

An aerial photograph of a winding river flowing through a dense, lush green forest. The river curves from the bottom left towards the top right, reflecting the sky. The surrounding trees are vibrant green, and the overall scene is serene and natural.

Eesti Energia 

Annual Report 2023

Leading the Way  
**Towards a Clean Future**



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# 2023

## REVENUE

**1.9** billion EUR

## ADJUSTED EBITDA

**483** million EUR

## INVESTMENTS

**779** million EUR

## AVERAGE NUMBER OF EMPLOYEES

**5268**

## Dear reader,

At Eesti Energia, we are on a journey to a cleaner future. Firstly, we are increasing renewable energy production in the Baltic Sea region and thereby making clean energy available to people. To do this, we also need a modern and reliable distribution network. Secondly, we help our customers all over the Baltics, Finland and Poland to become more sustainable by providing smart energy solutions such as electric car chargers, home electricity generation or storage solutions. Thirdly, we are transforming our oil shale industry into an efficient circular chemical industry. During last three years, we have invested more than €1.5 billion to make these changes a reality

The year 2023 brought pivotal changes to the energy sector. While in December 2022 the natural gas price crisis still kept average electricity prices in the Baltics above 250 €/MWh, the beginning of 2023 saw a significant price decline, with average electricity prices in the region falling to around 100 €/MWh in January. There were no price spikes in the following months also.

On the other hand, the stabilisation of the energy market brought new challenges. Many consumers who had opted for fixed-price contracts during the energy crisis in order to ensure price stability were unhappy because they were locked in for a longer period at a higher price than the power exchange was offering. In addition, in a more stable energy market, customers needed advice on how to choose the best energy solutions.

The situation in the Estonian electricity market was further complicated by the universal service, which was created to provide electricity at a government-regulated price. Although it protected customers from high electricity prices in the last three months of 2022, by January 2023, when the energy market stabilised, it had already become the most expensive electricity plan on the market. Therefore, we made great efforts to educate consumers about choosing electricity plans and to steer customers towards cheaper market-based options. While at the peak of the crisis Eesti Energia had more than 230,000 customers on the national universal service, by the end of 2023 we had managed to switch more than 185,000 customers to a more affordable solution.



## Interest in storage solutions skyrocketed

In spring and summer, sunny and windy weather increased renewable energy production and reduced consumption, providing further price relief for consumers dependent on exchange prices. On the other hand, prolonged periods of near-zero electricity prices raised concerns among electricity producers, including micro-generators, as near-zero prices reduce the revenue a producer can earn from electricity sold to the market and lengthen the payback period of, for example, a home solar farm. The situation can be mitigated with storage solutions. In the face of increasingly volatile electricity prices, customer interest in storage solutions skyrocketed.

Despite volatile electricity prices, we built a record 850 solar farms with a total capacity of 25 MW for our customers in 2023. In total, Eesti Energia has built 2,500 solar farms with a total capacity of 50 MW for our customers since 2019.

To support growth in micro-generation, our distribution network operator Elektrilevi invested 168 million euros in 2023 to provide grid connections and improve the reliability of the network. By the end of 2023, almost 21,000 electricity producers with a total capacity of 830 MW were connected to Elektrilevi's network. In 2023, a record 5,363 producers with a total capacity of 223 MW were connected. All these producers make a significant contribution to achieving Estonia's renewable energy target and to ensuring the functioning of the electricity system and security of supply, as locally produced and consumed electricity reduces peak loads and grid losses.



## Tripling the number of public electric car charging points

As well as providing home solar and storage solutions, we are helping our customers move towards greener transport. With record sales of electric cars in 2023, the importance of our Enefit Volt electric vehicle charging solutions has grown accordingly. To keep pace with the exploding market, we began upgrading and expanding our public charging network. In the summer, we replaced 38 chargers in the Estonian market with new fast chargers to offer faster and more modern charging options across the country. We also signed large contracts in the Baltic countries and Poland, which will allow us to multiply our public charging network and offer charging in popular and

convenient locations. We have started working with well-known retail chains such as Tauron in Poland, Norfa in Lithuania, Top in Latvia and Rimi and Selver in Estonia. The work on modernising and expanding the public charging network in the Baltics and Poland will continue in 2024. We plan to triple the number of public charging points in the Baltics and Poland to 750 this year.

In addition to improving the public charging network, we are enabling more and more customers to charge their electric vehicles smartly at home or at work. In 2023, we increased the sales of smart chargers that can monitor the price of electricity on the power exchange by 220% year on year. We also partnered with the first car dealer to offer chargers already at the



point of sale. As a result, we have already provided smart home charging solutions to over 500 electric vehicle owners.

## Almost half of the electricity produced was renewable electricity

The key to a rapid, affordable and energy-independent green transition is electrification based on renewable energy. To achieve this, we need significantly more renewable energy in the electricity market. The Group's subsidiary Enefit Green is working on this: at the end of 2023, it was building six wind farms with a total capacity of 612 MW in Finland, Estonia and Lithuania, and four solar power plants with a total capacity of 97 MW in Estonia, Latvia and Poland.

In a landmark development in the Estonian market, Enefit Green completed the first hybrid wind and solar farm in the Baltics last year. The hybrid farm in Puritse, Ida-Viru county, is also the first wind farm to be completed in Estonia in over a decade. The 21 MW wind farm and 32 MW solar farm share the same equipment, substation and grid connection. This makes smarter use of scarce grid resources.

In addition, Enefit Green completed a 3 MW solar power plant, built on a waste rock structure on the site of the Estonia mine. Work also began on Sopi-Tootsi – the most powerful renewable energy production site in the Baltics. The wind and solar farm in Pärnu county, which will be completed in early 2025, is expected to produce 750 GWh of electricity, enough to cover almost a tenth of Estonia's current annual electricity consumption.

At the end of 2023, Enefit Green had 419 MW of wind farms in operation in the Baltics and 75 MW of solar farms in opera-





tion in Estonia and Poland. Partly thanks to this, the share of renewable energy in the Eesti Energia Group's total electricity production increased to 45% in 2023. A year earlier, during the energy crisis, the share of renewable energy was 23%.

Another important driver for the growth in the proportion of renewable energy is the decline in non-renewable electricity generation. While the Group's renewable electricity production increased by 12%, non-renewable electricity production decreased by 59% in 2023. The decline was mainly due to the high price of CO<sub>2</sub> emission allowances and low market prices for electricity, which prevented oil shale power plants, which have a high product cost, from accessing the market most of the time. This, in turn, has created a situation where the older oil shale-fired generating units are unable to cover their fixed costs with the cash they generate from the market. The Group's subsidiary Enefit Power spends tens of millions of euros a year to ensure security of supply and to keep the old oil shale-fired generating units on standby.

As a result of the declining competitiveness of oil shale-fired generating units, we were forced to write down the value of these power plants. Regardless of the good business results in 2023, 628 million euro impairment losses for oil shale power plants brought the group an adjusted net loss of 376 million euros.

## The market needs new dispatchable power plants and energy storage

At the end of 2023, however, we saw that we urgently need dispatchable power plants. The increase in non-dispatchable capacity, i.e. wind and solar farms, increases the volatility of

electricity prices. This means that while the addition of renewables is the best way to reduce the average price of electricity, there will be more hours when the market price is either very low or very high. To counter this, we need more storage capacity and more dispatchable generation in the electricity system.

In terms of dispatchable generation capacity, the Eesti Energia Group is investing in both storage and new low-carbon generating units. In addition to balancing the electricity price, they will enable participation in the market for system services, which will become particularly important after the Baltic power system is desynchronised from the Russian grid in early 2025.

To this end, in 2023 we launched the procurement of the first large-scale storage facility in Estonia, which should be able to cover the two-hour consumption of around 75,000 households. This is a pilot project to test the suitability of the solution for Estonia and our other markets.

In addition, at the end of 2023 we started preparations for the construction of a low-carbon hybrid gas and hydrogen power plant in Estonia, which would use 100% hydrogen in the future, after the completion of the hydrogen pipeline through Estonia. The new dispatchable power plant would contribute to the development of frequency markets, ensuring security of supply and increasing electricity supply at times of peak demand and when renewable energy production is insufficient, i.e. when the wind is not blowing and the sun is not shining. The plant would also help smooth out peak electricity prices in the Baltics and reduce the average market price of electricity.

## The development of the chemical industry will help to solve the waste problem

As we move towards clean renewables, storage solutions and hydrogen-capable dispatchable power plants in electricity generation, we are also becoming more sustainable in adding value to oil shale by gradually moving towards a circular chemical industry. In 2023, we started using shredded tyres on an industrial scale alongside oil shale in the production of liquid fuels. By introducing tyre shreds into the chemical industry, we can simultaneously reduce the use of oil shale and solve the problem of scrap tyres. In 2024, we also plan to use non-recyclable plastic waste alongside scrap tyres.

The plastic chemical plant planned to be built at the Auvere industrial complex, the principal design of which began in December, will also help the oil shale industry become more sustainable. The planned plant will allow Eesti Energia to refine all the lighter pyrolysis oil it produces, which is currently marketed as gasoline, into plastic chemicals. Unlike fuel, the production of plastic chemicals will allow us to lock carbon into the product without releasing it into the atmosphere when the product is consumed.

The year 2023 showed that although the energy crisis is over, the changing market presents new challenges that need to be solved. As Eesti Energia continues to move towards a greener, more efficient and smarter future, we will ensure that the challenges we face are met in the most beneficial way for our customers.

**Andrus Durejko**

Chairman of the Management Board of Eesti Energia





# Key Figures and Ratios



		2023	2022
Total electricity sales	GWh	10,236	10,537
Electricity distributed	GWh	6,475	6,708
Shale oil sales	th t	468	405
Average number of employees	No.	5,268	4,833
Electricity production	GWh	3,614	6,260
Shale oil production	th t	475	424
Heat production	GWh	1,182	1,186
Sales revenue	m€	1,905.5	2,218.2
EBITDA	m€	436.7	420.4
Adjusted* EBITDA	m€	483.1	333.0
Net profit	m€	-422.1	215.7
Adjusted* net profit	m€	-375.7	128.3
incl impairment of fixed assets**	m€	-632.3	-2.7
Investments	m€	779.3	445.2
Cash flow from operating activities	m€	13.9	508.8
Non-current assets	m€	3,681	3,970
Equity	m€	2,060	3,120
Net debt	m€	1,495	774
Net debt / EBITDA	times	3.4	1.8
EBITDA margin	%	22.9	19.0

\* Adjusted profit – profit excluding the fair value adjustments of long-term PPAs

\*\* The impairment of assets for oil shale power plants amounted to 628 million euros in 2023







**Enefit is the New Energy**



When our company was established in 1939, the aim was to supply electricity to the entire Estonia. We still do that, but today we offer much more – heat, gas, and even hydrogen. We also offer home electricity generation and storage solutions, vehicle charging and smart energy management. Our power generation has become cleaner and more diverse: we produce electricity from wind, solar and even waste, and operate on a far wider scale than just in Estonia.

Our name is also changing. The name Eesti Energia, which means Estonian energy, became too narrow for us. In addition to Estonia, we operate in Latvia, Lithuania, Poland and Finland, and we intend to expand even further. Using a single name, Enefit, in all countries is clearer for everyone and more cost-effective. But more importantly, it reflects the development and change we are going through at Enefit.

## Why change?

The world has changed, it's not possible to carry on as before. The health of the planet must be preserved, but there must also be affordable energy for all. We are looking for a sustainable, secure and clean energy future.

The path we need to navigate is called the green journey and we at Enefit are leading the way. We are moving towards ever more sustainable solutions and production methods. At the same time, we maintain a balanced approach – making green energy accessible to people while ensuring that our security of supply remains intact.

## The guiding concepts of our green journey are:

**Customer focus.** We listen to and understand what people want. That way, we can be sure that we are delivering solutions that the world really needs.

**Innovation.** We use our intelligence, knowledge and experience to create more useful solutions and make the world of energy simpler for our customers.

**Efficiency.** We do things more flexibly and simply, saving money, time and sanity. We focus on results.

That's how we create new energy and lead the world towards a cleaner future.

Each of our companies has a clear role to play on the green journey to a cleaner and more secure future.

## Clean energy for all

**Enefit Green** is the most conspicuous milestone on our green journey – its solar and wind farms can be seen from afar. As the largest provider of renewable energy in the region, we are making clean energy accessible to all.

## Efficient change

**Enefit Power** stands for transformation and efficiency. Instead of generating electricity from oil shale, we add value to the resource in a smarter and greener way by making raw materials for the chemical industry. In addition, in the future we will make raw materials for the chemical industry from wood, plastic and tyre waste. With our chemical industry, we will also



Enefit is leading  
the way **on the**  
**green journey**





turn CO<sub>2</sub> into a new raw material. We are a driver of the circular economy in our region and the guarantor of Estonia's security of supply.

## Smart engineering solutions

**Enefit Solutions** is the company that provides the technology for the green journey. We build equipment for the energy and chemical industries and maintain advanced technology. We are custodians of engineering know-how and masters of clean energy, respected around the world.

## For people

**Customer service company Enefit** supports the green journey by providing customers with smart energy solutions that help them reduce their environmental footprint and energy costs. We offer modern energy solutions for homes and businesses – electricity and natural gas plans, self-generation and storage solutions, heating solutions, high-speed internet readiness, insurance and electrical work services. We are developing the largest electric vehicle charging network in the Baltics and Poland and offer smart charging at home and at work. Every day we prove that Enefit is about much more than electricity generation.

**Our most valuable asset** in ensuring the success of the green journey is our people. The cool, smart and dedicated people who make the green journey happen. We offer inspiring goals, professional development, a supportive and flexible environment and competitive compensation.





**Operating Environment**



# Operating Environment

**We are an international energy company and our business is therefore primarily affected by the prices of electricity, fuel oil, emission allowances and natural gas, competition in the energy and customer markets, regulations governing the energy sector and the development of new technologies.**

Our performance in 2023 was strongly influenced by the following trends in market prices (compared with 2022):

- Electricity prices decreased due to low natural gas prices and increased renewable energy production.
- Emission allowance prices remained at record highs in the first half of the year, fuelled by the widespread use of coal-fired power plants for electricity generation. By the end of the year, however, they had fallen to their lowest level for the past 14 months.
- World market prices for oil products fell by nearly 20% on the back of the global economic slowdown.
- Natural gas prices slumped to their lowest level in two years, driven by changes in supply chains and historically high natural gas inventories in Europe.

Estonia 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,

## Average electricity prices in our core markets declined year on year

### Norway

Production	152.4 TWh
Consumption	134.5 TWh
Average price	53.4 €/MWh (-54.4%)

### Sweden

Production	155.5 TWh
Consumption	130.6 TWh
Average price	49.1 €/MWh (-51.1%)

### Denmark

Production	32.7 TWh
Consumption	34.5 TWh
Average price	84.0 €/MWh (-60.8%)

### Finland

Production	74.2 TWh
Consumption	79.8 TWh
Average price	56.5 €/MWh (-63.3%)

### Estonia

Production	4.6 TWh
Consumption	8.1 TWh
Average price	90.8 €/MWh (-52.9%)

### Latvia

Production	5.7 TWh
Consumption	6.5 TWh
Average price	93.9 €/MWh (-58.6%)

### Lithuania

Production	5.5 TWh
Consumption	11.7 TWh
Average price	94.4 €/MWh (-59.0%)

### Poland

Production	162.7 TWh
Consumption	166.1 TWh
Average price	111.3 €/MWh (-32.3%)

Sources: ENTSO-E, Nord Pool



Lithuania, Poland and Finland as we both produce and sell electricity in those countries.

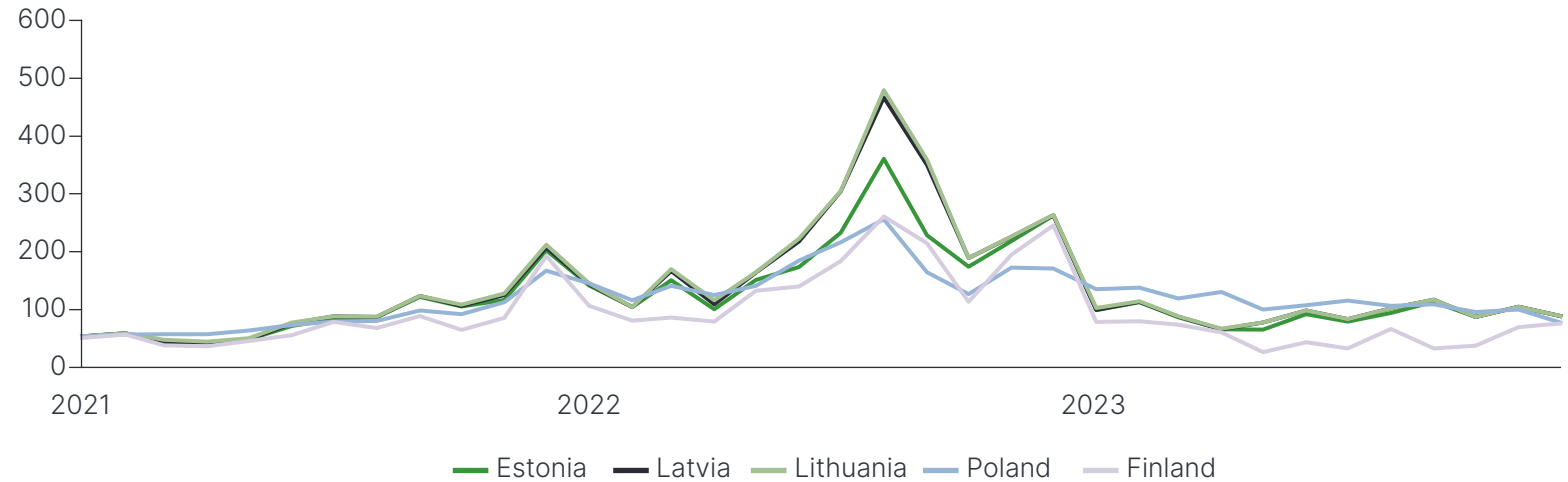
The electricity markets of Estonia and the neighbouring countries are well connected by means of interconnectors. As a result, our electricity production and prices are also affected by various factors outside our main markets, such as the level of hydro resources in the Norwegian hydropower reservoirs,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

### Baltic electricity prices were influenced by low natural gas prices and renewable energy production

In 2023, electricity prices in Estonia and the other Baltic 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. Consequently, 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 the region and neighbouring countries were offline for major maintenance. In Q4, the weather was colder than usual, which boosted electricity demand, while renewable power generation decreased. The combined effect of the factors pushed up the average electricity price in the Baltics to 96 €/MWh.

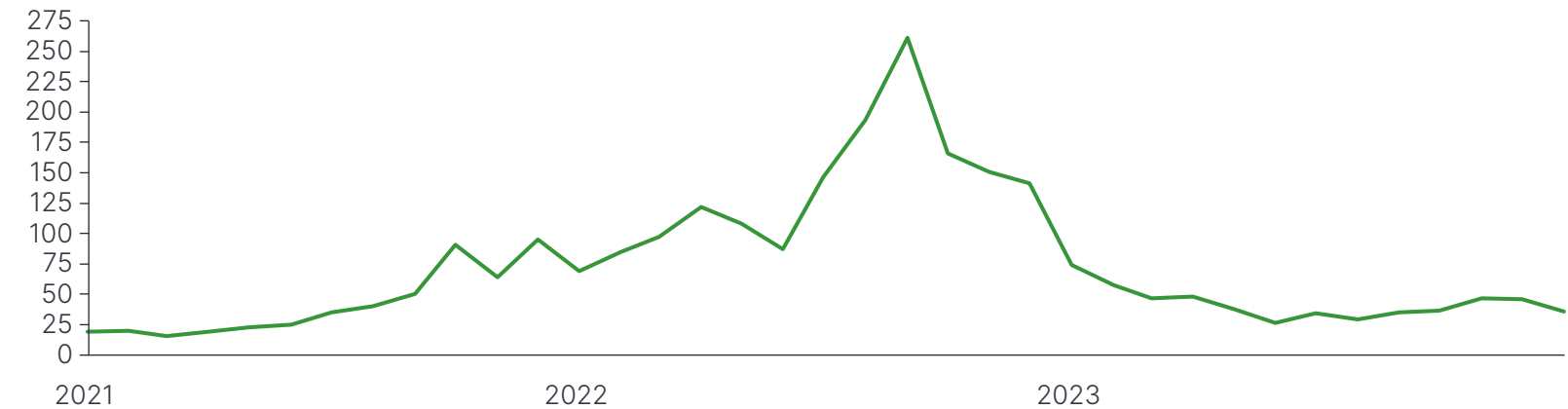
The average price of natural gas was 40.1 €/MWh in 2023 (-96.0 €/MWh, -70.5% compared with 2022). In the first half of 2023, the price of natural gas was mainly influenced by the weather,

### Average electricity prices in our home markets, €/MWh



Source: Nord Pool

### Natural gas price, €/MWh



Source: Intercontinental Exchange



which was warmer and windier than usual, supporting increased wind power production and reducing demand for natural gas.

In the second half of 2023, the price of natural gas increased slightly compared with the first half of the year. This was mainly due to factors related to LNG production in Australia, which reduced the global LNG supply by 6%. The share of LNG imports to Asia also increased – in the first half of 2023 Asia accounted for 21% of overall LNG sales but in Q3 it accounted for 35%. While the decline in LNG supply in Europe put upward pressure on prices, historically high levels of gas inventories in Europe kept natural gas prices low. In the second half of the year, the price of natural gas was also affected by the geopolitical conflict in the Middle East and the resulting uncertainty

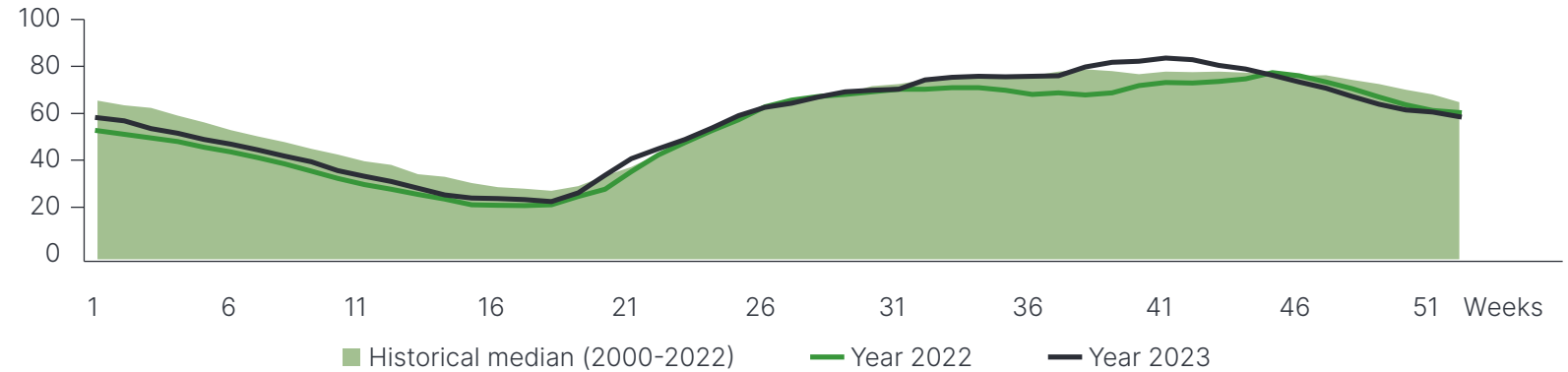
Interconnectors supply the Baltic countries with Nordic hydropower, which is cheaper than other types of electricity. The average level of hydro resources in the Nordic hydropower reservoirs in 2023 was 57.9% of the maximum, which is 3.1 percentage points higher than in 2022 and 3.9 percentage points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

### CO<sub>2</sub> emission allowance prices remained at record highs

The purpose of the EU Emissions Trading System is to reduce greenhouse gas emissions in Europe by incentivising energy producers to use less polluting raw materials and invest in more efficient production technologies.

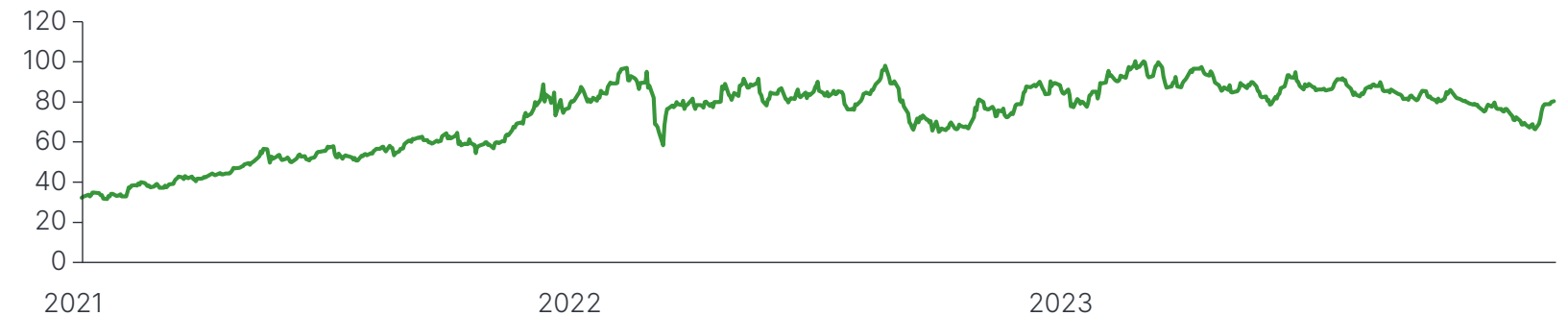
The price of CO<sub>2</sub> emission allowances has a strong impact on the cost of electricity produced by direct combustion of

### Weekly levels of Nordic water reservoirs, % of maximum



Source: Nord Pool

### Prices of CO<sub>2</sub> emission allowances, €/t



Source: Intercontinental Exchange



oil shale, particularly at our older production facilities whose carbon intensity is higher. At the same time, a higher CO<sub>2</sub> emission allowance price increases the competitiveness of our renewable energy production units.

The average CO<sub>2</sub> 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<sub>2</sub> emission allowances was influenced by the widespread use of coal-fired power plants.

The average CO<sub>2</sub> emission allowance price in the second half of 2023 was 81.2 €/t, 2.8% (+2.2 €/t) higher than in the

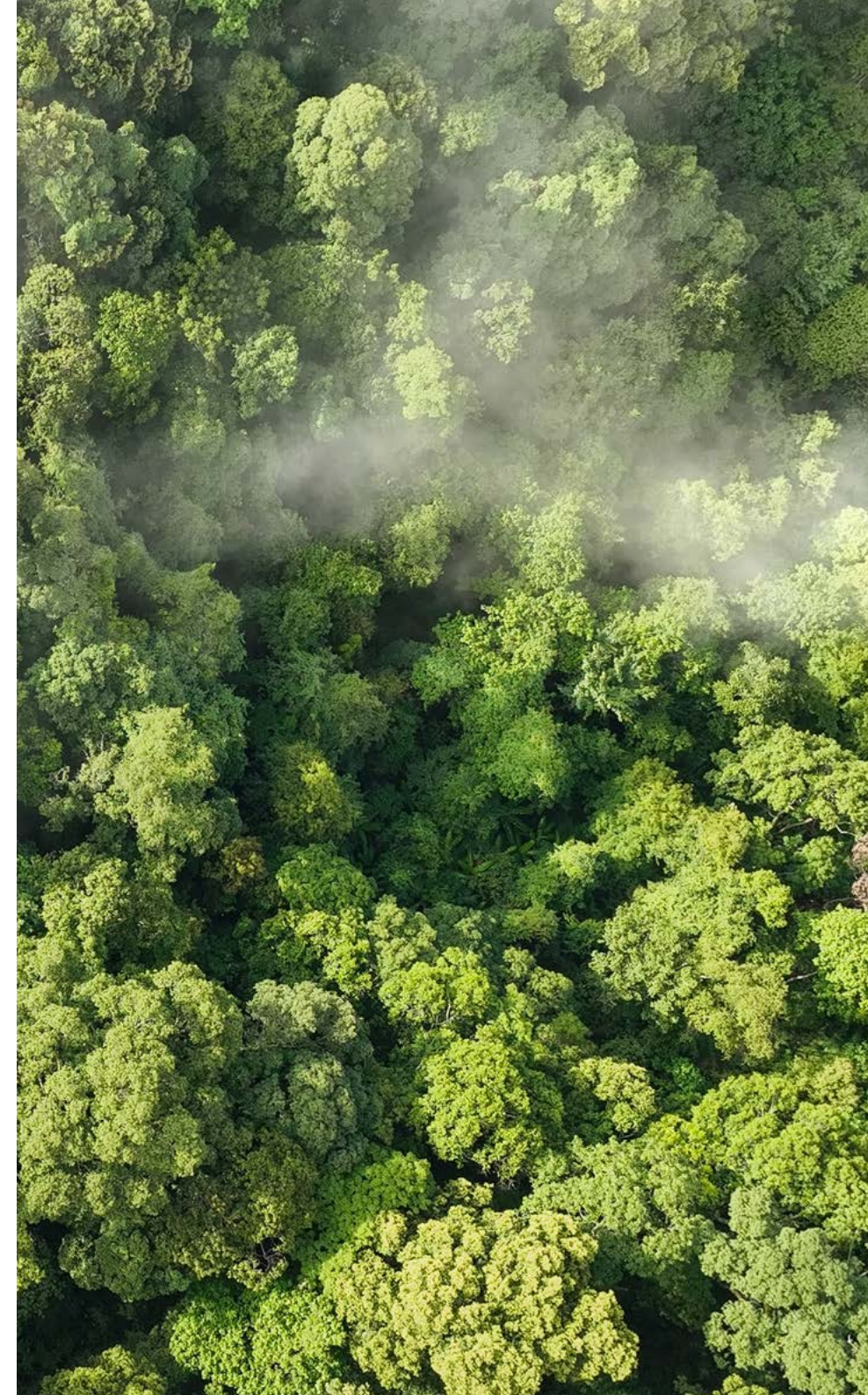
same period in 2022. In the second half of the year, the price of CO<sub>2</sub> emission allowances was mainly influenced by larger quantities of allowances traded, warmer than usual weather, and forecasts of growth in renewable energy production. The price of CO<sub>2</sub> emission allowances is also closely related to the price of natural gas. As a result, the price of emission allowances dropped to 72.4 €/t in December 2023, the lowest level in the past 14 months. The average price of CO<sub>2</sub> emission allowances in 2023 was 85.3 €/t, which is 5% (+4.0 €/t) higher than in 2022.

A key indicator for power producers is the Clean Dark Spread (CDS), which reflects the profit margin of an electricity pro-

### Eesti Energia's Clean Spread and Clean Dark Spread relation to the Estonian electricity price



Source: Nord Pool, Eesti Energia





ducer after the deduction of fuel and CO<sub>2</sub> emission allowance costs from the average market price of electricity.

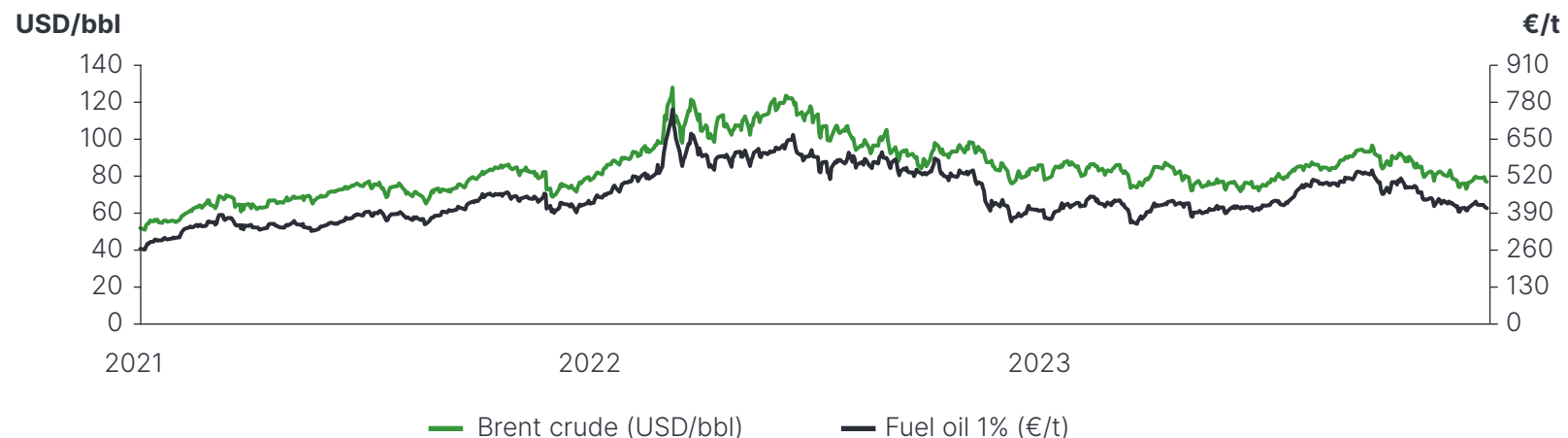
Eesti Energia's CDS in 2023 was -25.6 €/MWh (-97.8 €/MWh compared with 2022). This means that CO<sub>2</sub> and oil shale costs exceeded the market price of electricity, making the use of oil shale for electricity production unprofitable. The oil shale cost component in the CDS increased by 1.0 €/MWh year on year and the combined effect of movements in the CO<sub>2</sub> and oil shale cost components was +4.2 €/MWh.

### World market prices of oil products decreased compared with 2022

A widely traded oil product that is closest in nature to our shale oil is fuel oil with 1% sulphur content whose price depends mainly on that of Brent crude oil. A fall in the price of crude oil and fuel oil has a negative impact on Eesti Energia, as it reduces the sales price of our shale oil.

The average price of Brent crude oil in the first half of 2023 was 80.2 USD/bbl, which is 23.2% (-24.3 USD/bbl) lower than in the same period in 2022. In the first half of the year, liquid fuels prices were affected by the slowdown in the global economy and the resulting decline in demand, central banks' interest rate hikes to curb inflation, the decision by OPEC+ to cut liquid fuels production and growth in the US oil inventories. In the second half of the year, the average price of Brent crude oil was 84.2 USD/bbl, 9.6% (-8.9 USD/bbl) lower than in the same period in 2022. The price of liquid fuels in the second half of the year was mainly affected by the decrease in global production. Growth in liquid fuels demand outstripped growth in liquid fuels production by an estimated 0.7 million barrels in 2023.

### Liquid fuels prices



Source: Platts

Average price		2023	2022	2021
Brent crude	USD/bbl	82.2	98.9	70.9
Fuel oil 1%	€/t	436.6	542.0	377.4
Euro exchange rate	EUR/USD	1.05	1.05	1.18

The average price of Brent crude oil in 2023 was 82.2 USD/bbl, a decrease of 16.6 USD/bbl (-16.8%) compared with 2022. The market price of fuel oil with 1% sulphur content followed the trend of the price of Brent crude oil in 2023. The average price of fuel oil with 1% sulphur content was 436.6 €/t, which is 19.4% (-105.4 €/t) lower than in 2022.

### Regulations affected our operations

Regarding the impact of regulation, the key words for us in 2023 were universal service, security of energy supply, changes in environmental charges and regulatory support to ensure distribution network reliability.





Universal service was introduced at the end of 2022 to protect Estonian electricity consumers from high electricity prices. However, by spring 2023 it was clear to the public that the universal service in electricity, introduced to protect small consumers, was no longer fit for purpose and attention turned to how to protect consumers from the universal service. The draft proposal to end the universal service in electricity is in the process of being approved by the Estonian parliament.

In 2023, the assessment and analysis of plans to ensure the security of energy supply was a high priority for all Baltic countries, including Estonia. The energy crisis and geopolitical tensions have further increased the need to pursue development projects aimed at decoupling from the Russian electricity grid and connecting to the Continental Europe grid. Nevertheless, the damage to the Balticconnector gas pipeline between Estonia and Finland on 8 October showed that relying on cross-border connections alone is not enough and that we need to critically assess the security of our infrastructure. Although the Baltic countries are planning to disconnect from the Russian electricity system as early as February 2025, the incident provided valuable input for the development of regulations for the frequency market planned by the transmission system operator Elering and a possible capacity market. The damage to the Balticconnector confirms the need for domestic generation to meet critical needs. Among other things, it is important to prepare so that any disruption, whether deliberate or accidental, has a minimal impact on the overall functioning of the infrastructure.

In addition to analysing potential external threats, the state needs to make clear plans to address issues related to the electricity system, such as expected growth in consumption

and ageing power plants. In the long term, Estonia cannot rely solely on Enfit Power's oil shale-fired generating units. Looking ahead, Estonia will need new dispatchable generation capacity to avoid a situation where the level of dispatchable capacity on the market falls below 1,000 MW. Another important objective is to increase the reliability of the grid. However, upgrading ageing substations and power lines will require relatively large investments in a short period of time. In this respect, the state has an important role to play in making the energy legislation and business environment sufficiently attractive to address potential sector-specific problems.

At the end of 2023, the government adopted a plan to significantly increase the rates of environmental (pollution) charges for waste, water and ambient air. The new rates, which will take effect in the summer of 2024, will also increase the costs of the Eesti Energia group. Even at current electricity and CO<sub>2</sub> prices, oil shale-fired power plants are finding it relatively difficult to access the market, but the planned increase in environmental and mineral resource extraction charges will make their prospects even bleaker.

In addition, the late autumn and winter brought a number of debates about the reliability of the network of Elektrilevi, the distribution network operator of the Eesti Energia group, as weather-related power cuts attracted increasing media attention. Supply disruptions caused by severe weather conditions highlighted the need to increase investment in electricity networks. The inherently controversial issue of increasing investment and raising network charges is still awaiting resolution. Information related to the construction of the Enfit 280-2 oil plant can be found on page 32.





**Events for the Group in 2023**



# Customer services

## We helped customers switch from the universal service to lower-cost electricity plans and lowered margins for more than 91,000 customers with an exchange price-linked electricity plan

We are a long-standing and reliable energy partner for our customers, committed to providing quality service and affordable electricity. In 2023, we found several ways to offer our customers more affordable deals.

The universal service, which was created at the end of 2022 to alleviate record-high electricity prices, offered people a slightly cheaper electricity price for a few months, but in Q1 2023 market prices fell significantly, making the universal service the most expensive option on the market. The law did not allow us to automatically transfer customers to a cheaper electricity plan. So we ran a major campaign in March, uploading cheaper offers to around 170,000 customers, 100,000 of whom accepted. We continued to inform customers about cheaper options throughout the year. By the end of the year, 170,000 universal service customers had chosen a more affordable plan. More than half of them opted for a fixed-rate plan, which allows them to plan their electricity bill in advance.

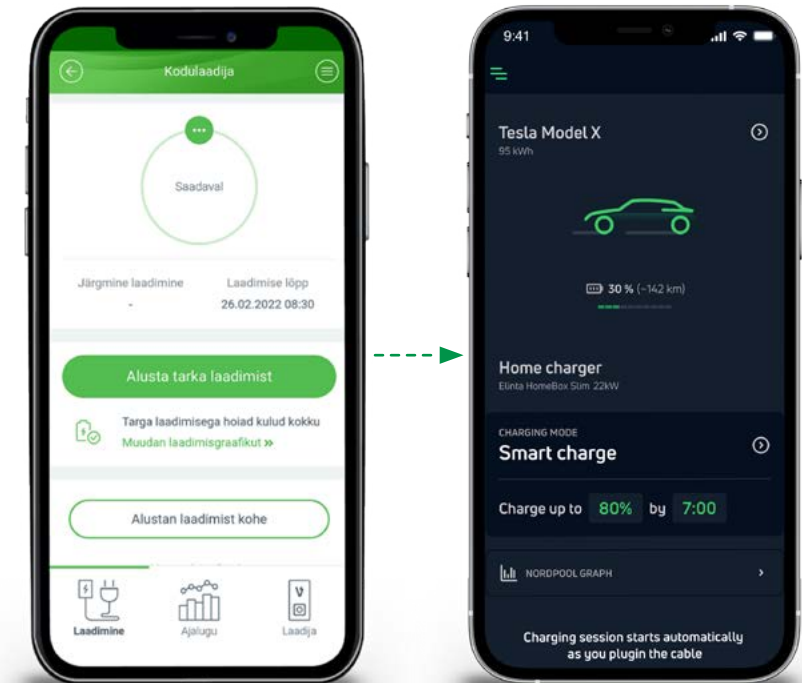
In the summer, we started to price our exchange price-linked electricity plans in Estonia on a common basis, which resulted

in a margin reduction for more than 91,000 customers. The price decrease was made possible partly by the stabilisation of the energy market and partly by the ongoing development of our forecasting models, which help offer electricity at a lower price. The harmonisation of the charges also affected around 11,000 customers with electricity plans linked to the exchange price, whose margins and monthly charges did not increase during last winter's energy crisis. They saw an increase in their service charge. Nevertheless, the terms offered by Eesti Energia remained among the best in the market.

Good news also came from the Latvian market, where we achieved 56% growth and now supply electricity to 100,000 households. We are the second largest electricity supplier in both Latvia and Lithuania.

## Rapidly expanding electric vehicle (EV) charging network enables green and carefree kilometres across the Baltics and Poland

Our Enefit Volt charging network is making a significant contribution to the electrification of the transport sector and helping people choose a greener lifestyle by providing EV owners with a complete and convenient charging experience at home, at work and on the move. The all-green electricity network is constantly evolving to provide fast and ultra-fast charging where EV owners need it most.



Enefit Volt mobile app got a refreshed look

During the summer, we replaced 38 Elmo chargers with new fast chargers. The network upgrade will continue in 2024 with the replacement of the last 85 Elmo chargers.

We have the largest public EV charging network in the Baltics, which continues to grow. During the year, we signed a number of major contracts that will enable us to multiply the existing network of public chargers. Tauron in Poland, Norfa in Lithuania, Top in Latvia, and Rimi and Selver in Estonia are all large, well-known partners for us and our customers.

We increased smart charger sales in Estonia by 220% compared to 2022 and partnered with Nissan NNE to offer chargers to EV buyers. We are the supplier of smart home charging solutions to more than 500 EV owners. We offer both purchase and rental of chargers. More than half of the home charger contracts we signed in 2023 were rental contracts and our sales of rental solutions were higher than in the previous two years combined.

We have made it easier for customers to charge at home. As electricity markets become more volatile, it is increasingly important to schedule consumption to take advantage of hours when there is more renewable energy in the grid and electricity prices are lower. This can result in savings of up to 50% for EV owners. The Enefit Volt Home mobile app allows the customer to register when the EV can be recharged and how full the battery should be at the end. Based on this information, the smart app will make the most profitable charging decisions and charge the battery at the most advantageous times.



### **Customers generating electricity both benefit and help stabilise the national electricity system**

Spring brought good productivity for solar panel owners, but also a bit of bitterness as the daytime market prices for electricity often fell close to zero and sometimes even into the negative territory. We advised customers on how to keep solar farms installed for own consumption profitable with storage solutions. Instead of selling their excess electricity to the grid, producers can store it for use at more expensive trading hours,

making significant savings on their electricity bills. We extended the provision of storage solutions to all the Baltic countries.

Eesti Energia is on a green journey and many customers in Estonia, Latvia, Lithuania and Poland who share our green vision have joined us. One third of Eesti Energia's customers use at least one green service or product.

Our solar farms produce clean energy for more than 2,500 customers. In 2023, we built 850 solar farms for our customers with a total capacity of 25 MW. Since 2019, we have built 2,500 solar farms for our customers with a total capacity of 50 MW.



One of our major customers is an agricultural company in Estonia, whose solar farm produces 34 MWh of renewable energy per year. A special feature of the solution we provided is a 150 kW storage unit, which has enabled the company to increase the capacity of its solar power plant to 300 kW without increasing the capacity of the connection point. In addition, the storage unit participates in flexibility markets to ensure year-round profitability.

All household and corporate customers that generate their own electricity make an important contribution to the functioning of the national electricity system and to security of supply, as locally produced and consumed electricity reduces peak loads and grid losses.

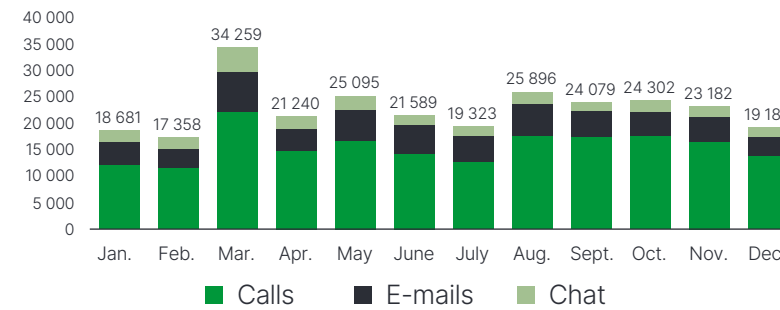
### We offer solutions that save time and money

Excellent customer service and customer satisfaction are our top priorities. So we always strive to make our customers' experience a positive one.

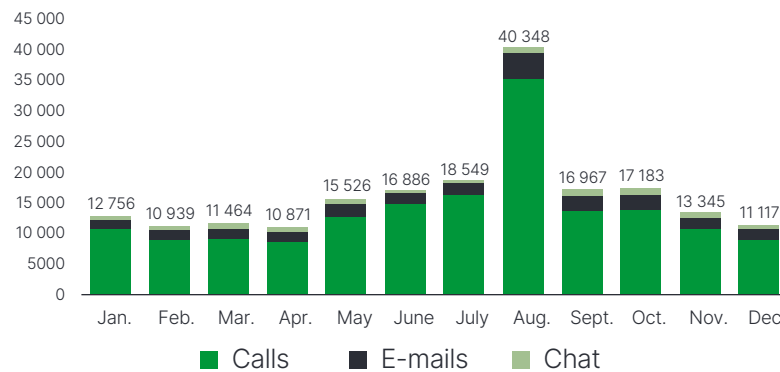
We implemented a single call centre system for all markets where we operate to make customer communications faster and smoother and our call centre operations more efficient. Customers called our call centre nearly 200,000 times. In the majority of cases, however, they did not need to call – instead they used e-service, where they could conveniently make their choice. For example, 83% of all electricity plan changes were made online via e-service.

