

# ENEFIT GREEN

## Q2 2023

Interim results presentation



Enefit Green

# Results are presented by:



**Aavo Kärmas**

CEO



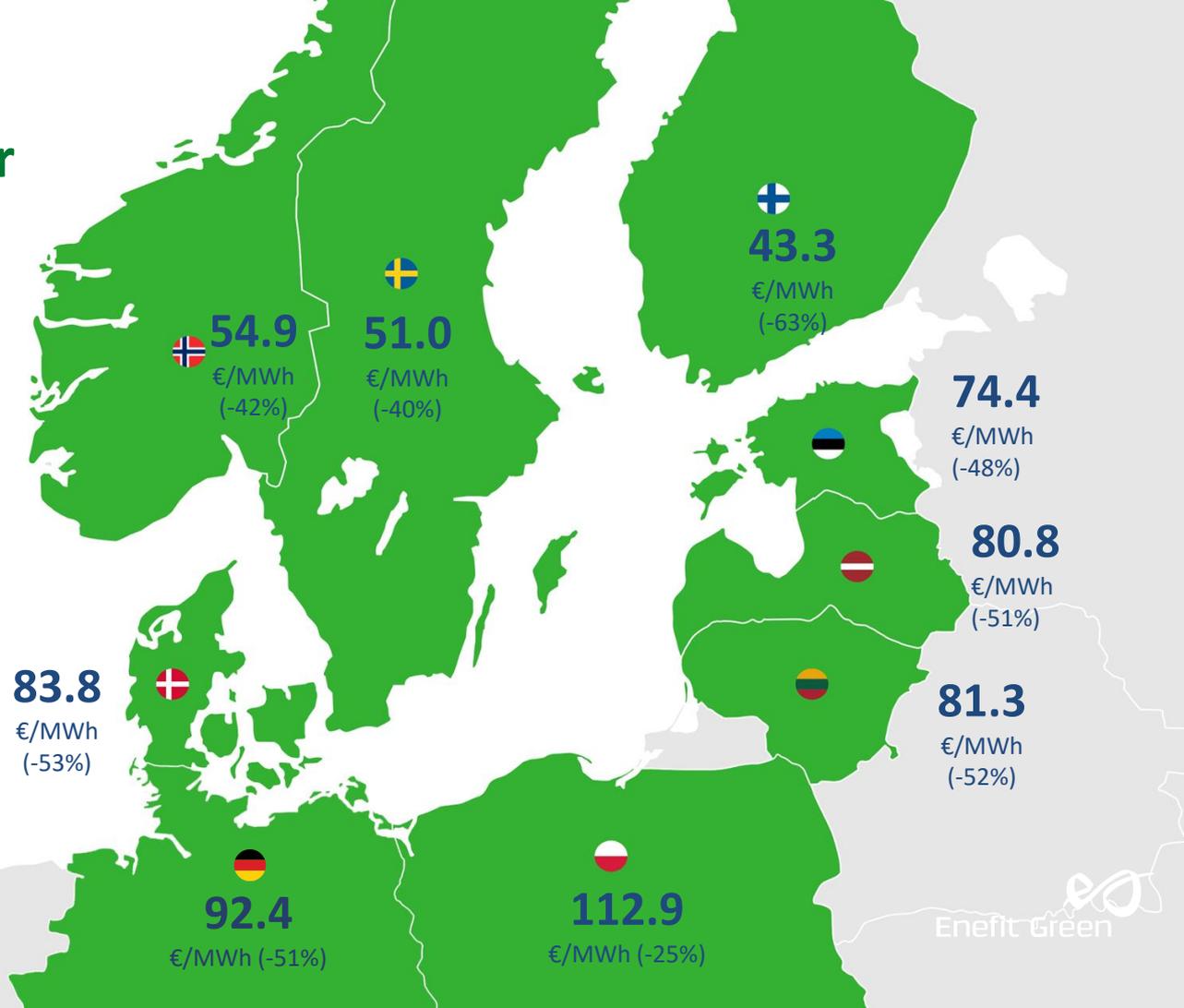
**Veiko Räim**

CFO

# Electricity prices on core markets 2X lower

## Drivers:

- Over 2X lower natural gas prices
- Commissioning of Olkiluto-3 nuclear reactor
- Strong hydro power supply



# Regulatory developments

 The European Council continued the debate on electricity market reform, which will have a significant impact on the business environment

 In April, the European Council decided to change the policy on CO<sub>2</sub> emission allowances and to set a new EU-wide emissions reduction target. The decision will encourage investment in new renewable power plants

 Parliamentary elections were held in March 2023. Government's Action Programme (2023–2027) has number of targets that will affect the business environment for renewable electricity generation: to make Estonia a country that exports electricity, organize reverse auctions with price ceilings and floors, purchase renewable electricity for the buildings under its management Riigi Kinnisvara AS, offer an opportunity for households and apartment associations producing up to 30 kW to connect to the grid at a fixed price

 The new government's EU policy priorities until 2025: create a single price area in the Baltic electricity market in order to increase the market for renewable electricity, build the third electricity transmission cable, Estlink 3, between Estonia and Finland by the early 2030s

 In June, the government established a procedure for granting permits for the construction of wind farms on state and municipally-owned land, which gives a one-off right to submit a reasoned construction permit application for up to 10% of the total area the state forest management company

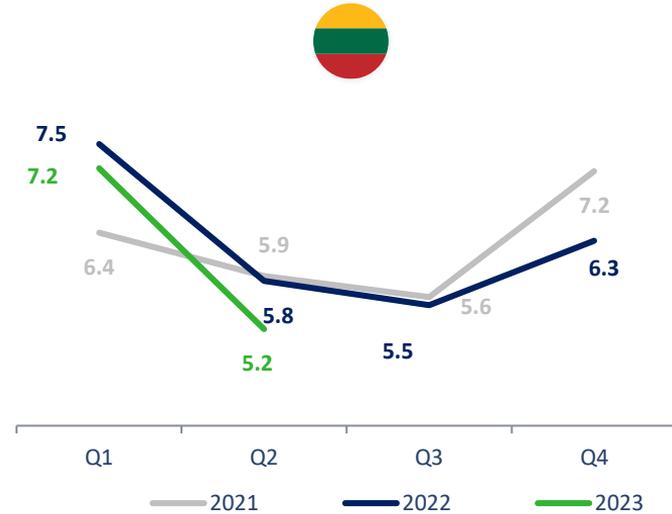
 In June, the electricity market regulator VERT changed the principles of the price ceiling for electricity producers and extended the price ceiling retroactively from 1 December 2022 to the production of power plants under construction

