Annual Report 2022

Management Report | Sustainability Report | Financial Statements

Enefit Green

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Legal name Enefit Green AS
Commercial Registry number 11184032
Address Lelle tn 22, 11318 Tallinn, Eesti Vabariik
Phone +372 5865 4999
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Main activities Production of electricity and heat in cogeneration plants, production of electricity in wind farms, solar farms and a hydropower plant
Reporting period 1 January 2022 – 31 December 2022
Auditor AS PricewaterhouseCoopers

* Enefit Green's Sustainability Report on pages 34-58 is unaudited and is based on company's data.

Dear reader

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

Aavo Kärmas
Enefit Green Chairman of the Management Board

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

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

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

In order to implement our growth plan, we made six investment decisions on three onshore wind farms and three solar farms of €0.5bn in total in 2022. At the end of 2022, Enefit Green was building six wind farms with a total capacity of 546 MW in Estonia, Lithuania and Finland and four solar farms with a total capacity of 50 MW of which two in Estonia and two in Poland. The total value of these investments is more than €700m.

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In 2022 we began to build two large wind farms – one in Estonia and the other one in Lithuania, taking a major step towards resolving energy, security and climate issues. The 255 MW Sopi-Tootsi wind farm will be the most modern and powerful renewable energy production facility both in Estonia and the Baltics. The wind farm will nearly double the amount of wind energy currently produced in Estonia, meeting 8.5% of Estonia's total electricity consumption and 40% of households' electricity consumption when completed. In Lithuania, we started the first phase of a 320 MW Kelme wind energy project, which will have an even greater impact on the region's electricity market.

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

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

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

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

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

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

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

Aavo Kärmas
Enefit Green Chairman
of the Management Board

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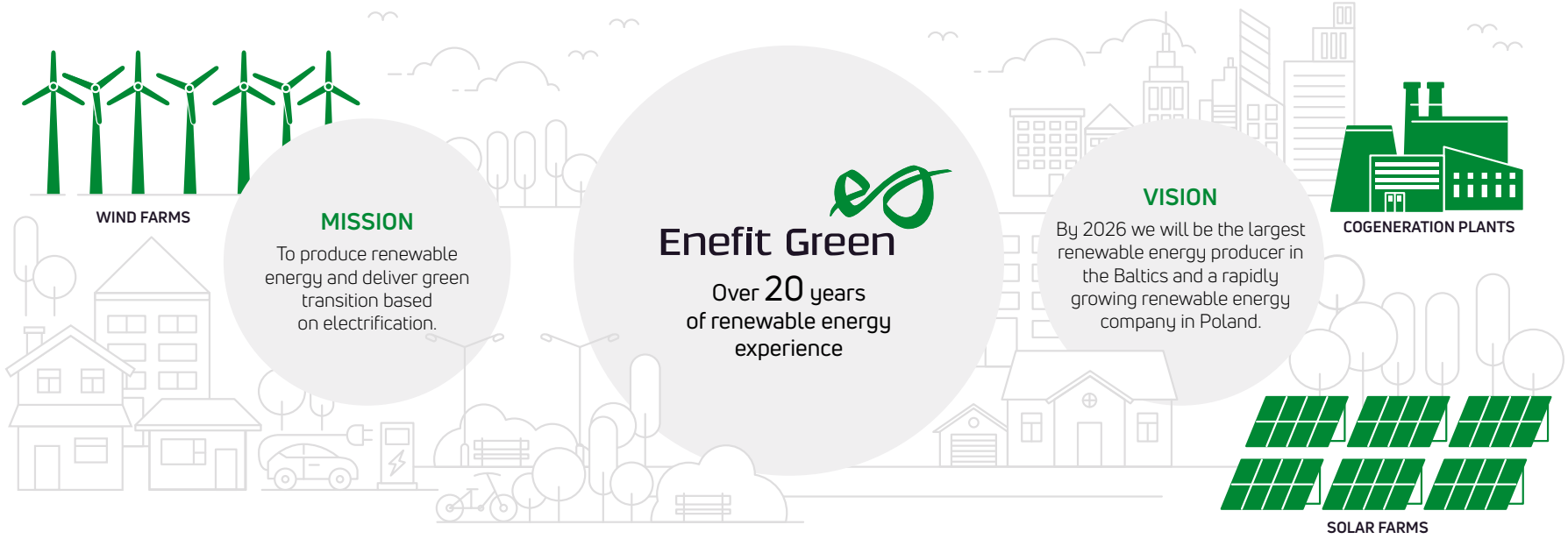
A Brief Overview of Enefit Green

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

We have a clear roadmap to quadruple production capacity by 2026 to increase supply of affordable green energy and to improve energy security.



2022

Largest wind energy producer in the Baltics

178 employees in Estonia, Latvia, Lithuania and Poland

OPERATING CAPACITY
457 MW

PROJECTS UNDER CONSTRUCTION
596 MW

ELECTRICITY PRODUCTION
1,118 GWh

HEAT PRODUCTION
566 GWh

OPERATING INCOME
€ 257.0 m

EBITDA
€ 154.8 m

NET PROFIT
€ 110.2 m

Nasdaq
~ 60,000 investors

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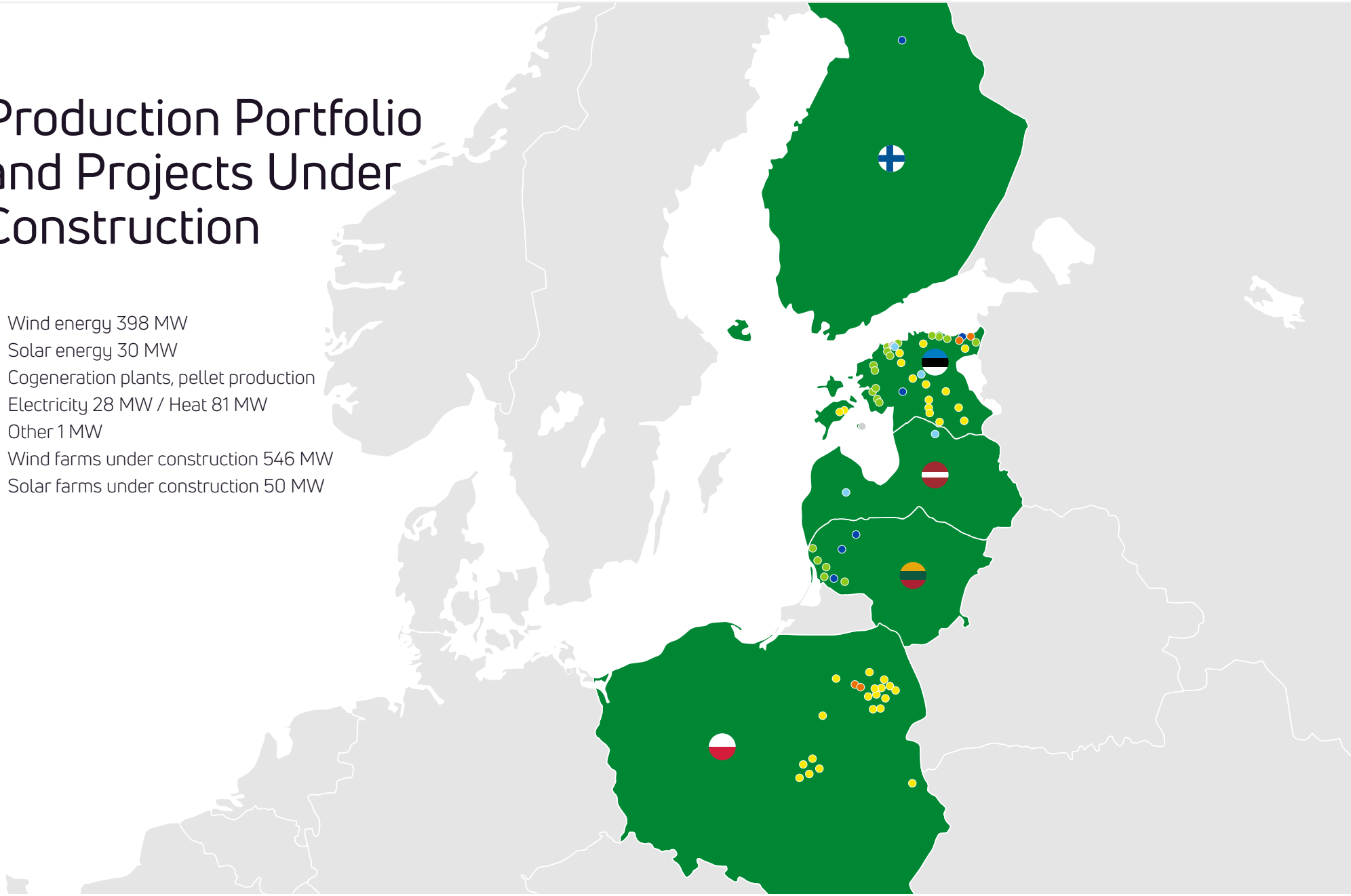
Production Portfolio and Projects Under Construction

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



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Translation of the company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is digitally signed and submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100137985/reports).

Highlights
in 2022

Q1

January

Signing a loan agreement with the Nordic Investment Bank

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

February

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

March

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

Q2

April

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

CFO Veiko Räim the most influential CFO 2022

May

First general meeting of shareholders as a listed company

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

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

Selling a minority stake in Wind Controller

June

Dividend payment 0.151 euros per share

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

Q3

July

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

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

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

August

Implementation of a virtual reality solution in development

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

September

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

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

Q4

October

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

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

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

November

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

East Capital Award "Best Initial Public Offering"

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

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

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

December

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

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Operating Environment

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

IMPORTANT TRENDS IN THE ECONOMY AND MARKETS:

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

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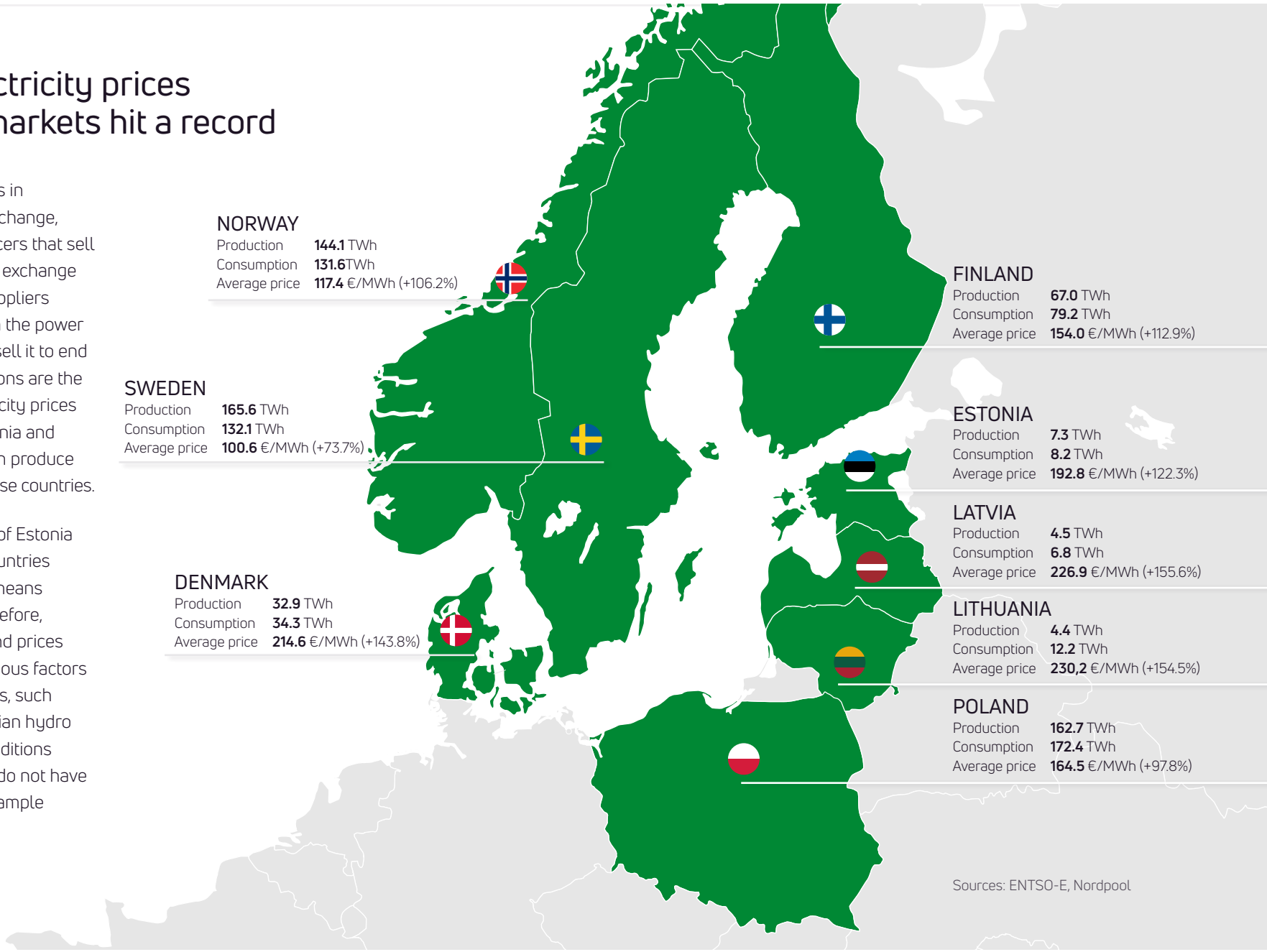
Average electricity prices in our core markets hit a record

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

The electricity markets of Estonia and its neighbouring countries are well connected by means of interconnectors. Therefore, electricity production and prices are also affected by various factors outside our core markets, such as the levels of Norwegian hydro reservoirs and wind conditions in the region where we do not have operating assets (for example in Finland).



NORWAY

Production	**144.1** TWh
Consumption	**131.6**TWh
Average price	**117.4** €/MWh (+106.2%)

SWEDEN

Production	**165.6** TWh
Consumption	**132.1** TWh
Average price	**100.6** €/MWh (+73.7%)

DENMARK

Production	**32.9** TWh
Consumption	**34.3** TWh
Average price	**214.6** €/MWh (+143.8%)

FINLAND

Production	**67.0** TWh
Consumption	**79.2** TWh
Average price	**154.0** €/MWh (+112.9%)

ESTONIA

Production	**7.3** TWh
Consumption	**8.2** TWh
Average price	**192.8** €/MWh (+122.3%)

LATVIA

Production	**4.5** TWh
Consumption	**6.8** TWh
Average price	**226.9** €/MWh (+155.6%)

LITHUANIA

Production	**4.4** TWh
Consumption	**12.2** TWh
Average price	**230,2** €/MWh (+154.5%)

POLAND

Production	**162.7** TWh
Consumption	**172.4** TWh
Average price	**164.5** €/MWh (+97.8%)

Sources: ENTSO-E, Nordpool

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

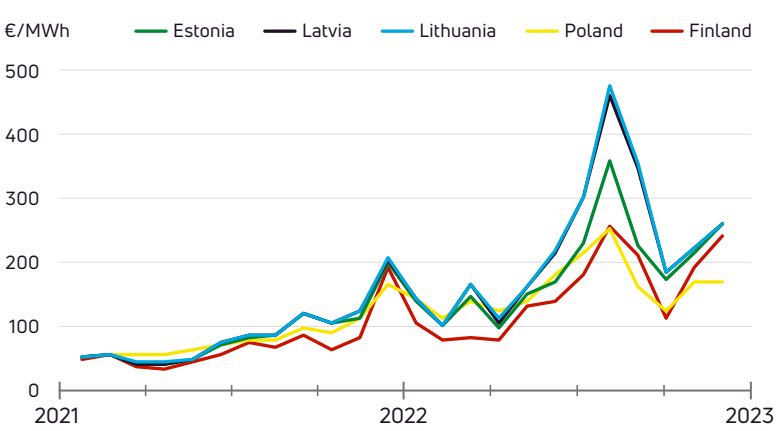
The Nordic and Baltic market area produced 425,8 TWh and consumed 404,4 TWh of electricity in 2022. Compared with a year earlier, electricity production in the Nordic and Baltic market area decreased by 4,4 TWh while consumption decreased by 23 TWh. Norway and Sweden produced more electricity than they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

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

Moreover, as several power plants went into large-scale maintenance during the summer and renewable energy production was low, the Baltic region experienced an electricity deficit in the third quarter. During this period, low Finnish prices influenced electricity prices in Estonia, causing historically large price differences between the Baltic countries.

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

Average electricity prices in our home markets



Source: Nord Pool

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

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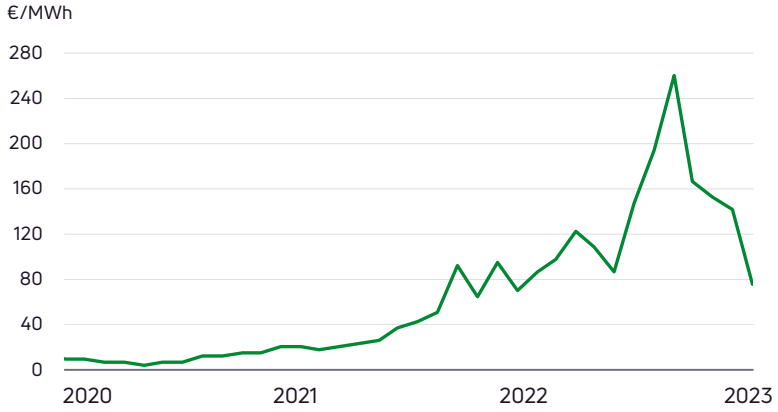
TTF natural gas price



Source: TTF

During peak hours, the electricity price in the region is typically determined by gas-fired power plants. High natural gas prices have created a situation in Europe where the cost price of electricity produced from gas is higher than the cost price of electricity produced from oil shale or coal. Growing use of coal-fired power plants as an alternative to gas-fired power plants has triggered a sharp increase in the price of coal. At the same time, the use of coal, whose carbon intensity is double than that of natural gas, has increased the demand for CO_2 emission allowances, driving up their prices.

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

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

Prices of CO_2 emission allowances

Source: Intercontinental Exchange

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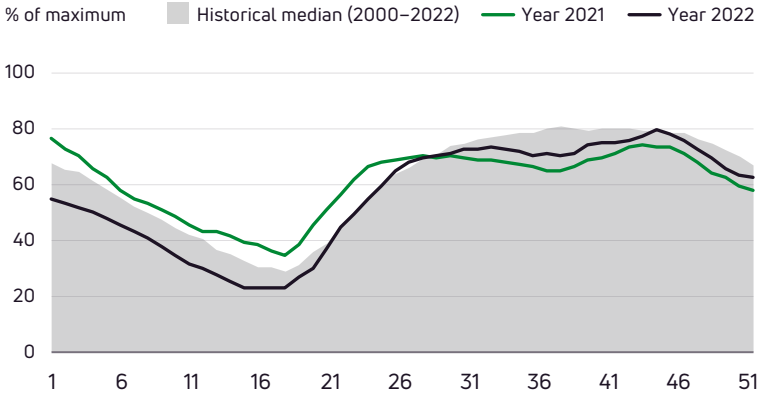
At the beginning of 2022 the price of CO_2 emission allowances was 80.0 €/t and continued to rise until March, when it dropped by 40% within a month and then stabilised at 78 €/t. Until mid-year, emission allowance prices were influenced by the soaring natural gas price, which caused a jump in the production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

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

Interconnectors supply the Baltic countries with Nordic hydropower, which is cheaper than other types of electricity. The average level of the Nordic hydro reservoirs in 2022 was 55.9% of the maximum, which is 5.1% lower than in 2021 and 5.7% below the historical median.

Weekly levels of Nordic hydro reservoirs



Source: Nord Pool

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REGULATORY DEVELOPMENTS

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

Electricity market model

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

Acceleration of renewable energy investments

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

Wind energy

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

Solar energy

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

Developments on fuel markets

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

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Strategy 2022–2026

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

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

OUR KEY STRENGTHS:

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

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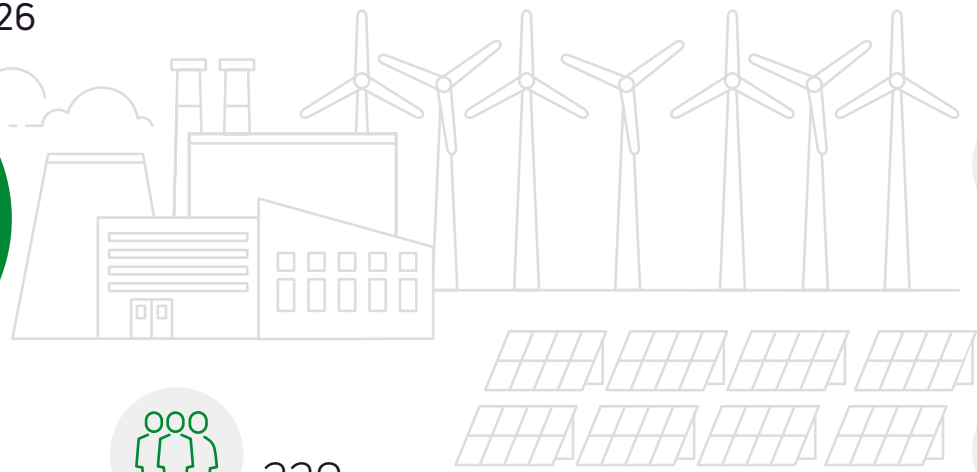
By the end of 2026

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



We will have €1.5bn **invested**

220 **employees**

Our annual renewable electricity production will grow to 4.5 TWh

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

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

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

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

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

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

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

* Compared to electricity produced from fossil fuels.

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Trends that influence our business

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

ENEFIT GREEN'S OPERATIONS ARE INFLUENCED BY:

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

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

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Key goals

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

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

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

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

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

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

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

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Overview of Development Activities

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

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

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

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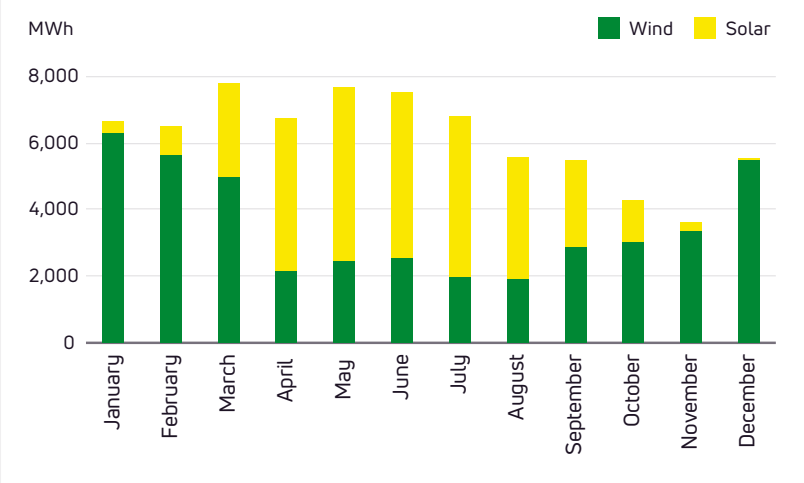
The 255 MW Sopi-Tootsi wind farm will be the most modern and powerful renewable energy production area in Estonia and the Baltic States, which will nearly double the current amount of wind energy produced in Estonia. The farm's output will meet 8.5% of Estonia's total current electricity consumption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

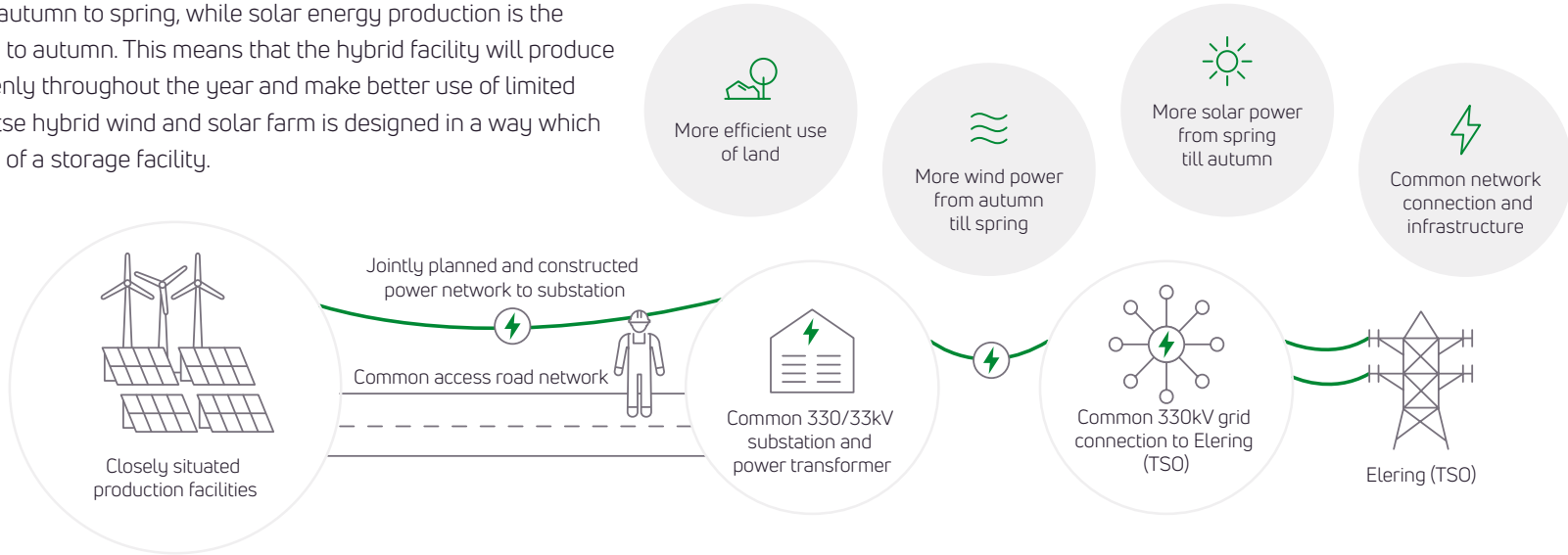
We are building a unique hybrid wind and solar farm in the Lüganuse municipality in Estonia.

