Enefit Green

Management Report
Sustainability Report
Financial Statements

Annual Report 2023

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Management Report

Sustainability report*

Analysis of Financial Results 2023

Financial Statements 2023

Legal name Enefit Green AS
Commercial Registry number 11184032
Address Lelle tn 22, 11318 Tallinn, Republic of Estonia
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Main activities Production of electricity and heat energy in cogeneration plants, production of electricity in wind farms, solar farms and a hydropower plant

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

** Enefit Green's Sustainability Report on pages 39-54 is unaudited and is based on company's data.*

2023

OPERATING INCOME
€ 230 m

INVESTMENTS
€ 356 m

EBITDA*
€ 106 m

OPERATING CAPACITY (ELECTRICITY)
515 MW

NET PROFIT
€ 56 m

CAPACITY UNDER CONSTRUCTION (ELECTRICITY)
709 MW

PRODUCTION OF ELECTRICITY
1.3 TWh

EMPLOYEES (31 DECEMBER 2023)
154

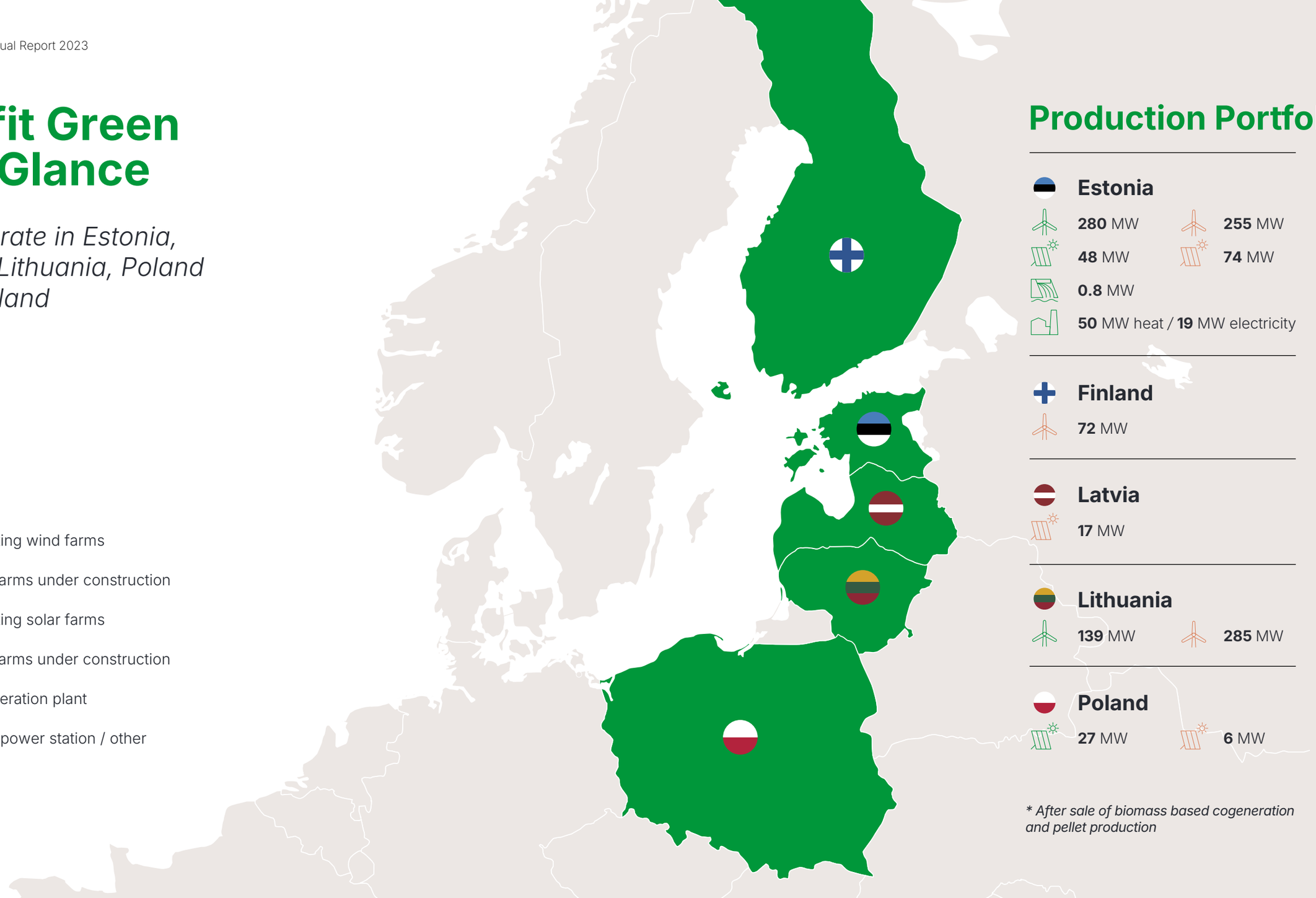
PRODUCTION OF HEAT ENERGY
604 GWh

INVESTORS
64,000

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

Enefit Green at a Glance

We operate in Estonia, Latvia, Lithuania, Poland and Finland



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

Production Portfolio*

Estonia

280 MW
255 MW
48 MW
74 MW
0.8 MW
50 MW heat / **19** MW electricity

Finland

72 MW

Latvia

17 MW

Lithuania

139 MW
285 MW

Poland

27 MW
6 MW

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

Dear reader

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At the end of 2023, Enefit Green had more than

700

MW of production assets under construction

and more than

500

MW of production assets in operation.

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

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

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

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

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

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

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

Aavo Kärmas,
Chairman of the Management Board

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Highlights in 2023

Loan agreements are signed with SEB and the Nordic Investment Bank

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

A cooperation agreement is signed with the Põhja-Pärnumaa Municipality

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

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

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

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

Annual general meeting

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

A loan agreement is signed with the European Investment Bank

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

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

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

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

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

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

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

Dividend distribution of €0.208 per share

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

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

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

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

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

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

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

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

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

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

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

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

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Strategy 2026: check point 2023

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

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

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

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

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

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

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

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

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

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

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

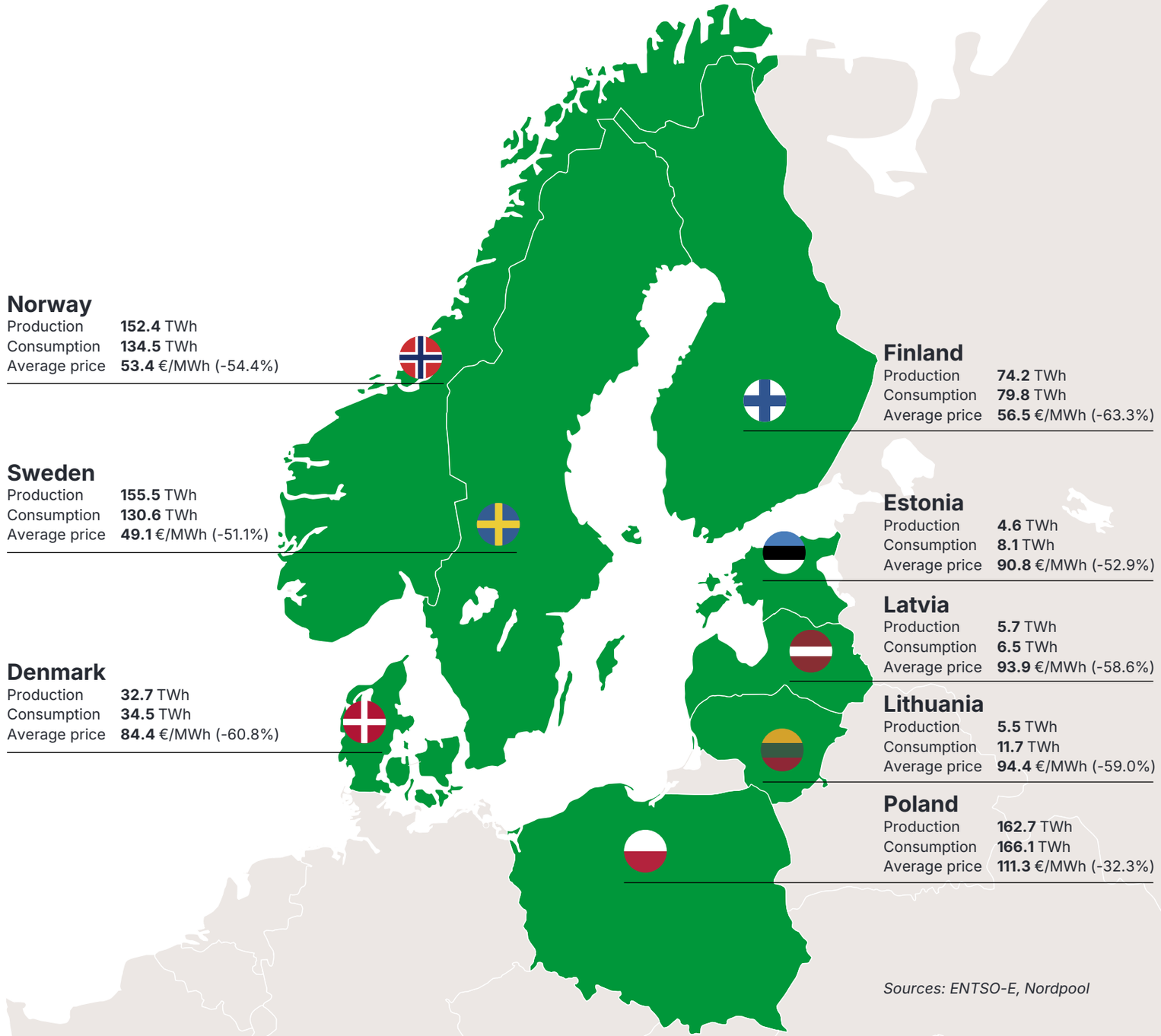
Operating Environment

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

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

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

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



Sources: ENTSO-E, Nordpool

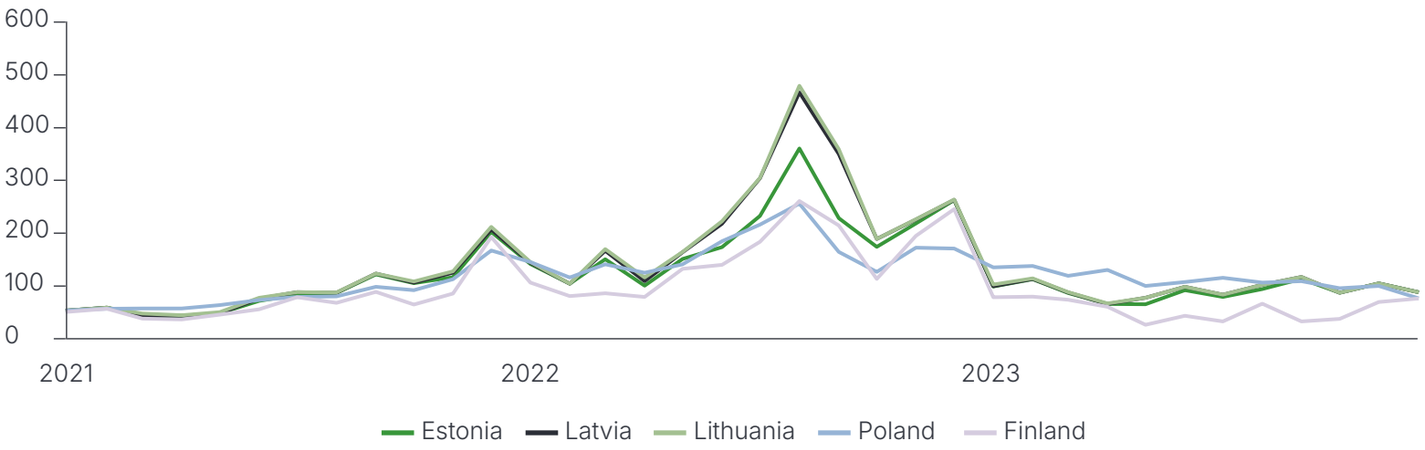
Baltic electricity prices were influenced by lower natural gas prices and growth in renewable energy production

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

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

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

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



Source: Nord Pool

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

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

Source: ENTSO-E

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

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

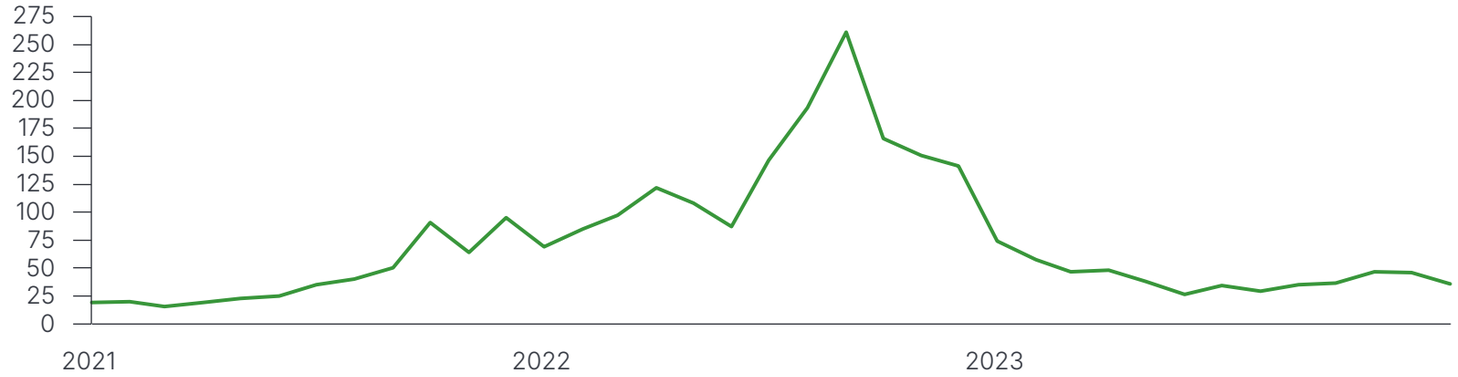
The price of natural gas increased slightly at the beginning of the second half of 2023 as LNG production problems in Australia reduced the global LNG supply by 6%, while LNG imports to Asia increased significantly. Although the decrease in LNG supply put upward pressure on prices, historically high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

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

CO_2 emission allowance prices remained at record highs

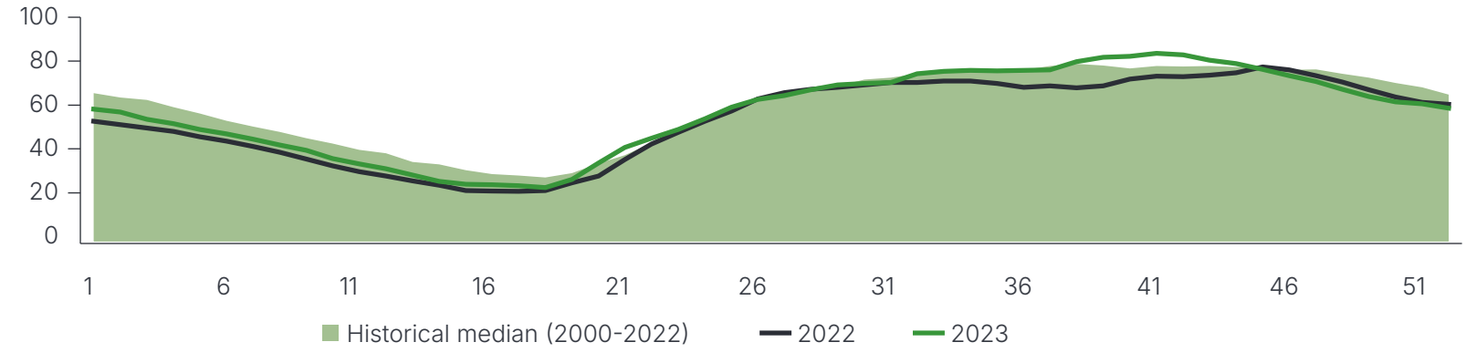
The purpose of the EU Emissions Trading System is to reduce greenhouse gas emissions in Europe and to encourage energy producers to generate more energy from renewable sources, which will become more competitive as the emission allowance price increases.

TTF natural gas price, €/MWh



Source: TTF

Weekly levels of Nordic hydro resources, % of maximum



Source: Nord Pool

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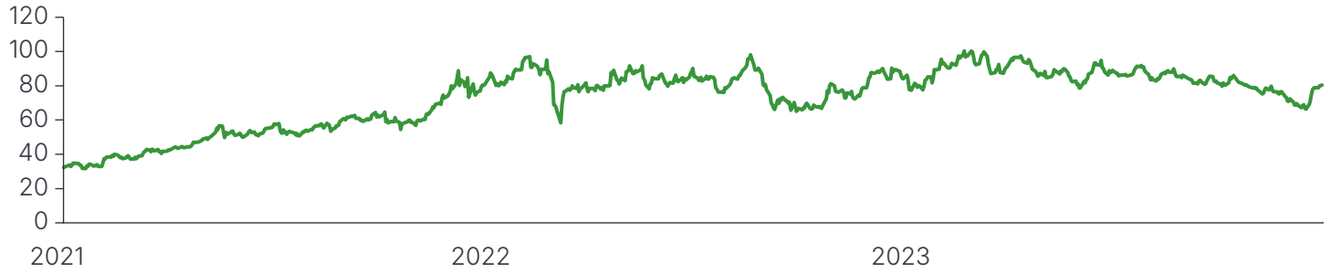
The average CO_2 emission allowance price in the first half of 2023 was 89.4 €/t, which is 6.9% (+5.8 €/t) higher than in the first half of 2022. During the first half-year, the price of CO_2 emission allowances was influenced by the widespread use of coal-fired power plants and the annual cycle of the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

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

Prices of CO_2 emission allowances, €/t



Source: Intercontinental Exchange

Regulatory developments

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

Revenue cap

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

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

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

Changes in the electricity market design

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

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

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

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

More ambitious renewable energy production targets and faster permitting

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

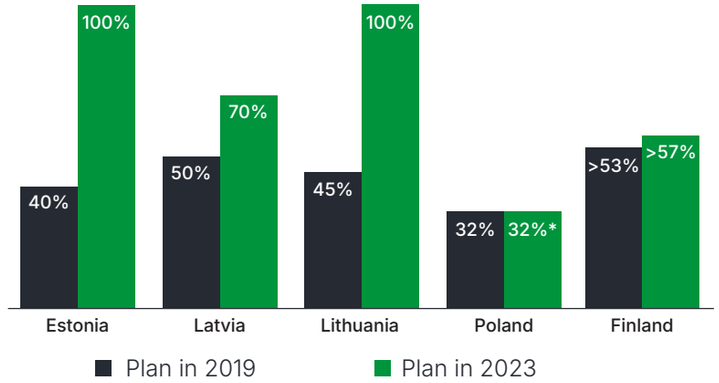
The part of the Renewable Energy Directive that is related to accelerating permitting will enter into force on 1 July 2024 and the remaining amendments on 25 May 2025.

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

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

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

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



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

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New national energy and climate plans

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

Electricity network

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

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

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

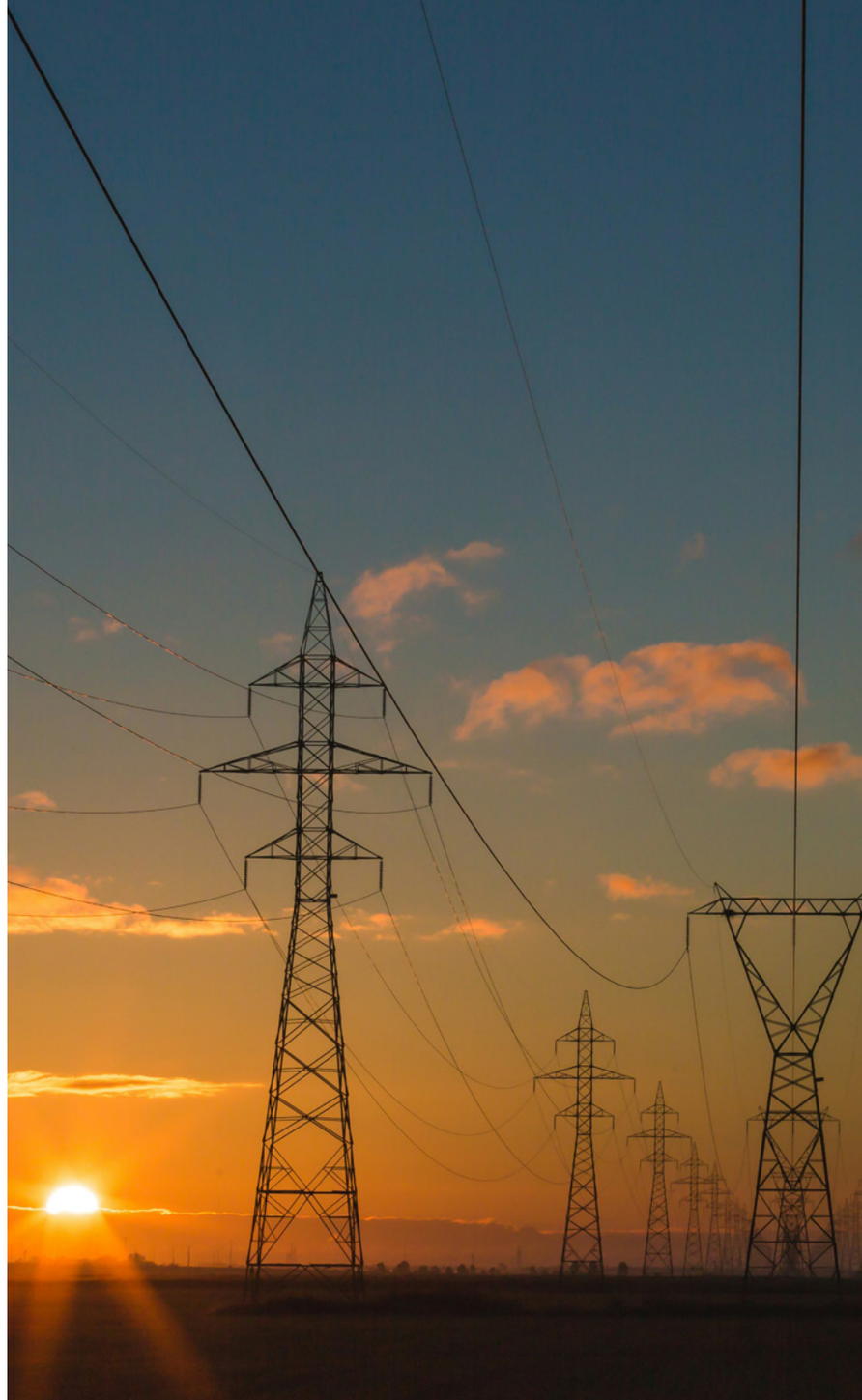
In Q3 2023, the Latvian transmission system operator AST temporarily suspended the acceptance of connection applications from electricity producers wishing to connect to the high-voltage grid if this requires changes to the 330 kV grid.

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

Wind energy

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

The Latvian government established a procedure for granting



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

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

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

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

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

Solar energy

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

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

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

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

Energy recovery from municipal waste

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

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

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

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

The importance of national support measures has declined

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

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

Share of long-term PPA has increased

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

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

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

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

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

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

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

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

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

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

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

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

Long-term PPAs

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

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

National support measures

Part of Enefit Green's electricity production in Estonia continues to receive renewable energy support, which is paid in addition to the sales price of electricity (feed-in-premium, FiP). 7% of Enefit Green's expected electricity production in 2024–2028 is covered with FiP support measures at an average FiP rate of 51 €/MWh.

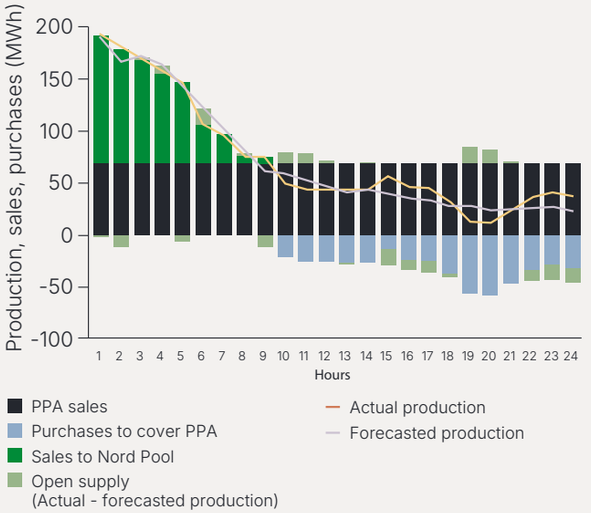
The share of fixed-price support measures has decreased significantly. Only 1% of Enefit Green's expected electricity production in 2024–2028 is covered with fixed-price support measures (contracts for difference (CfD) schemes in Poland) at an average price of 116.3 €/MWh.

Profile risk of baseload PPAs

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

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

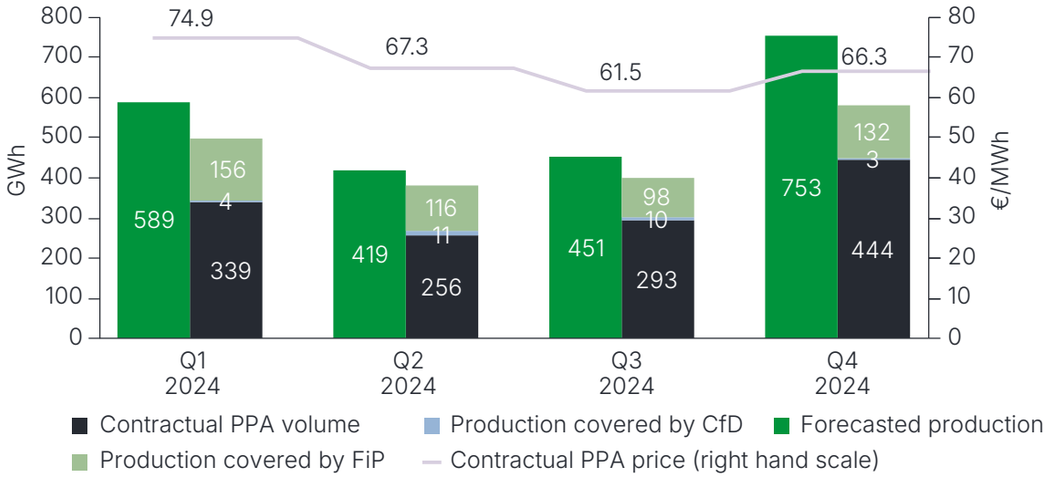
Example: transactions in a wind energy portfolio with baseload PPAs during a theoretical 24h period



Short-term view: electricity price risk management in 2024

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

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



Long-term view: electricity price risk management until 2033

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

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

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

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

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

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

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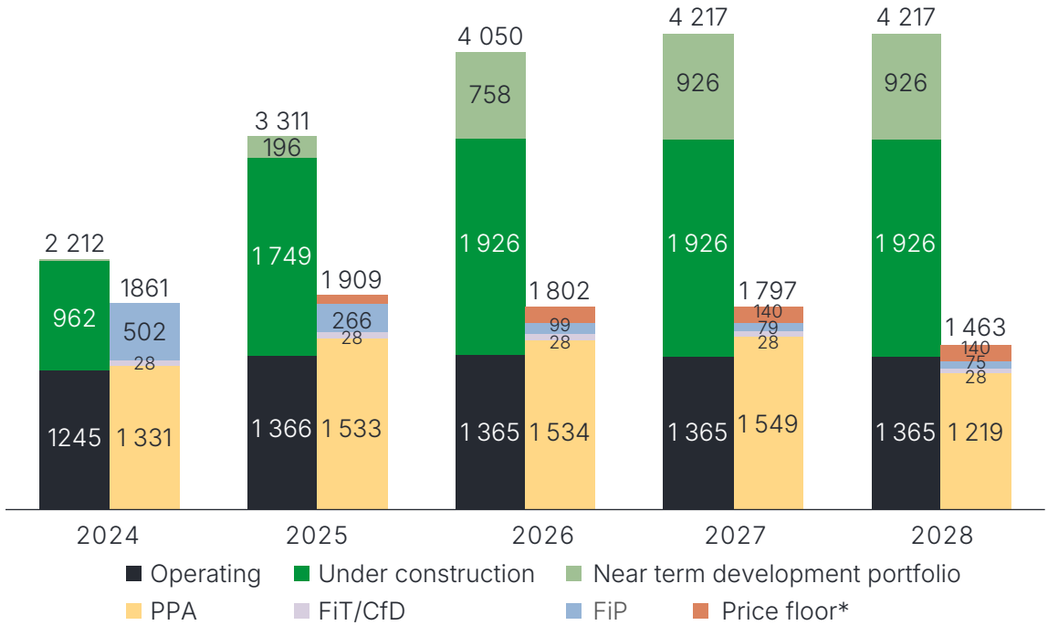
Forecasted production volumes of production assets (operating, under construction and planned) and their coverage with PPAs and renewable support measures, GWh



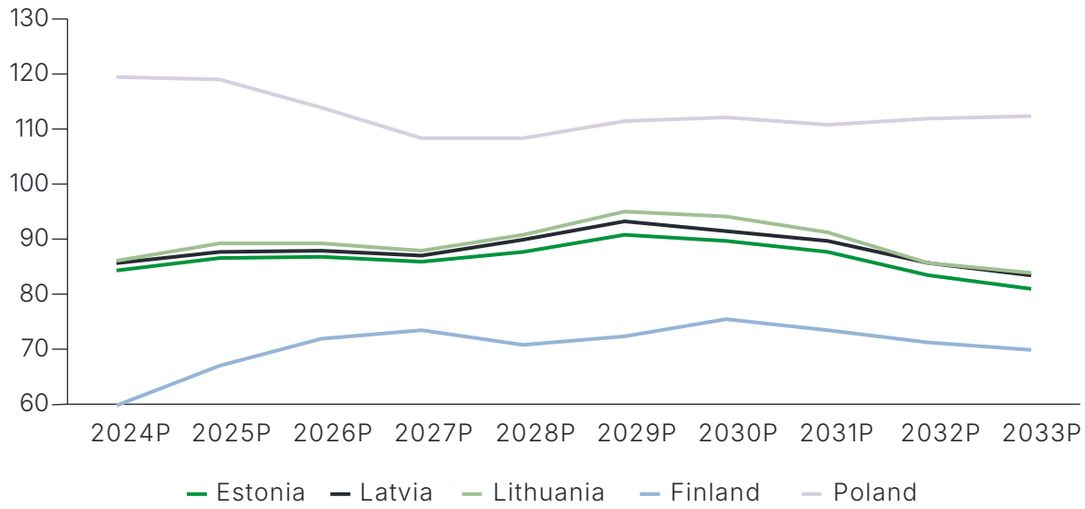
** Price floor – state support in the form of a price floor received through a reverse auction at a price level of 34.9 €/MWh (maximum support 20 €/MWh) for 12 years.*

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

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

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

Core markets' electricity price forecast*, €/MWh



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

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Development activities

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

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

New renewable power plants in Estonia and Poland

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

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

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

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

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

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

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

Onshore wind farms under construction

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

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

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

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

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

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

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

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

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

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

Solar power plants under construction

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

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

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

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

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

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

Near-term and long-term development portfolio

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

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

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

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

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

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

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

Offshore wind energy

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

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

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

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

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

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

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

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

Battery storage and hydrogen technology

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

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

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

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

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

Enefit 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 harm to the environment
We carry out thorough and comprehensive environmental impact assessments and involve experts with diverse local and international experience.