 The rule according to which the minimum distance between a wind turbine and a residential building must be at least ten times the height of the wind turbine was lifted. The new restriction zone for new wind turbines is 700 metres

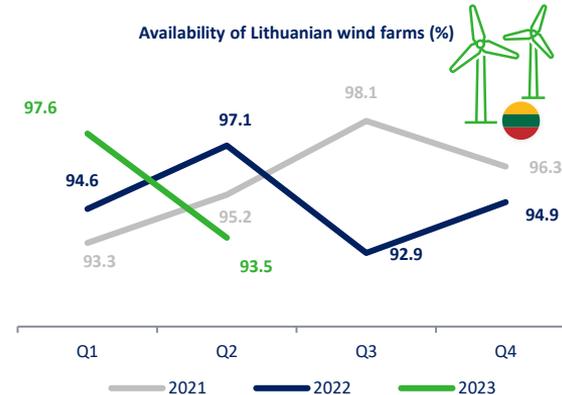
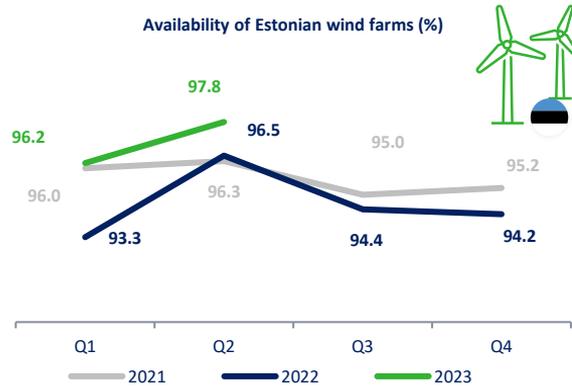
 Government decided to maintain the temporary price cap imposed by the EU on renewable electricity producers until the end of the year

# Weakest wind conditions in recent years

Average recorded wind speed in Enefit Green wind farms, m/s



# Above average availability in most segments



## Path towards 4X growth: 62MW added to operating portfolio during Q2



■ Operating

■ Under construction



# Projects under construction

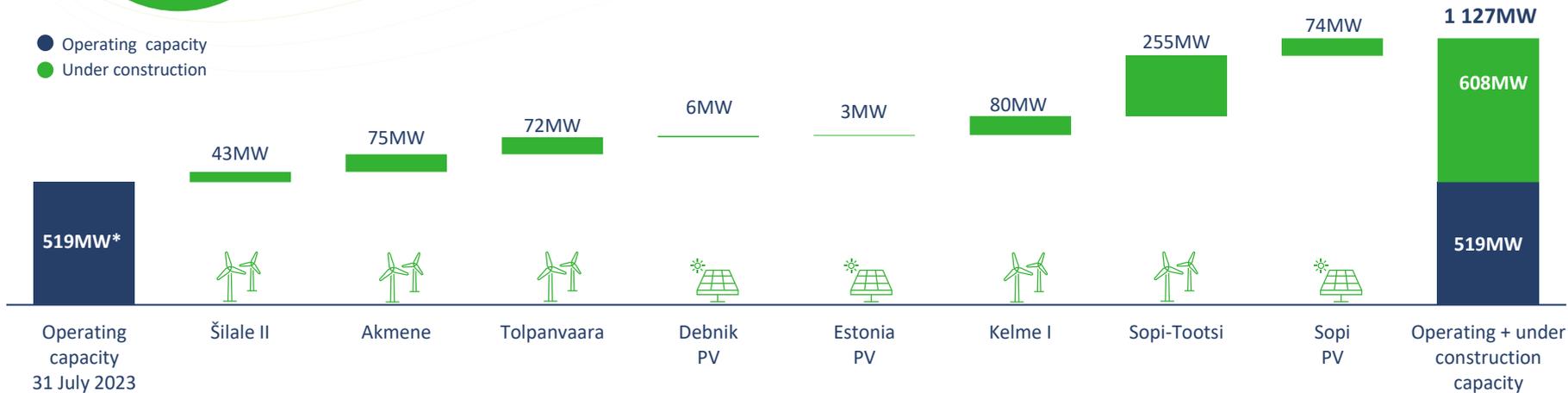


525 MW



83 MW

● Operating capacity  
● Under construction



Country	Šilale II	Akmene	Tolpanvaara	Debnik PV	Estonia PV	Kelme I	Sopi-Tootsi	Sopi PV	Operating + under construction capacity
Final investment decision	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q4 2022	Q4 2022	Q4 2022	Q2 2023	
First electricity / % in testing phase	100%	***	Q3 2023	Q4 2023	Q4 2023	Q4 2024	Q4 2024	Q1 2025	
COD**	Q4 2023	Q1 2024	Q4 2023	Q1 2024	Q2 2024	Q1 2025	Q1 2025	Q4 2025	

\* Following projects have been categorized as operating: Purtspe WF (21MW), Purtspe PV (32MW), Zambrow PV (9MW). Grid tests are being carried out in Purtspe. In Zambrow grid tests are completed, waiting for official production permit.

\*\* COD – Commercial Operating Date

\*\*\* On 2May 2023 there was an incident in Akmene wind farm resulting in a destruction of a wind turbine under construction.