We are constantly looking for ways to offer additional benefits to our customers. In the second half of the year, in response

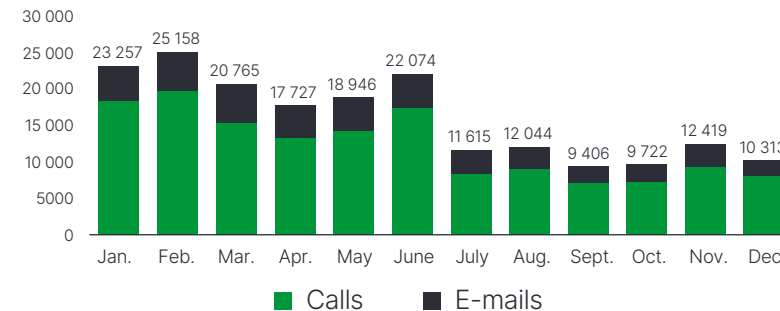
### Customer inquiries in Estonia



### Customer inquiries in Latvia



### Customer inquiries in Lithuania



to customer demand, we reintroduced the two-rate electricity plan, which allows customers to differentiate between daytime and night-time electricity prices to better manage their consumption. We also drew customers' attention to the fact that we offer home and electrical equipment insurance together with the electricity plan. More than 33,000 customers opted for this service in 2023. In total, more than 60,000 customers have signed up.

We proactively contact customers when we see that we can make a better offer to a particular group of customers. We are grateful for our very loyal customers – around 97% of customers that buy electricity from us accept our renewal offer when their contract expires.

In the last three months of the year, we worked hard to transfer all our customer-facing activities to a subsidiary operating under the Group's international name, Enefit, starting from 2024. In building the new company, we focused on making sure that it would be easier for customers to find and install the best energy solution for their home or business, and to consult with experienced energy experts.

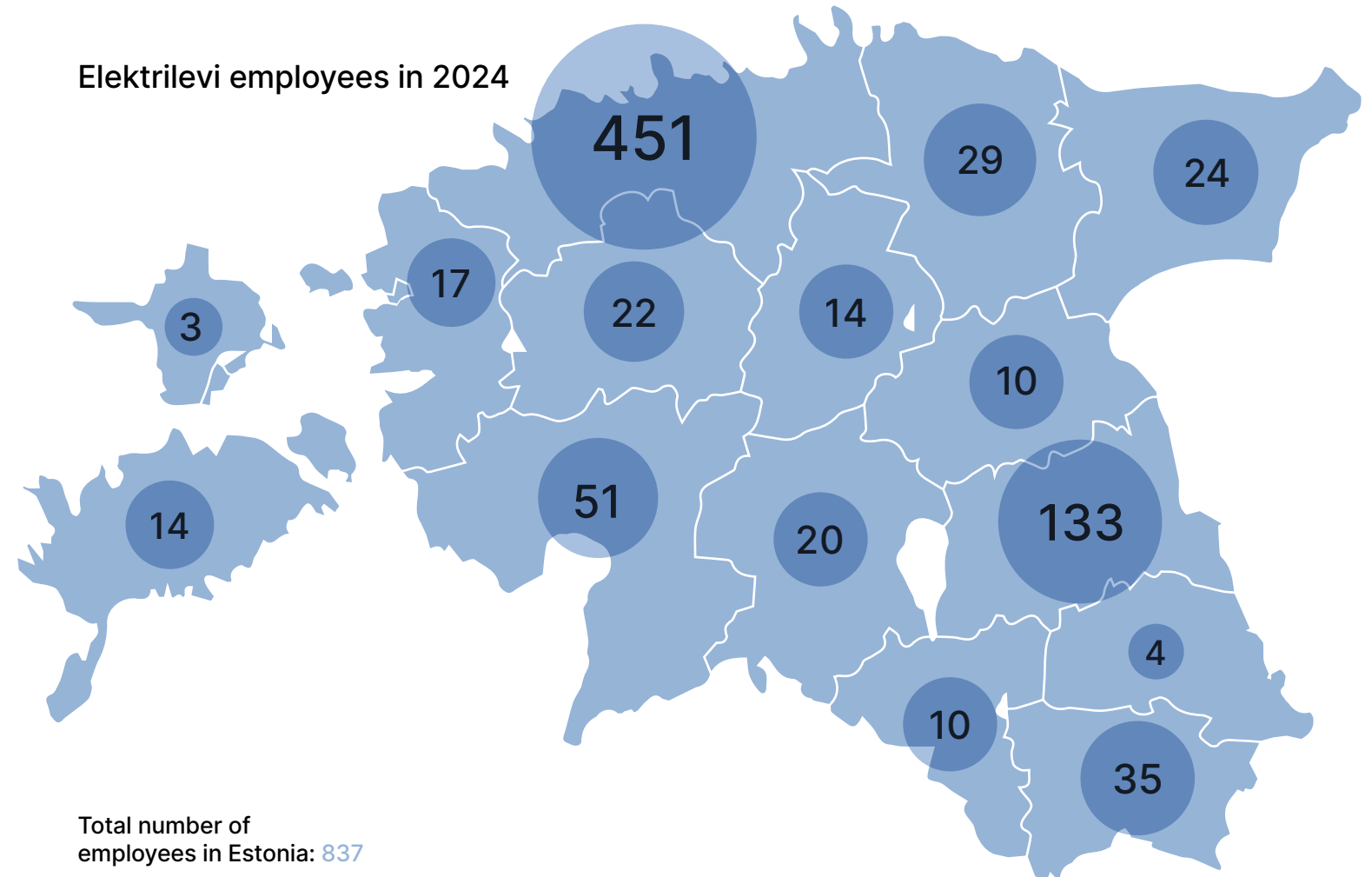
All Eesti Energia's customers became Enefit's customers from 1 January 2024. As our customers' energy partner on our common green journey, we will continue to develop energy solutions that help people use electricity in a greener and more affordable way.



# Electricity distribution network

## Changes at Elektrilevi

Elektrilevi is Estonia's largest distribution network operator, delivering electricity to almost every home and business. Elektrilevi's activities as a provider of an essential service affect virtually everyone in Estonia. From 1 January 2024, Elektrilevi's organisation includes all functions related to the management and administration of the electricity distribution network and the company employs more than 850 people. Elektrilevi's supervisory board has approved the company's action plan and has extended the terms of office of the chairman and members of the management board for the next three years. Elektrilevi's Management Board consists of Chairman Mihkel Härm and members Ardi Rataspepp, Rudolf Penu, Kristi Ojakäär and Rasmus Armas.





## **Elektrilevi training centre – the first building of its kind in Estonia**

Elektrilevi's new training centre is the first building in Estonia to be designed using the Pattern Buildings design system. It is a modular, factory-fabricated, low-carbon timber building that follows the principles of circularity.

The training centre is for all network electricians and an exciting collaboration project for Elektrilevi, transmission system operator Elering and distribution system operator VKG Elektrivõrgud. The certification exams and training of all current and future network electricians in Estonia will take place in this building and its training area. The purpose of the new training centre is to maintain the safety and quality of work on electricity networks, to raise the general level of electrical safety and to help achieve a high level of professionalism in the electrical trade.

The total area of the training centre is 24,000 square metres, including Elering's high-voltage training area of 700 square metres. The building will have three classrooms, a workshop and a laboratory for electrical work.

The training centre started operating in Q1 2024.



**Estonia's first  
modular,  
factory-fabricated,  
low-carbon  
timber building**



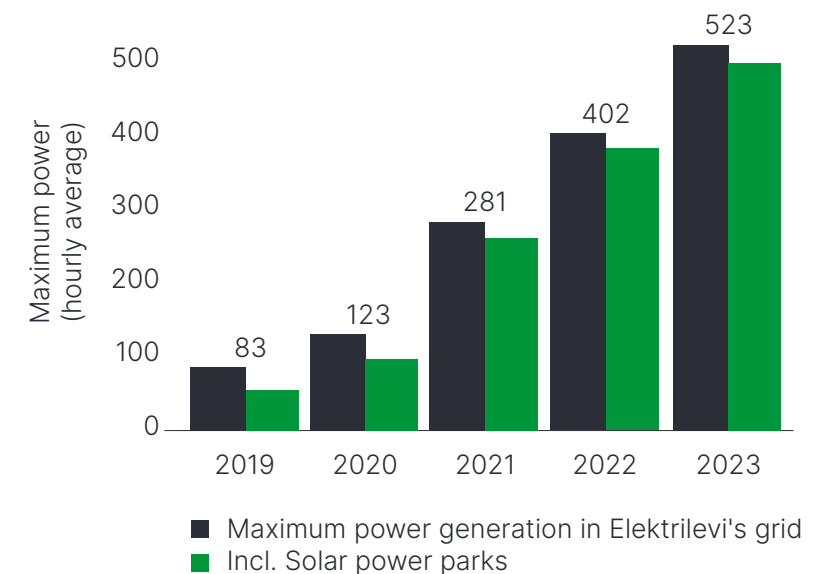


## Record year for distributed generation

In 2023, Elektrilevi invested a total of 168 million euros in grid connections and improving the reliability of the distribution network. By the end of 2023, more than 20,925 electricity generators with a combined capacity of 830 MW had been connected to the grid. In 2023, 5,363 generators with a total capacity of 223 MW were connected to Elektrilevi's network, a new record.

Of the new entrants, 3,961 were micro-generators, i.e. power plants with a capacity of up to 15 kW, typically built close to the home and connected within 26 days on average. In total, there were 11,822 micro-generators with a total capacity of 122 MW in Elektrilevi's network at the end of 2023.

## Maximum power generated in Elektrilevi's grid, MW





# Renewable energy production and development

## Overview of development activities

Enefit Green focuses on developing wind and solar power generation capacities to increase the availability of green energy and improve energy security in the markets where it operates in the Baltics, Poland and Finland.

Over the past three years, Enefit Green has made investment decisions worth almost a billion euros, adding almost 750 MW to its generation portfolio. The subsidiary has started construction of a total of seven wind farms in Finland, Estonia and Lithuania, as well as seven solar power plants in Estonia, Latvia and Poland. When completed, expected by the end of 2025, these farms should increase Enefit Green's power generation capacity to more than 1200 MW and the expected annual production to three TWh.

## New renewable power plants in Estonia and Poland

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

The Purtse hybrid farm in Estonia, which came online in the summer, is the first wind-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 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 stable and the 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.

In April, construction started on the Estonia mine solar power plant in Ida-Viru County in Estonia. The investment decision to build the park was made at the end of 2022. The solar power plant is installed on top of a 27-metre-high waste rock structure. The substructure reduces losses due to shading, making electricity generation more efficient. The development of renewable energy in the industrial area serves several sustainability objectives. On the one hand, it will use the extracted waste rock as a building material and, on the other hand, it will supply the Estonia mine, owned by Enefit Power, with green energy.

Enefit Green also completed the construction of Zambrów solar power plant in Poland, which delivered its first output to the grid in April. It is Enefit Green's largest solar power plant in Poland so far, with an annual electricity production of nearly 9 GWh. The park covers the annual electricity demand of about 3 700 households with green electricity.

## Onshore wind farms under construction

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

**6** wind farms  
under construction

**612** MW

In Estonia, construction continued on Sopi-Tootsi (255 MW), the largest wind farm in the Baltic countries. Land development, roads and wind turbine sites were completed. The transport and installation of the wind turbine components is expected to start at the end of Q1 2024.

The farm is expected to start generating electricity at the end of 2024 and to be fully completed in Q1 2025. The output of the Sopi-Tootsi wind farm will cover 8.5% of Estonia's total electricity consumption and 40% of households' electricity needs.

In addition, Enefit Green installed all 13 wind turbines at the Tolpanvaara wind farm (72 MW) in northern Finland and partial



electricity generation has started. The wind farm is expected to start producing electricity at full capacity in Q1 2024, once all the necessary testing and set-up work has been completed.

In Lithuania, construction continued on the Šilalė II (43 MW), Akmenė (75 MW) and Kelmė I (80 MW) wind farms.

In December, Enefit Green made another investment decision and started the construction of the Kelmė II wind farm. The 87 MW wind farm, which will have 14 wind turbines, will produce approximately 315 GWh of electricity per year and will be Enefit Green's largest wind farm in Lithuania.

### 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,

**4** solar power plants  
under construction

**97** MW





two in Latvia and one in Poland. Enefit Green decided to invest approximately 53 million euros in 2023 to start the construction of the Sopi solar power plant (74 MW) in Estonia and the Austrumi (6 MW) and Dzērves (11 MW) solar power plants in Latvia.

The Sopi solar farm is located in the northern part of Pärnu county, near the Sopi-Tootsi wind farm, the largest renewable energy production site in the Baltics. Construction work started in the summer with land preparation for road construction. The installation of the ground frames began in September. The solar farm is expected to start producing electricity at the end of 2024 and to be completed by the end of 2025. With nearly 112,000 bifacial solar panels, the solar power plant will meet the annual electricity needs of around 21,500 households.

In November, Enefit Green started building two solar power plants in the Ādaži and Carnikava regions in the western part of Latvia. These are the company's first solar farms in Latvia. The Austrumi and Dzērves solar power plants will have a combined annual output of around 18 GWh, which is expected to meet the annual electricity needs of around 8,500 households. The solar farms are scheduled to start producing electricity in summer 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 planned annual output of the farm, which has over 9,000 bifacial solar panels, is nearly 6.3 GWh. This meets the annual electricity needs of around 2,500 households. Debnik solar farm is expected to be completed in the first half of 2024.

In addition to the larger projects listed above, Enefit Green signed a lease agreement with Eesti Energia for the construction of the Kabala (0.2 MW) and Mõisavalla (0.2 MW) solar

parks in Järva County, Estonia. These solar power plants will be built for Eesti Energia's customers on the basis of a long-term lease agreement.

At the end of 2023, Enefit Green had a short and long-term solar portfolio of around 900 MW and a wind portfolio of around 1 900 MW in addition to units under construction.

### Offshore wind energy

The best way to meet existing and growing energy needs is to create opportunities for the construction of offshore wind farms to complement onshore wind and solar farms. Offshore wind farms, which generate more energy due to more stable winds, can help make up for the shortfall in onshore wind and solar power. Just half a hundred wind turbines can provide half of the electricity currently consumed in Estonia.

In addition, an offshore wind farm would have a wider economic impact. The increased availability of renewable electricity would attract investment in energy-intensive and value-adding industries (according to an analysis by the Estonian Business and Innovation Agency, the potential for industrial electricity consumption is around 6 TWh per year), contribute to the local community (1–1.4 million euros per year in support of neighbouring municipalities) and create an average of 150 direct and 150 indirect jobs.

In March, Enefit Green acquired the Gulf of Riga offshore wind farm development project from Eesti Energia. It is one of the most advanced projects in the Baltic countries and could be operational before the end of the decade. The planned capacity and expected output of the offshore wind farm are 1 GW and around 4 TWh per year respectively.

**50** offshore  
wind turbines

**50%**

**Estonia's electricity consumption**

The studies needed to assess the environmental impact of the project and the preliminary analysis of the technical solution for the wind farm continued through 2023. The principles for preparing national designated spatial plans for grid connections and the impact assessment programme were put in place. The document provides an overview of the general principles to be followed in the planning process and the implementation of the plan. It also summarises 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.

Enefit Green is also developing a 1 GW offshore wind farm in an area north of the island of Hiiumaa, which is scheduled to come online after 2030. The environmental impact assessment report





for the North-West Estonia offshore wind farm development project was completed and approved by the Ministry of the Environment (now 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 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.

In order to have at least one offshore wind farm producing the large amount of renewable energy needed for the whole Baltic region before the end of the decade, a clear plan is needed, in particular on the timing and conditions for the implementation of the partial revenue stability mechanism.

### Battery storage and hydrogen

Energy storage will play an important role in the breakthrough of renewable energy and in ensuring security of supply. Storage solutions will be needed to ensure affordable electricity prices, the reliability of the energy system and the highest possible share of renewable electricity, particularly in hours when wind and solar power generation is low or, conversely, too high.

In 2023, Enefit Green started preparations for a battery storage pilot project in the Purtse wind and solar hybrid farm. The pilot project will provide the Estonian electricity system with quickly dispatchable reserve capacity, supporting its synchronisation with the Continental Europe Synchronous Area. It will also harmonise the production of wind and solar power on a daily basis and make it dispatchable. The plan is to install a battery storage

system with a capacity of 4 MW and 8 MWh. The system is scheduled to be operational in 2025 and, following a successful pilot project, Enefit Green will implement and expand the concept in other development projects in Estonia and other markets.

In addition to the battery storage system, Enefit Green is planning to build a green hydrogen production plant with an electrolyser of at least 0.5 MW, capable of supplying 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. If all goes according to plan, the hydrogen production unit will be completed in autumn 2025 and hydrogen consumption will 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, where CO<sub>2</sub> emissions are the second highest. The production of green hydrogen will open up new and wider green energy sales opportunities for Enefit Green in its renewable energy projects.

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



# Dispatchable power generation and chemical industry

## Dispatchable oil shale-fired power plants had less access to the market

Dispatchable capacities remain strategically important for ensuring security of supply, but in 2023 Enefit Power's dispatchable oil shale-fired power plants had significantly less access to the market. The main reasons for their significantly lower output were the fall in electricity prices in the Estonian price area and a persistently high CO<sub>2</sub> price. Due to the low prices, the generating units were mainly kept in reserve and on standby to ensure security of supply.

In 2023, our dispatchable generating units in the Narva area produced 2.22 TWh of electricity, 56% (-2.85 TWh) less than in 2022. 0.7 TWh (more than 31%) of electricity generated by the dispatchable units was produced from alternative fuels.

At the end of 2023, Eesti Energia's net dispatchable electricity generation capacity was 1,369 MW. The largest contributors were the facilities of Enefit Power: the Eesti power plant with 866 MW, the Balti power plant with 192 MW, the Auvere power plant with 272 MW and the Enefit-280 pyrolysis plant with 12 MW. In addition, Enefit Green has cogeneration plants at Iru and Paide with capacities of 17 MW and 2 MW respectively. The capacity offered by Eesti Energia is sufficient to cover a significant part of Estonia's electricity consumption, irrespective of maintenance or failure of any of the generating units.

In 2023, we built an emergency pumping station on the cooling water canal, which will provide the necessary cooling water for

the dispatchable generating units at Auvere even if the water level in the Narva river drops. The project, which significantly increased Estonia's energy security, was financed by Eesti Energia and completed within a very short timeframe (11 months, January to November 2023).

## Selling system services and products increases value added

Compared to 2021, prices in the energy and frequency reserve markets have come down somewhat and related revenues have decreased. In total, we earned nearly 5 million euros of variable profit from the provision of the manual Frequency Restoration Reserve (mFRR) service in the Baltic market and an additional 2 million euros of variable profit from the provision of the automatic Frequency Restoration Reserve (aFRR) service to the Finnish transmission system operator in 2023. The generating units of Enefit Power and Enefit Green also contributed to ensuring voltage stability in the power grid. We earned an additional 165,000 euros for voltage control, i.e. the reactive energy compensation service.

In the area of major development projects, we started to interface Enefit Power's oil shale-fired power plants with Eesti Energia's virtual power plant (VPP) portfolio. The work was successfully completed at the Auvere power plant and generating unit 11 of the Balti power plant by the end of the year. Interfacing generating unit 8 of the Eesti power plant will continue in 2024. This will allow the frequency reserve service to be

provided in an asset-agnostic (black box) manner, giving the service provider flexibility to provide the service with the most optimal mix of assets at any given time. We have also started to interface the wind and solar farms in Enefit Green's generating portfolio with the VPP portfolio.

In 2024, we will focus on getting our existing assets ready to pass the pre-qualification tests for the post-desynchronisation frequency markets in the Baltics. In addition, work will continue to ensure that our assets are ready for the provision of the primary reserve (Frequency Containment Reserve, FCR) service before the Baltic countries join the Continental Europe Synchronous Area and the actual, physical need arises. The provision of the service requires that our power plants are able to automatically adjust their output capacity within a few seconds in response to a change in the frequency of the electricity system. In parallel, we will move forward with offering the aFRR down-regulation service with Enefit Green's Tolpanvaara wind farm in Finland and the mFRR service with consumer assets in Lithuania.

## A large energy storage facility will help mitigate fluctuations in electricity prices and maintain the stability of the electricity system

At the end of 2023, we decided to invest in the construction of the first large-scale energy storage facility at the Auvere industrial complex in order to mitigate the fluctuations in electricity



prices due to the growth in renewable energy production and to support the stability of the electricity system.

The investment in battery storage will help Eesti Energia increase the use of electricity produced from renewable sources, while ensuring more stable prices for end consumers. The storage facility will be operational by the beginning of 2025, at the same time as the Baltic countries are disconnected from the Russian electricity grid. The total investment in the new energy storage solution with a capacity of 26.5 MW and 53.1 MWh will amount to 19.6 million euros. This is a pilot project to test the suitability of the solution for Estonia and our other markets.

### Preparations for the construction of a peaking power plant

At the end of 2023, Eesti Energia started preparations to build a hydrogen-ready thermal power plant in Estonia, which will be connected to a future hydrogen pipeline running through Estonia and will be able to produce around 100 MW of electricity and 50 MW of heat with a low carbon footprint. The plant will support the development of frequency markets, strengthen energy security and increase electricity supply during peak demand periods when renewable energy production is insufficient, i.e. when the wind is not blowing and the sun is not shining. The new power plant will also help smooth out peak electricity prices and lower the average market price of electricity for Estonian consumers. Its waste heat can be used in the heating network.

The main advantage of the planned power plant is its flexibility. The new peak load plant will be able to provide the system operator with the necessary system services, which will become

## Power generation of dispatchable units

2.22 TWh

31%

## alternative fuels used

increasingly important after the desynchronisation from the Russian electricity system.

At the end of 2023, Eesti Energia started preliminary studies for the project, which will clarify the planning details. The new power plant will meet all environmental requirements and comply with the Estonian and the EU climate policies. It will be a sustainable solution, as it will allow to switch from gas to clean hydrogen or other renewable fuels such as biomethane.

## We took a big step towards a circular chemical industry: we produced a record amount of oil, some of it from shredded old tyres

We produced 475 thousand tonnes of liquid fuels in 2023, 12% more than in 2022. The quantities of fuels produced were both an absolute record for the Enefit plants and a record for each unit. The record production volume confirms that the innovations and technology used at the plants are working and sustainable. The Enefit technology is suitable for the development of a circular chemical industry. The technology enables the recycling of waste – old tyres and plastic waste (previously considered non-recyclable). After pyrolysis and post-processing, they can be recycled into materials and items for everyday use.

The Enefit plants have the capacity to pyrolyse all scrap tyres generated in Estonia, Latvia and Lithuania into liquid fuels. The use of tyre chips in the chemical industry was named the Ida-Viru County Green Transition Initiative of the Year. We will continue to develop the technology in 2024 by testing the feasibility of using plastic waste in our chemical industry.

## Construction of the new Enefit plant and the creation of a circular chemical industry in Ida-Viru county continues

In mid-October 2023, the Supreme Court annulled the building permit for the Enefit 280-2 pyrolysis plant, citing shortcomings in the environmental impact assessment. In the same ruling, Supreme Court found that the climate impact had been adequately



assessed and agreed that the construction would not have any unacceptable climate impact. In suspending the building permit, the Supreme Court granted a two-month time limit during which, exceptionally, such works as are strictly necessary to ensure the safety and preservation of the building under construction, could be carried out. On 8 December, the Narva-Jõesuu city government issued new building permits, allowing Enefit Power to proceed with the construction of the Enefit 280-2 plant.

At the beginning of 2024, we applied for an environmental complex permit for the Enefit 280-2 oil plant, which will allow the plant to start producing shale oil when completed. The plant will be an important part of the circular chemical industry that is being developed.

### **Enefit Solutions, a provider of technology solutions for the energy and industrial sectors, contributes to building the chemical industry and supports Estonia on its green journey**

Against the backdrop of the declining production volumes of dispatchable power plants, Enefit Solutions, a provider of technology solutions for the energy and industrial sectors, has managed to remain sustainable and has found new opportunities in supporting Estonia on its green journey. In 2023, Enefit Solutions, in partnership with Enefit Connect, installed 63 electric vehicle (EV) chargers across Estonia, making its largest contribution to date to the development of the EV charging infrastructure. The company is also contributing to the development of the chemical industry, being responsible for the construction of the fuel feed system and the production of various electrical solutions and equipment for the new Enefit plant.







## New life for production areas: the racetrack on the spoil tip of the Estonia mine will be developed into an adventure park

In 2023, Enefit Power completed the construction of the racetrack and related infrastructure on the spoil (waste rock) tip on the premises of the Estonia mine and handed over the site to Alutaguse municipality. The municipality will develop the site into an adventure park. The racetrack is a good example of how the waste rock resulting from oil shale mining can be used to build facilities that improve the environment and support the development of tourism in Ida-Viru county.

## Transformation of the oil shale industry into a chemical industry

In 2023, Eesti Energia took several important steps in the development of the chemical industry. In December, the Group's supervisory board approved the vision for the chemical industry until 2045, which foresees a gradual transition from the production of liquid fuels based on oil shale to a chemical industry based on hydrogen and the circular economy. 40 years of experience in large-scale chemical pyrolysis gives us a sustainable competitive advantage in terms of volume, price and new growth opportunities.

### The vision for the chemical industry foresees:

- the future of carbon as a recoverable and circular raw material for the chemical sector;
- increasing the use of circular raw materials in Enefit's factories;
- minimising the carbon footprint of every investment decision;

- using new technologies to refine liquid fuels into intermediates for the plastics industry; and
- dispatchable power generation based on hydrogen and biomass and reuse of waste rock and retort gas.

To realise the vision of the chemical industry, we have commissioned the principal design for the first chemical-recycling plant to be built in Auvere from international giants Technip and UOP Honeywell.

The planned plant will allow all the lighter pyrolysis oil produced, which is currently marketed as gasoline, and part of the retort gas to be recycled into chemicals. In this way, the carbon is locked into the products rather than being released into the atmosphere when the product is used. The proposed plant will also create an opportunity to develop hydrogen production in Estonia, as hydrogen is an important raw material in the refining of oil into chemicals.

As a raw material that can be further refined, carbon will open up new markets for us in the global chemical and transport sectors. To this end, we have set up a dedicated working group to validate different carbon capture technologies and to commercialise the resulting raw material.

In the field of circular economy, the Finnish materials technology company Betolar, in collaboration with Eesti Energia, has launched a by-product study to investigate the use of ash from oil shale combustion as a binder in concrete. This would allow the partial or complete replacement of cement in concrete production. Cement is one of the world's largest sources of CO<sub>2</sub> emissions.





**Together as a Team on the Green Journey**



**Enefit operates like a chain reaction, with each employee playing a role, be it planning, starting or keeping the project or process running. Everyone works in tandem to make sure we are moving forward on the path to sustainability.**

Our people are our most valuable asset – they are the open-minded, smart and dedicated leaders who make the green journey happen. We offer inspiring goals, professional development, a supportive and flexible environment and competitive compensation.

### **Our employee engagement is above the Estonian average**

Eesti Energia's and Enefit's employee engagement has remained at consistently high levels. This is a clear testimony to the organisation's ongoing commitment to employee wellbeing.

The response rate to our annual employee engagement survey has been consistently very high: 91% in 2023. This reflects employees' involvement with the organisation's goals and development, as well as their active participation and trust in the process. According to the survey, in 2023 our employee engagement improved from 74 points to 75, while management quality increased from 80 points to 81.

One in three employees at Eesti Energia feels that they are true leaders. Leadership competence is the key to successfully delivering green transition.

Stability is one of our main strengths in the current environment and three quarters of our employees feel that their job is



secure and steady. Reliability is just one factor in our high level of commitment. To be successful on a daily basis, our employees also feel motivated by:

#### **Our benefits package**

- Health and wellbeing activities
- Development opportunities
- Innovative working environment





## Our employees as energy ambassadors

Our value proposition as an employer has evolved significantly over the past year and our employees appreciate the changes. 81% of respondents to our engagement survey said that our benefits package was important to them. In addition to the internal confirmation, the importance of benefits was also reflected in the results of the Kantar Emor employer reputation survey, where we continue to hold a high position, ranking 1<sup>st</sup> in 2023.

The value proposition is an essential foundation for empowering our staff. This is why we launched a Group-wide brand ambassador programme in summer 2023, with 35 employees from different units and countries taking part in the training. During the three-month programme, participants acquired the knowledge and skills necessary to create an action plan for developing their personal brand and to effectively fulfil their ambassador role. Our people are leading the way towards sustainability, and their enthusiastic participation in the programme reflects their belief in our shared goals. We foster an open and inclusive culture within the organisation and also share our journey with the wider public through our employees' stories and real-life experiences.

## Investing in employee health

To achieve our ambitious day-to-day goals, it is important to support the physical and mental health of our employees. To this end, we launch various health initiatives. In 2023, our main focus was on promoting physical activity and mental health. We started a series of sports events called Energiasport, where the teams from our companies and units can compete



in different fields at different locations across Estonia, Latvia, Lithuania and Poland. The sports series saw active and enthusiastic participation throughout the year. Our employees also took part in several popular grassroots sports events, such as the 337-km relay race Tipust Topini, the Tallinn Marathon and LHV Majjooks (Women's Run). We take care of our health and strive to serve as positive role models for a healthy lifestyle in society.

For the second year in a row, we offered our employees the opportunity to join a health insurance scheme and receive employer-paid medical care when necessary. In 2023, more than 3,500 employees enrolled in the scheme, which is over 1,000 more than in 2022. Nearly 80% took advantage of the benefits offered by the scheme, demonstrating the need for and importance of additional health insurance. We also provide our employees with regular health checks and offer them vaccination against the flu and tick-borne encephalitis.

To raise general awareness of health topics, we organise health forums. The aim is to draw attention to mental as well as physical health. We recognise that mental health affects employees' overall wellbeing, motivation and ability to manage work-related stress. In 2023, the events, which were attended by almost 700 employees in total, focused on heart and mental health. Experts shared best practices and self-help tools to raise awareness of how we can better look after and monitor our health. We also organised mental health webinars and workshops, exercise challenges, exercise evenings, group exercise sessions and fruit days throughout the year. When organising activities, we make sure that they are equally accessible to all employees.



In the second half of the year, we were awarded the Gold Label for Mental Health by the Peaasi.ee (Head Matters). This shows that we are on the right track and inspires us to continuously build and improve an employee-friendly organisational culture.

## We value a learning culture throughout our activities

As a fast-growing international company, we offer our employees a wide range of training and development opportunities aimed at supporting them on their career path and in





their personal growth and development. We create innovative research-based learning and development activities needed to implement our green transition strategy. Through the activities, we invest in our people in order to create the energy of the future, a cleaner environment and customer satisfaction. All our development activities promote an organisational culture that helps us achieve our strategic objectives.

We have set up the Enefit Academy, which is open to all employees. In 2023, there were 41 training events designed to support our people with the skills and knowledge required on the green journey and in a customer-focused organisation, such as leadership, team management, self-management, project management and other competencies. In addition to workshops, employees can take e-learning courses to study independently. Last year, all available courses were completed 6,630 times.

In today's rapidly changing business environment, management is becoming increasingly more challenging and requires continuous self-improvement. This is why we systematically invest in the development of managers. Last year we organised a summer academy and a conference for managers, a management lab in the large-scale energy production business line and a first-time manager programme. The conference and the summer academy focused on a rapidly evolving organisational culture driven by energy experts.

Developing future top managers is critical to an organisation's ability to operate sustainably. In 2023, we partnered with the University of Tartu to create the first corporate micro-credential programme in Estonia specifically for the next generation of top leaders. The aim of the Enefit micro-credential programme is to provide carefully selected participants with the

opportunity to enhance their knowledge of modern management practices, strategic management, team leadership and economic theory.

One of the most important values in our industry is safety, which we want to promote by setting a good example. Last year, we successfully completed the construction of Elektrilevi's new training centre at Kiili in collaboration with the Estonian Academy of Arts. From 2024 the new facility, which is also the first modular building in Estonia designed using the 369 Pattern Buildings design system, will become the main training venue for all network electricians in Estonia. The purpose of the new training centre is to maintain the safety and the high quality of works carried out on electricity networks, to raise the general level of electrical safety and to help achieve a high level of professionalism in the electrical trade.

### **Creating a working environment that fosters innovation and collaboration**

To improve employee experience, we strive to create a physical working environment that supports success and satisfaction on a daily basis. In 2023, several new offices were completed and some existing ones renovated. We opened a new modern office building with 140 workstations in Tartu and a new office in Riga, which brought the employees of different business units into the same office space, facilitating teamwork. We refurbished our Vilnius office and started the renovation of Enefit Power's head office.

In creating a future-proof working environment, we prioritise sustainability. Our Green Office certificates were renewed by



the end of 2023 and we now have seven Green Offices. We monitor and reduce the environmental impact of our offices.

It is also important to enhance the digital working environment by creating convenient and modern solutions that make the exchange of information within the Group faster, more secure and accessible to all. In 2023, we continued to engage frontline staff through the implementation of digital tools, connecting nearly 600 employees without a work computer to a shared information space through the Microsoft Teams application. This makes information exchange within the company faster and more transparent.

### Young talent will unlock our future potential

We stand for the future of young people, as their potential will create opportunities for the green transition in the energy sector. To achieve this, we need to get them interested in sciences and engineering. We promote the importance of sciences and systematically seek out and invest in new talent. In 2023, we offered internships to 136 young people. Our interns also participated in Youth LAB, an international innovation programme organised by SEB, Estonia's second largest bank, which gives young people the opportunity to contribute to the development of new solutions.

We recognise and support future leaders to encourage them to choose a career in the energy sector. In 2023, we awarded 43 scholarships to vocational school and university students. We work closely with the TalTech Development Fund and the Scholarship Fund of Arvo Ots.

We believe in and value the community in Ida-Viru county. Together with the local municipal government, we are a commit-

ted supporter of the Energy Fund for Young Talent. In 2023, 36 young people from Ida-Viru county received the scholarship.

We are actively involved in a wide range of activities for young people. In 2023, we supported Positron, a major event in the field of electricity, which brings energy and engineering closer to young people. The event attracted more than 5,000 participants. Career days at TalTech (Tallinn University of Technology), TTK University of Applied Sciences, the Estonian University of Life Sciences and the University of Tartu are an important opportunity for us to promote our field and organisation. In partnership with TalTech, we continued a series of lectures that provides a broader understanding of the strategic evolution of the energy system, its drivers, challenges, trends and future developments.

We continuously contribute to the development and creation of study programmes and the execution of research projects needed for the green transition in the energy sector. In 2023, we supported the creation of eight new curricula – three master's, one bachelor's and four applied studies programmes. To help students consolidate the knowledge acquired at school and to promote our sector, we take young people and teachers on tours at our production facilities – last year, we organised 178 tours for 3,093 visitors.

### New inspiring ways of learning sciences inspire lower secondary school students

We are helping to solve a major challenge in society – a lack of modern teaching tools and inspiring teachers in science classes. Today, almost half of the schools in Estonia do not have a

qualified physics teacher. Young people's interest in the subject has declined, as has their desire to pursue careers that require a knowledge of physics. At the same time, such specialisations are critical for the implementation of our green transition strategy. We have joined forces with ABB, LHV, Fermi Energia, Nordecon and Metrosert to promote the Lae End (Charge Yourself) programme for physics teachers.

The aim of the programme is to find enthusiastic physics teachers in Estonian lower secondary schools, connect them with education innovators, develop engaging teaching materials and share them with schools and students across Estonia. In this way, we equip teachers with innovative teaching tools and create opportunities for them to inspire their students.

Since the launch of the programme two years ago, 258 teachers from 120 schools across Estonia have been nominated for the programme. The programme has been completed by 20 enthusiastic physics teachers and 46 learning videos have been produced over the two seasons. They address all the topics covered in lower secondary school physics courses in a simple, inspiring and innovative way. Over the two years, the teaching tools for innovative physics lessons provided through Parktikal, a digital environment for teaching natural sciences, have reached 140 schools and 8,600 students. We are committed to helping more children and young people find their way to natural sciences.

In 2023, the Lae End programme was awarded the title of Friend of Education of the Year by the Ministry of Education and Research and the City of Tallinn.





**Research and Development**



**Eesti Energia's research and development (R&D) activities in 2023 were focused on supporting the implementation of the Group's business strategy, which aims to achieve carbon neutrality and provide customers with environmentally sustainable, convenient and useful energy solutions.**

During the year, the company invested 12,8 million euros in R&D, looking for innovative solutions to reduce the environmental footprint of energy production, build a chemical industry based on the circular economy, develop more valuable products and provide more useful services to customers.

Eesti Energia's long-term strategy sets the goals of moving away from oil shale-based electricity and liquid fuels production towards a chemical industry based on the circular economy. The most important R&D projects in 2023 were related to the development of the chemical industry.

In February, the Estonian Business and Innovation Agency awarded Eesti Energia 880,000 euros to support a study aimed at developing a solution for refining the light fraction of oil shale pyrolysis to produce raw materials for the chemical industry that meet international quality standards. The design of the first phase of Eesti Energia's chemical industry started at the end of the year.

It is also important for the company to increase the use of circular raw materials in addition to oil shale. In 2023, after a long preparatory period, Enefit's oil plants started using shredded old tyres as a raw material. Research is underway to start producing raw materials for the chemical industry from plastic waste, shredded wind turbine blades and other waste materials.

In addition, a feasibility study was completed last year for the construction of a pumped-storage hydroelectric power plant at the Estonia mine site in Ida-Viru county. Together with a partner, a study on geothermal energy was started and studies on the synchronisation of the Estonian power grid with the Continental Europe Synchronous Area were carried out with research partners. The results will be used to identify new business development opportunities and to ensure a stable power grid.

We have started to build an EV charging network covering Estonia, Latvia, Lithuania and Poland to overcome the main barrier to the clean transport breakthrough – poor infrastructure. The installation of 70 new ultra-fast chargers in Estonia, Latvia, Lithuania and Poland was supported with 3.5 million euros from the Connecting Europe Facility's transport sector measure. In total, Eesti Energia raised 4.7 million euros from various measures over 2023 to test innovative business models and develop research-intensive services and industrial processes.

In December, the Environmental Investment Centre decided to approve the co-financing application of Eesti Energia, Enefit Green, Alexela and GoBus. The requested funds will be used to create an innovative complete hydrogen chain consisting of green hydrogen production, transport (distribution) and final consumption in the transport sector.

In November, Eesti Energia and Tallinn University of Technology launched an innovative cooperation model by signing industrial doctoral contracts with two doctoral students who will make a significant contribution to the development of a circular economy-based chemical industry in Ida-Viru county.





Our main R&D partners are Tallinn University of Technology and its Virumaa College, the University of Tartu, the machine learning and data science company STACC, the Finnish National Technical Research Centre VTT, and other local and multinational companies in the fields of energy technology, renewable energy, data science and petrochemistry.

## Accelerating the development of the technology needed for the green journey

We are creating a new opportunity for cooperation between innovation-oriented companies and Eesti Energia. The name of the new entity will be Enefit Ventures. It will be established to accelerate the development of technologies needed for long-term competitive advantage and the green transition through investment and cooperation with energy technology companies. It is the Group's open innovation programme to help create new business opportunities in the energy sector. Enefit Ventures is designed to identify opportunities to collaborate and invest in technology or business model innovation companies whose technology, product or service development aligns with our strategic objectives, including carbon neutrality, innovation and customer solutions.

We work with new companies to find the technologies and solutions that will help us and our customers make the green transition. We are looking for solutions in areas such as energy generation and storage, carbon capture and storage, e-mobility and the circular economy. This will accelerate innovation in the energy sector and enhance our relationship with our customers. Enefit Ventures will accelerate our transformation, helping introduce new technologies while fostering their development potential.







**Transparent Management Decisions**



**Eesti Energia's sole owner is the Republic of Estonia. The owner is represented by the Minister of Finance. Owner expects the company to operate profitably and generate stable dividend income. The expected dividend is an average of 50-100% of the net profit of the owner's share of the consolidated parent company over a five-year period.**

## Corporate governance principles

the objective of Eesti Energia's supervisory board and management board is to develop and manage Eesti Energia in such a manner that we set a positive example for other companies in terms of clear strategy, good corporate governance, operating efficiency, financial performance and collaboration with stakeholders. The management board and the supervisory board manage Eesti Energia in accordance with the owner's expectations, the Group's strategy, vision and values, and applicable laws and regulations. We have adopted key performance indicators for our strategic goals, which we use to set and measure the achievement of goals and to evaluate the effectiveness of the work done. These allow us to assess whether we are on track to meet our goals. The Group's strategic goals are set for a period of five years and updated annually. To achieve the strategic goals, managers engage and empower the staff in alignment with our values and Group-wide governance principles. We use internal communication channels to keep employees informed about the organisation's goals and how we are achieving them. We make sure that our people have a safe work environment and a high work ethic. We pay our employees a competitive salary and we recognise and reward them. The Group's management board and supervisory board are accountable to the owner for meeting expectations and goals. We strive to be transparent in our operations, disclosure of information and relationships with

the owner, customers, suppliers and other stakeholders. Eesti Energia presents and comments on its financial results four times a year and makes the presentations available on its website.

## Code of ethics

eesti Energia has adopted the Code of Ethics, which states, among other things, that the organisation 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.

Eesti Energia has decided that it is not necessary to adopt a separate diversity policy in addition to the Code of Ethics. When selecting our employees and managers, we always keep in mind the best interests of Eesti Energia. Our personnel selection process is gender-neutral, non-discriminatory and based on the person's education, skills, past experience and, where applicable, compliance with legal requirements.

## Organisational structure and governing bodies

for effective management, it is critical that the Group has a clear and logical structure, that we are aligned with the organisation's goals and needs, and that we take into account the changes in the business environment.

The governing bodies of the Group's parent, Eesti Energia AS, are the general meeting, the supervisory board and the management board. They are supported in strategic matters by the Group's strategic leadership team.

## General meeting

**Eesti Energia's highest governing body is the general meeting of shareholders, which among other things decides on:**

- the determination of the shareholder's expectations in which the strategic and financial objectives are defined;
- the appointment and removal of the members of the supervisory board, including the chairman;
- major investments;
- the appointment of the auditor;
- the approval of the annual report;
- the establishment and acquisition of new subsidiaries.

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 Group's management and supervising the activities of the management board;
- approving and overseeing the implementation of the Group's strategy; and
- taking major strategic decisions.

The supervisory board communicates the results of its supervision activities to the owner. Eesti Energia's supervisory board has seven members, who have been appointed by the resolution of the Minister of Finance, who represents the owner, taking into account the proposals made by the nomination committee



for the supervisory board members of companies in which the state is a shareholder. The supervisory board is headed by a chairman. The requirements and expectations for the members of the supervisory board are set out in the Commercial Code and the State Assets Act of the Republic of Estonia. The supervisory board is also guided by the articles of association of Eesti Energia AS and the rules of procedure of the supervisory board.

The supervisory board members appointed in 2022, including Anne Mere as chairman, and Einari Kisel, Andres Liinat, Meelis Einstein, Allan Niidu, Luukas Kristjan Ilves and Tarmo Porgand as members, continued in office. The general meeting removed Tarmo Porgand from office on 30 March 2023 and appointed Kaur Kajak as a new member of the supervisory board on 3 April with a term of office ending on 2 April 2026.

The remuneration of the members of Eesti Energia's supervisory board is regulated by the State Assets Act. According to the Act, the amount of the remuneration and the payment procedure are at the discretion of the owner. Based on the proposal of the nomination committee for the supervisory board members of companies in which the state is a shareholder, the owner has assigned the chairman of the supervisory board and each member of the supervisory board remuneration of 2,000 euros and 1,000 euros per month, respectively. The members of the supervisory board are not entitled to any termination benefits or additional remuneration. As a rule, the supervisory board meets once a month, with the exception of July. The supervisory board held 12 meetings in 2023.

In addition to participating in the meetings of the supervisory board, the members of the supervisory board actively support the activities of Eesti Energia. They visit Eesti Energia's compa-

## Supervisory board members' attendance at meetings and remuneration

	Meeting attendance 2023	Total remuneration 2023 (EUR)	Total remuneration 2022 (EUR)
Anne Mere	12	24,000	15,273
Einari Kisel	12	12,000	12,000
Andres Liinat	12	12,000	12,000
Meelis Einstein	11	12,000	12,000
Allan Niidu	12	12,000	370
Luukas Kristjan Ilves	11	12,000	370
Kaur Kajak	8	9,000	
Tarmo Porgand	4	2,956	9,826

nies and business units to gain insights and meet the owner's representatives, business partners and stakeholder groups where this is important for Eesti Energia.

In 2023, the supervisory board's legal adviser was Sven Papp, an attorney with the law firm Ellex Raidla.

## Supervisory boards of subsidiaries and associates

The terms of office and responsibilities of the supervisory board members of Eesti Energia's subsidiaries and associates

are set out in their articles of association. As a rule, the supervisory boards consist of members of Eesti Energia's management board and strategic leadership team.

At least half of the members of the supervisory board of our renewable energy company Enefit Green have to be independent in the meaning of the Corporate Governance Recommendations promulgated by the Estonian Financial Supervision and Resolution Authority. If the supervisory board has an odd number of members, the number of independent members may be one less than the number of dependent members.

Due to the number of its customers, our distribution network operator Elektrilevi has an additional obligation to ensure full independence of the members of its management board and supervisory board. The members of Elektrilevi's governing body or management may not simultaneously be members of the governing body or management of other Group companies. By way of exception, the members of the governing bodies of Elektrilevi and its subsidiary Imatra Elekter may overlap if this does not pose a risk to the independence of the network operator. Proposals for members of Elektrilevi's supervisory board are made by the nomination committee for the supervisory board members of companies in which the state is a shareholder.

Meetings of the supervisory boards of subsidiaries and associates are held as required and in compliance with legal requirements. Meetings are called in accordance with the Group's regulations, the articles of association of the subsidiary or associate, the law and agreements with co-owners.