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

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

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

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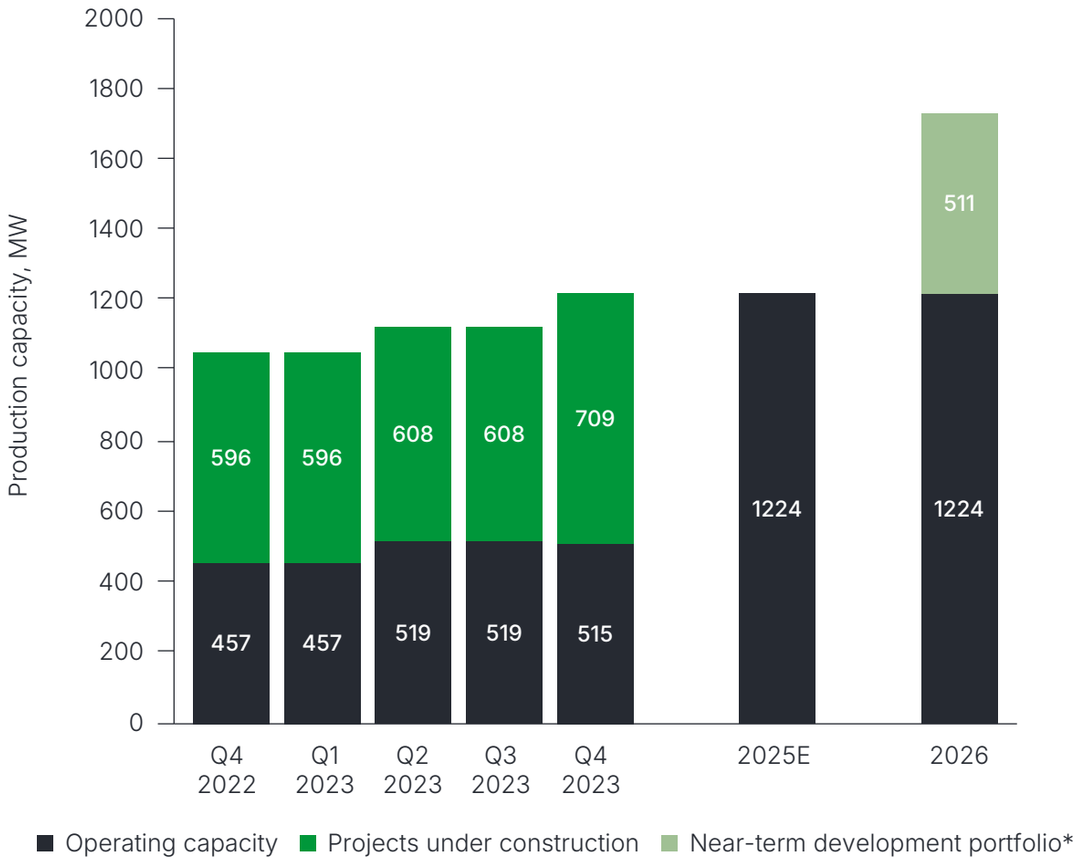
Development of Enefit Green production portfolio



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

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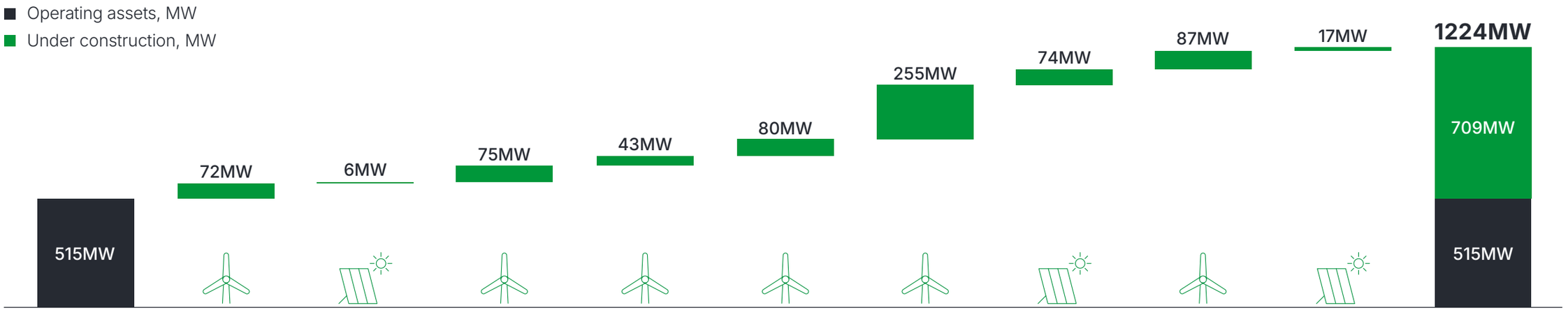
Projects under construction

612 MW

97 MW



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

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

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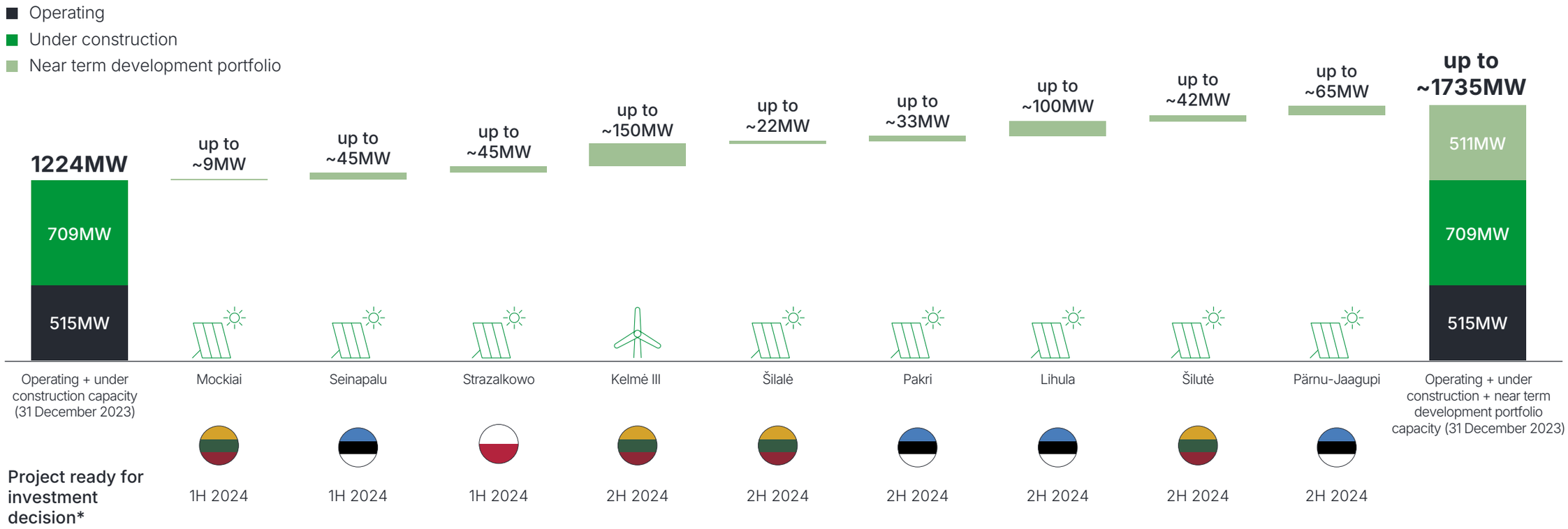
Near term development portfolio

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

150 MW

361 MW



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

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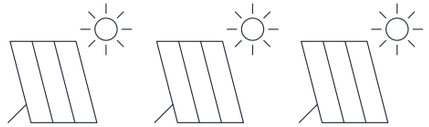
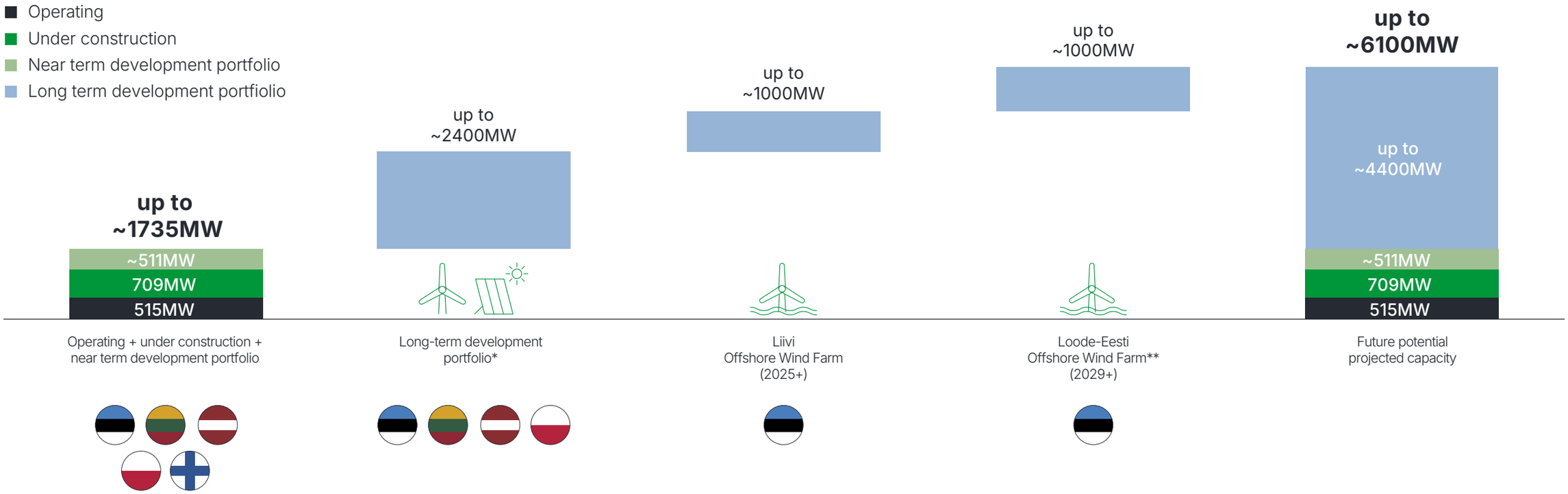
Complete view of the development portfolio





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

*** Also known as Hiiumaa Offshore Wind Farm*

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Asset management

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

Availability of production assets in 2023

Wind energy segment

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

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

Annual availabilities of production assets 2021–2023

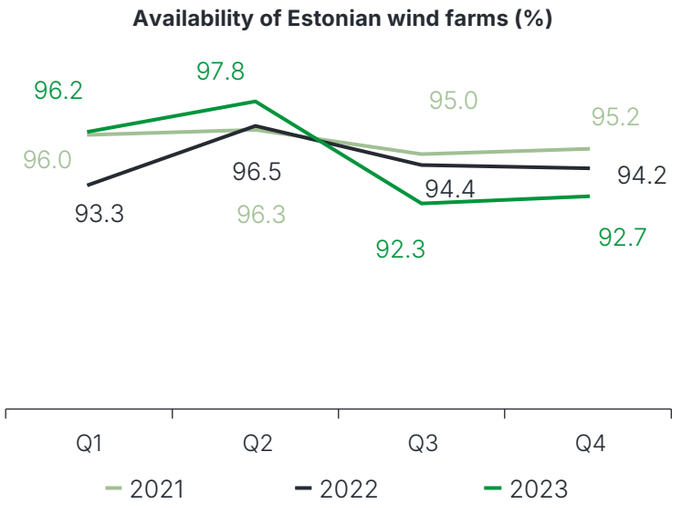
	2021	2022	2023
Wind farms	95.6%	94.7%	93.6%
Cogeneration plants	96.8%	90.1%	95.1%
Solar farms	99.9%	99.8%	99.8%
Keila-Joa hydroelectric facility	97.8%	98.4%	100.0%
Ruhnu renewable energy solution	99.7%	99.8%	99.8%

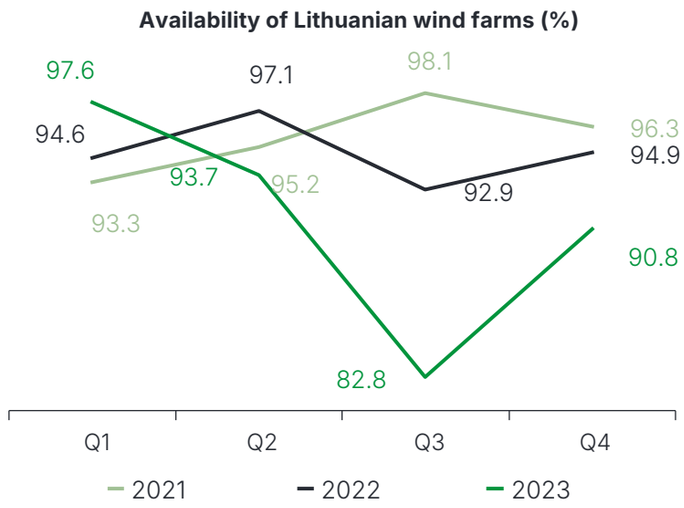
Last year, we also saw a growing need for the maintenance of wind turbine blades. It is not surprising, considering the age of the existing turbine stock – from the tenth year of operation the need for the maintenance and repair of the blades increases. We carry out preventive maintenance to minimise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

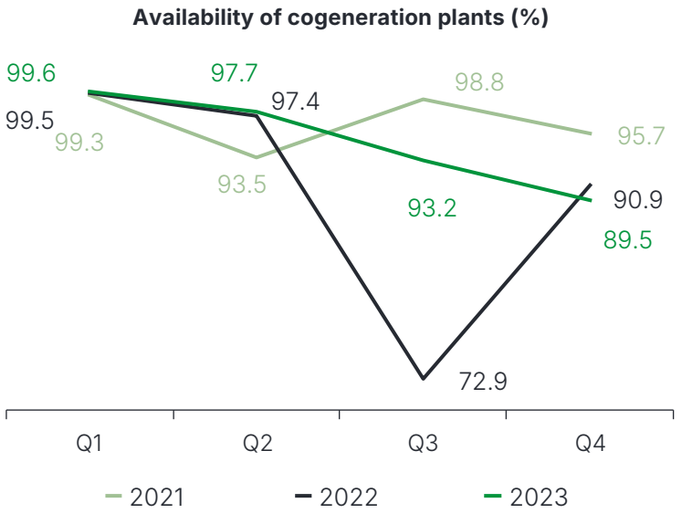
In wind farms with WinWinD turbines, we have achieved over 90% availability in the last three years. The 2023 result of 92.6% is 1.7 percentage points higher than in 2022, despite the replacement of two gearboxes. This is the second best availability result in the last ten years and confirms the high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

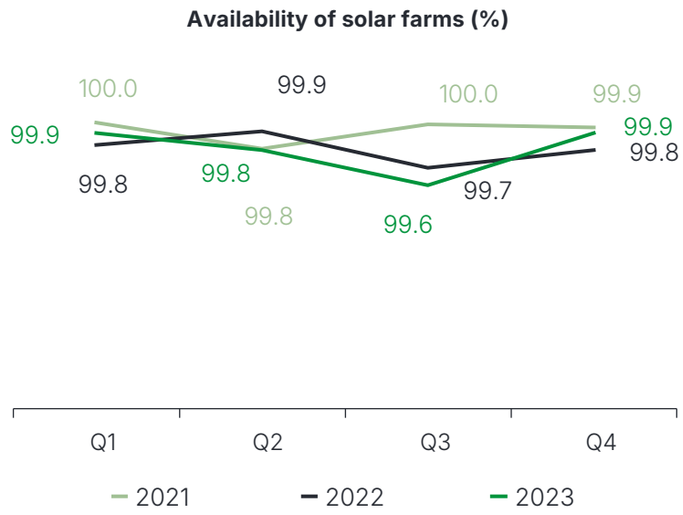
There were no extraordinary events affecting the availability of wind farms with Enercon, Siemens and Nordex wind turbines.

Quarterly availabilities of production assets 2021–2023









Cogeneration and Solar energy segments

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

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

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Digitalisation

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

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

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

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

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

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

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

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

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Operating assets of Enefit Green at 31 December 2023

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

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

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Segment	Country	Production unit	Electrical capacity (MW)	Heat energy capacity (MW)	Inverters (pcs)	Age (years)	Remaining useful life (years)	Expiry of renewable energy support (month/year)
Solar	Estonia	22 farms	48.2	-	370	1.5	30.5	To the extent of 12.1 MW; average remaining period 8.6 years
Solar	Poland	20 farms	27.2	-	354	3.4	21.6	To the extent of 18.2 MW; average remaining period 10.3 years
Total Solar segment			**75.4**		**724**	**2.2**	**27.3**	
Cogeneration (mixed municipal waste)	Estonia	Iru	19.3	50		10.3	14.7	07/2025
Cogeneration (biomass)	Estonia	Paide*	2	8		8.4	11.6	07/2026
Cogeneration (biomass)	Latvia	Valka*	2.4	8		11.4	8.6	-
Total Cogeneration segment			**23.7**	**66**		**10.2**	**13.9**	
Other (hydro)	Estonia	Keila-Joa	0.4	-		19	6.0	-
Other (combined)	Estonia	Ruhnu	0.5	-		5	17.5	03/2033
Total segment Other			**0.8**			**11.2**	**12.4**	
TOTAL			**519.0**	**66**				

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

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

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Sustainability report

Sustainability principles

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

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

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

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

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

Enefit Green's Sustainability Report on pages 39-54 is unaudited and is based on company's data.

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Building a greener future in balance with the environment

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

Focus on wind and solar

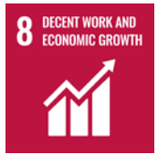
- We have set a strategic goal of increasing our energy production capacity by investing in new wind and solar energy production capacities. Projects under construction at the end of 2023, when completed by the end of 2025, will increase our electricity generation capacity by a factor of 2.7, compared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

Efficient cogeneration

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

Overall energy efficiency

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



Accelerating the green transition together with people and communities

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

An employee-centric culture

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

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Attracting future talent

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

Cooperation with local communities and partners

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

Building a better future through trust and transparency

Good corporate governance is the basis for building trust with Enefit Green's stakeholders. As a company listed on the Nasdaq Tallinn Stock Exchange, Enefit Green is committed to applying the best governance practices. In addition to the requirements of the Estonian Commercial Code, the company follows the guidelines of the Corporate Governance Recommendations approved by the Estonian Financial Supervision and Resolution Authority and the rules established for listed companies.

Compliance and anti-corruption

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

Independence of the supervisory board and the audit committee

- We are committed to protecting the interests of non-controlling shareholders by ensuring adequate representation of independent members on the supervisory board and the audit committee.
- The management board is responsible for managing Enefit Green's day-to-day operations and authorised to represent the company in accordance with the law and the articles of association.
- The supervisory board is responsible for the strategic planning of the company's economic activities and supervising the activities of the management board.
- The audit committee ensures that Enefit Green's transactions with related parties are conducted on market terms. Independent members have a majority of votes on the audit committee and the chair of the committee is elected from among the independent members.

Labour and human rights

- We are committed to strengthening labour and human rights.
- We promote safe working conditions, employee well-being and personal development.
- We treat everyone with courtesy, respect and consideration and do not tolerate discrimination, harassment, abuse or other inappropriate behaviour.

Sustainable supply chain

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

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Environmental report

Balance is the key to sustainable management

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

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

Focus on the natural environment

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

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

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

Integrated environmental management

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

The implementation of an environmental management system, i.e. a systematic approach to environmental management, helps ensure the success of environmental activities and the prevention or reduction of environmental impacts. Enefit Green has an integrated management system, which ensures the effectiveness of environmental activities in all units. The environmental management systems of all our production units are certified and meet the requirements of international environmental management standard ISO 14001.

At the Iru power plant, we have additionally implemented an environmental management system that complies with the EU Eco-Management and Audit Scheme (EMAS). The facility has been EMAS registered since 2004.

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

Green Office

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

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

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

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

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

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

Supporting biodiversity

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

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

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

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

- • Our activities and decisions are in accordance with the principles of environmental law and the requirements of environmental legislation.
- We analyse the environmental impacts and risks of our operations and continuously develop and improve our environmental activities.
- We increase our renewable energy production capacities to help meet the Eesti Energia group's target of achieving carbon neutrality in energy production by 2045 and to support the group's customers in finding personal and flexible solutions on their green journey.
- We reduce the environmental impacts of our operations and consider the community in our activities. To minimise emissions and waste and to achieve resource efficiency, we apply the best available technologies. We monitor the changes taking place in the environment and prepare environmental reports.
- We apply the principles of the circular economy, reduce waste generation and support separate collection, recovery and recycling of waste.
- We improve environmental awareness among our employees and in society. We contribute to progress through research and development activities and our environmental information is public.
- We create conditions for restoring or maintaining biodiversity and ensure appropriate nature protection.
- In purchasing services, products and raw materials, we prefer green public procurement.
- We apply Green Office principles and practices to ensure a healthy work environment and observance of environmentally responsible principles. We reduce the use of paper, sort waste, consume water, electricity and heat efficiently and use environmentally friendly vehicles.

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

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

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

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

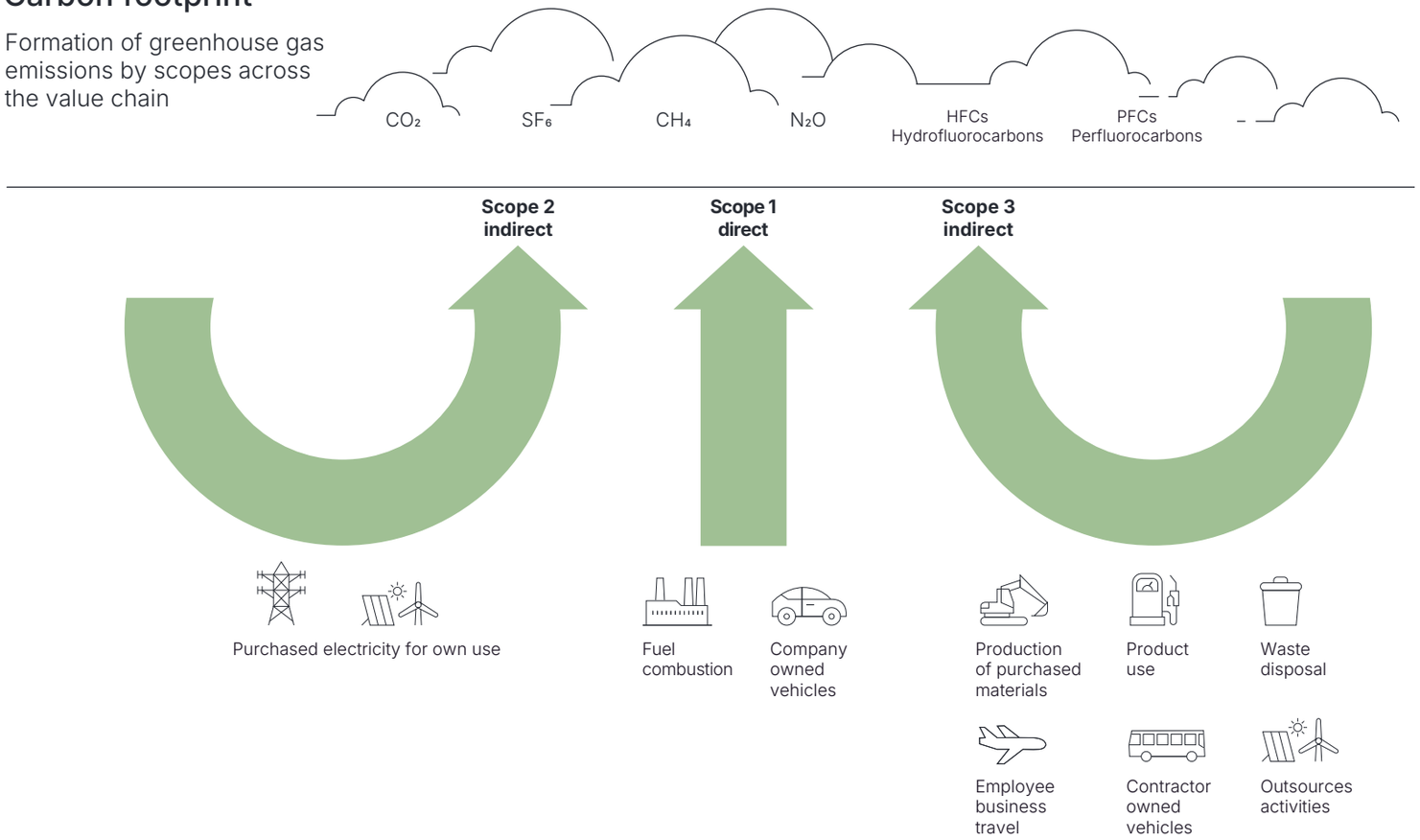
Switching to renewable electricity is the fastest route to carbon neutrality

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

To expand carbon-neutral energy production, we develop onshore and offshore wind farms and solar farms along with storage systems in all our core markets. We are also taking the first steps in hydrogen production at a pilot project level.

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 from 2020.

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

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

- **Scope 1** – direct emissions from GHG emission sources owned or controlled by the company.
- **Scope 2** – indirect emissions from the generation of purchased energy consumed by the company.
- **Scope 3** – all other indirect emissions that occur as a consequence of the activities of the company up or down the value chain.