# Near term development portfolio

Targeted investment decisions until the end of 2024

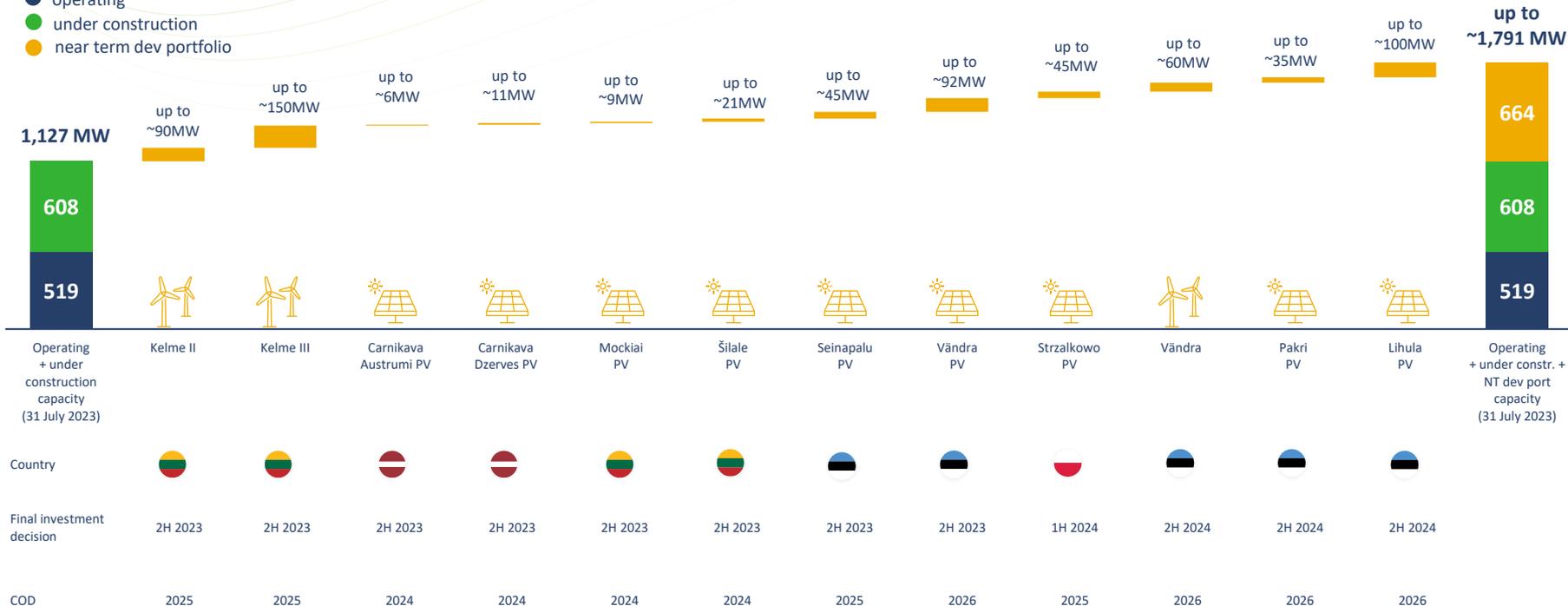


300 MW



364 MW

- operating
- under construction
- near term dev portfolio



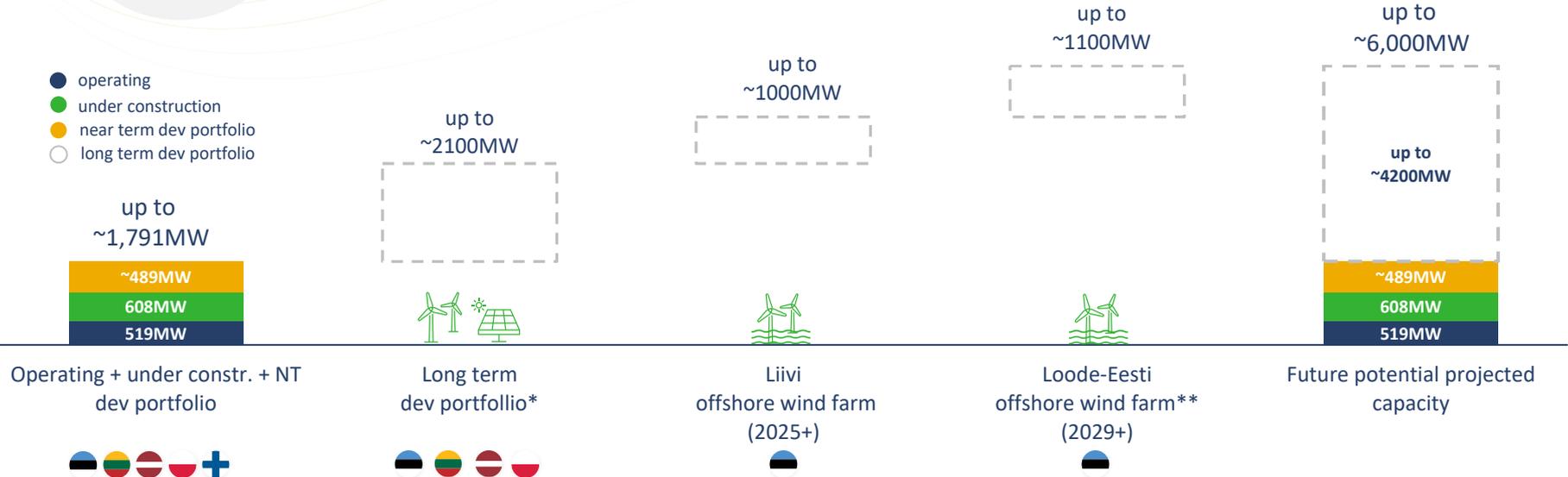
Project Name	Country	Final investment decision	COD
Operating + under construction capacity (31 July 2023)			
Kelme II	Bulgaria	2H 2023	2025
Kelme III	Bulgaria	2H 2023	2025
Carnikava Austrumi PV	Latvia	2H 2023	2024
Carnikava Dzerves PV	Latvia	2H 2023	2024
Mockiai PV	Lithuania	2H 2023	2024
Šilalė PV	Lithuania	2H 2023	2024
Seinapalu PV	Latvia	2H 2023	2025
Vāndra PV	Latvia	2H 2023	2026
Strzalkowo PV	Poland	1H 2024	2025
Vāndra	Latvia	2H 2024	2026
Pakri PV	Latvia	2H 2024	2026
Lihula PV	Estonia	2H 2024	2026
Operating + under constr. + NT dev port capacity (31 July 2023)			

NB! Development projects are in continuous change. The presented information is management team's best assessment of the current status of the near-term development portfolio as of 31 July 2023

# Complete view of the development portfolio



- operating
- under construction
- near term dev portfolio
- long term dev portfolio



**NB!** Development projects are in continuous change.

\* Various onshore wind and solar farm developments that are not expected to get final investment decision before 2025.