## Supervisory board

as at 31 December 2023



**ANNE MERE**  
Chairman

Beginning of term of office:  
12 May 2022  
Chairman since:  
12 May 2022  
End of term of office:  
11 May 2025



**ANDRES LIINAT**  
Member

Beginning of term of office:  
12 May 2017  
End of term of office:  
11 May 2025



**LUUKAS KRISTJAN ILVES**  
Member

Beginning of term of office:  
20 Dec. 2022  
End of term of office:  
19 Dec. 2025



**EINARI KISEL**  
Member

Beginning of term of office:  
12 May 2017  
End of term of office:  
11 May 2025



**ALLAN NIIDU**  
Member

Beginning of term of office:  
20 Dec. 2022  
End of term of office:  
19 Dec. 2025



**MEELIS EINSTEIN**  
Member

Beginning of term of office:  
12 May 2020  
End of term of office:  
11 May 2025



**KAUR KAJAK**  
Member

Beginning of term of office:  
03 Apr. 2023  
End of term of office:  
02 Apr. 2026



## Management board

The day-to-day management of the Group is the responsibility of Eesti Energia's management board, which manages the company in accordance with the instructions of the supervisory board, relevant guidelines, the owner's expectations and the Group's strategy that has been approved by the supervisory board. The chairman of the management board is appointed by the supervisory board. Members of the management board are approved by the supervisory board on the basis of proposals made by the chairman of the management board.

**The composition of the management board changed from 1 April 2023 to Andrus Durejko as chairman, and Kristjan Kuhi, Raine Pajo, Marlen Tamm and Kelli Toss-Kaasik as members. Andres Vainola, the chairman of the management board of the subsidiary Enefit Power, joined the management board on 13 April.**

The remuneration of the members of Eesti Energia's management board is regulated by the State Assets Act. The amount of the remuneration is at the discretion of the supervisory board, which takes into account the proposals of the remuneration committee set up under the supervisory board. The members of the management board are remunerated for the performance of their duties as members of the management board. Their remuneration is set out in their service contracts, which may be amended by mutual agreement. A member of the management board may receive additional remuneration. The monthly remuneration of Andres Vainola for the performance of his duties as a member of the management board is agreed in the management board member agreement

## Remuneration of the members of the management board

	Total remuneration 2023 (EUR)	Total remuneration 2022 (EUR)
<b>Raine Pajo</b>	203,816	204,000
<b>Andrus Durejko</b>	153,000	
Hando Sutter	135,727	297,334
<b>Kristjan Kuhi</b>	117,000	
<b>Marlen Tamm</b>	117,000	
<b>Kelli Toss-Kaasik</b>	117,000	
Margus Vals	86,788	192,000
Agnes Roos	86,776	190,085
Andri Avila	79,466	192,000
<b>Andres Vainola</b>	0	

between him and Enefit Power, and he does not receive any additional remuneration for the performance of his duties as a member of the management board of Eesti Energia.

The total amount of additional remuneration paid in a financial year may not exceed four times the average monthly remuneration received by the member of the management board in the previous financial year. The grant of additional remuneration must be justified and consistent with the Group's performance, value added and market position. Termination benefits may only be paid when the supervisory board removes a member

of the management board on its own initiative before the end of the member's term of office and the amount may not exceed the management board member's remuneration for three months. The management board normally meets once a week. If necessary, meetings are held by electronic vote without convening a meeting. In 2023, 61 meetings were held, of which 10 were held by electronic vote.

## Strategic leadership team

The purpose of the Group's strategic leadership team is to focus on discussing strategic matters, implementing the strategy and analysing related topics. In 2023, the strategic leadership team consisted of the members of the management board of Eesti Energia, the chairman of the management board of Enefit Green, the chairman of the management board of Enefit Power, the chairman of the management board of Enefit Solutions, the chairman of the management board of Elektrilevi, the chairman of the management board of Enefit Connect, the head of communication and marketing, the head of employee experience, the head of energy trading, the environmental manager, the head of business and information technology and, as observers, the heads of the risk management and internal audit department, the legal department and the procurement department.

## Differences applying to the management of distribution network operators Elektrilevi OÜ and Imatra Elekter AS

Under the Electricity Market Act and the common rules for the internal market in electricity, the distribution network operators



## Management board

as at 31 December 2023



**ANDRUS DUREJKO**  
Chairman

### PREVIOUS CAREER

- Ericsson Estonia: Chairman of the Board; Program Director in the Nordic and Baltic Countries; Head of Digital Services in Sweden, Finland and the Baltics; Director of Technology; Project Manager
- Chairman of the Board, CEO at Ericsson Latvia
- Director of Technology at Reveko Telekom
- Project Manager at Baltcom

### EDUCATION

- Estonian Business School MBA
- Estonian University of Life Sciences, Electroenergetics, Master's studies



**MARLEN TAMM**  
Member, CFO

### PREVIOUS CAREER

- Eesti Energia: Head of Management Accounting; Head of Group Controlling; Head of Financial Controllers in Management Accounting; Leading Financial Controller
- Swedbank: Head of the Financial Unit at Swedbank IT in the Baltics; Controller of Services at Swedbank IT; accountant

### EDUCATION

- Estonian Business School, Economics/Business Administration, Master of Science, cum laude
- Tallinn University of Technology, Economics/Business administration, Bachelor's degree



**KELLI TOSS-KAASIK**  
Member in the field of sales and service of solutions for customers

### PREVIOUS CAREER

- Eesti Energia: Head of Customer Experience; Leading HR Partner; Training and Development Manager
- Eesti Post: Development Department's Training Coordinator

### EDUCATION

- Tallinn University, Master of Education
- Tallinn University of Pedagogy, Bachelor of Andragogy



**RAINE PAJO**  
Member in the field of strategic development projects and research activities

### PREVIOUS CAREER

- Eesti Energia: Member of the Management Board, Technical Director, environment, electricity and heat production, mining, energytrading, technology industry, oil production
- OÜ Põhivõrk (current name Elering): Chairman of the Supervisory Board, Member of the Management Board, Head of Development Department, Director of Electrical Grid Planning Division, Client Account Manager
- Finnish Transmission System Operator Fingrid Oy: Network Planner
- AS Ecomatic: Product Manager

### EDUCATION

- Tallinn University of Technology, MBA
- Tallinn University of Technology, Faculty of Information Technologies, Master of Digital Transformation in Business
- Tallinn University of Technology, PhD in Technical Sciences
- Tallinn University of Technology, Diploma in Electrical Power Engineering



**KRISTJAN KUHI**  
Member, Development Manager for Energy Solutions

### PREVIOUS CAREER

- Ericsson: Industry expert, Utilities and IoT, GF Technology and Emerging Business; Consultant, Global Utilities Team, CGIS; Solution architect, Northern Europe/Central Asia
- Blockchain Expert, Faculty of Engineering, Institute of Electrical Power and Mechatronics at Tallinn University of Technology
- Development Manager and Chief Architect at Wepower
- IT architecture consultant, systems and software development management services, startup mentor

### EDUCATION

- Tallinn University of Technology, Faculty of Engineering, Institute of Mechanics and Industrial Engineering, PhD
- Tallinn University of Technology, Faculty of Information Technology, BSc



**ANDRES VAINOLA**  
Member, Chairman of the Management Board of Enefit Power

### PREVIOUS CAREER

- Chairman of the Management Board at Enefit Power
- Chairman of the Management Board at Enefit Kaevandused
- M&A Director for Strategic Projects at the Development Service of Eesti Energia
- Member of the group executive team at Empower Group Oy (Finland), CEO of Baltic Division
- Chairman of the Management Board at Empower EEE (Estonia)
- Chairman of the Management Board at Eesti Elektrivõrkude Ehitus
- Member of the Supervisory Board and Chairman of the Auditing Committee at Eesti Liinirongid

### EDUCATION

- Estonian Business School, Executive MBA
- Tallinn University of Technology, Faculty of Economics, Diploma in Business Management





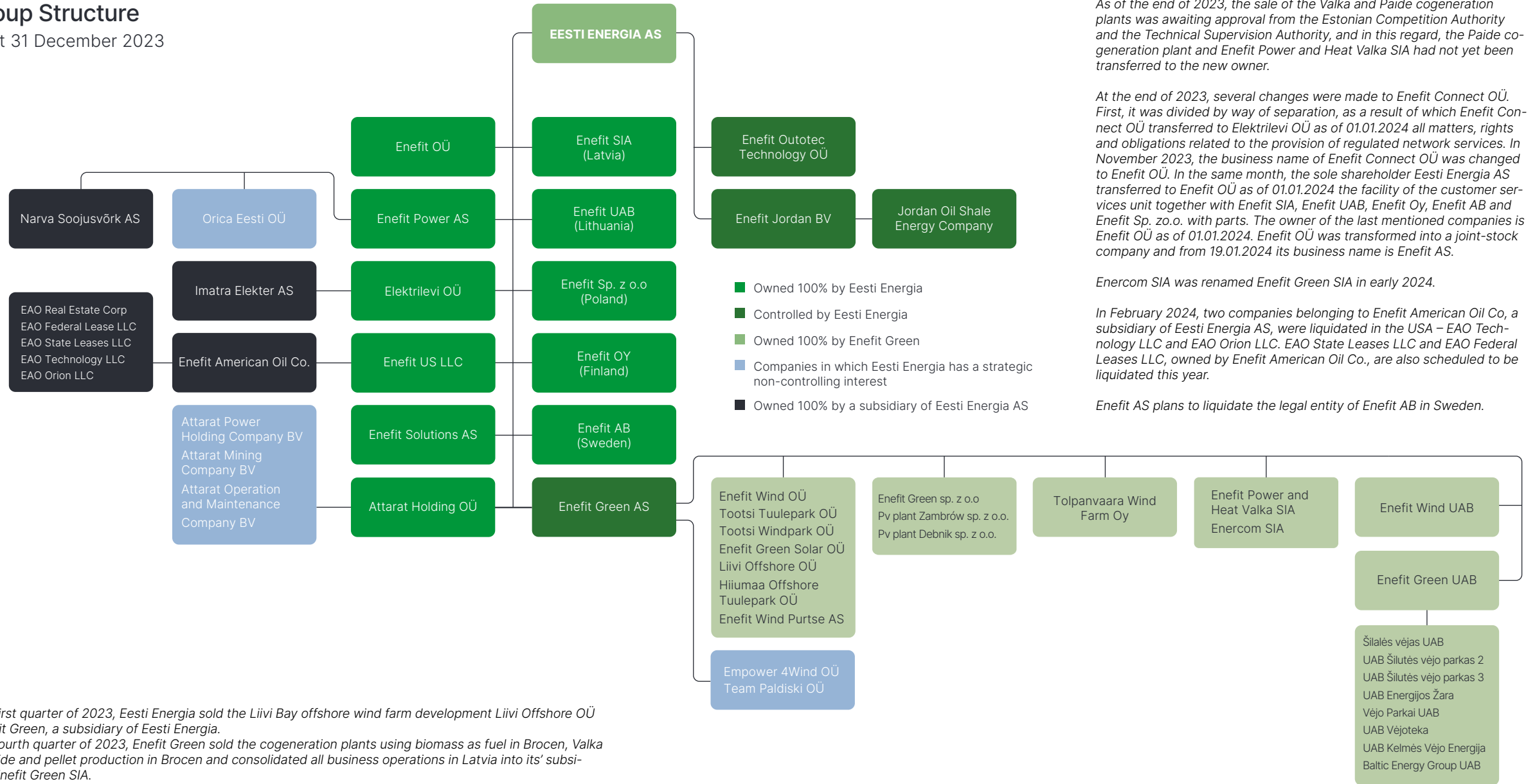
Elektrilevi and its subsidiary Imatra Elekter must, among other things, ensure that all market participants are treated equally and that the network operator's information is protected. In accordance with the law and best practice, we have put in place differences applying to the management of Elektrilevi and Imatra Elekter, which ensure their independence in making investment decisions, carrying out procurements and maintaining the confidentiality of information relating to market participants and contracts with customers.

### **Differences applying to the management of listed company Enefit Green AS**

The day-to-day management of our renewable energy company Enefit Green, whose shares are listed on the stock exchange, is the responsibility of Enefit Green's management board, which manages the company in line with the Group's strategy, which has been approved by the supervisory board. At least half of the members of the supervisory board have to be independent in the meaning of the Corporate Governance Recommendations. If the supervisory board has an odd number of members, the number of independent members may be one less than the number of dependent members.



## Group Structure as at 31 December 2023



In the first quarter of 2023, Eesti Energia sold the Liivi Bay offshore wind farm development Liivi Offshore OÜ to Enefit Green, a subsidiary of Eesti Energia.  
 In the fourth quarter of 2023, Enefit Green sold the cogeneration plants using biomass as fuel in Brocen, Valka and Paide and pellet production in Brocen and consolidated all business operations in Latvia into its subsidiary, Enefit Green SIA.



## The group's procurement practices and relationships with partners

In 2022, the Group's management board approved the Code of Ethics for Partners. The purpose of the document is to inform our partners about the ethical requirements that are a prerequisite for cooperation. In drafting the Group's ethical requirements, we were guided by the principles that our partners also play an important role in ensuring Eesti Energia's sustainability, and that the Eesti Energia Group has a higher than average duty of care due to its impact on society. We expect our partners to adhere to the principles set out in the Code and to fully comply with all applicable laws and regulations. Based on internationally recognised standards for promoting social and environmental responsibility, the Code requires more than just legal compliance. The topics covered in the Code are consistent with the Ten Principles of the UN Global Compact.

The procurement procedures of the Eesti Energia Group are outlined in detailed uniform procurement rules that apply to all of the Group's Estonian entities. The rules clearly define the decision-making powers of the different levels of management. The decision-making powers of budget managers, members of management, and the management and supervisory boards are defined separately. The limits of the powers vary slightly, depending on the nature of a particular decision (approval of a transaction, acceptance of source documents, initiation of a procurement, etc.) or a particular area (for example, in order to comply with the special requirements applicable to Elektrilevi under the Electricity Market Act). Procurement procedures for Group companies registered outside Estonia are set out in separate rules that apply to the Group's foreign subsidiaries.

## Reporting principles

Timely and reliable information is the key to quality management decisions. We have implemented reporting processes to monitor our key performance indicators and other important metrics on a weekly, monthly, quarterly and annual basis. We compare our results to the budget and the latest forecast once a month. We review our action plan for the rest of the year on a quarterly basis and, where necessary, adjust our business operations to reflect current market conditions. We update the Group's five-year strategic action plan once a year.

We have approved principles for the Group's key performance indicators to make sure that the activities of all levels of management are aligned with the Group's main goals. We share information on an ongoing basis to implement more effective performance indicators.

The Group's management accounting tool is Tableau business intelligence and analytics software. Modern management information dashboards allow us to obtain feedback on our results quickly, conveniently and interactively and to make better and faster management decisions.

In addition to various reports submitted to Statistics Estonia, we publish annual and quarterly reports. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The annual report is audited and subsequently approved by the Group's supervisory board. The annual report, together with the report of the supervisory board, is submitted to the general meeting for final approval. Quarterly and annual results are presented at a press conference and a detailed overview of the results is also made available to employees.

## Audit committee and external auditor

The audit committee is a body set up by the Group's supervisory board. It is responsible for advising the supervisory board on matters relating to accounting, external audit, risk management, internal control and internal audit, supervision and budgeting, and legal and regulatory compliance.

The composition and the chairman of the audit committee are appointed by the Group's supervisory board. The audit committee meets at least once a quarter according to an agreed schedule. The audit committee submits its report to the supervisory board once a year, before the supervisory board approves the Group's annual report.

Eesti Energia's financial statements are audited in accordance with International Standards on Auditing. According to Eesti Energia's articles of association, the auditor of the financial statements is appointed by the general meeting. The general meeting has appointed audit firm PricewaterhouseCoopers (PwC) as the auditor of the financial statements for the financial year 2023. The person authorised to sign the auditor's report depends on the country of incorporation of the Group company. The auditor responsible for the audit of the consolidated financial statements is certified public accountant Jüri Koltsov. Eesti Energia does not disclose the fee paid to the external auditor, as the Group believes that this could undermine the results of future procurements.





**Risk Management**



**The management of the Group's risks is the responsibility of the Group's management board. Oversight of the risk management activities and processes to ensure that they function properly is the responsibility of the Group's supervisory board, audit committee and internal audit department.**

**The purpose of our risk management activities is to:**

- support the development and implementation of the strategy;
- contribute to the achievement of the Group's financial and operational objectives;
- identify potential opportunities;
- prevent undesirable events.

The implementation of a process to manage the risks that are inherent in our operations and affect our performance is the responsibility of the managers of Group companies and units.

The Group's risk appetite is outlined in its strategy and expressed in its budget. The Group's risk tolerance is set out in Group-wide policies, thresholds and limits as well as external regulatory requirements and permits. We have established risk management mandates, limits and thresholds, for example for the management of financial risks (incl. price risk relating to production assets, counterparty credit risk and liquidity risk) and environmental risk.

## Risk management framework and organisation

our risk management framework consists of the risk management principles and policies established by the Group's management board, which describe the risk management process, the roles and responsibilities of those involved, and the principles and policies for managing the main risks that may affect the achievement of the Group's objectives. In developing our

risk management principles and policies, we are guided by international standards and best practice. We have put in place risk management measures designed to prevent risks from materialising, which are updated to reflect changes in the Group's strategy, activities and organisational structure.

The risks associated with and affecting our activities are identified and assessed, and losses are prevented through the Group's governance and supervision process.

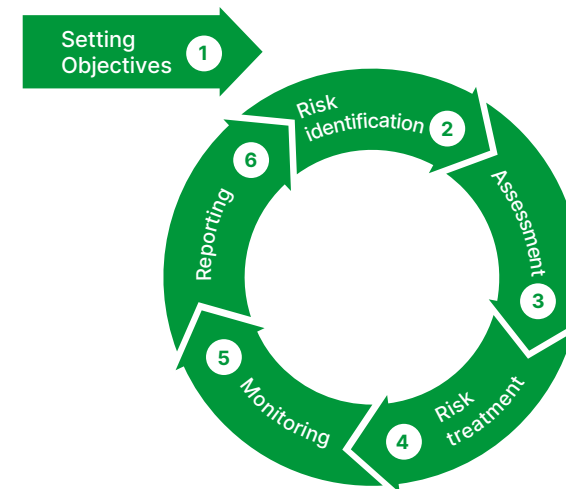
## The risk management process

### 1. Setting objectives

The risk management process is the process of identifying and analysing risks that are material from the standpoint of achieving the Group's goals, and defining and implementing the measures needed to hedge such risks.

### 2. Risk identification

Risk identification proceeds from the organization's objectives. The results of the Group's activity may be jeopardized both by internal



and external factors as well as on the level of individual companies, units or activities. The purpose of identifying and assessing risks is to prepare a list of key risks that may hinder, worsen or postpone the activity of the company or unit and thereby also impact achievement of the Group's objectives. It is just as important to identify risks that arise due to failure to seize opportunities.

### 3. Assessment of risks

The assessment of risks consists of defining the significance of the risk, meaning the potential qualitative and/or quantitative impact of its realization and the likelihood of realization.

### 4. Risk treatment/responding to risks

Following the identification and assessment of risks, measures will be implemented, where appropriate, to reduce the likelihood of the risk occurring and/or the potential magnitude of the damage. The choices may include:

- a) risk reduction or hedging;
- b) risk avoidance, meaning deciding not to commence or continue activity that incurs a risk;
- c) elimination of a risk source;
- d) sharing a risk with other parties (insurance activity);
- e) accepting risk with a reasoned decision.

### 5. Monitoring of risks

The fulfilment of agreed-upon measures must be monitored to assess continual functioning and, if necessary, to make changes or implement new measures.

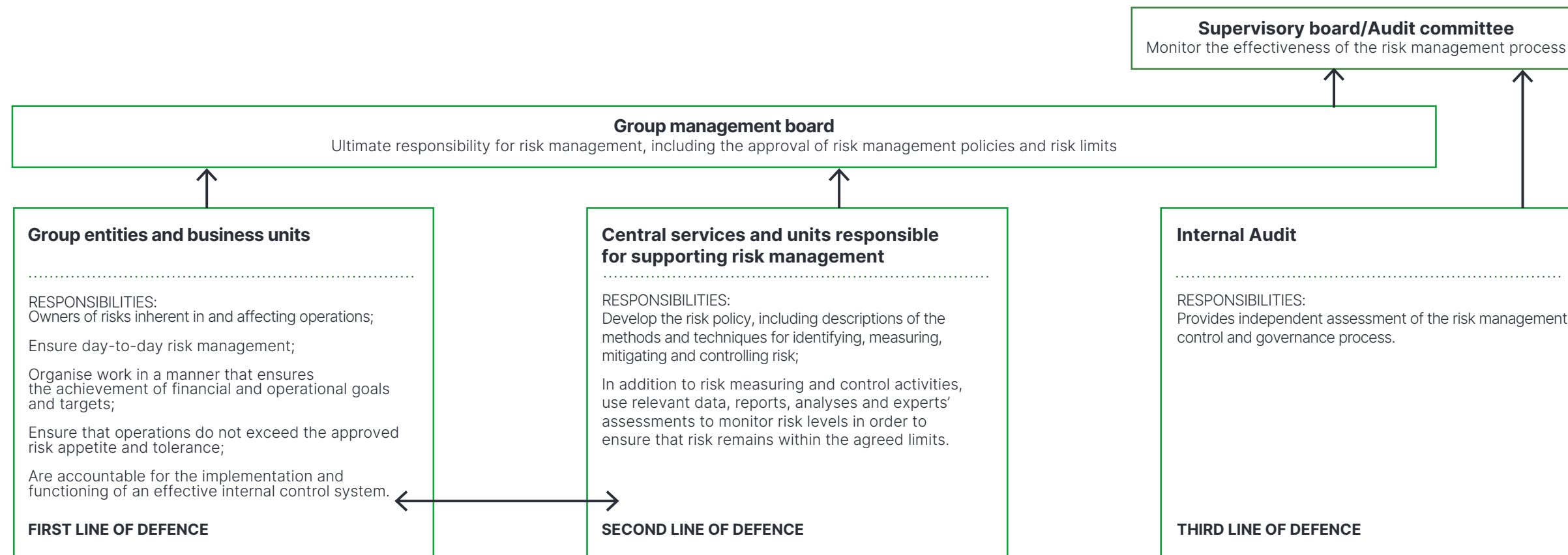
### 6. Reporting

To monitor risks, their magnitude and effectiveness of measures and to assess the strategic and activity objectives for considering risks, reporting is required in a sufficient volume and at a sufficient frequency.



## Risk management system

Arrows indicate lines of information exchange and reporting





## Risk profile

our risk profile describes the risks that have the greatest impact on our business and operations, such as strategic risk, financial risk (incl. market, credit, liquidity, interest rate and currency risk), technological and technical risk, legal risk, compliance risk, environmental risk, work environment and occupational safety risk, security and fire risk, tax risk, regulatory risk, third party risk, information technology (IT) risk, fraud risk, human resources risk, reputational risk and personal data protection (GDPR) risk. Assessing and updating the risk profile is part of our daily management activities. We assess the risks associated with both existing activities and those under development.

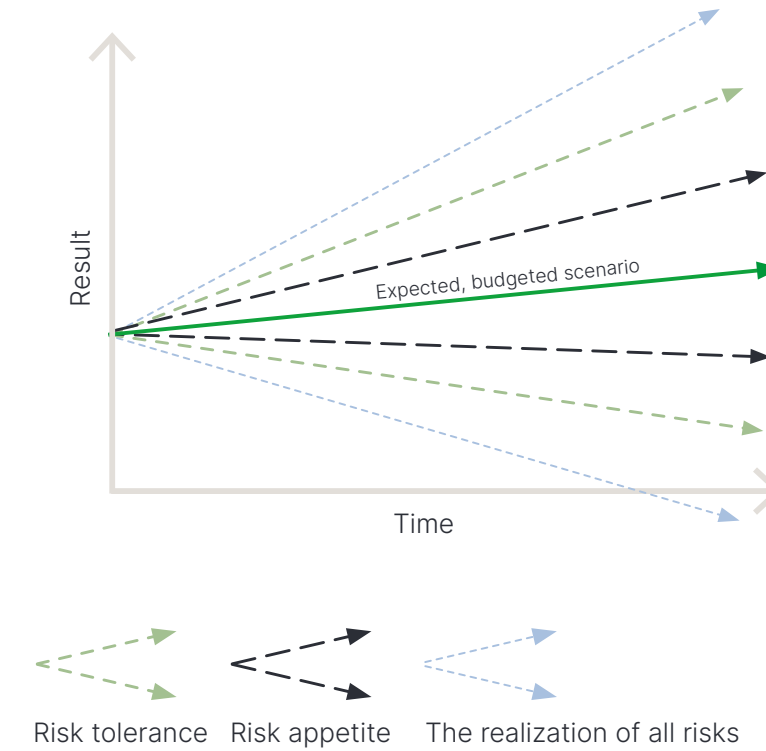
## Principal risks and their mitigation

risks that have a significant impact on the achievement of our objectives include liquidity risk and market risk, which are part of financial risk, legal risk, environmental risk, IT risk, technological and technical risk and operational risk. We pay close attention to ensuring the continuity of essential services and business-critical operations, data protection and occupational safety.

## Financial risks

Liquidity risk refers to the possibility that the Group or a subsidiary within the Group does not have sufficient funds and other sources of liquidity to meet its obligations or to implement its strategy. In order to mitigate the liquidity risk, we maintain sufficient available funds in bank accounts and,

## Risk appetite



if necessary, raise additional capital on the debt market, for which we have already loan agreements that have not been fully deployed.

Market risk is the risk that changes in the market (demand, the prices of products and services) will expose the Group to changes in the values of its assets or liabilities or the amount of income earned on its assets and services.

The volatility of the prices of energy carriers can reduce our ability to sell the electricity and oil we produce and can affect the income from long-term contracts for the purchase and sale of electricity. The most significant market risk is price risk, which is the risk of changes in the prices of electricity, liquid fuels and emission allowances. We use derivative financial instruments to hedge market risks. In 2023, the focus was on adjusting to higher volatility in electricity and gas prices and monitoring and managing the resulting market and credit risks.

## Legal risk

the Group's operation is strongly influenced by treaties, conventions and regulations adopted in the markets in which we operate, in the European Union and internationally. Legal risk, which arises from political decisions, regulators' activities in the interpretation of regulations and similar sources, influences our day-to-day business operations. We manage legal risk by monitoring the trends and developments in the legal environment, actively participating in public discussions and the development of new legislation, and making sure that our activities comply with laws and regulations.

## Environmental risk

our strategic goal is to limit our environmental footprint and to be a leader in the green transition. Environmental risk arises when the Group's action or inaction causes environmental damage that is not in line with agreed objectives.

We prevent environmental damage in energy production by optimising the use of existing facilities, implementing new



technological solutions and increasing efficiency through the application of circular economy principles. To control, manage and reduce our environmental impact, we have implemented an environmental management system that meets the requirements of ISO 14001 and the EU Eco-Management and Audit Scheme (EMAS), and comply with the requirements of environmental permits.

## IT risk

IT risk is the risk that a Group company will not be able to achieve its business goals due to deficiencies in its IT solutions. The main IT risks are the failure of IT systems and the loss of data (incl. customer data) or data confidentiality.

We manage this risk by conducting and updating risk analyses for all essential and business-critical operations and by raising our employees' awareness of information and cyber security risks through various IT security training courses and seminars.

## Technological and technical risk

We define technological and technical risk as the possibility that technological solutions do not meet strategic expectations, or that a failure of control, management or security systems, or an attack designed to prevent systems from functioning and disrupt services will result in service or production interruption, a major incident or a significant loss (incl. environmental damage).

To manage the risk, we work with research institutions and technology developers, have implemented the ISO 55001 standard

for asset management, have deployed additional cybersecurity solutions and, following any significant event, conduct a root cause analysis and develop measures to reduce the likelihood of similar events occurring. We regularly analyse business continuity risks to ensure the continuity of our services.

## Operational risks

Operational risk arises from inadequate or ineffective processes, people, equipment, systems or external events. Operational risks are managed by applying policies, standards, management principles and performance indicators. The impact of some operational risks is mitigated by purchasing insurance cover.

We pay great attention to mitigating occupational safety and work environment risks. All our production companies have implemented an occupational health and safety management system. We believe it is important to involve employees in identifying work environment risks and improving safety culture. In addition to safety instruction during initial and ongoing training, we organise separate safety training courses and days. Our aim is to work without accidents and occupational diseases.

Due to the size and scale of the Group's operations, we pay considerable attention to fraud risk management. We mitigate the risk of fraud occurring and the resulting losses by increasing the proportion and effectiveness of preventive measures, while maintaining day-to-day fraud detection and response capabilities.

To better manage fraud risk, the Group has created a dedicated fraud risk management unit, adopted a code of ethics and established fraud risk management principles that comply with international standards. We also operate a hotline that meets the requirements of the EU Whistleblower Directive, run various information and training programmes (e.g annual e-courses on the ethics code and anti-corruption training) and cooperate with domestic and foreign law enforcement agencies and professional associations.

We have introduced a system for declaring economic interests, which requires employees who may be exposed to conflicts of interest in the performance of their duties to declare their economic interests and confirm their independence through regular self-assessment.

## Risk reporting

The Group's risk reporting and information sharing processes ensure that risk-related information reaches all relevant stakeholders. We measure the success of our risk management processes and activities and the achievement of our risk management objectives using key performance indicators and other metrics, and validate this by assessing the maturity of risk management.

Risks that have a significant impact on the achievement of the Group's objectives and targets are regularly reported to the Group's management teams, management board and audit committee. Management and other relevant parties are promptly informed of any significant events as well as potential and actual changes in the Group's risk profile.





**Financial Results**



# Revenue and EBITDA

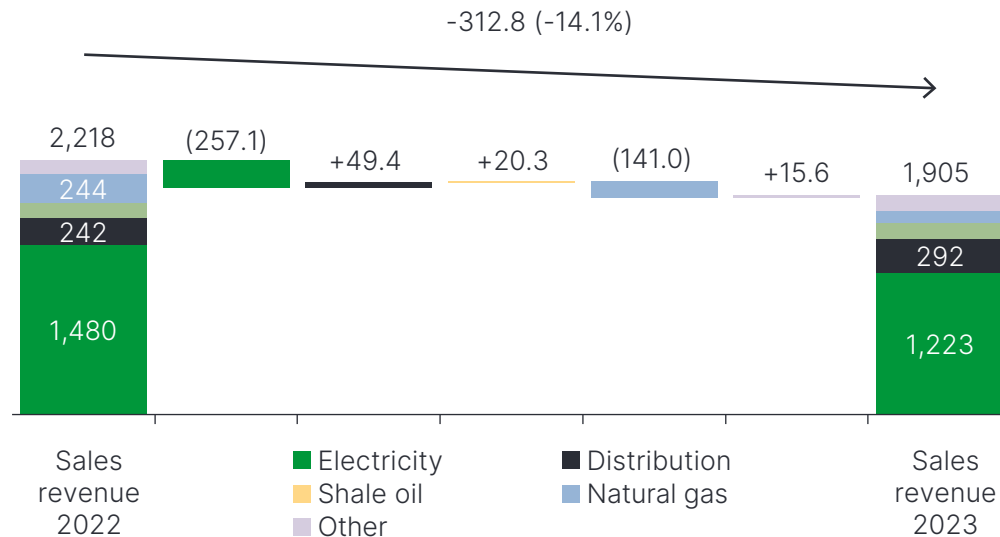
Eesti Energia's revenue for 2023 was 1.9 billion euros, which is 14% (-0.3 billion euros) lower than the year before. Revenue decline was attributable to energy prices, which fell compared to 2022: electricity revenue decreased by 17% (-257.1 million euros) and natural gas revenue decreased by 58% (-141.0 million euros). The revenues of other segments increased. Distribution revenue grew by 20% (+49.4 million euros) due to higher network charges. Shale oil revenue improved by 15% (+20.3 million euros), driven by a record sales volume of 468 thousand tonnes. Revenue from the sale of other products and services grew by 13%, mainly due to higher revenue from the sale of heat and solar services.

EBITDA for 2023 amounted to 436.7 million euros, an increase of 4% (+16.4 million euros) compared to 2022. EBITDA includes the effect of changes in the value of long-term power purchase agreements (PPAs) of -46.3 million euros (2022: +87.4 million euros). Adjusted EBITDA (excl. the effect of PPAs) for 2023 was 483.1 million euros (+150.1 million euros, +45%). Electricity EBITDA increased due to a higher margin and strong gain on realised derivative transactions. Distribution EBITDA grew, supported by a higher average sales price. Distribution EBITDA for the comparative period was also exceptionally low due to the situation in the electricity market. Shale oil EBITDA grew, supported by a larger sales volume. Natural gas was the only core product

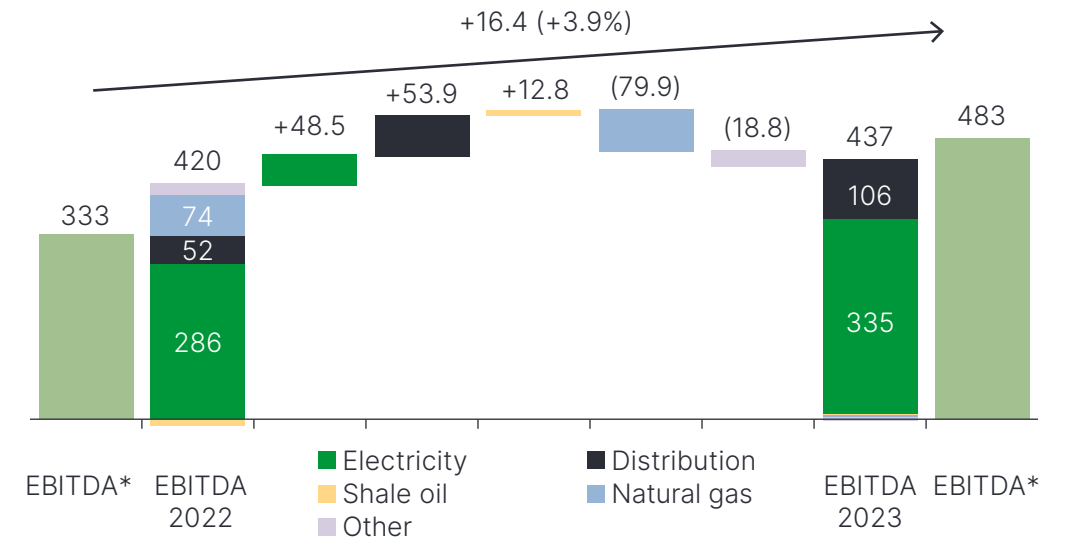
whose EBITDA decreased, mainly due to unrealised derivative transactions, which had a negative effect compared to the previous year, and a lower variable profit. EBITDA on other products and services decreased compared to 2022.

The Group's net loss for 2023 amounted to 422.1 million euros (-637.7 million euros, -296%) and adjusted net loss to 375.7 million euros (-504.0 million euros, -393%). Net loss includes impairment losses for oil shale power plants (impact: -628.4 million euros) recognised due to a significant decrease in the competitiveness of these power plants. In the current electricity market price environment, oil shale power plants are unable to recover their costs from the market.

Group's sales revenue breakdown and change, m€



Group's EBITDA breakdown and change, m€



\* Adjusted EBITDA excludes the impact of fluctuations in the fair values of long-term power purchase agreements (PPAs).

# Electricity

The electricity segment comprises the results of various Group companies involved in the production and sale of electricity, including the production of electricity from renewable sources and oil shale, and the retail sale of electricity.

## Electricity revenue

In 2023, both the sales price and sales volume of electricity decreased compared to 2022. As a result, electricity revenue declined by 17% to 1.2 billion euros (-0.3 billion euros).

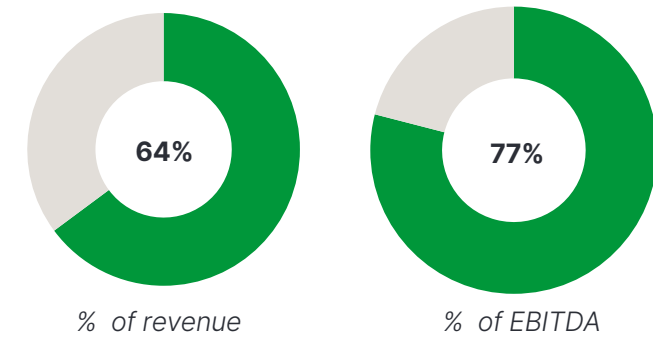
## Average sales price of electricity

The Group's average sales price of electricity in 2023 was 119.0 €/MWh, which is 18% (-26.8 €/MWh) lower than in 2022.

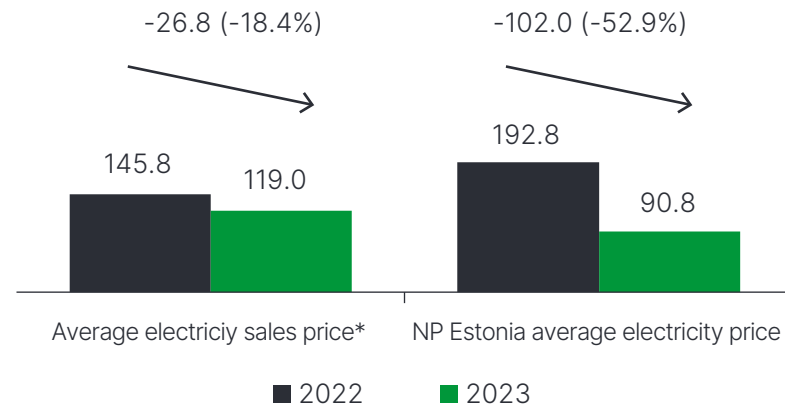
The average sales price excludes the impact of derivative transactions. The average sales price for 2023 including the impact of derivatives was 119.1 €/MWh, which is 15% (-21.0 €/MWh) lower than the year before.

The decline in the sales price reflects the stabilisation of the energy markets compared to the previous year.

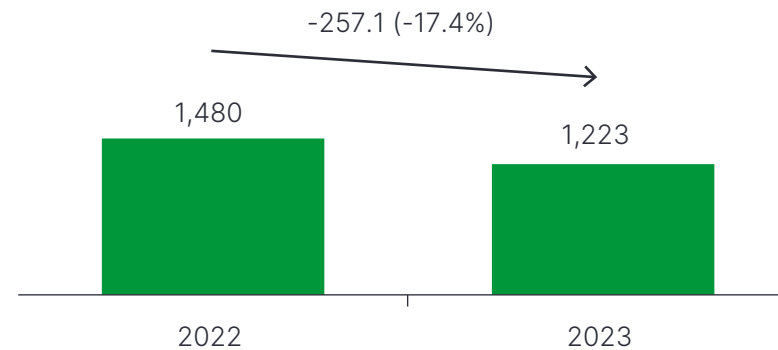
## Share of electricity product in Group's sales revenue and EBITDA



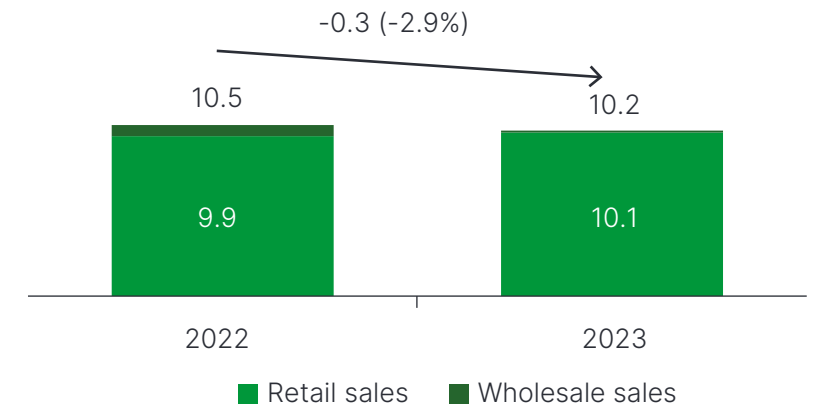
## Average sales price, €/MWh



## Electricity sales revenue, m€



## Electricity sales volume, TWh



\* Total average sales price of electricity product (including retail sales and wholesale sales). Average sales price excludes sales and gain on derivatives and municipal waste gate fees.



## Electricity sales volume and Eesti Energia's market share

We sold 10,236 GWh of electricity in 2023, 301 GWh (-3%) less than in 2022.

Retail sales increased by 213 GWh (+2%) compared to 2022, rising to 10,085 GWh. Retail sales broke down between markets as follows: Estonia 3,887 GWh (-308 GWh), Latvia 1,587 GWh (-196 GWh), Lithuania 2,320 GWh (+46 GWh), Poland 2,234 GWh (+667 GWh) and Finland 57 GWh (+3 GWh). Wholesale sales fell by 514 GWh (-77%) to 150 GWh.

In terms of customers' electricity consumption, Eesti Energia's market shares in 2023 were 54% in Estonia (2 percentage points down from 56% in 2022), 29% in Latvia and 14% in Lithuania. Compared to our market shares in 2022, we gained 4 percentage points in Latvia, but lost 4 percentage points in Lithuania.

## Electricity production volume

We produced 3,614 GWh of electricity in 2023, 42.3% (-2,647 GWh) less than in 2022. The main reasons for the decline were a more than twofold fall in electricity prices and the stabilisation of the natural gas prices and supply chains, which made it difficult for generating units supplied with desulphurisation (DeSOx) systems to access the market due to their high product cost. Production was also negatively affected by the availability of the Auvere power plant in the second half of the year: due to the replacement of external heat exchangers, the plant was offline for emergency repairs for nearly three months. Annual electricity generation was also influenced by the growth of renewable energy production in the Baltics – solar power



nearly doubled and wind power nearly tripled, significantly reducing the need for electricity from fossil power plants.

Our renewable energy production grew by 177 GWh (+12.2%) year on year to 1,627 GWh, of which 1,103 GWh came from wind farms. Wind power production increased by 191 GWh (+21%), mainly due to higher output by the Purtse wind farm in Estonia and the Akmenė and Šilalė wind farms in Lithuania. The latter two will be completed in 2024. Electricity generated from other renewable sources, mostly biomass, amounted to 524 GWh.

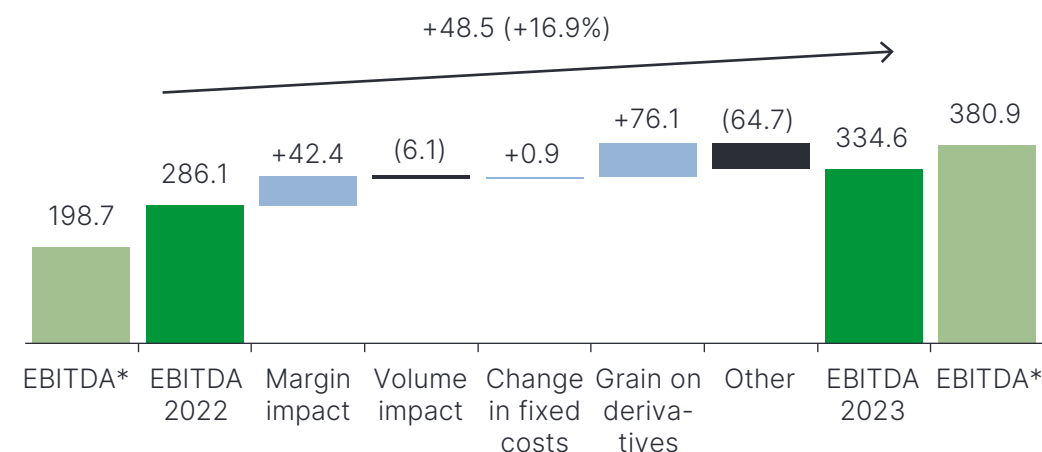
### Key figures of the electricity product

		2023	2022
Return on fixed assets	%	-36.5	16.8
Adjusted return on fixed assets	%	-31.5	9.7
Electricity EBITDA	€/MWh	32.7	27.2
Adjusted electricity EBITDA	€/MWh	37.2	18.9

### Electricity EBITDA

Electricity EBITDA for 2023 was 334.6 million euros (+17%, +48.5 million euros). The figure includes the effect of changes in the value of long-term PPAs of -46.3 million euros (2022: +87.4 million euros). Adjusted electricity EBITDA for 2023 (excl. the effect of PPAs) was 380.9 million euros (+182.2 million euros, +92%).

### Electricity EBITDA development, m€



\* Adjusted EBITDA excludes the impact of fluctuations in the fair values of long-term power purchase agreements (PPAs).

Adjusted EBITDA growth was driven by a higher margin and a better result for realised derivative transactions. The effect of the higher margin was +42.4 million euros (+4.1 €/MWh). Margin improvement was supported by a decline in electricity production and purchase costs. Electricity production costs decreased year on year because the Group covered a smaller share of its electricity sales with own production. Electricity purchase costs declined because market prices were lower. The gain on realised derivative transactions was 231.8 million euros (+76.1 million euros).

The effect of a smaller sales volume (-3%) was -6.1 million euros.

Other impacts of -64.7 million euros mostly reflect changes in the value of derivative transactions, including changes in the value of long-term PPAs of -133.7 million euros and the impact of revaluations related to universal service provision of +83.3 million euros.



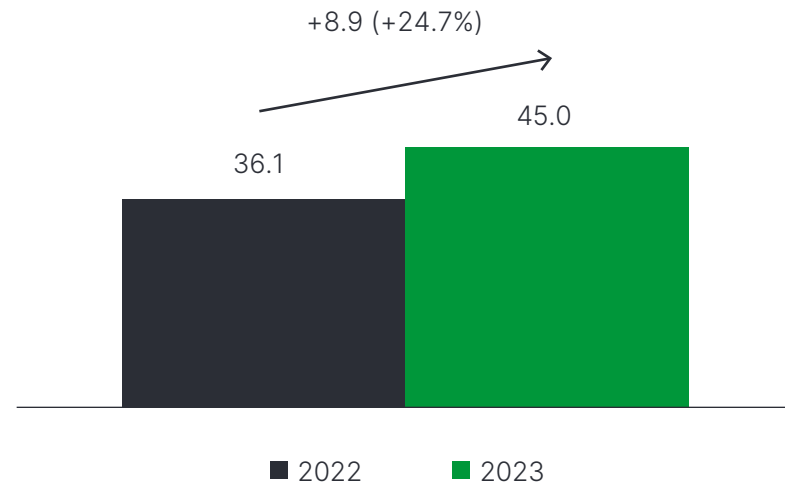
# Distribution

## Distribution revenue, sales volume and price

In 2023, electricity distribution revenue grew by 20.4% to 291.6 million euros (+49,4 million euros), while sales volume declined by 3.5% to 6,475 GWh (-233 GWh). The decline in sales volume was attributable to the economic environment: due to the economic downturn, consumption by corporate customers decreased by 5.7%. Consumption by households grew by 2.2%.