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

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

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

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

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

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

	2021	2022	2023
Carbon intensity of energy production	78	77	77

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

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

** CH_4 and N_2O resulting from the combustion of biogenic material and converted to CO_2e are regarded as part of the relevant scope.*
*** From 2021, scope 3 includes greenhouse gas emissions from the production of wind turbines and solar panels installed in wind and solar farms.*
**** CO_2 from biogenic sources*

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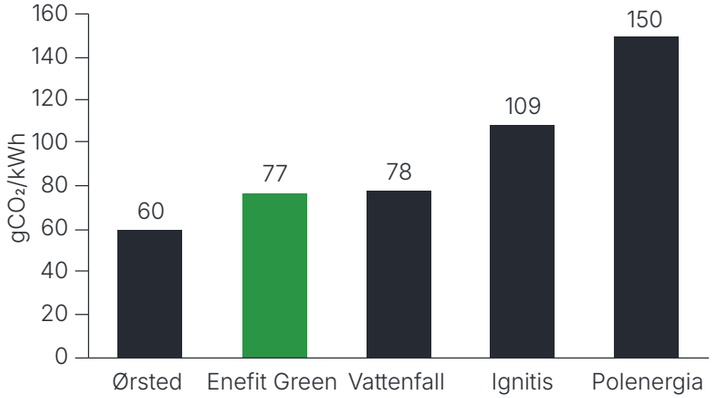
Carbon intensity of energy production compared to peer group companies (2022)



Source: companies' annual reports / sustainability reports

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

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

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

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

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

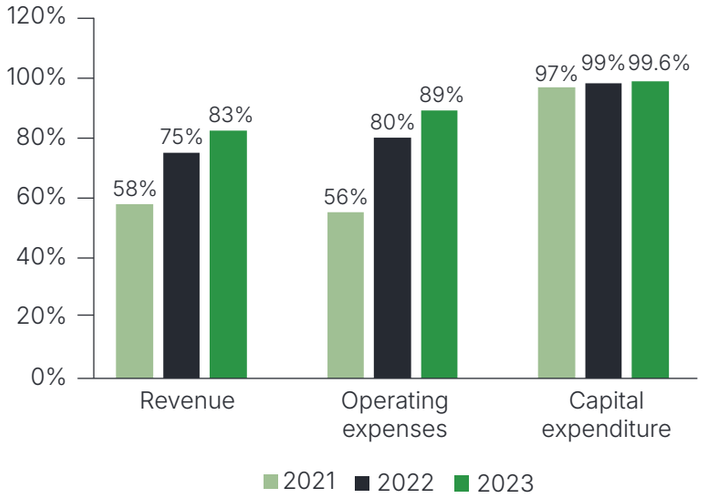
Likewise, the Brocēni pellet factory's operations were not considered EU taxonomy compliant until the end of 2021.

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

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

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

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



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

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

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We consistently work to reduce environmental emissions

Emissions to air

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

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

Emissions to air (thousand tonnes)

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

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

All our production units that emit pollutants to air have environmental permits, which set out emission limit values and maximum permitted annual quantities for pollutants in waste gases. Quarterly and annual emissions are reported to the regional or national environmental authorities, depending on the requirements in force in the facility's host country.

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

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

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

Iru power plant

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

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

Use of water resources and generation of wastewater

Enefit Green's production units (power plants and the cogeneration facility) mainly use surface water in their operations. Water is also obtained from groundwater and local pipelines. The largest amount of surface water is used at the Iru power plant, where it is used for industrial and cooling purposes as well as for firefighting when necessary. Surface water is pumped from the Pirita river. To provide access to the water, a dam has been built on the river near Nehatu.

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

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

The most significant amount of groundwater is used at the Valka cogeneration plant, again mainly for cooling. The conditions for water extraction (quantities of water, damming of water bodies, aquifers, monitoring of groundwater levels, etc.) are set out in the production units' environmental permits.

Use of water (thousand m^3/y)

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

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

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

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

Waste, recycling and circular economy

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

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

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

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

Waste incineration produces different types of ash: non-hazardous ash (bottom ash) and hazardous fly ash and residues from flue gas purification. Residues from the incineration of municipal waste at the Iru waste-to-energy unit (bottom ash, fly ash, flue gas purification residues, etc.) account for the largest share of the waste generated by Enefit Green. All non-hazardous waste generated during incineration is recycled or reused.

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

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Waste generation (thousand t/y)

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

The primary source of hazardous waste is the Iru power plant. The incineration process generates fly ash, which has hazardous properties, and flue gas purification generates gas purification residues. Hazardous waste is handed over to companies permitted to handle it.

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

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

We use natural resources sustainably

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

Resources used in production

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

As natural gas is classified as a fossil fuel, we have reduced the use of natural gas for electricity and heat generation from year to year in order to move towards carbon-neutral energy production. Natural gas is used to start and shut off the Iru waste incinerator and to heat water in the boilers. The water heating boilers are used during the period when the incinerator is not in operation, to ensure the heat supply to the district heating network. In 2023, there was a small number of incinerator outages and water boilers were used for heat production. As a consequence, the amount of natural gas used was higher compared to 2022.

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Land resource and forest management

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

In regards to agricultural land, we respect the principle that renewable energy can be produced in harmony with agricultural activities, and we see mutual benefits in cooperating and working with local farmers in matters related to land use.

Our forest management activities are carried out in accordance with the Programme for the Endorsement of Forest Certification (PEFC) standard to ensure environmentally friendly and sustainable forest management. On our forest land, we cooperate with regional hunters' associations, which help ensure that forest habitats remain in balance. We do not impose restrictions on picking forest products such as fruits and mushrooms and we see wider public benefits in expanding shared use by renovating and building access routes to forest land.

Development activities: focus on thorough preparations

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

Modern energy production is moving increasingly closer to consumers and communities, which is why we work closely with local communities when we develop new renewable energy projects. In planning and building new wind and solar farms, we are guided by the principle that the development project should not have a significant negative impact on the natural and human-made environment and that it should contribute to the development of the region.

We respect the natural and the living environment. We plan new wind and solar farms outside vulnerable areas, such as the habitats of protected species, protected areas, and areas with sensitive ecosystems, and consider the need to preserve biodiversity. When developing wind farms, we conduct thorough environmental impact assessments to identify the planned project's broader effects on the environment, including people, and engage communities and the public. The environmental impact assessments include extensive preliminary studies related to the area of the project and the biota in its vicinity.

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

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

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

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

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Social engagement and community collaboration

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

Employee engagement and management quality continue to be high

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

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

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

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

Employee engagement index and management quality index

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

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

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

Focused professional development

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

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

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

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

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

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

Training the next generation of energy experts

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

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

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

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

Health and safety are our core values

Our goal is to work without accidents and occupational diseases. Therefore, we make daily efforts to create and maintain a healthy and safe work environment. 'Safety foremost' is one of our core values and the guiding principle in everything we do.

We have assessed workplace risks and trained our staff to apply appropriate methods and techniques in hazardous situations. We have zero tolerance for accidents. We systematically promote a safety culture and regularly provide safety education and training. Our safety culture is based on managers' leadership, employees' personal responsibility and collaboration.

We measure the safety of our work environment at all levels of management using the lost time injury frequency rate (LTIFR). It is a safety indicator for production units' work environment, which reflects the number of lost time injuries occurring in a workplace per one million hours worked. Enefit Green's employees had no accidents at work in 2023.

	2021	2022	2023
Lost time injury frequency rate	0	0	0

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

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

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

- appointing persons responsible for health and safety at work;
- coordinating occupational health and safety matters at group level;
- assessing health and safety risks associated with workplaces;
- determining and implementing preventive measures based on the risk assessment;
- preparing safety instructions and guidelines for jobs;
- purchasing and providing employees with appropriate personal protective equipment;
- ensuring the safety of workplaces;
- arranging regular health checks;

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- 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 accidents and identifying and implementing corrective measures.

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

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

We value our employees' physical and mental health. Therefore, we have various health initiatives for our staff. We arrange

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

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

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

Strong community relations

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

We acknowledge that the development of renewable energy comes with great responsibility.

We contribute to the overall development of the energy sector through professional associations. Enefit Green is a member of the following organisations:

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

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

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

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

Grant amounts in 2021–2023, thousand €

	2021	2022	2023
Estonia	148	142	113
Lithuania	130	138	118

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

We believe it is important to raise young people's awareness of waste sorting and the potential value of waste. Together with the Estonian Circular Economy Industries Association, Lääne-Harju municipality and local companies, we helped install 35 sorting stations in all schools in Lääne-Harju municipality. School is the ideal place to generate interest in waste management and give practical experience that children can share at home. Pupils and staff can now sort municipal waste into four categories: packaging, biodegradable, paper and cardboard, and mixed municipal waste. In 2021, the same project was carried out for the first time on the island of Hiiumaa and in 2022 on the island of Saaremaa.

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Corporate governance report

Sustainable future through trust and transparency

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

Governance principles

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

As a public company listed on the Nasdaq Tallinn Stock Exchange, Enefit Green applies the best governance practices. In addition to the requirements of the Estonian Commercial Code, the company follows the guidelines of the Corporate Governance Recommendations approved by the Estonian Financial Supervision and Resolution Authority and the rules and regulations for listed companies.

Enefit Green's governance principles are aligned with its strategy and values as well as the expectations of its shareholders. Eesti Energia, whose sole shareholder is the Republic of Estonia, owns 77.2% of Enefit Green. Accordingly, Enefit Green is also subject to certain governance-related provisions of the Estonian State Assets Act.

We set the company's strategic goals for a period of five years and update them annually. We have adopted key performance indicators (KPIs) for strategic goals, which we use to continuously assess the effectiveness of work done. The KPIs include EBITDA, the availability of wind farms and cogeneration plants, capacity (in megawatts) of development projects which have reached final investment decision, lost time injury frequency rate (LTIFR) and management quality.

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

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

We are certified to three ISO standards in all our core markets: the quality management standard ISO 9001, the environmental management standard ISO 14001 and the occupational health and safety management standard ISO 45001. In addition, the Iru waste-to-energy plant is EMAS (EU Eco-Management and Audit Scheme) certified.

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

Code of Ethics

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

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does not tolerate any discrimination, harassment, bullying, abuse or any other inappropriate behaviour. All employees are treated fairly and equitably regardless of their ethnicity, age, race, gender, language, origin, skin colour, religion, disability, sexual orientation, or political or other beliefs. All employees have completed an online ethics course. In 2023, additional training was provided in all core markets, focusing on the prevention of corruption. The training also took into account the specific legal requirements in each market.

Ethical standards for our partners are set out in the Code of Ethics for Partners of the Eesti Energia Group, which is also applied by Enefit Green. The Code sets out, among other things, minimum requirements for the prevention of fraud and corruption and for the respect of labour and human rights.

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

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

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

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

Avoidance of conflicts of interest

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

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

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

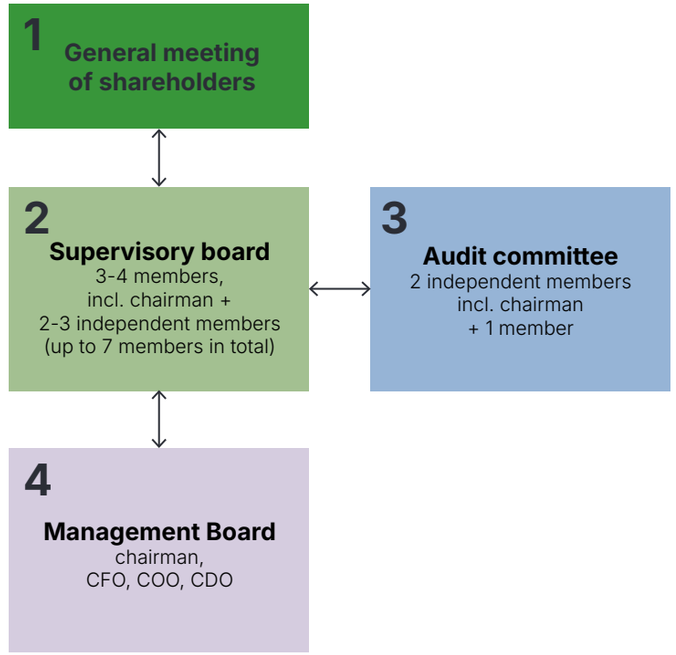
Enefit Green's governing bodies

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

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

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

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



Organisational structure and governing bodies

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

General meeting

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

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

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

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

Supervisory board

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

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

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

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

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

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

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

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

Supervisory board

At 31 December 2023

Andrus Durejko
Chairman of the Supervisory Board

Marlen Tamm
Member of the Supervisory Board

Raine Pajo
Member of the Supervisory Board

Erkki Raasuke
Member of the Supervisory Board (independent)

Anne Sulling
Member of the Supervisory Board (independent)

Commencement of term of office	24 May 2023	24 May 2023	1 Jan 2021	21 Oct 2021	21 Oct 2021
Expiry of term of office	24 May 2026	24 May 2026	21 Oct 2024	21 Oct 2024	21 Oct 2024
Experience	2023 - ... Eesti Energia, Chairman of the Management Board, 2018–2023 Ericsson Eesti and Ericsson Latvia, Chairman of the Management Board and CEO, 2016–2018 Ericsson Eesti, Head of Digital Services in Estonia, Sweden, Finland and the Baltics, 2014–2016 Ericsson Eesti, Program Director in the Nordic and Baltic region, 1996–2014 Ericsson, various positions Previously worked for Reveko Telekom AS, OY LM Ericsson AB and Baltcom Eesti AS.	2023 - ... Eesti Energia, Member of the Management Board, 2021–2023 Eesti Energia, Head of Management Accounting, 2019 –2021 Eesti Energia, Head of Controlling 2016–2019 Eesti Energia, Head of Financial Controllers of Management Accounting, 2012–2016 Eesti Energia, Lead Financial Controller Previously held various positions in Swedbank.	2006 - ... Eesti Energia AS, Member of the Management Board, Production Director 2000–2010 various positions at Elering AS / OÜ Põhivõrk Previously held various positions in the energy sector Lecturer and mentor	2021 - ... OÜ Skeleton Technologies Group, Member of the Management Board, Financial Director 2016–2021 Luminor Group, Chairman of the Management Board 2013–2016 AS LHV Group, Chairman of the Management Board 2012–2013 Adviser to the Minister of Economic Affairs of the Republic of Estonia Previously held various positions in the banking sector.	Independent consultant, has advised many companies on expanding into foreign markets. 2015–2019 Member of the Estonian Parliament 2014–2015 Minister for Foreign Trade and Entrepreneurship Previously was involved in the sale of Estonia's CO2 emission allowances at the Environmental Investment Centre and led Estonia's euro adoption project at the Ministry of Finance. Has also worked as an adviser to the Prime Minister and served at Swedbank and Nelja Energia OÜ.
Education	Estonian University of Life Sciences, Electrical Power Engineering, Master of Science	Estonian Business School, Economics/-Business Administration, Master of Science, cum laude Tallinn University of Technology, Economics/Business Administration, Bachelor's degree	Tallinn University of Technology, School of Information Technologies, Master's degree Tallinn University of Technology, School of Business and Governance, Master of Business Administration Tallinn University of Technology, School of Engineering, PhD in Engineering	INSEAD, Advanced Management Programme Tallinn University of Technology, School of Business and Governance	Université Paris Dauphine-PSL, Master's degree in International Economics and Finance Smith College (USA), Economics and French Studies
Membership in governing bodies of other companies	Member of the Supervisory Boards of Enefit Outotec Technology OÜ, Enefit OÜ and Enefit Power AS	Member of the Management Board of Attarat Holding OÜ, Member of the Supervisory Boards of Enefit Solutions AS, Enefit OÜ and Enefit Power AS	Member of the Management Board of Attarat Holding OÜ, Member of the Supervisory Boards of Enefit Solutions AS, Enefit Outotec Technology OÜ and Enefit Power AS	Member of the Supervisory Board of AS Inbank	Member of the Management Boards of Arctic Affair OÜ and Idee & Arendus OÜ
Remuneration paid to the member of the supervisory board in 2023	–	–	–	12,000	12,000
Number of Enefit Green's shares held by the member of the supervisory board (at 31 December 2023)	1,000	950	2,621	51,849	0
Number of Enefit Green's shares held by persons closely associated with the member of the supervisory board (as at 31 December 2023)	0	401	0	29,356	0
Attendance rate at meetings	100 %	100 %	100 %	100 %	100 %

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Management board

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

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

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

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

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

Management board

At 31 December 2023

Aavo Kärmas
Chairman of the Management Board

Innar Kaasik
Member of the Management Board Responsible for production

Andres Maasing
Member of the Management Board Responsible for development

Veiko Räim
Member of the Management Board Responsible for finance

	Aavo Kärmas Chairman of the Management Board	Innar Kaasik Member of the Management Board Responsible for production	Andres Maasing Member of the Management Board Responsible for development	Veiko Räim Member of the Management Board Responsible for finance
Commencement of term of office	5 Jul 2017	31 Aug 2012	3 April 2023	23 Oct 2017
Expiry of term of office	24 Sept 2024	24 Sept 2024	3 April 2026	24 Sept 2024
Previous positions held	Omniva (Eesti Post) Chairman of the Management Board and CEO Eesti Post Member of the Management Board Viljandi Aken ja Uks AS Various executive positions	Enefit Taastuvenergia Member of the Management Board and CEO Eesti Energia CEO of Renewable Energy and Small Cogeneration Business Unit Elektrilevi Member of the Management Board responsible for asset management Head of Network Management Department Elering Project Manager	Cubico Sustainable Investments Australia, Development and Acquisition Manager for Renewable Energy Projects Tilt Renewables, Development Manager for renewable Energy Projects; Mitsui & Co., Ltd – Development and Financing of Infrastructure Projects; Ernst & Young and PriceWaterhouse Coopers, Project and Corporate Finance and Acquisition Advisory roles	Eesti Energia Energy Trading Director Eesti Energia Head of Financing and Investor Relations SEB Enskilda Member of Corporate Finance Team Dresdner Kleinwort Wasserstein Analyst
Education	Tallinn University of Technology Public Administration	Tallinn University of Technology Electrical Power Engineering Tallinn University of Technology Business Administration	Australian Institute of Company Directors, Professional Development Training Griffith University, Australia: Master of Law Bachelor of International Business	London Business School Further Studies Stockholm School of Economics Financial Management Stockholm School of Economics in Riga Economics and Business Administration
Membership in the governing bodies of other companies	Member of the Supervisory Board of Empower 4Wind OÜ	Member of the Supervisory Board of Empower 4Wind OÜ	Member of the Management Board of Wind OÜ	–
Number of Enefit Green's shares held by the member of the management board	15,405	3,000	1,006	2,071
Number of Enefit Green shares held by persons closely associated with the member of the management board	0	2,000	0	0

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

The remuneration of the management board of Enefit Green is governed by the principles for remuneration of the members of the management board, which were approved by the supervisory board on 10 September 2021 and by the general meeting on 14 September 2021. Information about the remuneration paid to the members of the management board of Enefit Green in 2023 will be presented in the remuneration report which will be included in audited annual report.

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

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

Audit committee and internal audit

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

Anne Sulling, Erkki Raasuke and Raine Pajo, who were elected as members of the audit committee at the meeting of the supervisory board on 22 October 2021, continued as members of the audit committee in 2023. Erkki Raasuke continued to serve as the chairman of the audit committee. Anne Sulling and Erkki Raasuke meet the independence requirements as defined in the Corporate Governance Recommendations.

The audit committee meets according to an agreed schedule, generally once a month. There were 11 ordinary and two extraordinary audit committee meetings in 2023. Anne Sulling was unable to attend one of the meetings, the rest of the meetings were attended by all members of the committee. The audit committee submits its report to the supervisory board once a year, before the approval of the annual report by the supervisory board.

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Audit committee

At 31 December 2023

	Erkki Raasuke Chairman of the Audit Committee	Raine Pajo Member of the Audit Committee	Anne Sulling Member of the Audit Committee
Appointed	22 Oct 2021	22 Oct 2021	22 Oct 2021
Remuneration paid to the member of the committee in 2023	6,500	–	3,000

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

The tasks and responsibilities of the internal audit function of Enefit Green AS have been assigned to the internal audit department, which consists of two employees. The internal audit department carries out its work in accordance with the Auditors Activities Act and related regulations as well as the International Standards for the Professional Practice of Internal Auditing, the International Professional Practices Framework and the Statutes approved by the supervisory board. The role of the internal auditors is to contribute to the improvement of the internal control environment, risk management and corporate governance culture. The scope of the internal audit function covers the activities of the entire Enefit Green group. The internal audit department reports to the audit committee and the supervisory board. The action plan and resources of the internal audit department are approved by the audit committee, which also oversees and evaluates the effectiveness of the internal audit function. The internal auditors' report on 2023 was submitted to the audit committee and the supervisory board in February 2024.

Financial reporting

The preparation of the financial statements is the responsibility of the company's management board. The consolidated financial statements are prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS EU). The auditor of Enefit Green is PriceWaterhouseCoopers and the signatory of the independent auditors' report is Jüri Koltsov.

The contract with the auditor was signed for five years (for the audit of the financial statements for 2019–2023). The audit firm has not provided any services to the company that could compromise the auditor's independence. In 2023, the total amount of fees paid or payable for the services provided by PriceWaterhouseCoopers was €138.7k (2022: €125.3k), of which €60.2k was audit fee of Enefit Green group (2022: €52.4k) and the remaining were the audit fees of the subsidiaries of Enefit Green group. The services included financial audit fees of €138k (2022: €114.3k) and other services of €0 (2022: €11k). Other services in 2022 were related to agreed-upon procedures. During 2023 PriceWaterhouseCoopers provided other services to Enefit Green AS parent Eesti Energia for a total consideration of €42.3k (2022: €190.2k).

Statement of compliance with Corporate Governance Recommendations

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

Risk Management

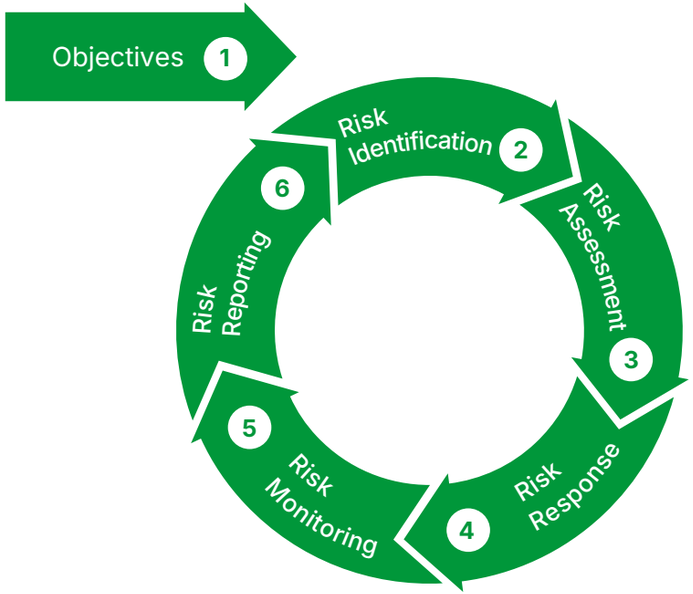
Risk management activities are a natural and integral part of the management of Enefit Green and thus embedded in all our processes and operations.

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

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

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

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



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

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

Price risk

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

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

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

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

Risk associated with financial leverage

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

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

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

Interest rate risk

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

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

At 31 December 2023, Enefit Green had three interest rate swap agreements in the nominal amount of €157,734k (31 December 2022: €168,334k), which accounted for 33.4% (31 December 2022: 61.2%) of total borrowings.

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

Credit risk

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

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

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

During 2023, no credit risk events were registered.

Liquidity risk

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

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

Long-term liquidity risk is mitigated by regularly forecasting the liquidity needs for the next 12 months, taking into account the need to finance investments and make loan repayments and dividend payments, and cash inflow from operating activities. In order to meet its liquidity needs, Enefit Green maintains a sufficient liquidity buffer in the form of available funds, undrawn loans and unused loan limits.

Legal risk

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

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

IT risk

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

In 2023, we noticed a growing trend of cyberattacks against renewable energy companies. We manage IT risk, including cyber risks, by carrying out and updating the risk analyses of all business-critical activities with a particular focus on the risks associated with business continuity, data integrity and loss of confidentiality. We have established cybersecurity requirements for our business partners to help mitigate IT risks associated with counterparties. It is important to raise the staff's awareness of cybersecurity on an ongoing basis.

Technical and technological risks

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

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

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

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

Environmental risks

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

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

Our environmental risk management measures are aimed at preventing the materialisation of risk and we update them to reflect changes in the group's strategy, operations and organisational structure.

Fraud risk

Fraud is a deliberate act or failure to act on the part of a person belonging or not belonging to the group, which involves breach of laws or rules by misleading, making false representations, abusing trust, withholding information and deceiving. The Enefit Green group has zero tolerance to fraud – we respond to all incidents of fraud based on the nature and circumstances of the case and strive to reduce the impacts on the company.

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

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Share and Shareholders

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

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

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

Dividend policy

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

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

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

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

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Shareholders

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

Investor relations

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

Main investor relations events in 2023

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

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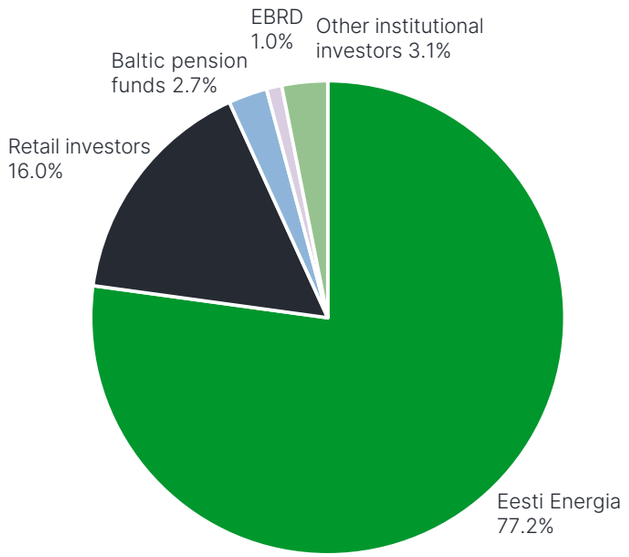
Enefit Green's 10 largest shareholders
As at 31 December 2023

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

Shareholder structure
At 31 December 2023



Trading statistics of the Enefit Green share

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

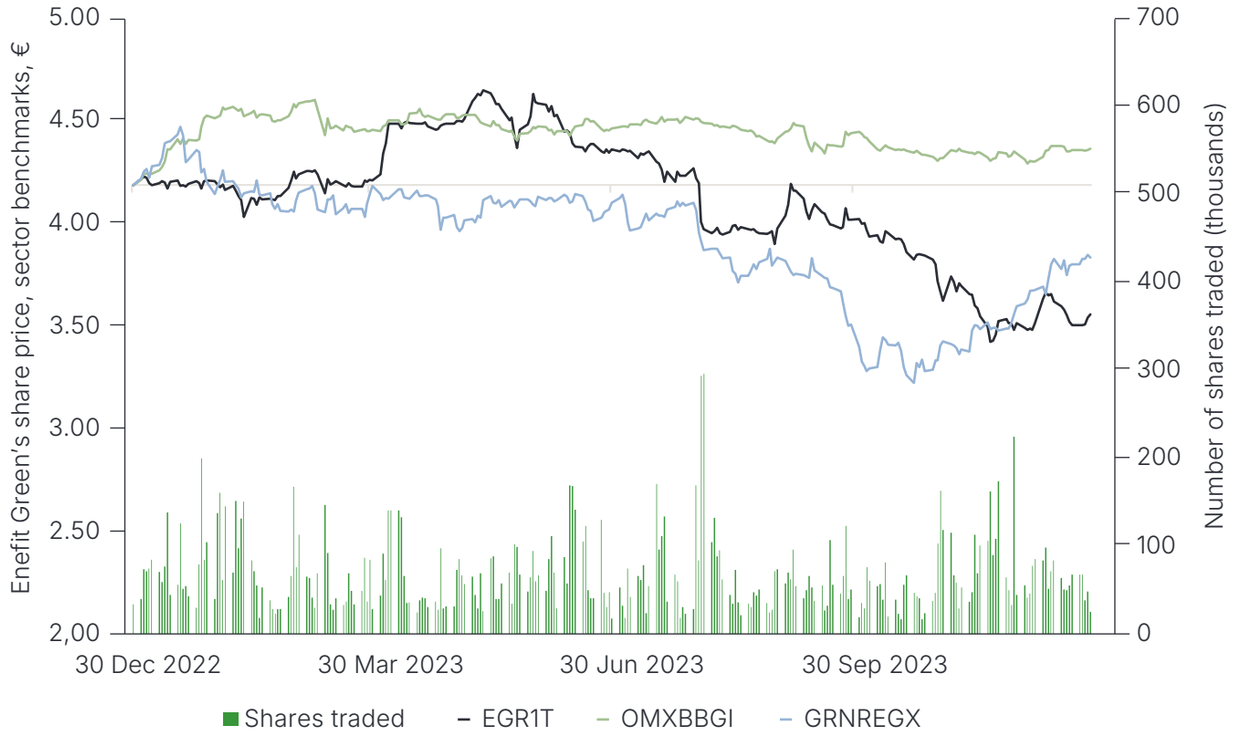
Adjusted for the dividend (€0.208 per share), the total return of the Enefit Green share in 2023 was -15.1%. It was the first time since the IPO that the share underperformed its benchmark indexes. Relevant benchmark indexes include the Nasdaq Baltic Benchmark (last year's return +4.2%) and the Nasdaq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