\*\* Also known as Hiiumaa offshore wind farm

# Q2 2023 Key highlights

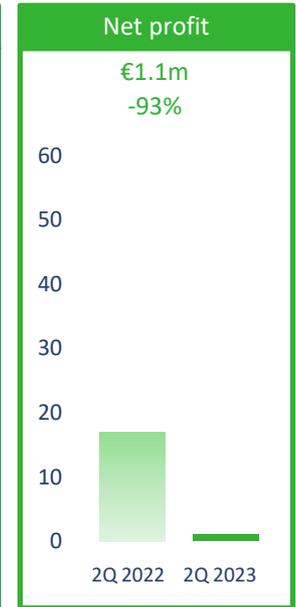
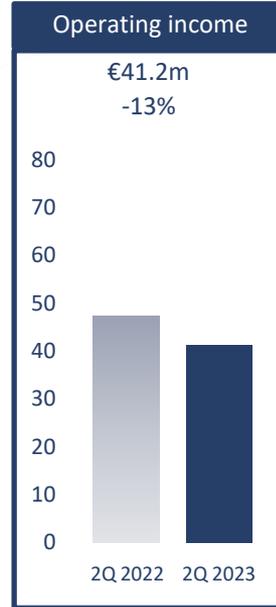
PRODUCTION

ELECTRICITY

HEAT

<p><b>265</b> GWh -2%</p>	<p><b>141</b> GWh -7%</p>
<p><b>90*</b> €/MWh -29%</p>	<p><b>14</b> €/MWh +16%</p>

IMPLIED CAPTURED PRICE



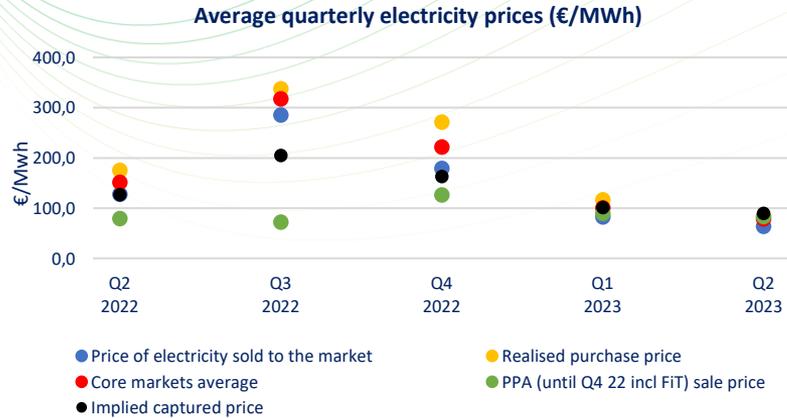
**+62 MW**  
(new operating capacity  
Purtse & Zambrow)



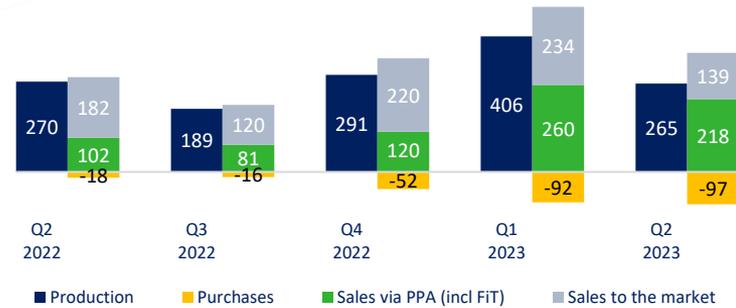
**+56 GWh**  
(production from new  
wind and solar farms under  
construction)

\* (electricity sales revenue + renewable energy support and efficient cogeneration support + revenues from sale of guarantees of origin - day-ahead and intraday purchases on Nord Pool - balancing energy purchases) / production

# Summary of Q2 electricity prices



### Electricity produced, purchased and sold (GWh)



Electricity prices €/MWh	Q2 2022	Q2 2023
Core markets average*	151.3	78.7
Price of electricity sold to the market	127.6	63.7
PPA (until Q4 22 incl FiT) sale price	79.1	83.5
Realised purchase price	175.1	83.8
<b>Implied captured price**</b>	<b>126.8</b>	<b>89.9</b>

\* Production weighted average market price on group's core markets

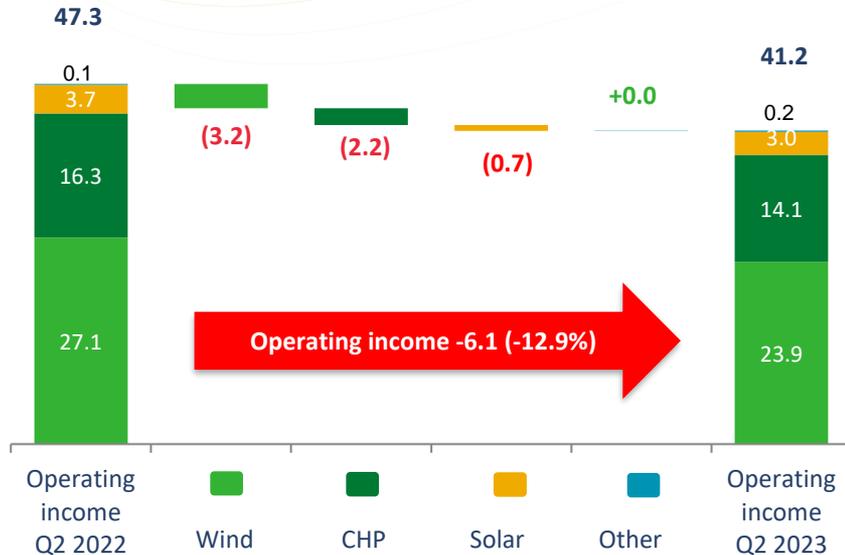
\*\* (electricity sales revenue + renewable energy support and efficient cogeneration support + revenues from sale of guarantees of origin - day-ahead and intraday purchases on Nord Pool - balancing energy purchases) / production