The average price of the distribution service was 45.0 €/MWh (+8.9 €/MWh, +24.7%). The average sales price increased by 8.9 €/MWh over the year due to changes in distribution charges.

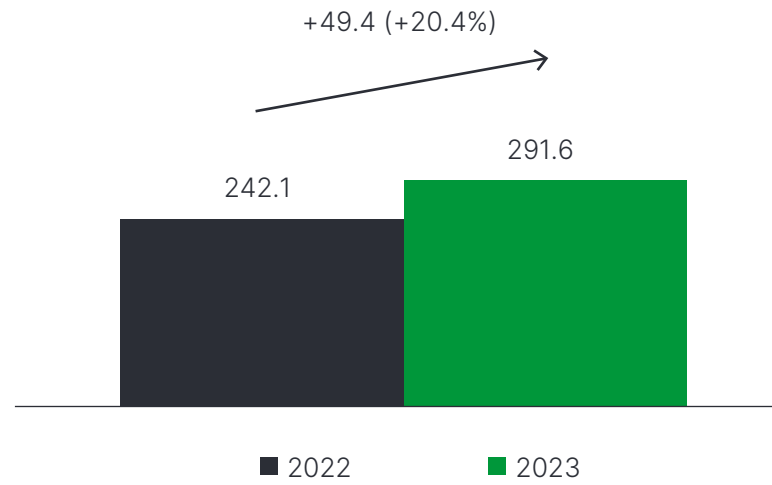
### Average sales price, €/MWh



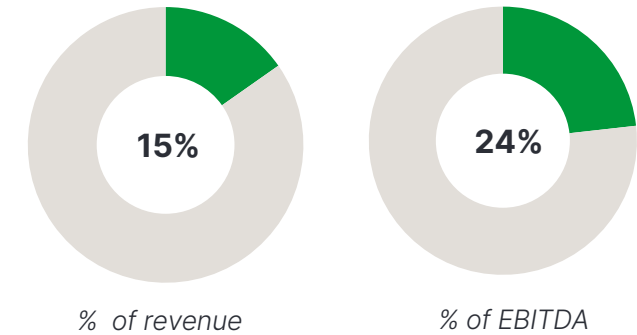
## Distribution losses

Electricity distribution losses in 2023 were 296.3 GWh (4.2%) in the network of Elektrilevi and 13.0 GWh (5.4%) in the network of Imatra Elekter. During the year, network losses grew by 24.8 GWh (0.4 percentage points) in the network of Elektrilevi and decreased by 0.5 GWh (0.2 percentage points) in the network of Imatra Elekter. The growth of distribution losses in the Elektrilevi network was influenced by the upward adjustment of the 2022 measurement data in the first half of 2023 by 5.9 GWh.

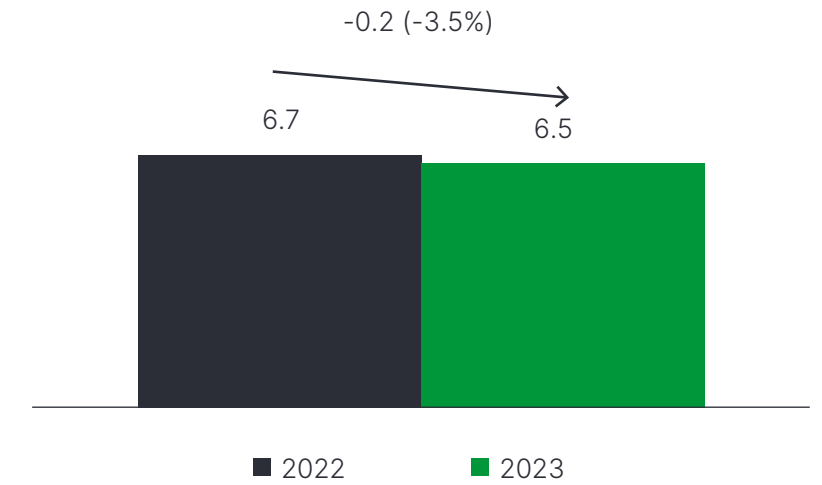
### Distribution sales revenue, m€



## Share of distribution product in Group's sales revenue and EBITDA



### Distribution volume, TWh







## Supply interruptions

The average duration of unplanned supply interruptions in 2023 was 451.7 minutes (2022: 239.6 minutes) due to severe weather conditions during the period. The average duration of planned supply interruptions was 75.9 minutes (2022: 74.4 minutes). The duration of planned supply interruptions depends on the volume of planned network maintenance and renewal.

## Key figures of the distribution product

		2023	2022
Return on fixed assets	%	4.0	-0.1
Distribution losses	GWh	309.3	285.0
SAIDI (unplanned)	index	451.7	239.6
SAIDI (planned)	index	75.9	74.4
Adjusted RAB	€m	934	888

Power outages can be reduced by replacing bare conductors with weatherproof cables. At the end of 2023, 95.7% (2022: 94.7%) of our low voltage distribution network and 44.9% (2022: 43.4%) of our medium voltage distribution network was weatherproof.

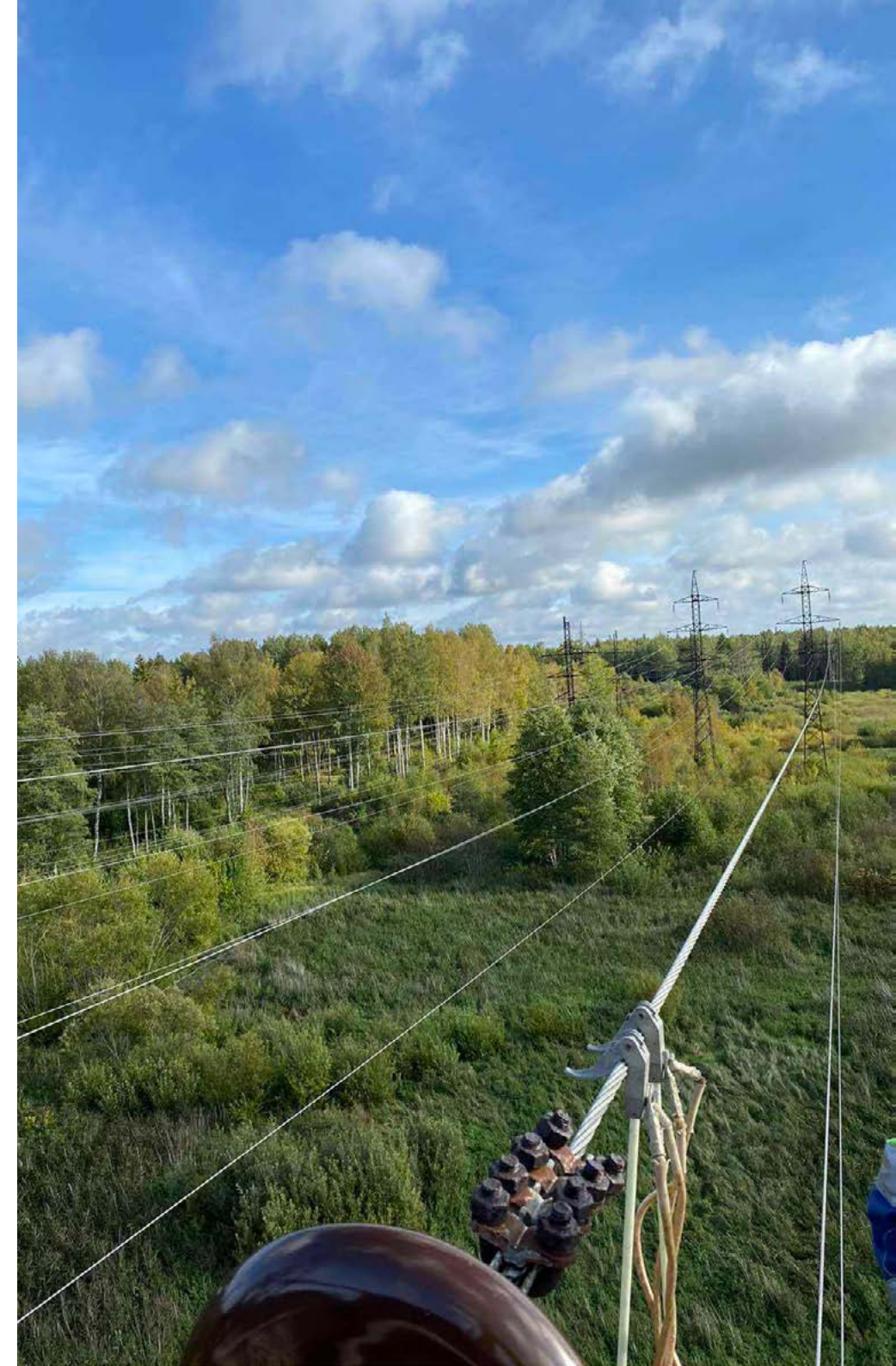
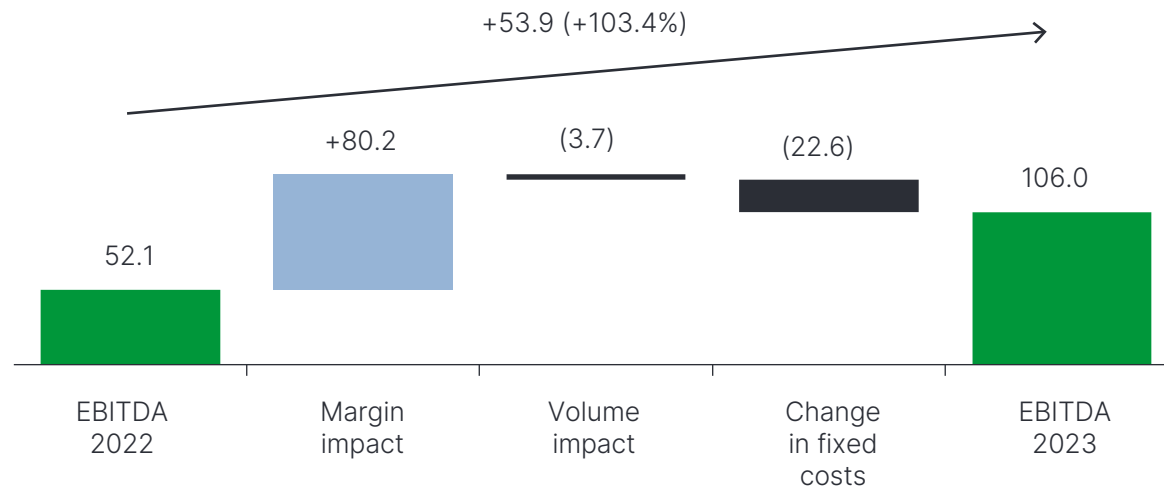


## Distribution EBITDA

Distribution EBITDA for 2023 amounted to 106.0 million euros (+103%, +53.9 million euros). The figure for the comparative period was historically low due to exceptionally high purchase prices of electricity (the distribution service provider has to cover network losses with electricity purchased at the market price), but in 2023 market conditions normalised. The effect of a higher margin on EBITDA development was +80.2 million euros. Average revenue grew by 8.9 €/MWh, while average variable costs declined by 3.5 €/MWh.

Distribution EBITDA was also strongly impacted by fixed costs (impact on EBITDA: -22.6 million euros), which grew due to significant growth in network repairs.

### Distribution EBITDA development, m€



# Shale oil

## Shale oil revenue and sales volume

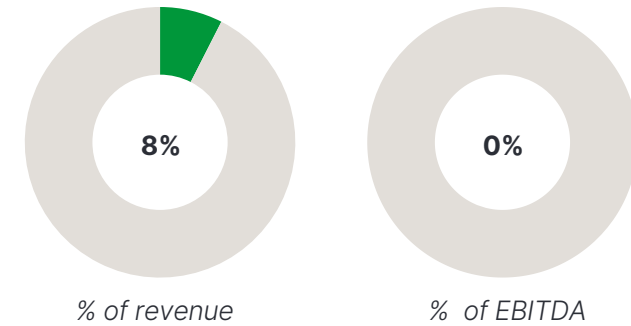
We sold 468 thousand tonnes of shale oil in 2023, generating revenue of 153.6 million euros. Shale oil revenue grew by 15.3% (+20.3 million euros) year on year. Sales volume increased by 15.4% (+62.6 thousand tonnes) due to higher production, which allowed us to sell shale oil on the spot market and realise inventories.

## Shale oil price

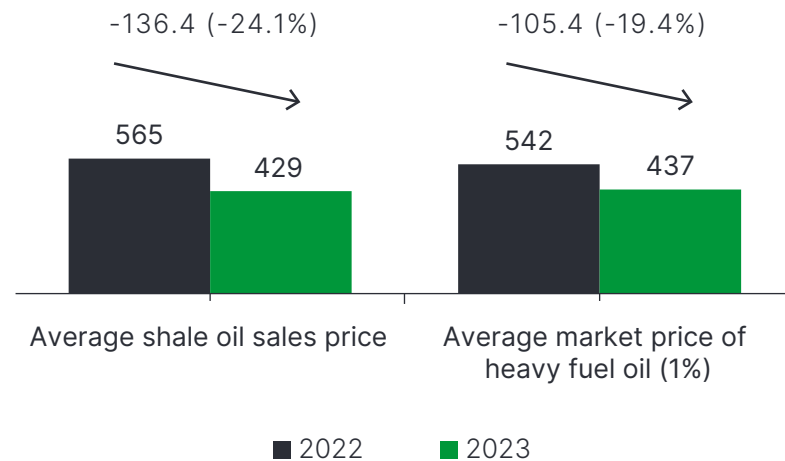
The average sales price of shale oil (excl. the impact of derivative transactions) decreased by 24.1% to 428.8 €/t (-136.4 €/t) in 2023.

Derivative transactions yielded a loss of 100.7 €/t. The average sales price of shale oil including the impact of derivative transactions was 328.1 €/t in 2023 (-0.2%, -0.5 €/t compared to 2022).

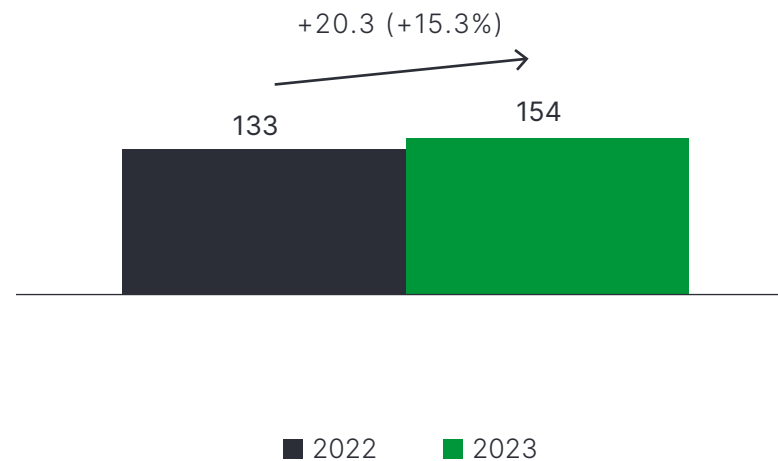
## Share of shale oil product in Group's sales revenue and EBITDA



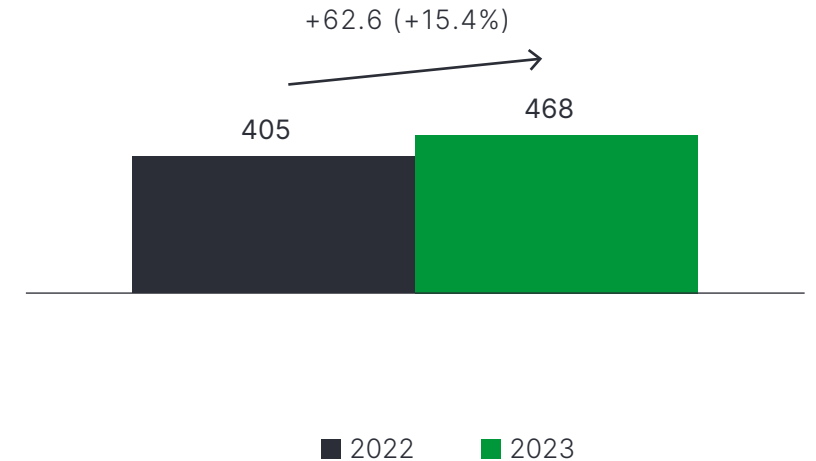
## Average shale oil sales price, €/t



## Shale oil sales revenue, m€



## Shale oil sales volume, '000 tonnes





## Shale oil production volume

We produced 475 thousand tonnes of shale oil in 2023, +11.9% (+50.6 thousand tonnes) more than the previous year. Production growth was supported by the implementation of a retort gas cooling system at the Enefit-280 oil plant, which allowed increasing gasoline production to 11.9 thousand tonnes. In addition, timely capital repairs enabled to increase the availability of both the Enefit-140 and Enefit-280 oil plants.

## Key figures of the shale oil product

		2023	2022
Return on fixed assets	%	-8.2	-10.3
Shale oil EBITDA	€/t	1.7	-29.5

## Shale oil EBITDA

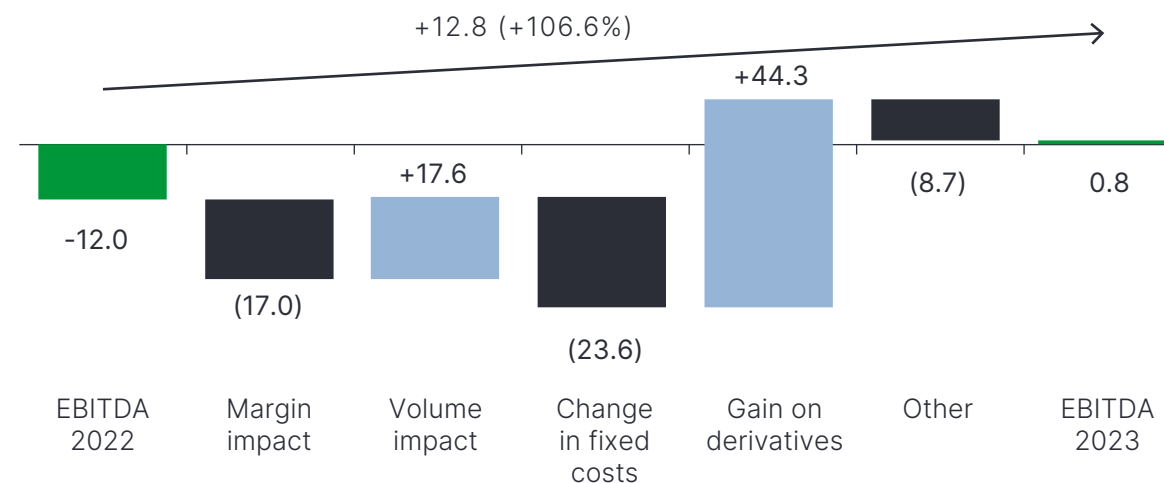
Shale oil EBITDA for 2023 was 0.8 million euros (+12.8 million euros). Shale oil sales grew by 62.6 thousand tonnes (+15%) compared to 2022, rising to a record 468.1 thousand tonnes, with an impact of +17.6 million euros on EBITDA.

The impact of a lower margin was -17.0 million euros (-36 €/t). The average sales price decreased by 136 €/t, while average variable costs declined by 100 €/t compared to 2022. Production costs decreased, primarily due to a decline in greenhouse gas emission costs. At the same time, a better result on realised derivative transactions improved EBITDA by 44.3 million euros.

Shale oil EBITDA was also strongly influenced by growth in fixed costs, which was driven by a rise in payroll costs and had an impact of -23.6 million euros.



## Shale Oil EBITDA development, m€



# Natural gas

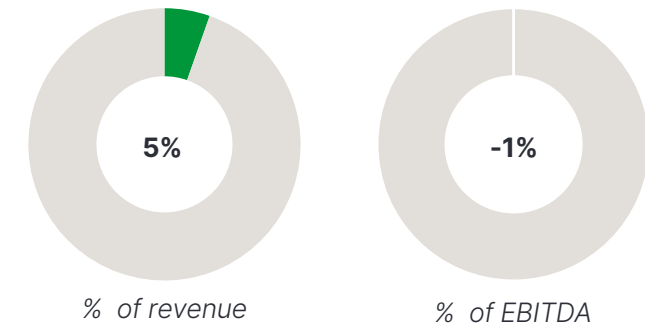
## Natural gas revenue and sales volume

In 2023, the Group's natural gas revenue decreased by 58% and sales volume declined by 32%. Natural gas revenue was 103.0 million euros (-141.0 million euros) and sales volume 1,518 GWh (-705 GWh). The natural gas sales volume decreased due to the overall decline in gas demand and a decrease in the number of our customers. Natural gas sales broke down between markets as follows: Estonia 89 GWh (-347 GWh), Latvia 166 GWh (-91 GWh), Lithuania 89 GWh (-345 GWh) and Poland 834 GWh (+68 GWh).

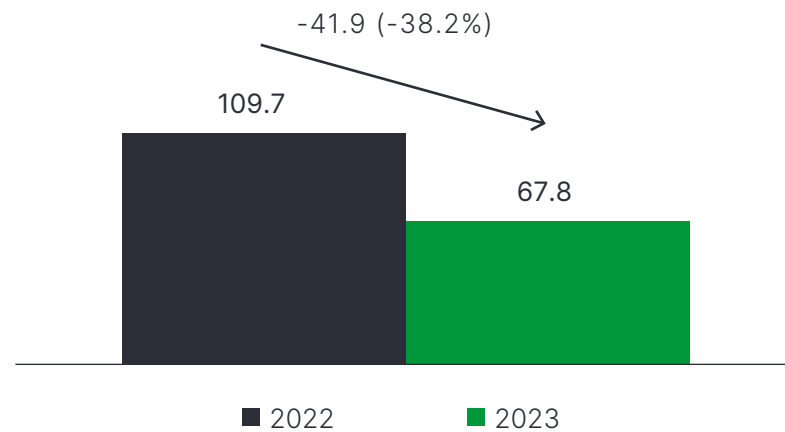
## Natural gas price

The average sales price of natural gas in 2023 was 67.8 €/MWh, which is 38% (-41.9 €/MWh) lower than in 2022. The decline in the sales price reflects the stabilisation of the energy markets compared to the previous year.

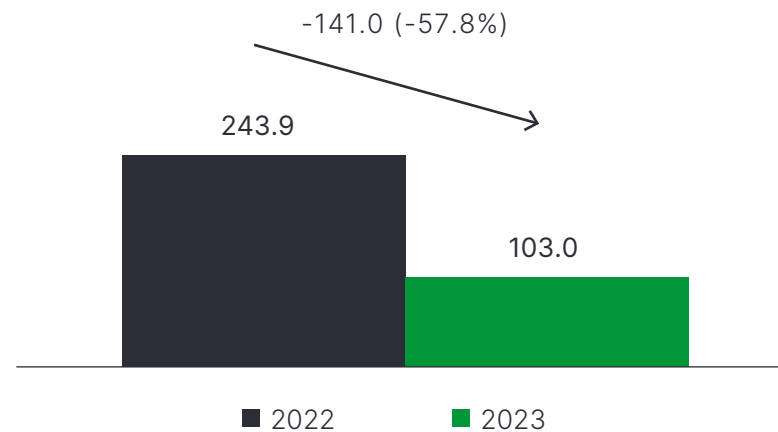
## Share on natural gas product in Group's sales revenue and EBITDA



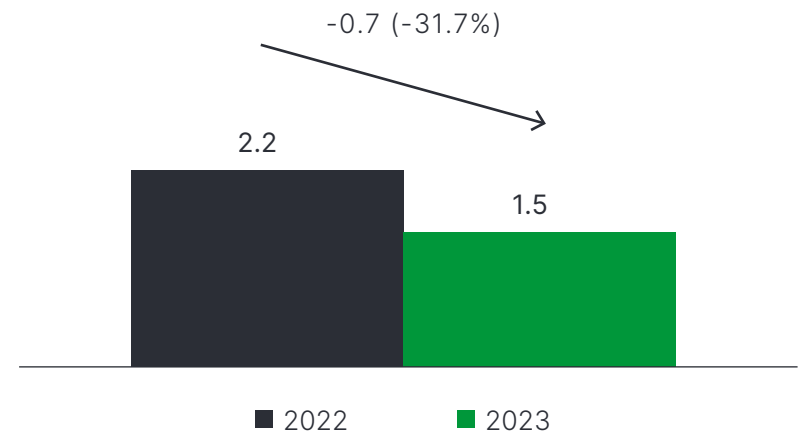
## Average sales price, €/MWh



## Natural gas sales revenue, m€



## Natural gas volume, TWh





## Key figures of the natural gas product

		2023	2022
Natural gas EBITDA	€/MWh	-4.2	33.1

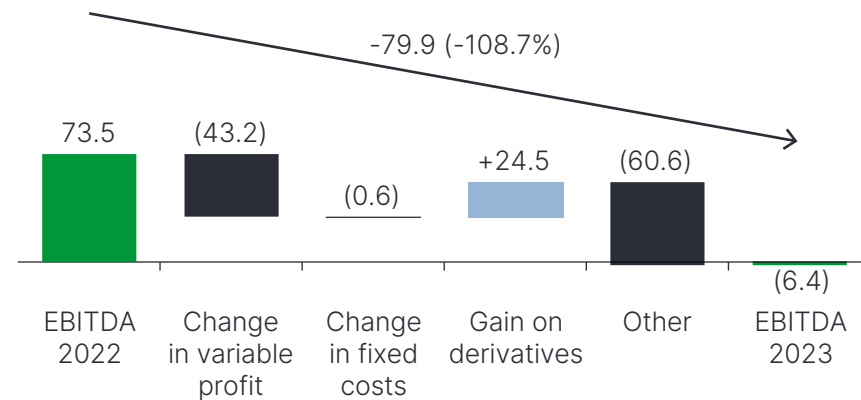
### Natural gas EBITDA

Natural gas EBITDA for 2023 was -6.4 million euros (-109%, -79.9 million euros). The figure was strongly influenced by the change in the value of unrealised derivative transactions (-60.6 million euros), as shown in the column 'Other' in the chart.

Variable profit for natural gas decreased by 43.2 million euros due to a smaller sales volume and a lower sales margin. The decline in variable profit was partly offset by a higher gain on realised derivative transactions (impact: +24.5 million euros).

Growth in fixed costs had an impact of -0.6 million euros on EBITDA and was driven by an increase in the costs of our LNG projects.

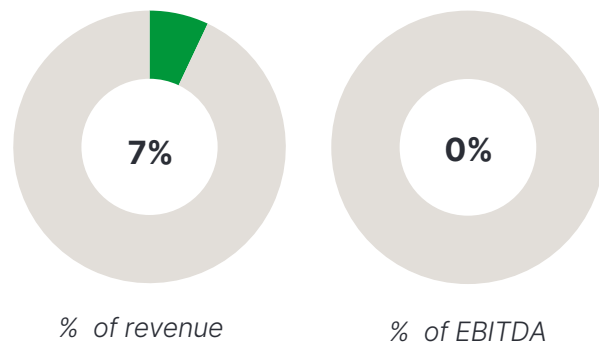
### Natural gas EBITDA development, m€



# Other products and services

The segment of other products and services comprises the sale of heat, industrial equipment and ancillary services. Our main ancillary services are charging, lighting, solar and flexibility services, and services related to heating and cooling equipment. The effects of one-off transactions and part of the Group's central development expenses and fixed costs are also reported in this segment.

## Share of other products and services in Group's sales revenue and EBITDA

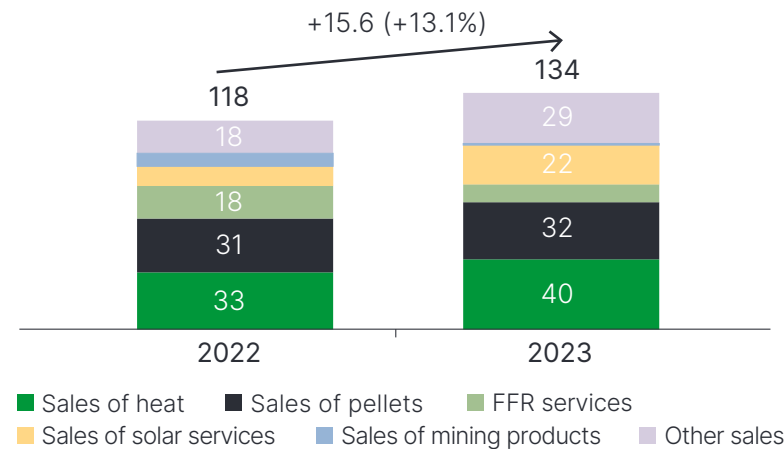


## Revenue from other products and services

Revenue from other products and services grew by 13% (+15.6 million euros) to 134.0 million euros in 2023.

The biggest change was in revenue from solar services, which grew by 10.3 million euros compared to the year before. Revenue from the sale of heat grew by 7.6 million euros due to higher sales prices, 3% larger sales volume and higher gate fees charged for waste disposal at the Iru power plant. Revenue from pellet sales increased by 1.8 million euros (business related to pellet sales was sold as of 29.12.2023) while revenue from frequency restoration reserve (FRR) services decreased by 8.0 million euros.

## Sales revenue from other products and services, m€



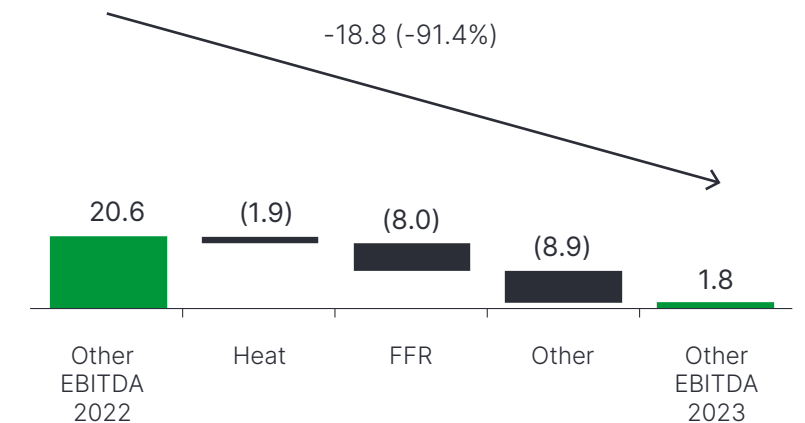
## EBITDA on other products and services

In 2023, EBITDA on other products and services decreased by 18.8 million euros to 1.8 million euros due to the effect of various factors.

Heat EBITDA decreased by 1.9 million euros and EBITDA on frequency restoration reserve (FRR) services declined by 8.0 million euros compared to 2022, due to decrease in market prices.

The combined effect of other impacts on EBITDA was -8.9 million euros. The EBITDA for solar services, mining products and pellets decreased the most.

## Other products and services EBITDA development, m€







**Cash Flows**



**Net operating cash flow for 2023 was 13.9 million euros, 422.8 million euros (96.8%) smaller than EBITDA, which amounted to 436.7 million euros.**

Changes in working capital increased net operating cash flow by 78.4 million euros compared to EBITDA. Working capital was mainly influenced by an increase in current liabilities of 48.5 million euros, a decrease current receivables of 65.8 million euros and a decrease in inventories of 20.1 million euros. Other changes in working capital had an impact of -17.7 million euros on operating cash flow.

Settlements related to CO<sub>2</sub> emission allowances increased operating cash flow by 4.5 million euros compared to EBITDA.

The impact of derivative financial instruments (excl. CO<sub>2</sub> instruments) was -407.9 million euros. The figure includes the impacts of electricity derivatives of -375.5 million euros, shale

oil derivatives of -35.0 million euros, and gas and other derivatives of +2.6 million euros. The outcome of derivative transactions was mainly influenced by an increase in collateral fee liabilities due to the decrease in the electricity price.

Interest paid on borrowings reduced operating cash flow by 59.8 million euros. Income tax paid in 2023 amounted to 24.7 million euros.

Other impacts totalled -13.3 million euros, including the impacts of the amortisation of connection fees and government grants of -13.5 million euros and -1.5 million euros, respectively.

**Net operating cash flow decreased by 97.3% (-494.8 million euros) compared to 2022.**

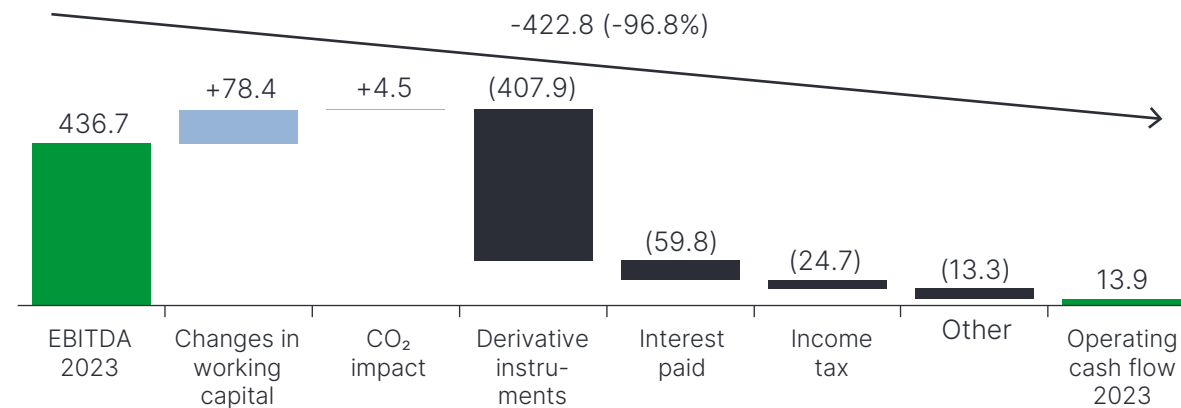
Changes in working capital increased net operating cash flow by 80.0 million euros compared to 2022. The figure includes

the impacts of a change in current receivables of +124.6 million euros, a change in current liabilities of -103.4 million euros and a change in inventories of +43.6 million euros. The impact of other changes in working capital was +13.1 million euros.

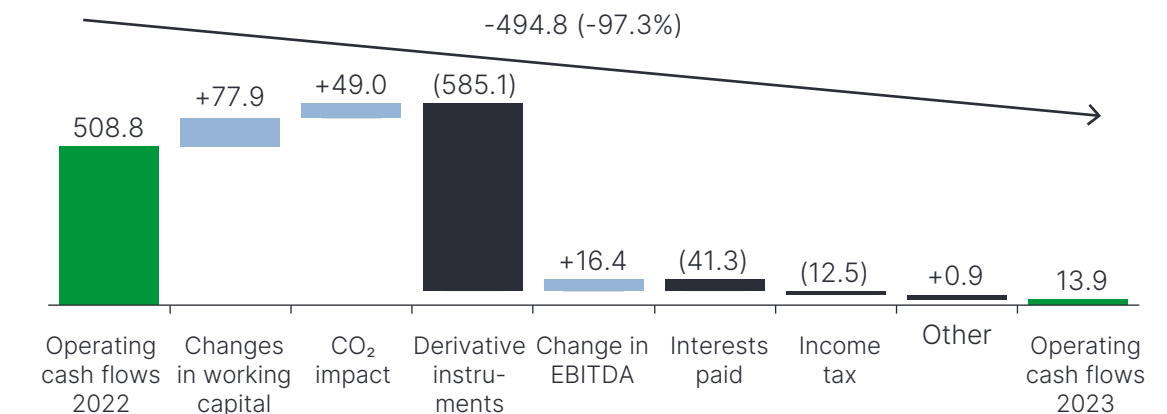
The effect of settlements related to CO<sub>2</sub> emission allowances was +49.0 million euros. The impact of derivative financial instruments (excl. CO<sub>2</sub> instruments) was -585.1 million euros. The figure includes the impacts of electricity derivatives of -541.5 million euros and shale oil derivatives of -49.8 million euros. The impact of other derivatives was +6.2 million euros.

Income tax paid in 2023 was 12.5 million euros larger than in 2022. Interest paid on borrowings grew by 41.3 million euros compared to the previous year. The total impact of other changes was +0.9 million euros.

**EBITDA to operating cash flows development, m€**



**Operating cash flow changes, m€**







**Investment**



**Investments made in 2023 were the largest in Eesti Energia's history due to the rapid development of renewable energy capacities. We invested 779.3 million euros in 2023 (+75.0%, +334.1 million euros).**

## Renewable energy

We invested 338.5 million euros in increasing our renewable energy production capacity through our subsidiary Enefit Green. Investments in our Estonian wind farms extended to 102.8 million euros, of which 84.1 million euros was invested in the Sopi-Tootsi wind farm. Investments in our Lithuanian wind farms comprised investments of 127.5 million euros for the Kelmė and 12.5 million euros for the Akmenė wind farms. We also invested 51.8 million euros in our Tolpanvaara wind farm in Finland and 24.9 million euros in other wind farms. The Šilalė, Akmenė and Tolpanvaara wind farms are scheduled for completion in 2024.

In addition, we made investments in the development of solar farms in Estonia and Poland. In Estonia, we invested in the Purtse (12.7 million euros), Vändra (9.4 million euros) and Sopi (7.9 million euros) solar farms. The Sopi solar farm, located in the northern part of Pärnu county near the Sopi-Tootsi wind farm, the largest renewable energy production area in the Baltics, is due to come online at the end of 2024. In November, Enefit Green started the construction of two solar power plants in the Ādaži and Carnikava regions in the western part of Latvia, which should start producing electricity in the summer of 2024. These are the company's first solar farms in Latvia.





### Network services

Investments made to maintain and continuously improve the quality of the electricity distribution service totalled 168.5 million euros (2022: 125.5 million euros), including investments of 95.8 million euros in network connections.

Elektrilevi built 422 new substations and 1,343 km of network in 2023 (2022: 352 new substations and 1,299 km of network). At the end of 2023, 95.7% of Elektrilevi’s low voltage distribution network was weatherproof (end of 2022: 94.7%). During the year, the weatherproof network increased by 1,044 km and the bare conductor network decreased by 727 km. At the end of 2023, 74.1% of Elektrilevi’s total low and medium voltage distribution network was weatherproof.

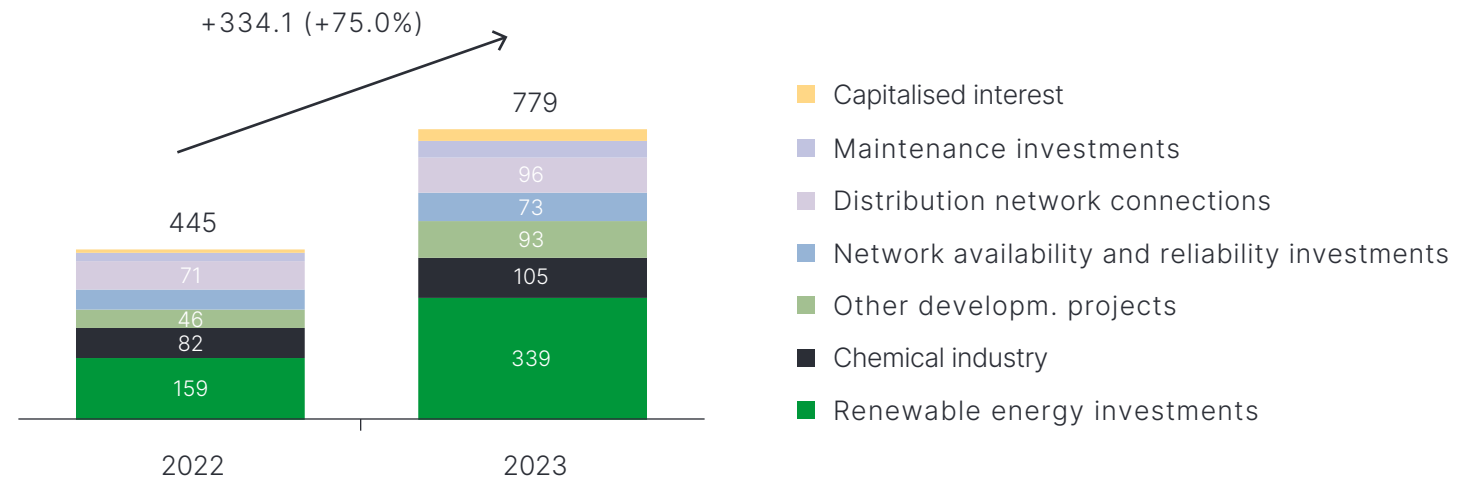
Imatra Elekter built 11 new substations and 41 km of network. By the end of 2023, 94.4% of its low-voltage distribution network was weatherproof (by the end of 2021: 93.2%). During the year, the weatherproof network grew by 31 km and the bare conductor network decreased by 26 km. At the year-end, 66.3% of the total low- and medium-voltage distribution network operated by Imatra Elekter was weatherproof.

### Large-scale energy production

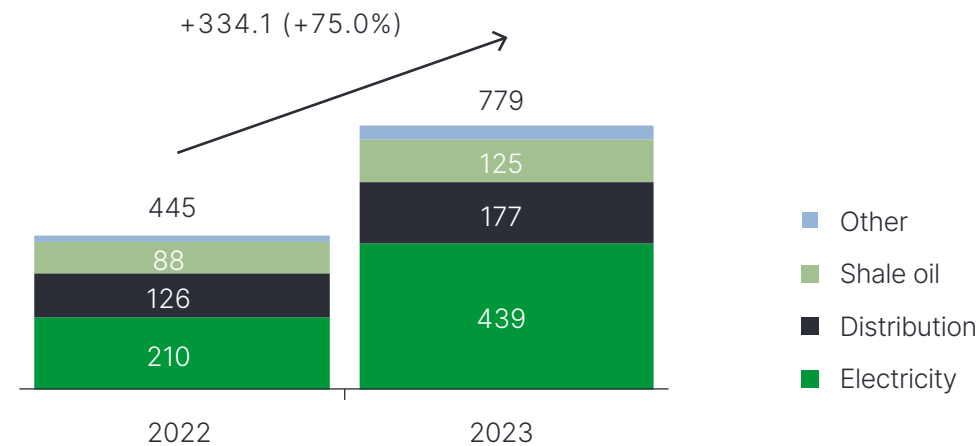
We invested 105.0 million euros in the development of the chemical industry, which is scheduled for completion in 2024 and will increase our annual output of liquid fuels to 700,000 tonnes.

In addition, we invested 6.1 million euros in the reconstruction of the external heat exchangers of the Auvere power plant in order to improve its availability. We also invested 3.2 million euros in the construction of the central warehouse for the Auvere production complex, a project aimed at modernising and improving the efficiency of warehouse operations, ensuring that working conditions and fire safety comply with current regulations and creating better conditions for the storage and safekeeping of assets.

### Capex breakdown by projects, m€



### Investment breakdown by products, m€







**Financing**



**Development projects in the energy sector are generally capital intensive. Our own resources are not always sufficient to build new production facilities or to undertake significant business expansion. We therefore raise debt from the market to finance major development projects.**

Financing decisions are made in accordance with Eesti Energia’s financing policy, which defines our financing principles, the permitted debt ratio and the sources of debt financing. According to the policy, Eesti Energia’s objective is to keep the ratio of net debt to EBITDA below 3.5 in the long term (the ceiling may be exceeded in the short term in the case of major investments or acquisitions, the ratios as at 31 December 2023 and 31 December 2022 are provided on page 78).

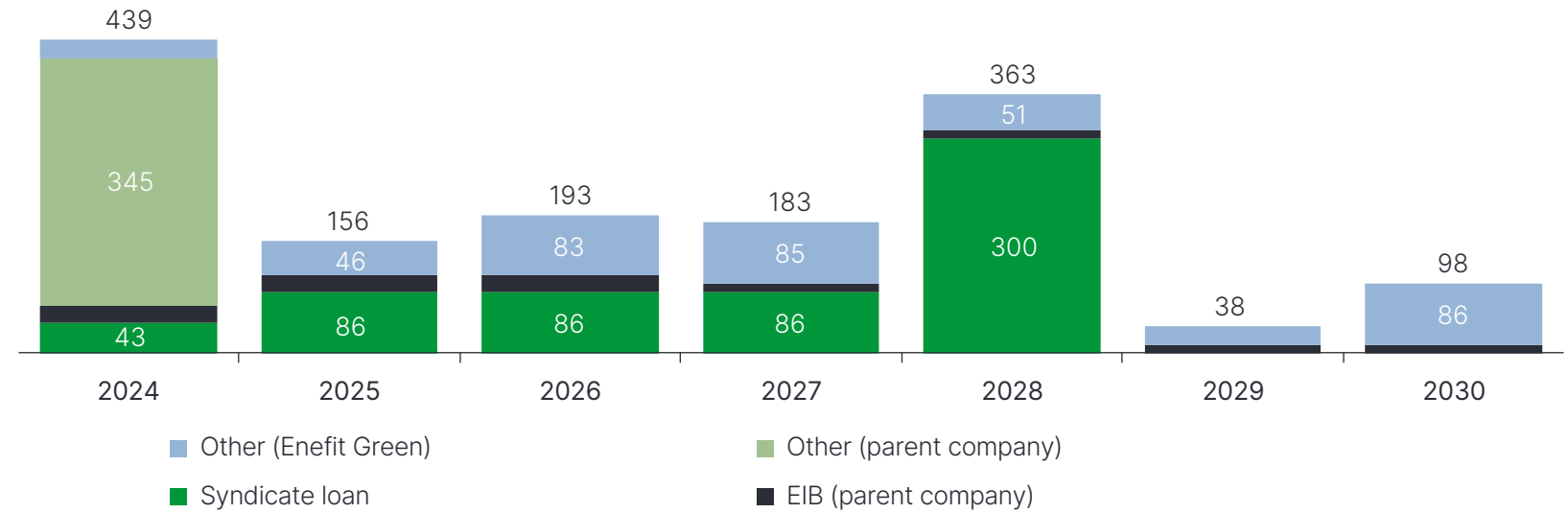
Our main sources of debt capital are investment loans from the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the Nordic Investment Bank (NIB) and commercial banks. We also use revolving credit and guarantee facilities obtained from regional banks.