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

Expected average production of the Purtse Hybrid Farm



Hybrid Farm Concept



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

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

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

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

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

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

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

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

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

Enefit Green's development principles

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

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

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

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

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

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

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

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

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

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

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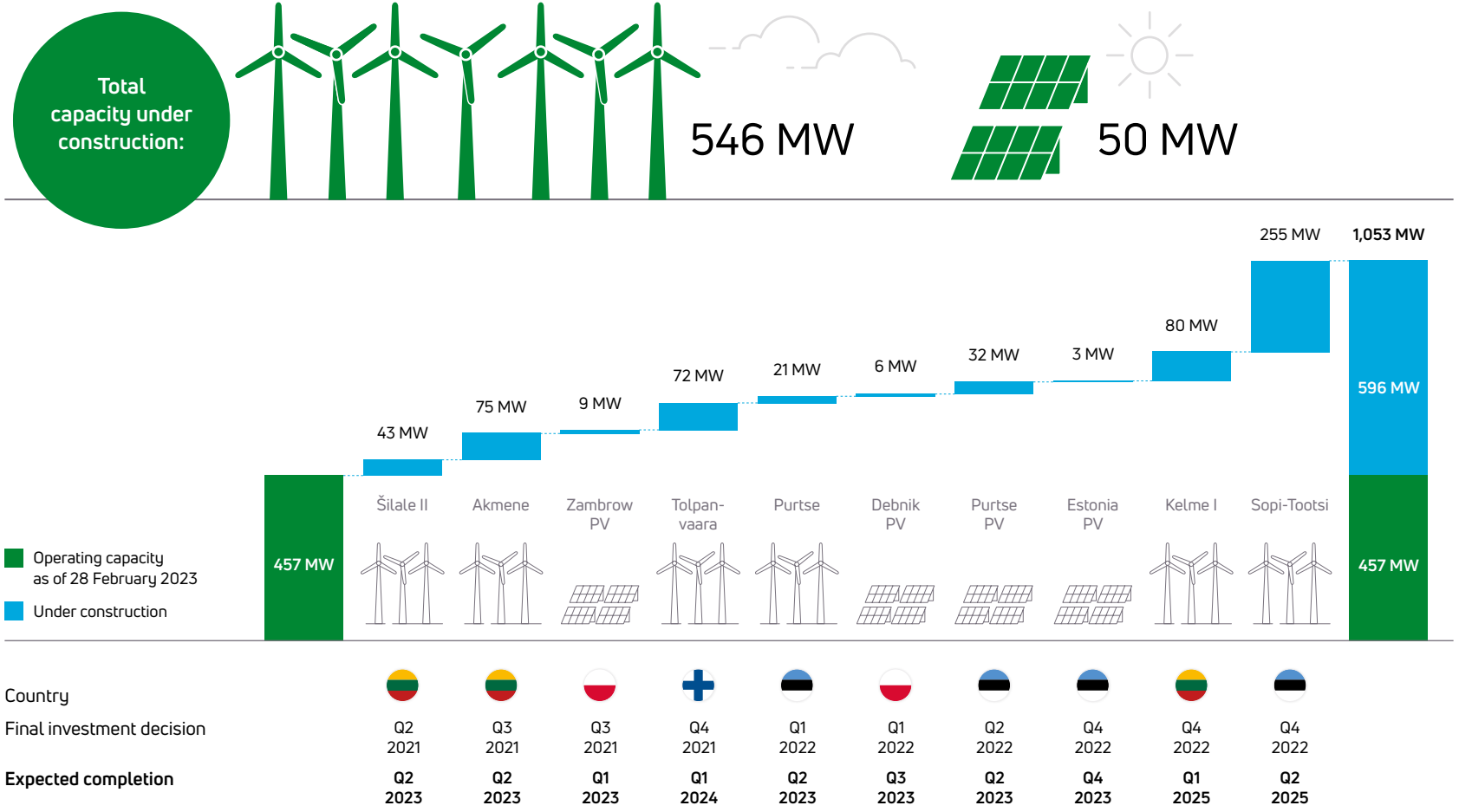
Projects under construction



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Projects under construction

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

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

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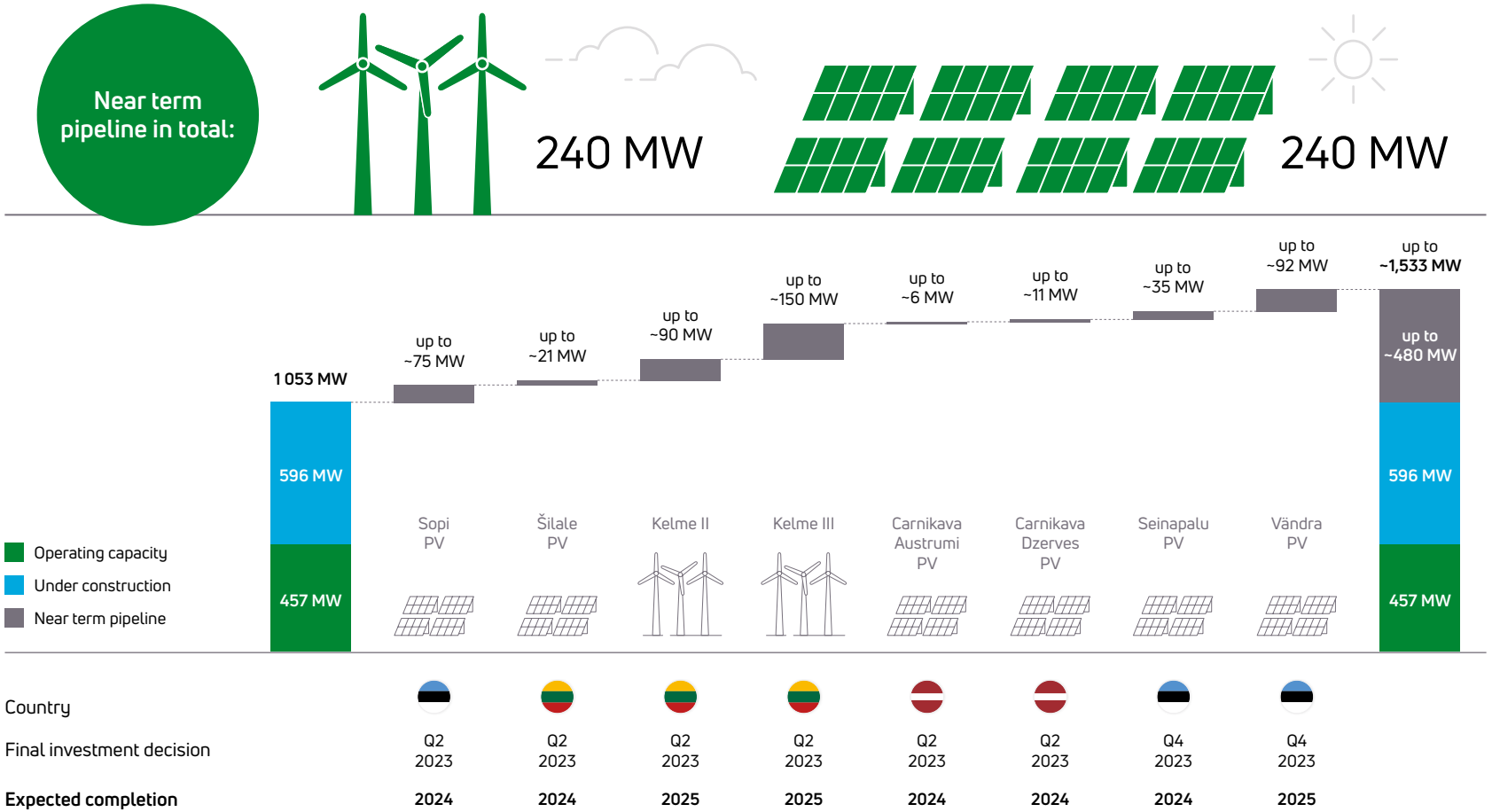
Near term development pipeline

Targeted investment decisions until the end of 2023



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

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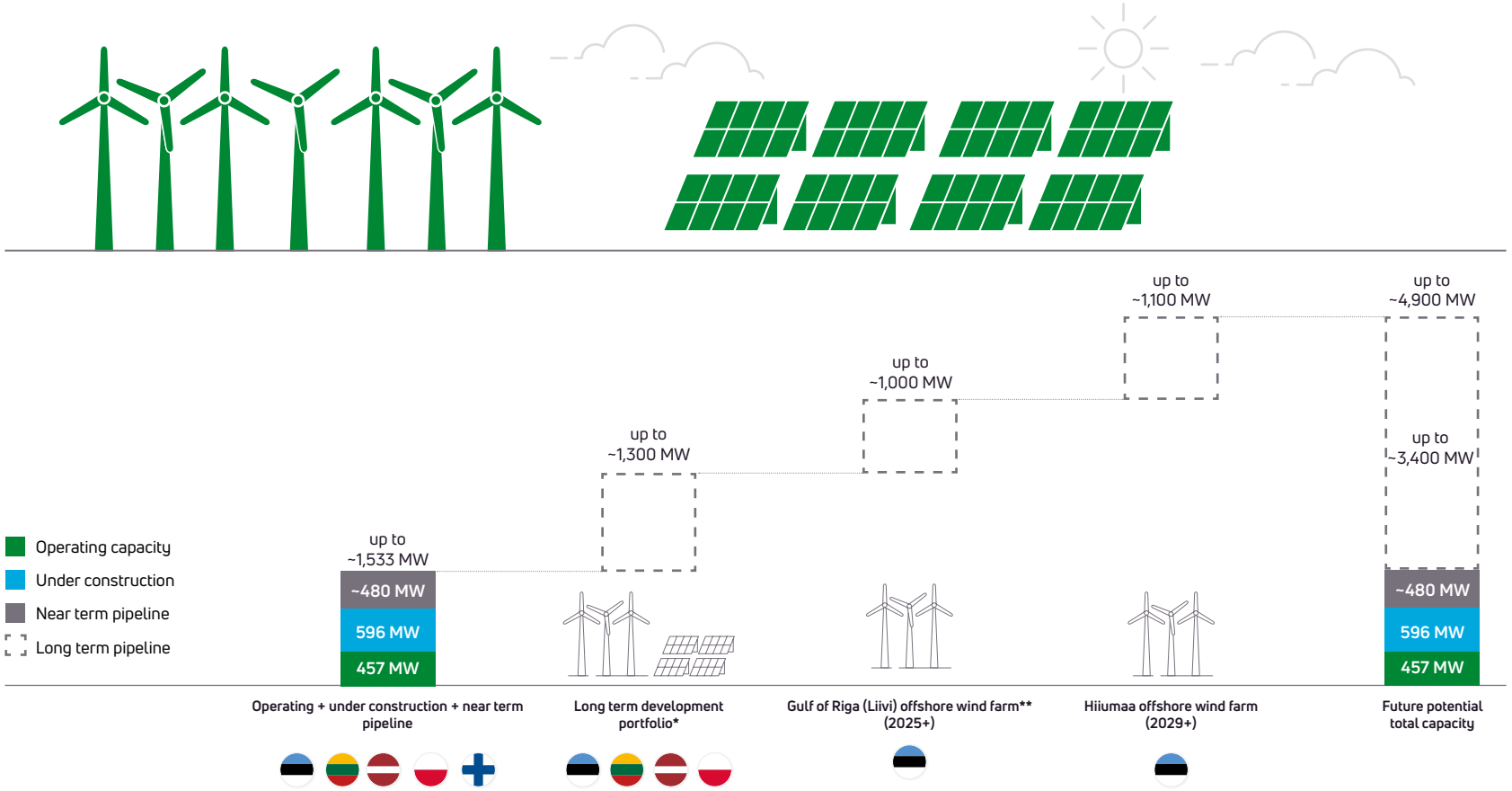
Complete view of the development portfolio



NB! Development projects are in continuous change.

* Various onshore wind and solar farm developments that are not expected to get final investment decision before 2024.

** Gulf of Riga (Liivi) Offshore wind farm development is owned by Eesti Energia. Eesti Energia is willing to offer Enefit Green a possibility to participate in the project and/or acquire the project based on market terms.

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Digitalised Asset Management

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

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

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

Availability challenges

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

Availability of production assets

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

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

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

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

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

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

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

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Digitalisation

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

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

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

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

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Enefit Green's production assets as at 31 December 2022

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

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Enefit Green's production assets as at 31 December 2022

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

Contents

Emergency reserve and peak capacity generation assets:

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

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Sustainability Report

We are Committed to Building a Sustainable Future

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

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

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

Enefit Green's Sustainability Report on pages 34-58 is unaudited and is based on company's data.

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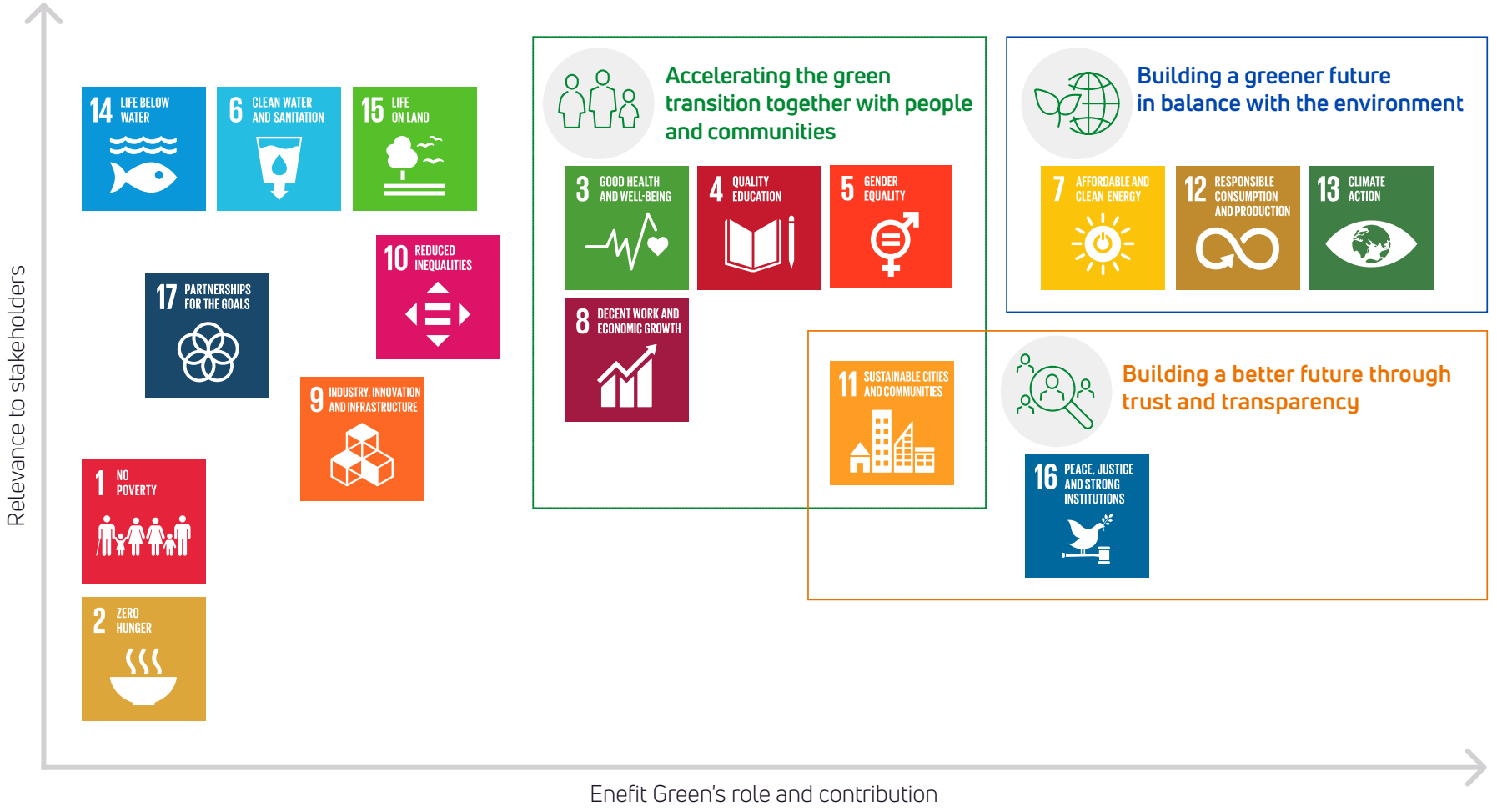
MANAGEMENT'S ASSESSMENT OF ADAPTABILITY OF UN SDGS IN ENEFIT GREEN



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Building a greener future in balance with the environment

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

Focusing on wind and solar energy

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

More sustainable cogeneration of heat and power

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

Sustainable pellet production

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

Overall energy efficiency

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

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Accelerating the green transition together with people and communities

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

An employee-centric culture

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

Attracting future talent

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

Cooperation with local communities and partners

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

Building a better future through trust and transparency

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

Rule of law and fight against corruption

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

Independence of the supervisory board and the audit committee

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

Labour and human rights

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

Sustainable supply chain

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

Building a Greener Future in Balance with the Environment

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

Smaller environmental footprint

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

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

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Systematic and comprehensive approach

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

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

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

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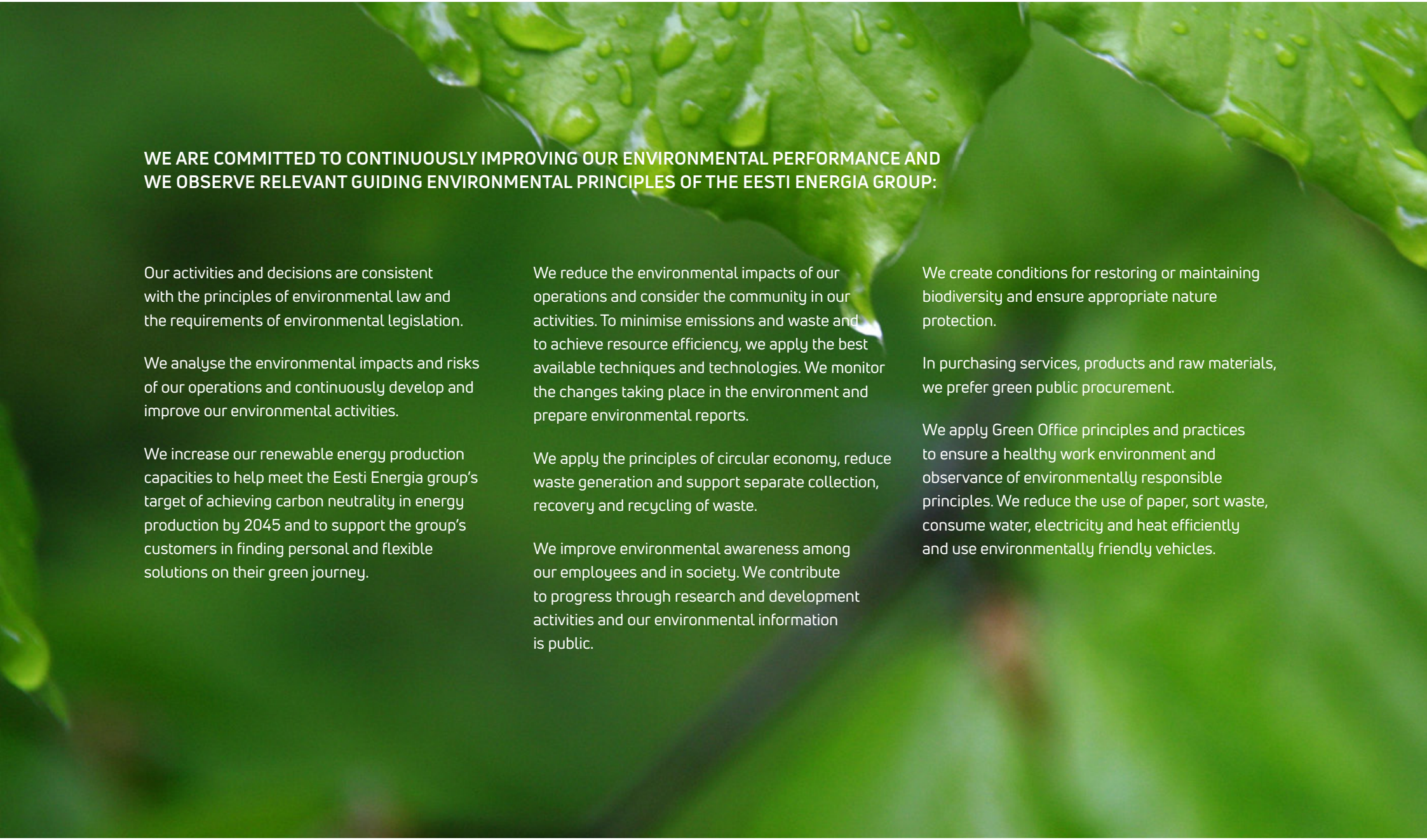


WE ARE COMMITTED TO CONTINUOUSLY IMPROVING OUR ENVIRONMENTAL PERFORMANCE AND WE OBSERVE RELEVANT GUIDING ENVIRONMENTAL PRINCIPLES OF THE EESTI ENERGIA GROUP:

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

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

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

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

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

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

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

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

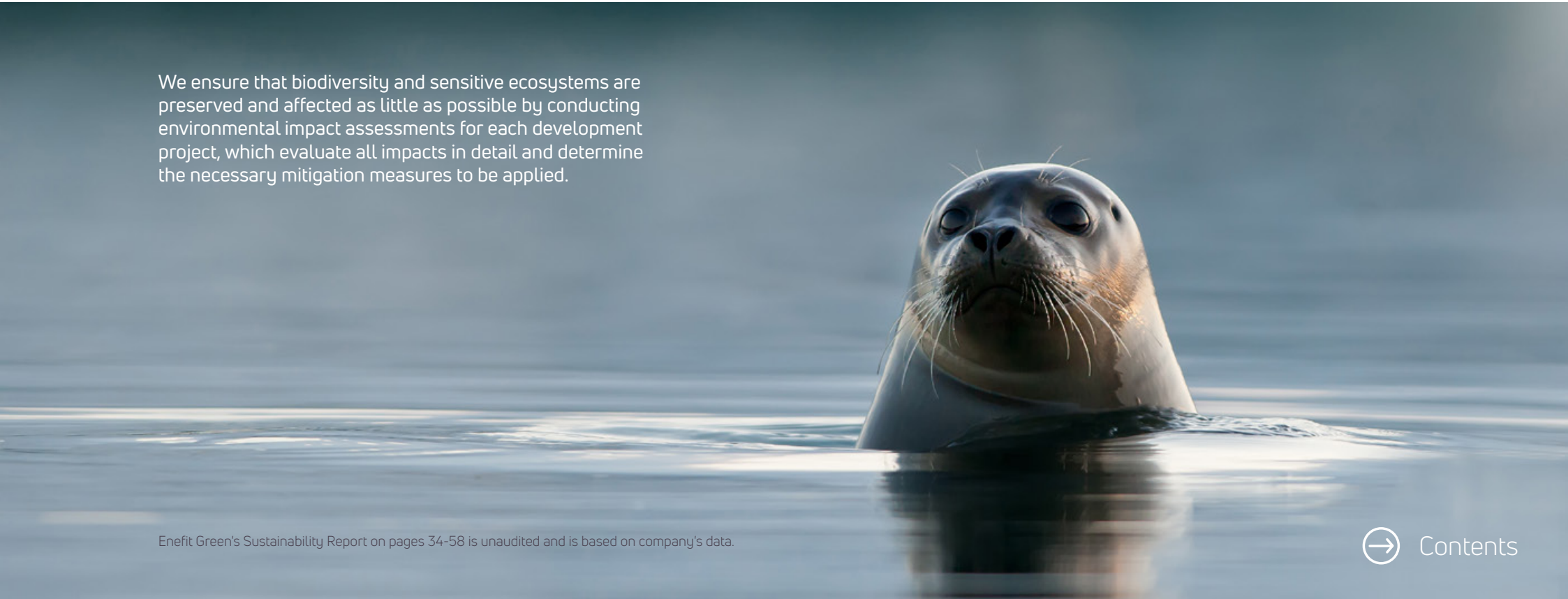
We apply Green Office principles and practices to ensure a healthy work environment and observance of environmentally responsible principles. We reduce the use of paper, sort waste, consume water, electricity and heat efficiently and use environmentally friendly vehicles.

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

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

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

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



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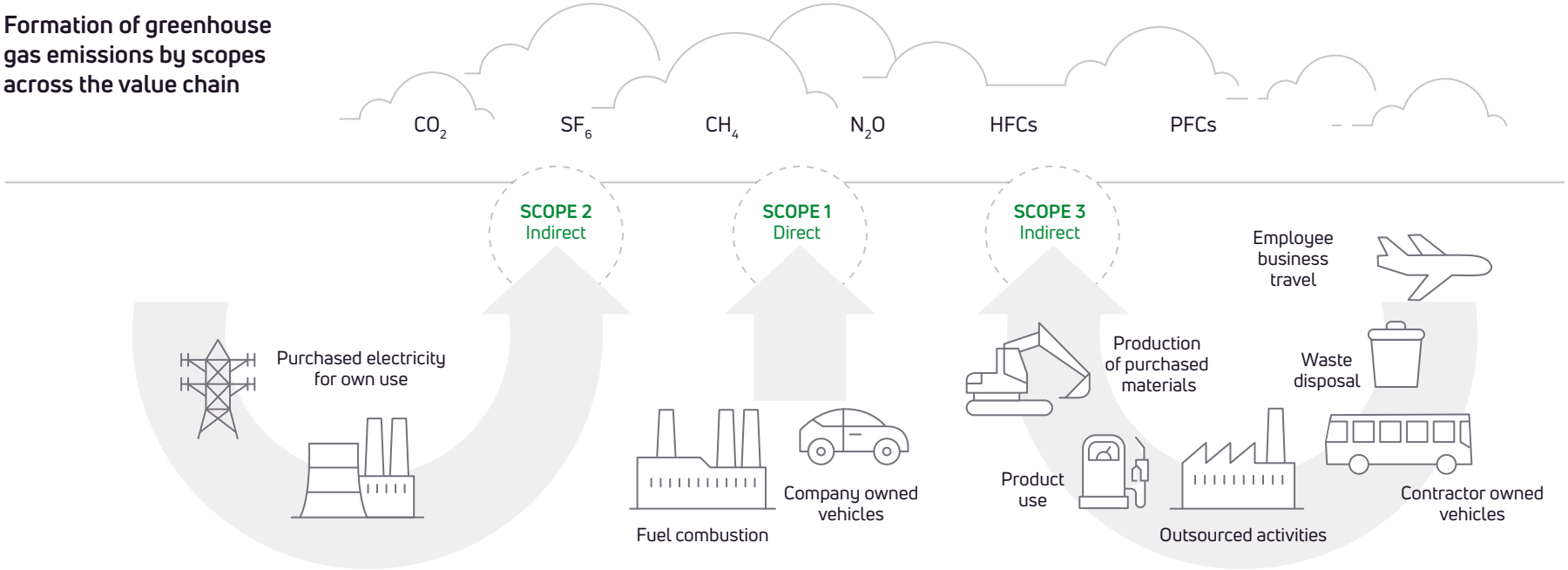
Transition to renewable electricity is the fastest route to carbon neutrality

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

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

Carbon footprint

Formation of greenhouse gas emissions by scopes across the value chain



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

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

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

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

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

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

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

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

Enefit Green's carbon footprint

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

* CO_2 from biogenic sources

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

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Enefit Green's carbon footprint by source

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

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

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

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

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

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

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

As one of the leading and most diversified renewable energy producers in the Baltic Sea region, we are aware of our role in achieving a carbon-neutral and more sustainable way of life. To increase the production of cleaner energy, we build onshore and offshore wind farms and solar farms along with storage systems. At the end of 2022, most of our production facilities with the exception of cogeneration plants met the sustainability criteria of the EU taxonomy for sustainable activities by contributing either to climate change mitigation or adaptation. The sustainability requirements for solid biofuels used in cogeneration plants started to apply from the beginning of 2023 and therefore, until the end of 2022, we will not classify electricity and heat produced from cogeneration from biofuels as sustainable under the EU taxonomy.

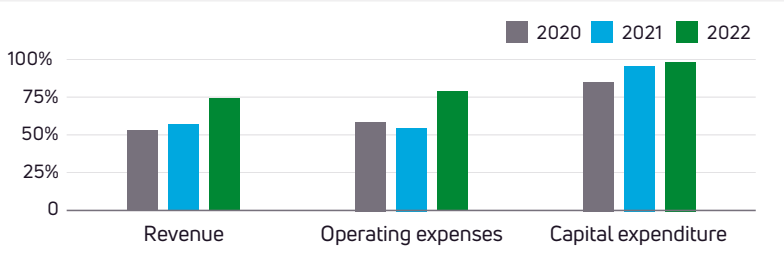
Also, the business of the Broceni pellet plant could not be considered a sustainable activity under the EU taxonomy until the end of 2021. Since in September 2022, the European Commission approved a certification scheme for wood used in the production of pellets, which is also used by Broceni pellet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

In 2022, the share of sustainable, taxonomy-compliant economic activities was 75.2%, 80.3% and 98.6% of Enefit Green's consolidated revenue, operating expenses and capital expenditure, respectively.

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

€m	2020	2021	2022
Revenue	62.6	89.4	175.5
Operating expenses	54.1	55.9	112.4
Capital expenditure	11.9	74.3	190.7

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



We consistently reduce environmental emissions

Air emissions

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

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

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

Air emissions

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

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

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

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


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.

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

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

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Use of water resources and generation of wastewater

Enefit Green's production units mainly use surface water in their operations. Water is also obtained from groundwater and local pipelines. The largest amount of surface water is used at the Iru power plant, where it is used for industrial and cooling purposes as well as for firefighting when necessary. Surface water is pumped from the Pirita river. To provide access to the water, a dam was built on the river near Nehatu. The cooling water of the Iru power plant is reused. When it has heated up, the water is cooled down again in a cooling tower and reused for cooling. The significant decrease in the use of surface water since 2020 is mainly related to the fact that from 2021 the Iru power plant sells thermal energy all year round, and in connection with this, the need for cooling water has decreased in the summer period. The most significant amount of groundwater is used at the Valka cogeneration plant, again mainly for cooling. The conditions for water extraction (quantities of water, damming of water bodies, aquifers, monitoring of groundwater levels, etc.) are set out in the production units' environmental permits.

Use of water

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

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

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

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

Waste

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

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

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

Waste generation

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

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

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

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

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

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

We use natural resources sustainably

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

Resources used in production

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

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

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

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

At the Paide and Valka power plants and the Broceni combined heat and power plant, we use biomass as a fuel, which is a renewable resource.

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

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Forest ownership and management

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

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

We protect the environment

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

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

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

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

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

Accelerating the Green Transition Together with People and Communities

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

Employee engagement and management quality increased

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

Workforce key indicators

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

TRI*M is a composite index of engagement based on five key questions.

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

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

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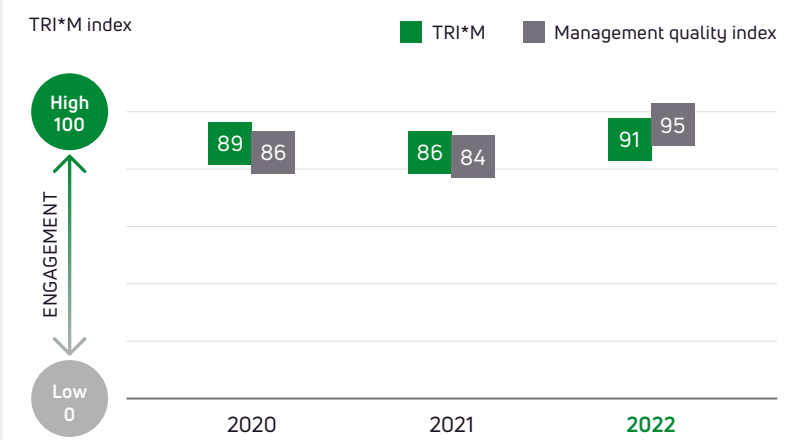
Employee engagement and management quality index at Enefit Green



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

CV KESKUS TOP 20 Ihaldusväärseim tööandja Eestis 2022

Focus on a safe work environment and employee health and wellbeing

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

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

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

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

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

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

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

appointing persons responsible for health and safety at work

coordinating occupational health and safety matters at group level

assessing health and safety risks associated with workplaces

preparing safety instructions and guidelines for jobs

determining and implementing preventive measures based on the risk assessment

purchasing and providing employees with appropriate personal protective equipment

ensuring the safety of workplaces

arranging regular health checks

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

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

reporting and registering hazardous situations, incidents and accidents

analysing breaches and a ccidents and identifying and implementing corrective measures

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

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

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

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

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

We value career and development opportunities

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

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

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

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

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

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Inspiring future talent

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

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

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

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

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

We value strong relationships with communities and associations

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

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

Enefit Green is a member of the following organisations:

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

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

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

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

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

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

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

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

Building a Sustainable Future Through Trust and Transparency

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

Enefit Green's Sustainability Report on pages 34-58 is unaudited and is based on company's data.