## Implied captured price -29%

- Core markets average price -48%
- Increased electricity purchase volume (5.4 times)
- Realised purchase price -52%
- PPA/FiT average price +6%

# Operating income impacted by low electricity prices

Operating income by segment, €m



**Operating income €41.2m**  
**-13%**

## Wind

- Electricity production -9%
- Implied captured price\* of the segment was 86.9 €/MWh (-26%)

## CHP

- Higher pellet sales volumes and higher sales price
- Implied captured price\* 104.6 €/MWh (-40%)

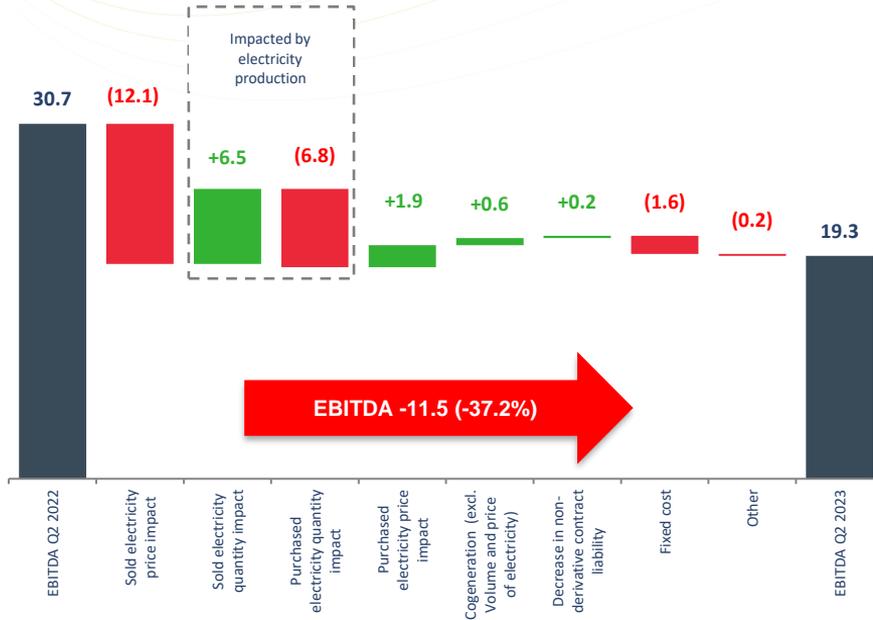
## Solar

- Electricity production +126% due to new solar farms
- Exit from „turn-key“ solar services business

\* (electricity sales revenue + renewable energy support and efficient cogeneration support + revenues from sale of guarantees of origin - day-ahead and intraday purchases on Nord Pool - balancing energy purchases) / production

# EBITDA decreased due to lower electricity prices

## Group's EBITDA change by drivers, €m



**EBITDA €19.3m**  
**-37%**

### Electricity price net impact -€10.2m

Higher PPA price did not compensate the impact of the decline in market prices

### Sold / purchased quantities net impact -€0.3m

Low and variable production increased both electricity purchase and sale quantities

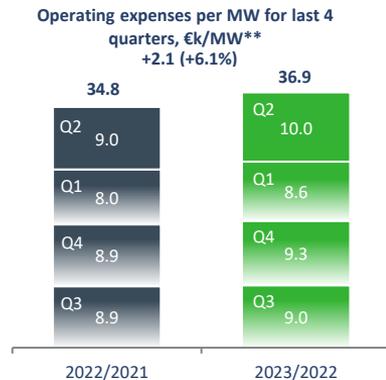
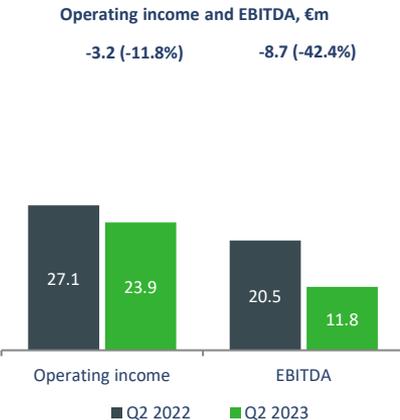
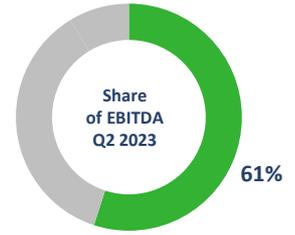
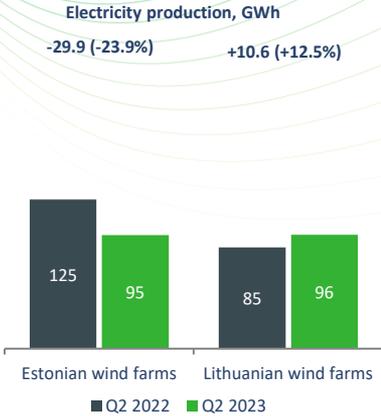
### Impact of fixed expenses -€1.6m

Mainly increased labor and research/consultation costs

### Other cogeneration segment result +€0.6m:

Higher sales of pellets and profitability

# Wind energy segment: lower electricity prices, lower production and power purchase costs had negative impact on profitability