### Borrowings and credit ratings

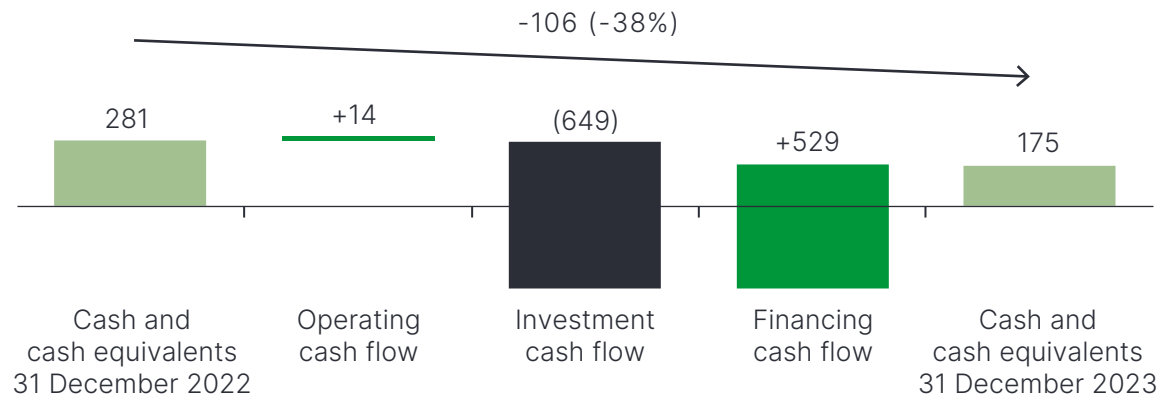
The Group’s borrowings as at the end of 2023 amounted to 1.7 billion euros (end of 2022: 1.0 billion euros).

Borrowings as at the reporting date consisted of a syndicated loan of 600 million euros and loans from the EIB of 242 million euros (nominal amount), the NIB of 173 million euros (nominal amount), the EBRD of 6 million euros (27.5 million Polish zloty) and commercial banks of 637 million euros (nominal amount, incl. revolving credit of 195 million euros). The Group’s loans

Debt maturity, m€



Liquidity development in 2023, m€



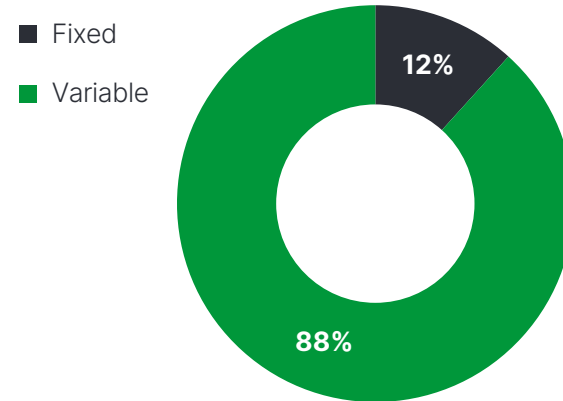
included loans of 472 million euros taken by the subsidiary Enefit Green (incl. the 6 million euro loan from the EBRD). The loans taken by the Group's parent company from commercial banks amounted to 945 million euros, consisting of the syndicated loan of 600 million euros, a loan of 150 million euros from Swedbank (maturing in June 2024), and revolving credit of 70 million euros from Swedbank and 125 million euros from OP Corporate Bank. In addition, the parent company had loans of 242 million from the EIB.

During the year, Enefit Green made regular loan repayments for investment loans of of 23.5 million euros in total to the local commercial bank SEB, the NIB, OP Corporate Bank and the EBRD. The parent company made regular loan repayments of 17.9 million euros to the EIB.

The Group's liquid assets at the end of 2023 amounted to 175 million euros (cash at bank). In addition, at the reporting date the Group had undrawn loans of 410 million euros, of which 75 million euros was attributable to the parent company and 335 million euros was attributable to the subsidiary Enefit Green. In 2023, the parent company signed a new loan agreement of 600 million euros (the syndicated loan maturing in February 2028). The loan is sustainability-linked with two ESG KPI's: carbon intensity of scope 1, 2 and 3 emissions and yearly addition of renewable energy capacity. The purpose of the term loan was to primarily refinance the 500 million euro bond that matured in September 2023. In 2023, Enefit Green signed new loan agreements of 505 million euros (180 million euros maturing in September 2035 from the EIB, 100 million euros maturing in January 2035 from the NIB and 225 million euros maturing in January 2030 from SEB).

The Group's revolving credit facilities at the end of 2023 amounted to 320 million euros (150 million euros from OP Cor-

### Loans by interest rates

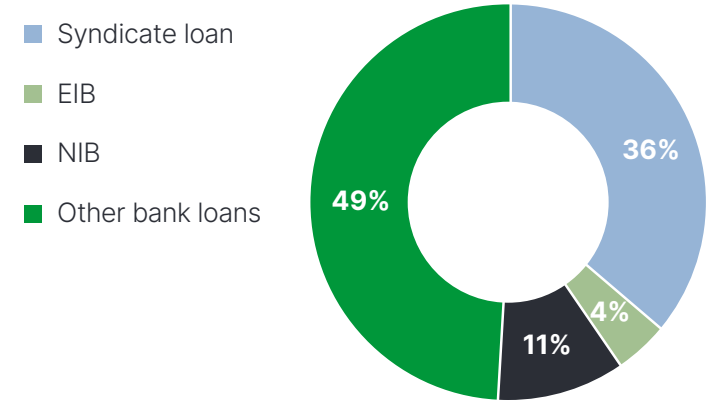


porate Bank, 100 million euros from SEB and 70 million euros from Swedbank), of which the 70 million euros from Swedbank and 125 million euros from OP Corporate Bank was drawn down. The revolving credit lines comprise loans raised by the parent company of 270 million euros and loans raised by the subsidiary Enefit Green of 50 million euros.

The Group's undrawn long-term investment loans at the end of 2023 totalled 285 million euros, all of them attributable to Enefit Green. The figure comprises a loan of 105 million euros raised from SEB in January 2023 and a loan of 180 million euros raised from the EIB in September 2023.

In 2024, the group plans to raise equity. The most optimal way for this is chosen depending on the market situation.

### Debt capital provider



The parent company's revolving credit facilities mature as follows: 200 million euros in September 2025 (75 million euros undrawn at the reporting date) and 70 million euros in August 2026 (fully drawn down at the reporting date). Enefit Green's revolving credit facilities mature as follows: 20 million euros in both September 2024 and September 2026 (both amounts undrawn at the reporting date) and 10 million euros in May 2025 (10 million euros undrawn at the reporting date).

The weighted average interest rate of Eesti Energia's borrowings at the end of 2023 was 5.76% (end of 2022: 2.47%).

At the reporting date, the Group had borrowings of 195 million euros with fixed interest rates and borrowings of 1.5 billion euros with floating interest rates (end of 2022: borrowings of 723



million euros with fixed interest rates and borrowings of 0.3 billion euros with floating interest rates). Out of total borrowings, 99.6% were denominated in euros. One loan liability of 6 million euros (to the EBRD) was denominated in Polish zloty.

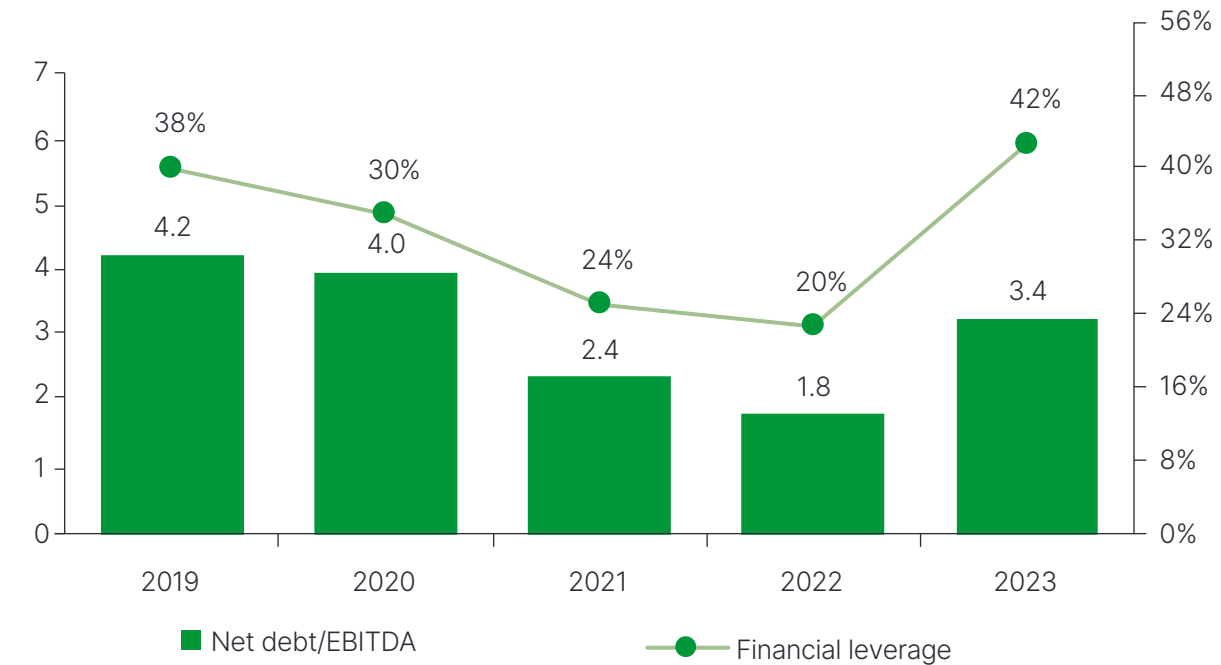
The rating agency S&P updated its credit analysis for Eesti Energia in January 2024. The rating remained the same (BBB-) but outlook was revised to negative. The rating agency Moody's updated its credit analysis for Eesti Energia in May 2023. The rating and the outlook remained the same (Baa3, outlook stable). Eesti Energia's financing policy sets the target of maintaining investment grade credit ratings from international rating agencies.

## Equity and financial ratios

The Group's equity stood at 2.1 billion euros at the end of 2023. Eesti Energia's sole shareholder is the Republic of Estonia. In 2023, the Group paid the shareholder a dividend of 69 million euros. The Group's net debt at the end of 2023 was 1.5 billion euros (end of 2022: 0.8 billion euros). The net debt to EBITDA ratio was 3.4 at the reporting date (end of 2022: 1.8). The current net debt to EBITDA ratio is below the target ceiling of 3.5 set out in the Group's financing policy. Under the loan agreements, Eesti Energia is obliged to comply with certain financial covenants. At the reporting date, the Group was in compliance with all contractual covenants.

### Net Debt/EBITDA, times

### Financial leverage, %







**Outlook for 2024**



# Outlook for 2024

In 2024, we will continue on our green journey, where customer focus, innovation and efficiency are key. Although there are many challenges, our direction is clear – to drive the green transition and to do so in a balanced way: making green energy accessible while ensuring energy security. Renewable energy production, affordable and useful energy solutions based on renewable energy, a strong electricity distribution network and a sustainable chemical industry are the cornerstones on which Eesti Energia is building its future.

The economic environment is showing signs of improvement in all our markets, providing a favourable basis for our ongoing development. We expect inflation to slow and economic growth to recover, probably more slowly in Estonia than in our other markets. Interest rates are expected to decrease slightly in the second half of 2024, but to remain significantly higher than a few years ago, which is likely to put pressure on our investment capacity and increase the cost of financing.

We expect the outlook for energy markets to be more stable than in recent years. Lower market prices for electricity, which will allow us to offer more affordable energy to our customers, will also have a negative impact on the profitability of power generation. Oil shale power plants will no longer be competitive at expected electricity price levels and will not be able to recover their costs from the market.

We expect revenue for 2024 to remain at the same level as in the previous year. The decrease in revenue due to lower market prices for electricity is expected to be offset by an increase in electricity sales volumes, supported by new renewable generation units that will be completed. EBITDA is expected to decline slightly, mainly due to the decrease in the competitiveness of oil shale power plants.

In 2024, we will focus on developing renewable energy, improving the quality of network services, developing a sustainable chemical industry and increasing customer satisfaction. After record investments in 2023, we expect capital expenditure to decline somewhat in 2024. One of the priorities is to complete major projects that are in their final stages. The investment plan for the year includes the completion of a number of wind and solar farms under construction by Enefit Green and the new Enefit 280-2 oil plant, which is expected to be delivered by the end of the year.







# Eesti Energia's Sustainability Report













Eesti Energia's sustainability report has been integrated into Eesti Energia's annual report for 2023. The information presented in the sustainability report is based on Eesti Energia's strategic goals, the most significant impacts of its business activities, its stakeholder groups and global sustainable development goals (SDGs). The report contains the consolidated results of the Eesti Energia Group and its subsidiaries, except where otherwise indicated.

The information presented in the sustainability report covers the reporting period from 1 January 2023 to 31 December 2023. The agreed starting point for evaluating the Group's sustainability indicators is the level in 2022 except for the CO<sub>2</sub> intensity of our energy production operations where the base-line year is 2020.

Eesti Energia's sustainability report has not been audited and is based on the company's own data.

## Sustainability priorities of the Eesti Energia Group

The Group's sustainability focus areas are aligned with its strategy for 2022–2026 and its strategic goals. Responsibility for the implementation of the strategy and the achievement of the goals rests with the Group's management board and the managers of Group companies and units. The Group has appointed a person responsible for each strategic goal, and shared goals and annual targets are agreed at the level of the strategic management team. Progress towards goals related to the Group's sustainability priorities is monitored at the level of the management board and by persons accountable for the focus areas.

ESG GOAL	Focus area	Target for 2026	Result for 2022	Result for 2023	Contribution to global SDGs
Mitigating global warming and reducing the negative environmental footprint of energy production	We are a supportive energy partner that helps its customers reduce their environmental footprint.	80% of our customers will use at least one green product or service. <sup>1</sup>	31%	<b>33%</b>	 
	We increase the Group's renewable energy production capacity.	The capacity of our renewable energy production assets will grow more than fourfold, to 1,900 MW.	450 MW	<b>515 MW</b>	 
	We reduce the carbon intensity of the Group's energy production operations.	The carbon intensity of the Group's energy production operations will decrease by 43%, from 0.37 t/MWh to 0.21 t/MWh.	0.55 t/MWh	<b>0.34 t/MWh</b>	
People-first green journey	We ensure a safe working environment.	The lost time injury frequency rate (LTIFR) will be ≤ 1.0	2.55	<b>1.62</b>	 
	We are an organisation that values its people.	Eesti Energia's management quality will be ≥ 86.2	80	<b>81</b>	 
Transparent and ethical corporate governance	We operate in a transparent and ethical manner.	The percentage of employees that have experienced unethical behaviour within the Group will be ≤ 5%. <sup>3</sup>	18%	<b>18%</b>	

\*1. The percentage of customers using at least one green journey product, such as a green energy contract (e.g. renewable electricity-based Fixed Plus) or solution provided by the Group.

\*2. Measured through Eesti Energia's annual employee engagement and management quality survey. We focus on management quality as this has a strong effect on employee engagement.

\*3. Employees give feedback on a 5-point scale during the employee engagement and management quality survey. Respondents are asked to specify the forms of unethical behaviour they have experienced during the year. Based on feedback obtained, departmental action plans are produced and in the case of critical issues guidance is provided by the ethics committee.



## Mitigating global warming and reducing the negative environmental footprint of energy production



<b>Sustainable customer solutions</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>
Volume of long-term renewable power purchase agreements signed with customers	TWh	8,4	7,8	1,2
Number of micro-producers connected to Elektrilevi's distribution network	no	10 471	15 562	20 925
Share of weatherproof network	%	72.3%	73.7%	74.5%
Flexibility assets connected to the virtual power plant	MW	280	539	1714
including production assets	MW			
<b>Total portfolio</b>		<b>268</b>	<b>529</b>	<b>1706</b>
Assets of Eesti Energia		111	290	1288
including consumption assets	MW			
<b>Total portfolio</b>		<b>12</b>	<b>10</b>	<b>8</b>
Assets of Eesti Energia		6	6	5
The Group's research and development (R&D)expenditure	mIn €	11.4	11.9	12.76
<b>The Group's energy production and sales</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>
Electricity production	GWh	5 217	6 260	3 614
of which renewable electricity	GWh	1 647	1 451	1 627
Share of renewable electricity production	%	32%	23%	45%
Heat production	GWh	1 272	1 186	1 182
of which biomass	%			
Electricity sales	GWh	9 435	10 537	11 734
of which renewable electricity sold	%	24%	23%	21%
Gas sales	GWh	2 351	2 223	1 518
Heat sales	GWh	911	817	843

\* The Group's R&D expenditure is calculated using the internationally accepted Frascati methodology.

\*\* 2022 adjusted





<b>The Group's energy consumption</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>
Electricity consumption	GWh	570	545	642
of which losses	GWh	300	272	296
Gas consumption				
Heat consumption	GWh	5	5	6
Consumption of liquid fuels	GWh	136	149	90
Consumption of waste wood	GWh	1 695	1 253	1 168
Consumption of mixed municipal waste	thousand t	238	216	249
Water consumption				
Cooling water	mIn m3	708	738	521
Pumped mining water	mIn m3	131	126	118
Domestic water consumption in the Group's offices	m3	5 581	6 111	6 243

<b>Waste generation</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>
Oil shale fly and bottom ash	mIn t	3.5	4.4	2.8
of which recycled	mIn t	0.1	0.1	0.1
Waste rock	mIn t	1.9	3	3.3
of which recycled	mIn t	2.9	3.9	3.3

<b>Emissions</b>		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Scope 1 (Direct)	thousand t CO <sub>2</sub> e	3 887	5 156	6 907	3 676
Scope 2 (Energy indirect)	thousand t CO <sub>2</sub> e	256	231	228	357
Scope 3 (Other indirect)	thousand t CO <sub>2</sub> e	1 372	1 311	1 375	1 844
SO <sub>x</sub>	thousand t	2.6	3.9	6.4	2.5
NO <sub>x</sub>	thousand t	2.6	3.3	3.9	2.7
Dust emissions	thousand t	0.7	0.7	1.8	0.7
Water pollutants					
Suspended matter	thousand t	0.5	2.6	0.6	0.6
Sulphates	thousand t	63	70	65	59.8

\* Nimetus korrigeeritud. 2022. aasta aruandes "Jäätmeprüu tarbimine"





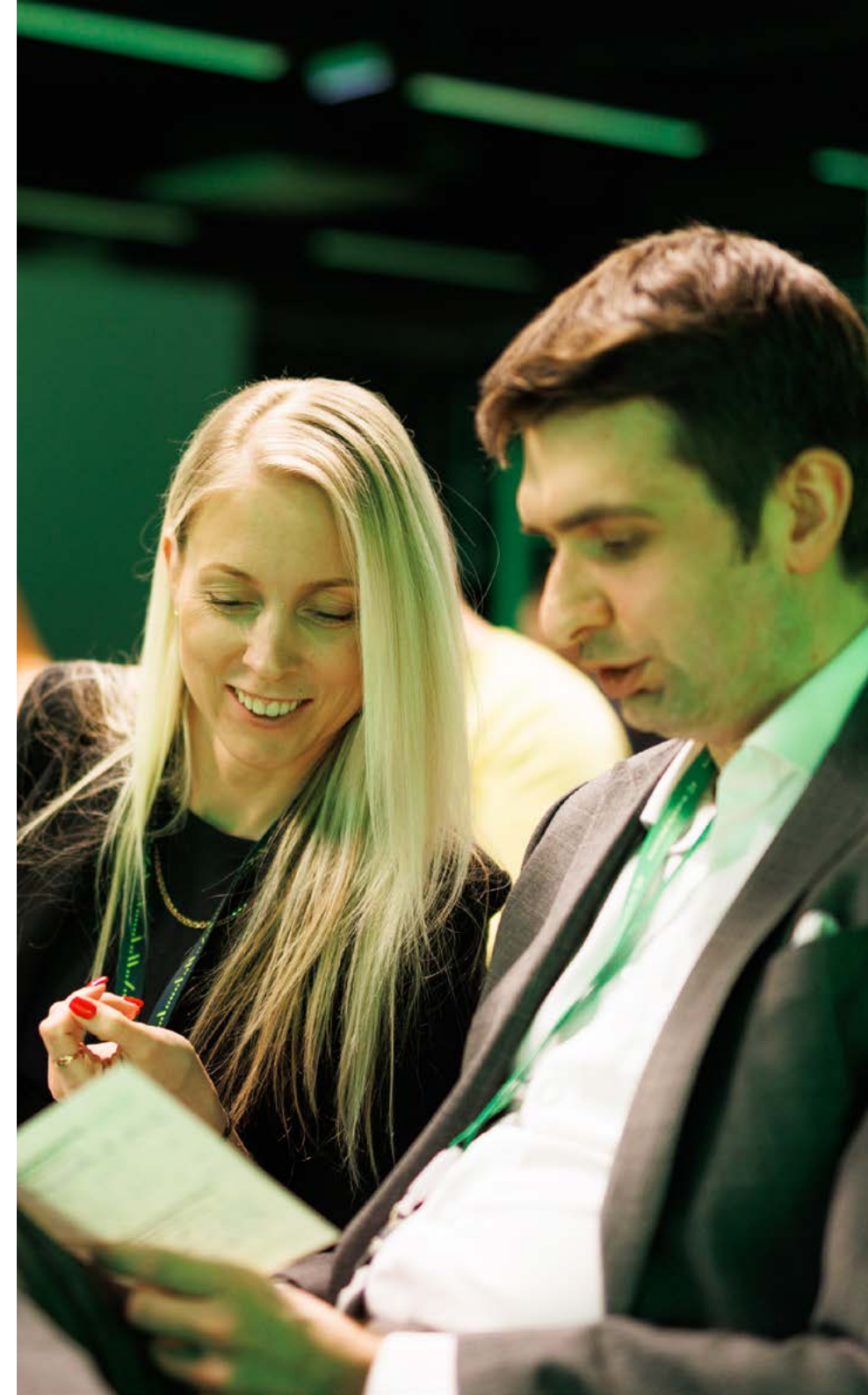
Other indicators		2021	2022	2023	Comment
Officially recorded violations of the limit values set out in environmental permits	Number			0	
of which emissions to air		0	0	0	
other indicators		0	0	0	
The Group has an environmental policy in place	Yes/No	Yes	Yes	Yes	
The Group's environmental policy describes the principles related to waste, water, energy and recycling		Yes	Yes	Yes	
The Group has carried out an energy audit in accordance with the energy efficiency directives of the European Parliament and of the Council.		Yes	Yes	Yes	The Group's energy audit meets the energy audit requirements laid down in Regulation No. 76 of 26 December 2016 "Minimum requirements for energy audits" of the Minister of Economic Affairs and Infrastructure, established based on the Energy Sector Organisation Act.
The Group's climate and environmental impacts are addressed at the level of the supervisory board		Yes	Yes	Yes	This includes approving the strategy, monitoring owner's expectations and achievement of strategic KPIs, and initiating, reviewing and closing strategic projects.
The Group's climate and environmental impacts are addressed at the level of the management board		Yes	Yes	Yes	This includes updating the strategy, setting and monitoring the achievement of strategic KPIs, preparing investment decisions for industry-related projects, and reviewing projects.



## A green journey that values people



Number of employees and breakdown by age group		2021	2022	2023
Up to 30				
Women	no.	150	218	198
Men		297	524	432
Women	%	36	29	31
Men		64	71	69
31-50				
Women	no.	569	663	711
Men		1786	2089	2051
Women	%	24	24	26
Men		76	76	74
51 and older				
Women	no.	374	399	383
Men		1400	1468	1478
Women	%	21	21	21
Men		79	79	79
<b>Total</b>		<b>4576</b>	<b>5361</b>	<b>5253</b>
<b>Women</b>	<b>no.</b>	<b>1093</b>	<b>1280</b>	<b>1292</b>
<b>Men</b>		<b>3483</b>	<b>4081</b>	<b>3961</b>
<b>Women</b>	<b>%</b>	<b>24</b>	<b>24</b>	<b>25</b>
<b>Men</b>		<b>76</b>	<b>76</b>	<b>75</b>



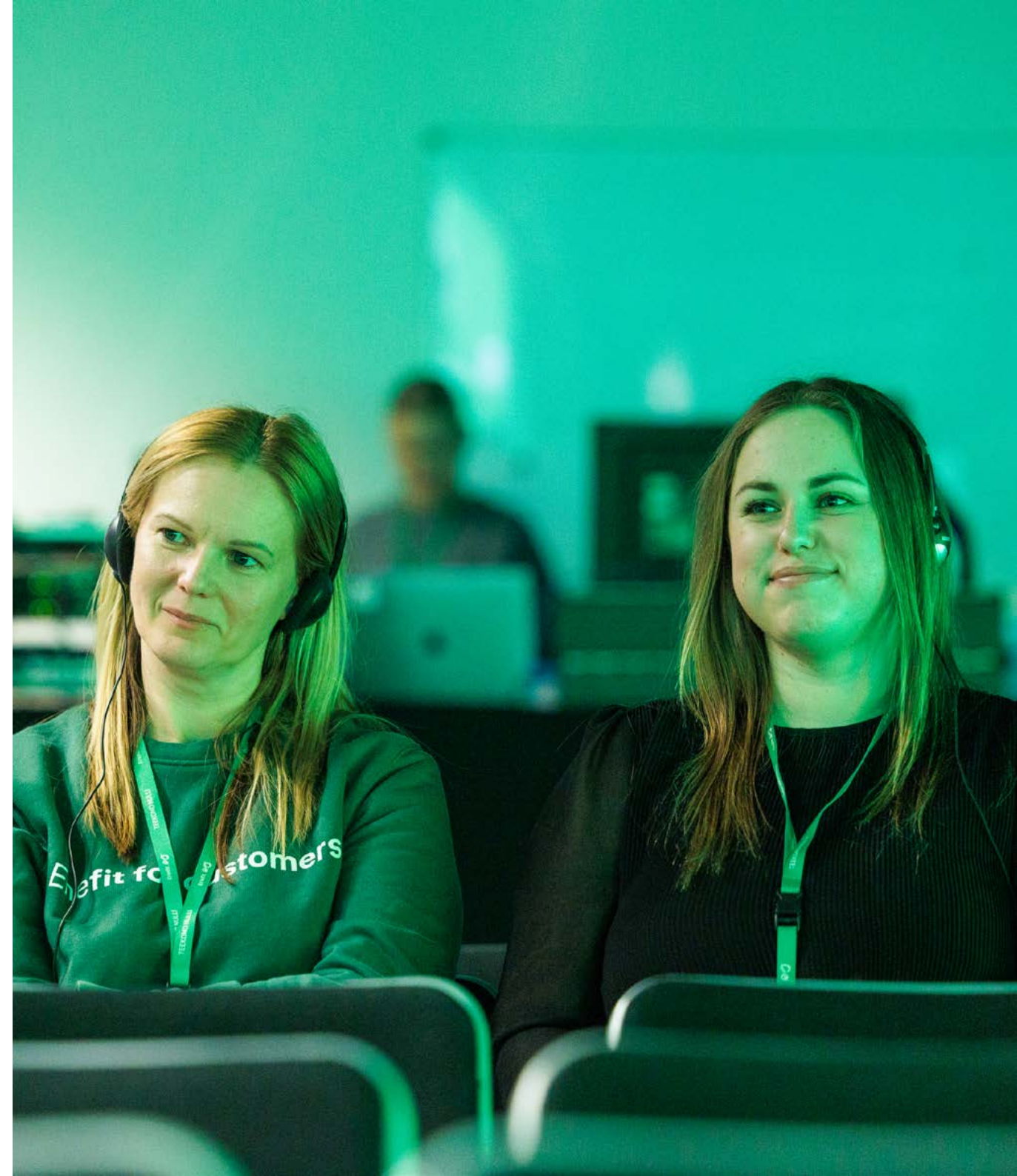


Distribution of employees by segment		2021	2022	2023
Managers	no.	408	398	486
Women		92	89	142
Men		316	309	344
Specialists	no.	2121	2461	2505
Women		790	951	936
Men		1331	1510	1569
Performers	no.	2013	2474	2233
Women		198	229	207
Men		1815	2245	2026
Trainees	no.	32	27	34
Women		13	11	7
Men		19	16	27
Trustees	no.	2	1	1
Women				
Men		2	1	1
Rental workers	no.	0	0	0
Women				
Men				
<b>Total</b>	<b>no.</b>	<b>4576</b>	<b>5361</b>	<b>5259</b>

Term of employment contract		2021	2022	2023	
Open-ended	no.				
Women		1033	1224	1247	
Men		3318	3945	3871	
Fixed-term					
Women		60	56	45	
Men		165	136	90	
Average length of service		year	13.11	11.39	11.55
Part-time employees	no.	70	81	88	
Women	no. (% of total employees)	35 (0.76%)	33 (0.62%)	39	
Men		35 (0.76%)	48 (0.9%)	49	



The Group's employees by country		2021	2022	2023
Estonia		4382	5075	4908
Women		1007	1135	1126
Men		3375	3940	3782
Lithuania		56	105	113
Women		32	62	63
Men		24	43	50
Latvia		96	123	144
Women		35	54	69
Men		61	69	75
Poland		38	54	85
Women		18	28	33
Men		20	26	52
Germany	no.	2	2	1
Women				
Men		2	2	1
Finland		1	1	1
Women		1	1	1
Men				
USA		1	1	1
Women				
Men		1	1	1
<b>Total</b>		<b>4576</b>	<b>5361</b>	<b>5253</b>
<b>Women</b>		<b>1093</b>	<b>1280</b>	<b>1292</b>
<b>Men</b>		<b>3483</b>	<b>4081</b>	<b>3961</b>





Employees of Group companies		2021	2022	2023
Enefit Connect	no.	746	805	806
Women		181	202	195
Men		565	603	611
Enefit Green		171	183	199
Women		26	29	39
Men		145	154	160
Customer services		312	447	499
Women		212	309	315
Men		100	138	184
Enefit Power		1646	1975	1812
Women		260	290	256
Men		1386	1685	1556
Enefit Solutions		854	1034	955
Women		45	48	51
Men		809	986	904
Elektrilevi		48	52	76
Women		11	16	22
Men		37	36	54
Support and core functions		799	865	906
Women		358	386	414
Men	441	479	492	
<b>Total</b>		<b>4576</b>	<b>5361</b>	<b>5253</b>

Personnel turnover in the Group		2021	2022	2023
Average number of employees		4360	4835	5268
Women	no.	993	1117	1219
Men		3367	3718	4049
Total number of employees that left		650	785	1017
Women	no.	205	196	245
Men		445	589	772
Total turnover rate		15	16	19
Women	%	21	18	20
Men		13	16	19
Employees who resigned voluntarily		299	404	375
Women	no.	102	127	126
Men		197	277	249
Voluntary turnover rate		7	8	7
Women	%	10	11	10
Men		6	7	6

Turnover in the Group by segment		2021	2022	2023
Managers				
average number of employees		406	403	403
total number of employees that left	no.	53	51	72
employees who resigned voluntarily		28	31	20
total turnover rate	%	13	13	18
voluntary turnover rate		7	8	5
Specialists				
average number of employees		1976	2210	2476
total number of employees that left	no.	292	335	365
employees who resigned voluntarily		199	231	227
total turnover rate	%	15	15	15
voluntary turnover rate		10	10	9
Performers				
average number of employees		1948	2194	2358
total number of employees that left	no.	217	319	499
employees who resigned voluntarily		69	140	126
total turnover rate	%	11	15	21
voluntary turnover rate		4	6	5



New employees of the Group by segment		2021	2022	2023	
Managers	no.	51	24	45	
Women		9	9	13	
Men		42	15	32	
Specialists		428	626	487	
Women		187	280	205	
Men		283	346	282	
Performers		264	808	250	
Women		33	59	11	
Men		231	746	239	
Trainees		123	115	109	
Women		58	37	28	
Men		65	78	81	
Rental workers		1		0	
Women					
Men		1		0	
<b>Total</b>			<b>908</b>	<b>1573</b>	<b>891</b>
<b>Women</b>		<b>no. (%)</b>	<b>287 (32)</b>	<b>385 (25)</b>	<b>257 (29)</b>
<b>Men</b>		<b>no. (%)</b>	<b>621 (68)</b>	<b>1188 (75)</b>	<b>634 (71)</b>

The Group's employees on parental leave		2021	2022	2023
<b>Total</b>	<b>no.</b>	<b>92</b>	<b>99</b>	<b>109</b>
<b>Women</b>		<b>83</b>	<b>87</b>	<b>93</b>
<b>Men</b>		<b>9</b>	<b>12</b>	<b>16</b>

# Uue töötaja päev

9. veebruar 2023



Gender distribution of senior managers in the Group		2021	2022	2023	Comment
<b>Total</b>	<b>no</b>	<b>60</b>	<b>68</b>	<b>40</b>	<b>Management board members, managers of Group companies and heads of core and support functions</b>
Women	%	16,67	20,59	13	
J1		12	12	-	From 2023 there are three management levels instead of five.
Women	no.	3	3	-	
Men		9	9	-	
J2		48	56	-	
Women		7	11	-	
Men		41	45	-	
L3		-	-	40	
Women		-	-	5	
Men		-	-	35	
Members of the supervisory board					
Supervisory board of Eesti Energia		7	7	7	
Women			1	2	
Men		7	6	5	
Supervisory board of Elektrilevi		3	4	4	
Women			1	1	
Men		3	3	3	
Supervisory board of Enefit Green		5	5	5	
Women		1	1	2	
Men		4	4	3	



Gender distribution of engineers and ICT employees in the Group		2021	2022	2023	Comment
<b>Total</b>	<b>no.</b>	<b>1059</b>	<b>1149</b>	<b>1249</b>	
<b>Women</b>	<b>no. (%)</b>	<b>217 (21)</b>	<b>236 (21)</b>	<b>281 (22%)</b>	
<b>Men</b>		<b>842 (79)</b>	<b>913 (79)</b>	<b>968 (78%)</b>	

Average monthly gross salary		2021	2022	2023	Change in 2022-2023
All employees	EUR	2056	2293	2577	12%
Trainees		602	697	821	18%
Performers		1503	1705	1854	9%
Specialists		2221	2498	2861	15%
Managers		3987	4474	5188	16%
Annual remuneration fund	EUR million	111	125	150	<b>20%</b>

Average monthly gross salary by segment and gender		2021	2022	2023	Comment
Total for all segments					
Women	EUR	2101	1732	2483	Includes a variety of workforce members from consultants to miners.
Men		2296	1870	2606	
Managers					
Women		4097	4004	4899	
Men		4363	3971	5282	
Specialists					
Women		2094	1767	2464	
Men		2658	2275	3088	
Performers					
Women		1428	1143	1471	
Men		1775	1452	1891	



Median annual gross remuneration ratio for women and men		2021	2022	2023	
All employees	ratio*	0.9:1	0.9:1	1.02:1	
Trainees		n/a	n/a	1.19:1	
Performers		0.79:1	0.8:1	0.84:1	
Specialists		0.78:1	0.78:1	0.78:1	
Managers		1.0:1.0	0.93:1	0.92:1	
Annual salary of the highest-paid employee compared to the annual median remuneration of all employees		ratio	7.2:1	6.1:1	5.7:1

\* median pay for men = 1 compared to median pay for women





<b>Occupational health and safety</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Comment</b>
Occupational health and safety management system	Yes/No	Yes	Yes	Yes	
Occupational health and safety requirements for Eesti Energia's contractual partners		Yes	Yes	Yes	
Principles for reporting, registering and investigating hazardous situations and near misses		Yes	Yes		
Number of employees enrolled in the health insurance programme	no.	n/a	2395	3604	The Group offers a health insurance programme to its employees from 2022.
Membership of Eesti Energia's Sports club	no.	1205	1517	1670	
Accidents at work	no.	11	27	22	
of which fatal accidents		0	2	0	
of which serious accidents		4	4	n/a	From 2023, there is no division between fatal/serious/minor accidents . The only thing is whether it is included in the KPI calculation (work accident with lost working time) or not.
of which minor accidents		7	21	n/a	Work accidents with lost working time": 2021 ja 2022 lahtrisse kriipsud ja 2023 lahtrisse 14.
Accidents at work with partners		6	11	5	
Lost time injury frequency rate		1.09	2.55	1.62	An index measuring the safety of the organization's working environment, which reflects the number of lost time injuries occurring in a workplace per one million hours worked in the reporting period. It covers accidents at work due to which an employee is away from work for more than 24 hours. Working hours are defined as the working hours of all employees worked during a given period since the beginning of the calendar year.

<b>Other relevant employee-related indicators</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Comment</b>
Engagement index	TRI*M index	69	74	75	
Management quality index	index	71	80	81	
Performance interviews conducted	no.	2104	2370	2512	
Covered by the collective agreement	%	42	36	53	
Share of employees who participated in at least one training course offered by the Group	%	68	66	74%	Includes training events entered in the Group's training calendar and does not reflect development activities related to public training courses or seminars. In 2022, the result was significantly affected by the high level of recruitment due to the energy crisis.

## Transparent and ethical corporate governance



Ensuring ethical behaviour		2021	2022	2023	Kommentaar
The Group complies with the requirements for the exclusion of child labour and the treatment of minorities	Yes/No	Yes	Yes	Yes	Sections 3.5 and 3.6 of the partners' code of ethics.
The Group has adopted a code of ethics	Yes/No	Yes	Yes	Yes	
The Group has established ethical requirements for its partners	Yes/No	Yes	Yes	Yes	
Share of employees who have completed the Code of Ethics e-course	%	98,8	90.9*	95,7	This e-course is intended for managers and specialists, i.e. all employees using computers. The 2022 result is given as of the end of 2022. * The 2022 course will remain open until 100% completion rate is achieved. This is a mandatory course.
Public procurements where the procurement partner has signed the ethical requirements document	%	≥99	≥99	≥99	The ethical requirements document is included in the documents of each tender.
Share of tenders with less than three bidders	%	16,5	15,96	14,0	The goal is to have more than three bidders for all tenders.
Number of messages received by the Group's whistleblowing channels	no.	66	47	38	Threats, unethical and fraudulent behaviour can be reported 24/7 by notifying Eesti Energia's fraud risk management department in person, by phone (466 6000) or by e-mail (annateada@energia.ee), or by informing the external law firm by phone (640 7199) or by e-mail (annateada@ellex.ee).
Employees who participated in the engagement survey that included ethics-related questions	%	90	90	91	Ethics-related questions are included in the Group's annual engagement survey in which all employees participate.
Employees who have been exposed to unethical (including disrespectful) behaviour during the past year	%	21	18	18	Employee feedback received through the engagement survey
Personal data breaches	no.	1	0	8	



Other topics related to corporate governance		2021	2022	2023	Comment
Group's tax footprint	mIn EUR	77.2	124.5	98.8	
Resource charges		20.5	55.9	29.2	
Environmental taxes		13.7	17.3	11.5	
Labour taxes		32.9	40.4	48.0	
Excise taxes		10.2	11.0	10.1	
Environmental charges					
Resource charges		20.5	55.9	29.2	
Pollution charges		13.7	17.3	11.5	
Toleration fees paid to landowners	EUR	231 299	232 810	233 238	Profit-yielding land and in-building substations
Cooperation projects with communities related to renewable energy developments	EUR	279 194	280 187	231 265	
Political contributions	EUR	0	0	0	





# Consolidated Financial Statements



## Consolidated income statement

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER		Note
	2023	2022	
Revenue	1,905.5	2,218.2	25
Other operating income	259.9	458.7	26
Change in inventories of finished goods and work in progress	31.8	5.3	10
Raw materials and consumables used	(1,275.3)	(1,687.8)	27
Payroll expenses	(202.5)	(167.6)	28
Depreciation, amortisation and impairment	(818.2)	(177.2)	5, 6, 7
Other operating expenses	(282.7)	(406.4)	29
<b>OPERATING (LOSS)/PROFIT</b>	<b>(381.5)</b>	<b>243.2</b>	
Finance income	15.4	3.0	30
Finance costs	(45.0)	(23.0)	30
<b>Net finance costs</b>	<b>(29.6)</b>	<b>(20.0)</b>	<b>30</b>
Profit from associates under the equity method	0.2	2.5	8
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>(410.9)</b>	<b>225.7</b>	
Corporate income tax expense	(11.2)	(10.0)	31
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(422.1)</b>	<b>215.7</b>	
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
Equity holder of the parent	(435.3)	189.8	
Non-controlling interest	13.2	25.9	9

The notes on pages 106-202 are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER		Note
	2023	2022	
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(422.1)</b>	<b>215.7</b>	
<b>Other comprehensive (loss)/income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Revaluation of hedging instruments net of reclassifications to profit or loss	(557.5)	490.2	20
Of which share of non-controlling interest	(0.6)	3.3	9, 20
Impact of comprehensive income/(loss) of associates	(0.4)	7.6	8, 20
Currency translation differences on the translation of foreign operations	1.6	(3.3)	20
Of which share of non-controlling interest	0.3	-	
<b>Other comprehensive (loss)/income for the year</b>	<b>(556.3)</b>	<b>494.5</b>	
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<b>(978.4)</b>	<b>710.2</b>	
<b>COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:</b>			
Equity holder of the parent	(991.3)	681.0	
Non-controlling interest	12.9	29.2	

The notes on pages 106-202 are an integral part of these consolidated financial statements.



## Consolidated Statement of Financial Position

<i>In million EUR</i>	31 DECEMBER		Note
	2023	2022	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3,152.0	3,253.6	5
Right-of-use assets	17.0	11.2	7
Intangible assets	82.8	81.9	6
Prepayments for non-current assets	84.5	44.9	5
Deferred tax assets	4.5	3.8	31
Derivative financial instruments	257.8	496.5	12, 14, 15
Investments in associates	78.3	76.9	8
Non-current receivables	3.6	1.0	13
<b>Total non-current assets</b>	<b>3,680.5</b>	<b>3,969.8</b>	
<b>Current assets</b>			
Inventories	158.7	176.8	10
Greenhouse gas allowances and guarantees of origin	216.5	444.1	16
Trade and other receivables	516.9	430.8	13
Derivative financial instruments	59.7	204.2	12, 14, 15
Cash and cash equivalents	174.5	280.5	12, 15, 17
	<b>1,126.3</b>	<b>1,536.4</b>	
Assets classified as held for sale	16.1	-	11
<b>Total current assets</b>	<b>1,142.4</b>	<b>1,536.4</b>	
<b>Total assets</b>	<b>4,822.9</b>	<b>5,506.2</b>	

The notes on pages 106-202 are an integral part of these consolidated financial statements.

<i>In million EUR</i>	31 DECEMBER		Note
	2023	2022	
<b>EQUITY</b>			
<b>Total equity and reserves attributable to equity holder of the parent</b>			
Share capital	746.6	746.6	18
Share premium	259.8	259.8	
Statutory reserve capital	75.0	75.0	18
Other reserves	155.0	711.0	20
Retained earnings	656.5	1,160.7	18
<b>Total equity and reserves attributable to equity holder of the parent</b>	<b>1,892.9</b>	<b>2,953.1</b>	
<b>Non-controlling interest</b>	167.2	166.9	9
<b>Total equity</b>	<b>2,060.1</b>	<b>3,120.0</b>	
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	1,226.1	449.0	12, 21
Deferred tax liabilities	13.7	22.1	31
Other payables	5.3	4.8	22
Derivative financial instruments	16.6	32.1	12, 14
Contract liabilities and government grants	396.7	351.1	23
Provisions	30.5	22.7	24
<b>Total non-current liabilities</b>	<b>1,688.9</b>	<b>881.8</b>	
<b>Current liabilities</b>			
Borrowings	468.0	610.4	12, 21
Trade and other payables	319.9	288.4	22
Derivative financial instruments	67.8	169.1	12, 14
Contract liabilities and government grants	2.1	0.5	23
Provisions	211.1	436.0	24
	<b>1,068.9</b>	<b>1,504.4</b>	
Liabilities directly associated with assets classified as held for sale	5.0	-	11
<b>Total current liabilities</b>	<b>1,073.9</b>	<b>1,504.4</b>	
<b>Total liabilities</b>	<b>2,762.8</b>	<b>2,386.2</b>	
<b>Total liabilities and equity</b>	<b>4,822.9</b>	<b>5,506.2</b>	

The notes on pages 106-202 are an integral part of these consolidated financial statements.



## Consolidated statement of cash flows

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER		Note
	2023	2022	
<b>Cash flows from operating activities</b>			
Cash generated from operations	87.5	538.6	33
Interest and loan fees paid	(59.8)	(18.5)	30
Interest received	10.9	0.8	30
Corporate income tax paid	(24.7)	(12.1)	31
<b>Net cash generated from operating activities</b>	<b>13.9</b>	<b>508.8</b>	
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets	(690.6)	(453.6)	5, 6, 22
Proceeds from grants of property, plant and equipment	12.0	6.5	
Proceeds from sale of property, plant and equipment	0.6	2.9	5, 25
Dividends received from associates	1.6	1.6	32, 8
Contribution to the share capital of associates	(3.3)	(14.1)	32, 8
Loans granted	(0.1)	(0.1)	32
Repayments of loans granted	0.1	-	
Proceeds from sale of shares of subsidiary, net of cash disposed	30.5	-	35
Proceeds from sale of shares in associates	-	0.7	32
<b>Net cash used in investing activities</b>	<b>(649.2)</b>	<b>(456.1)</b>	

The notes on pages 106-202 are an integral part of these consolidated financial statements.

