 31 December 2022	**23,396**	**412**	**251,577**	**4,178**	**279,563**
Movements in the reporting period					
Monetary movements					
Borrowings received	82,000	124	220,000	5,188	**307,312**
Repayments of borrowings	(104,571)	(324)	0	(35)	**(104,930)**
Non-monetary movements					
Transfers	26,550	798	(26,550)	(798)	**0**
Amortisation of borrowing costs	0	0	(284)	0	**(284)**
Other movements	39	(265)	431	565	**770**
Total movements in 2023	**4,018**	**333**	**193,597**	**4,920**	**202,868**
Borrowings at amortised cost as at 31 December 2023	**27,414**	**745**	**445,174**	**9,098**	**482,431**

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9. Revenue

€ thousand	Q4 2023	Q4 2022	2023	2022
Revenue by activity				
Sale of goods				
Pellets	9,179	13,618	31,985	30,234
Scrap metal	134	293	726	1,049
Other goods	22	(14)	62	3,343
Total sale of goods	**9,335**	**13,897**	**32,773**	**34,626**
Sale of services				
Heat	2,670	2,555	8,601	7,227
Electricity	43,748	55,251	146,021	170,456
Waste reception and resale	4,256	3,805	16,304	14,195
Rental and maintenance of assets	80	392	694	859
Other services	1,068	480	1,364	5,917
Total sale of services	**51,822**	**62,483**	**172,984**	**198,654**
Total revenue	**61,157**	**76,380**	**205,757**	**233,280**

10. Renewable energy support and other operating income

€ thousand	Q4 2023	Q4 2022	2023	2022
Renewable energy support	5,453	6,076	21,303	22,827
Government grants	134	94	504	435
Gain on derivative financial instruments	(1,511)	0	0	0
Gain on sale of a business	960	0	960	0
Other income	709	202	1,540	473
Total renewable energy support and other operating income	**4,745**	**6,372**	**24,307**	**23,735**

11. Raw materials, consumables and services used

€ thousand	Q4 2023	Q4 2022	2023	2022
Maintenance and repairs	5,002	3,681	17,514	15,038
Technological fuel	6,689	8,382	27,033	23,187
Electricity	14,687	15,795	48,394	32,712
Services related to ash treatment	516	502	1,965	2,137
Transport services for sale of finished goods	583	554	1,920	1,815
Materials and spare parts for production	1,007	104	2,067	9,578
Transmission services	174	436	518	309
Waste handling	115	63	410	683
Resource charges for natural resources	2	2	6	8
Other raw materials, consumables and services used	50	51	178	228
Environmental pollution charges	119	72	325	259
Total raw materials, consumables and services used	**28,944**	**30,486**	**100,330**	**85,954**

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12. Cash generated from operations

tuhandetes eurodes	Q4 2023	Q4 2022	2023	2022
Profit before tax	**18,414**	**35,535**	**65,509**	**115,774**
Adjustments				
Depreciation and impairment of property, plant and equipment	10,529	8,536	39,943	37,355
Amortisation and impairment of intangible assets	291	310	617	422
Amortisation of government grants related to assets	(130)	(94)	(500)	(435)
Interest expense on borrowings	679	664	1,252	1,697
Gain on sale of a business	(960)	0	(960)	(645)
Loss (profit) from associates using the equity method	20	(27)	(42)	(7)
Gain on disposal of property, plant and equipment	(2)	0	(2)	(3)
Interest and other finance income	(181)	(239)	(826)	(251)
Other investment (gains) losses	0	0	(24)	0
Loss (gain) on other non-monetary transactions	26	0	26	0
Foreign exchange (gain) loss on loans granted and taken	399	230	470	(147)
Realised gain on derivative financial instruments	(813)	0	(2,323)	0
Adjusted profit before tax	**28,272**	**44,915**	**103,140**	**153,760**
Net change in current assets related to operating activities				
Change in receivables related to operating activities	(3,074)	(7,954)	(1,618)	(686)
Change in inventories	2,807	1,116	(2,143)	(4,699)
Net change in other current assets related to operating activities	4,711	(9,609)	(14,244)	(16,803)
Total net change in current assets related to operating activities	**4,444**	**(16,447)**	**(18,005)**	**(22,188)**
Net change in current liabilities related to operating activities				
Change in provisions	4	(26)	3	(58)
Change in trade payables	(13,604)	2,635	8,842	4,814
Net change in other current liabilities related to operating activities	(1,520)	(596)	937	(105)
Total net change in current liabilities related to operating activities	**(15,120)**	**2,013**	**9,782**	**4,651**
Cash generated from operations	**17,596**	**30,481**	**94,917**	**136,223**

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13. Transactions and balances with related parties

The parent of Enefit Green AS is Eesti Energia AS. At 31 December 2023, 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 shareholders, 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 group also discloses transactions with companies under the control or significant influence of the state. In the reporting and the comparative period, the group conducted ordinary purchase and sales transactions with the Estonian transmission system operator Elering AS, which is wholly owned by the state.

At 31 December 2023, Enefit Green AS had signed long-term power purchase agreements for the physical supply of electricity of 8,562 GWh with Eesti Energia AS for the supply of electricity in the Lithuanian, Estonian, Finnish and Polish electricity networks in the period January 2024 – December 2033. The contracts are for the supply of both annual and monthly base load energy. The weighted average price of the power purchase agreements for the physical supply of electricity signed with the related party is 68.1 €/MWh.

At the beginning of 2021, the group used base load swap derivative contracts in order to hedge the exposure to variability in the price of electricity. The initial fair value of the derivatives designated as hedging instruments of €(10,781)k was recognised directly in equity. The group continued to apply hedge accounting to the open derivatives position until 17 August 2021, when an EFET General Agreement Concerning the Delivery and Acceptance of Electricity (EFET General Agreement) was signed and all open derivative contracts were simultaneously terminated. The negative value of the derivative financial instruments classified as liabilities increased from €(10,781) k at the trade date to €(23,207)k due to the change in the electricity price in the period from the trade date to 17 August 2021. The cumulative change in the fair value of the derivative financial instruments of €(12,426)k was recognised through other comprehensive income and the cash flow hedge reserve in equity (see also note 5). At 31 December 2023, the balance of the electricity cash flow hedge reserve was €(9,629)k (see also notes 5 and 7).

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€ thousand	Q4 2023	Q4 2022	2023	2022		31 Dec 2023	31 Dec 2022
			TRANSACTIONS			BALANCES	
			PARENT				
Purchase of services	5,333	5,681	17,804	15,251	Receivables	9,497	11,968
Sale of goods	0	0	0	0	Payables	20,281	26,412
Sale of services	23,727	19,500	78,713	32,320	Of which non-derivative contract liability	18,086	23,207
			OTHER GROUP COMPANIES				
Purchase of goods	0	65	0	73	Receivables	314	31
Purchase of services	884	1,636	3,357	6,180	Payables	62	731
Sale of goods	0	(50)	0	3,155			
Sale of services	1,379	379	4,208	7,907			
			OTHER RELATED PARTIES (INCL. ASSOCIATES)				
Purchase of services	448	333	1,908	1,582	Receivables	22	21
Sale of services	18	16	18	18	Payables	311	251
			ELERING AS				
Purchase of services	(1,131)	10,967	18,993	11,139	Receivables	1,699	2,064
Sale of services	5,339	5,944	21,355	23,891	Payables	33	29

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