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Corporate Governance Report

Governance principles

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

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

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

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

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

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

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

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

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

Code of Ethics

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

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

Conflicts of interest

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

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

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

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Organisational structure and governing bodies

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

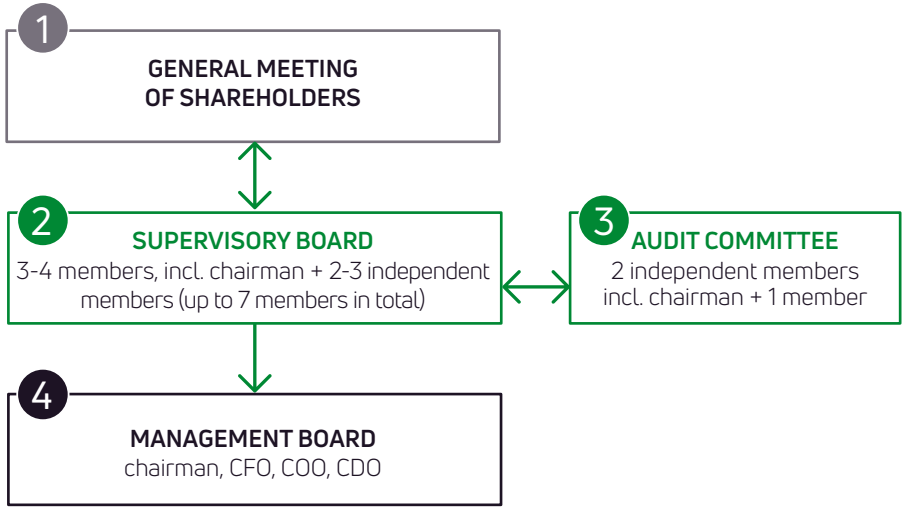
GOVERNING BODIES OF ENEFIT GREEN

1. Shareholders can use their vote on the general meeting regarding important matters related to the Company (for example – distribution of profit, electing supervisory board members, appointing an auditor etc)

2.
- Strategic planning
- Organising and supervision of management
- Adopting major strategic decisions

3. Advising the supervisory board on accounting, auditing, risk management, internal control and audit, supervision, budgeting and compliance matters

4.
- Daily operational management and respresentation of the Company
- Business and financial reporting to the supervisory board



General meeting

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

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

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

Supervisory board

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

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

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

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

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

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

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

SUPERVISORY BOARD | At 31 December 2022

HANDO SUTTER

Chairman of the Supervisory Board

ANDRI AVILA

Member of the Supervisory Board

RAINE PAJO

Member of the Supervisory Board

ERKKI RAASUKE

Member of the Supervisory Board

ANNE SULLING

Member of the Supervisory Board

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

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Management board

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

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

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

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

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

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

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

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MANAGEMENT BOARD | At 31 December 2022

AAVO KÄRMAS

Chairman of the Management Board

INNAR KAASIK

Member of the Management Board

VEIKO RÄIM

Member of the Management Board

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

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Audit committee and internal control

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

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

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

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

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

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AUDIT COMMITTEE | At 31 December 2022

ERKKI RAASUKE
Chairman of
the Audit Committee

RAINE PAJO
Member of
the Audit Committee

ANNE SULLING
Member of
the Audit Committee

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

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

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Financial reporting

The preparation of financial statements is the responsibility of the company's management board. The consolidated financial statements are prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS EU).
The auditor of Enefit Green is PriceWaterhouseCoopers and the signatory of the independent auditors' report is Jüri Koltsov. The contract with the auditor was made for five years (for the audit of the financial statements for 2019–2023). The audit firm has not provided the company with any services that could jeopardise the auditor's independence. In 2022, the total amount of fees paid or payable for the services provided by PriceWaterhouseCoopers was €125.3k (2021: €267.3k). These services included financial audit fees of €114.3k (2021: €91k) and other services of €11k (2021: €176.4k). Other services in 2022 were related to agreed-upon procedures. Other services in 2021 included services related to Enefit Green's IPO, such as a prospectus review and a review of the interim report for the first half of 2021.

Statement of compliance with Corporate Governance Recommendations

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

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Share and Shareholders

First year as a listed company

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

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

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

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Dividend policy

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

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

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

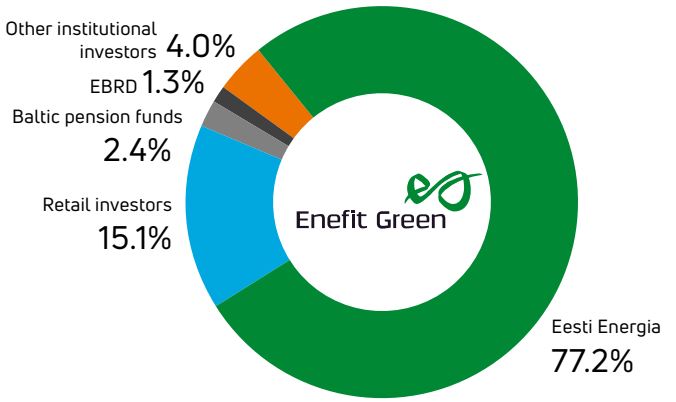
The amount of the dividend and the payment procedure are decided by the general meeting of the shareholders after the approval of the audited annual report.

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

Shareholders

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

Shareholder structure As at 31 December 2022



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Enefit Green's 10 largest shareholders

As at 31 December 2022

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

Trading statistics of the Enefit Green share

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

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

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

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

* since listing on 21 October 2021.

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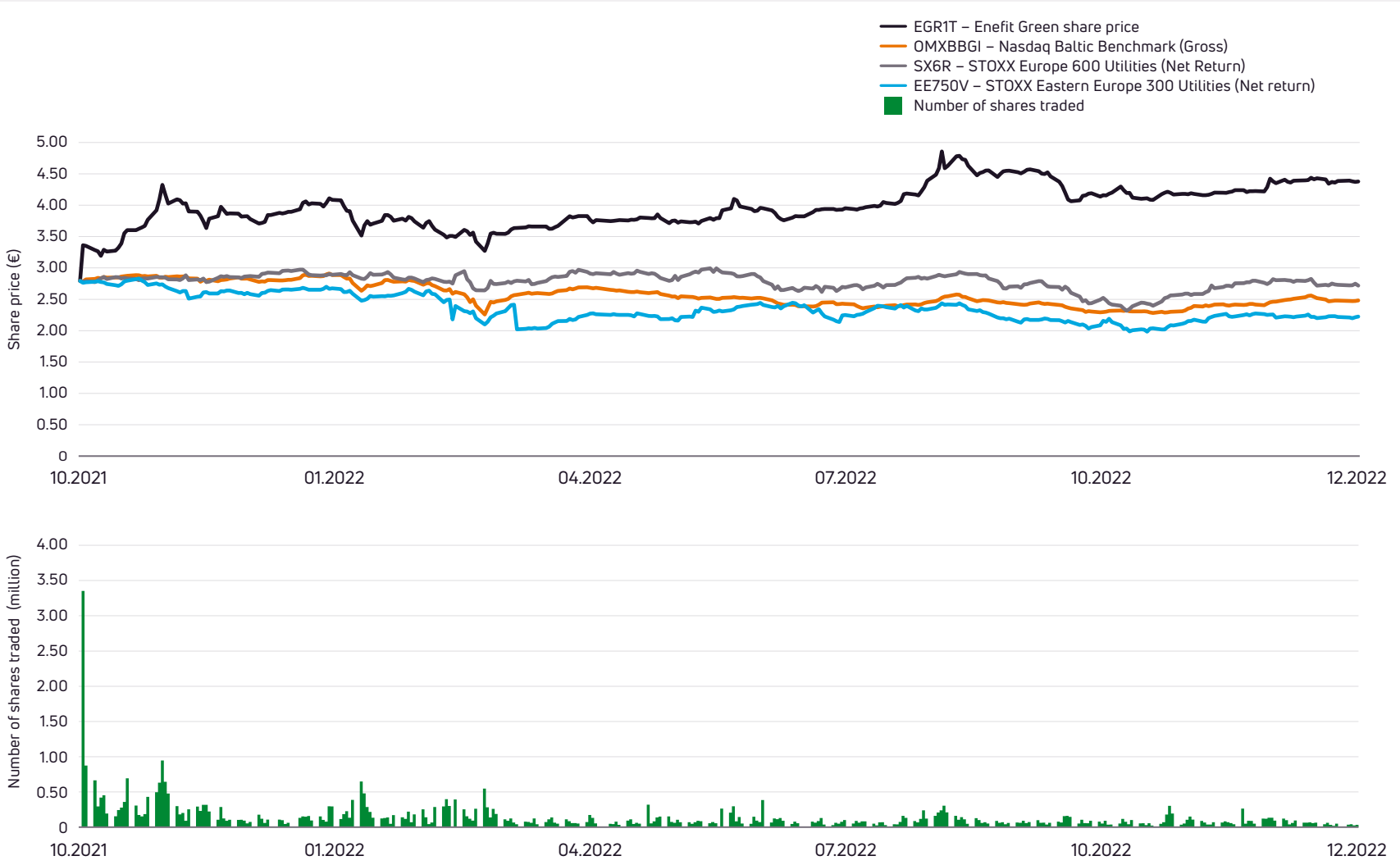
EGR1T share price and Trading volume compared to Regional and Sector benchmarks



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Tax Footprint

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

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

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

Our tax footprint

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

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

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

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

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

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

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

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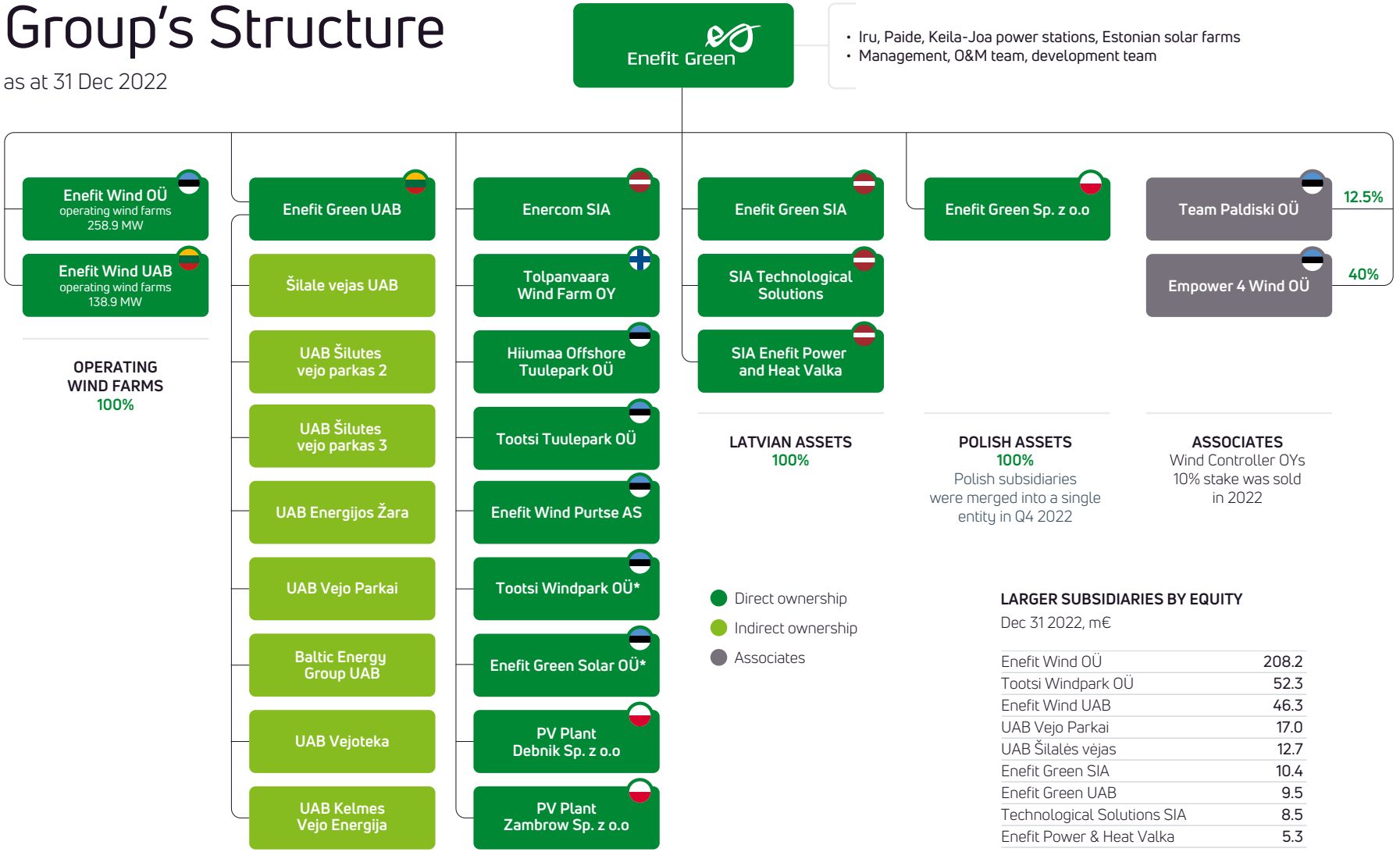
Group's Structure

as at 31 Dec 2022



LARGER SUBSIDIARIES BY EQUITY

Dec 31 2022, m€

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

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Risk Management

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

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

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

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

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

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

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

Market risk

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

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

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

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

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

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

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

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

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

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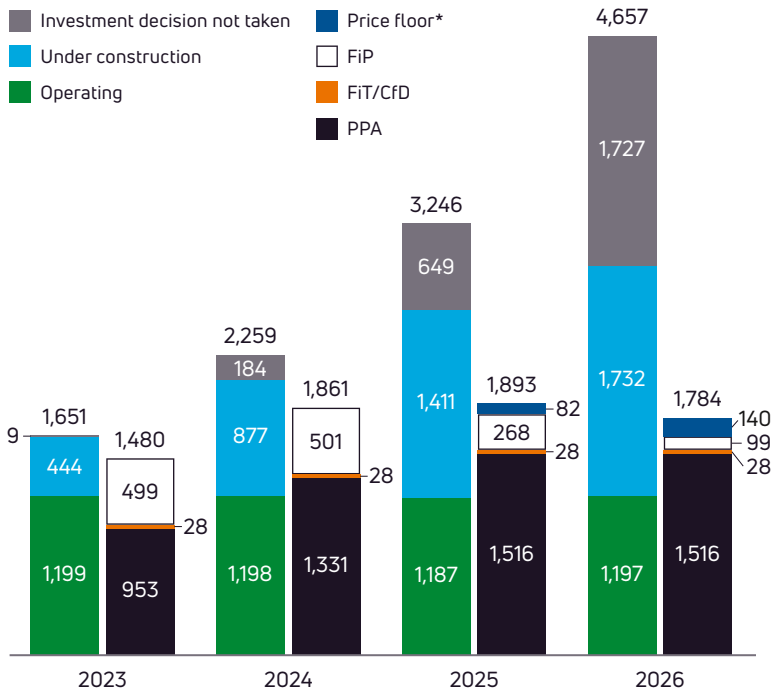
	2023	2024	2025	2026	Period 2023-2026 total
Share of production covered by FiT/CfD*	2%	1%	1%	1%	1%
Volume (GWh)	28	28	28	28	112
FiT/CfD weighted average price, €/MWh	80.5	82.6	84.3	86.0	83.4
Share of production covered by FiP*	30%	24%	10%	3%	15%
Volume (GWh)	499	501	268	99	1,367
FiP weighted average price,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

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

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



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

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Financial risks

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

Interest rate risk

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

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

Credit risk

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

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

Liquidity risk

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

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

In order to mitigate the long-term liquidity risk, Enefit Green regularly forecasts the liquidity needs for the next 12 months, taking into account the need for money for investments, loan repayments and dividend payments, as well as the positive cash flow earned from operating activities. In order to meet its liquidity needs, Enefit Green maintains a sufficient liquidity buffer in the form of available funds, undrawn loans and unused loan limits.

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Legal risk

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

IT risk

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

Technical and technological risks

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

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

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

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

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Environmental risks

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

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

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

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

Fraud risk

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

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

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The Group's Financial Results 2022

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

Enefit Green's production volumes

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

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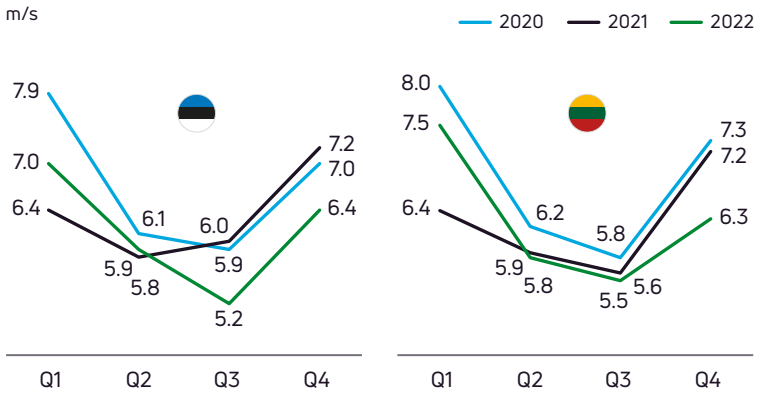
Wind conditions

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

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



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

Operating income

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

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

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

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

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

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

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

Expenses, EBITDA and net profit

Raw materials, consumables and services used

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

Consolidated income statement

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

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

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Payroll expenses

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

Other operating expenses

Other operating expenses grew by €2.6m. Several cost items increased, including consulting expenses by €0.3m, IT expenses by €0.1m, business travel expenses by €0.2m and land-related expenses by €0.7m. Land-related expenses have increased due to higher electricity prices.

Change in inventories

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

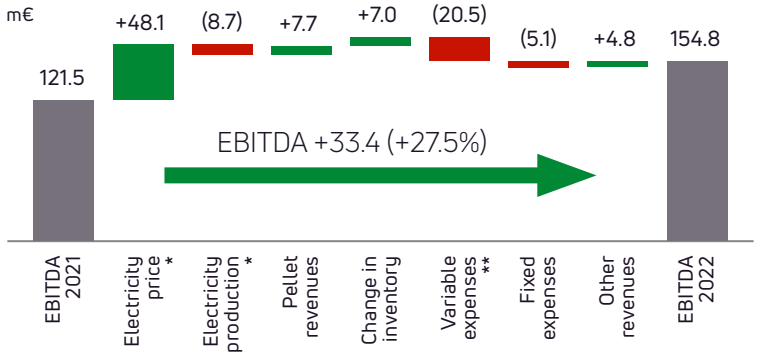
Depreciation, amortisation and impairment (D&A)

D&A expense remained stable compared with a year earlier. Although the volume of investments made in 2022 extended to €193.5m, this did not affect D&A expense because investments were mostly made in wind and solar farm development projects which are still in the construction phase.

Variable costs

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

Group's EBITDA change by drivers



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

Fixed costs

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

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Net finance costs

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

Income tax

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

Net profit

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

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

Dividend proposal

In coordination with the supervisory board, the management board proposes that the company pay the shareholders dividends in 2023 of €55.0m (€0.208 per share) from retained earnings, which is equivalent to 49.9% of the group's net profit for 2022.

Financing

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

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

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

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

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

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

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

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

Loan covenants

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

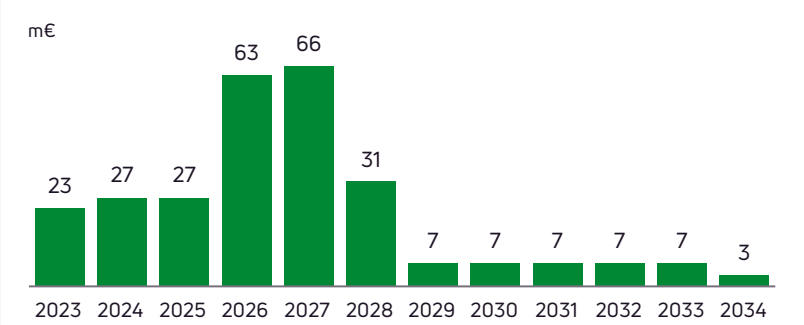
Cash flows

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

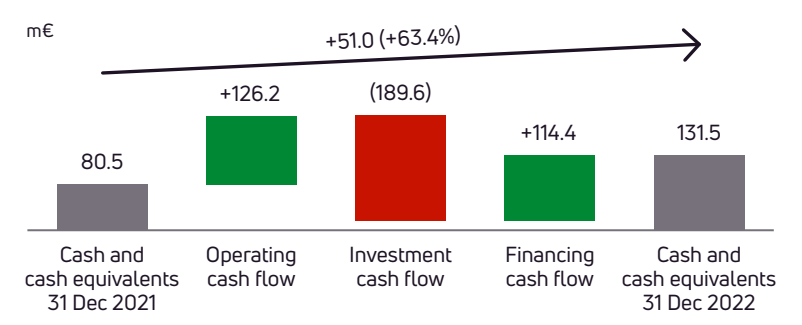
Net cash used in investing activities of €189.6m reflects mainly the cash paid for property, plant and equipment and intangible assets.

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

Loans repayment schedule



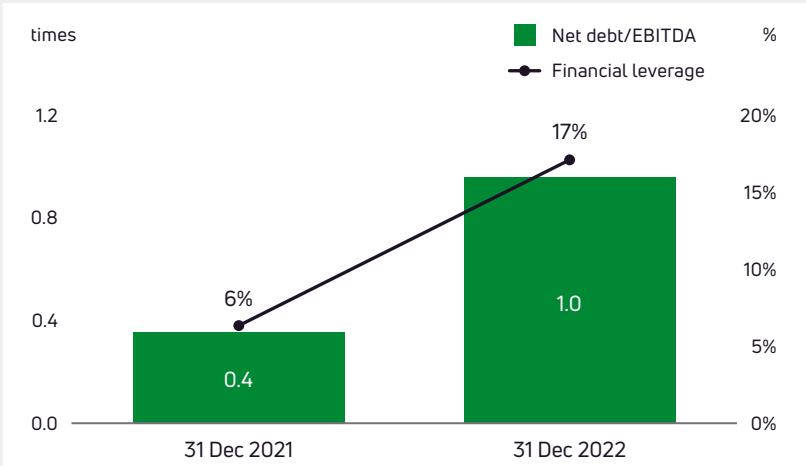
Liquidity development 2022



Financing and return ratios

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

Net Debt/EBITDA and financial leverage



Financing and return indicators at the end of period

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

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

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Segment Reporting

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

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

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

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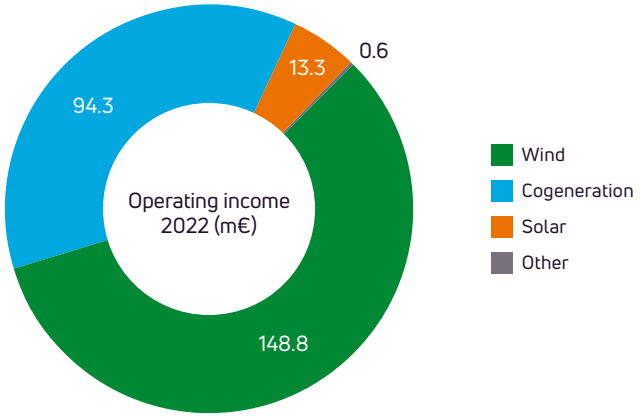
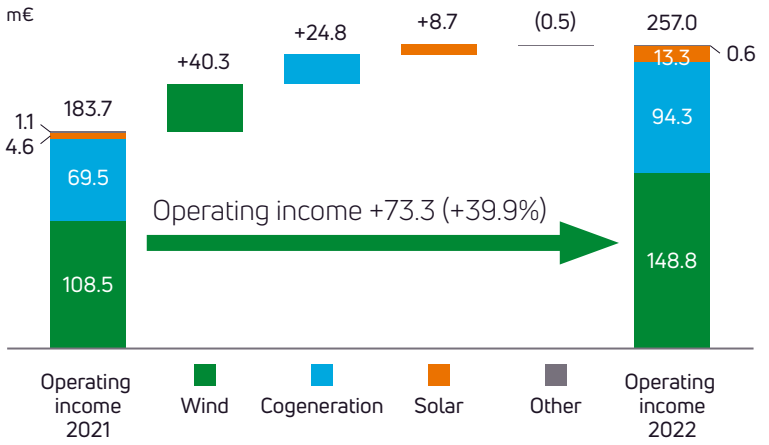
Operating income by segment



Operating income by segment

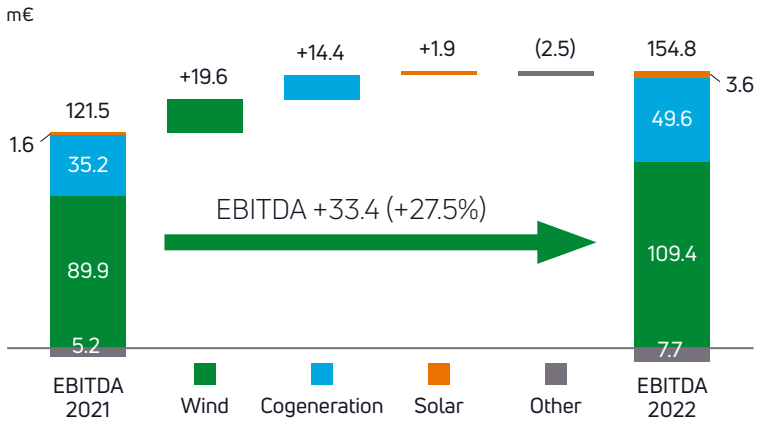


Based on operating income and EBITDA for 2022, the group's largest segment is Wind energy which accounted for 58% of operating income and 71% of EBITDA. The Cogeneration segment contributed 37% to operating income and 32% to EBITDA. The smallest reportable segment is Solar energy, which accounted for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

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

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

Group's EBITDA breakdown and change



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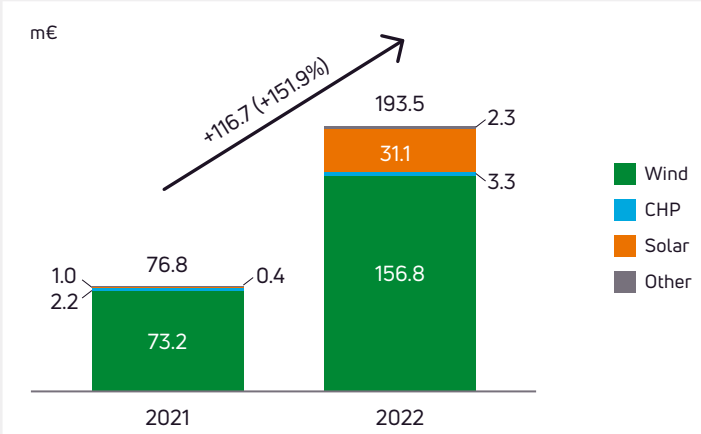
Investment

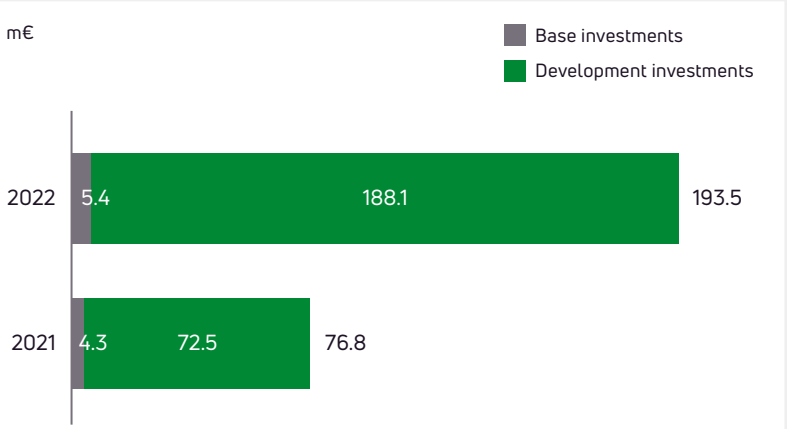
The group's capital expenditures grew by €116.7m year on year, rising to €193.5m in 2022. Growth resulted from development investments, which extended to €188.1m. Out of the total, €111.4m was invested in the construction of three wind farms: €62.5m in the Akmene wind farm, €30.7m in the Šilale II wind farm and €18.3m in the Tolpanvaara wind farm. In addition, Enefit Green acquired the Tootsi wind farm development from Eesti Energia for €26.9m. The largest expenditures on solar developments were investments of €10.0m made in the development of the Vändra solar farm and additionally the group acquired Enefit Green Solar OÜ for €6.6m. Baseline investments (expenditure on the improvement and maintenance of existing assets) amounted to €5.4m in 2022 (2021: €4.3m) and these were mainly related to Estonian wind farms (€2.3m) and Iru cogeneration plant (€1.8m).