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

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

* - since listing on 21 October 2021

Enefit Green's share price and benchmarks in 2023



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

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Tax Footprint

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

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

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

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

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

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

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

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

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

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

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

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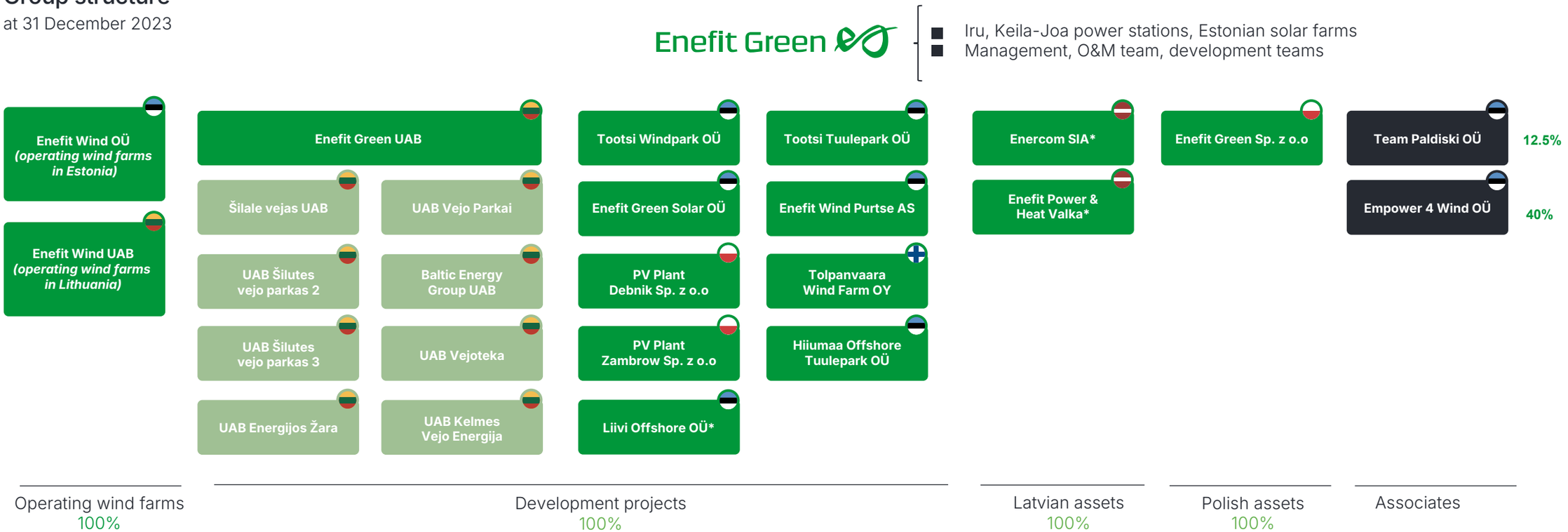
Group structure

at 31 December 2023



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

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

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

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

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

Larger subsidiaries by equity

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

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Analysis of Financial Results 2023

The group's financial results 2023

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

Operating income

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

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

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

Production and sales volumes

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

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

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

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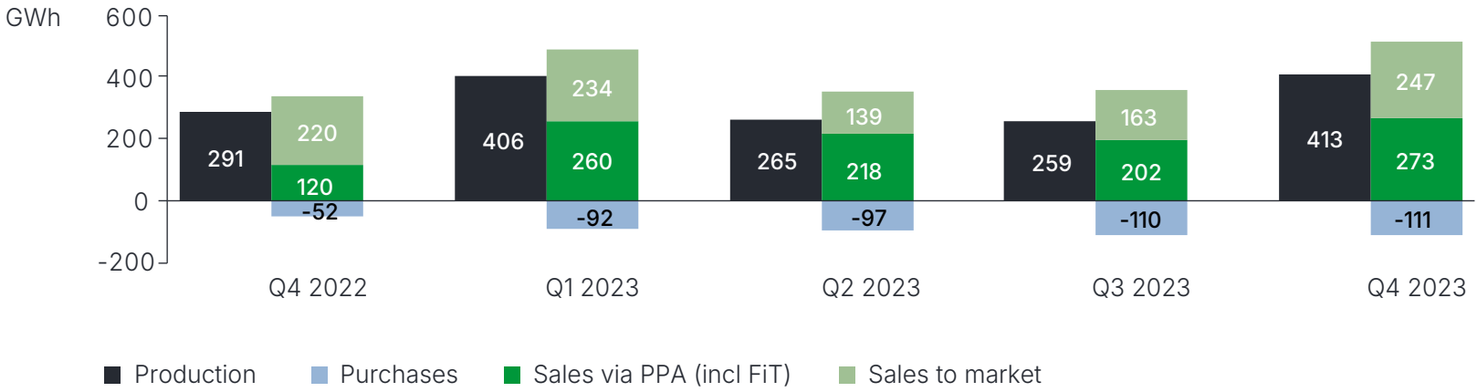
Electricity produced, purchased and sold



Average electricity prices

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

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

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

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

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

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

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Consolidated income statement

€m	2023	2022	Change	Change, %
TOTAL OPERATING INCOME	**230.1**	**257.0**	**(27.0)**	**(10)%**
Revenue	205.8	233.3	(27.5)	(12)%
Renewable energy support and other operating income	24.3	23.7	0.6	2%
TOTAL OPERATING EXPENSES (excl. D&A)	**124.2**	**102.2**	**22.0**	**22%**
Raw materials, consumables and services used (excl. electricity)	51.9	53.2	(1.3)	(2)%
Electricity	48.4	32.7	15.7	48%
Payroll expenses	10.8	9.1	1.7	19%
Other operating expenses	15.2	10.4	4.8	46%
Change in inventories	(2.2)	(3.3)	1.1	(33)%
EBITDA*	**105.9**	**154.8**	**(48.9)**	**(32)%**
Depreciation, amortisation and impairment (D&A)	40.6	37.8	2.8	7%
OPERATING PROFIT	**65.3**	**117.1**	**(51.7)**	**(44)%**
Net finance income and costs	0.1	(2.0)	2.1	(105)%
Profit from associates under the equity method	0.1	0.7	(0.6)	(91)%
Income tax expense	9.7	5.6	4.1	75%
NET PROFIT	**55.8**	**110.2**	**(54.4)**	**(49)%**
TOTAL OPERATING EXPENSES (excl. D&A)	**124.2**	**102.2**	**22.0**	**22%**
Variable costs (incl. balancing energy purchases)	82.4	70.1	12.3	18%
Fixed costs	44.0	35.4	8.6	24%
Change in inventories	(2.2)	(3.3)	1.1	(33)%

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

Other operating income

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

Raw materials, consumables and services used

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

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

Expenses on materials, supplies and spare parts decreased by €7.5. Expenses on materials, supplies and spare parts were higher in 2022 due to a increase in solar services. Due to its low profit margin, however, we decided to exit the solar services business in mid-2022 in order to focus on our more profitable core business and sold related inventories.

Payroll expenses

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

Other operating expenses

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

Change in inventories

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

EBITDA and fixed costs

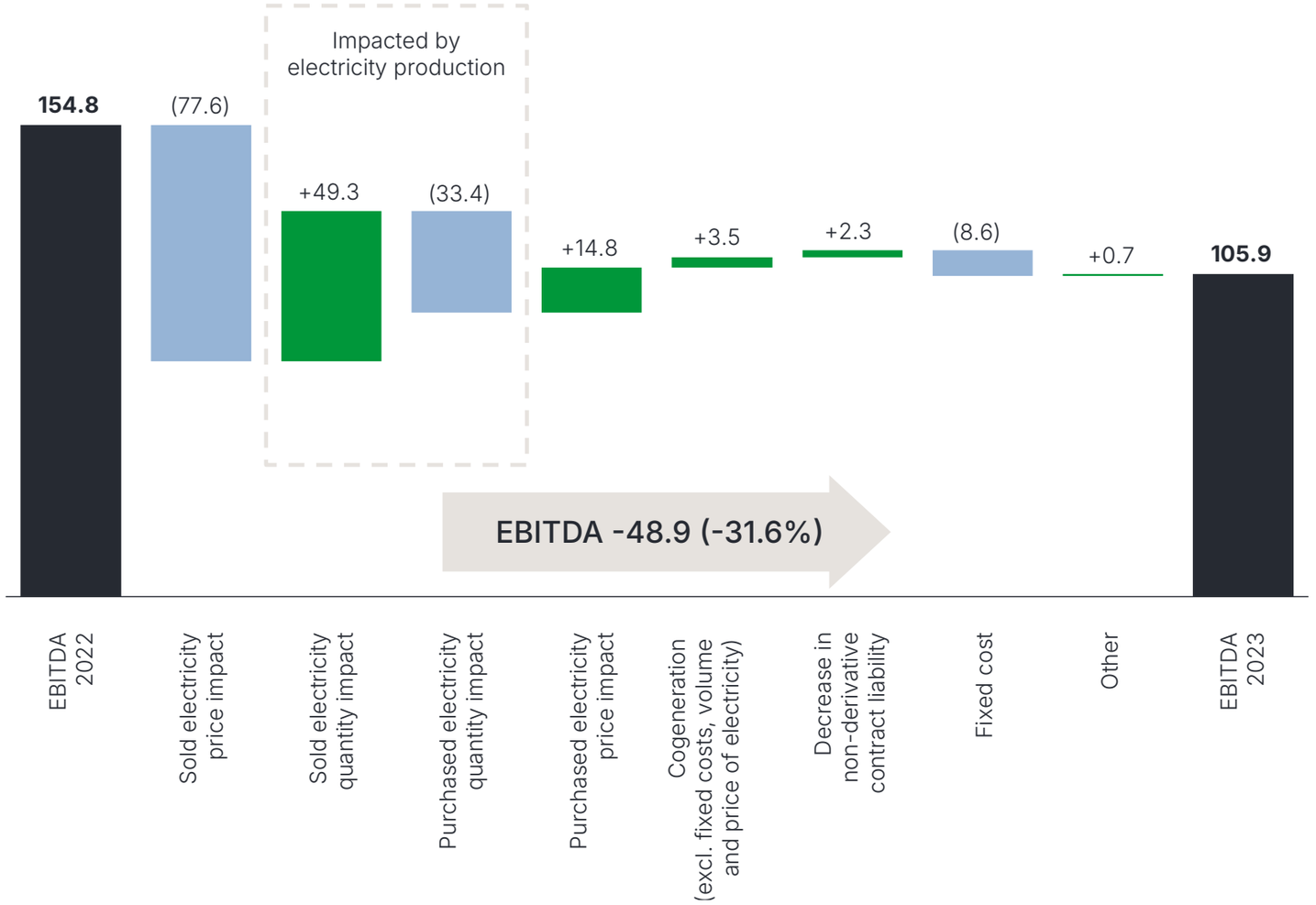
The factor with the strongest impact on EBITDA development was the price of electricity sold, which fell steeply compared to 2022 (negative impact: €77.6m). Due to PPAs, the volume of electricity purchase to balance the electricity portfolio grew significantly (negative impact: €33.4m), which also increased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

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

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

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

Group's EBITDA change by drivers, €m



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Depreciation, amortisation and impairment (D&A)

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

Net finance income

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

Income tax

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

Net profit

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

DIVIDEND PROPOSAL

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

Financing

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

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

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

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

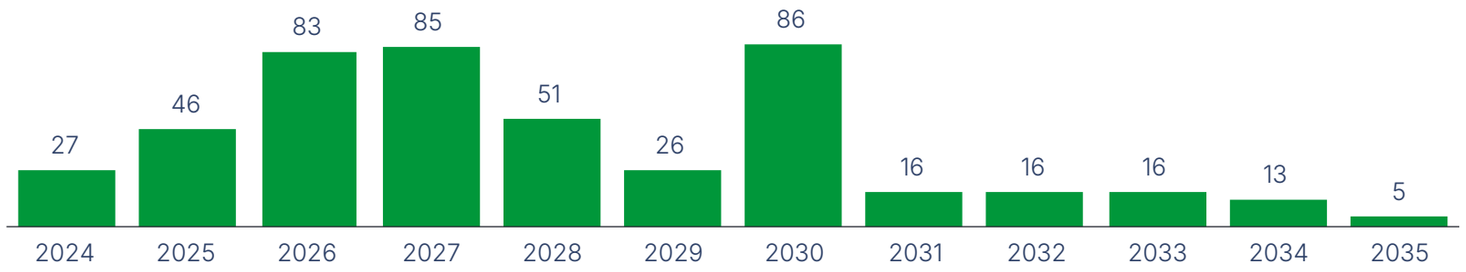
As of 31 December 2023, the amortised cost of the group's interest-bearing liabilities was €482.4m (31 December 2022: €279.6m). The figure comprises bank loans and finance lease liabilities of €472.6m and €9.8m, respectively.

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

Loan covenants

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

Loan repayment schedule, €m



Cash flows

Net cash generated from operating activities of €71.5m reflects changes in cash generated from operations (€94.9m), interest and loan fees paid (-€12.6m), interest received (€0.8m) and income tax paid (-€11.7m).

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

Net cash generated from financing activities reflects proceeds from bank loans (€302m), proceeds from realisation of interest rate swaps (€2.7 m), repayments of bank loans (€104.6m), repayments of lease principal (-€0.3m) and dividends paid (-€55m).

Financing and return ratios

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

€m	31 Dec 2023	31 Dec 2022
Borrowings	486.4	280.1
Less cash and cash equivalents	(65.7)	(131.5)
Net debt	**420.7**	**148.7**
Equity	717.2	718.7
Invested capital	**1,137.9**	**867.4**
EBITDA	105.9	154.8
Operating profit	65.3	117.1
Net profit	55.8	110.2
Financial leverage (1)	37%	17%
Net debt / EBITDA	4.0	1.0
Return on invested capital (2)	5.7%	13.5%
Return on equity (3)	7.8%	15.3%
Interest cover (4)	7.9	42.8

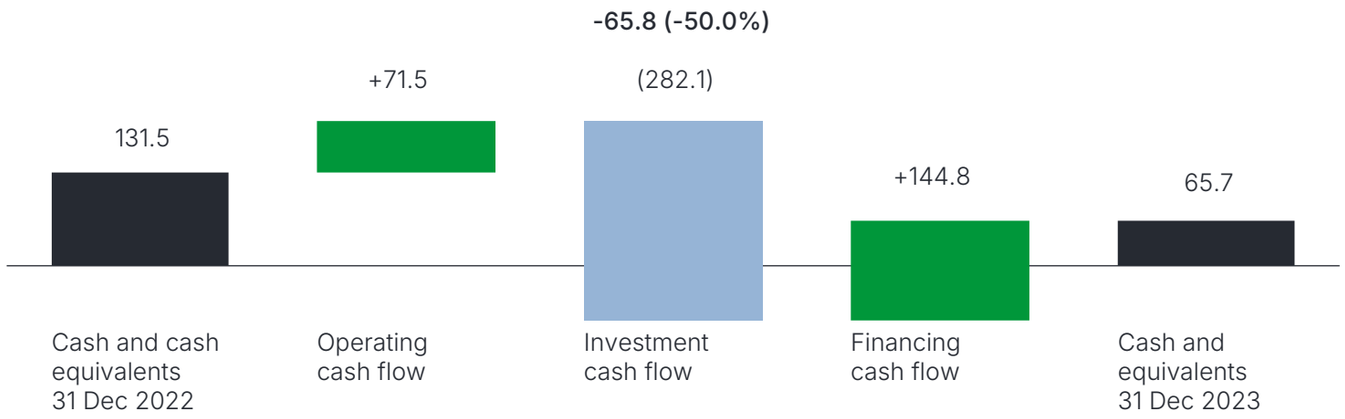
(1) Financial leverage = net debt / (net debt + equity)

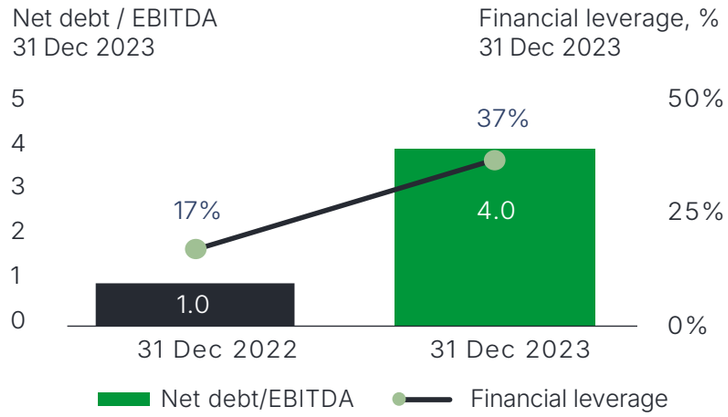
(2) Return on invested capital = operating profit for the last 12 months / (net debt + equity)

(3) Return on equity = net profit for the last 12 months / equity

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

Liquidity development 2023, €m





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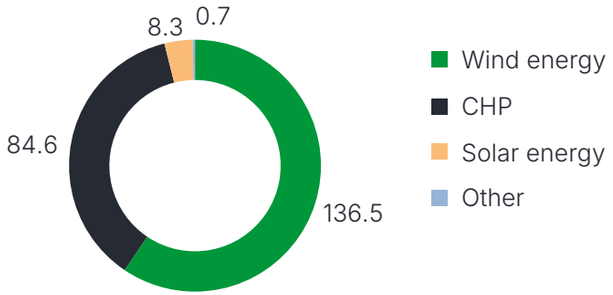
SEGMENT REPORTING

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

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

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

Operating income 2023, €m



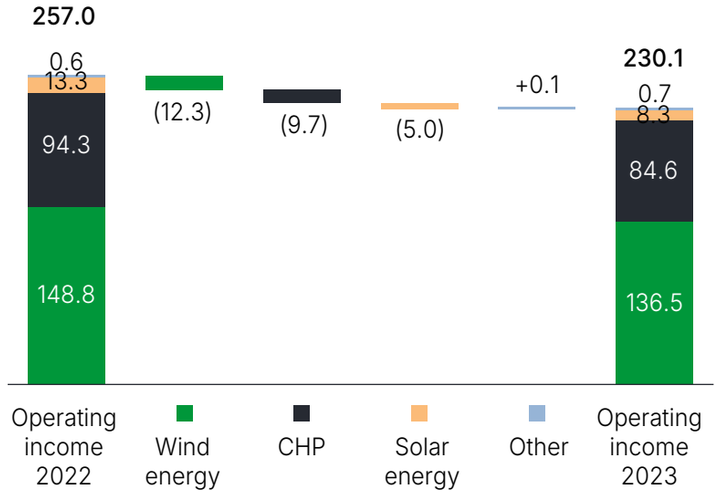
Operating income by segment

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

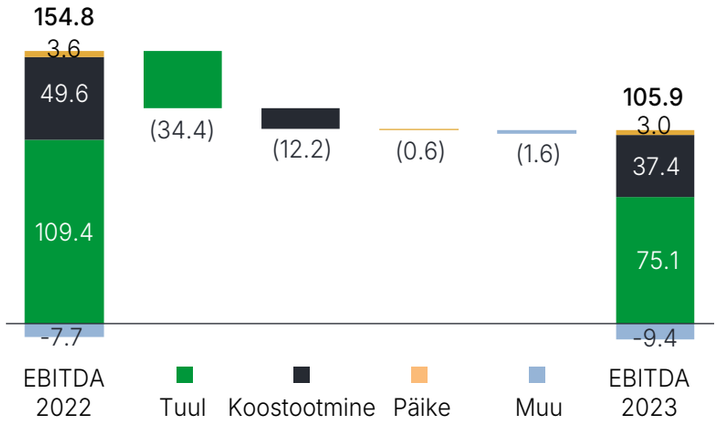
In absolute terms, the EBITDA of the Wind energy and the Cogeneration segments decreased the most as those segments were hit the hardest by the fall in the market price of electricity.

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

Operating income by segment, €m



Group's EBITDA breakdown and change, €m



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Investment

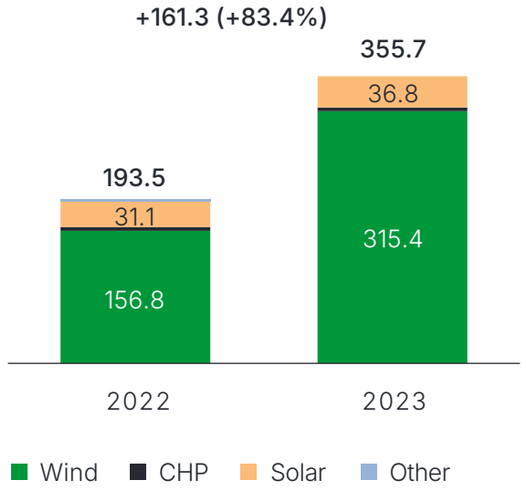
The group invested €355.7m in 2023, which is €162.2m more than in 2022. Growth resulted from development investments, which extended to €350.6m. Of this, €263.4m was invested in the construction of three wind farms: €127.5m in the Kelmė wind farms, €84.1m in the Sopi-Tootsi wind farm and €51.8m in the Tolpanvaara wind farm. Investments made in the Kelmė wind farms consisted of investments of €89.5m in the Kelmė I wind farm, €27.9m in the Kelmė II wind farm and €10.2m in the Kelme III wind farm.

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

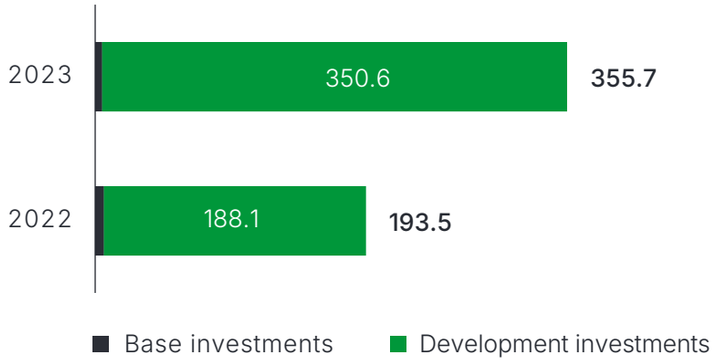
The segments had the following amounts of non-current assets at 31 December 2023: Wind energy €962.3m (49% under construction), Cogeneration €98.1m (0% under construction), Solar energy €92.7m (41% under construction) and Other €5.8m.

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

Investments by segments, €m



Investments by type, €m



WIND ENERGY SEGMENT

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

Wind conditions and production

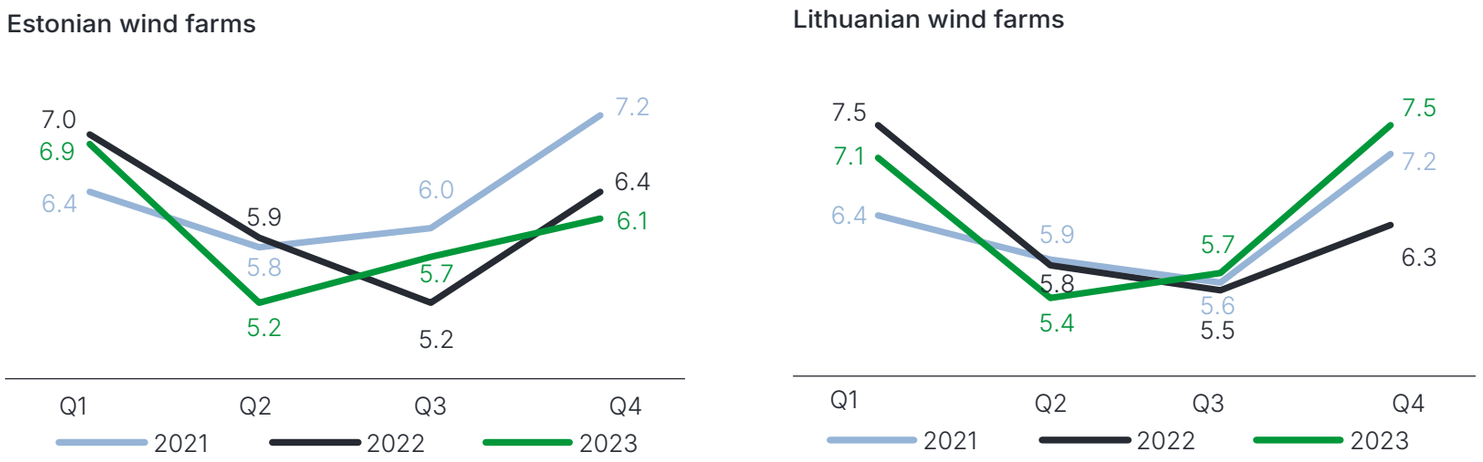
Wind conditions in Estonia and Lithuania were somewhat different in 2023. While Estonia saw another year of particularly weak wind conditions, in Lithuania the annual average wind speed was slightly above recent years' weakest level, mainly due to good wind conditions in Q4.

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

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

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

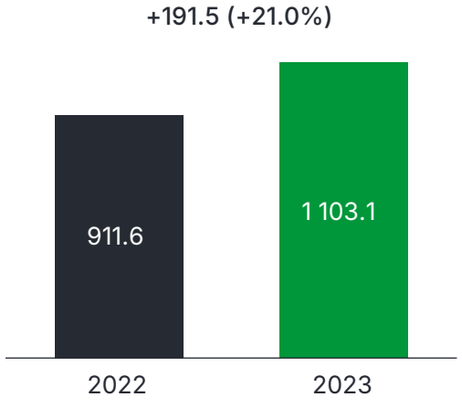
Average quarterly wind speeds at Enefit Green's Estonian and Lithuanian wind farms, m/s



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

	2023	2022	Change	Change, %
Estonian wind farms	529	533	(4)	(1)%
O/W completed before 2023	504	533	(29)	(5)%
O/W new and under construction	24	0	24	-
Lithuanian wind farms	562	378	184	49%
O/W completed before 2023	373	378	(6)	(2)%
O/W new and under construction	190	0	190	-
Finnish wind farm (new)	12	0	12	-
Total	**1,103**	**912**	**191**	**21%**

Electricity production, GWh



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Electricity prices

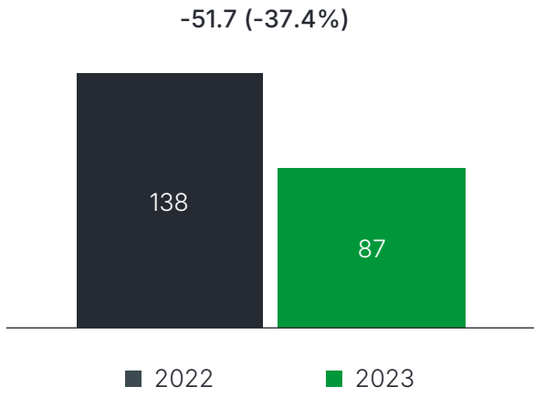
The implied captured electricity prices of both our Estonian and Lithuanian wind farms depend on the combination of the market price and PPAs. Our Estonian wind farms' average implied captured electricity price including support was 105.4 €/MWh in 2023 (-40% compared to 2022). Our Lithuanian wind farms'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

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

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

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

Implied captured electricity price, €/MWh*



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

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

Operating income

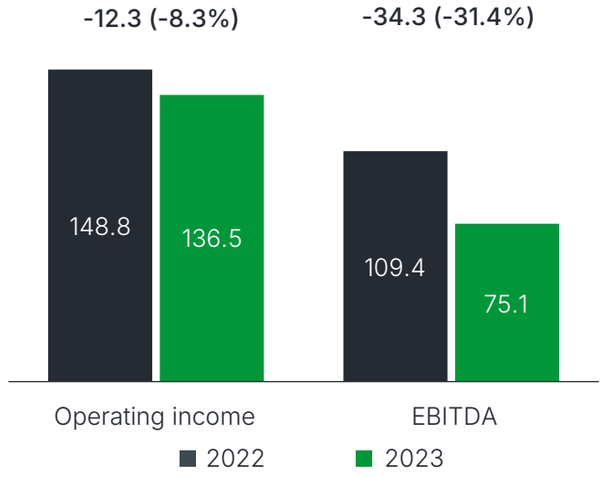
The Wind energy segment's operating income, which was improved by higher electricity production and significantly weakened by a lower implied captured electricity price, decreased by 8.3% year on year to €136.5m. Liquidated damages of €1.0m received for the low availability of the Šilute wind farm have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

EBITDA and operating expenses

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

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

Operating income and EBITDA, €m



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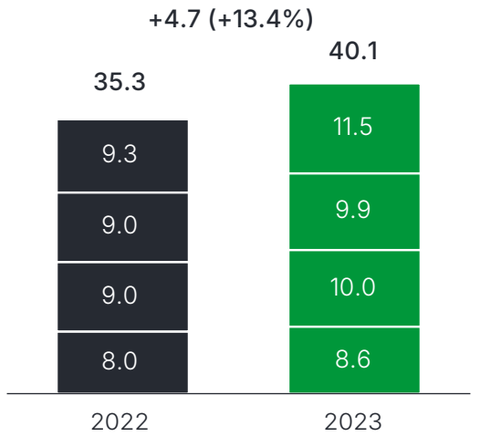
Operating expenses per MW

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

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



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

COGENERATION SEGMENT

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

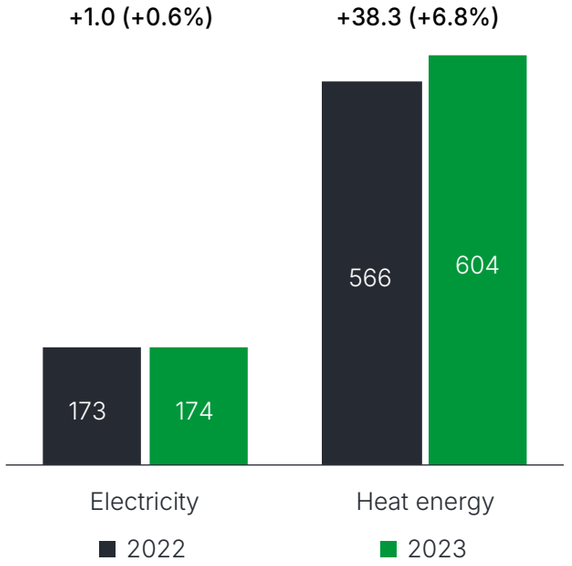
The sale of the Brocēni CHP plant and the pellet factory was finalised before the end of the year but the sale of the Paide and Valka CHP plants was awaiting the approval of the Estonian Competition Authority and the Consumer Protection and Technical Regulatory Authority at the reporting date.