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER		Note
	2023	2022	
<b>Cash flows from financing activities</b>			
Loans received	1,423.0	340.0	21
Redemption of bonds	(500.0)	-	21
Repayments of bank loans	(313.5)	(253.2)	21
Principle elements of lease liabilities	(1.4)	(1.2)	21
Proceeds from realisation of interest rate swaps	2.7	-	
Dividends paid	(81.5)	(55.8)	31
<b>Net cash generated from financing activities</b>	<b>529.3</b>	<b>29.8</b>	
<b>Net cash flow</b>	<b>(106.0)</b>	<b>82.5</b>	
Cash and cash equivalents at the beginning of the period	280.5	198.0	12, 15, 17
Cash and cash equivalents at the end of the period	174.5	280.5	12, 15, 17
<b>Net change in cash and cash equivalents</b>	<b>(106.0)</b>	<b>82.5</b>	

The notes on pages 106-202 are an integral part of these consolidated financial statements.



## Consolidated statement of changes in equity

<i>in million EUR</i>	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity	Note
<b>Equity as at 31 December 2021</b>	<b>746.6</b>	<b>259.8</b>	<b>75.0</b>	<b>219.8</b>	<b>1,017.6</b>	<b>2,318.8</b>	<b>146.8</b>	<b>2,465.6</b>	
Profit for the year	-	-	-	-	189.8	189.8	25.9	215.7	
Other comprehensive income for the year	-	-	-	491.2	-	491.2	3.3	494.5	9,20
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491.2</b>	<b>189.8</b>	<b>681.0</b>	<b>29.2</b>	<b>710.2</b>	
Dividends paid	-	-	-	-	(46.7)	(46.7)	(9.1)	(55.8)	31
<b>Total distributions to owners of the company, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(46.7)</b>	<b>(46.7)</b>	<b>(9.1)</b>	<b>(55.8)</b>	
<b>Equity as at 31 December 2022</b>	<b>746.6</b>	<b>259.8</b>	<b>75.0</b>	<b>711.0</b>	<b>1,160.7</b>	<b>2,953.1</b>	<b>166.9</b>	<b>3,120.0</b>	
(Loss)/profit for the year	-	-	-	-	(435.3)	(435.3)	13.2	(422.1)	
Other comprehensive loss for the year	-	-	-	(556.0)	-	(556.0)	(0.3)	(556.3)	9,20
<b>Total comprehensive (loss)/income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(556.0)</b>	<b>(435.3)</b>	<b>(991.3)</b>	<b>12.9</b>	<b>(978.4)</b>	
Dividends paid	-	-	-	-	(68.9)	(68.9)	(12.6)	(81.5)	31
<b>Total distributions to owners of the company, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68.9)</b>	<b>(68.9)</b>	<b>(12.6)</b>	<b>(81.5)</b>	
<b>Equity as at 31 December 2023</b>	<b>746.6</b>	<b>259.8</b>	<b>75.0</b>	<b>155.0</b>	<b>656.5</b>	<b>1,892.9</b>	<b>167.2</b>	<b>2,060.1</b>	

The notes on pages 106-202 are an integral part of these consolidated financial statements. Additional information about equity is disclosed in Note 18.

# Notes to the Consolidated Financial Statements

## 1. General information

The consolidated financial statements of Eesti Energia Group for the year ended 31 December 2023 include the financial information of Eesti Energia AS (parent company, legal form: limited company) and its subsidiaries (the Group) and the Group's interests in associates.

Eesti Energia is an international energy company that operates in the electricity and gas markets of the Baltic countries, Finland and Poland and in the international liquid fuels market. The Group is engaged in mining oil shale, producing power, heat and oil, developing oil shale refining know-how and technologies as well as providing services and products to customers. The company's objective is to add value to Estonia's primary natural resource in the most efficient manner possible and to reduce the ecological footprint of the oil shale energy sector. Besides oil shale, electricity is also generated from sun, wind, water, mixed municipal waste and biomass. The Group operates under the Enefit trademark. The Group has investments in associates which operate in Jordan.

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

The sole shareholder of Eesti Energia AS is the Republic of Estonia.

These consolidated financial statements of the Group were authorised for issue by the Management Board on 24 April 2024. Under the Commercial Code of the Republic of Estonia, the annual report must additionally be approved by the Supervisory Board of the parent company and approved by the General Meeting of Shareholders.

### 1.1 Key events in 2023

#### Main changes in market inputs

The Group's results are strongly influenced by the prices of electricity, natural gas, oil products and emission allowances, as well as by the level of environmental charges. Market prices affect both the Group's revenue and energy purchase costs, which are recognised in profit or loss, and trade receivables, which are recognised in the statement of financial position. In 2023, electricity prices decreased significantly compared to the all-time highs reached during the energy crisis of 2022, which was fuelled by Russia's war against Ukraine. Tensions in European energy markets began to ease in the fourth quarter of 2022 and, as the winter turned out to be mild and gas reserves remained at relatively high levels, the decline in electricity prices continued throughout 2023. Further information about the movements in market prices is provided in the operating environment section of the management report.

Market prices of electricity affect the Group's electricity sales revenue and electricity purchase costs. In 2023, electricity prices decreased due to low natural gas prices and growth

in renewable energy production. The average market price in Estonia was 90.8 €/MWh, 53% lower than in 2022, and the average electricity prices in the Group's other main markets (Latvia, Lithuania, Poland and Finland) also decreased compared to 2022. The impact of negative market price movements was partially offset by financial trades conducted on exchanges and with OTC (over-the-counter) counterparties.

See Notes 25 and 27 for further details on the Group's electricity revenue and purchase costs and also Notes 3.1.1.2.1, 14 and 20 for details on the electricity related derivative transactions of the Group.

Market prices of natural gas affect the Group's natural gas sales revenue and natural gas purchase costs. In 2023, the prices of natural gas fell to their lowest level in two years, driven by changes in supply chains and historically high natural gas inventories in Europe. The average price of natural gas was 40.1 €/MWh, 70% lower than in 2022 (-96.0 €/MWh). The impact of negative market price movements is offset by derivative contracts related to natural gas purchases. See Notes 25 and 27 for information on the Group's natural gas revenue and purchase costs and also Notes 3.1.1.2.1, 14 and 20 for details on the gas related derivative transactions of the Group.

Global prices of oil products affect shale oil sales revenue. In 2023, world market prices for oil products dropped by nearly 20% as a result of the global economic slowdown. A widely



traded oil product that is closest in nature to the Group's shale oil is fuel oil with 1% sulphur content, the price of which mainly depends on the price of Brent crude oil. The average market price of fuel oil was 436.6 €/t in 2023 (-104.2 €/t compared to 2022). The impact of market prices on shale oil revenue was partially offset by financial trades conducted on exchanges and with OTC counterparties.

Information on shale oil sales revenue is provided in Note 25 and information on shale oil related derivatives can be found from Notes 3.1.1.2.1, 14 and 20.

The price of CO<sub>2</sub> emission allowances has a significant impact on the cost of electricity produced by direct burning of oil shale, particularly at the Group's older production facilities, which have a higher carbon intensity. A decrease in the production of electricity by direct burning of oil shale affects the balances of emission allowances (Note 27) and the provision for emission allowances in the statement of financial position (Note 24). The average price of CO<sub>2</sub> emission allowances in 2023 was 85.3 €/t (+4.0 €/t compared to 2022).

Electricity distribution is a regulated service and therefore the price of the service has to be approved by the Estonian Competition Authority. The average price of the distribution service was 45.0 €/MWh in 2023 (36.1 €/MWh in 2022). The average price increased starting from 01 January 2023 due to higher market prices of electricity in 2022, which had a direct impact on the cost of electricity purchased to cover distribution losses, which is an important component of the price of the distribution service. With the higher price of the distribution services in 2023 and the accompanying sales revenue,

Group earned back the input costs of electricity purchase not reflected in the electricity distribution services in 2022. Electricity distribution revenue is disclosed in Note 25.

From the market changes described above the decrease of electricity prices was the most impactful as this was a significant impairment indicator for oil-shale based electricity power plants. Detailed information on impairment indicators, tests performed and the results of these tests can be found in Note 5.

### Regulatory changes

On 15 September 2022, the Estonian parliament adopted amendments to the Electricity Market Act and the Competition Act, allowing household consumers to purchase electricity at a regulated price through the universal service from 1 October 2022. In line with the amendments adopted by the Estonian parliament, the universal service will be available to household consumers and local governments until April 2026 and to businesses until the end of 2023 (see the management report for further information on regulatory changes). However, the Estonian government has approved a bill amending the Electricity Market Act and the other relevant legislation, which provides for the termination of the universal service from 1 May 2024, two years earlier than originally planned. The draft bill for the repeal of the universal service in electricity is in the process of being approved by the Estonian parliament. In these financial statements, the impact of the universal services has been taken into account until May 2026 in accordance with the legislation in force at 31 December 2023.

In mid-October 2023, the Supreme Court annulled the build-

ing permit for the Enefit 280-2 pyrolysis plant, citing shortcomings in the environmental impact assessment. In the same ruling, the Supreme Court found that the climate impact had been adequately assessed and agreed that the construction would not have an unacceptable impact on the climate. In suspending the building permit, the Supreme Court granted a two-month period during which, by way of exception, work could be carried out that was strictly necessary to ensure the safety and preservation of the building under construction. On 8 December 2023, the Narva-Jõesuu city government issued new building permits, allowing Enefit Power to proceed with the construction of the Enefit 280-2 plant.

At the beginning of 2024, Enefit Power applied for an environmental complex permit for the Enefit 280-2 pyrolysis plant, which will allow the plant to start producing shale oil when completed. The permit is expected to be issued in the first half of 2024. The plant is expected to receive a fixed-term integrated environmental permit as agreed by the cabinet of Estonia and the last year of operation of Enefit E280-2 plant is assumed to be 2034. Citing the aforementioned rulings by the Supreme Court, we expect the environmental permit to be issued as the environmental impact assessment shortcomings have been corrected. Enefit E280-2 plant complies with all environmental standards stipulated both by the European Union and the Estonian government. Also, there are no legal disputes pending that could prevent starting the operation of Enefit E280-2 pyrolysis plant.

### Key developments regarding investments

Investments made in 2023 were the largest in Eesti Energia's history due to the rapid development of renewable power

generation capacity. We invested EUR 779.3 million in 2023 (2022: EUR 445.2 million).

#### *Renewable energy*

We invested EUR 355.7 million (2022: EUR 193.4 million) in increasing our renewable energy production capacity. Investments in our Estonian wind farms amounted to EUR 102.8 million, of which EUR 84.1 million was invested in the Sopi-Tootsi wind farm. Investments in our Lithuanian wind farms included EUR 127.5 million for the Kelme and EUR 12.5 million for the Akmene wind farms. We also invested EUR 51.9 million in our Tolpanvaara wind farm in Finland.

We invested in the development of solar farms in Estonia and Poland. In Estonia, investments were made in the Purtse (EUR 12.7 million), Vändra (EUR 9.4 million) and Sopi (EUR 7.9 million) solar farms. The Sopi solar farm, located in the northern part of Pärnu county near the Sopi-Tootsi wind farm, the largest renewable energy production area in the Baltics, is scheduled to come online at the end of 2024.

#### *Network services*

Investments made to maintain and continuously improve the quality of the electricity distribution service totalled EUR 168.5 million (2022: EUR 125.5 million), including investments of EUR 95.8 million (2022: EUR 67.1 million) in network connections.

The Group (through the subsidiaries of Elektrilevi OÜ and Imatra Elekter AS) built 433 new substations and 1,384 km of networks in 2023 (2022: 365 new substations and 1,339 km of network). During the year, the weatherproof network increased by 1,074 km (2022: 1,110 km) and the bare conductor network decreased by 753 km (2022: 832 km).

#### *Large-scale energy production*

We invested EUR 105.0 million (2022: EUR 81.8 million) in the development of the chemical industry, which is scheduled for completion in 2024 and will increase our annual output of liquid fuels to 700,000 tonnes.

Further information about the investments is disclosed in Note 5.

#### **Other changes**

##### *Impairment loss recognised*

The Group's depreciation amortisation and impairment expenses increased significantly (+362%) due to the impairment tests performed on the property, plant and equipment of the subsidiary Enefit Power. The main reason for the impairment of the assets was the decline in the competitiveness of the hybrid generating units. The decline arised mainly due to the high price of CO<sub>2</sub> emission allowances and low market prices for electricity, which prevented oil shale power plants, which have a high product cost, from accessing the market. This, in turn, has created a situation where the hybrid generating units are unable to cover their fixed costs with the cash they generate from the market. Total impairment loss for oil shale power plants amounted to EUR 628.4 million. See Note 5 for details.

##### *Changes in borrowings*

At the end of 2022, the Group had bonds with a nominal value of EUR 500 million. In June 2023, the Group took a new syndicated loan of EUR 600 million to refinance bonds that were redeemed in September 2023.

The subsidiary Enefit Green AS took additional loans of EUR 302 million in 2023 to invest in renewable energy projects.

#### *Structural changes in the Group*

In 2023, the Group decided to change the structure for its customer services. All activities and information connected to customer service and energy services were transferred to the subsidiary Enefit Connect OÜ (on 9 November 2023, Enefit Connect OÜ was renamed Enefit OÜ and on 19 January 2024, Enefit OÜ was renamed Enefit AS). By this move, Enefit AS took over several products and services previously provided by parent company Eesti Energia AS, which formed a separate line of business in the parent company. In 2023, the customer services business contributed 68.7% of the parent entity's revenue (in 2022: 53.0%).

In the unconsolidated financial statements of the parent company, these mentioned businesses are accounted for as a discontinued operation. According to IFRS 5, paragraph 32, a discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- (a) represents a separate major line of business or geographical area of operations,
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- (c) is a subsidiary acquired exclusively with a view to resale.

See Note 37 for further information.

#### *Sale of subsidiaries*

In the fourth quarter of 2023, the subsidiary of the Group, Enefit Green AS signed two agreements to exit from the biomass cogeneration and pellet business. The first transaction



was the sale of biomass cogeneration plants in Valka (sale of the subsidiary Enefit Power & Heat Valka) and Paide (sale of a separate business unit previously part of the Enefit Green parent entity) to Utilitas group for a total of EUR 15.9 million. The final sales price is subject to a post-closing adjustment depending on the level of cash working capital in the business. At 31 December 2023, the closing of the transaction was subject to the approval of the Estonian Competition Authority and the Estonian Consumer Protection and Technical Regulatory Authority, which was not received by the end of the year. Therefore, the related assets and liabilities were treated as a disposal group as at 31 December 2023.

The second transaction was concluded with Warmeston OÜ on 29 December 2023 for the sale of a cogeneration plant using pellets (the sale of the subsidiary SIA Technological Solutions) and a pellet factory in Broceni (the sale of the subsidiary Enefit Green SIA). The price for the transaction was EUR 32.0 million, but the final sales price is subject to a post-closing adjustment depending on the level of working capital in the business. The gain recognised from this transaction amounted to EUR 0.9 million.

## 2. Material accounting policies

The material accounting policies used in the preparation of these consolidated financial statements are set out below. Starting from 2023 accounting policies describe mainly company-specific and material accounting principles.

### 2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative financial instruments) that are 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 are significant to the consolidated financial statements are disclosed in Note 4.

### 2.2 Changes in accounting policy and disclosures

*(a) Adoption of New or Revised Standards and Interpretations*  
The following new or revised standards and interpretations became effective for the Group from 1 January 2023:

#### **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies** *(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 amendments provided the definition of material accounting policy information. The amendments 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 amendments provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendments 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 the amendments, 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 assessment, the application of the amendments will have a material impact on its financial statements. The amendments were adopted in these financial statements and, as a result, the accounting policies section of the Group's financial statements are considerably shorter.

#### *(b) New standards and interpretations not yet adopted*

Certain new or revised standards and interpretations have been issued that are mandatory for the Group in 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 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 as of 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 include clarifying 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 application of the amendments will not have a 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 2023; not yet adopted by the EU)* - The amendments to IAS 1 on the classification of liabilities as current or non-current were issued in January 2020 with an original effective date of 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 application of the amendments will not have a 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 Group is not directly impacted by the minimum tax changes, as it would be possible to use Safe harbors "Substance based income exclusion". According to safe harbors rule, the substance carveout would avoid any income tax obligation in the countries where the Group companies are

operating. Thus, there would be only declaring obligation. In Estonia the under-taxed payment rule top-up tax amount calculated for the ultimate parent entity ("UPE") jurisdiction shall be deemed to be zero for each fiscal year during the transition period if the UPE jurisdiction has a corporate income tax that applies at a rate of at least 20%. Transition period means the fiscal years which run no longer than 12 months that begin on or before 31 December 2025 and end before 31 December 2026. As Estonian income tax rate is 20%, the Estonian top-up tax would be 0 until 2027.

There are no other new standards, amendments or interpretations not yet effective that are expected to have a material impact on the Group.

## 2.3 Emission allowances and green certificates

### Emission allowances

The European Union Emissions Trading System (EU ETS) was created in 2005 as a tool for reducing greenhouse gas emissions, particularly carbon dioxide, in a cost-effective way. Based on Directive 2003/87/EC and its amending directives, emission allowances are bought and sold on designated exchanges. Since its inception, the EU ETS has had four phases: 2005-2007, 2008-2012, 2013-2020 and 2021-2025.

In the first phase (2005-2007), only European Union Allowances (EUAs) were traded. In the second phase (2008-2012), the EU ETS was opened to international trading in Certified Emission Reduction Units (CERs) and Emission Reduction Units (ERUs).



From the third phase (2013-2020) onwards, there is no free or subsidised allocation of emission allowances for the power generation sector. For other sectors, there is a transition period during which free allowances can be allocated to producers, but the amount of free allowances will gradually decrease. Among other sectors, free allowances are allocated to the refining sector (including shale oil production), the production of measurable heat (including district heating) and the combustion of waste gases for electricity generation. Among the activities carried out by the Group, free allowances are allocated to the production of shale oil (as part of the refinery sector) to avoid carbon leakage and to the production of measurable heat (including district heating for the city of Narva). The Iru power plant operated by the Group has been allocated free allowances for 316 tonnes of CO<sub>2</sub> emissions for heat production in 2024.

In the fourth trading period (2021–2025), the free allocation system will focus on sectors at the highest risk of relocating their production outside of the EU. These sectors will receive 100% of their allocation free of charge. For less exposed sectors, free allocation will be phased out after 2026, from a maximum of 30% to zero at the end of the trading period (2030).

Greenhouse gas emission allowances controlled by the Group are accounted for as current intangible assets. Greenhouse gas emission allowances received from the state free of charge are measured at zero cost. Purchased allowances are measured at cost or using the revaluation method, if the Group has acquired more greenhouse gas emission allowances than it is expected to need and has a plan to sell the allowances. The Group has two separate portfolios for emission allowances – trading and own use portfolios. Same principles

apply to these two separate portfolios as for guarantees of origin portfolios. See further details from the paragraph (“Green certificates – guarantees of origin”) below.

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. See Note 34 for the estimated amount of free allowances allocated to the Group in 2024 and Note 16 for the amount of free allowances allocated to the Group in 2022 and 2023.

The provision for greenhouse gas emission allowances is set up at the average price of the greenhouse gas emission allowances (including allowances that has been allocated to the Group free of charge) that are owned by the Group. When the Group surrenders the greenhouse gas emission allowances to the state for the greenhouse gases emitted, both the provision and the intangible assets are reduced by equal quantities and amounts.

#### **Green certificates – guarantees of origin**

A guarantee of origin (GoO) is an electronic document acquired by the consumer, which certifies that the electricity has been produced from renewable sources (green energy) or in an efficient cogeneration process. One GoO (green certificate) is issued for every 1 MWh of electricity produced. A GoO is valid for 12 months after the issue of the document.

The purchase and sale of GoOs is the responsibility of the energy trading unit of the Eesti Energia Group. Customer service units order GoOs to be able to prove the origin of green energy to customers.

The Group produces green energy, acquires GoOs from the market and also sells GoOs to third parties.

Every country has its own registry for GoOs where the GoO needs to be cancelled (used). Estonia, Latvia, Lithuania, Finland and Sweden are members of the Association of Issuing Bodies (AIB), which is an organisation for countries whose purpose is to develop and use the European Energy Certificate System. Poland has its own national registry. GoOs can be transferred between the registries of the countries that are members of the AIB.

GoO are cancelled using the FIFO (*first-in, first-out*) formula, which means that the GoOs that have been purchased earlier are cancelled earlier in order to prevent their expiry.

The Group uses derivative instruments to mitigate the price risk of future transactions involving GoOs because there are quantitative accounting differences between purchases and sales.

Transactions with certificates are divided into two separate portfolios:

- a) trading portfolio: derivatives to purchase and sell the certificates are concluded for trading purposes, fair value changes of derivatives held for trading purposes are recognised in profit or loss within other operating income or other operating expenses on a monthly basis (see also Note 2.13) and

- b) 'own use' portfolio: contractual obligations to deliver "green" energy that meet the own use criterion, since they were entered into and continue to be held for the purpose of the receipt of a non-financial item (green certificates etc.) in accordance with the Group's expected purchase requirements. At the settlement date, the entity physically settles the contracts by taking delivery of the commodity.

## 2.4 Consolidation

### (a) Subsidiaries

A subsidiary is any entity of which the Group has control. 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 fully consolidated from the date the Group gains control to the date the Group loses control over them.

The Group accounts for business combinations by applying the acquisition method.

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 expensed as incurred.

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 un-

realised gains 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.

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.

### (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 the income statement. The fair value is the initial carrying amount of the investment retained that is subsequently accounted for as an associate, a joint venture, or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for on the same basis as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

### (c) Associates

Associates are all entities over which the Group has significant influence but not control. This generally means holding 20%

to 50% of the voting power. Investments in associates are accounted for using the equity method and are initially recognised at cost. The carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only the proportion of the amounts previously recognised in other comprehensive income is reclassified to the income statement if that gain or loss would be required to be reclassified to the income statement on the disposal of the related assets or liabilities.

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

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



Where necessary, the accounting policies of associates are adjusted to ensure consistency with the policies adopted by the Group.

## 2.5 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each Group's 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) and in the United States of America whose functional current is the US dollar (USD). The consolidated financial statements are presented in euros (EUR), which is the functional currency of the parent company and presentation currency of the Group. The figures in the consolidated financial statements have been rounded to the nearest million, unless stated otherwise.

### (b) Transactions and balances

Monetary assets and liabilities denominated in a foreign currency are translated using the closing official exchange rate of the European Central Bank or, if the European Central Bank does not quote the particular currency, the official exchange rate of the central bank of the country issuing the foreign currency is used. Foreign exchange gains and losses arising on translation are recognised in the income statement, except for gain and loss from the revaluation of cash flow hedging instruments recognised as effective hedges, which is recognised in other comprehensive income. 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 results and financial position of the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate of the European Central Bank at the reporting date;
- income and expenses are translated using the average exchange rates of the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on 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 as follows: 31 December 2023: EUR/PLN 4.3395 and EUR/USD 1.1050; 31 December 2022: EUR/PLN 4.6808 and EUR/USD 1.0530. Income and expenses were translated as follows 2023: EUR/PLN 4.5420 and EUR/USD 1.0813; 2022: EUR/PLN 4.69 and EUR/USD 1.078.

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.

A liability is classified as current when:

- it is expected to be settled within the entity's normal operating cycle;
- the liability is due to be settled within twelve months after the reporting period; or
- the entity 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 noncurrent, even if it would otherwise be due

within a shorter period. If the Group has no such right, it 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 presented 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 or implementation of the asset. The cost of a self-constructed item of property, plant and equipment includes the cost of materials, services and labour incurred in its construction and implementation.

If an item of property, plant and equipment consists of components with significantly different useful lives, these components 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 being funded by a loan or any other debt instrument, the related borrowing costs (interests) are capitalised as part of the cost of the item being constructed. Borrowing costs are capitalised if 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 the

construction of the asset is complete or when its construction has been suspended for an extended period of time. Items of property, plant and equipment have been assigned the following useful lives:

Buildings	30–50 years
Facilities, including	
electricity lines	12.5–50 years
other facilities	10–60 years
Machinery and equipment, including	
transmission equipment	5–45 years
power plant equipment	7–32 years
other machinery and equipment	3–30 years
Other items of property, plant and equipment	3–10 years

Information about average remaining useful lives assigned to items of property, plant and equipment is disclosed in Note 4. The depreciation rate, depreciation method and residual value of an asset are reviewed at each reporting date during the annual stocktaking, when subsequent expenditures are recognised and in the case of any significant changes in development plans. When the estimated useful life of an asset differs significantly from the previous estimate, it is treated as a change in the accounting estimate, and the remaining useful life of the asset is changed, as a result of which the depreciation charge of the following periods also changes.

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 (Note 2.9).

If parts of an asset have different useful lives, the parts are capitalised and depreciated as separate assets.

## 2.8 Intangible assets

Intangible assets are recognised in the statement of financial position only if the following conditions are met:

- 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 for goodwill) are amortised over their estimated useful lives using the straight-line method.

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

### (a) Goodwill

Goodwill acquired in a business combination is not subject to amortisation. 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 in which the goodwill arose. 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 (cost less any impairment losses) (Note 2.9). When determining a gain or loss on the disposal of a subsidiary, the carrying amount of goodwill relating to the entity sold is regarded as part of the carrying amount of the subsidiary.

#### *(b) Contractual rights*

Contractual rights acquired in a business combination are recognised at fair value on acquisition and are subsequently carried at cost less any accumulated amortisation. Contractual rights include also mining rights. Contractual rights are amortised over the expected duration of the contractual right using the straight-line method. Further details on contractual rights are disclosed in Note 6.

#### *(c) Software*

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

- it is technically feasible to complete the software and use it;

- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources for completing the development and using the software are available;
- the expenditure attributable to the software during its development can be reliably measured.

Capitalised software development costs include payroll expenses and other expenses directly attributable to the development. Development expenditures that do not meet the above criteria are recognised as an expense as incurred. Development costs initially recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs are amortised over their estimated useful lives (not exceeding 15 years) using the straight-line method.

#### *d) Greenhouse gas allowances*

Greenhouse gas allowances are permits that allow the owner to emit a certain amount of carbon dioxide or other greenhouse gases. One credit permits the emission of one ton of carbon dioxide or the equivalent in other greenhouse gases. All greenhouse gas allowances are accounted under current assets. See further details in Note 2.3.

## **2.9 Impairment of non-financial assets**

Assets that have indefinite useful lives except for land (for example goodwill) and intangible assets not yet ready for use

are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation or depreciation and land are assessed for impairment when events or changes in circumstances indicate that the 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.

If the fair value of the asset less costs to sell cannot be determined reliably, the recoverable amount of the asset is its value in use. The value in use is calculated by discounting the expected future cash flows generated by the asset to their present value.

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.

Detailed information about impairment tests performed in 2023 is disclosed in Notes 5 and 6.

## **2.10 Non-current assets (or disposal groups) held for sale**

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 the sale of the assets is considered highly

probable. These assets are carried at the lower of their carrying amount and fair value less costs to sell.

## 2.11 Financial assets

### 2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be 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.

### 2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the 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.

### 2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement.

### 2.11.4 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 measurement category.

### 2.11.5 Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

Any gain or loss arising on derecognition is recognised directly in the income statement and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented as separate line items in the income statement.

### 2.11.6 Equity instruments

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

### 2.11.7 Derivative financial instruments

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments that are not used in hedge accounting are included in the profit or loss for the year. The Group also applies hedge accounting. Accounting

principles for hedge accounting are disclosed in Note 2.13.

Under the amendments to the Electricity Market Act, from 1 October 2022 Eesti Energia has had the obligation to sell electricity to all electricity suppliers for the provision of the universal service. As part of this law, Eesti Energia is required to compensate to other electricity resellers/suppliers the price difference between the universal service price (regulatory cap) and the spot electricity price. As a consequence, Eesti Energia entered into bilateral agreements with each reseller, which have a form of a derivative contract, which is measured at fair value through profit or loss (for further information, see Note 2.13(b)).

### 2.11.8 Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its 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) 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 allowance for impairment losses at



expected lifetime credit losses from initial recognition of the receivables. The Group uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

## 2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## 2.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-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 hedging instruments in order to hedge the risk of changes of the prices of natural gas, shale oil, electricity and interest rate cash flows.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, and also its risk management objectives and strategy for undertaking various hedge transactions. The Group also

documents whether there is 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 sources of hedge ineffectiveness. Hedge ineffectiveness is quantified in each reporting period and recognised in the income statement.

The fair values of derivative financial instruments used for hedging purposes are disclosed in Note 14. Movements on the hedge reserve in other comprehensive income are disclosed in Note 20. The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

### *(a) Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as a net amount within other operating income or other operating expenses.

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains

in equity and is reclassified to the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is reclassified in profit and loss as other operating income or operating expenses.

### *(b) Interest rate swaps*

The interest rate swaps are common financial instrument used to exposure to fluctuation in interest rates. An economic relationship exists between the hedging instruments (interest rate swaps) and the hedged items (loan agreements). The Group tests hedge effectiveness by using the hypothetical derivative method and compares the changes in the fair value of interest rate swaps with the changes in the fair value of loan agreements.

Potential sources of hedge ineffectiveness is a change in the credit risk of the Group or the counterparty of the interest rate swap. The impact of credit risk may cause an imbalance in the economic relationship between the hedged item and the hedging instrument. According to the assessment of the Group's management, it is highly unlikely that changes in credit risk would cause significant hedge ineffectiveness.

Fair value is calculated using a third-party model which is confirmed by 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. The fair value of interest rate swaps qualifies as a level 2 measurement in the fair value hierarchy. Interest rate swaps could affect profit or loss or other comprehensive income in financial statements.

*(c) Derivatives measured at fair value through profit or loss*  
Derivatives which are not designated as hedging instruments, including the universal service, are carried at fair value through profit or loss. The gains and losses arising from changes in the fair value of such derivatives are included within other operating income or other operating expenses in the income statement.

*(d) Power purchase agreements*

The Group has signed long-term physically settled power purchase agreements with energy producers, handling the volume and balancing risk and selling the power to the exchange or to its own retail customers. In some periods the PPA volumes are higher than retail selling for flexibility and some excess for security of the operations. The contracts are not considered to meet the requirements to be classified as contracts held for normal purchase or sale (own use). The Group accounts for the contracts as derivatives measured at fair value through profit or loss (under Other operating income or Other operating expenses) in accordance with IFRS 9. At the settlement date, the Group physically settles the contracts by taking delivery of the power and selling the power either on the exchange or to its own retail customers.

The Group has signed long-term financially settled power purchase agreements with energy producers. At the settlement date the derivative is settled based on the difference between

a fixed price and the agreed upon underlying market rate. The Group accounts for the contracts as derivatives measured at fair value through profit or loss (recognised under Other operating income or Other operating expenses) in accordance with IFRS 9. If particular agreements have been designated to qualify as cash flow hedges, they are accounted for under *Raw materials and consumables used*. Additional information is disclosed in Note 3.

*(e) Contracts for purchase of goods for own use*

Contracts that are entered into and continue to be held for the purpose of the receipt of the underlying commodity in accordance with the Group's expected purchase requirements are accounted for as regular purchases of underlying commodities. For example, any futures contracts for buying greenhouse gas emissions allowances that are necessary for the Group's electricity production purposes are not recognised as derivatives in the statement of financial position; the emissions allowances purchased are recognised as intangible assets when settlement of future contract occurs and emissions allowances are transferred to the Group. Any payments made to the counterparty before the settlement date are recognised as prepayments for intangible assets.

If the terms of the contracts permit either party to settle it net in cash or another financial instrument or the commodity (mainly CO<sub>2</sub> transactions and guarantee of origin certificates), that is the subject of the contracts is readily convertible to cash, the contracts are evaluated to determine if they qualify for own use treatment. Contracts that do not qualify for own use treatment, are accounted for as derivatives as described above.

## 2.14 Cash and cash equivalents

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

## 2.15 Trade receivables

Trade receivables are amounts due from customers for energy sold or services performed in the ordinary course of business.

## 2.16 Inventories

Inventories are stated in the statement of financial position at the lower of cost or 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 normal operating capacity of the production facilities).

## 2.17 Share capital and statutory reserve 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.

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



## 2.18 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.

## 2.19 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred and treated as a transaction cost when the draw-down occurs.

Borrowings are recognised as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the end of reporting period.

## 2.20 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 such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

The capitalised borrowing costs are recognised in the statement of cash flows within interest and loan fees paid.

## 2.21 Taxation

### *(a) Corporate income tax on dividends in Estonia*

Under the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and transfer price adjustments. The tax rate for profit distributions is 20% (calculated as 20/80 of the net distribution). From 2019, regular dividend distributions are subject to a lower, 14% income tax rate (calculated as 14/86 of the net distribution). Thus, in calculating the income tax payable on dividends, a resident company can apply a lower tax rate of 14% and the ordinary 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 any additional income tax expense.

Current corporate income tax payable on a dividends distribution is recognised as an expense and a liability in the amount of the tax effect of the dividends declared. 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 maximum income tax liability which would accompany the distribution of Company's retained earnings is disclosed in the notes to the financial statement (see Note 18).

*(b) Other taxes in Estonia***The following taxes had an effect on the Group's expenses:**

Tax	Tax rate
Social security tax	33% of the payroll paid to employees and of fringe benefits
Unemployment insurance tax	0.8% of the payroll paid to employees
Fringe benefit income tax	20%, calculated as 20/80 of net fringe benefits provided to employees
Pollution charges	Paid for contamination of the air, water, ground water, soil and waste storage, and based on tonnage and type of waste. Pollution charge rates for emission of pollutants into the air have remained unchanged since 2015: the charge rate per tonne for emission of pollutants into the ambient air is EUR 2–1,278 (except mercaptans, which is EUR 31,785), for emission of pollutants into water bodies or groundwater is EUR 7.09–24,326, and for waste disposal is EUR 0.63–29.84 per tonne.
Fee for extraction right for oil shale	EUR 0.275–10 per tonne of oil shale extracted
Water utilisation charges	EUR 1.70–180.55 per 1000 m <sup>3</sup> of pond or ground water used (2021–2022: EUR 1.63–178.76 per 1000 m <sup>3</sup> of pond or ground water used).
Land tax	0.1–1.0% on taxable value of land per annum
Tax on heavy trucks	EUR 3.50–232.60 per truck per quarter
Excise tax on electricity	EUR 0.5–1.0 (from 1 May 2020 to 30 April 2024) per MWh of electricity
Excise tax on natural gas	EUR 40–55.79 per 1000 m <sup>3</sup> of natural gas (from 1 May 2020 to 30 April 2024)
Excise tax on shale oil	EUR 57–563 per 1000 kg of shale oil (from 1 May 2020 to 30 April 2024)
Excise tax on oil shale	EUR 0.93 per gigajoule (from 1 May 2020 to 30 April 2024)
Corporate income tax on non-business expenses	20%, calculated as 20/80 of non-business expenses

*(c) Income tax rates in foreign countries in which the Group operates*

Latvia	Income earned by resident legal persons is taxed at a rate of 20/80 upon distribution
Lithuania	Income earned by resident legal persons is taxed at an income tax rate of 15%
Germany	Income earned by resident legal persons is taxed at an income tax rate of 30–33% (from 31 December 2022 24.6%–36.1%), (corporate tax, trade tax and solidarity surcharge combined)
the USA	Income earned by resident legal persons is taxed at an income tax rate of 21%
Jordan	Income earned by resident legal persons is taxed at an income tax rate of 20%. Jordan Oil Shale Energy is fully exempted from income tax according to the contracts concluded with the Hashemite Kingdom of Jordan.
the Netherlands	Income earned by resident legal persons is taxed at an income tax rate of 25% (from 28 November 2022 25.8%)
Poland	Income earned by resident legal persons is taxed at an income tax rate of 19%
Finland	Income earned by resident legal persons is taxed at an income tax rate of 20%

*(d) Deferred income tax*

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

Pursuant to the laws of the Republic of Estonia and Latvia, an entity's profit of the accounting year is not taxable in Estonia and Latvia. The obligation to pay company income tax arises upon distribution of profit and it is recognised as an expense (in profit or loss for the period) when dividends are declared. Due to the nature of the taxation system, no deferred income tax assets or liabilities arise in entities registered in Estonia nor Latvia, except for possible deferred income tax liabilities related to the Group's investments in subsidiaries.

Deferred income tax liability arises for the Group in countries where the entity's reporting year profit is taxable. For the Group, deferred income tax liability also arises in respect to investments in an Estonian and Latvian subsidiary and associate undertaking, except for if the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the reversal will not occur in the foresee-



able future. Examples of taxable temporary reversal are the payment of dividends, the sale or liquidation of an investment, and other transactions.

The Group has control over the dividend policy of subsidiaries and is able to control the timing of the reversal of the temporary differences in respect to the relevant investment. If the parent company has decided not to distribute the subsidiary's profit in the foreseeable future, it does not recognise the deferred income tax liability. If the parent company assesses that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured to the extent of the planned dividend payments exceeding the annual distributable profits earned.

The Group measures deferred income tax liability and assets using the tax rates valid at the reporting date that are expected to apply to the taxable temporary differences of the period in which the temporary differences are expected to reverse.

## 2.22 Employee benefits

### Short-term employee benefits

Short-term employee benefits include wages and salaries as well as social security contributions and benefits relating to temporary suspension of the employment contract (holiday pay and similar payments) where the suspension of the contract occurs within 12 months after the end of the period in which the employee rendered the employee service, and other benefits payable after the end of the period in which the employee rendered the employee service.

If an employee has provided services in the reporting period in return for which benefits are expected to be paid, the Group

recognises a liability (accrued expense) for the expected amount of the benefit after deducting any amount already paid.

## 2.23 Provisions

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

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect current best estimates.

### (a) Environmental protection provisions

Environmental protection provisions are recognised to cover environmental damages that have occurred before the end of the reporting period when required by law or when the Group's past environmental policies have demonstrated that the Group has a constructive present obligation to liquidate the environmental damage. Experts' opinions and prior experience in performing environmental work are used to estimate the provisions.

### (b) Provision for the dismantling cost of assets

The provisions for the dismantling of assets are recognised to cover the estimated costs relating to the future dismantling of assets if the dismantling of assets is required by law or if the Group's past practice has demonstrated that the Group has a present constructive obligation to incur these costs. The present value of the dismantling costs of assets is included within the cost of property, plant and equipment.

### (c) Provisions for greenhouse gas emissions

The accounting policy for the provision is disclosed in Note 2.3.

## 2.24 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 contingent liabilities.

## 2.25 Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a good or service to a customer. Revenue is shown net of value-added tax and different types of excise duty applicable to the Group (see Note 2.21)

*a) Sale of goods - wholesale*

The Group manufactures and sells shale oil and shale in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler'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 wholesaler, and the wholesaler 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.

No element of financing is deemed present as the sales are made with a credit term of up to 90 days, which is consistent with the market 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 the payment is due.

If the Group provides any additional services to a customer after control of the goods has transferred to the customer, 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.

*(b) Sale of services – electricity, gas, heat and waste reception services*

The Group provides electricity, gas and heat sale and waste reception services in accordance with the relevant contracts. Selling prices, possible price regulation and contractual volumes of services are fixed in contracts. Revenue from the sale of electricity, gas 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. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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.

*(c) Connection fees*

When connecting to the electricity network, the customers must pay a connection fee based on the actual costs of infrastructure to be built in order to connect them to the network. The Management Board has concluded that the connection fees do not constitute a separate performance obligation from the ongoing provision of network transmission services, and therefore the revenue from connection fees is deferred and recognised as revenue over the estimated average useful lives of the assets providing the service, being 32 years. Connection fees received from customers are carried in the statement of financial position as contract liabilities within non-current liabilities.

*(d) 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 of the transaction prices for the time value of money.

**2.26 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 attached conditions. Grants related to income are recognised as income over the periods necessary to match them with the costs which they 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 deferred income related to the government grant. Related assets are 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 (government grant related to income) of 5.37 cents per kilowatt hour of electricity produced from a renewable energy source with a generating installation whose net capacity does not exceed 125 MW.

The Group receives the grant monthly in accordance with the volume of electricity produced from a renewable energy source. The grant is not intended to compensate any specific costs but is a government measure to support and increase the transition to renewable energy in Estonia. The grant is accounted for using the gross method and reported within other operating income as a renewable energy grant.



## 2.27 Leases

### (a) The Group as the 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 lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Contracts may contain both lease and non-lease components. The Group's leases are mostly contracts including the rights to use land which do not contain non-lease components.

### 2.27.1 Initial measurement

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

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.-

### 2.27.2 Subsequent measurement

After the commencement date, the Group measures the right-of-use asset applying a 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 and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. 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 or the end of the lease term.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, the Group recognises in the income statement interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

If there are changes in 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. Future potential increases in variable cash flows based on an index are not included in

the lease liability. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset using the original discount rate for remeasurement.

The Group remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). The Group determines the revised lease payments for the remainder of the lease term based on the revised contractual payments. The Group uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

The Group 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 all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

### (b) The Group as a lessor

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

## 2.28 Dividend distribution

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

## 2.29 Related party transactions

For the purposes of these consolidated financial statements, the related parties include the associates of the Group, the members of the Supervisory and Management Boards of Eesti Energia AS and other individuals and entities which can control or significantly influence the Group's financial and operating decisions. As the shares of Eesti Energia AS belong 100% to the Republic of Estonia, the related parties also include entities under the control or significant influence of the state. The Group has applied the exemption from disclosure of individually insignificant transactions and balances with the state and parties that are related to the entity because the state has control, joint control or significant influence over a such party.

## 3. Financial risk management

### 3.1 Financial risks

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

The purpose of financial risk management is to mitigate financial risks and minimise the volatility of financial results. The risk and internal audit department under the Chairman of the Management Board and the Audit Committee are engaged

in risk management and responsible for the development, implementation and maintenance of the Group's risk management system. The Group's financial risks are managed in accordance with the principles established by the Management Board at the Group level. The Group's liquidity, interest rate and currency risks are managed in the finance department of the parent company.

### 3.1.1 Market risks

#### 3.1.1.1 Currency risk

Currency risk is the risk that the fair value of financial instruments or cash flows will fluctuate in the future due to exchange rate changes. The financial assets and liabilities denominated in euros are considered to be free of currency risk when the entity has euro as the functional currency. All non-current borrowings and electricity export contracts are also concluded in euros to avoid currency risk.

The Group has a bank loan in PLN with a balance of EUR 6.3 million (in PLN 27.5 million) at 31 December 2023 (EUR 6.6 million (in PLN 31.1 million) at 31 December 2022), the identified currency risk was immaterial as at 31 December 2023 and 31 December 2022.

The Group has no other material financial assets or liabilities open to currency risk.

#### 3.1.1.2 Price risk

Price risk is the risk that the fair value and cash flows of financial instruments will fluctuate in the future for reasons other than changes in the market prices resulting from interest rate risk or foreign exchange risk. The sale of goods produced and

services provided by the Group under free market conditions, the purchase of resources used in production, and financial assets and liabilities measured at fair value through profit or loss are impacted by price risk.

#### 3.1.1.2.1 The price risk of commodities

The primary commodity price risks are the price risks associated with the sale of shale oil, the purchase and sale of electricity and natural gas, and the purchase of greenhouse gas emission allowances. The Group uses various derivative instruments to mitigate those price risks.

### Derivatives used to hedge the risks associated with the purchase of electricity

The Group sells electricity to its customers in the retail market. Part of the customers have agreements with fixed rates. To hedge the volatility risk in electricity prices, the Group uses derivatives (futures, forward contracts and long-term power purchase agreements), which are entered into for the purchase of electricity at each hour of trading. Transactions designed to hedge the volatility risk in electricity prices are designated as hedging instruments in cash flow hedges.

The underlying hedged item is the risk components of highly probable forecast electricity purchase transactions: TGE Polish base and peak load prices (Polish market) and the Nord Pool system price, and the difference between the system price and the Finnish area price i.e. the price spread (markets other than Poland). Long-term cash-settled power purchase agreements hedge the exposure to the Nord Pool Lithuanian price area. The volumes of derivative instruments entered into to hedge the purchase price risk is driven by the volumes of forecast fixed-price sales transactions. The hedge ratio of the



## Summary of hedging instruments used:

	31 DECEMBER			
	2023		2022	
	Maturity within 12 months	Maturity longer than 12 months	Maturity within 12 months	Maturity longer than 12 months
Hedged volume, Nord Pool system price component (TWh)	2.2	1.4	0.5	2.1
Hedged volume, Finnish area price component (TWh)	2.2	1.3	0.4	1.9
Hedged volume, TGE Polish baseload price risk component (TWh)	0.6	0.2	0.6	0.2
Hedged volume, Lithuanian area price risk components (long-term PPAs) (TWh)	0.4	4.2	0.2	4.6
Weighted average underlying price, Nord Pool system price component (EUR/MWh)	44.7	50.0	89.6	49.0
Weighted average underlying price, Finnish area price component (EUR/MWh)	1.8	2.3	20.7	3.6
Weighted average underlying price, TGE Polish baseload price risk component (EUR/MWh)	162.9	157.9	172.2	173.3

hedging relationships is one to one.

Long-term power purchase agreements (PPAs) are not traded in an active market, for details on the determination of their fair value refer below to subsection 3.3 of the financial risk management note. The Group does not disclose the price for long-term power purchase agreements as it may damage its competitive position in the market.

### Derivatives used to hedge the risks associated with the purchase of natural gas

The Group sells natural gas to its customers in the retail market. Part of the customers have agreements with fixed rates. The Group uses derivatives (futures and forwards) to hedge the volatility risk in natural gas prices in the Polish market, which are entered into for the purchase of a specific amount of gas in each month. Transactions designed to hedge the volatility risk in gas prices are designated as hedging instruments in cash flow hedges. The underlying hedged item is the risk component of highly probable forecast gas purchase

transactions: the purchase price of natural gas on the Polish power exchange TGE. The volume of derivative instruments entered into to hedge the price risk associated with the natural gas purchases in Poland depends on the natural gas sales volumes which are determined by volumes required by customers under long-term fixed-price agreements. Consistent with the Group's hedging strategy, derivative contracts are concluded for the next three years and allowed net open position is 5% of the volumes of highly probable forecast purchase transactions. The hedge ratio of the hedging relationships is one to one.