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

Investments by segments



Investments by type



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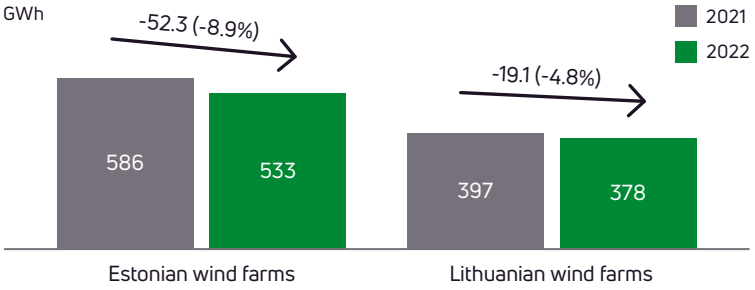
Wind energy segment

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

Electricity production



Production and availability

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

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

Availability of Estonian wind farms

Availability of Lithuanian wind farms

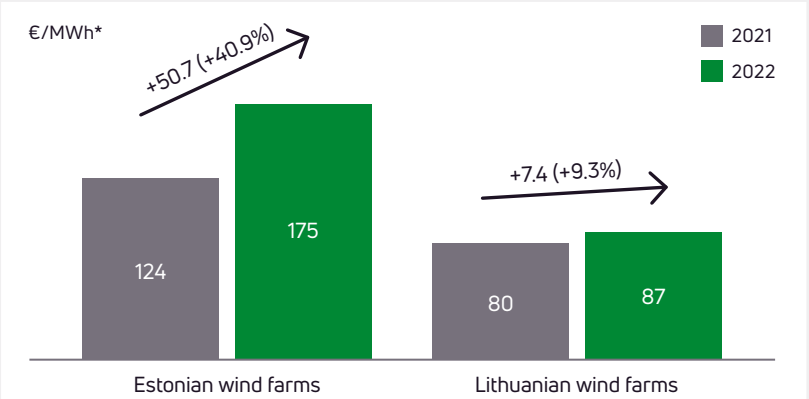
Contents

Electricity prices

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

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

Implied captured electricity price



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

Operating income

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

Operating expenses

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

Contents

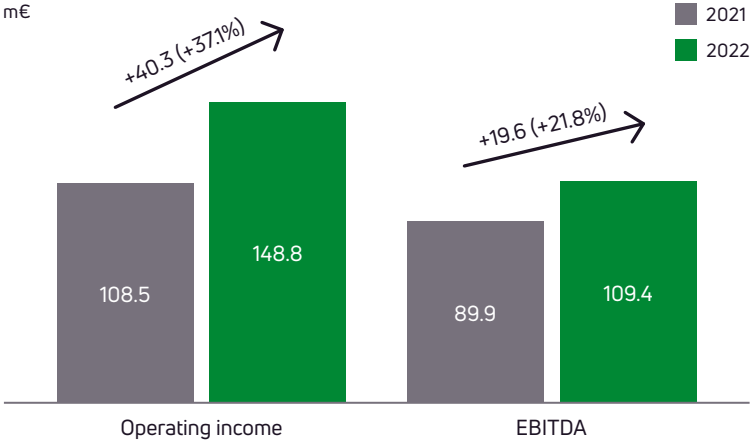
EBITDA

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

Operating expenses per MW

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

Operating income and EBITDA



Operating expenses per MW

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

Contents

Cogeneration segment

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

Electricity production and prices

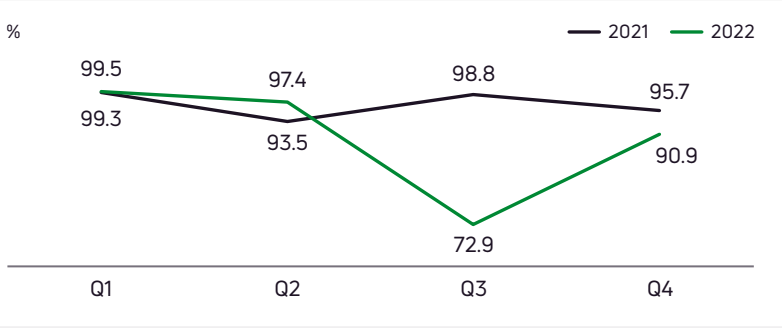
The Cogeneration segment produced 173.1 GWh of electricity in 2022, which is 6% less than in the comparative period (2021: 184.6 GWh). Electricity production decreased due to repair works at the Iru cogeneration plant, which interrupted production for nearly five weeks.

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

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

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

CHP availabilities



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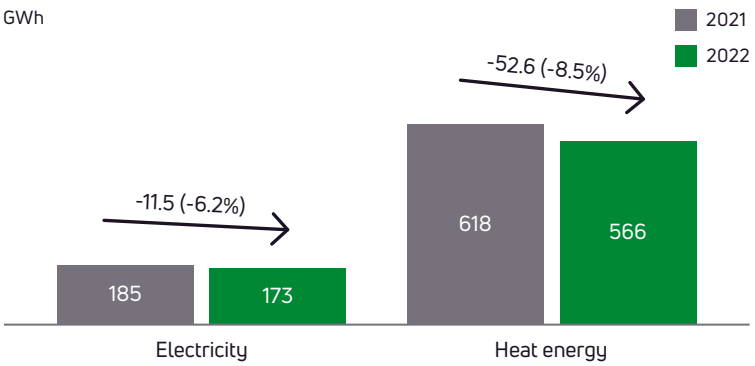
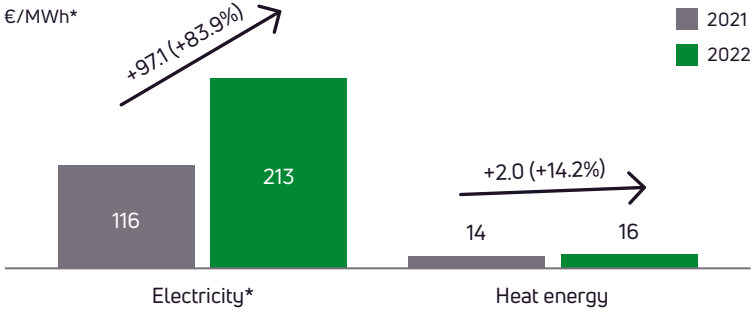
Heat production and prices

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

Production



Implied captured electricity price



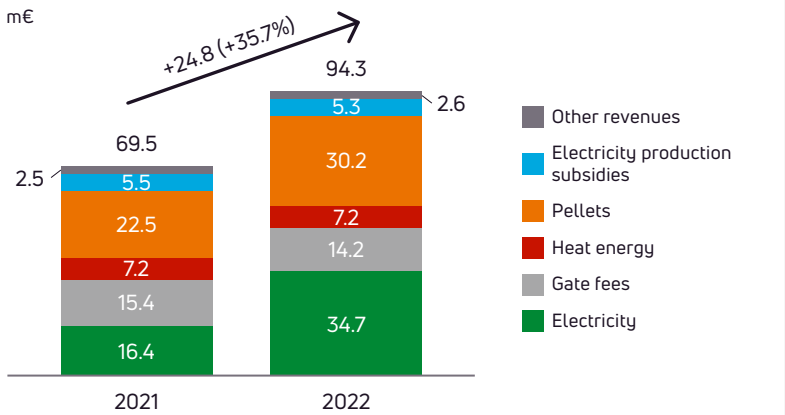
*implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support – electricity purchases on the Nord Pool day-ahead and intraday market – balancing energy purchases) / production

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

Operating income

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

Operating income



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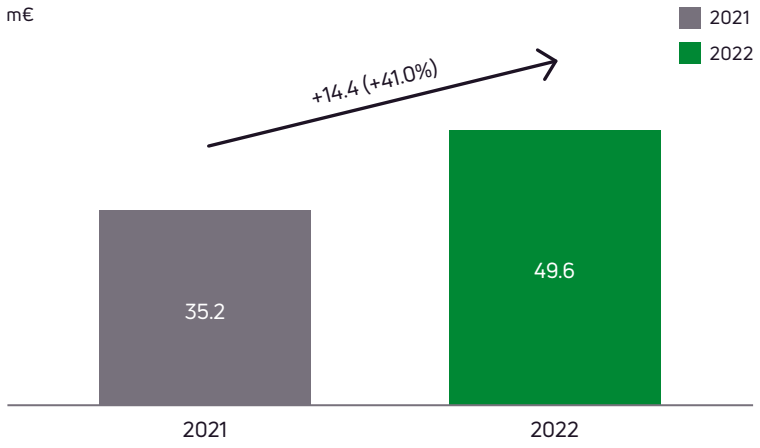
Operating expenses

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

EBITDA

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

EBITDA



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Solar energy segment

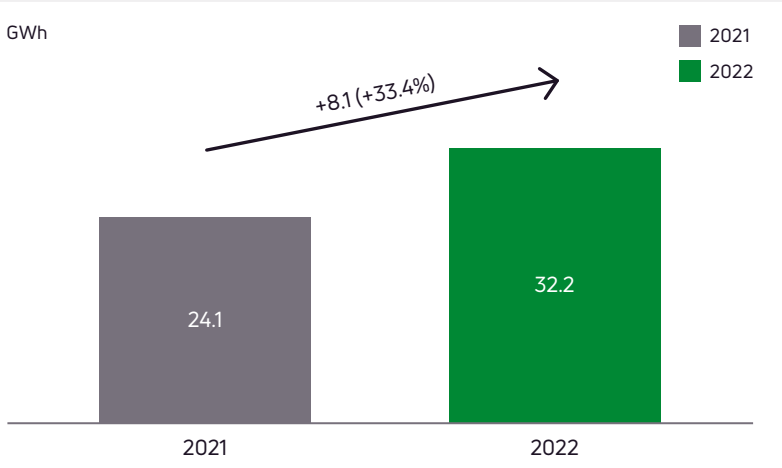
The Solar energy segment comprises the group's operating solar farms, solar farm developments and solar services.

Production

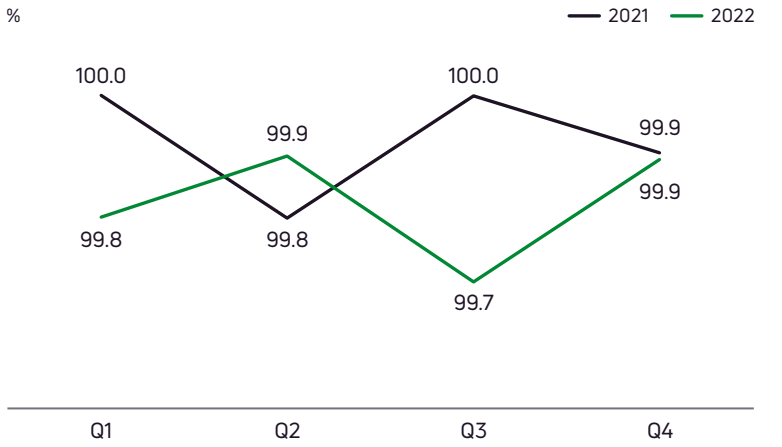
We produced 32.2 GWh of solar power in 2022, which is 8.1 GWh, i.e. 33%, more than in 2021. Sunny weather increased solar energy production in both Estonia and Poland.

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

Electricity production



Reliability of solar farm



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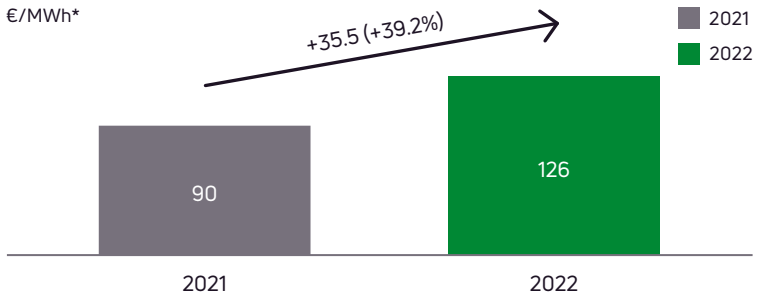
Electricity prices

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

Implied captured electricity price

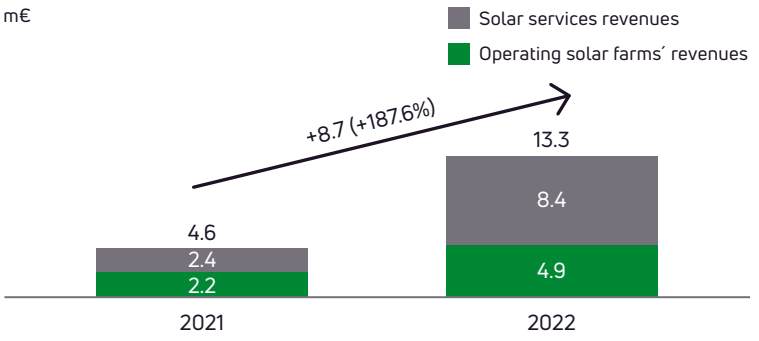


* implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support – electricity purchases on the Nord Pool day-ahead and intraday market – balancing energy purchases) / production

Operating income

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

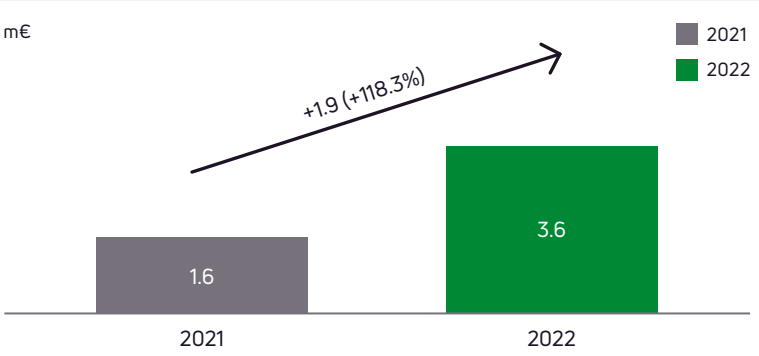
Operating income



EBITDA

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

EBITDA



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Consolidated Financial Statements 2022

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Consolidated Income Statement

€ thousand	1 JANUARY – 31 DECEMBER		Note
	2022	2021	
Revenue	233,280	153,002	22
Renewable energy support and other operating income	23,735	30,705	23
Change in inventories of finished goods and work in progress	3,303	(3,708)	11
Raw materials, consumables and services used	(85,954)	(44,038)	24
Payroll expenses	(9,111)	(6,713)	25
Depreciation, amortisation and impairment losses	(37,777)	(38,146)	6, 7, 9
Other operating expenses	(10,411)	(7,790)	26
OPERATING PROFIT	**117,065**	**83,312**	
Finance income	337	721	27
Finance costs	(2,342)	(2,833)	27
Net finance costs	**(2,005)**	**(2,112)**	
Profit from associates under the equity method	714	46	
PROFIT BEFORE TAX	**115,774**	**81,246**	
Corporate income tax expense	(5,567)	(1,585)	28
PROFIT FOR THE YEAR	**110,207**	**79,661**	
Attributable to shareholders of the parent	110,207	79,661	
Basic earnings per share (€)	*0.42*	*0.92*	17
Diluted earnings per share (€)	*0.42*	*0.92*	17

The notes on pages 106–175 are an integral part of these consolidated financial statements.

Contents

Consolidated Statement of Comprehensive Income

€ thousand	1 JANUARY – 31 DECEMBER		Note
	2022	2021	
PROFIT FOR THE YEAR	**110,207**	**79,661**	
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Remeasurement of hedging instruments in cash flow hedges (2022: incl. reclassifications to profit or loss; 2021: no reclassifications to profit or loss)	14,626	(12,426)	16, 21
Exchange differences on the translation of foreign operations	203	(131)	21
Other comprehensive income (loss) for the year	**14,829**	**(12,557)**	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**125,036**	**67,104**	
Attributable to shareholders of the parent	125,036	67,104	

The notes on pages 106–175 are an integral part of these consolidated financial statements.

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Consolidated Statement of Financial Position

€ thousand	31 DECEMBER 2022	31 DECEMBER 2021	Note
ASSETS			
Non-current assets			
Property, plant and equipment	776,870	612,503	7
Intangible assets	60,382	68,239	9
Right-of-use assets	4,239	2,750	6
Prepayments for non-current assets	19,412	20,710	7
Deferred tax assets	1,321	442	
Investments in associates	506	578	
Derivative financial instruments	11,277	0	16
Non-current receivables	40	78	12
Total non-current assets	**874,047**	**705,300**	
Current assets			
Inventories	14,227	9,529	11
Trade and other receivables and prepayments	41,091	22,373	12, 14
Derivative financial instruments	3,349	0	16
Cash and cash equivalents	131,456	80,454	15
Total current assets	**190,123**	**112,356**	
Total assets	**1,064,170**	**817,656**	

€ thousand	31 DECEMBER 2022	31 DECEMBER 2021	Note
EQUITY			
Equity and reserves attributable to shareholders of the parent			
Share capital	264,276	264,276	17
Share premium	60,351	60,351	17
Statutory capital reserve	3,259	479	17
Other reserves	166,419	151,793	21, 17
Foreign currency translation reserve	(762)	(965)	21
Retained earnings	225,190	157,673	17
Total equity and reserves attributable to shareholders of the parent	**718,733**	**633,607**	
Total equity	**718,733**	**633,607**	
LIABILITIES			
Non-current liabilities			
Borrowings	255,755	93,884	18
Government grants	7,115	7,458	20
Deferred tax liabilities	12,326	12,568	28
Non-derivative contract liability	18,086	23,207	16
Other long-term liabilities	3,000	3,000	19
Provisions	9	13	
Total non-current liabilities	**296,291**	**140,130**	
Current liabilities			
Borrowings	23,808	29,572	18
Trade and other payables	20,215	14,291	19
Provisions	2	56	
Non-derivative contract liability	5,121	0	16
Total current liabilities	**49,146**	**43,919**	
Total liabilities	**345,437**	**184,049**	
Total equity and liabilities	**1,064,170**	**817,656**	

The notes on pages 106–175 are an integral part of these consolidated financial statements.

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Consolidated Statement of Cash Flows

€ thousand	1 JANUARY – 31 DECEMBER		Note
	2022	2021	
Cash flows from operating activities			
Cash generated from operations	136,696	121,532	29
Interest and loan fees paid	(3,202)	(3,377)	27
Interest received	251	25	27
Corporate income tax paid	(7,046)	(970)	28
Net cash generated from operating activities	**126,699**	**117,210**	
Cash flows from investing activities			
Paid on purchase of property, plant and equipment and intangible assets	(190,909)	(74,844)	7, 9
Proceeds from sale of property, plant and equipment	3	96	
Proceeds from disposal of an investment in an associate	724	0	
Dividends from associates	62	68	
Net cash used in investing activities	**(190,120)**	**(74,680)**	
Cash flows from financing activities			
Change in the overdraft balance	0	33,312	12, 31
Bank loans received	270,000	10,000	18
Repayments of bank loans	(115,277)	(83,634)	18
Repayments of lease principal	(431)	(262)	18
Dividends paid	(39,906)	(27,100)	17
Proceeds from issue of shares	0	100,000	17
Cash outflow related to issue of shares (issue costs)	0	(5,166)	17
Other adjustments	37	0	
Net cash generated from financing activities	**114,423**	**27,150**	
Net cash flow	**51,002**	**69,680**	
Cash and cash equivalents at the beginning of the period	80,454	10,774	15
Cash and cash equivalents at the end of the period	131,456	80,454	15
Change in cash and cash equivalents	**51,002**	**69,680**	

The notes on pages 106–175 are an integral part of these consolidated financial statements.

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Consolidated Statement of Changes in Equity

€ thousand	Share capital	Statutory capital reserve	Share premium	Other reserves	Foreign currency translation reserve	Retained earnings	Total	Note
Equity at 1 January 2021	**4,794**	**479**	**0**	**400,000**	**(834)**	**105,111**	**509,550**	
Profit for the year	**0**	**0**	**0**	**0**	**0**	**79,661**	**79,661**	
Other comprehensive loss for the year	**0**	**0**	**0**	**(12,426)**	**(131)**	**0**	**(12,557)**	16, 21
Bonus issue using a voluntary reserve	225,000	0	0	(225,000)	0	0	**0**	17
Issue of share capital (less issue costs)	34,482	0	60,351	0	0	0	**94,833**	17
Dividends paid	0	0	0	0	0	(27,100)	**(27,100)**	17
Fair value on initial recognition of derivative transactions with the parent	0	0	0	(10,781)	0	0	**(10,781)**	16, 21
Other adjustments	0	0	0	0	0	1	**1**	
Total contributions by and distributions to shareholders of the company, recognised directly in equity	**259,482**	**0**	**60,351**	**(235,781)**	**0**	**(27,099)**	**56,953**	
Equity at 31 December 2021	**264,276**	**479**	**60,351**	**151,793**	**(965)**	**157,673**	**633,607**	
Profit for the year	**0**	**0**	**0**	**0**	**0**	**110,207**	**110,207**	
Other comprehensive income for the year	**0**	**0**	**0**	**14,626**	**203**	**0**	**14,829**	16, 21
Increase of statutory capital reserve	0	2,780	0	0	0	(2,780)	**0**	
Dividends paid	0	0	0	0	0	(39,906)	**(39,906)**	17
Other adjustments	0	0	0	0	0	(4)	**(4)**	
Total contributions by and distributions to shareholders of the company, recognised directly in equity	**0**	**2,780**	**0**	**0**	**0**	**(42,690)**	**(39,910)**	
Equity at 31 December 2022	**264,276**	**3,259**	**60,351**	**166,419**	**(762)**	**225,190**	**718,733**	

The notes on pages 106–175 are an integral part of these consolidated financial statements.
See note 17 for further information about equity.

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Notes to the Consolidated Financial Statements

NOTE 1. General information

The consolidated financial statements of the Enefit Green group for the year ended 31 December 2022 comprise the financial information of Enefit Green AS (the 'parent', legal form: limited liability company defined as aktsiaselts (AS) under Estonian laws) and its subsidiaries (together referred to as the 'group').

Enefit Green AS operates all renewable energy production units of Eesti Energia AS and is one of the largest renewable energy producers in the Baltics. Enefit Green AS also operates in Poland and is building a wind farm in Finland, which is expected to be completed in Q1 2024. The Enefit Green group produces electricity mainly from wind, hydro, solar, municipal waste and biomass.

The registered address of the parent is Lelle 22, Tallinn 11318, Estonia.

Enefit Green has been listed on the Nasdaq Tallinn stock exchange since 21 October 2021. At 31 December 2022, the controlling shareholder was Eesti Energia AS with a 77.17% interest.

The management board authorised these consolidated financial statements for issue on 26 March 2023. In accordance with the Estonian Commercial Code, the annual report must also be approved by the supervisory board of the parent and ultimately by the general meeting.

1.1 Significant events in 2022

Energy prices began to trend upward in 2021 when economies started to recover from the Covid crisis. Russia's war against Ukraine, which began in February 2022, further fuelled the price increase, which culminated in an energy crisis in the second half of the year. Towards the end of the year, the rise in electricity prices subsided because EU member states' natural gas inventories had reached their maximum levels and a mild winter and high energy prices suppressed energy consumption. The group's performance was strongly influenced by the price increase in the Nord Pool Estonia price area, where the group's sales are exposed to market price volatility and where the implied captured electricity price spiked by 48% compared with 2021, soaring to 182 €/MWh. Growth in electricity revenue was supported by an increase in the implied captured electricity prices in Latvia (+107%) and Lithuania (+10%). Revenue growth in the electricity production business line was held back by a 6% decrease in production volume, which was mainly attributable to weaker wind conditions which lowered wind energy output. Driven by the above factors, electricity revenue grew by 65% year on year, rising to €170,456k. The surge in electricity prices also affected input costs: expenses on electricity grew by €24,534k (+301%). See also note 24.

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

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Investment activities

The group's capital expenditures grew to €193,454k in 2022 (2021: €76,799k) (note 5). Growth resulted from development investments, which extended to €188,093k. The largest investments were made in the Akmene wind farm (€62,467k), the Šilale II wind farm (€30,670k), and the purchase of the Tootsi wind farm from Eesti Energia AS (€26,863k). Major investments were also made in the Tolpanvaara wind farm (€18,296k), the Purtse wind farm (€14,579k) and the Vändra solar farm (€10,044k).

Changes in the regulatory environment

From late 2022 to early 2023, the European Commission made preparations for the redesign of the EU electricity market in order to reduce the impact of the day-ahead market and increase the role of long-term bilateral power purchase and hedging transactions. Due to its active participation in the market for long-term power purchase agreements (PPAs), Enefit Green is relatively well prepared for the reform.

A significant change was capping the electricity revenues of producers with low variable costs (including producers that use wind, solar, waste and biomass as energy sources) at 180 €/MWh. It is a temporary measure, which will apply for seven months from 1 December 2022 to 30 June 2023 (in Poland until 31 December 2023), but it can be extended. There have been great variations in the implementation of the measure in different markets. However, it had no effect on the financial performance of Enefit Green in 2022. In the future, it may have an impact in certain markets (such as Finland, Lithuania and Poland) by limiting the revenue of Enefit Green when electricity prices exceed 180 €/MWh (in Poland, this electricity price cap depends on a number of factors).

Other significant changes

The group's interest rate risk management changed compared with the previous financial year-end in connection with the conclusion of interest rate swap (IRS) agreements. Enefit Green AS signed three IRS agreements during the period March – April 2022 to hedge the interest rate risk of three loans drawn down in 2022 in the total nominal amount of €170,000k. At 31 December 2022, the total notional amount of Enefit Green's open IRS agreements was €168,334k, which accounted for 61.2% of total borrowings.

The interest rate swaps have been designated as hedging instruments in cash flow hedges. An economic relationship exists between the hedging instruments (interest rate swaps) and the hedged items (loan agreements), because as at 31 December 2022 the critical terms of all interest rate swaps matched the terms of the underlying loan agreements (notional amounts, currencies, maturities, payment schedules). For further information about interest rate swaps and their effect on the statement of financial position, see note 16.

NOTE 2. Significant accounting policies

The principal accounting policies used in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied to all reporting periods presented, unless otherwise stated.

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2.1 Basis of preparation

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Interpretations of the IFRS Interpretations Committee (IFRIC Interpretations) as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative financial instruments) measured at fair value through profit or loss. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in applying accounting policies. The areas involving a higher degree of judgement and where accounting assumptions and estimates have a significant effect on the information presented in the consolidated financial statements are disclosed in note 4.

2.2 Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations adopted

New financial reporting standards, amendments to existing standards and interpretations that became effective for annual reporting periods beginning on or after 1 January 2022 did not have any significant impact significant impact on the group.

(b) New standards, interpretations, and amendments not yet adopted

Certain new standards, amendments and interpretations have been published that are effective for annual reporting periods beginning on or after 1 January 2023 and have not been early adopted by the group:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (*effective date to be determined by the IASB; not yet adopted by the EU*). The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The amendments may have an impact on the recognition of the group's transactions with associates.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (*effective for annual reporting periods beginning on or after 1 January 2024; not yet adopted by the EU*). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions at the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments clarify the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other

resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. According to the group's assessment, the amendments will have no material impact on its financial statements.

Classification of Liabilities as Current or Non-current – Deferral of Effective Date – Amendments to IAS 1 (*effective for annual periods beginning on or after 1 January 2024; not yet adopted by the EU*). The amendment to IAS 1 on the classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. According to the group's assessment, the amendments will have no material impact on its financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (*effective for annual periods beginning on or after 1 January 2023*). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. According to the group' assessment, the amendments will have a qualitative effect but no financial impact on its consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8 (*effective for annual periods beginning on or after 1 January 2023*). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. According to the group's assessment, the amendments will have no material impact on its financial statements.

Other new standards, amendments and interpretations not yet effective are not expected to have a material impact on the group.

2.3 Consolidation

(a) Subsidiaries

A subsidiary is an entity controlled by the group. The group controls an entity when it has exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of those returns.

Subsidiaries are consolidated from the date the group gains control to the date the group loses control of them.

The group accounts for business combinations by applying the acquisition method. The consideration transferred at the acquisition of a subsidiary is measured at fair value, which is the sum of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and

the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

For each business combination, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are recognised as an expense as incurred.

If a business combination is achieved in stages, the acquisition-date carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gain or loss arising from such remeasurement is recognised in the income statement.

Any contingent consideration to be transferred by the group is measured at fair value at the date of acquisition. Contingent consideration is classified as equity or a financial liability. The amounts classified as financial liabilities are measured at fair value with changes in fair value recognised in the income statement. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests over the net fair value of the identifiable assets acquired and liabilities assumed. If the consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Business combinations of entities under common control are accounted for using the accounting policies described above. In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are consolidated on a line-by-line basis. In the preparation of consolidated financial statements, intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries are adjusted to ensure conformity with the group's accounting policies.

In the parent's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

(b) Changes in interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in a loss of control of a subsidiary are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received or receivable is recognised in retained earnings within equity.

(c) Disposal of subsidiaries

When the group loses control of a subsidiary, any investment retained in the entity is remeasured to its fair value at the date when control is lost and the change in the carrying amount is recognised in the income statement. The fair value is the initial carrying amount of the investment retained that is subsequently accounted for as an associate, a joint venture or a financial asset.

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In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for on the same basis as if the group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

(d) Associates

Associates are all entities over which the group has significant influence but not control. This generally means holding 20–50% of the voting power. Investments in associates are accounted for using the equity method and are initially recognised at cost. The carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in an associate includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, the group reclassifies to the income statement only the proportion of the gain or loss that had previously been recognised in other comprehensive income and is related to that reduction in ownership interest.

The group's share of its associates' post-acquisition profits and losses is recognised in the income statement and its share of post-acquisition movements in the associates' other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group assesses at each reporting date whether there is any objective evidence that an investment in an associate is impaired. If there is, the group calculates the amount of the impairment loss as the difference between the recoverable amount and the carrying amount of the investment and recognises it in the income statement within other profit (loss) from associates.

Profits and losses from upstream and downstream transactions between the group and its associates are recognised in the group's consolidated financial statements only to the extent of unrelated investors' interests in the associates.

Unrealised losses are eliminated unless they result from impairment. Where necessary, the accounting policies of associates are adjusted to ensure consistency with the policies adopted by the group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker responsible for allocating resources and assessing the performance of operating segments is the management board of the parent company.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each group entity are recorded in the currency of the primary economic environment in which the entity operates ('the functional currency'). The group has subsidiaries in Poland whose functional currency is the Polish zloty (PLN). The consolidated financial

statements are presented in euros (€), which is the functional currency of the parent and the presentation currency of the group. The figures in the financial statements have been rounded to the nearest thousand, unless stated otherwise.

(b) Transactions and balances

Monetary assets and liabilities denominated in a foreign currency are translated using the official closing exchange rate of the European Central Bank or, if the European Central Bank does not quote the particular currency, the official exchange rate of the central bank of the country issuing the currency. Foreign exchange gains and losses arising on translation are recognised in the income statement. Exchange gains and losses on borrowings and cash and cash equivalents are presented as finance income and costs; other exchange gains and losses are presented as other operating income and expenses.