Electricity production and prices

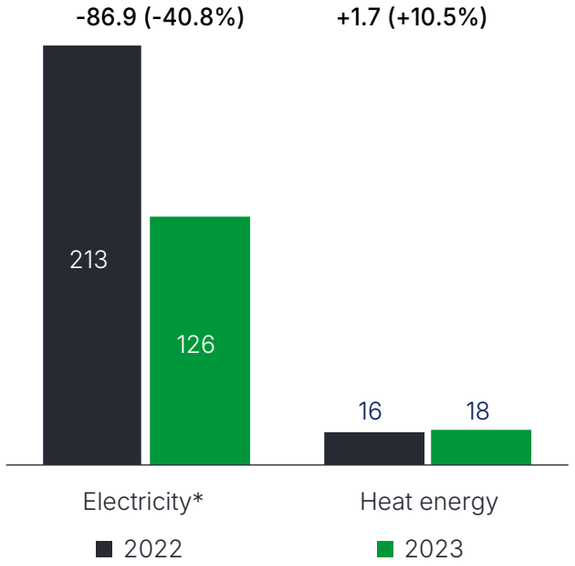
The Cogeneration segment produced 174.1 GWh of electricity in 2023, 1% more than in the comparative period (2022: 173.1 GWh). The Iru power plant produced 131.4 GWh (+8%) of electricity in 2023.

In addition to the market price of electricity, the Iru and Paide cogeneration plants receive renewable energy support of 53.7 €/MWh for electricity produced from renewable sources and efficient cogeneration support of 32 €/MWh for electricity produced from non-renewable sources in an efficient cogeneration mode. Since mid-December 2022, the Valka CHP plant has been selling electricity at the prices of the NP Latvia price area. Previously, it had been assigned fixed prices in the range of 79.75 €/MWh and 105.6 €/MWh. The Brocēni cogeneration plant sold electricity at the prices of the Nord Pool (NP) Latvia price area in both 2023 and 2022.

Production of electricity and heat energy, cogeneration segment, GWh



Implied captured electricity price, €/MWh*



**(Electricity sales revenue + renewable energy support and efficient cogeneration support + revenue from green certificates– electricity purchases on the Nord Pool day-ahead and intraday market – balancing energy purchases) / production*

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

Heat production and prices

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

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

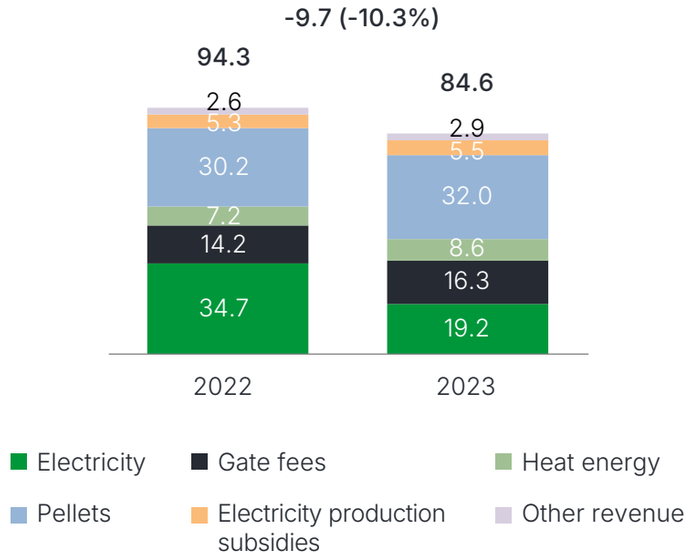
Operating income

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

Pellet sales revenue grew (+€1.7m, +6%) due to an increase in the sales price. In 2023, the average sales price for pellets was 240.8 €/t compared with 203.4 €/t in 2022. Revenue from gate fees (the charges for waste received) increased by €2.1m, while electricity production support increased by €0.2m due to production growth. Heat sales revenue grew by €1.4m (+19%), supported by larger production and a higher sales price.

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

Operating income, €m



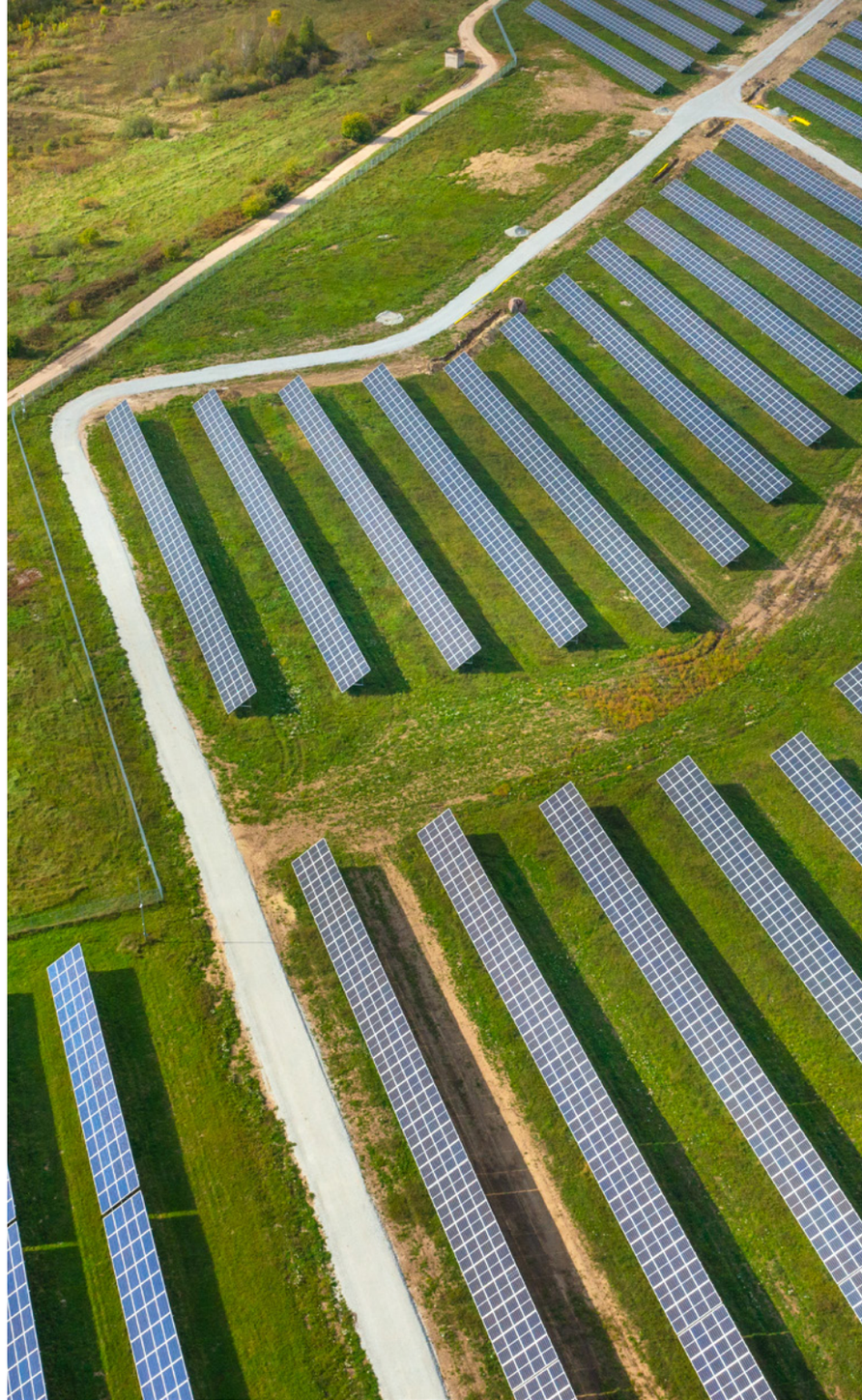
Operating expenses

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

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

EBITDA

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



SOLAR ENERGY SEGMENT

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

Electricity production and prices

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

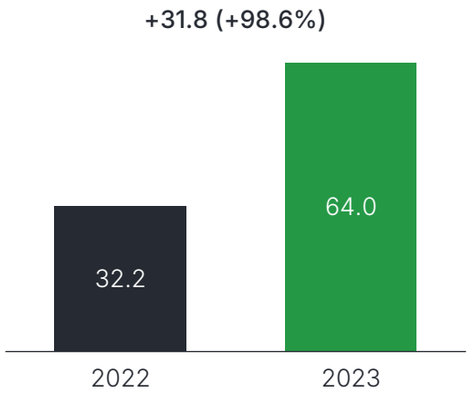
Our solar farms in Estonia are partly exposed to movements in the market price of electricity. Most of our solar farms in Poland sell electricity at fixed prices, which are adjusted for inflation on an annual basis – the price in 2023 was 492–526 PLN/MWh (108–116 €/MWh at the annual average zloty (PLN)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

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

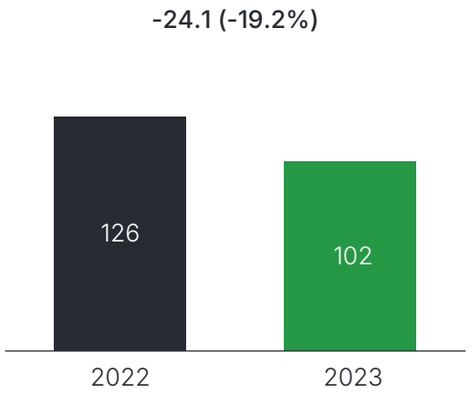
Operating income

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

Solar energy production, GWh

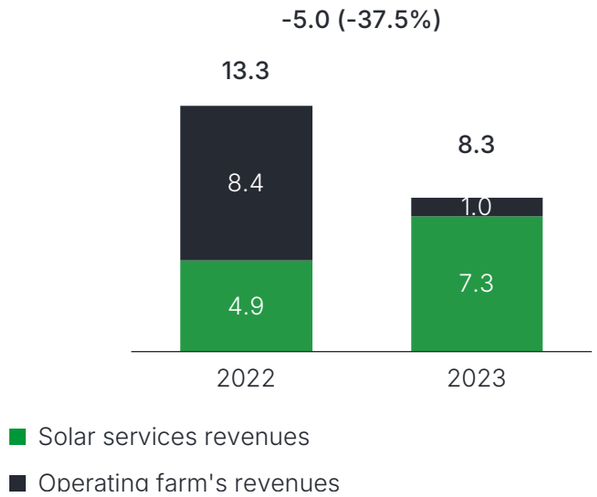


Implied captured electricity price, €/MWh*



**(Electricity sales revenue + renewable energy support and efficient cogeneration support + revenue from green certificates– electricity purchases on the Nord Pool day-ahead and intraday market – balancing*

Operating income, €m



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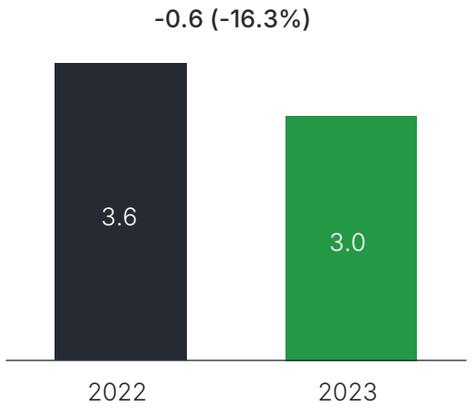
EBITDA

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

EBITDA, €m



Consolidated financial statements 2023

Consolidated Income Statement

	1 JANUARY – 31 DECEMBER		
€ thousand	**2023**	**2022**	**Note**
Revenue	205,757	233,280	23
Renewable energy support and other operating income	24,307	23,735	24
Change in inventories of finished goods and work in progress	2,210	3,303	11
Raw materials, consumables and services used	(100,330)	(85,954)	25
Payroll expenses	(10,807)	(9,111)	26
Depreciation, amortisation and impairment losses	(40,559)	(37,777)	6, 7, 9
Other operating expenses	(15,237)	(10,411)	27
OPERATING PROFIT	**65,341**	**117,065**	
Finance income	1,960	337	28
Finance costs	(1,858)	(2,342)	28
Net finance income/(-costs)	**102**	**(2,005)**	
Profit from associates under the equity method	66	714	
PROFIT BEFORE TAX	**65,509**	**115,774**	
Corporate income tax expense	(9,716)	(5,567)	29
PROFIT FOR THE YEAR	**55,793**	**110,207**	
Attributable to shareholders of the parent	55,793	110,207	
Basic earnings per share (€)	0.21	0.42	18
Diluted earnings per share (€)	0.21	0.42	18

The notes on pages 97–151 are an integral part of these consolidated financial statements.

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Consolidated Statement of Comprehensive Income

	1 JANUARY – 31 DECEMBER		
€ thousand	**2023**	**2022**	**Note**
PROFIT FOR THE YEAR	**55,793**	**110,207**	
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Remeasurement of hedging instruments in cash flow hedges (incl. reclassifications to profit or loss)	(2,968)	14,626	17, 22
Exchange differences on the translation of foreign operations	600	203	22
Other comprehensive income/(-loss) for the year	**(2,368)**	**14,829**	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**53,425**	**125,036**	
Attributable to shareholders of the parent	53,425	125,036	

The notes on pages 97–151 are an integral part of these consolidated financial statements.

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Consolidated Statement of Financial Position

	31 DECEMBER		
€ thousand	2023	2022	Note
ASSETS			
Non-current assets			
Property, plant and equipment	1,027,057	776,870	7
Intangible assets	59,891	60,382	9
Right-of-use assets	9,097	4,239	6
Prepayments for non-current assets	55,148	19,412	7
Deferred tax assets	2,013	1,321	29
Investments in associates	548	506	
Derivative financial instruments	5,054	11,277	17
Non-current receivables	0	40	13
Total non-current assets	**1,158,808**	**874,047**	
Current assets			
Inventories	3,180	14,227	11
Trade and other receivables and prepayments	55,082	41,091	13, 15
Derivative financial instruments	3,806	3,349	17
Cash and cash equivalents	65,677	131,456	16
	127,745	**190,123**	
Assets classified as held for sales	15,370	0	12
Total current assets	**143,115**	**190,123**	
Total assets	**1,301,923**	**1,064,170**	

The notes on pages 97–151 are an integral part of these consolidated financial statements.

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	31 DECEMBER		
€ thousand	**2023**	**2022**	**Note**
EQUITY			
Equity and reserves attributable to shareholders of the parent			
Share capital	264,276	264,276	18
Share premium	60,351	60,351	18
Statutory capital reserve	5,556	3,259	18
Other reserves	163,451	166,419	22, 18
Foreign currency translation reserve	(162)	(762)	22
Retained earnings	223,718	225,190	18
Total equity and reserves attributable to shareholders of the parent	**717,190**	**718,733**	
Total equity	**717,190**	**718,733**	
LIABILITIES			
Non-current liabilities			
Borrowings	454,272	255,755	19
Government grants	3,102	7,115	21
Deferred tax liabilities	12,497	12,326	29
Contract liabilities	12,412	18,086	17
Other long-term liabilities	5,239	3,000	20
Provisions	8	9	
Total non-current liabilities	**487,530**	**296,291**	
Current liabilities			
Borrowings	32,126	24,362	19
Trade and other payables	54,445	19,661	20
Provisions	6	2	
Contract liabilities	5,674	5,121	17
	92,251	**49,146**	
Liabilities directly associated with assets classified as held for sale	4,952	0	12
Total current liabilities	**97,203**	**49,146**	
Total liabilities	**584,733**	**345,437**	
Total equity and liabilities	**1,301,923**	**1,064,170**	

The notes on pages 97–151 are an integral part of these consolidated financial statements.

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Consolidated Statement of Cash Flows

€ thousand	1 JANUARY – 31 DECEMBER		
	2023	**2022**	**Note**
Cash flows from operating activities			
Cash generated from operations	94,918	136,696	30
Interest and loan fees paid	(12.569)	(3,202)	28
Interest received	826	251	28
Corporate income tax paid	(11,676)	(7,046)	29
Net cash generated from operating activities	**71,499**	**126,699**	
Cash flows from investing activities			
Paid on purchase of property, plant and equipment and intangible assets	(312,692)	(190,909)	7, 9
Proceeds from sale of property, plant and equipment	0	3	
Proceeds from disposal of an investment in an associate	0	724	
Proceeds from disposal of subsidiaries (net of cash and cash equivalents transferred)	30,548	0	1.1, 10
Dividends from associates	24	62	
Net cash used in investing activities	**(282,120)**	**(190,120)**	
Cash flows from financing activities			
Bank loans received	302,000	270,000	19
Repayments of bank loans	(104,571)	(115,277)	19
Repayments of lease principal	(324)	(431)	19
Dividends paid	(54,970)	(39,906)	18
Proceeds from realisation of interest rate swaps	2,707	0	19
Other adjustments	0	37	
Net cash generated from financing activities	**144,842**	**114,423**	
Net cash flow	**(65,779)**	**51,002**	
Cash and cash equivalents at the beginning of the period	131,456	80,454	16
Cash and cash equivalents at the end of the period	65,677	131,456	16

The notes on pages 97–151 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 2022	**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**	17, 22
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)**	18
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**	
Profit for the year	**0**	**0**	**0**	**0**	**0**	**55,793**	**55,793**	
Other comprehensive income/(-loss) for the year	**0**	**0**	**0**	**(2 ,968)**	**600**	**0**	**(2,368)**	17, 22
Increase of statutory capital reserve	0	2,297	0	0	0	(2,297)	**0**	
Dividends paid	0	0	0	0	0	(54,970)	**(54,970)**	18
Total contributions by and distributions to shareholders of the company, recognised directly in equity	**0**	**2,297**	**0**	**0**	**0**	**(57,267)**	**(54,970)**	
Equity at 31 December 2023	**264,276**	**5,556**	**60,351**	**163,451**	**(162)**	**223,718**	**717,190**	

The notes on pages 97–151 are an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

The consolidated financial statements of the Enefit Green group for the year ended 31 December 2023 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 is the largest wind energy producer and among leading 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 the first quarter of 2024. The Enefit Green group produces electricity mainly from wind, hydro, solar, municipal waste and until the first quarter of 2024 also 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 2023, the controlling shareholder was Eesti Energia AS with a 77.17% interest.

The management board authorised these consolidated financial statements for issue on 1 April 2024. 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 2023

In 2023, electricity prices decreased considerably compared to the all time high levels reached during the 2022 energy crisis which was fuelled by Russian war against Ukraine. The tensions on the European energy markets had started to ease by the fourth quarter of 2022. As the 2022-2023 winter weather turned out to be mild, gas reserves remained at relatively high levels and in addition supply of hydro and renewable energy kept growing in our core markets (Baltics, Poland and Finland). The decline in electricity prices continued throughout 2023. The production weighted average electricity price on our core markets declined by 55% (from 205.5 €/MWh in 2022 to 92.7 €/MWh in 2023). Declining electricity prices were the most important negative driver of operating revenue.

Production volume of electricity had a balancing positive effect on operating revenue as it grew by 225 GWh or 20% compared to 2022. Several wind and solar assets which were under construction in the end of 2022 were completed during 2023 (Purtse hybrid wind and solar farm, Zambrow and Estonia solar farms), and several others (Akmene, Šilale II, Tolpanvaara wind farms under construction) were approaching completion but already provided strong contribution to production. These new assets helped to grow electricity production by 259 GWh compared to a year earlier, contributing ca 19% of the total electricity production in 2023.

Driven by the above factors, electricity revenue declined by 14,3% year on year to €146,021k. See also Note 23.

As the Group has been gradually replacing expired or soon-to-be-expiring renewable energy support schemes with baseload PPAs (as opposed to the pay-as-produced logic used by the support schemes), then this has created a need to purchase considerably more electricity than before to ensure that obligations to deliver electricity under PPAs are always being fulfilled. Under a baseload PPA, the parties agree a fixed amount of electricity that the seller is obliged to supply and the buyer is obliged to purchase each hour. Under a pay-as-produced PPA, the contracted amount of electricity is determined by the actual production of the underlying production facility. An example of an earlier support scheme using pay-as-produced logic was the Lithuanian feed-in-tariff (FiT) based renewable energy support scheme, under which all produced electricity was sold at a fixed tariff (determined by the state). As the Lithuanian FiT scheme was expected to expire soon, the Group decided to take advantage of high electricity prices in 2022 and replaced the Lithuanian FiT scheme with baseload PPAs at higher prices (than the scheme offered) which also extended for a longer period.

The need for electricity purchases was increased further due to delays in Akmene wind farm completion following the turbine collapse incident in May 2023, but also due to lower than expected production levels which were mostly related to availability challenges in operating Lithuanian wind farms in

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second half of the year. Due to these factors in 2023 we purchased 411 GWh of electricity (excluding electricity purchased for pellet production) at an average price of 110.2 €/MWh (115 GWh at an average price of 229.2 €/GWh in 2022). This was the primary driver of growth of electricity expense to €48,394k in 2023 (from €32,712k in 2022). See also Note 25.

During the fourth quarter of 2023, the Group signed two separate agreements to exit from the biomass-based cogeneration and pellet business.

The first transaction included biomass-based cogeneration plants in Valka (sale of the subsidiary Enefit Power & Heat Valka) and Paide (sale of a separate business unit previously part of the parent entity Enefit Green AS), which will be sold to Utilitas Group for a total of €15,885k. The final sales price is subject to a post-closing adjustment depending on the level of cash working capital in the business. As of 31 December 2023 the conclusion of this transaction was pending approvals from the Estonian Competition Authority and Consumer Protection and Technical Regulatory Authority, which have since been received. Therefore, related assets and liabilities are treated as a disposal group as at 31 December 2023. See further details of the accounting policies from Note 2.3 and also from Note 12.

Secondly, a transaction was concluded on 29 December 2023 with Warmeston OÜ to sell the biomass-based cogeneration plant (consisting of the subsidiary SIA Technological Solutions) and the pellet factory in Broceni (consisting of the subsidiary Enefit Green SIA). The price for this transaction was €32,000k, however final sales price is subject to a post-closing adjustment depending on the level of cash working capital in the business. The profit recognised from the sales was €960k (Note 24).

Following these transactions with biomass-based cogeneration and pellet production assets, the Cogeneration Segment of the Group will consist only of the Iru Power Station.

Investment activities

The group's capital expenditures grew to €355,682k in 2023 (2022: €193,454k) (note 5). Growth resulted from development investments, which extended to €350,606k (2022: €188,093k). The largest investments were made in the Kelme I, Kelme II and Kelme III wind farms €127,482k, in Sopi-Tootsi wind farm (€84,111k) and in Tolpanvaara wind farm (€51,807k). Major investments were also made in the Purtse solar farm (€12,702k) and the Vändra solar farm (€9,358k).

2. MATERIAL ACCOUNTING POLICIES

The material 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.

2.1 Basis of preparation

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

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

The following new or revised standards and interpretations became effective for the Group from 1 January 2023:

***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's assess-

ment, the application of the amendments will have a material impact on its financial statements. The amendment has been adopted in these financial statements and, as a result, the accounting policies section of the Group's financial statements is considerably shorter.

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

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2024, and which the Group has not early adopted:

***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.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules *(effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU).* In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The Enefit Green group is not directly impacted by the minimum tax reform, as it would be possible to use the safe harbours' 'substance based income exclusion'. According to the safe harbours rule, the substance based carveout enables to avoid any income tax obligation in the countries where the Enefit Green group companies operate. Thus, there would only be the obligation to declare.

In Estonia, the under-taxed payment rule top-up tax amount calculated for the ultimate parent entity (UPE) jurisdiction will be deemed to be zero for each fiscal year during the transition period if the UPE jurisdiction has a corporate income tax that applies a rate of at least 20%. The transition period means the fiscal years running no longer than 12 months that begin on or before 31 December 2025 and end before 31 December 2026. As the Estonian income tax rate is 20%, the Estonian top-up tax would be zero until 2027.

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.

Acquisitions of assets (and liabilities) that do not meet the definition of a business are recognised at cost on the acquisition date. Any excess consideration transferred over the fair value of the net assets acquired is allocated to the identifiable assets based on their relative fair values.

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) 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 profit or loss. 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.

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 profit or loss.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. Non-current assets (or disposal groups) are stated at the lower of carrying amount and fair value less costs to sell.

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. Foreign exchange gains and losses arising on translation are recognised in profit or loss. 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 pres-

entation 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 4,3395 at 31 December 2023 and €/PLN 4.6808 at 31 December 2022. Income and expenses were translated using €/PLN 4,61 for 2023 and €/PLN 4.69 for 2022.

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.

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. All other assets are classified as non-current.

The group classifies a liability as current when:

- it expects to settle the liability in its normal operating cycle;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

The group's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and, must exist at the end of the reporting period. The group's right to defer settlement of a liability arising from a loan arrangement for at least twelve months after the reporting period may be subject to the group complying with conditions specified in that loan arrangement.

If the right to defer settlement is subject to the group complying with specified conditions, the right exists at the end of the reporting period only if the group complies with those conditions at the end of the reporting period. The group must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date. If the group has the right at the end of the reporting period, to roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. If the group has no such right, the group does not consider the potential to refinance the obligation and classifies the obligation as 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.

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Useful lives assigned to classes of property, plant and equipment:

	Range of useful life	Average useful life	Average remaining useful life as at 31 December 2023
Buildings	22-40 years	30 years	13 years
Facilities and structures	10-30 years	26 years	14 years
Electricity transmission equipment	5-45 years	24 years	13 years
Power plant equipment	7-32 years	21 years	13 years
Other items of property, plant and equipment	3-30 years	11 years	6 years

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

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.

(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 investment in 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.

Capitalised software development costs include payroll expenses and other expenses directly attributable to development. Development expenditures that do not meet the recognition 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) 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 316 tonnes of CO_2 emissions for heat production in 2024.

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:

- 2022: for 997 tonnes of emissions at fair value* of €84k;
- 2023: for 325 tonnes of emissions at fair value* of €26k.

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

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.

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. The Group does not have any emission allowances recognised at carrying amounts higher than zero.

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. 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 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 profit or loss.

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

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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 profit or loss.

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 profit or loss and presented in other operating income or expenses. Foreign exchange gains and losses and credit losses are presented within separate line items in profit or loss.

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 2.11.

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. Trade receivables which are collected within twelve months after the reporting period or in the normal operating cycle are classified as current. 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.

2.11 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 resulting from floating-rate borrowings.

The group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, and 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 profit or loss.

The fair vales of derivatives designated as hedging instruments are disclosed in note 3.3. Changes in the hedge reserve recognised through other comprehensive income are disclosed in note 22. 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 profit or loss as a net amount within other operating income or operating expenses. The day one fair value of derivative instruments entered into with the parent is recognised directly in equity when its economic substance is a distribution to the parent of resources embodying economic benefits.

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

2.12 Cash and cash equivalents

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

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

2.14 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. Share premium is the portion of consideration received for shares issued that exceeds the par value of the shares.

2.15 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. See also Note 18.

2.16 Trade payables

Trade payables are amounts due to suppliers for goods or services purchased in the ordinary course of business. Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 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 profit or loss 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.

2.18 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 dis-

tributions 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.

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	2023: €1.70-180.55 per 1,000 m^3 of water extracted from a surface water body or groundwater (2022: €1.70–180.55 per 1,000 m^3 of water extracted from a surface water body or groundwater)
Land tax	0.1–1.0% 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 30 April 2024)
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%

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(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 profit or loss for the period) when the dividend is declared.

Due to the nature of the taxation system, companies registered in Estonia and Latvia 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 dividends will be paid in the foreseeable future resulting in reversals of temporary differences on investment in its subsidiaries, a deferred tax liability is recognised to the extent of the planned dividend distribution.