**Summary of hedging instruments used:**

	31 DECEMBER	
	2023	2022
Maturity date	2024-2025	2023-2024
Hedged volume, TGE Polish gas price risk component (TWh)	0.7	0.3
Weighted average underlying price (EUR/MWh)	62.4	70.0

**Derivatives used to hedge the risks associated with the sale of natural gas**

The Group sells gas to its customers in the retail market. Part of the customers have agreements with variable rates. The Group uses derivatives (futures and forwards) to hedge the volatility risk in natural gas prices in the Baltic market. From 1 March 2022, these instruments have been designated as hedging instruments in cash flow hedges.

To hedge the price risk associated with natural gas obtained from Inčukalns at a fixed rate and sold to customers in the Baltic countries under long-term floating-price agreements, the Group enters into derivative transactions to convert the fixed price of gas obtained from Inčukalns into a floating price. The underlying hedged item is highly probable forecast gas purchase transactions (purchase to warehouse for fixed price) that are priced against the TTF ICE Endex Futures which are determined by the volumes required by floating-price customers. The hedge ratio of the hedging relationships is one to one.

**Summary of hedging instruments used:**

	31 DECEMBER	
	2023	2022
Maturity date	2024	2023
Hedged volume, TTF ICE Endex Future (TWh)	0.08	0.04
Weighted average underlying price (EUR/MWh)	51.2	114.4

**Derivatives used to hedge the risks associated with the sale of shale oil and shale oil gasoline**

The Group has shale oil production facilities in Estonia and it sells the produced shale oil and shale oil gasoline in the global energy markets. The Group uses derivatives (futures and swaps) to hedge the volatility risk in the prices of shale oil and shale gasoline (for shale gasoline from 1 January 2021). In these transactions, the counterparty undertakes to pay the difference between a fixed price and the market price in a given period of time. According to the Group's hedging policy, the purpose of hedging is to ensure a predefined amount of profit after variable expenses. Contracts are concluded for the sale of specific amounts of shale oil and shale oil gasoline in future periods and they are designated as hedging instruments in cash flow hedges. The underlying hedged item is the risk component of highly probable forecast shale oil sales transactions: heavy fuel oil with 1% sulphur content or its separately identifiable subcomponents. For shale oil gasoline, the underlying hedged item is the risk component of highly probable forecast shale gasoline sale transactions: Naphtha Cargoes CIF NWE, or its separately identifiable subcomponents. The volume of derivative transactions entered into to

hedge the price risk of the sale of shale oil and shale oil gasoline depends on long-term sales contracts signed for future periods and the production plan. Consistent with the Group's hedging strategy, derivative contracts are concluded for the next two years to the extent of up to 80% of the volumes of highly probable forecast sales transactions. The percentage of hedged sales volumes is higher for the years closer to the reporting date, due to the liquidity of the derivatives and the Group's hedging strategy. The hedge ratio of the hedging relationships is one to one.

**Summary of hedging instruments used:**

Shale oil:	31 DECEMBER	
	2023	2022
Maturity date	2025-2026	2023-2025
Hedged volume, Brent Crude (thousand Mt)	170	823
Weighted average price (EUR/mMt)	430	385

**Summary of hedging instruments used:**

Shale oil gasoline:	31 DECEMBER	
	2023	2022
Maturity date	2025-2026	2023-2025
Hedged volume, Brent Crude (thousand Mt)	27	129
Weighted average underlying price (EUR/mMt)	592	547



### Effective and ineffective portions of hedges

The effective portion of the change in the fair value of the hedging instruments is recognised in other comprehensive income and reclassified to profit or loss. In case of sales transactions, this impact is presented as revenue or a reduction of revenue. In case of purchase transactions, this impact is presented as expenses, or a reduction of expenses when the forecast purchase transaction occurs. When it becomes clear that the occurrence of the forecast sales or purchase transaction in a given period is unlikely to occur, this impact is presented as other operating income or expense. The Group has not identified any other material sources of hedge ineffectiveness that are expected to affect the hedging relationships except one long-term PPA quantities which were not sold to end customers and left open to mitigate the price and volume risks. At the end of the year, hedge ineffectiveness was identified as a result of specific commercial factors resulting in volumetric overhedge. The impact of hedge ineffectiveness to the 2023 income statement was: decrease of the loss EUR 17.0 million (2022: 0 EUR) and increase of the loss EUR 4.5 million (2022: EUR 6.5 million).

Potential sources of hedge ineffectiveness are the following:

- Compared with previous periods, foreign exchange rates became more volatile in the reporting period. Movements in foreign exchange rates may cause an imbalance in the economic relationship between the hedged item and the hedging instrument and a situation may arise where the values of the hedged item and the hedging instrument no longer move in the opposite direction. According to the assessment of the Group's management, it is highly unlikely that movements in foreign exchange rates would cause significant hedge ineffectiveness.

The above risks did not materialise in 2023 or 2022.

Changes in the fair values of hedging instruments, which are recognised in the hedge reserve, are disclosed in Note 20. Further information on derivatives is provided in Notes 12, 14 and 15.

### Derivatives held for trading

Derivatives held for trading are mainly derivatives for the purchase and sale of natural gas when the Group does not apply the principles of hedge accounting to these products and markets except for natural gas in Poland (purchases) and variable price natural gas transactions in the Baltics (purchases) (see the section Derivatives used to hedge the risks associated with the sale of natural gas) and long term PPAs which the Group has not designated as hedging instruments in cash flow hedges. In addition, natural gas, electricity, and oil derivatives offered to customers through intermediation transactions are classified as derivatives held for trading on both sides (the transactions with the Group's customers and the transactions with third party derivative counterparties).

The Group has material open derivative net positions at the reporting date that are not designated as hedging instruments. The fair value of the given instruments is calculated based on the market prices of electricity, oil and gas products. The impact of reasonable changes in underlying commodity prices on the Group's financial results would be as follows (plus is an increase of a profit or a decrease of a loss and minus is a decrease of a profit and an increase of a loss):

- If the underlying market prices of electricity had been 10% higher/lower, it would have had the following

impact on the Group's post-tax financial result: EUR 15.5 million and EUR (15.5) million (2022: EUR 23.1 million and EUR (23.1) million).

- If the underlying market prices of oil products had been 10% higher/lower, it would have had the following impact on the Group's post-tax financial result: EUR (10.6) million and EUR 10.6 million (2022: EUR (3.6) million and EUR 3.6 million).
- If the underlying market prices of natural gas had been 10% higher/lower, it would have had the following impact on the Group's post-tax financial result: EUR 0.08 million and EUR (0.08) million (2022: EUR 0.75 million and EUR (0.75) million).

### 3.1.1.3 Cash flow and fair value interest rate risk

Interest rate risk is the probability of a change in the value of an asset resulting from unexpected fluctuations in market interest rates. Cash flow interest rate risk arises from borrowings with floating interest rates resulting that finance costs will increase when interest rates increase. Interest rate risk is mitigated partly by raising borrowings with fixed interest rates and partly by fixing the interest expense of floating rate loans with interest rate swaps.

Compared with the end of the previous financial year, there was no change in the Group's management of interest rate risk in connection with entering into interest rate swaps (IRSs). As at 31 December 2023, the Group had three interest rate swaps with a total notional amount of EUR 157.8 million. As at 31 December 2023, 11.5% of the Group's borrowings (excluding lease liabilities) had a fixed interest rate (31 December 2022: 68.9%) and the weighted average effective interest

rate of bank loans, including the effect of interest rate swaps, was 5.8% (31 December 2022: 2.6%). The interest rate of the Group's bank loans depends on the base interest rate (for loan liabilities denominated in euros, the 3-month or 6-month Euribor; for loan liabilities denominated in Polish zloty, the 6-month WIBOR). If the floating base interest rate as at 31 December 2023 had been 100 basis points higher, the Group's annual net loss would have been EUR 14.1 million (2022: EUR 4.2 million) higher.

Due to the aforementioned changes the market interest rates may have a material effect on the Group's borrowings and they may affect the fair value of the borrowings (Note 21). The group closely follows the interest rates market and interest rate hedges could be done on suitable rate levels as the risk policy is to hedge the interest rate of up to 50% of the loan portfolio. The Group can make strategical decisions to change the hedge ratio according to the market situation and company situation. This ratio is not met as during 2023 the loans were taken out during very high interest rates and hedge levels were very unfavourable and the Group decided not to hedge those loans.

#### 3.1.1.4 Interest rate swaps

Interest rate swaps usually involve the exchange of a floating interest rate for a fixed rate (or vice versa) with a purpose to hedge against the cash flow fluctuations. An economic relationship exists between the hedging instruments (interest rate swaps) and the hedged items (loan agreements), because as at 31 December 2023 the critical terms of all interest rate swaps matched the terms of the loan agreements (notional amounts, currencies, maturities, payment schedules). Future

hedging transactions are entered into with a hedge ratio of one to one. The Group tests hedge effectiveness by using the hypothetical derivative method and compares the changes in the fair value of interest rate swaps with the changes in the fair value of loan agreements.

Potential sources of hedge ineffectiveness are the following:

- A change in the credit risk of the Group or the counterparty of the interest rate swap. The impact of credit risk may cause an imbalance in the economic relationship between the hedged item and the hedging instrument. According to the assessment of the Group's management, it is highly unlikely that changes in credit risk would cause significant hedge ineffectiveness.

Fair value is calculated using a third-party model which is confirmed by 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. The fair value of interest rate swaps qualifies as a level 2 measurement in the fair value hierarchy. As at 31 December 2023, the Group had three interest rate swaps to hedge the interest rate risk of three loans (in the comparative period, there were no interest rate swaps):

- An interest rate swap with a notional amount of EUR 73.0 million (80.0 million 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 that was drawn down on 30 September 2022.

- An interest rate swap with a notional amount of EUR 49.0 million (50.0 million 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 that was drawn down on 24 September 2022.
- An interest rate swap with a notional amount of EUR 35.0 million (38.3 million 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 that was drawn down on 30 June 2022.

#### 3.1.2 Credit risk

Credit risk is the risk that the Group will incur a monetary loss caused by the other party to a financial instrument because of that party's inability to meet its obligations. Cash in bank deposits, derivatives with a positive value and trade and other receivables are exposed to credit risk.

According to the principles of depositing of available monetary funds of the Group, the following principles are followed:

- preserving capital;
- ensuring liquidity at the right moment for the needs of business;
- optimal return considering the previous two goals.



Available monetary funds can be deposited in the following domestic and foreign financial instruments:

- money market funds and interest rate funds in which holdings or shares can be redeemed or sold on a regular basis (not used during 2023 and 2022);
- deposits of credit institutions;
- freely negotiable bonds and other freely negotiable debt instruments.

Requirements for the level of credit risk of issuers and partners of financial instruments (including hedge transactions) and maximum positions of each partner are approved by the Group's committee of the financial risks.

The available monetary funds can be deposited only in financial instruments nominated in euros. In addition, there are certain requirements for the maturities of the financial instruments and diversification.

The unpaid invoices of customers are handled on a daily basis in the departments specifically set up for this purpose. The automated reminder and warning system sends messages to customers about overdue invoices with the warning that if they are not paid, the customers will be cut off from the electricity network. After that, a collection petition is filed at the court or a collection agency. Special agreements are in the jurisdiction of special credit committees.

Trade receivables are presented net of expected credit losses. Although the collection of receivables can be impacted by economic factors, management believes that there is no significant risk of loss beyond the loss allowances already recognised. Other receivables do not contain any impaired assets.

More detailed information on credit risk is disclosed in Notes 13 and 15.

### 3.1.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations due to insufficient cash inflows. Liquidity risk is managed through the use of various financial instruments such as loans, bonds and commercial papers.

The Group's liquidity risk has two dimensions. Short-term liquidity risk is the risk that the Group's bank accounts do not include sufficient cash to meet the Group's financial commitments. Long-term liquidity risk is the risk that the Group does not have sufficient amount of unrestricted cash or other sources of liquidity to meet its future liquidity needs in order to carry out its business plan and meet its commitments, or that for the above reason the Group needs to raise additional cash in a hurry and on terms, which are less than optimal.

Short-term liquidity risk is mitigated so that the Group keeps a certain amount of cash buffer in its bank accounts in order to have sufficient amount of cash available also in case there are deviations from the cash flow forecast.

Long-term liquidity risk is mitigated by regular forecasts of liquidity needs for the next 12 months (including cash requirement for investments, loan repayments and dividends, and positive cash flow from operations) and by keeping sufficient liquidity buffer in the form of unrestricted cash, undrawn investment loans, and limits of liquidity loans. The Group's liquidity risk is managed at the Group level by the parent company's Financial Department.

As at 31 December 2023, the Group had spare monetary balances of EUR 174.5 million (31 December 2022: EUR 280.5

### The maximum amount exposed to credit risk was as follows as at the end of the reporting period:

in million EUR	31 DECEMBER	
	2023	2022
Trade and other receivables (Notes 12 and 13)*	475.6	402.0
Cash and cash equivalents (Notes 12, 15 and 17)	174.5	280.5
Derivatives with positive values (Notes 3.3, 12, 14 and 15)	317.5	700.7
<b>Total amount exposed to credit risk</b>	<b>967.6</b>	<b>1,383.2</b>

\* Total trade and other receivables less prepayments and post-closing receivable from the sale of Technological Solutions SIA and Enefit Green SIA in the amount of EUR 1.4 million.

**Liabilities by maturity date as at 31 December 2023:**

<i>in million EUR</i>	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 (Notes 3.2, 12 and 21)*	534.8	236.3	891.4	389.9	2,052.4	1,694.1
Derivatives (Notes 3.3, 12 and 14)	67.8	13.1	2.7	0.8	84.4	84.4
Trade and other payables (Notes 12 and 22)	234.7	0.1	5.8	-	240.6	240.0
Financial guarantees	86.3	-	-	-	86.3	-
<b>Total</b>	<b>923.6</b>	<b>249.5</b>	<b>899.9</b>	<b>390.7</b>	<b>2,463.7</b>	<b>2,018.5</b>

\* Interest expenses have been estimated on the basis of the interest rates prevailing as at 31 December 2023.

**Liabilities by maturity date as at 31 December 2022:**

<i>in million EUR</i>	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 (Notes 3.2, 12 and 21)*	634.3	198.7	199.9	82.9	1,115.8	1,059.4
Derivatives (Notes 3.3, 11 and 14)	169.1	28.4	2.8	0.9	201.2	201.2
Trade and other payables (Notes 12 and 22)	202.3	-	-	-	202.3	202.3
Financial guarantees	103.3	-	-	-	103.3	-
<b>Total</b>	<b>1,109.0</b>	<b>227.1</b>	<b>202.7</b>	<b>83.8</b>	<b>1,622.6</b>	<b>1,462.9</b>

\* Interest expenses have been estimated on the basis of the interest rates prevailing as at 31 December 2022.



million). Additionally, as at the end of the financial year, the Group had undrawn loan facilities of EUR 410.0 million (31 December 2022: EUR 495.0 million) (Note 21). The Group is looking for different solutions to decrease liquidity risk through liquidity risk management. For example the Group has transferred electricity positions from exchange (Nasdaq) to OTC (Over the Counter) and by doing so, has freed up ca EUR 61 million cash to improve the liquidity position of the Group.

The following liquidity analysis includes the division between the Group's current and non-current liabilities (including derivatives with net payments) by the maturity date of liabilities. All amounts shown in the table are contractual undiscounted cash flows. The payables due within 12 months after the end of the reporting period, except for borrowings, are shown at their contractual amount.

### 3.2 Capital management

All shares of Eesti Energia AS belong to the state. Decisions concerning dividend distribution and increases or decreases of share capital are made by the Republic of Estonia through the Ministry of Finance. Each financial year, the dividends payable by Eesti Energia AS to the state budget are defined by the order of the Government of the Republic of Estonia based on the dividend policy in place (see details from Notes 18 and 19).

The Group follows a strategy according to which in the long-term net debt should not exceed EBITDA more than 3.5 times (2022: 3.5 times) and equity should be at least 50% (31 December 2022: 50%) of the total assets. As at 31 December 2023 the net debt to EBITDA target was met (31 December 2022: the net debt to EBITDA ratio was met).

### As at 31 December 2023 and 31 December 2022, the net debt to EBITDA ratio and the equity to assets ratio were as follows:

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Borrowings (Notes 3.1, 12 and 21)	1,694.1	1,059.4
Less: accrued interests	(24.1)	(4.8)
Less: cash and cash equivalents (Notes 12, 15 and 17)	(174.5)	(280.5)
Net debt	1,495.5	774.1
Total equity	2,060.1	3,120.0
EBITDA*	436.7	420.4
Assets	4,822.9	5,506.2
Net debt/EBITDA	3.42	1.84
Equity/assets	43%	57%
Total capital (net debt + equity)	3,555.6	3,894.1
Debt to capital ratio	42%	20%

\* EBITDA: profit before finance income and costs, profit (loss) from associates under the equity method, tax, depreciation, amortisation, impairment losses.

Both EBITDA and net debt are alternative performance measures (APMs). These measures are not defined under the requirements of IFRS and may not be comparable with the APMs of other companies. The Group believes these APMs provide the readers of the consolidated financial statement with additional useful information in regard to the performance of the business and how it is managed and they are used by the management for performance analysis and reporting. These APMs should be viewed as supplemental to and not as a substitute for the measures presented in the consolidated financial statements which are prepared in accordance with IFRS.

### 3.3 Fair value

The Group estimates that the fair values of financial assets and liabilities reported at amortised cost in the statement of financial position as at 31 December 2023 and 31 December 2022 do not materially differ from the carrying amounts reported in the consolidated financial statements, with the exception of bonds which were valid in the end of 2022 (the fair values were classified within the Level 1 hierarchy, Note 21). The carrying amount of current accounts receivable and payables and loan receivables less impairments is estimated to be

approximately equal to their fair value. For disclosure purposes, the fair value of financial liabilities is determined by discounting the contractual cash flows at the market interest rate which is available for similar financial instruments of the Group.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been 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);
- inputs for the asset or liability that are not based on observable market data (Level 3).

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:

<i>in million EUR</i>	31 DECEMBER 2023							
	ASSETS				LIABILITIES			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Cash flow hedges</b>								
<b>Future, forward and long-term PPA contracts to purchase electricity</b>	-	2.7	149.6	152.3	35.8	5.4	-	41.2
Lithuanian area price risk components (long-term PPAs)	-	-	149.6	149.6	-	-	-	-
TGE Polish baseload price risk component	-	-	-	-	35.8	-	-	35.8
Nord Pool system price and Finnish area price component	-	2.7	-	2.7	-	5.4	-	5.4
<b>Future and forward contracts to purchase natural gas</b>	-	-	-	-	15.2	-	-	15.2
TGE Polish gas price risk component	-	-	-	-	15.2	-	-	15.2
<b>Swap and forward contracts for sale of shale oil</b>	3.8	-	-	3.8	(0.1)	-	-	(0.1)
<b>Swap and forward contracts for sale of shale oil gasoline</b>	0.6	-	-	0.6	-	-	-	-
<b>Interest rate swap</b>	-	8.9	-	8.9	-	-	-	-
<b>Total cash flow hedges</b>	4.4	11.6	149.6	165.6	50.9	5.4	-	56.3

Table continues on the next page



<i>in million EUR</i>	31 DECEMBER 2023							
	ASSETS				LIABILITIES			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Trading derivatives</b>								
<b>Future, forward and long-term PPA contracts to purchase electricity</b>	<b>2.0</b>	-	<b>129.1</b>	<b>131.1</b>	-	<b>1.6</b>	-	<b>1.6</b>
Lithuanian area price risk components (long-term PPAs)	-	-	129.1	129.1	-	-	-	-
TGE Polish baseload price risk component	2.0	-	-	2.0	-	-	-	-
Nord Pool system price and Finnish area price component	-	-	-	-	-	1.6	-	1.6
<b>Future and forward contracts to purchase natural gas</b>	<b>3.3</b>	-	-	<b>3.3</b>	<b>5.6</b>	-	-	<b>5.6</b>
TGE Polish gas price risk component	-	-	-	-	3.1	-	-	3.1
Baltic gas price risk component	3.3	-	-	3.3	2.5	-	-	2.5
<b>Swap and forward contracts for sale of shale oil</b>	<b>4.0</b>	-	-	<b>4.0</b>	<b>7.6</b>	-	-	<b>7.6</b>
<b>Swap and forward contracts for sale of shale oil gasoline</b>	-	-	-	-	<b>1.5</b>	-	-	<b>1.5</b>
<b>Guarantees of origin</b>	-	-	<b>4.4</b>	<b>4.4</b>	-	-	<b>10.2</b>	<b>10.2</b>
<b>Universal service</b>	-	-	<b>9.1</b>	<b>9.1</b>	-	-	-	-
<b>Other derivatives</b>	-	-	-	-	<b>1.2</b>	<b>0.4</b>	-	<b>1.6</b>
<b>Total trading derivatives</b>	<b>9.3</b>	-	<b>142.6</b>	<b>151.9</b>	<b>15.9</b>	<b>2.0</b>	<b>10.2</b>	<b>28.1</b>
<b>Total derivative financial instruments (Notes 3.1, 3.3, 12, 15 and 20)</b>	<b>13.7</b>	<b>11.6</b>	<b>292.2</b>	<b>317.5</b>	<b>66.8</b>	<b>7.4</b>	<b>10.2</b>	<b>84.4</b>

<i>in million EUR</i>		31 DECEMBER 2022							
	ASSETS				LIABILITIES				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
<b>Cash flow hedges</b>									
<b>Future, forward and long-term PPA contracts to purchase electricity</b>	<b>23.2</b>	<b>15.9</b>	<b>360.7</b>	<b>399.8</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>	
Lithuanian area price risk components (long-term PPAs)	-	-	360.7	360.7	-	-	-	-	
TGE Polish baseload price risk component	23.2	-	-	23.2	-	-	-	-	
Nord Pool system price and Finnish area price component	-	15.9	-	15.9	-	0.1	-	0.1	
<b>Future and forward contracts to purchase natural gas</b>	<b>6.0</b>	<b>-</b>	<b>-</b>	<b>6.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
TGE Polish gas price risk component	6.0	-	-	6.0	-	-	-	-	
<b>Swap and forward contracts for sale of shale oil</b>	<b>2.2</b>	<b>-</b>	<b>-</b>	<b>2.2</b>	<b>73.4</b>	<b>-</b>	<b>-</b>	<b>73.4</b>	
<b>Swap and forward contracts for sale of shale oil gasoline</b>	<b>1.3</b>	<b>-</b>	<b>-</b>	<b>1.3</b>	<b>16.4</b>	<b>-</b>	<b>-</b>	<b>16.4</b>	
<b>Interest rate swap</b>	<b>-</b>	<b>14.6</b>	<b>-</b>	<b>14.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total cash flow hedges</b>	<b>32.7</b>	<b>30.5</b>	<b>360.7</b>	<b>423.9</b>	<b>89.8</b>	<b>0.1</b>	<b>-</b>	<b>89.9</b>	
<b>Trading derivatives</b>									
<b>Future, forward and long-term PPA contracts to purchase electricity</b>	<b>5.1</b>	<b>35.3</b>	<b>166.0</b>	<b>206.4</b>	<b>-</b>	<b>0.5</b>	<b>0.3</b>	<b>0.8</b>	
Lithuanian area price risk components (long-term PPAs)	-	-	166.0	166.0	-	-	0.3	0.3	
TGE Polish baseload price risk component	5.1	-	-	5.1	-	-	-	-	
Nord Pool system price and Finnish area price component	-	35.3	-	35.3	-	0.5	-	0.5	
<b>Future and forward contracts to purchase natural gas</b>	<b>63.0</b>	<b>-</b>	<b>-</b>	<b>63.0</b>	<b>-</b>	<b>60.3</b>	<b>-</b>	<b>60.3</b>	
Baltic gas price risk component	63.0	-	-	63.0	-	60.3	-	60.3	
<b>Swap and forward contracts for sale of shale oil</b>	<b>0.4</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>0.4</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	
<b>Guarantees of origin</b>	<b>-</b>	<b>-</b>	<b>7.0</b>	<b>7.0</b>	<b>-</b>	<b>-</b>	<b>9.4</b>	<b>9.4</b>	
<b>Universal service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37.1</b>	<b>37.1</b>	
<b>Other derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.3</b>	<b>-</b>	<b>-</b>	<b>3.3</b>	
<b>Total trading derivatives</b>	<b>68.5</b>	<b>35.3</b>	<b>173.0</b>	<b>276.8</b>	<b>3.7</b>	<b>60.8</b>	<b>46.8</b>	<b>111.3</b>	
<b>Total derivative financial instruments (Notes 3.1, 3.3, 12, 15 and 20)</b>	<b>101.2</b>	<b>65.8</b>	<b>533.7</b>	<b>700.7</b>	<b>93.5</b>	<b>60.9</b>	<b>46.8</b>	<b>201.2</b>	



For certain instruments, cash flow hedge balances (assets/liabilities) may vary from those presented in other reserves (Note 20) for the following reasons:

- Nord Pool system price and Finnish area price component - agreements between the Group and the counterparties allow offsetting amounts related to specific individual transactions, therefore as at 31 December 2023 the amount of offsetted transactions was EUR (31.4) million (31 December 2022: EUR (327.0) million);
- Baltic gas price risk component - agreements between the Group and the counterparties allow offsetting amounts related to specific individual transactions, therefore as at 31 December 2023 the amount of offsetted transactions was EUR (1.4) million (31 December 2022: EUR (1.6) million);
- TGE Polish baseload price risk component - derivatives are denominated in Polish zlotys, consequently affecting other reserves due to monthly revaluation to euros as at 31 December 2023 the amount of currency effect on hedge reserve was EUR (2.0) million (31 December 2022 EUR: (2.0) million);
- TGE Polish gas price risk component - derivatives are denominated in Polish zlotys, consequently affecting other reserves due to monthly revaluation to euros as at 31 December 2023 the amount of currency effect on hedge reserve was EUR (0.3) million (31 December 2022 EUR: (0.7) million).

#### a) Financial instruments within level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry

group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. The Group's derivatives that are traded on Nasdaq OMX, ICE, Platts European Marketscani (for spot prices), TGE, Argus and Nymex exchanges, are classified as Level 1 instruments.

The fair values of forwards, swaps and futures are determined on the basis of their spot prices at the reporting date.

#### b) Financial instruments within level 2

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. An instrument is included in level 2 if all the significant inputs required to establish the fair value of the instrument are observable. If one or more significant inputs are not based on observable market data, an instrument is included in level 3.

The values of the Group's derivatives arising from Baltic electricity and interest rate swap transactions is calculated using valuation techniques, which are based on the quotations of Nasdaq OMX and the interbank swap market at the reporting date.

#### c) Financial instruments within level 3

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

able market data. The Group classifies the universal service, guarantees of origin (green certificates) and power purchase agreements (PPAs) as level 3 financial instruments.

The financial risk management department of the Group performs the valuations of derivative items required for financial reporting purposes, including level 3 fair values. This team reports directly to the financial risk committee who approves the valuation technique. Discussions of valuation processes and results are held between the financial risk committee and the valuation team at least once every quarter, in line with the Group's quarterly reporting periods.

### Level 3 instruments

in million EUR	31 DECEMBER	
	2023	2022
Long-term PPAs	278.7	526.4
Concluded derivatives for Guarantees of Origin	(5.8)	(2.4)
Universal service	9.1	(37.1)
<b>Total</b>	<b>282.0</b>	<b>486.9</b>

In 2022, the fair value of long-term power purchase agreements (PPAs) was calculated based on the actual long-term (over 5 years) electricity sales agreements that the Group has concluded with its clients. The fair value calculation was performed on monthly basis, therefore the calculation utilizes a weighted average price of long-term electricity sales agreements that had been signed during the month preceding the balance sheet date, which is then converted onto baseload electricity price for the valuation of PPA agreements.

Starting from 2023, the valuation technique has changed. The fair value of PPAs is calculated using a valuation technique, which is based on the forecasts future period electricity prices. The technique combines market-based inputs for the Nord Pool system price and Helsinki EPAD, as quoted on Nasdaq OMX at the balance sheet date, with unobservable inputs such as actual production and consumption data of market participants, market prices of fuel inputs (CO<sub>2</sub>, gas, coal), data of plant and/or cable outages, knowledge of future developments. The fair value calculations are made on a monthly basis.

The technique has been changed due to the fact that there is limited actual long-term (over 5 years) electricity sales agreements data. The new technique gives more accurate inputs to calculate market value for long-term derivatives.

If the forecast prices changed by +/- 10%, the impact on the Group's net profit would be +/- EUR 14.3 million (2022: +/- EUR 21.5 million) and the impact on the Group's other comprehensive income would be +/- EUR 54.1 million (2022: +/- EUR 60.2 million).

The fair value of level 3 derivatives of guarantees of origin (GoOs) is calculated using a valuation technique, which is based on the bid and ask quotations of traders in GoOs. The fair value calculations are made on a daily basis.

If the market prices of the GoOs used in the calculations changed by +/- 10%, the impact on the Group's net profit would be +/- EUR 0.25 million (2022: +/- EUR 0.6 million).

The fair value of level 3 derivatives of the universal service is calculated using a valuation technique, which is based on different inputs. The market price is found using valuation

techniques, which are based on Nasdaq OMX quotations and fair value is calculated based on the difference between the market price and the universal service price established by the Estonian Competition Authority. The Group has estimated the quantities based on the forecasts of quantities provided by external resellers, who are taking into account the possible movement of customers between electricity plans (packages), which is estimated by reference to the comparison of the leaving customers and the active customers of the universal service. The quantities of the universal service have been accounted for until April 2026 according to the current legislation as of 31 December 2023 (See Note 4 for additional information about the estimates).

If the estimated prices changed by +/- 10%, the impact to the Group's net profit would be +/- EUR 1.1 million (2022: EUR 22. million impact)

Gains recognised in other comprehensive income are accounted for within *Revaluation of hedging instruments net of reclassifications to profit or loss*. Gains recognised in other income are accounted for within *Gain from revaluation of derivatives*.

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the amount of the total unrealised gains for 2023 was EUR 61.6 million (2022: EUR 92.5 million). This amount is included in other operating income.

<i>in million EUR</i>	Cash flow hedges	Derivatives held for trading
<b>Opening balance 1 January 2022</b>	<b>95.5</b>	<b>83.7</b>
Gains recognised in other comprehensive income	265.2	-
Gains recognised in other operating income	-	99.6
Loss recognised in other operating expenses	-	(46.8)
<b>Closing balance 31 December 2022</b>	<b>360.7</b>	<b>136.5</b>
Loss recognised in other comprehensive income	(181.9)	-
Loss recognised in revenue	(11.8)	-
Reclassification of ineffective portion	(17.1)	17.1
Gains recognised in other operating income	-	40.7
Loss recognised in other operating expenses	-	(60.8)
<b>Closing balance 31 December 2023</b>	<b>149.7</b>	<b>133.5</b>



## The following financial assets are subject to offsetting:

<i>in million EUR</i>	31 DECEMBER 2023				
	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position (Notes 3.1, 3.3, 12, 14 and 15)	Amounts subject to master netting and similar arrangements not set off	Net amount
Derivative financial instruments	375.4	(57.9)	317.5	(2.1)	315.4

<i>in million EUR</i>	31 DECEMBER 2022				
	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position (Notes 3.1, 3.3, 12, 14 and 15)	Amounts subject to master netting and similar arrangements not set off	Net amount
Derivative financial instruments	1,057.9	(357.2)	700.7	(0.6)	700.1

## 3.4 Offsetting financial assets and financial liabilities

Agreements between the Group and the counterparties allow offsetting amounts related to specific individual transactions when mutual receivables are denominated in the same currency. Under some agreements, offsetting between two or more transactions is allowed.

The following financial liabilities are subject to offsetting:

<i>in million EUR</i>	31 DECEMBER 2023				
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position (Notes 3.1, 3.3, 12, 14 and 15)	Amounts subject to master netting and similar arrangements not set off	Net amount
Derivative financial instruments	142.3	(57.9)	84.4	(2.1)	82.3

<i>in million EUR</i>	31 DECEMBER 2022				
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position (Notes 3.1, 3.3, 12, 14 and 15)	Amounts subject to master netting and similar arrangements not set off	Net amount
Derivative financial instruments	558.4	(357.2)	201.2	(0.6)	200.6

## 4. Critical accounting estimates and assumptions

### Accounting estimates and assumptions

The preparation of the financial statements requires the use of estimates and assumptions that impact the reported amounts of assets and liabilities, and the disclosure of assets accounted for off the statement of financial position and contingent liabilities in the notes to the financial statements. Although these estimates are based on management's best knowledge, actual results may ultimately differ from these estimates. Changes in management's estimates are recognised in the income statement of the period of the change.

The estimates presented below have the most significant impact on the financial information presented in the financial statements.

#### a) Determination of the useful lives of items of property, plant and equipment

The estimated useful lives of items of property, plant and equipment are based on management's estimate of the period during which the asset will be used. Previous experience has shown that the actual useful lives have sometimes been longer than the estimates. As at 31 December 2023, the carrying amount of the Group's property, plant and equipment was EUR 3,152.0 million (31 December 2022: EUR 3,253.6 million) and the depreciation charge for the reporting period was EUR 177.0 million (2022: EUR 170. million) (Note 5).



The average remaining useful life assigned to categories of property, plant and equipment and the impact from any possible changes in the useful lives of the assets can be seen from the table below.

**The average remaining useful life assigned to categories of property, plant and equipment and the impact from any possible changes in the useful lives of the assets can be seen from the table below.**

	Average remaining useful life as at		The effect on depreciation expense if average useful life			
			Increases by 1 year		Decreases by 1 year	
	31 December 2023	31 December 2022	2023	2022	2023	2022
	in years		in million EUR			
Buildings	10.6	11.3	(0.5)	(0.9)	0.6	1.0
Facilities, including						
electricity lines	26.4	26.5	(1.0)	(1.0)	1.0	1.0
other facilities	15.9	9.3	(0.4)	(1.2)	0.4	1.4
Machinery and equipment, including						
transmission equipment	20.0	18.3	(0.9)	(1.0)	1.0	1.1
power plant equipment	7.8	6.0	(6.8)	(18.0)	8.2	22.0
other machinery and equipment	5.4	4.3	(4.7)	(5.2)	5.9	6.2
Other property, plant and equipment	4.1	1.3	(0.1)	(0.1)	0.1	0.2
<b>Total</b>	<b>15.8</b>	<b>14.4</b>	<b>(7.0)</b>	<b>(9.2)</b>	<b>7.7</b>	<b>6.4</b>

*b) Estimation of the recoverable amounts of property, plant and equipment and intangible assets*

The Group performs impairment tests to determine the recoverable amounts of items of property, plant and equipment and intangible assets as and when needed. When carrying out impairment tests, management uses various estimates for the cash flows arising from the use, sales, maintenance and repairs of the assets, as well as estimates for inflation and growth rates and the likelihood of getting grants. The estimates are based on forecasts of the general economic environment, consumption and the sales price of electricity. Where necessary, the assistance of relevant experts is used. If the situation changes in the future, either additional impairment may have to be recognised, or previously recognised impairment may have to be partially or wholly reversed. The recoverable amounts of fixed assets used for electricity distribution service are influenced by the Competition Authority which determines the reasonable rate of return for the assets. If the revenue, expenses and investments related to the provision of distribution service remain within the expected limits, the revenue derived from the sale of the services guarantees a reasonable rate of return for the assets. Information about impairment losses incurred in the reporting and comparative period is disclosed in Notes 5 and 6.

*c) Recognition and measurement of provisions*

As at 31 December 2023, the Group had set up provisions related to environmental protection, termination of mining operations, dismantling of assets, employees and contracts totalling EUR 36.6 million (31 December 2022: EUR 30.0 million) (Note 24). The amount and/or timing of the settlement of these obligations is uncertain. A number of assumptions and

estimates have been used to determine the present value of provisions, including the amount of future expenditure, inflation rates, and the timing of settlement of the expenditure. The actual expenditure may also differ from the provisions recognised as a result of possible changes in legislative requirements, technology available in the future to restore environmental damages, and expenditure covered by third parties.

The primary factor considered in establishing environmental provisions is the extent of land requiring restoration. Mining areas, strip mines, and ash fields are fixed territories, thus unlikely to undergo significant changes. The closure timeline for ash fields is contingent upon future developments in the energy market. If closure must occur 5 years ahead of schedule, the provision amount increases by EUR 2.3 million (+6%). Projections of discount rates are utilized to determine the present value of provisions. A 1 percentage point increase in the discount rate reduces the provision amount by EUR 2.4 million (-7%). Likewise, projected inflation rates are used for a fair assessment of costs. A 1 percentage point rise in the inflation rate increases the provision amount by EUR 3.2 million (+9%).

#### *d) Contingent assets and liabilities*

When estimating contingent assets and liabilities, management considers historical experience, general information about the economic and social environment and the assumptions and conditions of possible events in the future based on the best knowledge of the situation. Further information is disclosed in Note 34.

#### *e) Recognition of deferred tax on the undistributed earnings of the Group's Estonian and Latvian subsidiaries*

As at 31 December 2023 and 31 December 2022 the Group has not recognised deferred tax liabilities associated with temporary taxable differences related to the undistributed retained earnings of the Estonian and Latvian subsidiaries in the amount of EUR 741.3 million (31 December 2022: EUR 1,008.3 million). The Group has a written dividend policy that is based on the formal dividend expectations of its sole shareholder. Based on the implemented dividend policy, the Group has assessed that no dividends will be distributed from the retained earnings of the Estonian and Latvian subsidiaries in the foreseeable future. The Group is able to control the timing and amount of the dividend distributions of its subsidiaries.

#### *f) Recognition of connection fees*

The Group's management has assessed that connecting a customer to the distribution grid as a separate performance obligation is not distinct as connection fees to distribution system are not distinct within the context of the contract due to being highly interrelated to sales of distribution services. Connection fees to distribution system are non-refundable upfront fees paid by customers to secure connection to the distribution network. Connection fees partly reimburses for the cost of infrastructure to be built needed to connect the respective customer to the network. Connection fees to distribution system are calculated in accordance with the Estonian regulatory authority stated methodology. Revenue from connection fees to distribution system are initially recognised as contract liabilities and recognised over the estimated customer relationship period of 32 years. Sales of distribution services are provided after customers have paid for the network connection; therefore, network connection fees and sales of distribution services are highly interdependent and interrelat-

ed. Income from connection and other service fees is deferred as an ongoing service is identified as part of agreement to provide distribution system services with customers and accounted as deferred income from contracts with customers under IFRS 15. Connection and other service fees are recognised as income over the estimated customer relationship period. Based on Management estimate, 32 years is the estimated customer relationship period, which is estimated as period after which requested power output for connection object could significantly change due to technological reasons. Thus, period over which revenue is recognised is based on Management estimate, as it is reasonably certain that assets, whose costs are partly reimbursed by connection service fees will be used by distribution system customers for a longer period than original system services agreement term.

#### *g) Inputs used to calculate the fair value of level 3 instruments*

The fair value of PPAs is calculated using a valuation technique, which is based on the forecasts future period electricity prices. The technique combines market-based inputs for the Nord Pool system price and Helsinki EPAD, as quoted on Nasdaq OMX at the balance sheet date, with unobservable inputs such as actual production and consumption data of market participants, market prices of fuel inputs (CO<sub>2</sub>, gas, coal), data of plant and/or cable outages, knowledge of future developments. The fair value calculations are made on a monthly basis.

The fair value of guarantees of origin is calculated using a valuation technique, which is based on the bid and ask quotations of traders in guarantees of origin. See further details from Note 3.3.



The inputs used to calculate the fair value of the universal service are described in Note 4 h) below.

#### *h) Recognition of the universal service*

Group has entered into legally binding contracts that were introduced as a result of the law. Enefit Power AS is obliged by law to make monthly settlements with electricity suppliers for the difference between the price of the universal service and the market price of electricity (Nord Pool Estonian price area day-ahead price) calculated based on the quantities actually consumed during the previous month, if the market price is lower, electricity suppliers will pay the price difference to Enefit Power. The positive balance of universal service derivative in 2023 comes from the fact that market price is lower than the price of the universal service (established by the Estonian Competition Authority). The Group continues to sell the electricity it produces in the open market. It does not sell electricity directly to suppliers or their customers. Accordingly, the instrument constitutes a cash-settled derivative which is measured at fair value through profit or loss (Notes 2.11.7 and 2.13).

The fair value measurement of the derivative involves significant estimates by management, which are based on the following inputs:

- Forecasts of future electricity prices – The Group determines future market prices using valuation techniques, which are based on Nasdaq OMX quotations. Based on the forecast for electricity prices as at 31 December 2023, management estimated that demand for the universal service would exist until April 2026 according to the law. The average forecasted

market price of electricity for 2024 is 92 €/MWh, for 2025 71 €/MWh and for 2026 (until the end of April) is 84 €/MWh.

- The price of the universal service and its possible changes – The price of the universal service may change due to changes in production costs and political intervention. Both factors are affected by global trends (inflation, energy crisis, emission allowance prices, etc.). The fair value of the derivative as at 31 December 2023 was measured based on the price established by the Estonian Competition Authority, which was 154.08 €/MWh at the reporting date.
- Forecasts of the consumption volume (quantities) of the universal service (from the Group's perspective) – The Group forecasts the consumption quantities based on relevant forecasts obtained from external electricity suppliers, taking into account the possible movement of customers between electricity plans (packages), which is estimated by reference to the comparison of the market price and the price of the universal service. When the price of the universal service is expected to be higher than the forecast market price of electricity, the Group factors in the movement of customers between electricity plans, i.e. customers switching over from the universal service to an exchange price-based electricity plan. And due to the fact that market prices have been stayed lower than universal service price, the Group don't see any additional entrants, but there are some customers who will remain in the universal service whatever the price is, and those volumes are taken into account when forecasting the future volumes. The forecast

quantity of electricity expected to be consumed through universal service provided by external suppliers in the period 1 January 2024 – 30 April 2026 was 0.2 TWh at the reporting date.

As at 31 December 2023, the fair value of the universal service derivative instrument measured at Group level (this relates to the consumption of the customers of other suppliers (i.e. not own customers of the Group)) was EUR 9.1 million (2022: negative EUR 37.1 million) (Note 14). The fair value of the derivative is measured at each reporting date, and changes in market inputs (forecast electricity prices) or legislation (the price or legal basis for the universal service) have a material impact on its value.

The parent company is an electricity supplier that settles the difference between the price of the universal service and the market price of electricity with Enefit Power AS and the impact is eliminated in consolidation. The accounting treatment for the derivative in the parent's separate financial statements is consistent with the accounting policies applied by the Group. As at 31 December 2023, the fair value of the universal service derivative measured at the level of the parent was EUR 23.1 million (2022: positive at EUR 48.8 million).

## 5. Property, plant and equipment

<i>in million EUR</i>	Land	Buildings	Facilities	Machinery and equipment	Other	Construction in progress	Prepayments	Total
<b>Property, plant and equipment as at 31 December 2021</b>								
Cost	87.8	331.3	1,335.1	3,302.3	7.0	137.1	45.9	<b>5,246.5</b>
Accumulated depreciation	-	(131.9)	(571.1)	(1,512.8)	(5.3)	-	-	<b>(2,221.1)</b>
<b>Carrying amount as at 31 December 2021 (Note 4)</b>	<b>87.8</b>	<b>199.4</b>	<b>764.0</b>	<b>1,789.5</b>	<b>1.7</b>	<b>137.1</b>	<b>45.9</b>	<b>3,025.4</b>
<b>Changes in 2022</b>								
Additions	6.2	-	0.1	6.5	0.2	415.5	8.0	<b>436.5</b>
Depreciation charge (Notes 4 and 33)	-	(6.8)	(33.3)	(126.7)	(0.5)	-	-	<b>(167.3)</b>
Impairment loss (Notes 4 and 33)	-	(0.1)	(0.3)	(2.0)	-	(0.3)	-	<b>(2.7)</b>
Disposals (at carrying amount)	(0.3)	(0.7)	-	(0.3)	-	-	-	<b>(1.3)</b>
Effects of movements in foreign exchange rates	0.2	0.1	-	(0.4)	-	-	-	<b>(0.1)</b>
Transfers (Note 6)	0.6	1.3	84.5	60.3	-	(129.7)	(9.0)	<b>8.0</b>
<b>Total changes in 2022</b>	<b>6.7</b>	<b>(6.2)</b>	<b>51.0</b>	<b>(62.6)</b>	<b>(0.3)</b>	<b>285.5</b>	<b>(1.0)</b>	<b>273.1</b>
<b>Property, plant and equipment as at 31 December 2022</b>								
Cost	94.5	330.7	1,418.2	3,351.9	6.9	422.6	44.9	<b>5,669.7</b>
Accumulated depreciation	-	(137.5)	(603.2)	(1,625.0)	(5.5)	-	-	<b>(2,371.2)</b>
<b>Carrying amount as at 31 December 2022 (Note 4)</b>	<b>94.5</b>	<b>193.2</b>	<b>815.0</b>	<b>1,726.9</b>	<b>1.4</b>	<b>422.6</b>	<b>44.9</b>	<b>3,298.5</b>
<b>Changes in 2023</b>								
Additions	0.1	0.2	0.4	44.9	0.9	656.0	74.1	<b>776.6</b>
Depreciation charge (Notes 4 and 33)	-	(7.3)	(37.0)	(132.1)	(0.6)	-	-	<b>(177.0)</b>
Impairment loss (Notes 4 and 33)	-	(75.0)	(67.3)	(482.8)	-	(6.4)	-	<b>(631.5)</b>
Disposals (at carrying amount)	-	-	-	(0.1)	-	-	-	<b>(0.1)</b>
Classified as held for sale (Note 11)	-	(2.2)	(1.1)	(9.4)	-	(0.2)	-	<b>(12.9)</b>
Disposal of subsidiaries (Note 1.1 and 35)	(0.1)	-	-	(17.7)	(0.1)	(0.3)	-	<b>(18.2)</b>
Effects of movements in foreign exchange rates	(0.1)	-	-	0.7	-	0.5	-	<b>1.1</b>
Transfers	0.2	1.9	129.0	177.1	-	(273.7)	(34.5)	-
<b>Total changes in 2023</b>	<b>0.1</b>	<b>(82.4)</b>	<b>24.0</b>	<b>(419.4)</b>	<b>0.2</b>	<b>375.9</b>	<b>39.6</b>	<b>(62.0)</b>

Table continues on the next page



<i>in million EUR</i>	Land	Buildings	Facilities	Machinery and equipment	Other	Construction in progress	Prepayments	Total
<b>Property, plant and equipment as at 31 December 2023</b>								
Cost	94.6	329.4	1,529.2	3,482.6	6.4	798.5	84.5	<b>6,325.2</b>
Accumulated depreciation	-	(218.6)	(690.2)	(2,175.1)	(4.8)	-	-	<b>(3,088.7)</b>
<b>Carrying amount as at 31 December 2023 (Note 4)</b>	<b>94.6</b>	<b>110.8</b>	<b>839.0</b>	<b>1,307.5</b>	<b>1.6</b>	<b>798.5</b>	<b>84.5</b>	<b>3,236.5</b>

For information about major capital investments, see Note 1.1.