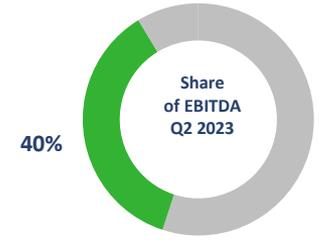
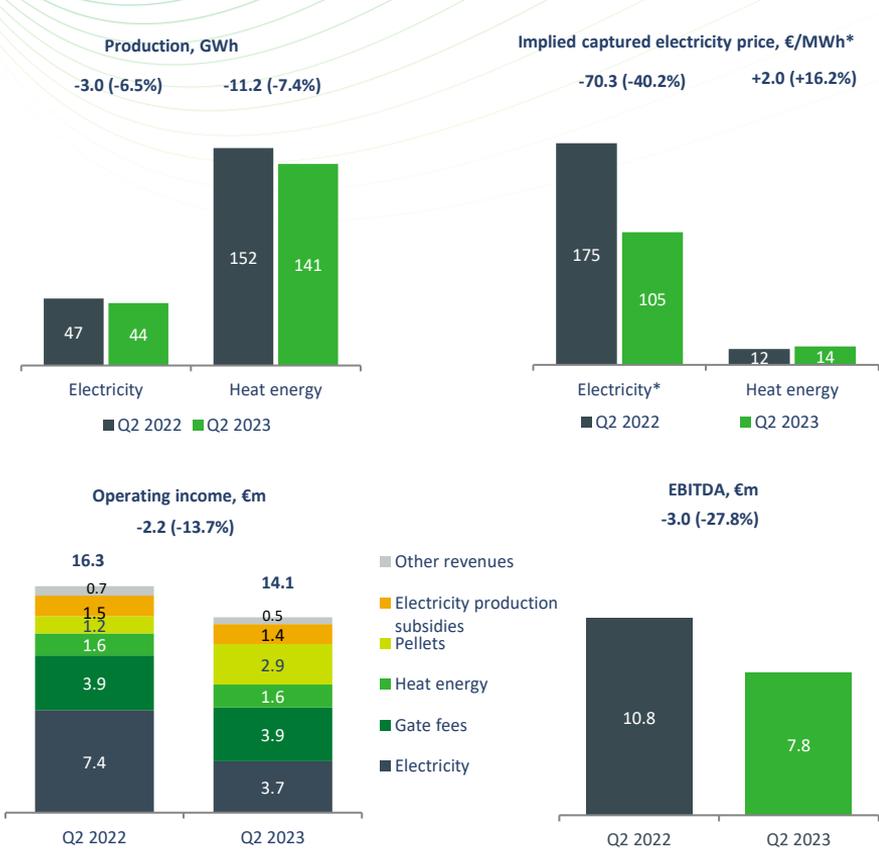


**EBITDA €11.8m**  
**-42%**

- ➔ Higher production volumes in Lithuania due to the addition of new wind farms
- ➔ Older wind farms production low (incl Estonia) due to wind conditions
- ➔ Lower implied captured electricity price\*
- ➔ Power purchase costs

\* (electricity sales revenue + renewable energy support and efficient cogeneration support + revenues from sale of guarantees of origin - day-ahead and intraday purchases on Nord Pool - balancing energy purchases) / production  
 \*\* (Total operating expenses - power and balancing energy purchase - D&A) / operating capacity. Only operating wind assets are included: Enefit Wind OÜ and Enefit Wind UAB

# Cogeneration segment: lower electricity price decreased profitability

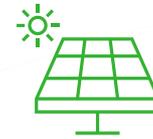


**EBITDA €7.8m**  
**-28%**

- Higher pellet sales (12 th tonnes, +54%) and 53% higher sales price of pellets
- Implied captured electricity price driven by market prices

\* (electricity sales revenue + renewable energy support and efficient cogeneration support + revenues from sale of guarantees of origin - day-ahead and intraday purchases on Nord Pool - balancing energy purchases) / production

# Solar segment: production from new solar farms improved profitability despite lower electricity prices



**EBITDA €1.9m**

- 126% higher production due to new solar farms
- Lower implied captured electricity price\*

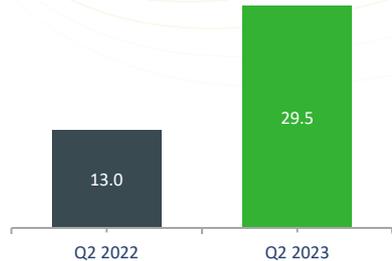
\* (electricity sales revenue + renewable energy support and efficient cogeneration support + revenues from sale of guarantees of origin - day-ahead and intraday purchases on Nord Pool - balancing energy purchases) / production

Electricity production, GWh

+16.5 (+126.3%)

Implied captured electricity price, €/MWh\*

-22.8 (-19.5%)



Operating income, €m

-0.7 (-19.6%)



EBITDA, €m

+0.7 (+54.7%)



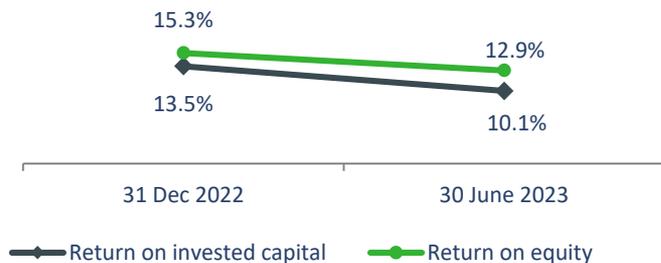
Solar services revenues

Operating farms' revenues

# Q2 2023 net profit impacted by lower electricity prices and income tax related to dividend payout



## Return on invested capital and return on equity, %



Return on invested capital = LTM operating profit / (net debt + equity)  
 Return on equity = LTM net profit / equity

## Net profit €1.1m -93%

### Net finance income

- Increased by €0.3m due to higher interest income
- Interest expense increase of €1.8m, but neutral impact on profit due to 100% capitalization rate)

### Corporate income tax expenses

- Increased by €4.7m due to dividend payout

### Net profit

- Low electricity market prices
- Increased power purchased costs

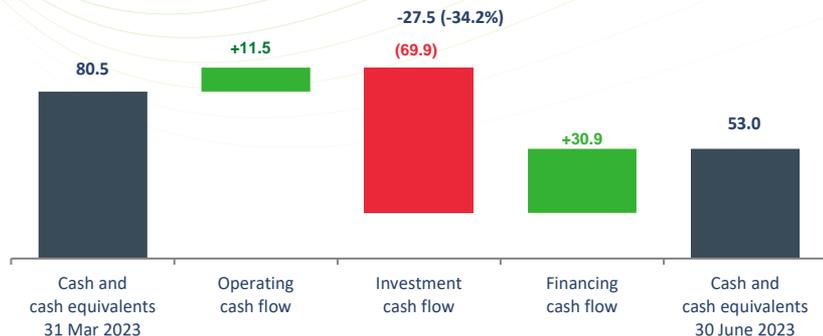
## Return on equity 12.9%

### Returns

- Return on invested capital declined due to lower EBIT
- Return on equity declined due to lower net profit

# €74.6m of investments in Q2 2023

Liquidity development Q2 2023, €m



Investments by segments, €m

+33.6 (+82.2%)