(c) Group companies

The financial performance and financial position of the subsidiaries whose functional currency differs from the group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rate of the European Central Bank at the reporting date;
- income and expenses are translated using the average exchange rates of the period (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rates at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

The closing rates used for translating assets and liabilities were €/PLN 4.6808 at 31 December 2022 and €/PLN 4.5969 at 31 December 2021. Income and expenses were translated using €/PLN 4.69 for 2022 and €/PLN 4.57 for 2021.

Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and are translated at the exchange rate at the reporting date. Exchange differences are recognised in other comprehensive income.

None of the group's subsidiaries operate in a hyperinflationary economy.

2.6 Classification of assets and liabilities as current or non-current

The group presents assets and liabilities as current and non-current in its statement of financial position. An asset is classified as current when it is expected to be realised in the next financial year or in the group's normal operating cycle.

A liability is classified as current when it is due, or expected, to be settled in the next financial year or in the group's normal operating cycle. All other assets and liabilities are classified as non-current.

2.7 Property, plant and equipment

Property, plant and equipment (PPE) are tangible items that are used in the group's operating activities and have an expected useful life of over one year. Items of property, plant and equipment are carried in the statement of financial position at historical cost less any accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of an item. The cost of a purchased item of property, plant and equipment comprises the purchase price, transportation and installation costs, and other costs directly attributable to the acquisition and implementation of the asset. The cost of a self-constructed item of property, plant and equipment includes the costs of materials, services and labour incurred in its construction and implementation.

If an item of property, plant and equipment consists of parts with significantly different useful lives, the parts are accounted for as separate items of property, plant and equipment.

When the construction of an item of property, plant and equipment lasts for a substantial period of time and is funded with a loan or another debt instrument, related borrowing costs (interest) are capitalised as part of the cost of the item. Capitalisation of borrowing costs begins when the borrowing costs and expenditures for the asset have been incurred and the construction of the asset has commenced. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The group suspends capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Subsequent expenditure on an item of property, plant and equipment is included in the carrying amount of the item or recognised as a separate asset only when it is probable that future economic benefits associated with the asset will flow to the group and the cost of the asset can be measured reliably. A replaced part or a proportionate share of a replaced asset is derecognised. Current maintenance and repair costs are charged to expenses as incurred.

Land is not depreciated. Other items of property, plant and equipment are depreciated using the straight-line method to allocate their depreciable amounts (cost less residual value) over their estimated useful lives as follows.

Useful lives assigned to classes of property, plant and equipment

Buildings	30-40 years
Facilities and structures	10-30 years
Machinery and equipment	
– Electricity transmission equipment	5-45 years
– Power plant equipment	7-32 years
– Other plant and equipment	3-30 years
Other items of property, plant and equipment	3-10 years

Depreciation of an asset begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when its residual value increases to an amount greater than its carrying amount or it is permanently withdrawn from use or classified as held for sale. The depreciation rate, depreciation method and residual value of an asset are reviewed at each reporting date.

When the recoverable amount of an item of property, plant and equipment (i.e. the higher of its fair value less costs of disposal and its value in use) decreases

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below its carrying amount, the item is written down to its recoverable amount (see note 2.9).

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses arising from the derecognition of items of property, plant and equipment are recognised in profit or loss within other operating income and other operating expenses, respectively.

2.8 Intangible assets

An intangible asset is recognised in the statement of financial position only if:

- the asset is controlled by the group;
- it is probable that the expected future economic benefits attributable to the asset will flow to the group;
- the cost of the asset can be measured reliably.

Intangible assets (except goodwill) are amortised over their estimated useful lives using the straight-line method.

Intangible assets (except goodwill) are tested for impairment when there is any indication of impairment, similarly to items of property, plant and equipment. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts to their recoverable amounts.

(a) Goodwill

Goodwill acquired in a business combination is not amortised. Instead, for the purpose of impairment testing, goodwill is allocated to cash-generating units and an impairment test is performed at the end of each reporting period (or more frequently if an event or change in circumstances indicates it is necessary). The allocation is made to those cash-generating units that are expected to benefit from the synergies of the business combination. Goodwill is allocated to a cash generating unit or a group of units that is not larger than an operating segment. Goodwill is written down to its recoverable amount when the latter is less than its carrying amount. Impairment losses on goodwill are not subsequently reversed. Goodwill is reported in the statement of financial position at the carrying amount (at cost less any impairment losses). When determining a gain or loss on the disposal of a subsidiary, the carrying amount of any goodwill related to the subsidiary is included in the carrying amount of the assets of that subsidiary.

(b) Software

The costs associated with day-to-day maintenance of computer software are recognised as an expense as incurred. Purchased computer software which is not an integral part of the related hardware is recognised as an intangible asset. Development costs that are directly attributable to the design and testing of identifiable software controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- the group is able to use the software;

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- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and use the software are available;
- the expenditure attributable to the software during its development can be measured reliably.

Capitalised software development costs include payroll expenses and other expenses directly attributable to development. Development expenditures that do not meet the above criteria are recognised as an expense as incurred.

Development costs initially recognised as an expense are not recognised as an asset in a subsequent period. Software development costs are amortised over their estimated useful lives (not exceeding 15 years) using the straight-line method.

(c) Contractual rights

Acquired contractual rights are initially recognised at fair value and subsequently carried at cost less any accumulated amortisation. A contractual right is amortised over its expected term using the straight-line method. See note 9 for further information about contractual rights.

2.9 Impairment of non-financial assets

Assets that have indefinite useful lives (for example goodwill) are not amortised. Instead, they are tested for impairment annually. Assets that are amortised or depreciated and land are assessed for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's:

- fair value less costs of disposal; and
- value in use, which is found by discounting the expected future cash flows generated by the asset to their present value.

Assets are tested for impairment if any of the following indications of impairment exist:

- the market value of similar assets has decreased;
- the general economic environment and market situation have deteriorated, which is why it is likely that the cash flows generated by the assets will decrease;
- market interest rates have increased;
- the physical condition of the assets has deteriorated considerably;
- revenue generated by the assets is less than expected;
- the results of some operating segments are worse than expected;
- the activities of a certain cash-generating unit are expected to be terminated.

An impairment test is also performed when the group identifies any other evidence of impairment.

An impairment test is performed either for an individual asset or a group of assets (a cash-generating unit). A cash-generating unit is the smallest

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identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows generated by other assets or groups of assets. An impairment loss is recognised immediately as an expense in the income statement.

At the end of each reporting period, the group assesses whether there is any indication that an impairment loss recognised in a prior period for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. Based on the results of the estimation, the impairment loss may be reversed in part or in full. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.10 Financial assets

Classification

The group classifies its financial assets into the following measurement categories:

- financial assets measured at fair value (either through other comprehensive income or through profit or loss);
- financial assets measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the group commits itself to purchase or sell an asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets carried at fair value through profit or loss are recognised in the income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. All of the group's debt instruments have been classified into the amortised cost category.

Amortised cost

Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest on the principal amount outstanding are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in other operating income or expenses. Foreign exchange gains and losses and credit losses are presented within separate line items in the income statement.

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Equity instruments

The Group has no investments in equity instruments, except for investments in associates.

Derivative financial instruments

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative financial instruments are recognised in profit or loss for the period unless the instruments qualify for hedge accounting. The group applies hedge accounting. Hedge accounting policies are set out in note 2.28.

Impairment

The group assesses on a forward-looking basis the expected credit losses (ECL) associated with debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) the time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables without a significant financing component the group applies a simplified approach permitted by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses from initial recognition of the receivables. The group uses a provision matrix in which an allowance for expected credit losses is calculated based on the ageing profile of the receivables.

Trade receivables

Trade receivables are amounts due from customers for energy sold or services provided in the ordinary course of business. Trade receivables are initially recognised at the transaction price and subsequently measured at amortised cost using the effective interest method. Receivables are presented less an impairment (loss) allowance. A loss allowance is recognised when there is objective evidence that the group will not be able to collect all amounts due according to the original contract terms. Indications of possible impairment of receivables include the debtor's bankruptcy or significant financial difficulty as well as a default or delinquency in payments (a settlement delay of over 90 days). Material receivables are assessed for impairment individually. Other receivables are assessed for impairment collectively, based on historical experience which is adjusted for expected changes in the economic environment. A loss allowance is the difference between the carrying amount of a receivable and the present value of its expected future cash flows, calculated using the effective interest method. The carrying amount of a receivable is reduced by the loss allowance and the amount of the impairment loss is recognised in the income statement within other operating expenses.

When an item is considered to be uncollectible, both the item and its loss allowance are written off the statement of financial position. Subsequent collection of an item which has been written down is recognised by reducing other operating expenses in the income statement.

Trade receivables which are expected to be collected within twelve months after the reporting period or in the normal operating cycle are classified as current. Other trade receivables are classified as non-current. Collectible non-current trade receivables are measured at their present value. The difference between the nominal and present value of a collectible receivable is recognised as interest income over the period until the maturity date of the receivable using the effective interest method.

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2.11 Cash and cash equivalents

Cash and cash equivalents comprise balances on current accounts, cash in transit and short-term highly liquid investments with banks.

Enefit Green AS and its subsidiary Enefit Wind OÜ were members of the cash pooling facility (group account) of Eesti Energia AS (the parent) until 30 June 2021. At the reporting date, the balance on the facility was classified as a current receivable or a borrowing from (an overdraft liability to) the parent. Free funds placed in the cash pooling facility are not classified as cash and cash equivalents as at reporting date.

According to the group's estimates, the carrying amounts of balances on the group's cash pooling facility approximate their fair values. Receivables and overdraft liabilities related to the group's cash pooling facility are measured at amortised cost.

In the statement of cash flows, changes in the cash pooling facility balances are reported within Change in the overdraft balance in cash flows from financing activities.

The Enefit Green group's Baltic cash pooling facility was opened with SEB bank in June 2021. Since then, the parent and its Estonian, Latvian and Lithuanian subsidiaries have had access to a common cash pooling facility.

2.12 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, and other direct and indirect costs (based on the normal operating capacity of the production facilities). Borrowing costs are not included in the cost of inventories. The cost of raw materials and consumables consists of their purchase price, transport costs and other costs directly attributable to their acquisition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.13 Share capital

Ordinary shares are classified as equity. No preference shares have been issued. Unavoidable costs directly attributable to the issue of new ordinary shares are recognised in equity as a deduction from the proceeds. Shares approved by the general meeting but not yet registered at the Commercial Registry are recognised in equity as unregistered share capital. Share premium is the portion of consideration received for shares issued that exceeds the par value of the shares.

2.14 Statutory capital reserve

The parent has recognised a statutory capital reserve (a legal reserve) in accordance with the requirements of the Estonian Commercial Code. Every financial year at least 5% of net profit has to be transferred to the capital reserve until the reserve amounts to at least 10% of share capital. The capital reserve may be used to cover losses and to increase share capital. The capital reserve may not be used to make distributions to shareholders.

2.15 Trade payables

Trade payables are amounts due to suppliers for goods or services purchased in the ordinary course of business. Payables that are expected to be settled within twelve months after the reporting period or in the normal operating cycle are classified as current. Other payables are classified as non-current. Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowing using the effective interest method.

Fees paid on the origination of loans are recognised as borrowing costs to the extent that it is probable that some or all of the loan will be drawn down. Such fees are deferred and treated as borrowing costs when the draw-down occurs. When there is no evidence that the loan will be drawn down either in part or in full, the loan fee is recognised as a prepayment for liquidity services and amortised to expenses during the period in which the loan is drawn down.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of borrowings is deducted from the amount of borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2.17 Taxation

(a) Corporate income tax including the taxation of dividends in Estonia

Under the Estonian Income Tax Act, in Estonia corporate profit for the year is not subject to income tax. Income tax is paid on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenditures and transfer price adjustments. The tax rate for profit distributions is 20% (calculated as 20/80 of the net distribution). From 2019, regular dividend distributions are subject to a lower, 14% income tax rate (calculated as 14/86 of the net distribution). Thus, in calculating the income tax payable on dividends, a resident company can apply a lower tax rate of 14% and the standard tax rate of 20%. The more favourable tax rate may be applied to a dividend distribution that amounts to up to three preceding financial years' average distribution of retained earnings on which the company has paid income tax. In calculating the average dividend distribution of the three preceding financial years, 2018 is the first year that is taken into account. In certain circumstances, dividends received can be redistributed without additional income tax expense.

Corporate income tax payable on a dividend distribution is recognised as an expense and a liability in the amount of the planned dividend distribution.

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Deferred tax is provided on the post-acquisition retained earnings and other post-acquisition movements in the reserves of subsidiaries, except to the extent that the group controls the subsidiary's dividend policy and it is probable that the temporary difference will not reverse through dividends or otherwise in the foreseeable future. As the group controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of the temporary differences associated with its investments in subsidiaries. The group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

The maximum income tax liability which would arise if all of the retained earnings were distributed as dividends is disclosed in the notes to the consolidated financial statements.

(b) Other taxes in Estonia

The group's expenses are affected by the following taxes:

Tax	Tax rate
Social security tax	33% of payments made and fringe benefits provided to employees
Unemployment insurance contributions	0.8% of payments to employees
Income tax on fringe benefits	20%, calculated as 20/80 of fringe benefits provided to employees
Pollution charges	Paid for pollutant releases to air, water, groundwater and soil and waste storage based on relevant rates per tonne
Charge for special use of water	2022: €1.70–180.55 per 1,000 m^3 of water extracted from a surface water body or groundwater (2021: €1.69–178.75 per 1,000 m^3 of water extracted from a surface water body or groundwater)
Land tax	0.1–2.5% of the taxable value of land per year
Heavy goods vehicle tax	€3.50–232.60 per truck per quarter
Excise duty on electricity	0.5–1.0 €/MWh of electricity (from 1 May 2020 to 31 December 2022)
Excise duty on natural gas	€40–55.79 per 1,000 m^3 of natural gas.
Corporate income tax on non-business expenses	20%, calculated as 20/80 of non-business expenses

(c) Income tax rates in other countries where the group operates

Latvia	Income earned by resident legal persons is taxed at distribution at the rate of 20%, calculated as 20/80 of the amount of the net distribution
Lithuania	Income earned by resident legal persons is taxed at the rate of 15%
Poland	Income earned by resident legal persons is taxed at the rate of 19%
Finland	Income earned by resident legal persons is taxed at the rate of 20%

(d) Deferred tax

Deferred tax is recognised at foreign subsidiaries, except Latvian subsidiaries, for temporary differences arising between the tax bases and carrying amounts of assets and liabilities. Deferred tax assets and liabilities are recognised under the liability method. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or the initial recognition of an asset or a liability in a transaction other than a business combination which at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised for temporary differences arising between the carrying amounts and tax bases of the group's assets and liabilities (the tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes).

Under Estonian laws, corporate profit for the year is not subject to taxation. The obligation to pay corporate income tax arises on the distribution of profit and it is recognised as an expense (in the income statement for the period) when the dividend is declared.

Due to the nature of the taxation system, companies registered in Estonia do not have deferred tax assets and liabilities except for possible deferred tax liabilities related to their investments in subsidiaries, associates, joint ventures and branches.

The group incurs deferred tax liabilities through group entities that operate in countries where corporate profit for the year is taxable. The group also incurs deferred tax liabilities in connection with investments in Estonian and Latvian subsidiaries and associates, except to the extent that the group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Examples of the reversal of taxable temporary differences are the distribution of a dividend, the sale or liquidation of an investment, and other transactions.

As the group controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of the temporary differences associated with its investments in the subsidiaries. If the parent has decided not to distribute a subsidiary's profit in the foreseeable future, it does not recognise a deferred tax liability. If the parent assesses that a dividend will be paid in the foreseeable future, a deferred tax liability is recognised to the extent of the planned dividend distribution.

The group measures deferred tax liabilities at tax rates that are expected to apply to the taxable temporary differences in the period in which the temporary differences are expected to reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax assets are recognised for deductible temporary differences to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

2.18 Employee benefits

Short-term employee benefits

Short-term employee benefits include wages and salaries, social security contributions and benefits relating to temporary suspension of the employment contract (holiday pay and similar payments) where the suspension of the contract occurs within twelve months after the end of the period in which the employee rendered the employee service, and other benefits payable within twelve months after the end of the period in which the employee rendered the employee service.

If an employee has provided services in the reporting period in return for which benefits are expected to be paid, the group recognises a liability (accrued expense) for the expected amount of the benefit after deducting any amounts already paid.

Termination benefits

Termination benefits are payable when the group terminates employment before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value. Redundancy provisions are set up for redundancies occurring in the course of restructuring.

Other employee benefits

Provisions have been recognised for benefits arising from collective labour agreements and other contracts, and compensation payable for work-related injuries and damage to health.

2.19 Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. A provision is measured at the present value of the expenditures expected to be required to settle the obligation using an interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised in the income statement as interest expense.

Provisions are recognised based on management's estimates. If required, independent experts are involved. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of an outflow of resources may be small for any individual item, it may be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised (if other recognition criteria are met).

Provisions are reviewed at the end of each reporting period and adjusted to reflect current best estimates. The costs related to setting up provisions are charged to operating expenses or included in the cost of an item of property,

plant and equipment when the provision is related to the dismantlement, removal or restoration or other obligation, incurred either when the item is acquired or as a consequence of having used the item during a particular period.

Provisions are used only for expenditures for which they were originally recognised.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that the reimbursement will be received if the group settles the obligation. The reimbursement is recognised as a separate asset. The amount of the reimbursement may not exceed the amount of the provision.

Provisions for employee benefits

Provisions for employee benefits have been recognised for benefits payable for work-related injuries and damage to health. Long-term employee-related provisions are used over the remaining lifetimes of the entitled employees, which are determined based on the life expectancy forecasts published by Statistics Estonia and the age of the employees.

2.20 Contingent liabilities

Where it is not probable that an outflow of resources will be required to settle an obligation, or where the amount of an obligation cannot be measured with sufficient reliability, but the obligation may transform into a liability in certain circumstances, the obligation is disclosed in the notes to the financial statements as a contingent liability.

2.21 Revenue

Revenue is income arising in the course of the group's ordinary activities. Revenue is measured in the amount of the transaction price. The transaction price is the total amount of consideration to which the group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The group recognises revenue when it transfers control of the goods or services to the customer. Revenue is recognised net of associated value added tax and excise duties payable by the group.

Sale of goods – wholesale

The group manufactures pellets and sells them in an open market. Sales are recognised when control of the products has been transferred, i.e. when the products have been delivered to the customer, the customer has full discretion over the distribution channel and price of the products, and there is no unsatisfied obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The sales transactions do not contain a financing component because sales are made with a credit term of up to 90 days, which is consistent with industry practice.

A receivable is recognised when the goods have been delivered as this is the point in time where the right to consideration becomes unconditional because only the passage of time is required before payment is due.

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If the group provides any additional service to the customer after control of the goods has transferred to the customer, provision of the service is treated as a separate performance obligation and relevant revenue is recognised over the period in which the service is provided.

Sale of services – electricity, gas, heat, waste treatment

The group provides electricity, gas and heat sale and waste reception services under fixed- and variable-price contracts. Revenue from the services is recognised in the periods over which the services are rendered. For fixed-price contracts, revenue is recognised based on the service provided by the end of the reporting period because the customer receives and consumes the benefits simultaneously. Revenue from the sale of electricity, gas and heat is recognised based on units delivered and revenue from the reception of waste is recognised based on units received; relevant invoices are issued on a monthly basis. In accordance with IFRS 15, the group has not disclosed the transaction prices allocated to contracts not performed (performance obligations not satisfied) at the reporting date.

If the contract includes variable consideration, it is recognised as revenue only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Interest income

Interest income is recognised when it is probable that the economic benefits associated with the transaction will flow to the group and the amount of the income can be measured reliably. Interest income is recognised using the effective interest rate unless the receipt of interest is uncertain. In the latter case, interest income is recognised on a cash basis.

Financing component

The group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the group does not adjust any transaction prices for the time value of money.

2.22 Government grants

A government grant is recognised at fair value, when there is reasonable assurance that the grant will be received and the group will comply with all conditions attaching to the grant. Grants related to income are recognised as income over the periods necessary to match them with the costs for which the grants are intended to compensate.

Grants related to assets are accounted for using the gross method whereby the asset acquired with a grant is recognised at cost. The amount received as a government grant is recognised as a non-current liability (deferred income). The asset acquired is depreciated and the grant liability is recognised as income over the estimated useful life of the asset.

Support for electricity produced from renewable sources

In line with section 59 of the Estonian Electricity Market Act, the group receives support of 5.37 cents per kilowatt hour of electricity produced from a renewable energy source with a generating installation whose net capacity does not exceed 125 MW. The group receives the support monthly based on the volume of electricity produced from renewable energy sources. The support is not designed to cover specific expenses. Instead, it is a government measure designed to promote and provide incentives for transition to renewable energy in Estonia. The support is recognised using the gross method within renewable energy support in other operating income.

2.23 Leases

(a) The group as a lessee

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease, if the group is reasonably certain to exercise that option, and periods covered by an option to terminate the lease, if the group is reasonably certain not to exercise that option. The group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the group and affects whether the group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The group revises the lease term if there is a change in the non-cancellable period of a lease or the exercise of an extension or termination option.

Contracts may contain both lease and non-lease components. The group's leases are mostly contracts for the creation of the right to use land and they do not contain non-lease components.

Initial measurement

At the commencement date, the group recognises a right-of-use asset and a lease liability.

The group measures the right-of-use asset at cost at initial recognition. The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the group;
- an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are presented on a separate line in the statement of financial position.

At the commencement date, the group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the group uses its incremental borrowing rate, being the rate that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

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To determine the incremental borrowing rate, the group:

- uses, where possible, the interest rate of recent third-party financing received by the group as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received;
- uses a build-up approach that starts with the average interest margin of the industry, adjusted for the credit risk of the group;
- makes adjustments specific to the lease by taking into account factors such as the lease term, country, currency and security.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) fixed payments, less any lease incentives receivable;

b) variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index or a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates. Some of the group's leases contain variable lease payments;

c) amounts expected to be payable by the group under residual value guarantees;

d) the exercise price of a purchase option if the group is reasonably certain to exercise that option; and

e) payments of penalties for terminating the lease, if the lease term reflects the group exercising an option to terminate the lease.

Subsequent measurement

After the commencement date, the group measures the right-of-use asset by applying the cost model. To apply the cost model, the group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. If the lease transfers ownership of the underlying asset to the group by the end of the lease term or if the cost of the right-of-use asset reflects that the group will exercise a purchase option, the group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term.

After the commencement date, the group measures the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;

b) reducing the carrying amount to reflect the lease payments made; and

c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, the group recognises in the income statement interest on the lease liability and variable lease payments

not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

If there are changes to the lease payments, it may be necessary to remeasure the lease liability. The group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the group recognises any remaining amount of the remeasurement in the income statement.

The group remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if either:

a) there is a change in the lease term. The group determines the revised lease payments on the basis of the revised lease term; or

b) there is a change in the assessment of the option to purchase the underlying asset. The group determines the revised lease payments to reflect the change in amounts payable under the purchase option.

The group remeasures the lease liability by discounting the revised lease payments, if either:

a) there is a change in the amounts expected to be payable under a residual value guarantee. The group determines the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.

b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments (for example, a change to reflect changes in market rental rates following a market rent review). The group remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). The group determines the revised lease payments for the remainder of the lease term based on the revised contractual payments. The group uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

The group accounts for a lease modification as a separate lease if both:

a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The group has elected not to apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the incme statement. Short-term leases are leases with a lease term of twelve months or less.

(b) The group as a lessor

Assets leased out under operating leases are accounted for using the same accounting policies that are applied to items of property, plant and equipment. Lease payments receivable during the lease term are recognised as income on a straight-line basis over the lease term.

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(c) Rights to use land

Payments made for the variable portion of the charges related to the rights of superficies (rights to use land belonging to another person to build and own buildings or structures on it) and servitudes (encumbrances on a person's property that grant another person the right to conduct certain activities on it) created for the benefit of the group that meet the criteria for recognition as intangible assets are recognised as intangible assets. The costs related to the rights to use land are amortised over the contract term, which may extend to 99 years, on a straight-line basis.

2.24 Dividend distributions

Dividends are recognised when they are declared as a reduction of retained earnings and a liability to the shareholders.

2.25 Emission allowances

The European Union Emissions Trading System (EU ETS) was set up in 2005 as a tool for reducing greenhouse gas, particularly carbon dioxide, emissions. In the framework of the system, countries have allocated certain installations EU allowances for emissions (EUAs, emission allowances) free of charge or at a price below fair value. Emission allowances are purchased and sold on relevant exchanges where installations that need more allowances that have been allocated to them free of charge or at a subsidised price have to purchase additional emission allowances to meet their obligations.

During the first trading period in 2005–2007, only EUAs were traded. During the second trading period in 2008–2012, which was the first commitment period of the Kyoto Protocol, the EU ETS was opened up for trade in Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs).

Since the third trading period in 2013–2020, the power generation sector is no longer allocated emission allowances free of charge and all electricity producers have to purchase all emission allowances they need. In other sectors such as heat production, there is a transition period during which producers can be allocated emission allowances free of charge but the quantity of such allowances will gradually decrease. The Iru power plant has been allocated free emission allowances for 325 tonnes of CO_2 emissions for heat production in 2023.

During the fourth trading period (2021–2030), the system of free allocation will focus on sectors at the highest risk of relocating their production outside of the EU. These sectors will receive 100% of their allocation for free. For less exposed sectors, free allocation is foreseen to be phased out after 2026 from a maximum 30% to zero at the end of the trading period (2030).

In the reporting and the comparative period, the group was allocated the following quantities of emission allowances free of charge:

- 2021: for 5,094 tonnes of emissions at fair value* of €404k;
- 2022: for 997 tonnes of emissions at fair value* of €84k.

Emission allowances received from the state free of charge are recognised at zero cost. As carbon dioxide is emitted, an obligation arises to deliver the corresponding quantity of emission allowances (EUAs, CERs, ERUs) to the authorities (the state). An expense and a liability are recognised when the emission allowances received free of charge do not cover the obligation to the authorities. The liability is measured in the amount that is expected to be required to settle the obligation.

* Fair value is based on EUA market prices at relevant reporting dates.

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The group has not recognised a liability because the quantity of emission allowances allocated to it free of charge was sufficient to cover the obligation to the authorities.

2.26 Transactions with related parties

For the purposes of these consolidated financial statements, related parties include:

a) the parent Eesti Energia AS and, since 100% of the shares in Eesti Energia AS are held by the Republic of Estonia, all entities under the control or significant influence of the state;

b) other companies belonging the same group;

c) associates and joint ventures;

d) members of the executive and higher management;

e) close family members of the above persons and companies under their control or significant influence.

2.27 Primary financial statements of the parent

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the separate primary financial statements of the consolidating entity (the parent). The primary financial statements of the parent, disclosed in note 32, have been prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements. In the parent's primary financial statements, investments in subsidiaries are accounted for using the cost method. Under the latter, an investment is initially recognised at cost, i.e. at the fair value of the consideration given for it, and measured thereafter at cost less any impairment losses.

2.28 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently measured at their fair value. The method for recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if it is, the nature of the item being hedged. The group uses cash flow hedges to hedge interest rate risk and the risk of changes in the electricity price.

The group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, and also 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 the income statement.

The fair vales of derivatives designated as hedging instruments are disclosed in note 3.1.2. Changes in the hedge reserve recognised through other comprehensive income are disclosed in note 21. 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 twelve months and as a current asset or liability when the remaining maturity of the hedging instrument is less than twelve months. The effective portion of changes in the

fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as a net amount within other operating income or operating expenses. The day one fair value of derivative instruments entered into with the parent (to hedge electricity price risk) 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 the income statement in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place).

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

NOTE 3. Financial risk management

3.1 Financial risks

The group's activities are exposed to various financial risks: market risk (including currency risk, cash flow and fair value interest rate risk, and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

The group's risk management policy is based on the requirements set by regulatory authorities, generally accepted practice and the group's internal rules. The underlying principle is to manage risk-taking in a manner that ensures an optimal risk-benefit ratio. The group's risk management process involves identifying and defining all potential risks, assessing and controlling risks, and preparing action plans to mitigate risks while ensuring the achievement of the group's financial and other strategic goals and targets.

Primary responsibility for risk management rests with the management board of the Enefit Green group. Oversight of the risk mitigation measures implemented by the management board is the responsibility of the supervisory board of Enefit Green AS.

The group assesses and limits risks through systematic risk management. In financial risk management, the group works with Eesti Energia's finance department and energy trading unit, which support the group in the mitigation and hedging of its financial risks.

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3.1.1 Market risks

Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Financial assets and liabilities denominated in euros are considered to be free of currency risk when an entity's functional currency is the euro.

The group has financial assets (a PLN account with SEB bank in Poland with a balance of €4,144k at 31 December 2022 and €1,259k at 31 December 2021) and financial liabilities (a bank loan denominated in PLN which is disclosed in note 18 with a balance of €6,640k at 31 December 2022 (€7,537k at 31 December 2021), lease liabilities of €1,052k and current trade payables of €976k) which are exposed to currency risk. If the Polish zloty/€ exchange rate changed by +/-9% (2021: +/ 6%), the group's net profit would change by -/+ €407k (2021: -/+ €346k).

Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those resulting from interest rate risk or currency risk. Items exposed to price risk include the group's products and services that are sold in an open market, purchases of production resources, and financial assets at fair value through profit or loss. In the reporting and the comparative period, the group did not have such financial assets.

Price risk of goods and services

The most significant price risk associated with services is the price risk inherent in electricity sales. In earlier periods, renewable energy support, which is paid to Enefit Green in accordance with the laws and regulations of the markets where the group operates and which reduces the impact of electricity price volatility, played an important role in mitigating the price risk of electricity sales.