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.

If the group provides any additional service to the customer after control of the goods has transferred to the customer,

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rendering 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, heat, reception of waste and other services

The group provides electricity, heat energy, waste reception and other services in accordance with the relevant contracts. Selling prices, possible price regulation and contractual volumes of service /goods are fixed by contracts. Revenue from the sale of electricity and heat energy is based on units delivered because the customer receives and consumes the benefits simultaneously. Revenue from the reception of waste is recognised based on units received. Relevant invoices are issued monthly. Therefore, in accordance with IFRS 15 the group has elected to apply the practical expedient in paragraph 121(b) of IFRS 15, and has not disclosed the transaction prices allocated to contracts not performed (performance obligations not satisfied) at the reporting date. The group fulfils its future delivery obligation under long-term power sales agreements in the multiple periods, to be satisfied over time. The group recognises corresponding revenue, when it has the right to invoice for the actual power that has been delivered to the counterparty. For all of the group's power sales agreements the invoicing is conducted monthly.

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 53.7 €/MWh 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 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.

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.

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.

Initial measurement

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 profit or loss 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 profit or loss.

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 profit or loss.

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(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.

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 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.

2.26 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 33, 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.

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, 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 the parent entity's, Eesti Energia's finance department and energy trading unit, which support the group in the mitigation and hedging of its financial risks.

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 liabilities (a bank loan denominated in PLN which is disclosed in note 19 with a balance of €6,340k at 31 December 2023 (€6,640k at 31 December 2022) which is exposed to currency risk. If the Polish zloty/€ exchange rate changed by +/-10% (2022: +/9%), the group's net profit would change by -/+ €605k (2022: -/+ €407k).

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 19). The weighted average

effective interest rate of the group's loans as at 31 December 2023, including the effect of interest rate swaps, was 3,75% (31 December 2022: 2.6%). At 31 December 2023, 66.6% of borrowings drawn down were exposed to interest rate risk (31 December 2022: 38,8%) and if the base interest rate increased by 100 base points, Enefit Green's profit before tax would decrease by €3,150k (31 December 2022: would decrease by €1,066k).

The group uses interest rate swap (IRS) agreements to manage its interest rate risk exposure. At 31 December 2023, the total nominal amount of Enefit Green's open IRS agreements was €157,836k (31 December 2022: €168,334k), which accounted for 33.4% of total borrowings (31 December 2022: 61,2%). Further information about the interest rate swaps, their fixed interest rates and fair values is provided in note 17.

The fair values of short- and long-term borrowings do not differ significantly from their carrying amounts because the 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 19 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.

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

	31 DECEMBER	
€ thousand	**2023**	**2022**
Trade and other receivables* (note 13)	13,780	12,972
Receivables from the parent, other group companies and other related parties (notes 13 and 32)	9,811	11,999
Cash and cash equivalents (note 16)	65,677	131,456
Derivative financial instruments with a positive value (notes 3.3 and 17)	8,860	14,626
Total amount exposed to credit risk (notes 14 and 15)	**98,128**	**171,053**

** Total trade and other receivables less prepayments. This excludes a €1,407k post-closing receivable from the sale of the Broceni biomass CHP and pellet plant.*

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.

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 2023, 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 €3,571k at 31 December 2023 (31 December 2022: 2 customers that accounted for over 10% of trade and other receivables; receivables from the customers totalled €3,616k).

See notes 14 and 15 for further information on credit risk.

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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 €335,000k (31 December 2022: €50,000k).

Maturity profile of liabilities at 31 December 2023

€ thousand	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. lease liabilities (note 19)*	51,067	71,353	273,581	183,206	579,207	476,555
Lease liabilities (note 19)	745	774	2,166	9,992	13,677	9,842
Trade and other payables (note 20)	54,567	0	5,803	0	60,370	59,806
Total	**106,379**	**72,127**	**281,550**	**193,198**	**653,254**	**546,203**

** Interest expense has been estimated on the basis of interest rates as at 31 December 2023.*

Maturity profile of liabilities at 31 December 2022

€ thousand	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl finance lease liabilities (note 19)*	31,013	31,714	170,919	77,504	311,150	275,527
Lease liabilities (note 19)	364	432	1,129	6,059	7,984	4,590
Trade and other payables (note 19)	17,307	3,000	0	0	20,307	20,307
Total	**48,684**	**35,146**	**172,048**	**83,563**	**339,441**	**300,424**

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

In addition to the liabilities presented in the above tables, the group has commitments related to variable lease payments. See note 31 for further information.

3.2 Capital management

The group uses financial leverage to support its development of new production assets and to improve the return on equity and targets a long-term net debt to EBITDA ratio of 4.0x, which may be exceeded on a short-term basis during the development phases of new projects. 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 owners, 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.

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.

	31 DECEMBER	
€ thousand	**2023**	**2022**
Total borrowings (notes 3.1.3 and 19)	486,398	280,117
Less: Cash and cash equivalents (note 16)	(65,677)	(131,456)
Net debt	420,721	148,661
Total equity	717,190	718,733
EBITDA* (note 5)	105,900	154,842
Assets	1,301,923	1,064,170
Net debt/EBITDA	4.0	1.0
Equity/assets	55%	68%
Total capital (net debt + equity)	1,137,911	867,397
Net debt/capital	37%	17%

** EBITDA – profit before finance income/(costs), share of profit (loss) of equity-accounted associates, tax, depreciation, amortisation and impairment losses*

3.3 Fair value

According to the group's assessment, at 31 December 2023 and 31 December 2022 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, less impairments, are estimated to be equal to their fair values. 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 borrowings 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.

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 2023 and 31 December 2022:

	31 DECEMBER 2023			
€ thousand	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash flow hedges (notes 3.1.2, 17 and 22)	0	8,860	0	8,860
Total financial assets (notes 3.1.2, 17 and 22)	**0**	**8,860**	**0**	**8,860**

	31 DECEMBER 2022			
€ thousand	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash flow hedges (notes 3.1.2, 17 and 22)	0	14,626	0	14,626
Total financial assets (notes 3.1.2, 17 and 22)	**0**	**14,626**	**0**	**14,626**

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.

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 profit or loss 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 2023, the total carrying amount of the group's property, plant

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and equipment was €1,027,057k (31 December 2022: €776,870k) and depreciation expense for the reporting period amounted to €39,888k (2022: €36,732k) (note 7). At the year-end, the average remaining useful life of items of property, plant and equipment was 11,03 years (31 December 2022: 10.9 years). If the average remaining useful life were one year longer, depreciation expense would decrease by €7,125k (2022: €5,345k) and if the average remaining useful life were one year shorter, depreciation expense would increase by €6,828k (2022: €6,758k). 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 goodwill

The group performs impairment tests and estimates the recoverable amounts of its property, plant and equipment and goodwill 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 2023 no impairment was identified nor recognised (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 (Note 9)). The carrying amounts of other operating assets did not require adjustment. An impairment test is performed when there is reason to assume that an asset is impaired, there is a need to reverse a previously recognised impairment loss or a cash-generating unit has been allocated a material amount of goodwill.

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

At 31 December 2023, the group had not recognised deferred tax liabilities for taxable temporary differences related to the retained earnings of its Estonian and Latvian subsidiaries of €184,488k (31 December 2022: €163,019k). The group has adopted a dividend policy which has been approved by the supervisory board and foresees distributing at least 50% of the 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.

(d) Treatment of long-term Power Purchase Agreements (PPAs)

Enefit Green uses long-term fixed-price power purchase agreements (PPAs) to sell produced electricity and thus mitigate the risk of electricity price fluctuations. As a general rule, the Group seeks to fix the electricity sales price for projects being developed by the time the final investment decision is made at up to 60% (on an annual basis) of the estimated output of the development project during the first five years of its operation. The remaining output is planned to be sold at the open market. The amounts of the PPA to be concluded vary on a monthly basis, taking into account the wind profile.

From a risk management perspective, the objective for entering into PPAs and primary intention is to effectively manage price risk associated with its sale of electricity rather than generate profit from price fluctuations. Entering into PPAs provides strong cash flow risk protection for the group's sales, because the price variability in the spot market and the entity's sales are fairly aligned, the motive is effective price risk management rather than speculation or trading. All PPAs that Enefit Green has concluded (with exception of pay-as-produced PPA for Estonia solar farm) are physically settled baseload PPAs, which take into account the monthly production profile of the production assets. Enefit Green, being an electricity producer, has a substantive business need to sell the electricity it produces. However, due to inherent variability in wind farm production, and the baseload nature of the PPAs, there are cases when the actual production, measured on hourly basis (settlement mechanism for power in the Baltic market), does not suffice to meet the PPA sales requirements for all and every disaggregated individual hour. This is regardless of the above-described risk management strategy, which is established at a higher level of aggregation (generally at the annual expected production level).

When the shortages occur, the Group needs to physically purchase the 'shortage' volume from the open market (spot market Nord Pool) in order to meet the delivery requirements under the PPAs. As explained above, these purchases are not made with a profit/trading intention, but solely to meet own delivery requirements on the PPA sell side. The assessment regarding shortage/excess is performed on a weekly basis enabling more informed decisions grounded in trends and patterns over extended periods, rather than reacting to daily or hourly fluctuations.

In 2023, the shortages did not represent a substantial part of the contractual (PPA) volume, determined on a weekly basis. The shortages were influenced by one-off events, specifically a turbine tower collapse in the Lithuania wind farm and availability challenges related to completion of construction of wind farms (refer to Note 1.1).

Based on that, PPAs meet the own use exemption and are not considered to be a financial instrument that is required to be measured at fair value under IFRS 9. The one off events in 2023 described in the paragraph above do not create structural mismatch on the long-term PPA contracts and are not expected to recur. The remaining fluctuations triggering need for electricity purchases were considered acceptable from the frequency and volumetric magnitude point of view. The PPAs are to be accounted for as executory contracts under IFRS 15 Revenue from Contracts with Customers with revenue being recognised at a fixed per-unit price only when the delivery of electricity takes place.

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 operating wind farms, wind farm developments, management costs related to wind farm developments and operating wind farm management costs);

2. Cogeneration (comprises all of the group's cogeneration plants and the production of pellets. Cogeneration business in Brocēni included a cogeneration plant and a pellet factory. Electricity produced in Brocēni cogeneration plant is sold to the Latvian electricity grid, while the heat is used to dry raw materials in the adjacent pellet factory. Brocēni cogeneration plants and pellet factory are inseparably connected and thus both are allocated in cogeneration segment. Brocēni cogeneration plants and pellet factory were sold at the end of 2023. According to the purchase and sale agreement signed on 29 November 2023, Enefit Green AS will sell the district heating businesses of Paide (Estonia) (separate sub-unit of the parent entity Enefit Green AS) and the district heating businesses of Valka (Latvia) (subsidiary named Enefit Power & Heat Valka) to Utilitas. See details from Note 10);

3. Solar energy (comprises all of the group's operating solar farms, solar farm developments, management costs related to solar farms and operating solar farm management costs);

4. Other segments (including hydropower, hybrid renewable energy solutions, and central development and management units. Central development and management expenses are invoiced to wind energy, cogeneration and solar energy units as management and development fee. Fee is consolidated in Group level, thus not visible on Group segments level. At Group level fees are not allocated to each unit, as it gives investors better understanding of Group central management and development (including payroll) expenses).

Other segments comprise 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.

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Revenue		
Wind energy	119,971	130,709
Cogeneration	77,703	88,288
Solar energy	7,425	13,597
Total reportable segments	**205,098**	**232,595**
Other	659	686
Total (note 23)	**205,757**	**233,280**

In 2023, the group had 2 customers in the Wind energy segment that each accounted for over 10% of the group's revenue. Sales to the parent entity Eesti Energia AS were €78,713k (Note

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32) and sales to Nord pool €43,012k (2022: 2 customers, Eesti Energia AS €32,320k and Nord Pool €107,830k).
In 2023, the group had 1 customer in the Cogeneration segment that accounted for over 10% of the group's revenue for the period. Sales to Orsted A/S were €23,121k (2022: no customers in the Cogeneration segment that accounted for over 10% of the group`s revenue for the period).

Further information about revenue decrease is provided in note 1.1.

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Renewable energy support and other operating income		
Wind energy	16,543	18,088
Cogeneration	6,858	6,015
Solar energy	873	(323)
Total reportable segments	**24,274**	**23,780**
Other	33	(44)
Total (note 24)	**24,307**	**23,735**

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 share of profit (loss) of equity-accounted associates are not allocated to segments and relevant information is not re-

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Profit for the year	**55,793**	**110,206**
Income tax expense (note 29)	9,716	5,567
Net finance costs (note 28)	(102)	2,005
Profit from associates under the equity method	(66)	(714)
Depreciation, amortisation and impairment losses (notes 6, 7 and 9)	40,559	37,777
EBITDA*	**105,900**	**154,842**
Total EBITDA by segments		
Wind energy	75,051	109,423
Cogeneration	37,407	49,610
Solar energy	2,972	3,553
Total reportable segments	**115,430**	**162,585**
Other	(9,529)	(7,743)
Total EBITDA by segments	**105,900**	**154,842**

** EBITDA – profit before finance income/(costs), share of profit (loss) of equity-accounted associates, tax, depreciation, amortisation and impairment losses*

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Operating profit		
Wind energy	46,591	83,646
Cogeneration	27,030	39,366
Solar energy	1,634	1,984
Total reportable segments	**75,256**	**124,997**
Other	(9,914)	(7,932)
Total	**65,341**	**117,065**

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	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Additions to non-current assets		
Wind energy	315,425	156,753
Cogeneration	3,456	3,294
Solar energy	36,809	31,103
Total reportable segments	**355,690**	**191,150**
Other	0	2,304
Total	**355,690**	**193,454**

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

	31 DECEMBER	
€ thousand	**2023**	**2022**
Non-current assets		
Wind energy (note 1.1)	962,266	668,580
Cogeneration (note 1.1)	98,051	134,352
Solar energy (note 1.1)	92,738	55,035
Total reportable segments	**1,153,056**	**857,968**
Other	5,752	16,079
Total	**1,158,808**	**874,047**

ported 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 income/(costs), profit (loss) from equity-accounted associates, tax, depreciation, amortisation and impairment losses.

The profit for the year 2022 included 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*.

Other segment includes derivative financial instruments, asset management software and assets of Ruhnu and Keila-Joa. The decrease in other segment mostly arises from the decrease of the derivative financial instruments balance compared to prior year-end.

At 31 December 2023, the assets of the group's Wind energy segment included goodwill of €23,641k (2022: €23,695k), the assets of the Cogeneration segment included goodwill of €32,412k (2022: €32,712k) and the assets of the Solar energy segment included goodwill of €2,194k (2022: €2,194k).

Revenue by the location of customers

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Estonia	151,129	153,068
Denmark	27,217	12,677
Lithuania	14,523	32,544
Latvia	9,628	18,016
Poland	2,760	3,795
Finland	492	0
Belgium	8	3,843
United Kingdom	0	9,177
Other countries	0	160
Total revenue (note 23)	**205,757**	**233,280**

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Non-current assets by location*

	31 DECEMBER	
€ thousand	**2023**	**2022**
Estonia	557,884	438,280
Lithuania	474,834	332,360
Latvia	1,717	30,211
Poland	23,166	23,063
Finland	84,495	32,750
Right-of-use assets, Estonia (note 6)	2,497	1,731
Right-of-use assets, Lithuania (note 6)	1,772	1,435
Right-of-use assets, Poland (note 6)	1,044	1,011
Right-of-use assets, Finland (note 6)	3,784	62
Total non-current assets (notes 6, 7 and 9)	**1,151,193**	**860,903**

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

6. RIGHT-OF-USE ASSETS

€ thousand	**Rights to use land (rights of superficies)**
At 1 January 2022	
Cost	3,250
Accumulated depreciation	(500)
Carrying amount	**2,750**
2022	
Additions	1,727
Depreciation for the period	(262)
Other changes	24
Total carrying amount	**4,239**
At 31 December 2022	
Cost	5,000
Accumulated depreciation	(762)
Carrying amount	**4,239**
2023	
Additions	5,316
Depreciation for the period	(453)
Other changes	(5)
Carrying amount	**9,097**
At 31 December 2023	
Cost	10,317
Accumulated depreciation	(1,220)
Carrying amount	**9,097**

The Group has included here the following contracts: notarized long-term lease agreements, building right agreements and personal right of use agreements. The Group uses long term rental contracts to secure the land needed for current or future production assets. These contracts are signed for periods that take into account the expected lifespan of the production assets.

Lease expenses recognised in the group's profit or loss:

€ thousand	**2023**	**2022**
Interest expense	485	302
Lease expenses (note 27)	2,348	1,597

Information regarding expense relating to short-term leases, leases of low-value assets and variable lease payments can be found from Note 27. Total cash outflow for leases can be found from Note 19.

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7. PROPERTY, PLANT AND EQUIPMENT

€ thousand	Land	Buildings	Facilities	Machinery and equipment	Construction in progress	Prepayments	Total
Carrying amount as at 31 December 2021							
Cost	23,986	25,415	42,067	744,314	33,883	20,710	**906,333**
Accumulated depreciation	0	(640)	(1,268)	(34,824)	(18)	0	**(273,120)**
Carrying amount as at 1 January 2022	**39,944**	**15,670**	**18,321**	**504,703**	**33,865**	**20,710**	**633,213**
Movements in 2022							
Additions (note 5)	23,986	0	15	1,068	165,704	1,721	**192,494**
Depreciation (notes 4, 5, and 30)	0	(640)	(1,268)	(34,824)	0	0	**(36,732)**
Effects on movements in foreign exchange rates	0	(6)	(2)	(177)	(5)	1	**(189)**
Transfers (note 9)	23	164	138	6,136	4,055	(3,020)	**7,496**
Property, plant and equipment as at 31 December 2022							
Cost	63,953	25,573	42,218	751,521	203,637	19,412	**1,106,314**
Accumulated depreciation	0	(10,385)	(25,014)	(274,615)	(18)	0	**(310,032)**
Carrying amount as at 31 December 2022	**63,953**	**15,188**	**17,204**	**476,906**	**203,619**	**19,412**	**796,282**
Movements in 2023							
Additions (note 5)	0	153	497	5,273	292,537	57,222	**355,682**
Depreciation (notes 4, 5, and 30)	0	(743)	(1,321)	(37,824)	0	0	**(39,888)**
Disposal of subsidiaries (note 10)	(89)	0	0	(17,836)	(303)	0	**(18,228)**
Classified as held-for-sale fixed assets (note 12)	(43)	(2,252)	(1,036)	(9,421)	(194)	(10)	**(12,956)**
Effects on movements in foreign exchange rates	0	11	51	705	545	13	**1,325**
Transfers	161	154	3,962	54,570	(37,370)	(21,489)	**(12)**
Property, plant and equipment as at 31 December 2023							
Cost	63,982	22,299	44,796	747,900	458,834	55,148	**1,392,959**
Accumulated depreciation	0	(9,788)	(25,439)	(275,527)	0	0	**(310,754)**
Carrying amount as at 31 December 2023	**63,982**	**12,511**	**19,357**	**472,373**	**458,834**	**55,148**	**1,082,205**

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During the financial year the following significant transactions impacting the property, plant and equipment balance were made:

a) The sale of two subsidiaries (Broceni pellet and cogeneration business), which decreased the property, plant and equipment balance by €18,228k. See also Notes 1.1 and 10.

b) Reclassification of property, plant and equipment related to the subsidiary of Enefit Power & Heat Valka and for the cogeneration plant in Paide (subunit of the parent entity) to assets held for sale in the amount of €12,956k, detailed information can be found in Notes 1.1, 10 and 12.

c) Kelme II and Kelme III purchase agreement contained contingent liabilities, payment of acquisition was agreed in three parts: after signing the contract (Stage 1), after environmental and other analyses, legal procedures and rights for building a wind farm (Stage 2) and when the wind turbines are completed and there is a right of use and a permit for electricity generation (Stage 3). Payment related to Stage 1 was made in 2021, Stage 2 and Stage 3 have been recognised in the statement of the financial position as "Other payables" on the liabilities side and as "Property, plant and equipment" on the assets side. The expected payment for Stage and Stage 3 will take place in the timespan between 2024-2027. Due to this recognition the property, plant and equipment balance increased by €17,721k.

d) Enefit Green AS acquired from the parent entity Eesti Energia AS a 100% interest in Liivi Offshore OÜ in March 2023 for €6,174k. The transaction was analysed in accordance with the requirements of IFRS 3 and it was accounted for as an asset acquisition, not as a business combination. See also Note 10.

Disclosures regarding impairment tests performed

Wind farms

The group's wind farms were tested for impairment based on goodwill acquired on the acquisition of Nelja Energia* and the Paldiski and Narva wind farms. Additionally, 4 operating wind farms** were tested for impairment on the basis of potential value decline due to changes in power market prices. Akmene, Silale II and Tolpanvaara wind farms, assets not yet available for use, were tested for impairment on the basis of potential value decline due to combination of changes power market prices and PPA contractual impact to mentioned assets. The group's wind farms were tested 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 2023, the total carrying amount of the group's wind farm property, plant and equipment and intangible assets was €952,250 (31 December 2022: €663,486) out of which €602,507k was tested for impairment, including total carrying amount of the group's new wind farm assets €227,460k. The amount of goodwill allocated to these cash-generating units was €23,641k (31 December 2022: €23,641k) (note 9).

The impairment tests carried out in 2023 did not indicate a need for recognising an impairment loss for wind farms. The impairment tests carried out in 2022 did not indicate a need for recognising an impairment loss for wind farms. In 2022, 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 carrying amounts together with the goodwill allocated to the cash-generating unit were compared with recoverable amount. In forecasting the market price of electricity, wind discounts (reflecting what percentage of the forecast average market price is captured by a typical wind production profile) and discount rates, the group took into account forward market prices, the estimates of third-party experts and the PPAs already secured. It was forecasted that from 2024 to 2054 (2022: 2023-2046) the electricity price would be in the range of 65-108 €/MWh (2022: from 2023 the electricity price would be in the range of 86-172 €/MWh) in Estonia, 66-106 €/MWh (2022: 90-198 €/MWh) in Lithuania and 44-101 €/MWh in Finland. The end period for price forecast depends on the farm's useful lifespan, but the longest lifespan is 2054 for Akmene, Silale 2 and Tolpanvaara wind farms. In 2022 the longest lifespan was 2046 for Tooma II wind farm.

It was forecasted that from 2024 to 2054 (2022: 2023-2046) the wind discounts would be in the range of -28% to -13% (2022: from 2023 the discount was -9%) in Estonia, -24% to -11% (2022: -12%) in Lithuania and -36% to -17% in Finland.

* *Virtsu I, Virtsu II, Virtsu III, Esivere, Tooma I, Tooma II, Pakri, Ojaküla, Sudenai, Mockiai, Silale, Ciuteliai, Silute wind farms*
** *Virtsu, Aulepa, Viru-Nigula, Aseriaru wind farms*

The expected future cash flows were discounted by applying a discount rate of 8.1% for wind farms located in Lithuania and 8.2% for wind farms located in Estonia and Finland (2022: a discount rate of 7.4% for wind farms located in Lithuania and 7.5% for wind farms located in Estonia).

The smallest change in key inputs that would result in an impairment is the following:

	Change in WACC	Change to wind discount percentage	Change to electricity prices
Estonia	+1.1 pp	+2 pp	-4%
Lithuania	+3.1pp	+10 pp	-14%
Finland	+4.7pp	+4 pp	-9%

The future expected cashflows of the wind farms are most sensitive to possible changes in the electricity price, wind discounts, and the assumed discount rate. For our production volumes, we use long term expectations of average wind yields, therefore we do not consider weather dependent production volume fluctuations as inputs to impairment tests, as these only impact individual years, but do not change the long term average.

If the expected market prices of electricity were 20% lower than the electricity prices used in the impairment tests, the recoverable amounts would decrease by €36,033k for the Estonian wind farms, €76,559k for the Lithuanian wind farms and €17,139k for the one wind farm located in Finland. This would result in a total impairment of €1,499k across Estonian wind farms, €1,736k across Lithuanian wind farms and €9,237k in the wind farm in Finland.

If the expected wind discounts percentages were 10 percentage points higher than the wind discount rates used in the impairment tests, the recoverable amounts would decrease by €32,918k for the Estonian wind farms, €75,047k for the Lithuanian wind farms and €21,090k for the one wind farm in Finland. For the wind farms in Estonia that would indicate an impairment loss of €768k and for the one in Finland the increase in wind discount rate would indicate an impairment loss of €13,188k.

If the expected discount rate was 1 percentage points higher than the assumption used in the impairment tests, the recoverable amounts would decrease by €10,708k for the Estonian wind farms, €36,047k for the Lithuanian wind farms and €10,944k for the one wind farm in Finland. Therefore, the increase of the discount rate would indicate an impairment loss for the one wind farm in Finland in amount €3,042k.

Solar farms

The group's solar farms in Poland were tested for impairment in 2023 (in 2022, an impairment loss was recognised for the goodwill allocated to the group's solar farms in Poland, which amounted to €622k). The impairment test did not indicate a need for recognising an impairment loss. The cash flows of the cash-generating unit included in the test were projected until the end of their useful lives. The expected future cash flows were discounted by applying a discount rate of 10.7% (2022: 11.4%). In forecasting the market price of electricity, the group took into account forward market prices and the estimates of third-party experts. It was forecast that from 2024 to 2049 the electricity price would be in the range of 113-145 €/MWh (2022: from 2023 to 2049 the electricity price would be in the range of 115-208 €/MWh). At 31 December 2023, the total carrying amount of the group's Polish solar farm assets was €10,321k (31 December 2022: €10,018k), including the carrying amount of goodwill allocated to the cash-generating units, which was €2,194k (31 December 2022: €2,194k).

The recoverable amount of Polish solar farms is sensitive to changes in the electricity price and discount rate changes. If the expected market prices of electricity were 20% lower than the electricity prices used in the impairment tests, the recoverable amounts would decrease €475k (2022: €915k decrease). If the expected discount rate was 1 percentage point higher than the discount rate used in the impairment tests, the recoverable amounts would decrease €848k (2022: €762k decrease). In both cases the assets' value in use would still exceed their carrying amounts. The minimal change that would cause impairment loss would be if the expected discount rate was 2.6 percentage points higher than the discount rate used in the test or the electricity prices were 85% lower than the electricity prices used in the impairment tests. For our production volumes, we use long term expectations of average solar yields, therefore we do not consider weather dependent production volume fluctuations as inputs to impairment tests, as these only impact individual years, but do not change the long-term average.

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8. OPERATING LEASES

Assets leased out under operating leases

	31 DECEMBER	
€ thousand	**2023**	**2022**
Cost	3,974	3,953
Accumulated depreciation at the beginning of the year	(2,868)	(2,806)
Depreciation for the year	(66)	(66)
Carrying amount	**1,040**	**1,081**

Assets that have been leased out consist of land and facilities (proportionally 67% and 33%) and 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.

9. INTANGIBLE ASSETS

€ thousand	**Goodwill**	**Computer software**	**Other intangible assets**	**Total**
Intangible assets as at 31 December 2021				
Cost	59	614	8,547	63,384
Accumulated amortisation	0	(274)	(272)	(545)
Carrying amount at 01 January 2022	**59,223**	**341**	**8,275**	**67,839**
Movements in 2022				
Additions (note 5)	0	0	925	925
Amortisation (note 5 and 30)	0	(129)	(31)	(160)
Write-down due to impairment (note 7)	(622)	0	0	(622)
Transfers (note 7)	0	391	(8,391)	(8,000)
Intangible assets as at 31 December 2022				
Cost	58,601	1,086	1,498	61,807
Accumulated amortisation	0	(470)	(333)	(803)
Carrying amount at 31 December 2022	**58,601**	**615**	**1,166**	**60,382**
Movements in 2023				
Additions (note 5)	0	0	23	23
Amortisation (note 5 and 30)	0	(144)	(20)	(164)
Prior period corrections	(54)	0	0	(54)
Classified as held-for-sale-assets (note 12)	(300)	0	(8)	(308)
Transfers	0	16	(4)	12
Intangible assets as at 31 December 2023				
Cost	58,247	1,068	1,364	60,679
Accumulated amortisation	0	(580)	(208)	(788)
Carrying amount at 31 Deecember 2023	**58,247**	**487**	**1,157**	**59,891**

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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.