Investments by type, €m



**Investments €74.6m  
+82%**

## Operating cash flow

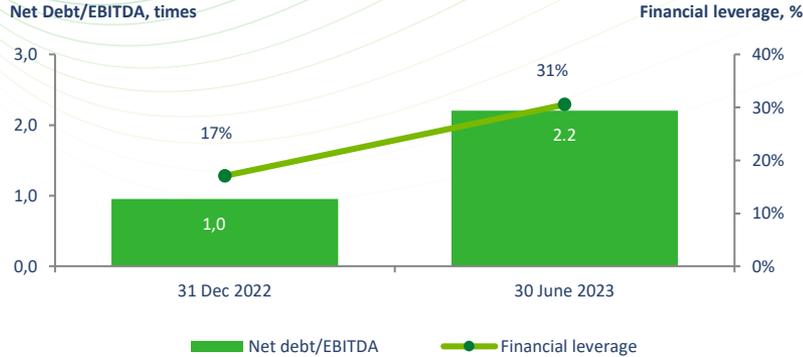
➔ Lower support than previously to continuing investments due to lower electricity prices

## Investments

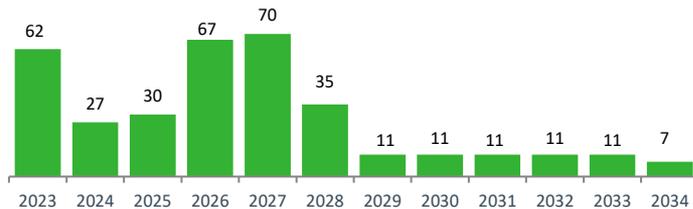
➔ Q2 2023 investments in the amount of €74.6m, primarily into wind developments:

- ➔ Tolpanvaara €31.7m
- ➔ Sopi-Tootsi €13.9m
- ➔ Vändra solar farm €9.4m
- ➔ Akmene €2.4m

# Leverage is rising ahead of completion of new capacities



Loans repayment schedule, €m



## Financial leverage 31%

**Capital structure**

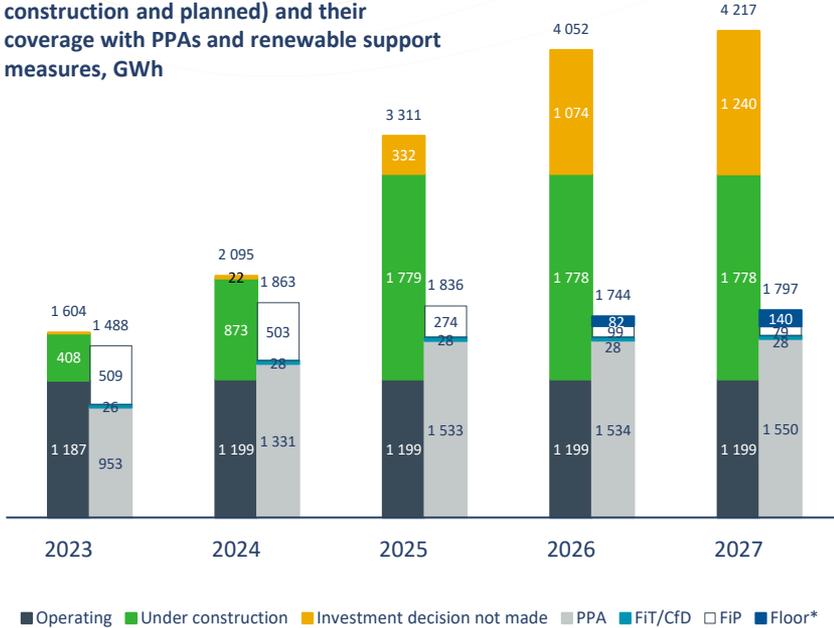
- Expectedly higher leverage and net debt / EBITDA ratio

**Financing**

- €90m of loan facilities drawn down during the quarter
- Outstanding loan balance €353.9m, over 40% of interest rate risk hedged until maturity
- Investment loans not yet drawn down €285m
- Average effective interest rate increased from 2.75% to 3.44% during Q2

# Overview of power portfolio hedging

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



## Power Purchase Agreements

### 2023-2027

- 6,901 GWh of PPAs signed (55% of expected production)
- Average locked price 69.4 EUR/MWh

### 2028+

- Longest PPA contracts span to 2033
- Production after 2027 fixed with PPAs in the amount of 3,677 GWh with average price of 78.1 EUR/MWh

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

# Q2 2023 Summary

Operating income	EBITDA	Net profit
€41.2m -13%	€19.3m -37%	€1.1m -93%

- 🔻 Electricity prices have normalized – 2X lower than in extraordinary last year
- 🔻 Weak wind conditions
- ➡ Final investment decision on 74MW Sopi solar farm
- ➡ Completion of Purtse hybrid farm
- ➡ Completion of Zambrow solar farm
- ➡ Construction of 5 wind and 3 solar farms continues

Added new operating renewable capacity during the quarter

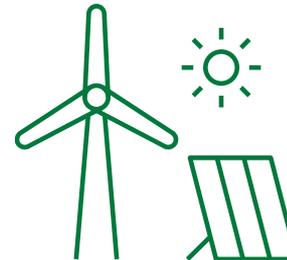
**+62 MW**

+14% compared to existing operating capacity  
(457MW -> 519MW)

Total renewable capacity under construction

**608 MW**

+117% additional capacity when completed



An aerial photograph of a white wind turbine in a green field. The nacelle has the 'Enefit Green' logo and text. The background shows a forest and a blue sky. A large green curved shape is in the bottom right corner.