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

The relative importance of fixed-price support measures has decreased significantly in connection with the exit of the Lithuanian wind farms from the FiT support scheme. Only 1% of Enefit Green's projected electricity production in 2023–2026 is covered by fixed-price support measures (depending on the market, the support measures are either Feed-in Tariff (FiT) or Contracts for Difference (CfD)) at an average price of 83.4 €/MWh.

Enefit Green mitigates the electricity price risks of development projects with long-term fixed-price power purchase agreements (PPAs). As a rule, the group fixes the electricity sales price of a development project by the time the final investment decision is made to the extent of at least 60% of the estimated output of the development project during the first five years of its operation. In 2022, Enefit Green signed new long-term fixed-price PPAs with various counterparties on 4,949 GWh at an average price of 108.5 €/MWh, also using the instruments to partly hedge the electricity price risk of the operating portfolio.

As at 31 December 2022, Enefit Green had signed long-term fixed-price PPAs for the period 2023–2033 on 10,526 GWh in total (31 December 2021: 5,735 GWh) at an average price of 72.4 €/MWh (31 December 2021: 42.3 €/MWh). The counterparty of most of the PPAs is Eesti Energia AS (9,315 GWh). The agreements meet the own use exemption and are therefore not considered to be financial instruments.

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Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

Cash flow interest rate risk arises from the group's floating-rate borrowings and is the risk that finance costs will grow when interest rates increase.

The group's interest rate risk arises mainly from short- and long-term borrowings (note 18). The weighted average effective interest rate of the group's loans as at 31 December 2022, including the effect of interest rate swaps, was 2.6% (31 December 2021: 1.44%). At 31 December 2022, 38.8% of borrowings drawn down were exposed to interest rate risk and if the base interest rate increased by 1.0 percentage points, Enefit Green's profit before tax would decrease by €1,066k (31 December 2021: would decrease by €586k).

- The group's interest rate risk management has changed compared with the previous financial year-end in connection with the conclusion of interest rate swap (IRS) agreements in March and April 2022. At 31 December 2022, the total nominal amount of Enefit Green's open IRS agreements was €168,334k, which accounted for 61.2% of total borrowings. Further information about the interest rate swaps, their fixed interest rates and fair values is provided in note 16.

The fair values of short- and long-term borrowings do not differ significantly from their carrying amounts because borrowings bear interest at floating rates that change in line with fluctuations in market interest rates, so the effectiveness of the group's activities is reflected in the risk margin (level 2). Based on the above, the management board estimates that the fair values of borrowings do not differ significantly from their carrying amounts.

See note 18 for further information on the group's borrowings and their interest rates and fair values.

3.1.2 Credit risk

Credit risk is the risk that the other party to a financial instrument will cause a financial loss to the group by failing to discharge an obligation. Items exposed to credit risk include cash at bank, trade and other receivables and derivative financial instruments with a positive value.

Requirements for the credit risk levels of issuers of financial instruments and counterparties, and the maximum exposure to each individual counterparty are approved by the group's financial risk committee.

Available cash may only be invested in financial instruments denominated in euros. The group has also established requirements for the maturities and diversification of financial instruments.

The group has outsourced the handling of past due trade receivables. Customers with past due debts are sent automated reminders and cautions. There are rules in place for taking legal action to collect a receivable and transferring a receivable to a debt collection agency. Special agreements are at the discretion of the group's management board.

The maximum credit risk exposure at the end of the reporting period was as follows:

€ thousand	31 DECEMBER	
	2022	2021
Trade and other receivables* (note 12)	12,972	10,632
Receivables from the parent, other group companies and other related parties (notes 12 and 31)	11,999	4,201
Cash and cash equivalents (note 15)	131,456	80,454
Derivative financial instruments with a positive value (note 16)	14,626	0
Total amount exposed to credit risk (notes 13 and 14)	**171,053**	**95,287**

* Total trade and other receivables less prepayments

Trade receivables are presented net of the allowance for expected credit losses. Although the collection of receivables may be affected by economic factors, management believes that there is no significant risk of loss beyond the allowances already recognised. Other classes of receivables do not include items that have been written down.

At 31 December 2022, the group had 2 customers that each accounted for over 10% of the group's trade and other receivables. Total receivables from those customers amounted to €3,616k at 31 December 2022 (31 December 2021: 2 customers that accounted for over 10% of trade and other receivables; receivables from the customers totalled €5,381k).

See notes 13 and 14 for further information on credit risk.

3.1.3 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its financial liabilities due to insufficient cash inflows. Liquidity is managed both on a daily and longer-term basis.

The following liquidity analysis reflects the maturity profile of the group's current and non-current liabilities. All amounts presented in the table are contractual undiscounted cash flows. The amounts of liabilities falling due within twelve months after the end of the reporting period, except for borrowings, are equal to their carrying amounts.

At the end of the reporting period, the group had undrawn loans of €50,000k (31 December 2021: €140,000k).

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Maturity profile of liabilities at 31 December 2022

€ thousand	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. lease liabilities (note18)*	31,013	249,714	30,423	311,150	274,973
Lease liabilities (note 18)	364	1,561	6,059	7,984	4,590
Trade and other payables (note 19)	17,307	3,000	0	20,307	20,307
Total	**48,684**	**254,275**	**36,482**	**339,441**	**299,870**

* Interest expense has been estimated on the basis of interest rates as at 31 December 2022.

Maturity profile of liabilities at 31 December 2021

€ thousand	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. lease liabilities (note18)*	30,589	88,707	3,783	123,079	120,397
Lease liabilities (note 18)	267	1,397	3,619	5,283	3,059
Trade and other payables (note 19)	8,564	3,000	0	11,564	11,564
Total	**39,420**	**93,104**	**7,402**	**139,926**	**135,020**

* Interest expense has been estimated on the basis of interest rates as at 31 December 2021.

In addition to the liabilities presented in the above tables, the group has commitments related to variable lease payments. See note 30 for further information.

3.2 Capital management

The group regards equity and borrowings (debt) as capital. To maintain or change its capital structure, the group may change the dividend policy, 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 maturity. In setting the cap for borrowings, management monitors the net debt to capital ratio and the net debt to EBITDA ratio and takes into account the restrictions imposed by the terms of loan agreements.

€ thousand	31 DECEMBER	
	2022	2021
Total borrowings (notes 3.1.3 and 18)	279,564	123,456
Less: Cash and cash equivalents (note 15)	(131,456)	(80,454)
Net debt	148,108	43,002
Total equity	718,733	633,607
EBITDA* (note 5)	154,842	121,457
Assets	1,064,170	817,656
Net debt/EBITDA	1.0	0.4
Equity/assets	68%	77%
Total capital (net debt + equity)	866,841	676,609
Net debt/capital	17%	6%

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

EBITDA and net debt are alternative performance measures (APMs), which are not defined in IFRS and may not be comparable with the APMs of other companies. The group believes that APMs provide the readers of the consolidated financial statements with additional useful information about the group's financial performance and management. The APMs are used by the group's management in analysing the group's results and in management reporting. The APMs should be viewed as supplemental to, and not as a substitute for, the measures presented in the consolidated financial statements in accordance with IFRS.

3.3 Fair value

According to the group's assessment, at 31 December 2022 and 31 December 2021 the fair values of assets and liabilities measured at amortised cost did not differ materially from their carrying amounts. The carrying amounts of current trade receivables and payables, and loans provided, less impairments, are estimated to be equal to their fair values (level 3). For disclosure purposes, the fair value of financial liabilities is determined by discounting the future contractual cash flows at the market interest rate which is available for similar financial instruments of the group.

The following reflects the categorisation of financial instruments measured at fair value based on inputs to valuation techniques. The different levels are defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2);
- unobservable inputs for the asset or liability (level 3).

Since the interest rates of overdraft and loan liabilities change in line with changes in money market interest rates, their fair values do not differ from their carrying amounts (level 2). Further information about the group's borrowings and their interest rates and fair values is provided in note 19.

The fair value of financial instruments that are not traded in an active market are 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 required to establish the fair value of the instrument are not based on observable market data.

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

€ thousand	31 DECEMBER 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives held for trading	0	0	0	0
Cash flow hedges (notes 3.1.2, 16 and 21)	0	14,626	0	**14,626**
Total financial assets (notes 3.1.2, 16 and 21)	**0**	**14,626**	**0**	**14,626**
Liabilities				
Derivatives held for trading	0	0	0	0
Cash flow hedges (notes 3.1.2, 16 and 21)	0	0	0	0
Total financial liabilities (notes 3.1.2, 16 and 21)	**0**	**0**	**0**	**0**

€ thousand	31 DECEMBER 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives held for trading	0	0	0	0
Cash flow hedges	0	0	0	0
Total financial assets	0	0	0	0
Liabilities	0	0	0	0
Derivatives held for trading	0	0	0	0
Cash flow hedges (notes 3.1.2, 16 and 21)	0	0	0	0
Total financial liabilities (notes 3.1.2, 16 and 21)	**0**	**0**	**0**	**0**

Level 2 financial instruments comprise interest rate swaps whose fair value has been calculated using a third party model, which is supported by the confirmation of the transaction partner. On the basis of the group's internal calculations, the fair value of interest rate swaps is determined as the present value of the expected future cash flows based on the EURIBOR forward curves derived from observable market data. The fair value measurement takes into account the credit risk of the group and the counterparty, which is calculated on the basis of credit spreads derived from credit default swaps or bond prices.

NOTE 4. Critical accounting estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the use of accounting estimates. It also requires management to use judgement in matters related to accounting policies. The estimates and judgements are consistently reviewed and are based on historical experience and other factors including forecasts of future events that are believed to be reasonable in the circumstances. Management also makes judgements (apart from those involving estimation) in the process of applying accounting policies. Although the estimates are based on management's best knowledge, they may differ from actual results. Changes in management's estimates are recognised in the income statement in the period of the change.

Estimates that have the most significant effect on the information reported in the financial statements are set out below.

(a) Determining the useful lives of items of property, plant and equipment

The useful lives of items of property, plant and equipment are determined based on management's estimates of the economic lives over which the assets can be used. Historical experience reflects that the actual economic lives of assets are sometimes somewhat longer than their estimated useful lives. At 31 December 2022, the total carrying amount of the group's property, plant and equipment was €776,870k (31 December 2021: €612,503k) and depreciation expense for the reporting period amounted to €36,732k (2021: €37,867k) (note 7). At the year-end, the average remaining useful life of items of property, plant and equipment was 10.9 years (31 December 2021: 11.3 years). If the average remaining useful life were one year longer, depreciation expense would decrease by €5,345 (2021: €2,525k) and if the average remaining useful life were one year shorter, depreciation expense would increase by €6,758k (2021: €3,262k). The effect on depreciation has been calculated based on the individual remaining useful lives of asset classes.

(b) Estimating the recoverable amounts of property, plant and equipment and intangible assets

The group performs impairment tests and estimates the recoverable amounts of its property, plant and equipment and intangible assets when and as required. In carrying out impairment tests, management uses various estimates of cash inflows from the use and sale of assets and cash outflows from the maintenance and repair of assets, as well as estimates of inflation and growth rates. The estimates are based on forecasts of developments in the general economic environment, and the consumption and sales price of electricity.

Where necessary, the fair value of assets is determined using the assistance of experts. When circumstances change, the group may have to recognise additional impairment losses or reverse previously recognised impairment losses either in part or in full.

Based on impairment tests conducted at the end of 2022, the group reversed previously recognised impairment losses for the Aulepa and Šilale wind farms. The reversals were €943k and €585k, respectively. The impairment test carried out on the solar farms in Poland indicated that the assets were impaired and thus goodwill was written down by €622k. The carrying amounts of other operating assets did not require adjustment.

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(c) Recognition of deferred tax on the retained earnings of the group's Estonian and Latvian subsidiaries

At 31 December 2022, the group had not recognised deferred tax liabilities for taxable temporary differences related to the retained earnings of its Estonian and Latvian subsidiaries of €163,019k (31 December 2021: €84,877k). The group has adopted a dividend policy which has been approved by the supervisory board and foresees distributing at least 50% of the normalised net profit as dividends. Based on the dividend policy, the group has assessed that no dividends will be distributed from the retained earnings of the group's Estonian and Latvian subsidiaries in the foreseeable future (the next five years). The group is able to control the timing and the amount of dividend distributions of its subsidiaries.

NOTE 5. Segment reporting

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.

The management board assesses the group's financial performance and makes management decisions on the basis of segment reporting where the reportable operating segments of Enefit Green AS 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.

1. **Wind energy** (comprises all of the group's wind farms);
2. **Cogeneration** (comprises all of the group's cogeneration plants and the production of pellets);
3. **Solar energy** (comprises all of the group's solar farms);
4. **Other** (including 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 the activities exceeds the quantitative thresholds for separate disclosure.

Segment revenues comprise revenues from external customers, generated by the sale of relevant products or services. As the segments are based on externally sold products and services, there are no inter-segment transactions to be eliminated.

Management assesses segment results mainly on the basis of EBITDA but also monitors operating profit. Finance income and costs and income tax expense 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.

Under the Estonian District Heating Act, the maximum price of heat, which may be charged by a heating undertaking which sells heat to customers or to a network operator that sells heat to customers, or which produces heat in a combined heat and power generation process, must be approved by the Competition Authority.

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Revenue		
Wind energy	130,709	84,409
Cogeneration	88,288	63,579
Solar energy	13,597	4,149
Total reportable segments	**232,595**	**152,138**
Other	686	864
Total (note 22)	**233,280**	**153,002**

In 2022, the group had 2 customers in the Wind energy segment that each accounted for over 10% of the group's revenue. Total sales to those customers amounted to €140,451k in 2022 (2021: 2 customers, total sales amounted to €87,556k).

In 2022, the group had no customers in the Cogeneration segment that accounted for over 10% of the group's revenue for the period (2021: 1 customer, total sales amounted to €17,397k).

Further information about revenue growth is provided in note 1.1.

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Renewable energy support and other operating income		
Wind energy	18,088	24,114
Cogeneration	6,015	5,906
Solar energy	(323)	465
Total reportable segments	**23,780**	**30,485**
Other	(44)	220
Total (note 23)	**23,735**	**30,705**

The group monitors EBITDA as a performance measure at a consolidated level and believes that this measure is relevant to understanding the group's financial performance. EBITDA is not a performance measure defined in IFRS. The group's definition of EBITDA may not be comparable to similarly titled performance measures and disclosures by other entities.

Interest income and expenses, corporate income tax expense and profit from associates under the equity method are not allocated to segments and relevant information is not reported to the management board of the parent.

The following tables provide information about the results of each reportable segment. Performance is measured on the basis of EBITDA, which is defined as profit before finance costs, profit from associates under the equity method, tax, depreciation, amortisation and impairment losses.

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Profit for the year	**110,206**	**79,661**
Income tax expense (note 28)	5,567	1,584
Net finance costs (note 27)	2,005	2,112
Profit from associates under the equity method	(714)	(46)
Depreciation, amortisation and impairment losses (notes 6, 7 and 9)	37,777	38,145
EBITDA	**154,842**	**121,457**

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€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
EBITDA*		
Wind energy	109,423	89,741
Cogeneration	49,610	35,181
Solar energy	3,553	1,613
Total reportable segments	**162,585**	**126,534**
Other	(7,743)	(5,077)
Total	**154,842**	**121,457**
Depreciation, amortisation and impairment losses (notes 6, 7 and 9)	(37,777)	(38,146)
Net finance costs (note 27)	(2,005)	(2,112)
Profit from associates under the equity method	714	46
Profit before tax	**115,774**	**81,246**

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

The financial result for 2022 includes the reversal of the impairment losses recognised for the Aulepa and Šilale II wind farms of €1,528k in total and the write-down of the solar farms in Poland by €622k, which are recognised within *Depreciation, amortisation and impairment losses*.

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Operating profit		
Wind energy	83,646	62,609
Cogeneration	39,366	24,998
Solar energy	1,984	896
Total reportable segments	**124,997**	**88,504**
Other	(7,932)	(5,192)
Total	**117,065**	**83,312**

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Investments in non-current assets		
Wind energy	156,753	73,194
Cogeneration	3,294	2,217
Solar energy	31,103	953
Total reportable segments	**191,150**	**76,036**
Other	2,304	435
Total	**193,454**	**76,799**

See note 1.1. for further information about growth in investments in non-current assets.

€ thousand	31 DECEMBER	
	2022	2021
Non-current assets		
Wind energy	668,580	535,001
Cogeneration	134,352	141,264
Solar energy	55,035	25,610
Total reportable segments	**857,968**	**701,874**
Other	16,079	3,425
Total	**874,047**	**705,300**

At 31 December 2022, the assets of the group's Wind energy segment included goodwill of €23,695k (2021: €23,695k), the assets of the Cogeneration segment included goodwill of €32,712k (2021: €32,712k) and the assets of the Solar energy segment included goodwill of €2,194k (2021: €2,816k).

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Revenue by the location of customers

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Estonia	153,068	92,070
Lithuania	32,544	31,691
Latvia	18,016	5,955
Denmark	12,677	17,413
United Kingdom	9,177	0
Belgium	3,843	3,080
Poland	3,795	1,767
Finland	0	970
Other countries	160	56
Total revenue (note 22)	**233,280**	**153,002**

Non-current assets by location*

€ thousand	31 DECEMBER	
	2022	2021
Estonia	438,280	390,080
Lithuania	332,360	249,056
Latvia	30,211	32,836
Poland	23,063	15,026
Finland	32,750	14,454
Right-of-use assets, Estonia (note 6)	1,731	1,835
Right-of-use assets, Lithuania (note 6)	1,435	915
Right-of-use assets, Poland (note 6)	1,011	0
Right-of-use assets, Finland (note 6)	62	0
Total non-current assets (notes 6, 7 and 9)	**860,903**	**704,202**

* Excluding financial assets, deferred tax assets and investments in associates

NOTE 6. Right-of-use assets

€ thousand	Rights to use land (rights of superficies)
At 1 January 2021	
Cost	2,541
Accumulated amortisation	(319)
Carrying amount	**2,222**
2021	
Additions	450
Amortisation for the period	(181)
Other changes	259
Total carrying amount	**2,750**
At 31 December 2021	
Cost	3,250
Accumulated amortisation	(500)
Carrying amount	**2,750**
2022	
Additions	1,727
Amortisation for the period	(262)
Other changes	24
Carrying amount	**4,239**
At 31 December 2022	
Cost	5,001
Accumulated amortisation	(762)
Carrying amount	**4,239**

The group's consoldiated income statement includes the following amounts relating to lease contracts:

€ thousand	2022	2021
Interest expense	302	153
Lease expenses (note 26)	1,597	1,251

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NOTE 7. Property, plant and equipment

€ thousand	Land	Buildings	Facilities and structures	Machinery and equipment	Other items of PPE	Assets under construction	Prepayments	Total
Carrying amount at 1 January 2021	**10,463**	**16,101**	**19,533**	**534,910**	**0**	**13,867**	**106**	**594,980**
Movements in 2021								
Additions (note 5)	29,424	0	40	0	0	26,312	20,604	76,381
Depreciation for the period (notes 4, 5 and 29)	0	(628)	(1,249)	(35,972)	0	(18)	0	(37,867)
Sales (at carrying amount)	(115)	0	0	0	0	0	0	(115)
Effect of movements in foreign exchange rates	0	(1)	(1)	(82)	0	(2)	0	(86)
Transfers	172	198	(2)	5,846	0	(6,295)	0	(80)
Property, plant and equipment at 31 December 2021								
Cost	39,944	25,415	42,067	744,314	180	33,883	20,710	906,513
Accumulated depreciation	0	(9,745)	(23,746)	(239,611)	(180)	(18)	0	(273,300)
Carrying amount at 31 December 2021	**39,944**	**15,670**	**18,321**	**504,703**	**0**	**33,865**	**20,710**	**633,213**
Movements in 2022								
Additions (note 5)	23,986	0	15	1,068	0	165,704	1,721	192,494
Depreciation for the period (notes 4, 5 and 29)	0	(640)	(1,268)	(34,824)	0	0	0	(36,732)
Effect of movements in foreign exchange rates	0	(6)	(2)	(177)	0	(5)	1	(189)
Transfers (notes 9)	23	164	138	6,136	0	4,055	(3,020)	7,496
Property, plant and equipment at 31 December 2022								
Cost	63,953	25,573	42,218	751,341	180	203,637	19,412	1,106,314
Accumulated depreciation	0	(10,385)	(25,014)	(274,435)	(180)	(18)	0	(310,032)
Carrying amount at 31 December 2022	**63,953**	**15,188**	**17,204**	**476,906**	**0**	**203,619**	**19,412**	**796,282**

In 2022, the group transferred the amount of €8,000k related to the Tolpanvaara wind farm from intangible assets to property, plant and equipment because the investment is related to land and facilities.

The reclassification difference of €504k comprises items transferred from property, plant and equipment to inventories in the amount of €473k and to right-of-use assets in the amount of €31k.

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Enefit Green AS acquired 100% of the shares in Tootsi Windpark OÜ for €56,621k in July 2022. The group analysed the transaction in accordance with the requirements of IFRS 3 and recognised it as an acquisition of assets and not as a business combination. The acquired assets, which make up the 74 MW Tootsi wind farm development, consisted of land, investments made in energy generation equipment and development expenditures.

Enefit Green AS acquired 100% of the shares in Rääbiste Põllud OÜ for €6,569k in September 2022. After the acquisition, the company was renamed Enefit Green Solar OÜ. The group analysed the transaction in accordance with the requirements of IFRS 3 and recognised it as an acquisition of assets and not as a business combination. The acquired assets consisted of land and solar farm developments of 165 MW.

The group's wind farms were tested for impairment in 2022 by estimating the recoverable amounts of the assets based on the discounted future cash flows of each cash-generating unit. The cash flows of each cash-generating unit were projected until the end of the useful life of the underlying wind farm. Every wind farm was treated as a separate cash-generating unit.

At 31 December 2022, the total carrying amount of the group's wind farm assets was €400,475k (31 December 2021: €424,177k) and the carrying amount of goodwill allocated to the cash-generating units was €23,695k (31 December 2021: €23,695k) (note 9).

The impairment tests carried out in 2022 did not indicate a need for recognising an impairment loss for wind farms (2021: no impairment was identified). The impairment tests on the Šilale and Aulepa wind farms indicated that their value had increased and thus impairment losses recognised for them in previous periods were reversed, net of normal depreciation, in the amounts of €585k and €1,138k, respectively.

The recoverable amounts of the wind farm assets were estimated based on their value in use. The expected future cash flows were discounted by applying a discount rate of 7.4% for wind farms located in Lithuania and 7.5% for wind farms located in Estonia (2021: a discount rate of 5.7% for wind farms located in Lithuania and 4.7% for wind farms located in Estonia). In forecasting the market price of electricity, the group took into account forward market prices, the estimates of third party experts and the PPAs already secured. The recoverable amount of wind farms is the most sensitive to changes in the electricity price. If the electricity price decreased by 20% compared with the one applied in the impairment tests, there would be no need to write down the assets of the group's Estonian and Lithuanian wind farms. The recoverable amounts of the assets would decrease by €57,000k in Estonia and €52,000k in Lithuania. The recoverable amounts of the wind farms were estimated taking into account the goodwill allocated to them. The sensitivity analysis also took into account the goodwill allocated to the cash-generating units (note 9).

The group's solar farms in Poland were tested for impairment in 2022. Based on the impairment test, the goodwill allocated to the solar farms was written down. The assets of the Solar energy segment included goodwill of €2,816k at 31 December 2021 and €2,194k at 31 December 2022.

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NOTE 8. Operating leases

Assets leased out under operating leases

€ thousand	31 DECEMBER	
	2022	2021
Cost	3,953	3,927
Accumulated depreciation at the beginning of the year	(2,806)	(2,740)
Depreciation for the year	(66)	(66)
Carrying amount	**1,081**	**1,122**

Assets that have been leased out are used partly in the group's own operating activities and partly to earn rental income. The cost and depreciation presented above have been calculated based on the part of assets that have been leased out.

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NOTE 9. Intangible assets

€ thousand	Goodwill	Software	Other intangible assets	Total
Carrying amount at 1 January 2021	**59,223**	**341**	**8,275**	**67,839**
Movements in 2021				
Additions (note 5)	0	0	418	418
Amortisation for the period (notes 5 and 29)	0	(68)	(30)	(98)
Transfers	0	80	0	80
Intangible assets at 31 December 2021				
Cost	59,223	694	8,965	68,882
Accumulated amortisation	0	(341)	(302)	(643)
Carrying amount at 31 December 2021	**59,223**	**353**	**8,663**	**68,239**
Movements in 2022				
Additions (note 5)	0	0	925	925
Amortisation for the period (notes 5 and 29)	(0	(129)	(31)	(160)
Write-down due to impairment	(622)	0	0	(622)
Transfers (note 7)	0	391	(8,391)	(8,000)
Intangible assets at 31 December 2022				
Cost	58,601	1,086	1,498	61,807
Accumulated amortisation	0	(470)	(333)	(1,425)
Carrying amount at 31 December 2022	**58,601**	**615**	**1,166**	**60,382**

In 2020, the group acquired contractual rights to the development of the Tolpanvaara wind farm in Finland. The consideration paid was €6,000k. Together with a prepayment of €2,000k made in 2018 the total investment was €8,000k. The contractual rights include various building permits, approvals from the Civil Aviation Authority, permits for the construction of road connections, network connection contracts and technical wind measurement data, which allow building a wind farm on the designated plot. The expected useful life of the future wind farm is 30 years and the asset is not yet amortised. The Tolpanvaara wind farm is expected to be completed at the beginning of 2024.

In 2022, the group transferred the amount of €8,000k related to the Tolpanvaara wind farm from intangible assets to property, plant and equipment (assets under construction) because the investment is related to land and facilities.

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Allocation of goodwill to cash-generating units

€ thousand	31 DECEMBER	
	2022	2021
Goodwill acquired on the acquisition of Nelja Energia	19,931	19,931
Goodwill acquired on the acquisition of solar farms in Poland	2,194	2,816
Goodwill acquired on the acquisition of the Iru power plant	32,412	32,412
Goodwill acquired on the acquisition of the Paldiski and Narva wind farms	3,764	3,764
Goodwill acquired on the acquisition of Pogi OÜ	300	300
Total goodwill	**58,601**	**59,223**

Goodwill was tested for impairment as at the reporting date by estimating the recoverable amounts of goodwill acquired in business combinations. The recoverable amounts of the underlying cash-generating units were estimated based on their value in use. The cash flows of the cash-generating units included in the test were projected until the end of their useful lives. According to management's assessment, the selection of a longer period was justified due to the nature of the production assets.

Based on the impairment tests, impairment was identified only for the group's solar farms in Poland. The impairment loss amounted to €622k. The expected future cash flows of wind farms were discounted by applying a 7.4% discount rate for wind farms located in Lithuania and a 7.5% discount rate for wind farms located in Estonia (2021: a 5.7% discount rate for wind farms located in Lithuania and a 4.7% discount rate for wind farms located in Estonia).

The expected future cash flows of other cash-generating units to which goodwill has been allocated were discounted by applying a discount rate of 11.4-5.9% (2021: 5.9%).

The expected future cash flows of the cash-generating unit to which the goodwill recognised on the acquisition of the Iru power plant has been allocated were discounted by applying a 7.5% discount rate (2021: 4.7%). At a 1 percentage point higher discount rate, the carrying amount of goodwill would not exceed its recoverable amount. The cash flows of the cash-generating unit to which the goodwill of the Iru power plant has been allocated are sensitive to changes in the price of heat and the waste reception fee. The price of heat was forecast based on the maximum heat price approval principles of the Competition Authority and the heat price stated in the current sales agreement (the agreement is valid until 15 February 2027). The waste reception fee was forecast based on current agreements and indexed to inflation. The output of the cash-generating unit to which the goodwill of the Iru power plant has been allocated was forecast taking into account the base quantity fixed in the current heat sales agreement. If both the price of heat and the waste reception fee decreased by 10%, the carrying amount of goodwill would not exceed its recoverable amount, because according to section 8 (3) of the District Heating Act, the price of heat must be cost based.

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Goodwill of €19,931k (31 December 2021: €19,931k) has been allocated to the wind farms acquired on the acquisition of Nelja Energia AS. The expected future cash flows of the cash-generating unit are sensitive to changes in the forecasts of the market price of electricity and the discount rate. The impairment tests on goodwill were carried out together with the impairment tests on the property, plant and equipment of the underlying units. See note 7 for further information about significant inputs and their sensitivity.

Goodwill acquired on the acquisition of solar farms in Poland of €2,816k has been allocated to relevant solar farms and their development projects. Based on the impairment tests conducted as at 31 December 2022, the goodwill allocated to the solar farms in Poland was written down by €622k.