Allocation of goodwill to cash-generating units

	31 DECEMBER	
€ thousand	**2023**	**2022**
Goodwill acquired on the acquisition of Nelja Energia	19,877	19,931
Goodwill acquired on the acquisition of solar farms in Poland	2,194	2,194
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	0	300
Total goodwill	**58,247**	**58,601**

Distribution of goodwill added upon acquisition of Nelja Energia (4E):

	31 DECEMBER	
€ thousand	**2023**	**2022**
Ciuteliai	5,397	5,397
Mockiai	1,556	1,556
Šilale	719	719
Silute	8,277	8,277
Sudeai	719	719
Esivere	217	217
Ojaküla	300	300
Pakri	529	529
Tooma I	833	833
Tooma II	629	629
Virtsu I	28	28
Virtsu II	287	287
Virtsu III	386	386
Biogas-based cogeneration plants	0	54
Total distribution of goodwill added upon acquisition of 4E	**19,877**	**19,931**

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 performed, no impairment was identified in 2023 for any of the cash generating unit's. In 2022, an impairment loss was recognised for the goodwill allocated to the group's solar farms in Poland, which amounted to €622k. See details from Note 7.

Goodwill acquired on the acquisition of the Iru power plant
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 an 8.2% discount rate (2022: 7.5%). At a 1 percentage point higher discount rate, the carrying amount (including goodwill) of the CGU would not exceed its recoverable amount. The carrying amount of goodwill allocated to the cash-generating unit was €32,412k (31 December 2022: €32,412k). At 31 December 2023, the total carrying amount of property, plant and equipment of the Iru power plant was €63,006k (31 December 2022: €66,253k).

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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 (price range used in 2023 impairment test from 2024 to 2035 was 62.8 €/t to 75.0 €/t. In 2022 impairment test from 2023 to 2035 the price range used was 59.9 €/t to 75.0 €/t). The price of heat was forecasted 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 considering 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 (and goodwill) of the CGU 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.

Goodwill acquired on the acquisition of Nelja Energia

Goodwill of €19,877k (31 December 2022: €19,931k) has been allocated to the wind farms acquired on the acquisition of Nelja Energia AS (acquisition in November 2018, company was merged to Enefit Green AS in April 2019).

The expected future cash flows of the cash-generating units are sensitive to changes in the forecasts of the market price of electricity, wind discount rate 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 the Paldiski and Narva wind farms

Goodwill of €3,764k (31 December 2022: €3,764k) has been allocated to the Paldiski and Narva wind farms. At 31 December 2023, the total carrying amount of Paldiski and Narva wind farms was €81,063k (31 December 2022: €85,689k). The Paldiski and Narva wind farms were tested for impairment in 2023. The impairment test did not indicate a need for recognising an impairment loss. The recoverable amount of Paldiski and Narva wind farms are sensitive to changes in the electricity price and discount rate changes. If the expected market prices of electricity were 20% lower than the electricity prices used in the impairment tests, the recoverable amounts would decrease €15,541k. If the expected wind discounts percentages were 10% higher than the wind discount rates used in the impairment tests, the recoverable amounts would decrease €13,853k.

If the expected discount rate was percentage point higher than the discount rate used in the impairment tests, the recoverable amounts would decrease €4,854k. In all cases the assets' value in use would still exceed their carrying amounts.

Goodwill acquired on the acquisition of solar farms in Poland

The group's solar farms in Poland were tested for impairment in 2023. The impairment test did not indicate a need for recognising an impairment loss (in 2022, an impairment loss was recognised for the goodwill allocated to the group's solar farms in Poland, which amounted to €622k). See note 7 for further information about significant inputs and their sensitivity.

Impairment test values as at 31 December

	Carrying amount		Goodwill allocated		Discounted cash flows	
€ thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Estonian operating wind farms	187,529	196,928	6,972	6,972	253,306	384,260
Lithuanian operating wind farms	187,518	200,374	16,668	16,668	254,904	354,417
New developments	227,460	-	-	-	331,155	-
Iru power plant	63,006	66,253	32,412	32,412	156,228	192,662
Polish solar farms	10,321	10,018	2,194	2,194	14,525	12,321

10. SUBSIDIARIES

The group's subsidiaries at 31 December 2023 and 31 December 2022:

Name of subsidiary	Domicile	Nature of business	Ordinary shares held by the group (%) 31 DECEMBER		Ordinary shares held by non-controlling interests (%) 31 DECEMBER	
			2023	2022	2023	2022
Hiiumaa Offshore Tuulepark OÜ	Estonia	Offshore 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	100.0	-	-
Enefit Green Solar OÜ	Estonia	Development of solar farms	100.0	100.0	-	-
Liivi Offshore OÜ	Estonia	Offshore wind farm development	100.0	-		
Enefit Power & Heat Valka SIA	Latvia	Production and sale of heat and electricity	100.0	100.0	-	-
Enefit Green SIA*	Latvia	Development of wind and solar farms	100.0	100.0	-	-
Technological Solutions SIA	Latvia	Cogeneration plant	-	100.0	-	-
Warmeston SIA**	Latvia	Pellet production	-	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	-	-
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	Development of wind farms	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	-	-
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	-	-

** until 31 December 2023 Enercom SIA*
*** until 31 December 2023 Enefit Green SIA*

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Changes in 2023

On 29 March 2023 Enefit Green AS signed an agreement to buy 100% of Liivi Offshore OÜ from AS Eesti Energia for €6,174k. Liivi Offshore OÜ is the legal entity which has been developing and continues to develop the Liivi offshore wind farm project (also known as Gulf of Riga offshore wind farm project). The group analysed the transaction 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 29 November 2023, Enefit Green AS signed an agreement to sell the district heating businesses of Paide and Valka in Estonia and Latvia to the largest district heating company in Estonia, Utilitas. The contractual value of the transaction was €15,885k. The final sales price is subject to a post-closing adjustment depending on the level of cash working capital in the business. As of 31 December 2023, the transaction of the Valka and Paide cogeneration plants was awaiting confirmation from the Estonian Competition Authority and the Consumer Protection and Technical Regulatory Authority, and in connection with this, the related assets and liabilities were recorded as a disposal group. See Notes 1.1 and 12 for further information on this transaction.

On 29 December 2023, Enefit Green AS signed an agreement to sell two Latvian subsidiaries – Technological Solutions SIA and Enefit Green SIA (representing a cogeneration plant and a pellet factory both in Broceni, Latvia) – to Estonian pellet producer Warmeston. The contractual price of the transaction was €32,000k. The final sales price is subject to a post-closing adjustment depending on the level of cash working capital in the business. The group has estimated the adjustment to be approximately €1,470k (recognised as at 31 December 2023 under Other receivables) and therefore recognised a profit from the sale of these subsidiaries in the amount of €960k. The Group disposed of €32,510k of net assets as part of the transaction.

Recognised amounts of identifiable assets and liabilities sold are indicated in the following table:

€ thousand	Total
ASSETS	
Property, plant and equipment	18,148
Inventories	12,225
Trade receivables and other prepayments	4,243
Cash and cash equivalents	1,453
LIABILITIES	
Trade and other payables	3,559
Total net assets of the subsidiaries disposed	**32,510**
Sales price	32,000
Closing adjustment	1,470
Gain from sales (Note 24)	**960**

Following the transactions the remaining business of Enefit Green in Latvia (ie development of new renewable energy assets) will continue in its subsidiary Enercom SIA (which in January 2024 has been renamed Enefit Green SIA).

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.

11. INVENTORIES

	31 DECEMBER	
€ thousand	2023	2022
Raw materials and consumables		
Technological wood	0	3,035
Wood chips	0	1,932
Fuel	0	211
Total raw materials and consumables	**0**	**5,178**
Finished goods		
Pellets	0	6,112
Total finished goods	**0**	**6,112**
Spare parts	3,129	2,385
Solar panels	51	551
Other	0	1
Total inventories	**3,180**	**14,227**

The group did not recognise any significant inventory write-downs in 2023 and 2022.

The significant decrease in the inventory balance is related to the sale of Enefit Green SIA on 29 December 2023 and the transfer of inventories in the amount of €964k to „Assets held for sale". See details from notes 1.1, 10 and 12.

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12. ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE

a) Description

According to the purchase and sale agreement signed on 29 November 2023, Enefit Green AS will sell the district heating businesses of Paide (Estonia) (separate sub-unit of the parent entity Enefit Green AS) and the district heating businesses of Valka (Latvia) (subsidiary named Enefit Power & Heat Valka) to Utilitas. Before this transaction can be concluded, the consent of the Estonian and Latvian competition authorities is required. As at 31 December 2023, the respective competition authorities were still processing their conclusion on this matter.

Group considers this sale as a disposal group because of the following aspects:

- With the transactions described in Note 10 (Broceni and Valka/Paide) Enefit Green is selling the minority part of the cogeneration business segment not the majority. The most significant part of the cogeneration segment (as per share of sales revenue and assets), the Iru cogeneration plant, will remain in the group.
- Enefit Green group will continue to have on-going operations in Latvia, as the group has ongoing solar farm development projects in Latvia. The transactions desribed above are therefore not creating a situation where to group would end their activities in a specific geographical segment (Latvia).

Taking the before mentioned aspect into account, the associated assets and liabilities were consequently presented as held for sale in the statement of financial position as at 31 December 2023.

The financial information relating to the disposal group as at 31 December 2023 is set out below.

b) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the disposal group as at 31 December 2023:

€ thousand	31 DECEMBER 2023
Assets classified as held for sale	
Property, plant and equipment (note 7)	12,946
Intangible assets (note 9)	308
Prepayments for non-current assets	10
Trade and other receivables and prepayments	1,142
Inventories (note 11)	964
Total assets of disposal group held for sale	**15,370**
Liabilities directly associated with assets classified as held for sale	
Government grants (note 21)	3,513
Trade and other payables	1,439
Total liabilities of disposal group held for sale	**4,952**

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	31 DECEMBER	
€ thousand	2023	2022
Receivables		
Trade receivables	8,669	10,507
Allowance for expected credit losses	(51)	(14)
Total trade receivables	**8,618**	**10,493**
Receivables from related parties (note 32)	9,884	11,999
Other receivables	6,496	2,439
Prepayments	30,084	16,160
Total current receivables	**55,082**	**41,091**
Non-current receivables		
Other non-current receivables	0	40
Total non-current receivables	**0**	**40**

Other receivables as at 31 December 2023 include security deposits of Enefit Green AS and subsidiary Enefit Wind Purtse AS for reverse auctions in the amount of €3,930k (see also Note 32 as these receivables are against Elering AS) and a receivable in the amount of €1,470k related to the post-closing adjustment of the sales transaction of two subsidiaries (see details from Note 10).

Prepayments as at 31 December 2023 and 31 December 2022 comprise prepaid taxes and prepaid expenses. Prepayments do not qualify as financial assets. Prepayments have increased due to increase in VAT advance payments in connection with large-scale development projects (wind farms and solar farms) in 2023. See details on these development projects from Note 1.1.

The group's receivables and prepayments are predominantly denominated in euros. All receivables are measured at amortised cost.

Information about the credit quality of receivables is disclosed in note 15.

Analysis of trade receivables

	31 DECEMBER	
€ thousand	**2023**	**2022**
Trade receivables		
Trade receivables	8,669	10,507
Allowance for expected credit losses	(51)	(14)
Total trade receivables	**8,618**	**10,493**

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 12 month period before 31 December 2023 and 31 December 2022 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 in the countries where it sells its goods and services as the most relevant factor and accordingly adjusts the historical loss rates based on the expected changes in those factors.

31 December 2023 € thousand	**Total**	**Not past due**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**
Gross carrying amount-trade receivables	8,669	8,160	458	0	51
Expected loss rate		0,00%	0,00%	0,00%	100%
Expected credit loss	**0**	**0**	**0**	**0**	**51**

The expected credit loss allowances as at 31 December 2023 and 31 December 2022 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 2023 and 31 December 2022.

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 collectability.

Changes in the allowance for expected credit losses on trade receivables

	31 DECEMBER	
€ thousand	**2023**	**2022**
Allowance for expected credit losses at the beginning of the period	(14)	(2)
Items considered doubtful and doubtful items collected during the period	(39)	(19)
Items written off as uncollectible	2	7
Allowance for expected credit losses at the end of the period (Note 15)	**(51)**	**(14)**

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14. 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 2023			
Financial assets in the statement of financial position			
Trade and other receivables excluding prepayments (notes 3.1.2 and 13)	0	13,707	13,707
Receivables from related parties (notes 3.1.2, 13 and 32)	0	9,884	9,884
Cash and cash equivalents (notes 3.1.2, 3.2 and 16)	0	65,677	65,677
Derivative financial instruments (notes 3.3 and 17)	8,860	0	8,860
Total financial assets in the statement of financial position	**8,860**	**89,258**	**98,128**
At 31 December 2022			
Financial assets in the statement of financial position			
Trade and other receivables excluding prepayments (notes 3.1.2 and 13)	0	12,971	12,971
Receivables from related parties (notes 3.1.2, 13 and 32)	0	11,999	11,999
Cash and cash equivalents (notes 3.1.2, 3.2 and 16)	0	131,456	131,456
Derivative financial instruments (notes 3.3 and 17)	14,626	0	14,626
Total financial assets in the statement of financial position	**14,626**	**156,426**	**171,052**

Financial liabilities in the statement of financial position:

€ thousand	Financial liabilities measured at amortised cost	Total
At 31 December 2023		
Financial liabilities in the statement of financial position		
Borrowings (notes 3.1.3, 3.2 and 19)	486,398	486,398
Trade and other payables (notes 3.1.3 and 20)	53,644	53,644
Payables to the parent (notes 3.1.3, 20 and 32)	2,195	2,195
Total financial liabilities in the statement of financial position	**542,237**	**542,237**
At 31 December 2022		
Financial liabilities in the statement of financial position		
Borrowings (notes 3.1.3, 3.2 and 19)	280,117	280,117
Trade and other payables (notes 3.1.3 and 20)	16,548	16,548
Payables to the parent (notes 3.1.3, 20 and 32)	3,205	3,205
Total financial liabilities in the statement of financial position	**299,870**	**299,870**

15. 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 (notes 13 and 32) are related to the parent company and other companies belonging to the same consolidation group as Eesti Energia AS.

Other receivables from existing customers as at 31 December 2022 comprise the receivables of the subsidiary Enefit Green SIA, which is involved in pellet sales, of €3,461k and the receivables of the Polish subsidiaries which are involved in solar energy production. Group has assessed credit quality of these customers according to regular practice and decided not to make allowances. In Q4 2023, Enefit Green sold the biomass based cogeneration plant and pellet factory in Broceni and this is the main reason why there is no balance of other receivables as at 31 December 2023.

At 31 December 2023, the group had current account balances with SEB, Swedbank, OP bank in Estonia and also SEB AB S.A and mBank S.A in Poland. The current account balances with SEB and Swedbank exceeded 10% of the group's total current accounts at banks (31 December 2022: 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.

	31 DECEMBER	
€ thousand	**2023**	**2022**
Trade receivables (incl. receivables from related parties)		
Receivables from new customers (customer relationship shorter than 6 months)	134	1
Receivables from existing customers (customer relationship 6 months or longer) that have not exceeded the due date in the past 6 months	16,377	15,348
Receivables from customers that have exceeded the due date in the past 6 months	1,965	2,736
Receivables from existing customers (customer relationship 6 months or longer) that have not made any payments in the past 6 months	26	0
Other receivables from existing customers	0	4,407
Total trade receivables (note 13)	**18,502**	**22,492**

	31 DECEMBER	
€ thousand	**2023**	**2022**
Current accounts		
At banks with Moody's credit rating Aa3	65,677	131,456
Total current accounts (note 16)	**65,677**	**131,456**
Derivative financial instruments		
Derivatives with a positive fair value with Moody´s credit rating Aa3	8,860	14,626
Total derivative financial instruments with a positive fair value (notes 14, 17 and 22)	**8,860**	**14,626**

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16. CASH AND CASH EQUIVALENTS

	31 DECEMBER	
€ thousand	**2023**	**2022**
Current accounts	65,677	131,456
Total cash and cash equivalents (notes 3.1.3, 3.2 and 14)	**65,677**	**131,456**

Cash and cash equivalents by currency

	31 DECEMBER	
€ thousand	**2023**	**2022**
EUR	61,427	127,312
PLN	4,250	4,144
Total cash and cash equivalents (notes 3.1.3, 3.2 and 14)	**65,677**	**131,456**

17. CONTRACT LIABILITY, DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Contract liability

In 2021, the group used to hedge its exposure to electricity price volatility with baseload swap derivative contracts. Under the given derivatives, the group was the payer of the floating price and the counterparty was the payer of the fixed price. The group applied hedge accounting to this cashflow hedge.

The group agreed with the counterparty (Eesti Energia AS) to terminate the derivative contracts and replace them with fixed price physical delivery contracts (EFET - European Federation of Energy Traders) with the same volumes, prices and periods.

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. The derivative financial instruments were measured at fair value till the date of conclusion of the EFET General Agreement (measurement date 17 August 2021). Their carrying amount, classified as a contract liability, does not change till the arrival of the supply period determined in the EFET General Agreement, which is 2023–2027.

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 recognised at a fixed per-unit price 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 contract 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 profit or loss due to the discontinuance of hedge accounting. The amount is the difference between the fair value of the derivative financial instruments at 17 August 2021 of €(23,207)k and the trade date fair value of the derivatives of €(10,781)k, which was recognised directly in equity. See note 22 for further information about reserves. At 31 December 2023, the remaining liability balance of €18,086k was classified into current and non-current portions of €5,674k and €12,412k, respectively.

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The electricity supply period under the EFET agreements began on 1 January 2023. Accordingly, the balance of the contract liability decreased by €5,121k in 2023 and was €(18,086)k at 31 December 2023 (31 December 2022: €(23,207)k). Respective changes were also made to the group's cash flow hedge reserve and income statements. Detailed information and changes to be made in years 2023 to 2027 are presented in the following table:

€ thousand	Note	2023	2024	2025-2027
Decrease of contract liability		(5,121)	(5,674)	(12,411)
Decrease of electricity cash flow hedge reserve	22	2,798	3,303	6,325
Increase of revenue	23	5,121	5,674	12,411
Decrease of revenue	23	(2,798)	(3,303)	(6,325)

Interest rate swap transactions

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

- An interest rate swap with a notional amount of €73,043k (€80,000k at 31.12.2022) whereby the group receives interest at a rate equal to 6 month EURIBOR and pays a fixed rate of interest of 1.1%. The swap is designed to hedge the exposure to the interest rate risk of a floating-rate loan taken out on 30 September 2022.
- An interest rate swap with a notional amount of €48,958k (€50,000k at 31.12.2022) whereby the group receives interest at a rate equal to 3 month EURIBOR and pays a fixed rate of interest of 1.049%. The swap is designed to hedge the exposure to the interest rate risk of a floating-rate loan taken out on 24 September 2022
- An interest rate swap with a notional amount of €35,001k (€38,334k at 31.12.2022) whereby the group receives interest at a rate equal to 6 month EURIBOR and pays a fixed rate of interest of 1.125%. The swap is designed to hedge the exposure to the interest rate risk of a floating-rate loan taken out on 30 June 2022.

The interest rate swaps have been designated as hedging instruments in cash flow hedges. There is an economic relationship between the hedging instruments (interest rate swaps) and the hedged items (the loan agreements) because at 31 December 2023 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 of the hypothetical derivative.

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 2023 is shown in note 22.

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18. EQUITY

Enefit Green AS had 264,276,232 registered shares at 31 December 2023 (31 December 2022: 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 2023, 77.17% of the shares were held by the controlling shareholder Eesti Energia AS.

At 31 December 2023, the statutory capital reserve of Enefit Green AS amounted to €5,556k (31 December 2022: €3,259k) and the group's retained earnings amounted to €223,718k (31 December 2022: €225,190k).

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 29 for further information about income tax on dividends.

In 2023, the group distributed a dividend of €54,970k, €0.208 per share (2022: €39,906k, €0.151 per share).

Unrestricted (distributable) equity, the maximum possible net dividend and the maximum possible income tax on dividends:

	31 DECEMBER	
€ thousand	**2023**	**2022**
Retained earnings	223,718	225,190
of which:		
retained earnings subject to reduced income tax 14%	23,322	7,724
retained earnings subject to income tax rate of 20%	197,667	199,065
tax exempt retained earnings	2,729	18,401
Income tax payable on the distribution of the entire retained earnings	(42,798)	(40,894)
Maximum possible net dividend	**180,920**	**184,296**

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	
	2023	**2022**
Profit attributable to shareholders of the parent (€ thousand)	55,793	110,207
Weighted average number of ordinary shares outstanding (thousand)	264,276	264,276
Basic earnings per share (€)	0.21	0.42
Diluted earnings per share (€)	0.21	0.42

Group equity includes also the following reserves (see also Note 22):

a) foreign currency translation reserve
b) hedge reserve for cash flow hedges for electricity price risk
c) hedge reserve for cash flow hedges for interest rate swaps
d) initial fair value of derivative transactions with the parent
e) voluntary financing reserve

The voluntary financing reserve has implication arising from the Commercial Code, which state that this reserve can be used only for:

- covering any accumulated losses of the entity;
- increasing the entity's share capital through a bonus issue.

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19. BORROWINGS

Borrowings measured at amortised cost

		Short-term borrowings		Long-term borrowings		
€ thousand	**Interests**	**Bank loans**	**Lease liabilities**	**Bank loans**	**Lease liabilities**	**Total**
Borrowings at amortised cost at 31 December 2021 (Note 3.1.3, 3.2 and 14)	**93**	**29,348**	**224**	**91,049**	**2,835**	**123,549**
Movements in 2022						
Cash movements						
Addition of borrowings	3,185	0	0	270,000	0	**273,185**
Repayments of borrowings	(2,736)	(115,277)	(431)	0	0	**(118,444)**
Non-cash movements						
Addition of borrowings	0	0	223	0	1,745	**1,968**
Transfers	0	109,348	396	(109,348)	(396)	**0**
Effect of movements in foreign exchange rates	0	(23)	0	(124)	(6)	**(153)**
Other movements	12	0	0	0	0	**12**
Total movements in 2022	**461**	**(5,952)**	**188**	**160,528**	**1,343**	**156,568**
Borrowings at amortised cost at 31 December 2022 (Note 3.1.3, 3.2 and 14)	**554**	**23,396**	**412**	**251,577**	**4,178**	**280,117**
Movements in 2023						
Monetary movements						
Addition of borrowings	15,989	82,000	124	220,000	5,188	**323,301**
Repayments of borrowings	(12,569)	(104,571)	(324)	0	(35)	**(117,499)**
Non-monetary movements						
Transfers	0	26,550	798	(26,550)	(798)	**0**
Amortization of borrowing costs	0	0	0	(284)	0	**(284)**
Other movements	(7)	39	(265)	431	565	**763**
Total movements in 2023	**3,413**	**4,018**	**333**	**193,597**	**4,920**	**206,281**
Borrowings at amortised cost at 31 December 2023 (Note 3.1.3, 3.2 and 14)	**3,967**	**27,414**	**745**	**445,174**	**9,098**	**486,398**

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In 2023, the total amount of calculated interest on bank loans was €15,989k and paid interest on bank loans was €12,569k. In 2023, proceeds from realised interest rate swaps were €2,707k. In 2022, calculated interest on bank loans was €3,185k and paid interest was €2,736k.

Enefit Green AS made regular scheduled repayments of €43,404k and an early loan repayment of €62,000k in 2023 (2022: scheduled loan repayments of €20,989k and an early loan repayment of €94,288k).

In January 2023, the group raised a 12-year €100,000k facility with NIB, and a 7-year €225,000k facility with SEB. In September 2023, a 12 year €180,000k facility was signed with EIB. During the year, the group drew down loans of €302,000k from these agreements.

Enefit Green has three revolving credit facilities in the amount of €50,000k, which mature between 2024-2026. As of 31 December 2023, all revolving credit facilities remained undrawn (31 December 2022 also three revolving cred facilities in the amount €50,000k and all remained undrawn).

At 31 December 2023, the group had undrawn investment loans of €285,000k (31 December 2022: there are no undrawn investment loans).

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.

The loans are denominated in euros and in Polish zloty (one loan from EBRD). The balance of the loan denominated in zloty was €6,340k (27,512k Polish zloty) at 31 December 2023 and €6,640k (31,080k Polish zloty) at 31 December 2022.

Fair values of bank loans

	31 DECEMBER	
€ thousand	**2023**	**2022**
Nominal value of floating-rate bank loans (note 3.1)	314,854	106,640
Fair value of floating-rate bank loans (note 3.3)	314,854	106,640
Nominal value of bank loans with interest rate risk hedged with interest rate swaps	157,734	168,334
Fair value of bank loans with interest rate risk hedged with interest rate swaps	157,734	168,334
Total fair value of bank loans	**472,588**	**274,973**

Bank loans at carrying amounts by maturity

	31 DECEMBER	
€ thousand	**2023**	**2022**
< 1 year	27,414	23,396
1–5 years	310,240	181,861
> 5 years	134,934	69,716
Total fair value of bank loans	**472,588**	**274,973**

Weighted average effective interest rates of borrowings

	31 DECEMBER	
	2023	**2022**
Bank loans	3.75%	2.6%
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*

	31 DECEMBER	
€ thousand	**2023**	**2022**
Cash and cash equivalents (note 16)	65,677	131,456
Sort-term interest liabilities	(3,967)	(554)
Short-term lease liabilities	(745)	(412)
Long-term lease liabilities	(9,098)	(4,178)
Short-term borrowings	(27,414)	(23,396)
Long-term borrowings	(445,174)	(251,577)
Net debt	**(420,721)**	**(148,661)**

Cash and cash equivalents (note 16)	65,677	131,456
Sort-term interest liabilities	(3,967)	(554)
Short-term lease liabilities	(745)	(412)
Long-term lease liabilities	(9,098)	(4,178)
Floating-rate liabilities	(314,854)	(106,640)
Liabilities with interest rate risk hedged with interest rate swaps	(157,734)	(168,334)
Net debt	**(420,721)**	**(148,661)**

** Net debt – borrowings less cash and cash equivalents, see also note 3.2*

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20. TRADE AND OTHER PAYABLES

Trade payables as at 31 December 2023 have increased due to increase of trade payables relating to purchase of property, plant and equipment. The respective balance as at 31 December 2023 was €14,338k (31 December 2022: €2,245k).

Other payables as at 31 December 2023 have increased due to payables related to Kelme II and III of €17,721k. See also details from Note 7.

Other payables as at 31 December 2023 also include payables to other Eesti Energia group members of €62k (31 December 2022: €731k) and payables against associates of €311k (31 December 2022: €251k) (note 32).

	31 DECEMBER	
€ thousand	**2023**	**2022**
Financial liabilities within trade and other payables		
Trade payables	29,464	9,709
Accrued expenses	1,783	2,338
Payables to the parent (note 32)	2,195	3,205
Other payables	22,397	4,501
Total financial liabilities within trade and other payables (notes 3.1 and 14)	**55,839**	**19,753**
Payables to employees	1,740	1,703
Tax liabilities	2,105	1,205
Total trade and other payables	**59,684**	**22,661**
of which current portion	54,445	19,661
of which non-current portion	5,239	3,000

21. GOVERNMENT GRANTS

The group's government grant liability for 2023 comprises foreign aid received in 2017 for the Narva wind farm. The grants received for the construction of Paide power plant and biomass based cogeneration plant in Latvia have been reclassified to liabilities directly associated with assets held for sale.

The government grant liability for 2022 comprises foreign aid received in 2017 for the Narva wind farm, the Paide power plant, and the construction of a biomass based cogeneration plant in Latvia. All government grants relate to assets.

To avoid the repayment 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.

	31 DECEMBER	
€ thousand	**2023**	**2022**
Government grants at the beginning of the period	7,115	7,458
Recognised as other operating income (notes 24 and 30)	(504)	(435)
Transfers to liabilities directly associated with assets classified as held for sale (note 12)	(3,513)	0
Other	4	92
Government grants at the end of the period	**3,102**	**7,115**

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22. OTHER RESERVES

	31 DECEMBER		
€ thousand	**2023**	**2022**	**Note**
Other reserves at the beginning of the period	**165,657**	**150,828**	
of which foreign currency translation reserve	(762)	(965)	
of which interest rate swap transaction	14,626	0	
of which hedge reserve for cash flow hedges for electricity price risk	(12,426)	(12,426)	
of which initial fair value of derivative transactions with the parent	(10,781)	(10,781)	
of which voluntary financing reserve	175,000	175,000	
Change in fair value of cash flow hedges			
of which interest rate cash flow hedge reserve	(2,221)	14,529	17
Recognised as a decrease of a contract liability	2,798	0	17
Reclassifications from other comprehensive income recognised as an increase/(-decrease) in interest expense	(3,545)	97	28
Exchange differences on the translation of foreign operations	600	203	
Other reserves at the end of the period	**163,289**	**165,657**	
of which foreign currency translation reserve	(162)	(762)	
of which interest rate swap transaction	8,860	14,626	
of which hedge reserve for cash flow hedges for electricity price risk	(9,628)	(12,426)	17
of which initial fair value of derivative transactions with the parent	(10,781)	(10,781)	17
of which voluntary financing reserve	175,000	175,000	

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23. REVENUE

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Revenue by activity		
Sale of goods		
Pellets	31,985	30,234
Scrap metal	726	1,049
Other goods	62	3,343
Total sale of goods	**32 773**	**34,626**
Sale of services		
Electricity	146,021	170,456
Waste reception	16,304	14,195
Heat	8,601	7,227
Asset rental and maintenance (note 8)	694	859
Other services	1,364	5,917
Total sale of services	**172,984**	**198,654**
Total revenue (note 5)	**205,757**	**233,280**

Pellet sales in 2023 totalled 134k tonnes, which is 10% less than in 2022 (149k tonnes). While pellet sales volume was smaller, the average sales price was 19% higher.