# Q&A

Aavo Kärmas, CEO  
Veiko Räm, CFO



Enefit Green

# Appendix

Condensed consolidated interim  
financial statements Q2 2023

## Condensed consolidated interim income statement

€ thousand	Note	Q2 2023	Q2 2022	H1 2023	H1 2022
Revenue	9	36,556	41,505	105,341	99,646
Renewable energy support and other operating income	10	4,610	5,773	13,329	14,352
Change in inventories of finished goods and work in progress		4,892	4,646	(168)	2,579
Raw materials, consumables and services used	11	(20,583)	(16,365)	(45,375)	(30,499)
Payroll expenses		(2,905)	(2,169)	(5,391)	(4,612)
Depreciation, amortisation and impairment		(9,707)	(9,644)	(19,522)	(19,292)
Other operating expenses		(3,274)	(2,645)	(7,329)	(5,150)
<b>OPERATING PROFIT</b>		<b>9,589</b>	<b>21,101</b>	<b>40,885</b>	<b>57,025</b>
Finance income		1,191	1,117	1,598	1,525
Finance costs		(402)	(626)	(782)	(1,188)
<b>Net finance income</b>		<b>789</b>	<b>491</b>	<b>816</b>	<b>337</b>
Profit (loss) from associates under the equity method		22	(76)	41	(72)
<b>PROFIT BEFORE TAX</b>		<b>10,400</b>	<b>21,516</b>	<b>41,742</b>	<b>57,290</b>
Income tax expense		(9,260)	(4,592)	(10,080)	(5,441)
<b>PROFIT FOR THE PERIOD</b>		<b>1,140</b>	<b>16,924</b>	<b>31,662</b>	<b>51,849</b>

### Basic and diluted earnings per share

Weighted average number of shares, thousand	6	264,276	264,276	264,276	264,276
Basic earnings per share, €	6	0.004	0.06	0.12	0.20
Diluted earnings per share, €	6	0.004	0.06	0.12	0.20

## Condensed consolidated statement of other comprehensive income

€ thousand	Note	Q2 2023	Q2 2022	H1 2023	H1 2022
<b>PROFIT FOR THE PERIOD</b>		1,140	16,924	31,662	51,849
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Remeasurement of hedging instruments in cash flow hedges (incl. reclassifications to profit or loss)	5, 7	1,228	5,586	540	6,524
Exchange differences on the translation of foreign operations	7	436	(106)	401	(244)
<b>Other comprehensive income for the period</b>		1,664	5,480	941	6,280
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		2,804	22,404	32,603	58,129

# Condensed consolidated interim statement of financial position

€ thousand	Note	30 Jun 2023	31 Dec 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	899,039	776,870
Intangible assets		60,304	60,382
Right-of-use assets		4,510	4,239
Prepayments for non-current assets	4	45,462	19,412
Deferred tax assets		1,751	1,321
Investments in associates		547	506
Derivative financial instruments	5, 7	8,866	11,277
Non-current receivables		40	40
<b>Total non-current assets</b>		<b>1,020,519</b>	<b>874,047</b>
<b>Current assets</b>			
Inventories		14,265	14,227
Trade and other receivables and prepayments		37,304	41,091
Cash and cash equivalents		52,996	131,456
Derivative financial instruments	5	4,887	3,349
<b>Total current assets</b>		<b>109,452</b>	<b>190,123</b>
<b>Total assets</b>		<b>1,129,971</b>	<b>1,064,170</b>

€ thousand	Note	30 Jun 2023	31 Dec 2022
<b>EQUITY</b>			
<b>Equity and reserves attributable to shareholders of the parent</b>			
Share capital		264,276	264,276
Share premium	6	60,351	60,351
Statutory capital reserve		5,555	3,259
Other reserves	5, 7	166,959	166,419
Foreign currency translation reserve	7	(361)	(762)
Retained earnings		199,586	225,190
<b>Total equity</b>		<b>696,366</b>	<b>718,733</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	8	283,032	255,755
Government grants		6,879	7,115
Non-derivative contract liability	5, 7	18,086	18,086
Deferred tax liabilities		12,482	12,326
Other non-current liabilities		3,000	3,000
Provisions		9	9
<b>Total non-current liabilities</b>		<b>323,488</b>	<b>296,291</b>
<b>Current liabilities</b>			
Borrowings	8	75,818	23,808
Trade and other payables		31,698	20,215
Provisions		2	2
Non-derivative contract liability	5	2,599	5,121
<b>Total current liabilities</b>		<b>110,117</b>	<b>49,146</b>
<b>Total liabilities</b>		<b>433,605</b>	<b>345,437</b>
<b>Total equity and liabilities</b>		<b>1,129,971</b>	<b>1,064,170</b>

## Condensed consolidated interim statement of cash flows

€ thousand	Note	Q2 2023	Q2 2022	H1 2023	H1 2022
<b>Cash flows from operating activities</b>					
Cash generated from operations	12	14,006	22,898	58,343	68,915
Interest and loan fees paid		(2,084)	(495)	(4,137)	(997)
Interest received		207	3	518	6
Income tax paid		(631)	(1,001)	(1,205)	(1,501)
<b>Net cash generated from operating activities</b>		<b>11,498</b>	<b>21,405</b>	<b>53,519</b>	<b>66,423</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment and intangible assets	4	(69,907)	(34,739)	(149,480)	(47,048)
Acquisition of a subsidiary*		0	0	(6,174)	0
Proceeds from sale of property, plant and equipment		0	0	0	3
Proceeds from sale of a business		0	718	0	718
<b>Net cash used in investing activities</b>		<b>(69,907)</b>	<b>(34,021)</b>	<b>(155,654)</b>	<b>(46,327)</b>
<b>Cash flows from financing activities</b>					
Proceeds from bank loans	8	90,000	40,000	90,000	40,000
Repayments of bank loans	8	(4,040)	(5,027)	(11,177)	(9,670)
Repayments of lease principal	8	(95)	(47)	(179)	(129)
Dividends paid		(54,969)	(39,906)	(54,969)	(39,906)
<b>Net cash generated from (used in) financing activities</b>		<b>30,896</b>	<b>(4,980)</b>	<b>23,675</b>	<b>(9,705)</b>
<b>Net cash flow</b>		<b>(27,513)</b>	<b>(17,596)</b>	<b>(78,460)</b>	<b>10,391</b>
Cash and cash equivalents at the beginning of the period		80,509	108,441	131,456	80,454
Cash and cash equivalents at the end of the period		52,996	90,845	52,996	90,845
<b>Change in cash and cash equivalents</b>		<b>(27,513)</b>	<b>(17,596)</b>	<b>(78,460)</b>	<b>10,391</b>