NOTE 10. Subsidiaries

The group's subsidiaries at 31 December 2022 and 31 December 2021:

Name of subsidiary	Domicile	Nature of business	Ordinary shares held by the group (%)		Ordinary shares held by non-controlling interests (%)	
			31 DECEMBER		31 DECEMBER	
			2022	2021	2022	2021
Hiiumaa Offshore Tuulepark OÜ	Estonia	Wind farm development	100.0	100.0	-	-
Tootsi Tuulepark OÜ	Estonia	Wind farm development	100.0	100.0	-	-
Enefit Wind OÜ	Estonia	Production of wind power	100.0	100.0	-	-
Enefit Wind Purtse AS	Estonia	Wind farm development	100.0	100.0	-	-
Tootsi Windpark OÜ	Estonia	Wind farm development	100.0	-	-	-
Enefit Green Solar OÜ	Estonia	Solar farm development	100.0	-	-	-
Enefit Power & Heat Valka SIA	Latvia	Production and sale of heat and electricity	100.0	100.0	-	-
Enercom SIA	Latvia	Wind farm development	100.0	100.0	-	-
Technological Solutions SIA	Latvia	Cogeneration plant	100.0	100.0	-	-
Enefit Green SIA (until 8 February 2021 Pellet 4Energia SIA)	Latvia	Pellet production	100.0	100.0	-	-
Šilalės vėjas UAB	Lithuania	Wind farm development	100.0	100.0	-	-
Šilutės vėjo parkas 2	Lithuania	Wind farm development	100.0	100.0	-	-

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Name of subsidiary	Domicile	Nature of business	Ordinary shares held by the group (%)		Ordinary shares held by non-controlling interests (%)	
			31 DECEMBER		31 DECEMBER	
			2022	2021	2022	2021
Šilutės vėjo parkas 3	Lithuania	Wind farm development	100.0	100.0	-	-
Energijos Žara	Lithuania	Wind farm development	100.0	100.0	-	-
Vėjo Parkai UAB	Lithuania	Wind farm development	100.0	100.0	-	-
Enefit Wind UAB	Lithuania	Electricity production	100.0	100.0	-	-
Enefit Green UAB	Lithuania	Wind farm construction and operation	100.0	100.0	-	-
Baltic Energy Group UAB	Lithuania	Research for the development of an offshore wind farm	100.0	100.0	-	-
UAB Vejoteka	Lithuania	Wind farm development	100.0	100.0	-	-
UAB Kelmes vejo energija	Lithuania	Wind farm development	100.0	100.0	-	-
Enefit Green sp. z o.o.	Poland	Solar energy production	100.0	100.0	-	-
Cirrus sp. z o.o.	Poland	Solar energy production	-	100.0	-	-
Velum sp. z o.o.	Poland	Solar energy production	-	100.0	-	-
Incus sp. z o.o.	Poland	Solar energy production	-	100.0	-	-
Humilis sp. z o.o.	Poland	Solar energy production	-	100.0	-	-
Energy Solar 15 Sp. z o.o.	Poland	Solar energy production	-	100.0	-	-
PV Sielec Sp. z o.o.	Poland	Solar energy production	-	100.0	-	-
PV Plant Zambrow Sp. z o.o.	Poland	Solar farm development	100.0	100.0	-	-
PV Plant Debnik Sp. z o.o.	Poland	Solar farm development	100.0	100.0	-	-
Tolpanvaara Wind Farm OY	Finland	Wind farm development	100.0	100.0	-	-

Changes in 2022

Enefit Green AS acquired 100% of the shares in Tootsi Windpark OÜ and Rääbiste Põllud OÜ in 2022. The companies hold wind farm and solar farm developments, respectively. After the acquisition, Rääbiste Põllud OÜ was renamed Enefit Green Solar OÜ. The group analysed the transactions in accordance with the requirements of IFRS 3 and recognised them as acquisitions of assets and not as business combinations. For further information, see note 7.

On 30 December 2022, the group's Polish subsidiaries Enefit Green sp. z o.o., Cirrus sp. z o.o., Velum sp. z o.o., Incus sp. z o.o., Humilis sp. z o.o., Energy Solar 15 sp. z o.o. and PV Sielec sp. z o.o. were merged into one company. The name of the combined entity is Enefit Green sp. z.o.o. See note 7.

Changes in 2021

Enefit Green AS acquired a 100% interest in Raunistal AS in March 2021 for €6,500k. The transaction was analysed in accordance with the requirements

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of IFRS 3 and it was accounted for as an acquisition of assets and not as a business combination. See note 7 for further information.

The group acquired the assets of the Lithuanian companies UAB Vejoteka and UAB Kelmes vejo energija in October 2021 for €348k. The transaction was an acquisition of assets and not a business combination under IFRS 3. The entities held two wind farms under development in the Kelme district in Lithuania (project names Kelme II wind farm and Kelme III wind farm). The wind farms are being developed simultaneously as a single combined project. They will have 27–39 turbines and their planned total capacity is 120–180 MW.

NOTE 11. Inventories

€ thousand	31 DECEMBER	
	2022	2021
Raw materials and consumables		
Technological wood	3,035	1,625
Wood chips	1,932	492
Fuel	211	88
Total raw materials and consumables	**5,178**	**2,205**
Finished goods		
Pellets	6,112	2,821
Total finished goods	**6,112**	**2,821**
Spare parts	2,385	2,533
Solar panels	551	1,969
Other	1	1
Total inventories	**14,227**	**9,529**

The group did not recognise any significant inventory write-downs in 2022 and 2021.

The group produced 154k tonnes of pellets in 2022, 19k tonnes more than in 2021 (2021: 135k tonnes).

NOTE 12. Trade and other receivables

€ thousand	31 DECEMBER	
	2022	2021
Receivables		
Trade receivables	10,507	9,801
Allowance for expected credit losses	(14)	(2)
Total trade receivables	**10,493**	**9,799**
Receivables from related parties (note 31)	11,999	4,201
Other receivables	2,439	755
Prepayments	16,160	7,618
Total current receivables	**41,091**	**22,373**
Non-current receivables		
Other non-current receivables	40	78
Total non-current receivables	**40**	**78**

Prepayments as at 31 December 2022 and 31 December 2021 comprise prepaid taxes and prepaid expenses of the future periods. Prepayments do not qualify as financial assets.

The group's receivables and prepayments are predominantly denominated in euros. All receivables and prepayments are measured at amortised cost.

Information about the credit quality of receivables is disclosed in note 14.

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Analysis of trade receivables

€ thousand	31 DECEMBER	
	2022	2021
Trade receivables		
Trade receivables	10,507	9,801
Allowance for expected credit losses	(14)	(2)
Total trade receivables	**10,493**	**9,799**

To measure expected credit losses, trade receivables are grouped based on their days past due. The expected loss rates are based on the customers' settlement behaviour during the 36 month-period before 31 December 2022 and 31 December 2021 and the historical credit losses experienced during those periods. The historical loss rates are adjusted to reflect current and forward-looking information about macroeconomic factors and the customers' ability to settle the receivables. The group has identified GDP and the unemployment rate in the countries where it sells its goods and services as the most relevant factors and accordingly adjusts the historical loss rates based on the expected changes in those factors.

The expected credit loss allowances as at 31 December 2022 and 31 December 2021 have been estimated using the above principles. The group has assessed the expected credit loss rates for items not past due and items up to 90 days past due and has concluded that their effect is immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2022 and 31 December 2021.

Under the group's accounting policies, receivables over 90 days past due are usually written down in full. The total amount of the loss allowance for items over 90 days past due is adjusted based on historical experience of how many receivables classified as doubtful are subsequently collected and how many receivables not over 90 days past due at the reporting date are subsequently not collected. Other individual and exceptional impacts such as deterioration in the global economic environment are also taken into account during the evaluation. Receivables from associates are assessed and analysed separately from other receivables based on their collectibility.

Changes in the allowance for expected credit losses on trade receivables

€ thousand	31 DECEMBER	
	2022	2021
Expected credit losses at the beginning of the period	**(2)**	**(10)**
Items considered doubtful and doubtful items collected during the period	(19)	(5)
Items written off as uncollectible	7	13
Expected credit losses at the end of the period	**(14)**	**(2)**

Other classes of receivables do not include items that have been written down.

NOTE 13. Financial instruments by category

Financial assets in the statement of financial position

€ thousand	Derivative financial instruments for which hedge accounting is applied	Financial assets measured at amortised cost	Total
At 31 December 2022			
Line items of financial assets in the statement of financial position			
Trade and other receivables excluding prepayments (notes 3.1.2 and 12)	0	12,971	**12,971**
Receivables from related parties (notes 3.1.2, 12, and 31)	0	11,999	**11,999**
Cash and cash equivalents (notes 3.1.2, 3.2 and 15)	0	131,456	**131,456**
Derivative financial instruments (note 16)	14,626	0	**14,626**
Total line items of financial assets in the statement of financial position	**14,626**	**156,426**	**171,052**
At 31 December 2021			
Line items of financial assets in the statement of financial position			
Trade and other receivables excluding prepayments (notes 3.1.2 and 12)	0	10,632	**10,632**
Receivables from related parties (notes 3.1.2, 12 and 31)	0	4,201	**4,201**
Cash and cash equivalents (notes 3.1.2, 3.2 and 15)	0	80,454	**80,454**
Total line items of financial assets in the statement of financial position	**0**	**95,287**	**95,287**

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Financial liabilities in the statement of financial position:

€ thousand	Financial liabilities measured at amortised cost	Total
At 31 December 2022		
Line items of financial liabilities in the statement of financial position		
Borrowings (notes 3.1.3, 3.2 and 18)	279,564	279,564
Trade and other payables (notes 3.1.3 and 19)	17,102	17,102
Payables to the parent (notes 3.1.3, 19 and 31)	3,205	3,205
Total line items of financial liabilities in the statement of financial position	**299,871**	**299,871**
At 31 December 2021		
Line items of financial liabilities in the statement of financial position		
Borrowings (notes 3.1.3, 3.2 and 18)	123,456	123,456
Trade and other payables (notes 3.1.3 and 19)	10,016	10,016
Payables to the parent (notes 3.1.3, 19 and 31)	1,548	1,548
Total line items of financial liabilities in the statement of financial position	**135,020**	**135,020**

NOTE 14. Credit quality of financial assets

The credit quality assessment of financial assets not past due and not written down is based on the credit ratings published by rating agencies or, if those are not available, the past credit behaviour of the customers or other counterparties.

Receivables from related parties and other receivables (notes 12 and 31) are mainly related to the parent company. According to management's assessment the items are not exposed to credit risk and there was no need to write them down as at 31 December 2022.

Other receivables from existing customers comprise the receivables of the subsidiary Enefit Green SIA, which is involved in pellet sales, of €3,461k (2021: €336k) and the receivables of the Polish subsidiaries which are involved in solar energy production.

€ thousand	31 DECEMBER	
	2022	2021
Trade receivables		
Receivables from new customers (customer relationship shorter than 6 months)	1	3
Receivables from existing customers (customer relationship 6 months or longer) that have not exceeded the due date in the past 6 months	3,349	5,997
Receivables from customers that have exceeded the due date in the past 6 months	2,736	2,169
Receivables from existing customers (customer relationship 6 months or longer) that have not made any payments in the past 6 months	0	39
Other receivables from existing customers	4,407	1,592
Total trade receivables (note 12)	**10,493**	**9,799**

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€ thousand	31 DECEMBER	
	2022	2021
Current accounts		
At banks with Moody's credit rating Aa3	131,456	80,454
Total current accounts (note 15)	**131,456**	**80,454**
Derivative financial instruments		
Derivatives with a positive fair value with Moody's credit rating Aa3	14,626	0
Total derivative financial instruments with a positive fair value (notes 13, 16 and 21)	**14,626**	**0**

At 31 December 2022, the group had current account balances with SEB, Swedbank and OP bank in Estonia. The current account balances with SEB and Swedbank exceeded 10% of the group's total current accounts at banks (31 December 2021: current accounts were with SEB, Swedbank and OP bank in Estonia and the account balances with SEB and Swedbank exceeded 10% of the group's total current accounts and short-term deposits at banks).

According to management's assessment, other receivables and accrued income due from counterparties without a credit rating issued by an independent rating agency do not involve material credit risk because there is no evidence of circumstances that would indicate impairment. The assessment is based on the facts that the group's business operations have not changed significantly in the past twelve months, the credit quality of business partners is stable and there have not been any events or circumstances that could result in the impairment of relevant receivables.

NOTE 15. Cash and cash equivalents

€ thousand	31 DECEMBER	
	2022	2021
Current accounts	131,456	80,454
Total cash and cash equivalents (notes 2.11 and 3.1.3)	**131,456**	**80,454**

Cash and cash equivalents by currency

€ thousand	31 DECEMBER	
	2022	2021
EUR	127,312	78,627
PLN	4,144	1,828
Total cash and cash equivalents (notes 2.11, 3.1 and 3.2)	**131,456**	**80,454**

NOTE 16. Non-derivative contract liability, derivative financial instruments and hedge accounting

Non-derivative contract liability

In 2021, the group used cash flow hedges 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

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Pool power exchange. To hedge the risk of electricity price volatility, the group used base load swap derivative contracts in 2021. Under the given derivatives, the group was the payer of the floating price and the counterparty was 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 forecast renewable electricity sales transactions that are exposed to market price fluctuations. The hedge ratio of the hedging relationships is one to one.

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

At the trade date the fair value of derivatives designated as hedging instruments was negative at €(10,781)k, which was recognised directly in equity as it reflected a transaction with the parent, Eesti Energia AS. The balance at 31 December 2022 was negative at €(10,781)k (31 December 2021: €(10,781)k).

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

The group continued to apply hedge accounting to the open derivatives position until 17 August 2021, recognising changes in the fair value of the derivatives until the date of signature of the EFET General Agreement. The negative value of the derivative financial instruments classified as liabilities increased from €(10,781)k at the trade date to €(23,207)k at 31 December 2021 due to the change in the electricity price in the period from the trade date to 17 August 2021. The negative fair value change of €(12,426)k has been recognised in other comprehensive income as no material sources of hedge ineffectiveness were identified in the hedging relationships in the period between 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 balance at 31 December 2022 was €(12,426)k (31 December 2021: €(12,426)k).

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

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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 21 for further information about reserves. At 31 December 2022, the liability of €23,207k was classified into current and non-current portions of €5,121k and €18,086k, respectively.

Interest rate swap transactions

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

- An interest rate swap with a notional amount of €80,000k whereby the group receives interest at a rate equal to 6 month EURIBOR and pays a fixed rate of interest of 1.1%. Group uses the interest rate swap 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 €50,000k whereby the group receives interest at a rate equal to 3 month EURIBOR and pays a fixed rate of interest of 1.049%. Group uses the interest rate swap 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 €38,334k whereby the group receives interest at a rate equal to 6 month EURIBOR and pays a fixed rate of interest of 1.125%. Group uses the interest rate swap 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 at 31 December 2022 the main terms of the interest rate swaps matched the terms of the loans (i.e. their notional amounts, currencies, maturities, and payment 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.

The effect of hedging instruments on the group's statement of financial position as at 31 December 2022 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 the income statement	Amounts transferred from hedge reserve to the income statement
Interest rate swaps	168,334	14,626	0	Derivative financial instruments	14,529	0	(97)

NOTE 17. Equity

Enefit Green AS had 264,276,232 registered shares at 31 December 2022 (31 December 2021: 264,276,232 registered shares). The par value of each share is 1 euro.

Since 21 October 2021, Enefit Green has been listed on the Nasdaq Tallinn stock exchange. At 31 December 2021, 77.17% of the shares were held by the controlling shareholder Eesti Energia AS. At 31 December 2022, the statutory capital reserve of Enefit Green AS amounted to €3,259k (31 December 2021: €479k) and the group's retained earnings amounted to €225,190k (31 December 2021: €157,673k).

On 31 August 2021, the share capital of Enefit Green AS was increased by €225,000k, i.e. from €4,793k to €229,793k using a bonus issue. The bonus issue was conducted using a voluntary reserve in equity. The company issued 225,000,000 new ordinary shares with a par value of €1 each. Share capital was increased without share premium.

In connection with the initial public offering (IPO) of the company's shares, which was carried out in October 2021, Enefit Green AS issued 34,482,759 new shares with a par value of €1 each. The issue price was €2.9 per share. Proceeds from the sale of the shares amounted to €100,000k and the transaction gave rise to share premium of €65,517k.

The IPO costs (including financial advisory fees, legal due diligence and advisory fees, marketing expenses, etc.) of €5,166k were capitalised because according to the group's assessment they were essential for the IPO.

On making a dividend distribution, the group will have to pay income tax of 14% (calculated as 14/86 of the net distribution) on the portion which extends up to the three preceding years' average dividend distribution and income tax of 20% (calculated as 20/80 of the net distribution) on the rest of the distribution. See note 28 for further information about income tax on dividends.

In 2022, the group distributed a dividend of €39,906k, €0.151 per share (2021: €27,100k, €5.65 per share).

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Unrestricted (distributable) equity, the maximum possible net dividend and the maximum possible income tax on dividends:

€ thousand	31 DECEMBER	
	2022	2021
Retained earnings	225,190	157,673
Income tax payable on the distribution of the entire retained earnings	(40,894)	(30,967)
Maximum possible net dividend	**184,296**	**126,706**

Basic earnings per share 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 equal basic earnings per share.

	1 JANUARY – 31 DECEMBER	
	2022	2021
Profit attributable to shareholders of the parent (€ thousand)	110,207	79,661
Weighted average number of ordinary shares outstanding (thousand)	264,276	86,707
Basic earnings per share (€)	0.42	0.92
Diluted earnings per share (€)	0.42	0.92

NOTE 18. Borrowings

Borrowings measured at amortised cost

€ thousand	Short-term borrowings		Long-term borrowings			Total
	Bank loans	Lease liabilities	Bank loans	Lease liabilities	Other	
Borrowings at amortised cost at 1 January 2021	**37,533**	**245**	**156,513**	**2,045**	**3,000**	**199,336**
Movements in 2021						
Cash movements						
Addition of borrowings	10,000	0	0	0	0	10,000
Repayments of borrowings	(43,634)	(262)	(40,000)	0	0	(83,896)
Non-cash movements						
Initial recognition of lease liabilities	0	0	0	709	0	709
Transfers	25,455	267	(25,455)	(267)	0	0
Amortisation of borrowing costs	0	0	51	0	0	51
Effect of movements in foreign exchange rates	(7)	0	(60)	0	0	(67)
Other movements	0	(26)	0	348	(3,000)	(2,678)
Total movements in 2021	**(8,186)**	**(21)**	**(65,464)**	**790**	**(3,000)**	**(75,880)**
Borrowings at 31 December 2021	**29,348**	**224**	**91,049**	**2,835**	**0**	**123,456**

Contents

€ thousand	Short-term borrowings		Long-term borrowings			Total
	Bank loans	Lease liabilities	Bank loans	Lease liabilities	Other	
Borrowings at amortised cost at 31 December 2021 (notes 3.1.3, 3.2 and 13)	**29,348**	**224**	**91,049**	**2,835**	**0**	**123,456**
Movements in 2022						
Cash movements						
Addition of borrowings	0	0	270,000	0	0	270,000
Repayments of borrowings	(115,277)	(431)	0	0	0	(115,708)
Non-cash movements						
Addition of borrowings	0	223	0	1,745	0	1,968
Transfers	109,348	396	(109,348)	(396)	0	0
Effect of movements in foreign exchange rates	(23)	0	(124)	(6)	0	(153)
Total movements in 2022	**(5,952)**	**188**	**160,528**	**1,343**	**0**	**156,107**
Borrowings at 31 December 2022	**23,396**	**412**	**251,577**	**4,178**	**0**	**279,563**
Borrowings at amortised cost at 31 December 2022 (notes 3.1.3, 3.2 and 13)	**23,396**	**412**	**251,577**	**4,178**	**0**	**279,563**

Enefit Green AS made regular scheduled repayments of €20,989k and an early loan repayment of €94,288k in 2022 (2021: scheduled loan repayments of €43,634k and an early loan repayment of €40,000k).

In January 2022, the group raised a twelve-year loan of €80m from NIB. During the year, the group drew down loans of €170m, including the loan from NIB as well as two loans taken from SEB and OP banks with terms of seven and five years, respectively, and fixed the interest rates of the loans until the maturity dates of the underlying loan agreements. In December 2022, the group raised new loans from SEB and Swedbank in order to refinance the loans maturing in 2023. Both new loans were taken in the amount of €50m for a term of five years. Enefit Green has signed three revolving credit facility agreements of €50m in total, which mature in the period 2024–2026 (all facilities were undrawn at 31 December 2022).

In 2021, Enefit Green AS drew down a revolving credit facility of €10,000, which was repaid in full in 2021. In 2020, Enefit Green AS signed a long-term loan agreement of 40m Polish zloty (€9,000k) with the European Bank for Reconstruction and Development (EBRD), which was paid out in full.

At the reporting date, a liability related to the acquisition of the Tolpanvaara project, which consistent with the agreement between Metsähallitus and Enefit Green AS is to be settled in 2024, was reported as a non-current payable. At the end of 2020, it was presented in other long-term borrowings in an amount of €3,000k. See notes 9 and 18 for further information about the transaction.

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Fair values of bank loans

€ thousand	31 DECEMBER	
	2022	2021
Nominal value of floating-rate bank loans (note 3.1)	106,640	120,397
Fair value of floating-rate bank loans (note 3.3)	106,640	120,397
Nominal value of bank loans with interest rate risk hedged with interest rate swaps	168,334	0
Fair value of bank loans with interest rate risk hedged with interest rate swaps	168,334	0
Total nominal value of bank loans	**274,973**	**120,397**
Total fair value of bank loans	**274,973**	**120,397**

According to management's assessment, the fair values of loans with floating interest rates as at the end of the reporting period do not differ from their carrying amounts as the risk margins have not changed.

Bank loans at nominal value by maturity

€ thousand	31 DECEMBER	
	2022	2021
< 1 year	23,396	29,348
1–5 years	181,861	87,393
> 5 years	69,716	3,656
Total	**274,973**	**120,397**

The loans are denominated in euros and in Polish zloty (one loan from EBRD). The balance of the loan denominated in zloty was €6,640k (31,080k Polish zloty) at 31 December 2022 and €7,537k (34,648k Polish zloty) at 31 December 2021.

At 31 December 2022, the group had undrawn loans of €50,000k (31 December 2020: €140,000k).

Weighted average effective interest rates of borrowings

	31 DECEMBER	
	2022	2021
Bank loans	2.6%	1.4%
Lease liabilities	5.0%	5.0%

The weighted average interest rate of bank loans takes into account the effect of interest rate swaps.

Net debt*

€ thousand	31 DECEMBER	
	2022	2021
Cash and cash equivalents (note 15)	131,456	80,454
Short-term borrowings	(23,808)	(29,571)
Long-term borrowings	(255,755)	(93,884)
Net debt	**(148,107)**	**(43,002)**
Cash and cash equivalents (note 15)	131,456	80,454
Floating-rate liabilities	(106,640)	(123,456)
Liabilities with interest rate risk hedged with interest rate swaps	(168,334)	0
Net debt	**(148,108)**	**(43,002)**

* Net debt – borrowings less cash and cash equivalents, see also note 3.2

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NOTE 19. Trade and other payables

€ thousand	31 DECEMBER	
	2022	2021
Financial liabilities within trade and other payables		
Trade payables	9,709	4,289
Accrued expenses	2,338	379
Payables to the parent (note 31)	3,205	1,548
Interest payable	554	93
Other payables	4,501	5,255
Total financial liabilities within trade and other payables (notes 3.1 and 13)	**20,307**	**11,564**
Payables to employees	1,703	1,110
Tax liabilities	1,205	4,618
Total trade and other payables	**23,215**	**17,291**
of which current portion	20,215	14,291
of which non-current portion (note 18)	3,000	3,000

NOTE 20. Government grants

€ thousand	31 DECEMBER	
	2022	2021
Government grants at the beginning of the period	**7,458**	**8,020**
Recognised as other operating income (notes 23 and 29)	(435)	(588)
Other	92	26
Government grants at the end of the period	**7,115**	**7,458**

The group's government grant liability comprises foreign aid received in 2017 for the Narva wind farm, the Paide power plant, and the construction of a biomass cogeneration plant in Latvia.

To avoid the recovery of the grants, the group must comply with certain conditions: maintain project documentation, submit project reports when requested and, in the case of some projects, meet certain technical requirements.

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NOTE 21. Other reserves

€ thousand	31 December		Note
	2022	2021	
Other reserves at the beginning of the period	**150,828**	**399,165**	
of which foreign currency translation reserve	(965)	(835)	
of which electricity cash flow hedge reserve	(12,426)	0	
of which fair value on initial recognition of derivative transactions with the parent	(10,781)	0	
of which other reserves	175,000	400,000	
Increase of share capital through a bonus issue	0	(225,000)	17
Change in fair value of cash flow hedges	0	(12,426)	2.28, 3.1.1
of which electricity cash flow hedge reserve	0	(12,426)	
of which interest rate cash flow hedge reserve	14,529	0	
Fair value on initial recognition of derivative transactions with the parent	0	(10,781)	2.28, 3.1.1
Recognised as an increase in interest expense	97	0	27
Exchange differences on the translation of foreign operations	203	(130)	
Other reserves at the end of the period	**165,657**	**150,828**	
of which foreign currency translation reserve	(762)	(965)	
of which interest rate cash flow hedge reserve	(14,626)	0	
of which electricity cash flow hedge reserve	(12,426)	(12,426)	2.28 3.1.1
of which fair value on initial recognition of derivative transactions with the parent	(10,781)	(10,781)	2.28 3.1.1
of which other reserves	175,000	175,000	

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NOTE 22. Revenue

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Revenue by activity		
Sale of goods		
Pellets	30,234	22,507
Scrap metal	1,049	1,090
Other goods	3,343	243
Total sale of goods	**34,626**	**23,840**
Sale of services		
Electricity	170,456	103,213
Waste reception and resale	14,195	15,371
Heat	7,227	7,187
Asset rental and maintenance (note 8)	859	835
Other services	5,917	2,556
Total sale of services	**198,654**	**129,162**
Total revenue (note 5)	**233,280**	**153,002**

Pellet sales in 2022 totalled 149k tonnes, which is 13% less than in 2021 (171k tonnes). While pellet sales volume was smaller, the average sales price was 55% higher.

Growth in electricity revenue is explained in note 1.1.

NOTE 23. Renewable energy support and other operating income

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Renewable energy support (note 31)	22,827	29,546
Government grants (notes 22 and 29)	435	588
Other income	473	571
Total other operating income (note 5)	**23,735**	**30,705**

Renewable energy support decreased in 2022. Support depends on energy production volume and as electricity production decreased in 2022, the amount of support received decreased as well.

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NOTE 24. Raw materials, consumables and services used

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Technological fuel	23,187	12,381
Maintenance and repairs	15,038	15,354
Electricity	32,712	8,169
Services related to ash treatment	2,137	2,812
Materials and spare parts for production operations	9,578	2,303
Transport services for the sale of finished goods	1,815	1,769
Other raw materials, consumables and services used	911	617
Transmission services	309	344
Environmental pollution charges	259	282
Resource charges for natural resources	8	7
Total raw materials, consumables and services used	**85,954**	**44,038**

See note 1.1. for further information about growth in electricity expenses.

Expenses on technological fuel grew in 2022 due to higher prices for biomass.

NOTE 25. Payroll expenses

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Wages, salaries, additional remuneration, bonuses and vacation pay	7,064	5,232
Other payments and benefits to employees	127	65
Payroll taxes	1,920	1,416
Total payroll expenses	**9,111**	**6,713**
of which remuneration of the management board of Enefit Green group (note 31)	525	437
of which remuneration	424	406
of which bonuses	101	31
of which additional remuneration	0	0
Average number of employees during the period	176	158

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NOTE 26. Other operating expenses

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Lease and maintenance of real estate	2,502	2,061
Security and general insurance services	1,389	1,295
Business consulting services	1,461	1,159
Other expenses	1,976	1,046
Information technology services	1,117	1,024
Financial and accounting services	653	355
Support and donations	268	278
Office expenses	258	220
Employee-related expenses	498	165
Legal services	251	103
Excise duties	38	84
Total other operating expenses	**10,411**	**7,790**

Lease and maintenance of real estate includes lease expenses of €1,597k (2021: €1,251k) (see note 6). The expenses include variable lease payments of €1,174k (2021: €811k) which have not been included in the measurement of lease liabilities and expenses on low-value leases of €423k (2021: €440k) and no expenses on short-term leases (2021: none).

NOTE 27. Net finance costs

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Finance income		
Interest income	254	2
Foreign exchange gain	83	620
Other finance income from associates	0	76
Other income on other short-term investments	0	23
Total finance income (note 29)	**337**	**721**
Finance costs		
Interest expense		
Interest expense on borrowings	(3,517)	(3,251)
Effect of interest rate swaps (note 21)	(97)	0
Capitalised borrowing costs	1,914	435
Total interest expense	**(1,700)**	**(2,816)**
Other finance costs	(19)	(17)
Foreign exchange loss	(623)	0
Total finance costs	**(2,342)**	**(2,833)**
Net finance costs	**(2,005)**	**(2,112)**

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NOTE 28. Income tax expense

Under the Estonian Income Tax Act, corporate profit is taxed when it is distributed. From 2019, regular dividend distributions are subject to a lower, 14% income tax rate (calculated as 14/86 of the net distribution). Thus, in calculating the income tax payable on dividends, a resident company can apply a lower tax rate of 14% and the standard tax rate of 20% (calculated as 20/80 of the net distribution). The more favourable tax rate may be applied to a dividend distribution that amounts to up to three preceding financial years' average distribution of retained earnings on which the company has paid income tax. Dividends distributed from dividends received from another entity are not subject to income tax, provided that the recipient of the dividends had at least a 10% interest in the entity at the time the dividend was distributed.

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Income tax expense (income)	6,688	1,669
Change in deferred income tax assets and liabilities	(1,120)	(84)
Total corporate income tax expense (income)	**5,567**	**1,585**

Average effective tax rate

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Estonia		
Net amount of dividends	39,906	27,100
of which dividends taxed at 14% (14/86 of net distribution)	3,645	0
of which dividends taxed at 20% (20/80 of net distribution)	16,282	0
Tax exempt dividends	19,979	27,100
Theoretical tax expense	4,664	0
Actual income tax on dividends	4,664	0
Average effective tax rate	11.69%	0
Income tax expense of subsidiaries	2,024	1,669
Income tax expense	**6,688**	**1,669**
Deferred income tax expense (income)	(1,121)	(84)
of which deferred income tax income	(1,502)	(720)
of which deferred income tax expense	381	636
Total corporate income tax expense (income)	**5,567**	**1,585**

Dividends paid to shareholders in 2021 and 2022 were distributed from the retained earnings of the Lithuanian subsidiary on which income tax had already been paid.