Other goods and other services revenue has decreased due to the group selling the solar energy solution service in 2022 to Enefit Connect AS, a subsidiary of Eesti Energia AS.

Electricity sales revenue also includes realised hedge reserve of €(2,798)k (2022: €0) and realised contract liability of €5,121k (2022: €0) (note 17). Decrease in electricity revenue is explained in note 1.1

24. RENEWABLE ENERGY SUPPORT AND OTHER OPERATING INCOME

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Support for electricity produced from renewable source (note 32)	21,303	22,827
Government grants (notes 21 and 30)	504	435
Profit from the sale of business (notes 1.1 and 10)	960	0
Other income	1,540	473
Total renewable energy support and other operating income (note 5)	**24,307**	**23,735**

In addition to the market price of electricity, our solar farms, Estonian wind farms and Iru power plant, whose eligibility period has not expired, receive renewable energy support in the form of feed-in premium (FiP) at a rate of 53.7 €/MWh.

The most recent eligibility expirations were in Q3 2022 for the Virtsu III and the Vanaküla wind farms. As these wind farms no longer receive support, the amount of production eligible for support decreased in 2023.

25. RAW MATERIALS, CONSUMABLES AND SERVICES USED

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Technological fuel	27,033	23,187
Maintenance and repairs	17,514	15,038
Electricity	48,394	32,712
Services related to ash treatment	1,965	2,137
Materials and spare parts for production operations	2,067	9,578
Transport services for the sale of finished goods	1,920	1,815
Other raw materials, consumables and services used	588	911
Transmission services	518	309
Environmental pollution charges	325	259
Resource charges for natural resources	6	8
Total raw materials, consumables and services used	**100,330**	**85,954**

See note 1.1. for further information about growth in electricity expenses.
Expenses on technological fuel grew in 2023 due to higher prices for biomass.

Materials and spare parts for production operations expense has reduced due to the group selling the solar energy solution service (see also Note 23).

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26. PAYROLL EXPENSES

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Wages, salaries, additional remuneration, bonuses and vacation pay	8,367	7,064
Other payments and benefits to employees	211	127
Payroll taxes	2,229	1,920
Total payroll expenses	**10,807**	**9,111**
of which remuneration of the management and supervisory boards of the Enefit Green group (note 32)	534	525
of which remuneration	485	424
of which bonuses	49	101
Average number of employees during the period	190	176

On the termination of their service contracts, members of the management board may be entitled to a severance pay of up to four months' base remuneration.

27. OTHER OPERATING EXPENSES

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Maintenance of real estate	1,010	905
Lease of real estate	2,348	1,597
Security and general insurance services	1,592	1,389
Business consulting services	4,144	1,461
Other expenses	2,313	1,976
Information technology services	1,377	1,117
Financial and accounting services	718	653
Support and donations	231	268
Office expenses	324	258
Employee-related expenses	673	498
Legal services	442	251
Excise duties	65	38
Total other operating expenses	**15,237**	**10,411**

Lease expenses (see note 6) include variable lease payments of €1,805k (2022: €1,174k) which have not been included in the measurement of lease liabilities and expenses on low-value leases of €543k (2022: €423k).

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28. NET FINANCE INCOME/(COSTS)

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Finance income		
Interest income	825	254
Foreign exchange gain	1,135	83
Total finance income (note 30)	**1,960**	**337**
Finance costs		
Interest expense		
Interest expense on borrowings	(16,876)	(3,517)
Effect of interest rate swaps (note 22)	3,545	(97)
Capitalised borrowing costs	12,078	1,914
Total interest expense	**(1,253)**	**(1,700)**
Other finance costs	0	(19)
Foreign exchange loss	(605)	(623)
Total finance costs	**(1,858)**	**(2,342)**
Net finance income/(-costs)	**102**	**(2,005)**

The weighted average capitalisation rate of borrowing costs in 2023 was 4.82% (2022: 3.10%).

29. 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.

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Income tax expense	10,233	6,688
Change in deferred income tax assets and liabilities	(517)	(1,120)
Total corporate income tax expense	**9,716**	**5,567**

Average effective tax rate

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Estonia		
Net amount of dividends	54,970	39,906
of which dividends taxed at 14% (14/86 of net distribution)	6,642	3,645
of which dividends taxed at 20% (20/80 of net distribution)	33,602	16,282
Tax exempt dividends	14,726	19,979
Theoretical tax expense	9,482	4,664
Actual income tax on dividends	9,482	4,664
Average effective tax rate	17.25%	11.69%
Income tax expense of subsidiaries	751	2,024
Income tax expense	**10,233**	**6,688**
Deferred income tax expense (-income)	(517)	(1,121)
of which deferred income tax income	(1,619)	(1,502)
of which deferred income tax expense	1,102	381
Total income tax expense	**9,716**	**5,567**

Dividends paid to shareholders in 2023 and 2022 were distributed from the retained earnings of the Estonian parent entity and from the retained earnings of the Lithuanian subsidiary on which income tax had already been paid.

At 31 December 2023, the group had deferred tax liabilities of €12,497k (31 December 2022: €12,326k), of which €9,700k (31 December 2022: €10,323k) 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 (Note 9).

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30. CASH GENERATED FROM OPERATIONS

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Profit before tax	**65,509**	**115,774**
Adjustments for		
Depreciation and impairment of property, plant and equipment (notes 6 and 7)	39,944	37,355
Amortisation and impairment of intangible assets (note 9)	617	422
Amortisation of government grants related to assets (note 21)	(500)	(435)
Interest and other finance costs (note 28)	1,252	1,697
Gain on disposal of an investment in an associate	(0)	(645)
Gain on disposal of an investment in a subsidiary	(960)	0
Share of profit of equity-accounted associates	(66)	(7)
Loss on disposal of property, plant and equipment	(2)	(3)
Interest and other finance income (note 28)	(826)	(251)
Loss from other non-monetary transactions	26	0
Foreign exchange (gain) loss on loans provided and received in foreign currency	470	(147)
Combined impact of release of contract liability and electricity hedge reserve (notes 17 and 23)	(2,323)	0
Adjusted profit before tax	**103,141**	**153,760**
Net change in current assets related to operating activities		
Change in trade receivables (note 13)	(1,407)	(686)
Change in inventories (note 11)	(2,283)	(4,226)
Change in other receivables related to operating activities (note 13)	(15,687)	(16,803)
Change in assets classified as held for sales	(429)	0
Total net change in current assets related to operating activities	**(19,806)**	**(21,715)**
Net change in current liabilities related to operating activities		
Change in provisions	3	(58)
Change in trade payables (note 20)	9,480	4,814
Net change in other payables related to operating activities	2,385	(105)
Change in liabilities directly associated with assets classified as held for sale	(285)	0
Total net change in liabilities related to operating activities	**11,583**	**4,651**
Cash generated from operations	**94,918**	**136,696**

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31. 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, Finland and Poland, 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 2023 and 31 December 2022, 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 2023 or 2022 (note 19).

Commitments under the construction contracts of new wind and solar farms
At 31 December 2023, the group had committed to future capital expenditures of €368,932k (2022: €89,623k) 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. During 2023, commitments related to the following projects were added: Kelme I wind farm, Kelme II wind farm, Estonia mine solar farm, Vändra solar farm, Pärnu-Jaagupi solar farm, Seinapalu solar farm, Mõisavalla solar farm, Lihula solar farm, Kabala solar farm, Dzerves solar farm, Austrumi solar farm and Strzałkowo solar farm.

Commitments under contracts for the acquisition of development projects
At 31 December 2022, the group had committed to future capital expenditures €17,400k 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 2023 the discounted future payments over the remaining terms of such leases amounted to €7,005k (2022: €7,736k). Actual lease payments are affected by changes in the values of cadastral units, electricity prices and production volumes.

32. 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 or 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 with the parent

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Purchases of property, plant and equipment (notes 7 and 10)	6,174	26,863
Purchases of intangible assets	0	391
Purchases of services	17,804	15,251
Sale of electricity	78,713	32,320

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.

As at 31 December 2023, Enefit Green was committed to deliver to its parent entity Eesti Energia AS electricity under long-term fixed-price PPAs for the period 2024–2033 in total volume of 8,562 GWh (31 December 2022: 9,315 GWh) in the Lithuanian, Estonian, Finnish and Polish electricity networks. 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 for the physical supply of electricity is 68.1 €/MWh (31 December 2022: 69.5 €/MWh). Further information about changes in the sales of services is provided in note 1.1.

Receivables from and payables to the parent

	31 DECEMBER	
€ thousand	**2023**	**2022**
Receivables (note 13)	9,497	11,968
Payables (note 20)	2,195	3,205
Contract liability (note 17)	18,086	23,207

Transactions and balances with companies belonging to the same consolidation group as Eesti Energia AS

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Purchases of services	3,357	6,180
Purchases of goods	0	73
Sales of goods	0	3,155
Sales of services	4,208	7,907

	31 DECEMBER	
€ thousand	**2023**	**2022**
Receivables (note 13)	314	31
Payables (note 20)	62	731

Transactions and balances with other related parties (including associates)

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Purchases of services	1,908	1,582
Sales of services	18	18

	31 DECEMBER	
€ thousand	**2023**	**2022**
Receivables (note 13)	22	21
Payables (note 20)	311	251

Purchase and sales transactions with related parties have been conducted at prices approved by the Competition Authority or at market prices.

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

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Connection fees	18,652	10,893
Purchases of reactive power	340	246
Support for electricity produced from renewable source (note 24)	21,281	23,826
Sales of other services	74	65

Connection fees are recognised as property, plant and equipment.

Receivables from and payables to Elering AS

	31 DECEMBER	
€ thousand	**2023**	**2022**
Receivables	5,629	2,064
Payables	33	29

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33. 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, investments in subsidiaries are measured at cost less any impairment losses.

Income statement

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
Revenue	134,860	62,200
Renewable energy support and other operating income	7,953	6,145
Raw materials, consumables and services used	(95,850)	(30,331)
Change in inventories of finished goods and work in progress	0	12
Payroll expenses	(6,786)	(6,194)
Depreciation, amortisation and impairment losses	(6,789)	(6,726)
Other operating expenses	(7,294)	(4,614)
Loss on disposal of a subsidiary	0	(1,864)
OPERATING PROFIT	**26,094**	**18,628**
Finance income	50,941	34,577
Finance costs	(12,912)	(3,323)
Net finance income	**38,029**	**31,254**
Share of profit of equity-accounted associates	**66**	**714**
PROFIT BEFORE TAX	**64,189**	**50,596**
Corporate income tax expense	(9,482)	(4,663)
PROFIT FOR THE YEAR	**54,707**	**45,933**

Statement of comprehensive income

	1 JANUARY – 31 DECEMBER		
€ thousand	**2023**	**2022**	**Note**
PROFIT FOR THE YEAR	**54,707**	**45,933**	
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Remeasurement of hedging instruments in cash flow hedges (2023: incl. reclassifications to profit or loss; 2022: incl. reclassifications to profit or loss)	(2,968)	14,626	17
Other comprehensive income/(loss) for the year	(2,968)	14,626	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**51,739**	**60,559**	

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Statement of financial position

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
ASSETS		
Non-current assets		
Property, plant and equipment	98,997	96,917
Intangible assets	36,750	36,815
Investments in subsidiaries	331,153	333,052
Investments in associates	548	506
Loans provided to subsidiaries	117,681	70,987
Derivative financial instruments	5,054	11,277
Total non-current assets	**590,183**	**549,554**
Current assets		
Inventories	1,111	1,244
Trade and other receivables and prepayments	527,587	317,267
Derivative financial instruments	3,806	3,349
Cash and cash equivalents	59,611	108,731
	592,115	**430,591**
Assets classified as held for sale	10,144	0
Total current assets	**602,259**	**430,591**
TOTAL ASSETS	**1,192,442**	**980,145**

	1 JANUARY – 31 DECEMBER	
€ thousand	**2023**	**2022**
EQUITY		
Share capital	264,276	264,276
Share premium	60,351	60,351
Statutory capital reserve	5,556	3,259
Other reserves	163,451	166,419
Retained earnings	90,406	92,966
TOTAL EQUITY	**584,040**	**587,272**
LIABILITIES		
Non-current liabilities		
Borrowings	445,175	251,577
Government grants	92	1,969
Provisions	8	10
Contract liability	12,412	18,086
Total non-current liabilities	**457,687**	**271,642**
Current liabilities		
Borrowings	31,381	23,950
Provisions	6	2
Trade and other payables	111,937	92,158
Contract liability	5,674	5,121
	148,998	**121,231**
Liabilities directly associated with assets classified as held for sale	1,717	0
Total current liabilities	**150,715**	**121,231**
TOTAL LIABILITIES	**608,402**	**392,873**
TOTAL EQUITY AND LIABILITIES	**1,192,442**	**980,145**

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Statement of cash flows

€ thousand	2023	2022
Cash flows from operating activities		
Profit before tax	**64,189**	**50,596**
Adjustments for		
Depreciation, amortisation and impairment losses	6,789	6,726
Amortisation of government grants related to assets	(160)	(160)
(Gain) loss on sale of non-current assets	0	(2)
Impact of the application of the equity method	(66)	(7)
Loss on write-down of an investment in a subsidiary	0	1,864
Foreign exchange (gain) loss on loans denominated in foreign currency	470	(147)
Gain on disposal of an investment in an associate	0	(645)
Gain on disposal of investments in subsidiaries	(1,630)	0
Interest expense on borrowings	12,898	3,309
Interest and other finance income	(36,238)	(16,256)
Elimination of dividend income	(14,688)	(18,339)
Combined impact of release of contract liability and electricity hedge reserve	(2,323)	0
Adjusted profit before tax	**29,241**	**26,939**
Net change in current assets related to operating activities		
Change in receivables related to operating activities	(1,519)	(1,164)
Change in inventories	(401)	226
Change in assets classified as held for sales	256	0
Net change in other current assets related to operating activities	410	(10,092)
Total net change in current assets related to operating activities	**(1,254)**	**(11,030)**
Net change in liabilities related to operating activities		
Change in provisions	3	(3)
Change in trade payables	1,049	935
Net change in other liabilities related to operating activities	(3,976)	3,062
Total net change in liabilities related to operating activities	**(2,924)**	**3,994**
Interest and borrowing costs paid	(12,321)	(2,902)
Interest received	33,839	13,357
Income tax paid	(9,482)	(4,664)
Net cash generated from operating activities	**37,099**	**25,694**

Table continues on the right

€ thousand	2023	2022
Net cash generated from operating activities	**37,099**	**25,694**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	0	3
Paid on purchase of property, plant and equipment and intangible assets	(14,674)	(13,325)
Contribution to the share capital of a subsidiary	(21,674)	(78,364)
Proceeds from reduction of share capital of a subsidiary	0	131,700
Dividends received from associates	24	62
Dividends received from subsidiaries	14,688	18,339
Proceeds from disposal of subsidiaries	32,000	0
Proceeds from disposal of an investment in an associate	0	724
Net cash generated from investing activities	**10,364**	**59,139**
Cash flows from financing activities		
Net change in an intragroup liability	(241,725)	(92,991)
Bank loans received	302,000	270,000
Repayments of bank loans	(104,571)	(115,277)
Dividends paid	(54,970)	(39,906)
Proceeds from realisation of interest rate swaps	2,707	0
Net cash generated from (used in) financing activities	**(96,559)**	**21,826**
Net cash flow	**(49,120)**	**106,659**
Cash and cash equivalents at the beginning of the period	108,731	2,072
Cash and cash equivalents at the end of the period	59,611	108,731
Change in cash and cash equivalents	**(49,120)**	**106,659**

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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 2022	**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 18)	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**
Profit for the year	**0**	**0**	**0**	**0**	**54,707**	**54,707**
Other comprehensive income for the year	0	0	0	(2,968)	0	**(2,968)**
Dividends paid (note 18)	0	0	0	0	(54,970)	**(54,970)**
Increase of statutory capital reserve	0	2,297	0	0	(2,297)	**0**
Total contributions by and distributions to shareholders of the company, recognised directly in equity	**0**	**2,297**	**0**	**0**	**(57,267)**	**(54,970)**
Equity at 31 December 2023	**264,276**	**5,556**	**60,351**	**163,451**	**90,406**	**584,040**

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.

	31 DECEMBER	
€ thousand	**2023**	**2022**
Equity of the parent company	584,041	587,272
Carrying amount of interests under control and significant influence	(331,701)	(333,558)
Value of interests under control and significant influence under the equity method	464,850	465,019
Adjusted unconsolidated equity	**717,190**	**718,733**

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34. EVENTS AFTER THE REPORTING PERIOD

Changes in the regulatory environment

From 1 July 2024, new pollution charges will come into force in Estonia, the biggest impact will be an increase in the fee for CO_2 emissions from heat production by 12 times, with a new fee of 25 €/tonne. There will be an effect on cogeneration segment expenses, but as heating tariffs are regulated part of the expense can and will be passed on into the regulated heating tariff.

Closing deal with AS Utilitas Eesti

According to the purchase and sale agreement signed on 29 November 2023, Enefit Green AS will sell the district heating businesses of Paide (Estonia) (separate sub-unit of the parent entity Enefit Green AS) and the district heating businesses of Valka (Latvia) (subsidiary named Enefit Power & Heat Valka) to AS Utilitas Eesti. The contractual value of the transaction was €15,885k. As of 31 December 2023 the net assets disposed had a carrying value of €10,418k. The closing of the transaction required the consent of the Estonian and Latvian competition authorities which was received in February 2024, and the deal was closed in March 2024. The final sales price is subject to a post-closing adjustment depending on the level of cash and working capital in the business.

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Remuneration Report

The report on the remuneration of Enefit Green's management board complies with the principles of remunerating members of the management board, 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 (for the chairman of the management board) and the chairman of the management board (for the other members of the management board) set 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 weights reflecting Enefit Green's strategy and action plan for the year.

The goals, performance criteria and weights take into account, in particular, Enefit Green's business and risk strategy and the long-term interests of Enefit Green and its shareholders. The supervisory board assesses the achievement of the goals after the end of the financial year. The maximum amount of performance-related remuneration for a year is four times the monthly basic remuneration as at the end of the financial year.

After assessing the performance of the management board against the established criteria and taking into account the weaker than expected financial results for 2023, the super-

Remuneration provided to the members of the management board of Enefit Green in 2023

Name	Position	Basic remuneration (€)	Performance-related remuneration* (€)	Total remuneration (€)	Share of performance-related remuneration (%)
Aavo Kärmas	Chairman of the Management Board	156,000	13,000	169,000	7.7%
Veiko Räim	Member of the Management Board, Chief Financial Officer	120,189	10,000	130,189	7.7%
Innar Kaasik	Member of the Management Board, Chief Operating Officer	118,885	15,000	133,885	11.2%
Andres Maasing **	Member of the Management Board, Chief Development Officer	90,000	11,250	101,250	11.1%
Total		**485,074**	**49,250**	**534,324**	**9.2%**

** Performance-related remuneration, determined by the supervisory board by a resolution adopted on 23 February 2024 based on performance in 2023, which is to be paid out in 2024.*
*** Andres Maasing has been a member of the management board since 3 April 2023.*
The members of the management board did not receive any remuneration from other companies of the Enefit Green group.

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visory board assigned the performance-related remuneration for 2023 as follows:

- Aavo Kärmas, Chairman of the Management Board – 1 month's basic remuneration
- Veiko Räim, Member of the Management Board – 1 month's basic remuneration
- Andres Maasing, Member of the Management Board – 1.5 times the monthly basic remuneration
- Innar Kaasik, Member of the Management Board – 1.5 times the monthly basic remuneration

The remuneration provided to the members of the management board in 2023 complies with the adopted remuneration principles, helping ensure the achievement of Enefit Green's long-term strategic goals through the contributions of highly qualified and results-oriented management board members. The total amount of the remuneration 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 2023.

The adopted remuneration principles were applied without exception in 2023.

Management board members' performance criteria and the weights assigned to them in 2023

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	**Andres Maasing** Chief Development Officer
Profitability and efficiency • EBITDA of the group • Fixed costs of the group • Availability of production units • Energy portfolio management and risk management framework • Investor relations and sustainability framework	**50%**	**70%**	**55%**	**30%**
Growth • Investment decisions on budgeted projects • Readiness of projects for investment decisions in 2024 • Project financing • Keeping projects under construction within budget and on schedule • Supporting the development process • Starting production in new production units • Variable profit/fixed costs of service contracts	**40%**	**20%**	**5%**	**60%**
Management quality and employee satisfaction	**10%**	**10%**	**10%**	**10%**
Development of production operations and asset management • Strategies for cogeneration plants and pellet production • Updating the digitalisation strategy • Monitoring and Control Centre pilot project • Revising the repowering plan for existing assets • Updating O&M principles	**-**	**-**	**30%**	**-**

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Comparison of EBITDA as the main KPI and the remuneration of management board members and full-time employees in 2019–2023

	Unit	2019	2020	2021	2022	2023
EBITDA	€m	90.3	110.2	121.5	154.8	105.9
Change	*%*	*124.1%*	*22.0%*	*10.3%*	*27.4%*	*-31.6%*
EBITDA per full-time employee	€k	626.2	717.9	750.9	907.9	558.8
Change	*%*	*41.7%*	*14.6%*	*4.6%*	*20.9%*	*-38.5%*
Number of full-time employees (average)		144.2	153.5	161.8	170.5	189.5
Of which number of management board members (average)		4.0	4.0	4.0	3.6	3.8
Basic and additional remuneration, bonuses, vacation pay	€k	4,487.6	4,669.2	5,231.5	7,063.6	8,366.9
Of which remuneration provided to the management board*	€k	388.8	390.6	550.2	525.0	534.3
Of which remuneration provided to the chairman of the management board	€k	126.5	123.8	168.0	185.4	169.0
Average annual remuneration of full-time employees (excl. the management board)	€k	29.2	28.6	29.7	39.2	41.3
Change	*%*	*-16.7%*	*-2.1%*	*3.7%*	*32.1%*	*5.4%*
Average remuneration of the members of the management board	€k	97.2	97.7	137.6	145.8	142.5
Change	*%*	*0.1%*	*0.5%*	*40.9%*	*6.0%*	*-2.3%*
Ratio of remuneration of the chairman of the management board to average remuneration of a full-time employee	ratio	4.3:1	4.3:1	5.7:1	4.7:1	4.1:1

** 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 2023 is hereby confirmed by:

Signatory	Position of signatory	Date and signature
Aavo Kärmas	Chairman of Management Board	1 April 2024 / signed digitally /
Innar Kaasik	Member of Management Board	1 April 2024 / signed digitally /
Veiko Räim	Member of Management Board	1 April 2024 / signed digitally /
Andres Maasing	Member of Management Board	1 April 2024 / 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 2023, 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 13 March 2024.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2023;
- the consolidated statement of comprehensive income for the year ended 31 December 2023;
- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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.

The non-audit services that we have provided to the Company and its parent and subsidiaries in the period from 1 January 2023 to 31 December 2023 are disclosed in the management report.

Our audit approach

Overview

- Overall group audit materiality is EUR 2.6 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 statement of financial position 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.
- Assessment of potential impairment of goodwill and property, plant and equipment.

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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.

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 2.6 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. We chose 2.5% which is consistent with quantitative materiality thresholds used for profit-oriented companies using performance measures like EBITDA.

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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.

Key audit matter	How our audit addressed the key audit matter
Assessment of the potential impairment of goodwill and property, plant and equipment The significant assumptions used by management and their impact on the recoverable amount of goodwill and property, plant and equipment are described in Notes 4, 7 and 9 of the consolidated financial statements. As at 31 December 2023 the Group had property, plant and equipment in the amount of EUR 1,027.1 million and goodwill in the amount of EUR 58.2 million, the majority of which is related to the operational wind farms, wind farm development projects and the Iru co-generation power plant. Most of the group's wind farms and the Iru co-generation power plant were tested for impairment due to the goodwill balance associated with the given assets. Additionally four operating wind farms were tested for impairment due to adverse changes in electricity market prices and three wind farm development projects due to the combination of both adverse changes in electricity market prices and the contractual impact from long-term power purchase agreements signed by the Group for these wind farms. The recoverable amount of the Group's wind farms and the Iru co-generation power plant is determined based on their value in use which is supported by discounted future cash flows. The impairment assessment of these cash generating units is subjective and requires judgment due to an inherent uncertainty involved in the forecasting and discounting of the estimated future cash flows. The key underlying assumptions, such as forecasted	We began our procedures by assessing whether impairment indicators exist for assets not identified by management. We used our knowledge of the Group and its business activities as well as our accumulated knowledge related to the industries where the Group operates. In addition, we performed inquiries with management and key employees and inspected internal documents of the Group. We evaluated management's key assumptions and estimates used in the calculation of the recoverable amount of the assets identified as potentially impaired, including the assumptions related to the operational performance, such as operating cost forecasts, electricity and/or heat production volumes and operational reliability of the production assets. We challenged management's assumptions by corroborating the information with the information received from operational level key personnel and by referencing them to the actual performance of the Group and to internal documents of the Group such as budget forecasts and minutes of meetings of Enefit Green AS Management and Supervisory Boards. Where management had used market and market derived inputs, such as electricity prices, we reconciled them to available third-party information sources. We involved PwC valuation experts to help us with assessing the reasonableness of the discount rates used by management. We benchmarked these to external data and challenged the assumptions based on our knowledge of the Group and the industries where the Group operates.

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electricity prices, is impacted by the global and country-specific political and economic factors. Consequently, there is risk that due to the judgemental factors potential impairment may be unidentified or an impairment loss be miscalculated.

Assessment of the potential impairment of goodwill and property, plant and equipment is not considered to be an area of significant risk for our audit but as it requires considerable time and resources to audit due to its magnitude it is considered to be a key audit matter.

We also assessed the adequacy of the disclosures related to the property, plant and equipment and goodwill impairment testing in the consolidated financial statements.

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 and for the following entities that belonged to the Group until 29 December 2023: Warmeston SIA (previously named Enefit Green SIA) and Technological Solutions SIA.

In addition, specific audit procedures over significant balances and transactions were performed for subsidiaries: Enefit Wind Purtse AS, Tootsi Windpark OÜ, Liivi Offshore OÜ, UAB Šilalės vėjas, UAB Vejo Parkai, UAB Energijos žara, Enefit Green UAB, Tolpanvaara Wind Farm Oy and Enefit Green sp. z.o.o.

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).

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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;
- 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.

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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.
- 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.

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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 2023 (the "Presentation of the Consolidated Financial Statements").

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) 2018/815 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.

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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).

Quality management requirements and professional ethics

We apply International Standard on Quality Management (Estonia) 1 (revised), which requires the firm to design, implement and operate a system of quality management including policies or 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:

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- 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.

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 3 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

Jüri Koltsov
Certified auditor in charge, auditor's certificate no.623

Toomas-Hendrik Parts
Auditor's certificate no.689

2 April 2024
Tallinn, Estonia

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Profit allocation proposal

The total retained earnings of the Enefit Green group as at 31 December 2023 were €223,718k, including net profit for 2023 of €55,793k.
The management board of Enefit Green proposes to the general meeting that profit be allocated as follows:

Dividends	**€27,749k** (€0.105 per share)
Transfer to statutory capital reserve	**€2,736k**
Retained earnings after allocations	**€25,308k**

Aavo Kärmas	Chairman of the Management Board	1 April 2024	/ signed digitally /
Innar Kaasik	Member of the Management Board	1 April 2024	/ signed digitally /
Veiko Räim	Member of the Management Board	1 April 2024	/ signed digitally /
Andres Maasing	Member of the Management Board	1 April 2024	/ 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	2023	2022
Sale of electricity	35141	102,285	31,219
Collection of non-hazardous waste	38111	16,304	14,195
Steam and air conditioning supply	70101	7,647	4,595
Activities of head offices	35301	7,130	6,142
Sale of other particular products	46181	788	3,449
Repair of machinery	68329	457	602
Other real estate management or related activities	33121	118	1,784
Construction of utility projects for electricity and telecommunications	42221	87	167
Other business support service activities	82991	38	41
Distribution of electricity	35131	6	7
Total revenue		**134,860**	**62,201**

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