At 31 December 2022, the group had deferred tax liabilities of €12,326k (31 December 2021: €12,568k), of which €10,323k (31 December 2021: €10,946k) was attributable to the difference between the fair values and carrying amounts of wind farms located in Lithuania, which was recognised during the purchase price allocation conducted on the acquisition of Nelja Energia AS.

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NOTE 29. Cash generated from operations

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Profit before tax	**115,774**	**81,246**
Adjustments		
Depreciation and impairment of property, plant and equipment (note 7)	37,355	38,028
Amortisation and impairment of intangible assets (note 9)	422	118
Amortisation of government grants related to assets (note 20)	(435)	(554)
Interest and other finance costs (note 27)	1,697	2,816
Gain on disposal of an investment in an associate	(645)	0
Profit from associates under the equity method	(7)	(115)
(Gain) loss on disposal of property, plant and equipment	(3)	19
Interest and other finance income (note 27)	(251)	(26)
Amortisation of connection fees and other service charges	0	(8)
(Gain) loss on other non-cash transactions	0	(691)
Foreign exchange (gain) loss on loans provided and received in foreign currency	(147)	(67)
Adjusted profit before tax	**153,760**	**120,766**
Net change in current assets related to operating activities		
Change in trade receivables (note 12)	(686)	(712)
Change in inventories (note 11)	(4,226)	1,556
Change in other receivables related to operating activities (note 12)	(16,803)	(2,361)
Total net change in current assets related to operating activities	**(21,715)**	**(1,517)**
Net change in current liabilities related to operating activities		
Change in provisions	(58)	(57)
Change in trade payables (note 19)	4,814	(2,062)
Net change in other payables related to operating activities	(105)	4,402
Total net change in liabilities related to operating activities	**4,651**	**2,283**
Cash generated from operations	**136,696**	**121,532**

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NOTE 30. Contingencies and commitments

Contingent liabilities arising from potential tax audits

Estonia

The tax administrator has neither initiated nor conducted any tax audits or single case audits at any group entity. The tax administrator may audit a company's tax accounting within five years after the submission of a tax return. If misstatements are detected, the tax administrator may charge additional tax, late payment interest and penalties. According to management's assessment, there are no circumstances that would cause the tax administrator to assess a significant amount of additional tax to be paid by the group.

Foreign jurisdictions

The tax administrator has neither initiated nor conducted any tax audits or single case audits at any foreign group entity. In Latvia, Lithuania, Poland and Finland the tax administrator may audit a company's tax accounting within up to five years after the submission of a tax return. According to management's assessment, there are no circumstances that would cause the tax administrator to assess a significant amount of additional tax to be paid by the group.

Contingent liabilities related to pending legal disputes

At 31 December 2022 and 31 December 2021, the group did not have any pending legal disputes that could have a negative effect on the group's financial statements.

Loan covenants

The group's loan agreements contain some covenants, which set certain limits to the group's consolidated financial indicators. The group did not breach any covenants in 2022 or 2021 (note 18).

Commitments under the construction contracts of new wind and solar farms

At 31 December 2022, the group had committed to future capital expenditures of €89,623k (2021: €194,691k) under construction contracts relating to the Šilale II wind farm, the Akmene wind farm, the Tolpanvaara wind farm, the Zambrow solar farm, the Debnik solar farm and Purtse hybrid wind and solar farm.

Commitments under contracts for the acquisition of development projects

At 31 December 2022, the group had committed to future capital expenditures of €17,400k (2021: €14,400k) under contracts signed for the acquisition of the Tolpanvaara wind farm and the Kelme II/III wind farm development projects.

Variable lease payments

Where the right to use land (the right of superficies) is based on variable lease payments which do not depend on an index or a rate (e.g. the payments are based on a percentage of the sale of the assets located on the land or the value of the cadastral unit), the lease is not accounted for by recognising a right-of-use asset and a lease liability in accordance with the requirements of IFRS 16 but it is accounted for by recognising the payments as operating expenses. According to the group's assessment, at 31 December 2022 the discounted future payments over the remaining terms of such leases amounted to €7,736k (2021: €7,916k). Actual lease payments are affected by changes in the values of cadastral units, electricity prices and production volumes.

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NOTE 31. Related party transactions

The parent of Enefit Green AS is Eesti Energia AS. The sole shareholder of Eesti Energia AS is the Republic of Estonia.

For the purposes of these consolidated financial statements, related parties include owners that have control of significant influence, other companies belonging to the same group (group companies), associates and joint ventures, members of the executive and higher management as well as 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 the disclosure of insignificant transactions and balances with the government and other related parties because the state has control or common control of, or significant influence over, those parties.

Transactions and balances with the parent

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Purchases of property, plant and equipment	26,863	0
Purchases of intangible assets	391	0
Purchases of services	15,251	8,664
Sales of goods	0	6,211
Sales of services	32,320	1,833

Electricity sales in 2022 are presented within sales of services (2021: within sales of goods).

Purchases of property, plant and equipment comprise the acquisition of Tootsi Windpark OÜ from the parent. Further information on the transaction is provided in note 7. Purchases of intangible assets comprise the purchase of Enefit Green's asset management software from the development unit of the parent Eesti Energia.

Enefit Green AS and its subsidiaries produce renewable energy that is sold directly to third parties (including the Nord Pool power exchange). The parent Eesti Energia AS provides Enefit Green AS with some administration services required for energy sales. The services include settlement and payment management, communication with Nord Pool and regulators, and preparation of regulatory reporting for electricity production and sales transactions. The costs of those services along with the costs of other centrally arranged services provided by Eesti Energia AS are presented within purchases of services. The same line item includes open supply transactions: purchases of balancing energy, which increased by €6,549k compared with 2021. All of Enefit Green's wind farms in Lithuania exited the FiT support scheme in autumn 2022, which increased the need for the purchase of balancing energy. Both the quantity and price of balancing energy purchases increased in 2022.

At 31 December 2022, Enefit Green AS had signed long-term physical electricity sales contracts with the realated party Eesti Energia AS on 9,315 GWh (31 December 2021: 5,735 GWh) for the supply of electricity in the Lithuanian, Estonian, Finnish and Polish electricity networks in the period 2023–2033. The contracts have been signed for the supply of both annual and monthly base load energy. The weighted average price of electricity to be supplied under the long-term contracts with the related party for the physical supply of electricity is 69.5 €/MWh (31 December 2021: 42.3 €/MWh). Further information about growth in the sales of services is provided in note 1.1.

€ thousand	31 DECEMBER	
	2022	2021
Receivables (note 12)	11,968	3,293
Payables (note 19)	3,205	1,548
Non-derivative contract liability (note 3.1.1)	23,207	23,207

Transactions and balances with other group companies

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Purchases of property, plant and equipment (note 7)	0	29,364
Purchases of services	6,180	2,387
Purchases of goods	73	304
Sales of goods	3,155	106
Sales of services	7,907	3,222

€ thousand	31 DECEMBER	
	2022	2021
Receivables (note 12)	31	908
Payables (note 19)	731	941

Transactions and balances with other related parties (including associates)

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Purchases of services	1,582	1,833
Sales of services	18	16

€ thousand	31 DECEMBER	
	2022	2021
Receivables (note 13)	21	0
Payables (note 20)	251	454

Purchase and sales transactions with related parties have been conducted at prices approved by the Competition Authority or at market prices.

The remuneration of the members of the management and supervisory boards is disclosed in note 25. Members of the management board are entitled to four months' remuneration on the termination of their service contracts.

Transactions with companies under the control or significant influence of the Republic of Estonia

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

Transactions with Elering AS

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Purchases of services	11,139	330
Sales of services (note 23)	23,891	29,441

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Receivables from and payables to Elering AS

€ thousand	31 DECEMBER	
	2022	2021
Receivables	2,064	2,718
Payables	29	43

NOTE 32. Supplementary information about the parent

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the separate primary financial statements of the consolidating entity (the parent). The primary financial statements of the parent, have been prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements. In the parent's primary financial statements disclosed in the notes to the consolidated financial statements, investments in subsidiaries are accounted for as required by IAS 27 *Separate Financial Statements*.

In the parent's primary financial statements disclosed in this note (Supplementary information about the parent), investments in subsidiaries are measured at cost less any impairment losses.

Income statement

€ thousand	1 JANUARY – 31 DECEMBER	
	2022	2021
Revenue	62,200	42,337
Renewable energy support and other operating income	6,145	6,296
Raw materials, consumables and services used	(30,331)	(10,601)
Change in inventories of finished goods and work in progress	12	7
Payroll expenses	(6,194)	(4,561)
Depreciation, amortisation and impairment losses	(6,726)	(6,398)
Other operating expenses	(4,614)	(4,065)
Loss on write-down of an investment in a subsidiary	(1,864)	0
OPERATING PROFIT	**18,628**	**23,014**
Finance income	34,577	35,618
Finance costs	(3,323)	(3,091)
Net finance income	**31,254**	**32,527**
profit from associates under the equity method	**714**	**46**
PROFIT BEFORE TAX	**50,596**	**55,586**
Corporate income tax expense	(4,663)	0
PROFIT FOR THE YEAR	**45,933**	**55,586**

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Statement of comprehensive income

€ thousand	1 JANUARY – 31 DECEMBER		Note
	2022	2021	
PROFIT FOR THE YEAR	**45,933**	**55,586**	
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Remeasurement of hedging instruments in cash flow hedges			
(2022: incl. reclassifications to profit or loss; 2021: no reclassifications to profit or loss)	14,626	(12,426)	3.1.1 and 16
Other comprehensive income (loss) for the year	**14,626**	**(12,426)**	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**60,559**	**43,160**	

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Statement of financial position

€ thousand	31 DECEMBER	
	2022	2021
ASSETS		
Non-current assets		
Property, plant and equipment	96,917	90,755
Intangible assets	36,815	36,488
Investments in subsidiaries	333,052	256,551
Investments in associates	506	578
Loan receivables from subsidiaries	70,987	38,072
Derivative financial instruments	11,277	0
Total non-current assets	**549,554**	**422,443**
Current assets		
Inventories	1,244	1,470
Trade and other receivables and prepayments	317,267	308,193
Derivative financial instruments	3,349	0
Cash and cash equivalents	108,731	2,072
Total current assets	**430,591**	**311,734**
Total assets	**980,145**	**734,177**

€ thousand	31 DECEMBER	
	2022	2021
EQUITY		
Share capital	264,276	264,276
Share premium	60,351	60,351
Statutory capital reserve	3,259	479
Other reserves	166,419	151,793
Retained earnings	92,966	89,717
Total equity	**587,272**	**566,618**
LIABILITIES		
Non-current liabilities		
Borrowings	251,577	91,049
Government grants	1,969	2,037
Provisions	10	13
Non-derivative contract liability	18,086	23,207
Total non-current liabilities	**271,642**	**116,306**
Current liabilities		
Borrowings	23,396	29,348
Provisions	2	2
Trade and other payables	92,712	21,904
Non-derivative contract liability	5,121	0
Total current liabilities	**121,231**	**51,253**
Total liabilities	**392,873**	**167,559**
Total equity and liabilities	**980,145**	**734,177**

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Statement of cash flows

€ thousand	2022	2021
Cash flows from operating activities		
Profit before tax	**50,596**	**55,586**
Adjustments		
Depreciation, amortisation and impairment losses	6,726	6,398
Amortisation of government grants related to assets	(160)	(160)
(Gain) loss on sale of non-current assets	(2)	19
Loss (gain) on an investment in a subsidiary	0	395
Impact of the application of the equity method	(7)	(115)
Loss on write-down of an investment in a subsidiary	1,864	0
Foreign exchange (gain) loss on loans denominated in foreign currency	(147)	(67)
Gain on disposal of an investment in an associate	(645)	0
Interest expense on borrowings	3,309	3,145
Interest and other finance income	(16,256)	(8,469)
Amortisation of connection fees and other service charges	0	(8)
Elimination of dividend income	(18,339)	(27,100)
Adjusted profit before tax	**26,939**	**29,624**
Net change in current assets related to operating activities		
Change in receivables related to operating activities	(1,164)	415
Change in inventories	226	(593)
Net change in other current assets related to operating activities	(10,092)	(1,343)
Total net change in current assets related to operating activities	**(11,030)**	**(2,351)**
Net change in liabilities related to operating activities		
Change in provisions	(3)	(20)
Change in trade payables	935	(1,264)
Net change in other liabilities related to operating activities	3,062	12,435
Total net change in liabilities related to operating activities	**3,994**	**11,151**

€ thousand	2022	2021
Interest and borrowing costs paid	(2,902)	(3,161)
Interest received	13,357	4,407
Income tax paid	(4,664)	0
Net cash generated from operating activities	**25,694**	**39,670**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	3	96
Paid on purchase of property, plant and equipment and intangible assets	(13,325)	(1,911)
Contribution to the share capital of a subsidiary	(78,364)	(5,873)
Proceeds from reduction of share capital of a subsidiary	131,700	0
Loans provided (incl. increase in parent's group cash pooling facility)	0	10,671
Dividends received from associates	62	68
Dividends received from subsidiaries	18,339	27,100
Proceeds from liquidation of a business	0	297
Proceeds from disposal of an investment in an associate	724	0
Net cash generated from investing activities	**59,139**	**30,448**
Cash flows from financing activities		
Net change in an intragroup liability	(92,991)	(62,148)
Bank loans received	270,000	10,000
Repayments of bank loans	(115,277)	(83,634)
Contribution to share capital	0	100,000
Cash outflow related to issue of shares (issue costs)	0	(5,166)
Dividends paid	(39,906)	(27,100)
Net cash generated from (used in) financing activities	**21,826**	**(68,048)**
Net cash flow	**106,659**	**2,069**
Cash and cash equivalents at the beginning of the period	2,072	3
Cash and cash equivalents at the end of the period	108,731	2,072
Change in cash and cash equivalents	**106,659**	**2,069**

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Statement of changes in equity

€ thousand	Share capital	Statutory capital reserve	Share premium	Other reserves	Retained earnings	Total
Equity at 1 January 2021	**4,794**	**479**	**0**	**400,000**	**61,231**	**466,504**
Profit for the year	**0**	**0**	**0**	**0**	**55,586**	**55,586**
Other comprehensive loss for the year	0	0	0	(12,426)	0	(12,426)
Dividends paid (note 17)	0	0	0	0	(27,100)	(27,100)
Bonus issue using a voluntary reserve (note 17)	225,000	0	0	(225,000)	0	0
Issue of share capital (less issue costs) (note 17)	34,483	0	60,351	0	0	94,834
Fair value on initial recognition of derivative transactions with the parent (notes 3.1.1 and 21)	0	0	0	(10,781)	0	(10,781)
Total contributions by and distributions to shareholders of the company, recognised directly in equity	**259,483**	**0**	**60,351**	**(235,781)**	**(27,100)**	**56,953**
Equity at 31 December 2021	**264,276**	**479**	**60,351**	**151,793**	**89,717**	**566,618**
Profit for the year	**0**	**0**	**0**	**0**	**45,933**	**45,933**
Other comprehensive income for the year	0	0	0	14,626	0	14,626
Dividends paid (note 17)	0	0	0	0	(39,906)	(39,906)
Increase of statutory capital reserve	0	2,780	0	0	(2,780)	0
Other adjustments	0	0	0	0	1	1
Total contributions by and distributions to shareholders of the company, recognised directly in equity	**0**	**2,780**	**0**	**0**	**42,685**	**(39,905)**
Equity at 31 December 2022	**264,276**	**3,259**	**60,351**	**166,419**	**92,966**	**587,272**

In accordance with the Estonian Accounting Act, adjusted unconsolidated retained earnings are the amount that a company may use to make distributions to shareholders. A reconciliation of the parent company's equity with its adjusted unconsolidated equity is presented in the table below.

€ thousand	31 DECEMBER	
	2022	2021
Equity of the parent company	587,272	566,618
Carrying amount of interests under control and significant influence	(333,558)	(257,129)
Value of interests under control and significant influence under the equity method	465,019	324,119
Adjusted unconsolidated equity	**718,733**	**633,607**

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NOTE 33. Events after the reporting period

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

At a meeting held on 28 February 2023, the supervisory board of Enefit Green appointed Andres Maasing as a new member of the management board of Enefit Green. Andres Maasing will be the chief development officer responsible for implementing the group's renewable energy development projects and expanding the developments portfolio. His three-year term of office will begin on 3 April 2023. The new composition of the management board of Enefit Green, consisting of four members, is as follows: chairman of the management board Aavo Kärmas and members of the management board Innar Kaasik, Veiko Räim and Andres Maasing.

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Remuneration Report

The report on the remuneration of the management board of Enefit Green complies with the principles of remunerating 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, and the provisions of the Estonian Securities Market Act.

The amount of performance-related remuneration depends on the achievement of the goals set for the financial year. The supervisory board sets the chairman of the management board, and the chairman of the management board sets other members of the management board, specific goals and performance criteria (financial and non-financial criteria such as EBITDA, availability of production facilities, management index, implementation of development projects) for each financial year along with their weights, which reflect Enefit Green's strategy and action plan for the year.

The goals, performance criteria and weights are set taking into account Enefit Green's business and risk strategy as well as the long-term interests of Enefit Green and its shareholders. The supervisory board assesses the meeting of the goals after the end of the financial year. The maximum amount of performance-related remuneration for a year is fourfold basic monthly remuneration as at the end of the financial year.

The supervisory board assessed the performance of the members of the management board against the established performance criteria and assigned the chairman of the management board Aavo Kärmas and the member of the management board Veiko Räim performance-related remuneration for 2022 in the amount of threefold basic monthly remuneration and the member of the management board Innar Kaasik performance-related remuneration for 2022 in the amount of twofold basic monthly remuneration.

The remuneration provided to the members of the management board in 2022 complies with the adopted remuneration principles, ensuring the achievement of Enefit Green's long-term strategic goals through the contribution of highly qualified and results-oriented members of the management board. The total amount of payments made is reasonable in view of the responsibilities of the members of the management board and the financial position of Enefit Green.

The members of the management board have not been granted or offered share options.

No performance-related remuneration was recovered in 2022.

The adopted remuneration principles were applied without exception in 2022.

Remuneration provided to the members of the management board of Enefit Green in 2022

	Position	Basic remuneration (€)	Performance-related remuneration (€)*	Total remuneration (€)	Proportion of performance-related remuneration (%)
Aavo Kärmas	Chairman of the Management Board	146,402	39,000	185,402	21.0%
Veiko Räim	Member of the Management Board, Chief Financial Officer	115,627	30,000	145,627	20.6%
Innar Kaasik	Member of the Management Board, Chief Operating Officer	113,591	20,000	133,591	15.0%
Linas Sabaliauskas**	Member of the Mana-gement Board, Chief Development Officer	48,693	11,667	60,360	19.3%
Total		**424,313**	**100,667**	**524,980**	**19.2%**

* The performance-related remuneration for 2022, assigned by the decision of the supervisory board dated 28 February 2023, which is to be paid out in 2023. The performance-related remuneration of Linas Sabaliauskas was assigned by the decision of the supervisory board dated 27 July 2022 in proportion to the time worked in 2022.
** Linas Sabaliauskas was a member of the management board until 1 August 2022.

In 2022, Linas Sabaliauskas was paid additional remuneration of €29,630 for the management of Enefit Green's subsidiaries domiciled in Lithuania. Other members of the management board did not receive remuneration from other entities of the Enefit Green group.

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Management board members' performance criteria and the weights assigned to them in 2022

Performance criteria and sub-criteria	**Aavo Kärmas** Chairman of the Management Board	**Veiko Räim** Chief Financial Officer	**Innar Kaasik** Chief Operating Officer and Head of Asset Management
Profitability and efficiency			
- EBITDA of the group - Fixed costs of the group - EBITDA for production operations and asset management - Availability of wind farms - Availability of cogeneration plants - Energy portfolio management and risk management framework - Investor relations - Sustainability framework	50%	80%	50%
Growth			
- Investment decisions on budgeted projects - Project financing - Keeping projects under construction within budget and on schedule - Supporting the development process - EBITDA for new services	40%	10%	10%
Management quality and employee satisfaction	10%	10%	10%
Development of production operations and asset management			
- Developing a long-term action plan for the Iru facility - Developing forest management principles - Reviewing the repowering plan for existing assets	-	-	30%

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Comparison of EBITDA as the main KPI and the remuneration of the management board members and full-time employees in 2018–2022

	Unit	2018	2019	2020	2021	2022
EBITDA	€m	40.3	90.3	110.2	121.5	**154.8**
Change	%	18.9%	124.1%	22.0%	10.3%	**27.4%**
EBITDA per full-time employee	€k	441.9	626.2	717.9	750.9	**907.9**
Change	%	13.5%	41.7%	14.6%	4.6%	**20.9%**
Number of full-time employees (average)		91.2	144.2	153.5	161.8	**170.5**
Of which number of members of the management board (average)		3.0	4.0	4.0	4.0	**3.6**
Basic and additional remuneration, bonuses, vacation pay	€k	3,385.3	4,487.6	4,669.2	5,231.5	**7,063.6**
Of which remuneration provided to members of the management board*	€k	291.4	388.8	390.6	550.2	**525.0**
Of which remuneration provided to chairman of the management board	€k	124.7	126.5	123.8	168.0	**185.4**
Average annual remuneration of full-time employees (excl. members of the management board)	€k	35.1	29.2	28.6	29.7	**39.2**
Change	%	86.7%	-16.7%	-2.1%	3.7%	**32.1%**
Average remuneration of members of the management board	€k	97.1	97.2	97.7	137.6	**145.8**
Change	%	55.5%	0.1%	0.5%	40.9%	**6.0%**
Ratio of remuneration of chairman of the management board to average remuneration of a full-time employee	ratio	3.6:1	4.3:1	4.3:1	5.7:1	**4.7:1**

* Including the members and the chairman of the management board

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Signatures

The correctness of the group annual report of Enefit Green AS (Commercial Registry number: 11184032) including the consolidated financial statements for the year ended 31 December 2022 is hereby confirmed by:

Signatory	Position of signatory	Date and signature	
Aavo Kärmas	Chairman of Management Board	26 March 2023	/ signed digitally /
Innar Kaasik	Member of Management Board	26 March 2023	/ signed digitally /
Veiko Räim	Member of Management Board	26 March 2023	/ signed digitally /

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Independent auditor's report

To the Shareholders of Enefit Green AS

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Enefit Green AS (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2022, and the Group´s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 16 March 2023.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2022;
- the consolidated statement of other comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

AS PricewaterhouseCoopers
Tatari 1, 10116 Tallinn, Estonia; License No. 6; Registry code: 10142876
T: +372 614 1800, www.pwc.ee

Translation note:

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Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its parent and subsidiaries are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59[1] of the Auditors Activities Act of the Republic of Estonia.

During the period from 1 January 2022 to 31 December 2022 we have provided to the Company and its parent and subsidiaries agreed-upon procedure services and non-audit assurance engagements permitted by the Estonian Auditors Activities Act.

Our audit approach

Overview

- Overall group audit materiality is EUR 3.75 million, which represents approximately 2,5% of underlying earnings before interest, tax, depreciation, amortization and impairment, foreign exchange gains or losses and share of results of associates (“EBITDA”).
- We tailored our audit scope based on the risk and size of entities within the Group and performed either a full scope audit or specific audit procedures over material income statement or balance sheet line items. At the Group level we tested the consolidation process and performed separate analytical procedures over the components not covered by the above procedures to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements.
- Fair value of interest rate swaps and the application of hedge accounting

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group audit materiality	EUR 3.75 million
How we determined it	We used our professional judgement to determine overall Group materiality. As a basis for our judgment we used 2.5% of EBITDA. EBITDA is defined by the Group as earnings before interest, tax, depreciation, amortisation and impairment, foreign exchange gains or losses and share of results of associates. EBITDA is a non-IFRS performance measure as disclosed in Note 5 of the consolidated financial statements. Management is responsible for defining and establishing this measure, and the method of its calculation may vary from other entities' calculation of similar measures or the Group's use of the terms that comprise this measure may vary from similarly titled terms used by others.
Rationale for the materiality benchmark applied	We have applied EBITDA as the benchmark because, as described in Note 5 of the consolidated financial statements, it is one of the key measures the management uses to assess the Company's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Fair value of interest rate swaps and the application of hedge accounting (refer to Notes 2.28, 3.3 and 16 of the consolidated financial statements for further details on the subject matter). The Group has entered into three separate interest rate swap agreements to mitigate the interest rate risk related to borrowings with a floating interest rate. The Group has designated these arrangements as cash flow hedge instruments and accounts for the changes in their fair value through other comprehensive income until the underlying hedged transactions take place. As at 31 December 2022 the total fair value of derivative instruments, designated as hedge instruments amount to 14.6 million euros. Judgment is required both in determining the fair value of these derivative contracts and in assessing the effectiveness of those derivative contracts designated as hedge instruments. The Group uses separate bespoke models that are specific to the derivatives to determine their fair value and to assess the effectiveness of those derivatives designated as hedge instruments. The fair value of interest rate swaps and the application of hedge accounting is not considered to be an area of significant risk for our audit. However, as inherent judgment is involved in applying these models and since the Group has not previously applied hedge accounting then we have considered it to be a key audit matter.	We assessed the overall internal risk supervision procedures and the associated controls around the management of liquidity and financing, including the origination and maintenance of complete and accurate information relating to derivative contracts for the management of interest risk. While we evaluated the internal controls implemented by the Group, we placed no reliance on these controls due to the nature and effectiveness of the performed substantive audit procedures. We obtained the listing of derivative contracts and assessed the accuracy and the completeness of the list by reconciling it to third-party confirmations that we had received directly from said third parties. We obtained and reviewed the qualitative assessment of the derivative contracts classified as hedge instruments, performed by management to determine whether they meet the criteria for hedge accounting as defined by both IFRS and the internal policies of the Group. We specifically focused on the valuation of the derivative contracts at the balance sheet date and on the assessment of effectiveness of the hedge instruments throughout the financial year. We tested all three derivative contracts and reviewed the basis of the Group's assessment of their effectiveness. We involved internal PwC valuation experts to help us with assessing the reasonableness of fair value calculations by challenging the underlying valuation models and reconciling material inputs to external data. We also assessed the adequacy of the disclosures related to the fair value of interest rate swaps and the application of hedge accounting in the consolidated financial statements.

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How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Accordingly, based on the size and risk characteristics, we performed a full scope audit of the financial information for the following entities within the Group: Enefit Green AS (the Group's parent entity), Enefit Wind OÜ, Enefit Wind UAB, Enefit Green SIA; Technological Solutions SIA.

In addition, specific audit procedures over significant balances and transactions were performed for subsidiaries: Enefit Wind Purtse AS, Tootsi Windpark OÜ, UAB Šilalės vėjas, UAB Vejo Parkai, Tolpanvaara Wind Farm Oy.

At the Group level we tested the consolidation process and performed separate analytical procedures over the components not covered by the above procedures to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements. Information describing the structure of the Group is included in Note 10 of the consolidated financial statements.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report, the Sustainability Report, the Profit Allocation proposal, the revenue allocation report according to the Estonian classification of economic activities (EMTAK) and the Remuneration Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

In accordance with the Securities Market Act of the Republic of Estonia with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135^3 (3) of the Securities Market Act of the Republic of Estonia.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements;

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- the Management report has been prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia; and
- the Remuneration Report has been prepared in accordance with Article 135[3] (3) of the Securities Market Act of the Republic of Estonia.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

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- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based on our agreement by the Management Board of the Parent Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of Enefit Green AS for the year ended 31 December 2022 (the "Presentation of the Consolidated Financial Statements").

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

This independent auditor's report (translation of the Estonian original) should only be used with the Estonian original document submitted in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/et/instrument/EE3100137985/reports).

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Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Parent Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regards to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and those charged with governance

The Management Board of the Parent Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE (EE) 3000 (revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

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Quality control requirements

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (revised) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

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Appointment and period of our audit engagement

We were first appointed as auditors of Enefit Green AS, as a public interest entity for the financial year ended 31 December 2021, representing the total period of our uninterrupted engagement appointment for Enefit Green AS, as a public interest entity, of 2 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of Enefit Green AS can be extended for up to the financial year ending 31 December 2040.

AS PricewaterhouseCoopers

/signed digitally/

Jüri Koltsov
Certified auditor in charge, auditor's certificate no.623

/signed digitally/

Toomas-Hendrik Parts
Auditor's certificate no.689

28 March 2023
Tallinn, Estonia

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Profit Allocation Proposal

The total retained earnings of the Enefit Green group as at 31 December 2022 were €225,190k, including net profit for 2022 of €110,207k.

The management board of Enefit Green proposes to the general meeting that profit be allocated as follows:

Dividends	**€54,969k** (€0.208 per share)
Transfer to statutory capital reserve	**€2,297k**
Retained earnings after allocations	**€52,941k**

Aavo Kärmas	Chairman of the Management Board	26 March 2023	/ signed digitally /
Innar Kaasik	Member of the Management Board	26 March 2023	/ signed digitally /
Veiko Räim	Member of the Management Board	26 March 2023	/ signed digitally /

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Revenue According to the Estonian Classification of Economic Activities (EMTAK)

The revenue of the parent of the group, Enefit Green AS, according to the Estonian Classification of Economic Activities (EMTAK), which has been established based on section 4 (6) of the Commercial Code:

Activity	EMTAK Code	2022	2021
Sale of electricity	35141	31,219	13,181
Collection of non-hazardous waste	38111	14,195	15,364
Steam and air conditioning supply	35301	6,142	6,197
Activities of head offices	70101	4,595	3,819
Sale of other particular products	46181	3,449	1,265
Repair of machinery	33121	1,784	1,677
Other real estate management or related activities	68329	602	622
Construction of utility projects for electricity and telecommunications	42221	167	146
Other business support service activities	82991	41	48
Distribution of electricity	35131	7	10
Treatment and disposal of non-hazardous waste	38211	0	7
Total revenue		**62,201**	**42,337**

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