An impairment test is performed when there is reason to believe that an asset is impaired or when a significant amount of goodwill has been allocated to a cash-generating unit. According to the estimates of the management of the Group's parent company, the assets of Eesti Energia that required impairment testing in 2023 were the hybrid power generating units, the wind farms, the new Enefit 280-2 oil plant that is under construction, the assets of the mines, and the assets of Enefit American Oil (2022: the hybrid power generating units, the wind farms and the assets of Enefit American Oil). The assets of the wind farms were tested mainly because of the goodwill allocated to them; the risk of impairment was identified in the case of three wind farms (Akmenė, Šilale II and Tolpanvaara). Additionally, 4 operating wind farms (Virtsu, Aulepa, Viru-Nigula, Aseriaru) were tested for impairment on the basis of potential value decline due to changes in electricity market prices.

The main indicators of potential impairment of the hybrid power generating units are the decreasing access to the market for fossil-fuelled power plants and their decreasing competitiveness due to the decline in electricity prices and high environmental charges. The indicators of potential impairment of the new oil plant are the volatility of market prices for liquid fuels and a shorter useful life due to the fact that the integrated environmental permit of the plant is expected to be issued for a fixed term. The indicator of potential impairment of the assets of the mines is a decrease in oil shale consumption due to a decline in the use of oil shale for electricity production. The indicator of potential impairment of the assets of Enefit American Oil is the fluctuation of land prices in the state of Utah, USA.

The impairment test performed in 2023 indicated an impairment loss in two cash-generating units:

- Auvere power plant EUR 502.5 million (see details from Note 5.1 (a))
- Hybrid generating units EUR 125.9 million (see details from Note 5.1 (b))

### 5.1 Impairment tests performed on the assets of Eesti Energia's power plants

The power plants are treated as three separate cash-generating units: 1) the Auvere power plant, 2) the power generating units that use only oil shale as fuel (oil shale-fired power generating units), 3) the power generating units that use oil shale and other fuels (hybrid generating units). The power plants have been divided into cash-generating units primarily based on the efficiency of the power generating units, their capacity to use different fuels and their replaceability in the Group's sales strategy, as well as the independence of management decisions concerning the power generating units. The hybrid power generating units and the Auvere power plant produce electricity from both oil shale and renewable and alternative fuels (biomass and retort gas). When electricity is produced from biomass, no CO<sub>2</sub> emission allowances are required. When electricity is produced from retort gas, the need for CO<sub>2</sub> emission allowances is lower than when electricity is produced from oil shale. Due to differences in the efficiency and fuel consumption of each power generating unit, the production

cost of electricity is different for each cash-generating unit, but similar within a cash-generating unit. This means that power generating units that are part of the same cash-generating unit can access the market at a similar electricity price. The efficiency of the power generating unit of the Auvere power plant is significantly higher than that of the other power generating units.

The market price for electricity was forecast based on relevant forward prices and the estimates of third-party experts. It was forecast that from 2024 to 2030 the electricity price would be in the range of 65–92 €/MWh (2022: the electricity price would be in the range of 90–126 €/MWh). Due to the Group's sales strategy according to which the Group strives to sell more electricity during peak hours, the average quarterly sales price achieved by the Group in 2023 was 16–39% (2022: 8–20%) higher than the Nord Pool price in the Estonian price area. The Group intends to pursue the same strategy in the following years. The test was performed taking into account the expected impact of hedging transactions in the following years.

The market price for emission allowances was forecast based on relevant forward prices and the estimates of third-party experts. According to the forecast, from 2024 to 2030 the emission allowance price will be in the range of 78–93 €/t (2022: the emission allowance price will be in the range of 83–98 €/t).

#### *a) Auvere power plant*

As at 31 December 2023, the carrying amount of the assets of the Auvere power plant was EUR 519.2 million before the recognition of the impairment loss. The recoverable amount

of the assets was estimated based on a value in use. The impairment test indicated an impairment loss of EUR 502.5 million. The expected future cash flows were discounted using a discount rate of 11.4%. If the discount rate was to increase by 100 base points, the Group would have to recognise an additional impairment loss of EUR 0.05 million. The test was performed on the assumption that the useful life of the Auvere power plant will end in 2035, which is in line with the Group's strategy.

The recoverable amount of the assets of the Auvere power plant is sensitive to changes in electricity and emission allowance prices.

If the forecast electricity prices were 20% lower than the level applied in the impairment test, the assets of the Auvere power plant would have to be written down by an additional EUR 16.7 million (this would mean that all the remaining carrying amount of the cash generating unit will be impaired). The sensitivity of the electricity price was analysed based on an electricity price forecast in the range of 52–73 €/MWh. If the forecast emission allowance prices were 20% higher than the level applied in the impairment test, the assets would have to be written down by an additional EUR 16.7 million. The sensitivity of the emission allowance price was analysed based on an emission allowance price forecast in the range of 94–112 €/t.

The recoverable amount was estimated using market-based inputs such as the discount rate, the market price of electricity, the market price of emission allowances, and other significant inputs based on management's best knowledge. The key assumptions used in the impairment test were as follows:

- It was assumed that the power plant would operate on a market basis until 2030, i.e. as long as it is able to recover its production costs from the market according to the projected market price for electricity. It was assumed that from 2031 the power plant would provide the reserve capacity service necessary to ensure Estonia's security of electricity supply. The regulation of a reserve capacity mechanism and the compensation for such services is being developed in Estonia. A new draft of the Electricity Market Act is under consideration by the Economic Affairs Committee of the Estonian parliament. In performing the impairment test, it was conservatively assumed that the remuneration for the provision of the reserve capacity service would cover the fixed and operating costs of the power plant (in 2030–2035, the net cash flow of the power plant would be zero). If the reserve capacity remuneration mechanism is not implemented, the assets would have to be written down by an additional EUR 10.9 million.
- The product cost of oil shale was estimated taking into account the expected oil shale mining costs and volumes as described in the impairment test on the assets of the mines. If the forecast oil shale price were 20% higher, the assets would have to be written down by an additional EUR 16.7 million.
- It was assumed that the proportions of fuels used by the power plant would be: oil shale 26%, retort gas 34% and biomass 40%. The proportions were determined by reference to the technological capacity of the power plant to use different fuels. If the proportion of oil shale were 20% higher, the assets would have to be written down by an additional EUR 16.7 million.



- It was assumed that the power plant would receive free CO<sub>2</sub> emission allowances for the use of retort gas in the amount of 72 thousand tonnes per year until 2030. If the power plant did not receive the free allowances, the recoverable amount of the assets would have to be written down by an additional EUR 16.7 million.

#### *b) Hybrid generating units*

As at 31 December 2023, the carrying amount of the assets of the hybrid power generating units before recognition of impairment losses was EUR 125.9 million (31 December 2022: EUR 114.3 million). The recoverable amount of the assets was estimated based on a value in use. The impairment test indicated an impairment loss of EUR 125.9 million and at the end of 2023 the carrying amount of the assets of the hybrid power generating units was EUR nil. The expected future cash flows were discounted using a discount rate of 11.4% (2022: 10.6%).

The recoverable amount of the assets of the hybrid power generating units is sensitive to changes in electricity and emission allowance prices (2022: changes in electricity and emission allowance prices). The changes in the prices are presented at the beginning of the section describing the impairment tests performed on the assets of the power plants. The main reason for the impairment of the assets was a significant decrease in the market price of electricity compared to the previous year and the resulting decline in the competitiveness of the hybrid power generating units and their ability to recover their production costs from the market.

#### *c) Oil shale-fired generating units*

In 2020, an impairment loss of EUR 23.0 million was recognised on the assets of the oil shale-fired power generating units due to which the carrying amount of this cash-generating unit was reduced to zero. In 2023, there were no changes in the results of the impairment test performed on those assets and therefore no reasons to reverse the impairment loss recognised.

### **5.2 Impairment test performed on the assets of Eesti Energia's new Enefit 280-2 oil plant**

As at 31 December 2023, the carrying amount of the assets of the Enefit 280-2 oil plant that is under construction was EUR 244.4 million. The recoverable amount of the assets was estimated based on a value in use. The impairment test did not indicate a need for recognising an impairment loss.

The expected future cash flows were discounted using a discount rate of 11.2%. If the discount rate was to increase by 100 base points, the impact on the recoverable amount of the assets would be EUR 17.3 million and the carrying amount of the assets would exceed their value in use by EUR 16.7 million. A change in the discount rate of more than 0.03% would result in an impairment of the assets. In performing the test, it was assumed that the useful life of the Enefit 280-2 oil plant would last until 2034 due to the expected duration of the fixed term integrated environmental permit.

The recoverable amount of the assets of the oil plant is sensitive to changes in the prices of liquid fuels and emission allowances.

The market price of liquid fuels was forecast based on relevant forward prices and the estimates of third-party experts. It was forecast that from 2024 the price of middle oil (1% FO) would be 385–497 €/t. If the forecast middle oil price were 20% lower than the level applied in the impairment test, the recoverable amount of the assets of the E280-2 oil plant would be EUR 102.5 million lower and the carrying amount of the assets would exceed their value in use by EUR 101.8 million. If the oil price decreased by more than 0.12%, an impairment loss would have to be recognised.

The market price for emission allowances was forecast using assumptions similar to those applied in the impairment tests performed on the power plants. If the forecast emission allowance prices were 20% higher than the level applied in the impairment test, the recoverable amount of the assets would be EUR 5.3 million lower and the carrying amount of the assets would exceed their value in use by EUR 4.7 million. If the price of emission allowances increased by more than 2.4%, an impairment loss would have to be recognised.

The recoverable amount was estimated using market-based inputs such as the discount rate, the market price of liquid fuels and the market price of emission allowances, and other significant inputs based on management's best knowledge. The key assumptions used in the impairment test were as follows:

- It was assumed that the plant would be allocated free CO<sub>2</sub> emission allowances covering 97% of the total amount of allowances required in 2024–2027, 91% of the total amount of allowances required in 2028–2030 and 70% of the total amount of allowances

required in 2031–2034. The volumes of emission allowances allocated free of charge until 2030 were calculated on the basis of the draft legislation of the European Commission, which determines the allocation until that date. The volumes for the period after 2030 were estimated. If the proportion of the allocated free emission allowances were 20% lower than forecast, the recoverable amount of the assets would be EUR 34.1 million lower and the value in use of the assets would be EUR 33.5 million lower than their carrying amount. If the amount of allocated free CO<sub>2</sub> emission allowances were to decrease by more than 0.4%, an impairment loss would have to be recognised.

- It was assumed that the additional investment required to complete the plant would be EUR 122.6 million (the total investment would be EUR 368.0 million). If the amount of the additional investment increased by 20%, the recoverable amount of the assets would be EUR 21.2 million lower and the value in use of the assets would be EUR 20.6 million lower than their carrying amount. An increase in the additional investment of more than EUR 0.7 million would result in a need to recognise an impairment loss.
- The repair and maintenance costs of the plant were forecast based on the cost base of the existing and analogous E280-1 oil plant, which were adjusted to reflect the technological improvements of the new plant. It was assumed that the repair and maintenance costs would be EUR 1.8–3.1 million per year. If the costs were 20% higher, the recoverable amount of the assets would be EUR 2.4 million lower

and the value in use of the assets would be EUR 1.8 million lower than their carrying amount. If repair and maintenance costs increased by more than 5.2%, an impairment loss would have to be recognised.

- The product cost of oil shale was estimated taking into account the expected oil shale mining costs and volumes as described in the impairment test on the assets of the mines. If the forecast price of oil shale were 20% higher, the recoverable amount of the assets would be EUR 36.1 million lower and the value in use of the assets would be EUR 35.5 million lower than their carrying amount. If the price of oil shale increased by more than 0.3%, an impairment loss would have to be recognised.
- It was assumed that the last year of operation of the Enefit E280-2 oil plant would be 2034, as the plant is expected to receive a fixed-term integrated environmental permit. The application for an integrated environmental permit was submitted to the Estonian Environmental Board at the beginning of 2024 and the permit is expected to be issued in the first half of 2024. If the useful life of the oil plant were 5 years shorter, the recoverable amount of the assets would be EUR 124.7 million lower and the value in use of the assets would be EUR 124.0 million lower than their carrying amount. If the useful life of the oil plant were shortened by any period, an impairment loss would have to be recognised.

### 5.3 Impairment tests performed on the assets of Eesti Energia's 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. Akmeņe, 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.

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.

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 percent 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: 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: 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.

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 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 EUR 36.0 million for the

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

	Change in discount rate	Change to wind discount percentage	Change to electricity prices
Estonia	+1,1 pp	+2 pp	-4%
Lithuania	+3,1 pp	+10 pp	-14%
Finland	+0,7 pp	+4 pp	-9%

Estonian wind farms, EUR 76.6 million for the Lithuanian wind farms and EUR 17.1 million for the one wind farm located in Finland. This would result in a total impairment of EUR 1.5 million across Estonian wind farms, EUR 1.7 million across Lithuanian wind farms and EUR 9.2 million in the wind farm in Finland.

If the expected wind discounts were 10 percentage points higher than the wind discount rates used in the impairment tests, the recoverable amounts would decrease by EUR 32.9 million for the Estonian wind farms, EUR 75.0 million for the Lithuanian wind farms and EUR 21.1 million for the one wind farm in Finland. For the wind farms in Estonia that would indi-

cate an impairment loss of EUR 0.8 million and for the one in Finland the decrease in wind discount rate would indicate an impairment loss of EUR 13.2 million.

If the expected discount rate was 1 percentage point higher than the assumption used in the impairment tests, the recoverable amounts would decrease by EUR 10.7 million for the Estonian wind farms, EUR 36.0 million for the Lithuanian wind farms and EUR 10.9 million 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 EUR 3.0 million.

#### 5.4 Impairment test performed on the assets of Eesti Energia's mines

As at 31 December 2023, the carrying amount of the assets of the mines was EUR 136.0 million. The recoverable amount of the assets was estimated based on a value in use. The impairment test did not indicate a need for recognising an impairment loss.

The expected future cash flows were discounted using a discount rate of 9.8%. If the discount rate was to increase by 100 base points, the impact on the recoverable amount of the assets would be EUR 12.2 million, in which case the value in use of the assets would still exceed their carrying amount. A change in the discount rate of more than 6 percentage points would result in an impairment of the assets. In performing the test, it was assumed that the useful life of the assets of the mines would be in the range of 5–15 years, depending on the specific asset group. It was assumed that the last year of operation of the Estonia mine would be 2035 and the last year of operation of the Narva opencast mine would be 2040.

The recoverable amount was estimated using market-based inputs such as the discount rate and other significant inputs, which were based on the best knowledge of the Group's management. The key assumptions used in the impairment test were as follows:

- It was assumed that the intragroup sales volumes of oil shale would meet the relevant fuel consumption needs of the Group's oil plants and power plants. If the forecast intragroup oil shale sales volumes and the underlying oil shale production volumes were 20% lower, the value of assets in use would be EUR 80.6

million lower, the recoverable amount of the assets would have to be written down by EUR 19.0 million. If the intragroup oil shale sales volumes and the underlying oil shale production volumes were more than 15% lower than forecast, an impairment loss would have to be recognised.

- It was also assumed that, in addition to intragroup sales, there would be external sales of oil shale in volumes extending to approximately 12% of the total oil shale production volume. If the external sales of oil shale were 20% lower than forecast, the value in use of the assets would be EUR 27.3 million lower, but it would still exceed their carrying amount. If the external oil shale sales volumes were more than 45% lower than the forecast, an impairment loss would have to be recognised.
- The impairment test was performed, taking into account revenue from the sale of the ancillary product, crushed stone, resulting from oil shale mining. If the sales volumes of crushed stone were 20% lower than assumed in the test, the value in use of the assets would be EUR 4.8 million lower, but it would still exceed their carrying amount. Even if the Group could not sell the crushed stone resulting from mining operations, the assets would not have to be written down.

#### 5.5 Impairment test performed on the assets of Enefit American Oil

In 2023, the assets of Enefit American Oil were tested for impairment. As at 31 December 2023 the carrying amount of Enefit American Oil assets is EUR 29.0 million (31.12.2022: EUR 31.0 million). The impairment testing did not indicate a need for recognising an impairment loss or reversing a previously recognised impairment loss (2022: the test did not indicate a need for recognising an impairment loss or reversing a previously recognised impairment loss). The same methodology as last year was used to estimate the recoverable amount of Enefit American Oil's assets. The methodology used was based on the weighted average price of more than 1,000 acres of land for sale in the territory of the state of Utah (Enefit American Oil's land is 17,305 acres).



## 6. Intangible assets

<i>in million EUR</i>	Goodwill	Computer software	Unfinished acquisition of software	Contractual rights	Other	Total
<b>Intangible assets as at 31 December 2021</b>						
Cost	26.2	57.0	9.3	30.5	4.9	<b>127.9</b>
Accumulated amortisation	-	(40.5)	-	-	(1.2)	<b>(41.7)</b>
<b>Carrying amount as at 31 December 2021</b>	<b>26.2</b>	<b>16.5</b>	<b>9.3</b>	<b>30.5</b>	<b>3.7</b>	<b>86.3</b>
<b>Changes in 2022</b>						
Additions	-	0.1	2.4	-	-	<b>2.5</b>
Internally developed intangible assets	-	-	6.2	-	-	<b>6.2</b>
Amortisation charge and write-downs (Note 33)	(0.6)	(5.2)	-	(0.2)	(0.1)	<b>(6.1)</b>
Effects on movements in foreign exchange rates	-	-	-	1.4	0.2	<b>1.6</b>
Transfers (Note 5)	-	8.7	(8.7)	(8.5)	-	<b>(8.5)</b>
<b>Total changes in 2022</b>	<b>(0.6)</b>	<b>3.6</b>	<b>(0.1)</b>	<b>(7.3)</b>	<b>0.1</b>	<b>(4.3)</b>
<b>Intangible assets as at 31 December 2022</b>						
Cost	25.6	62.4	9.2	23.2	5.0	<b>125.4</b>
Accumulated amortisation	-	(42.3)	-	-	(1.2)	<b>(43.5)</b>
<b>Carrying amount as at 31 December 2022</b>	<b>25.6</b>	<b>20.1</b>	<b>9.2</b>	<b>23.2</b>	<b>3.8</b>	<b>81.9</b>
<b>Changes in 2023</b>						
Additions	-	0.9	4.5	-	0.1	<b>5.5</b>
Internally developed intangible assets	-	-	5.3	-	-	<b>5.3</b>
Amortisation charge and write-downs (Note 33)	(0.1)	(7.7)	-	(0.2)	(0.1)	<b>(8.1)</b>
Classified as held for sale (Note 11)	(0.9)	-	-	(0.1)	-	<b>(1.0)</b>
Effects on movements in foreign exchange rates	-	-	-	(0.8)	-	<b>(0.8)</b>
Transfers	-	6.9	(6.9)	-	-	<b>-</b>
<b>Total changes in 2023</b>	<b>(1.0)</b>	<b>0.1</b>	<b>2.9</b>	<b>(1.1)</b>	<b>-</b>	<b>0.9</b>
<b>Intangible assets as at 31 December 2023</b>						
Cost	24.6	65.1	12.1	22.1	5.1	<b>129.0</b>
Accumulated amortisation	-	(44.9)	-	-	(1.3)	<b>(46.2)</b>
<b>Carrying amount as at 31 December 2023</b>	<b>24.6</b>	<b>20.2</b>	<b>12.1</b>	<b>22.1</b>	<b>3.8</b>	<b>82.8</b>

## Goodwill

### Allocation of goodwill to cash generating units

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Goodwill acquired on acquisition of Nelja Energia	19.9	19.9
Goodwill acquired on acquisition of solar farms in Poland	2.2	2.2
Other	2.5	3.5
<b>Total goodwill</b>	<b>24.6</b>	<b>25.6</b>

Goodwill in the amount of EUR 0.9 million was reclassified as held for sale in relation to the disposal group as at 31 December 2023 (Note 11).

Goodwill was tested for impairment as at the reporting date by estimating the recoverable amounts of goodwill acquired through business combinations based on the discounted future cash flows of each cash generating unit to which goodwill has been allocated. Based on the impairment tests performed, no impairment was identified in 2023 for any of the cash generating units. In 2022, the Group identified the need for recognising an impairment loss for the assets of its solar farms in Poland and associated goodwill was written down by EUR 0.6 million. The impairment tests of other assets did not indicate a need for recognising an impairment loss. The recoverable amounts of the cash generating units were measured based on their value in use.

The expected future cash flows of the cash generating unit to which the goodwill acquired on acquisition of Nelja Energia AS (acquisition in November 2018, company was merged to Enefit

Green AS in April 2019) was allocated were discounted using a discount rate of 8.2% for Estonian wind farms and 8.1% for Lithuanian wind farms (2022: 7.5% for Estonian wind farms and 7.4% for Lithuanian wind farms). Other cash generating units to which goodwill was allocated were discounted using discount rates of 8.1% to 10.7% (2022: 7.4% to 11.4%).

The expected future cash flows of the cash-generating units are sensitive to changes in the forecasts of the market price of electricity, wind discounts and the discount rate. The impairment test on the goodwill arising from the Nelja Energia acquisition was carried out together with the impairment test on the property, plant and equipment of the underlying cash generating unit (see the section Impairment tests performed on the assets of Eesti Energia's wind farms in Note 5).

### Contractual rights

Contractual rights comprise the value of mining rights acquired in the State of Utah, the estimated useful life of which is 20 years.



## 7. Right-of-use assets

<i>in million EUR</i>	Land	Office premises	Total
Cost as at 31 December 2021	3.2	7.5	<b>10.7</b>
Accumulated depreciation	(0.5)	(0.7)	<b>(1.2)</b>
<b>Carrying amount as at 31 December 2021</b>	<b>2.7</b>	<b>6.8</b>	<b>9.5</b>
<b>Changes in 2022</b>			
Additions	1.8	1.0	<b>2.8</b>
Depreciation charge	(0.3)	(0.8)	<b>(1.1)</b>
Cost as at 31 December 2022	5.0	8.5	<b>13.5</b>
Accumulated depreciation	(0.8)	(1.5)	<b>(2.3)</b>
<b>Carrying amount as at 31 December 2022</b>	<b>4.2</b>	<b>7.0</b>	<b>11.2</b>
<b>Changes in 2023</b>			
Additions	5.1	2.2	<b>7.3</b>
Depreciation charge	(0.4)	(1.2)	<b>(1.6)</b>
Effects on movements in foreign exchange rates	0.1	-	<b>0.1</b>
Cost as at 31 December 2023	10.2	10.7	<b>20.9</b>
Accumulated depreciation	(1.2)	(2.7)	<b>(3.9)</b>
<b>Carrying amount as at 31 December 2023</b>	<b>9.0</b>	<b>8.0</b>	<b>17.0</b>

The Group has accounted here the following contracts: long-term office lease agreements, building right contracts, personal right of use agreements. The Group leases office premises in Estonia, Latvia, Lithuania and Poland. The biggest impact to the balance as at 31 December 2023 arises from two offices in Estonia: Lelle and Veskiposti. The Land subgroup consist mostly of land use rights and personal right of use agreements with landowners who own the land on which the Group's wind and solar farms are constructed.

The consolidated income statement includes the following amounts relating to lease contracts:

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Interest expense	<b>0.7</b>	<b>0.4</b>
Lease expenses (Note 29)	5.9	4.9

Information regarding expense relating to short-term leases, leases of low-value assets and variable lease payments can be found from Note 29. Total cash outflow for leases can be found from Note 21.

## 8. Investments in associates

Set out below are the associates of the Group as at 31 December 2023 and 31 December 2022 which, in the opinion of management, are material to the Group:

Name of the company	Place of business	% of ownership interest 31 DECEMBER		Nature of the relationship	Measurement method	Carrying amount 31 DECEMBER	
		2023	2022			2023	2022
Orica Eesti OÜ*	Estonia	35.00%	35.00%	Note 1	Equity	3.8	3.7
Enefit Jordan B.V. Group	Jordan, Estonia	65.00%	65.00%	Note 2	Equity	-	-
Attarat Mining Co BV**	Netherlands, Jordan	10.00%	10.00%	Note 3	Equity	4.2	1.4
Attarat Power Holding Co BV Group**	Netherlands, Jordan	10.00%	10.00%	Note 3	Equity	67.9	68.8
Attarat Operation & Maintenance Co BV**	Netherlands, Jordan	10.00%	10.00%	Note 3	Equity	1.9	2.5
					Other investments in associates	0.5	0.5
					<b>Total investments in associates</b>	<b>78.3</b>	<b>76.9</b>

\* The financial year of the associate is from 1 October to 30 September.

\*\*The financial year of the associates is from 1 July to 30 June.

Note 1: Orica Eesti OÜ manufactures and sells explosives and is a strategic partner for Enefit Power AS.

Note 2: Enefit Jordan B.V. Group is engaged in an oil shale development project in Jordan. Enefit Jordan B.V. Group is recognised as an associate as according to the Shareholders' Agreement, the Group does not have the right to make any relevant decisions regarding Enefit Jordan B.V. Group without the consent of one or, in certain cases, both of other shareholders who hold the remainder of the shares (35%). Based on

voting quorum requirements for different decisions, joint control is not established. Enefit Jordan B.V. Group had negative net assets as at 31 December 2023 and 31 December 2022. Loans to Enefit Jordan B.V have been written down (Note 13).

Note 3: Attarat Mining Co. BV was established to provide mining services in Jordan. Attarat Operation & Maintenance Co. BV is engaged in the mine management activities and Attarat Power Holding Co. BV Group is engaged in the development of an oil shale power plant in Jordan. On 16 March 2017, At-

tarat Power Holding Co. BV (APCO) signed an investment agreement for its oil shale fired power plant in Jordan. In connection with the investment agreement, a share sale agreement took effect by which Eesti Energia reduced its previous 65% interest in APCO to 10%. Although Eesti Energia AS sold 55% of the shares, it retained significant influence over the associate and access to the returns associated with an ownership interest, which means that the remaining 10% interest continues to be recognised as an investment in an associate.



## Summarised financial information of associates

in million EUR	Enefit Jordan B.V. Group		Orica Eesti OÜ		Attarat Mining Co BV		Attarat Power Holding Co BV Group		Attarat Operation & Maintenance Co BV	
	31 DECEMBER		31 DECEMBER		31 DECEMBER		31 DECEMBER		31 DECEMBER	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Summarised statement of financial position:</b>										
Cash	0.1	-	9.8	7.7	1.1	1.2	88.0	5.8	0.9	0.8
Other current assets	0.3	0.3	3.9	6.1	95.4	73.5	160.8	94.0	32.1	35.4
Fixed assets	-	-	0.6	1.3	5.3	1.5	2,271.1	2,259.3	0.6	0.6
Short-term liabilities	2.8	2.6	3.3	4.4	59.8	56.6	273.7	140.1	14.6	21.1
Long-term liabilities	66.6	59.4	-	-	-	-	1,556.1	1,495.8	-	-
<b>Net assets/(net deficit)</b>	<b>(69.0)</b>	<b>(61.7)</b>	<b>11.0</b>	<b>10.7</b>	<b>42.0</b>	<b>19.6</b>	<b>690.1</b>	<b>723.2</b>	<b>19.0</b>	<b>15.7</b>
<b>Summarised statement of comprehensive income:</b>										
Revenue	-	-	25.7	32.9	148.1	54.6	442.6	-	36.7	27.4
Profit(loss) from continuing operations	(9.8)	(8.6)	4.8	4.9	25.4	1.8	(37.3)	(10.7)	4.1	8.7
Profit(loss) from discontinued operations	-	-	-	-	-	-	-	-	-	-
Other comprehensive income*	-	-	-	-	-	-	(4.7)	76.2	-	-
<b>Movements in equity:</b>										
Summarised net assets of associates at the beginning of the period	(61.7)	(50.0)	10.7	10.1	19.6	17.8	723.2	483.6	15.7	7.0
The profit and loss of the subsidiary during the period	(9.8)	(8.6)	4.8	4.9	25.4	1.8	(37.3)	(10.7)	4.1	8.7
Other comprehensive income	-	-	-	-	-	-	(4.7)	76.2	-	-
Contribution to the share capital	-	-	-	-	-	-	3.2	141.0	-	-
Dividends declared	-	-	(4.5)	(4.3)	-	-	-	-	-	-
Exchange rate impact	2.5	(3.1)	-	-	(3.0)	-	5.7	33.1	(0.8)	-
<b>Summarised net assets of associates at the end of the period</b>	<b>(69.0)</b>	<b>(61.7)</b>	<b>11.0</b>	<b>10.7</b>	<b>42.0</b>	<b>19.6</b>	<b>690.1</b>	<b>723.2</b>	<b>19.0</b>	<b>15.7</b>

Table continues on the next page

<i>in million EUR</i>	Enefit Jordan B.V. Group		Orica Eesti OÜ		Attarat Mining Co BV		Attarat Power Holding Co BV Group		Attarat Operation & Maintenance Co BV	
	31 DECEMBER		31 DECEMBER		31 DECEMBER		31 DECEMBER		31 DECEMBER	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Reconciliation to carrying amounts:</b>										
Interest in associates (calculated based on Group's share in respective associates)	(44.9)	(40.2)	3.8	3.7	4.2	1.9	69.0	72.3	1.9	1.6
Other adjustments	-	-	-	-	-	(0.5)	(1.1)	(3.5)	-	0.9
Notional goodwill	12.3	12.3	-	-	-	-	-	-	-	-
Group's share in negative net assets not recognised by the Group using the equity method	32.5	27.9	-	-	-	-	-	-	-	-
<b>Carrying amount at the end of the period</b>	<b>-</b>	<b>-</b>	<b>3.8</b>	<b>3.7</b>	<b>4.2</b>	<b>1.4</b>	<b>67.9</b>	<b>68.8</b>	<b>1.9</b>	<b>2.5</b>

\*Other comprehensive income of Attarat Power Holding Co BV Group is entirely a cash flow hedge reserve

### Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Aggregate carrying amount of individually immaterial associates	0.5	0.5
Profit from continuing operations	0.2	-
Gain on disposal of associates	-	0.6



## 9. Subsidiaries

The Group had the following subsidiaries as at 31 December 2023 and 31 December 2022.

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by noncontrolling interests (%)	
			31 DECEMBER		31 DECEMBER	
			2023	2022	2023	2022
Elektrilevi OÜ	Estonia	Network operator	100.0	100.0	-	-
Imatra Elekter AS	Estonia	Network operator	100.0	100.0	-	-
Enefit Power AS	Estonia	Production of electricity, oil shale mining	100.0	100.0	-	-
AS Narva Soojusvõrk	Estonia	Distribution and sale of heat	100.0	100.0	-	-
Enefit Solutions AS	Estonia	Manufacture and supply of metal structures, power engineering and other industrial equipment	100.0	100.0	-	-
Enefit Green AS	Estonia	Construction and operation of wind farms	77.2	77.2	22.8	22.8
Attarat Holding OÜ	Estonia	Asset management	100.0	100.0	-	-
Enefit Outotec Technology OÜ	Estonia and Germany	Development and licensing of the new generation of Enefit shale oil production technology	60.0	60.0	40.0	40.0
Hiiumaa Offshore Tuulepark OÜ	Estonia	Development of wind farms	77.2	77.2	22.8	22.8
Tootsi Tuulepark OÜ	Estonia	Development of wind farms	77.2	77.2	22.8	22.8
Enefit Wind OÜ	Estonia	Production of electricity	77.2	77.2	22.8	22.8
Enefit Wind Purtse AS	Estonia	Development of wind farms	77.2	77.2	22.8	22.8
Enefit AS (until 10 November 2023 Enefit Connect OÜ)	Estonia	Network co-management and energy solutions based on new technologies	100.0	100.0	-	-
Tootsi Windpark OÜ	Estonia	Development of wind farms	77.2	77.2	22.8	22.8
Enefit SIA	Latvia	Sale of electricity to end consumers	100.0	100.0	-	-
Enefit Power & Heat Valka SIA	Latvia	Production and sale of heat and electricity	77.2	77.2	22.8	22.8
Enefit Green SIA (until 29 December 2023 Enercom SIA)	Latvia	Development of wind farms	77.2	77.2	22.8	22.8
Technological Solutions SIA	Latvia	Cogeneration plant	-	77.2	-	22.8

Table continues on the next page

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by noncontrolling interests (%)	
			31 DECEMBER		31 DECEMBER	
			2023	2022	2023	2022
Warmeston SIA (until 29 December 2023 Enefit Green SIA)	Latvia	Production of pellets	-	77.2	-	22.8
Enefit UAB	Lithuania	Sale of electricity to end consumers	100.0	100.0	-	-
Enefit Wind UAB	Lithuania	Production of electricity	77.2	77.2	22.8	22.8
Enefit Green UAB	Lithuania	Construction and operation of wind farms	77.2	77.2	22.8	22.8
Šilalės vėjas UAB	Lithuania	Development of wind farms	77.2	77.2	22.8	22.8
Šilutės vėjo parkas 2 UAB	Lithuania	Development of wind farms	77.2	77.2	22.8	22.8
Šilutės vėjo parkas 3 UAB	Lithuania	Development of wind farms	77.2	77.2	22.8	22.8
Energijos Žara	Lithuania	Development of wind farms	77.2	77.2	22.8	22.8
Vėjo Parkai UAB	Lithuania	Development of wind farms	77.2	77.2	22.8	22.8
Vejoteka UAB	Lithuania	Development of wind farms	77.2	77.2	22.8	22.8
Kelmes vejo energija UAB	Lithuania	Development of wind farms	77.2	77.2	22.8	22.8
Baltic Energy Group UAB	Lithuania	Research related to the development of an offshore wind farm	77.2	77.2	22.8	22.8
Enefit U.S., LLC	USA	Asset management	100.0	100.0	-	-
Enefit American Oil Co.	USA	Development of shale oil production	100.0	100.0	-	-
Enefit Sp. z o.o.	Poland	Sale of electricity to end consumers	100.0	100.0	-	-
Enefit Green sp z.o.o.	Poland	Production of solar electricity	77.2	77.2	22.8	22.8
PV Plant Zambrow Sp. z o.o.	Poland	Development of solar farms	77.2	77.2	22.8	22.8
PV Plant Debnik Sp. z o.o.	Poland	Development of solar farms	77.2	77.2	22.8	22.8
Enefit AB	Sweden	Management services	100.0	100.0	-	-
Enefit OY	Finland	Selling electricity to end consumers	100.0	100.0	-	-
Enefit Green Solar OÜ	Estonia	Renewable energy	77.2	77.2	22.8	22.8
Liivi Offshore OÜ	Estonia	Development of wind farms	77.2	-	22.8	-
Tolpanvaara Wind Farm Oy	Finland	Development of wind farms	77.2	77.2	22.8	22.8



All subsidiaries are consolidated. The share of voting power held by the parent in the subsidiaries directly does not differ from the share of ordinary shares held by it. The parent does not hold any preference shares in any of the subsidiaries.

### Changes in 2023

On 29 March 2023 Eesti Energia AS sold the Liivi Bay offshore wind farm development Liivi Offshore OÜ to Enefit Green AS for EUR 6.2 million. Liivi offshore wind farm was separated from Eesti Energia AS via division in February 2023 during which a new entity Liivi Offshore OÜ was established.

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 EUR 15.9 million. 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 sales 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 Note 11 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 EUR 32.0 million. 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 of EUR 1.4 million (recognised as at 31 December 2023 under Other receivables) and therefore recognised a profit from the sale of these subsidiaries in the amount of EUR 0.9 million. The Group disposed of EUR 32.5 million of net assets as part of transaction. See Note 35 for further information on this transaction.

Enefit Connect OÜ was renamed in to Enefit OÜ on 10 November 2023 and to Enefit AS on 19 January 2024.

### Significant restrictions

The Electricity Market Act of Estonia currently in force provides that until the investments to the grid infrastructure of the network operator (Elektrilevi OÜ) do not exceed the limits of the approved financing plan, the parent company may not intervene in the everyday economic activities of the network operator or in the decisions concerning the construction or upgrades of the network. Management board of the Elektrilevi OÜ has the decision making power in terms of preparation and approval of financial plans of the company.

### FINANCIAL INFORMATION REGARDING A SUBSIDIARY WITH SIGNIFICANT NON-CONTROLLING INTEREST

Set out below is the financial information for Enefit Green Group that has non-controlling interests (NCI) that is material to the Group. The amounts disclosed are before inter-company eliminations of Eesti Energia AS Group.

<i>in million EUR</i>	Enefit Green Group	
	31 December 2023	31 December 2022
<b>Summarised statement of financial position</b>		
Cash	65.7	131.5
Trade and other receivables	55.1	41.1
Derivative financial instruments	3.8	3.3
Inventories	3.1	14.2
Assets classified as held for sale	15.4	-
<b>Total current assets</b>	<b>143.1</b>	<b>190.1</b>
Property, plant and equipment	1,027.1	776.9
Intangible assets	59.9	60.4
Right-of-use assets	9.1	4.2
Prepayments for non-current assets	55.1	19.4
Deferred tax assets	2.0	1.3
Investments in associates	0.5	0.5
Derivative financial instruments	5.1	11.3
Non-current receivables	-	0.1
<b>Total non-current assets</b>	<b>1,158.8</b>	<b>874.1</b>
<b>Total assets</b>	<b>1,301.9</b>	<b>1,064.2</b>
<b>Total current liabilities</b>	<b>97.2</b>	<b>49.1</b>
<b>Total non-current liabilities</b>	<b>487.5</b>	<b>296.3</b>
<b>Total liabilities</b>	<b>584.7</b>	<b>345.4</b>
<b>Equity</b>	<b>717.2</b>	<b>718.7</b>
Non-controlling interest %	22,83%	22,83%
Non-controlling interest	163.7	164.1

Table continues on the next page



<b>Summarised statement of comprehensive income</b>	<b>1 January - 31 December 2023</b>	<b>1 January - 31 December 2022</b>
Revenue	205.8	233.3
Net profit (loss) for the period	55.8	110.2
Revaluation of hedging instruments net of reclassifications to profit or loss	(3.0)	14.6
Exchange differences on the translation of foreign operations	0.6	0.2
Comprehensive profit (loss) for the period	(2.4)	125.0
<b>Summarised statement of cash flows</b>	<b>1 January - 31 December 2023</b>	<b>1 January - 31 December 2022</b>
Total cash flow from operating activities	74.2	126.2
Total cash flow from investing activities	(282.1)	(189.6)
Total cash flow from financing activities	142.1	114.4
Change in cash and cash equivalents	(65.8)	51.0

Profit and other comprehensive loss for the period attributable to the non-controlling interests of the subsidiary were EUR 12.8 million and EUR 0.3 million, respectively (2022: profit for the period EUR 25.2 million and other comprehensive income EUR 3.3 million). The accumulated non-controlling interests of the subsidiary as at 31 December 2023 were EUR 164.7 million. (31 December 2022: EUR 164.8 million).

## 10. Inventories

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
<b>Raw materials and materials at warehouses</b>	<b>44.5</b>	<b>71.8</b>
<b>Work in progress</b>		
Stored oil shale	73.4	37.9
Stripping works in quarries	-	1.7
Other work in progress	0.1	0.7
<b>Total work in progress</b>	<b>73.5</b>	<b>40.3</b>
<b>Finished goods</b>		
Shale oil	6.2	10.2
Pellets (Notes 9 and 35)	-	6.1
Other finished goods	0.4	0.6
<b>Total finished goods</b>	<b>6.6</b>	<b>16.9</b>
<b>Goods purchased for sale</b>		
Gas (Note 1.1)	24.1	41.4
Other goods purchased for sale	9.9	6.0
<b>Total goods purchased for sale</b>	<b>34.0</b>	<b>47.4</b>
Prepayments to suppliers	0.1	0.4
<b>Total inventories (Note 33)</b>	<b>158.7</b>	<b>176.8</b>

Stored oil shale inventories have increased due to the decrease in the active usage of oil shale-fired power plants.

The decrease in pellets is related to the sale of Enefit Green SIA on 29 December 2023, see Notes 9 and 35.

In 2023, inventories were written down by EUR 16.7 million (2022: write-downs EUR 0.9 million). These were mostly materials in warehouse including spare parts for production units whose projected future cash flows are negative and thus these spare parts no longer have a positive net realisable value.

Inventories recognised as an expense (mostly spare parts for production units) during the year ended 31 December 2023 amounted to EUR 164.6 million (2022: EUR 335.9 million).



## 11. Assets and liabilities of disposal group classified as held for sale

### a) Description

According to the purchase and sale agreement signed on 29 November 2023, the Group will sell the district heating businesses in Paide (Estonia) (a separate sub-unit of Enefit Green AS) and its district heating businesses in Valka (Latvia) (the subsidiary named Enefit Power & Heat Valka) to AS Utilitas.

The transaction is subject to the approval of the Estonian and Latvian competition authorities. As at 31 December 2023, the respective competition authorities were still reviewing the matter.

The Group considers the assets and liabilities to be sold as a disposal of group for the following reasons:

- With the transactions described in Note 9 (Broceni and Valka/Paide) the Group is selling the minority part of the Enefit Green group's cogeneration business segment, not the majority. The most significant part of the cogeneration business (in term of sales revenue and assets), the Iru cogeneration plant, will remain in the Group.
- the Enefit Green subgroup will continue to operate in Latvia. The transactions described above will therefore not create a situation where the Group would cease to operate in a specific geographical segment (Latvia).

Taking into account the above, the related assets and liabilities have been classified as a disposal group held for sale in the statement of financial position as at 31 December 2023.

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:

<i>in million EUR</i>	<b>2023</b>
<b>Assets classified as held for sale</b>	
Property, plant and equipment (Note 5)	12.9
Intangible assets (Note 6)	1.0
Trade and other receivables and prepayments	1.2
Inventories (Note 10)	1.0
<b>Total assets of disposal group held for sale</b>	<b>16.1</b>
<b>Liabilities directly associated with assets classified as held for sale</b>	
Government grants (Note 23)	3.5
Trade and other payables	1.4
<b>Total liabilities of disposal group held for sale</b>	<b>5.0</b>

## 12. Financial instruments by category

<i>in million EUR</i>	Assets measured at amortised cost	Financial assets at fair value through profit or loss	Derivatives to which hedge accounting is applied	Total
<b>As at 31 December 2023</b>				
<b>Financial asset items in the statement of financial position</b>				
Trade and other receivables excluding prepayments (Notes 3.1, 13 and 15)	475.6	-	-	475.6
Derivative financial instruments (Notes 3.1, 3.3, 14 and 15)	-	150.3	167.2	317.5
Cash and cash equivalents (Notes 3.1, 3.2, 15 and 17)	174.5	-	-	174.5
<b>Total financial asset items in the statement of financial position</b>	<b>650.1</b>	<b>150.3</b>	<b>167.2</b>	<b>967.6</b>
<b>As at 31 December 2022</b>				
<b>Financial asset items in the statement of financial position</b>				
Trade and other receivables excluding prepayments (Notes 3.1, 13 and 15)	402.0	-	-	402.0
Derivative financial instruments (Notes 3.1, 3.3, 14 and 15)	-	276.8	423.9	700.7
Cash and cash equivalents (Notes 3.1, 3.2, 15 and 17)	280.5	-	-	280.5
<b>Total financial asset items in the statement of financial position</b>	<b>682.5</b>	<b>276.8</b>	<b>423.9</b>	<b>1,383.2</b>



<i>in million EUR</i>	Liabilities measured at amortised cost	Liabilities at fair value through profit or loss	Derivatives to which hedge accounting is applied	Total
<b>As at 31 December 2023</b>				
<b>Financial liability items in the statement of financial position</b>				
Borrowings (Notes 3.1, 3.2 and 21)	1,694.1	-	-	1,694.1
Trade and other payables (Notes 3.1 and 22)	240.0	-	-	240.0
Derivative financial instruments (Notes 3.1, 3.3 and 14)	-	24.2	60.2	84.4
<b>Total financial liability items in the statement of financial position</b>	<b>1,934.1</b>	<b>24.2</b>	<b>60.2</b>	<b>2,018.5</b>
<b>As at 31 December 2022</b>				
<b>Financial liability items in the statement of financial position</b>				
Borrowings (Notes 3.1, 3.2 and 21)	1,059.4	-	-	1,059.4
Trade and other payables (Notes 3.1 and 22)	202.3	-	-	202.3
Derivative financial instruments (Notes 3.1, 3.3 and 14)	-	111.2	90.0	201.2
<b>Total financial liability items in the statement of financial position</b>	<b>1,261.7</b>	<b>111.2</b>	<b>90.0</b>	<b>1,462.9</b>

### 13. Trade and other receivables

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
<b>Current trade and other receivables</b>		
<b>Trade receivables</b>		
Accounts receivable	276.1	349.4
Allowance for expected credit losses	(3.9)	(6.0)
<b>Total trade receivables</b>	<b>272.2</b>	<b>343.4</b>
<b>Accrued income</b>		
Other accrued income	2.4	1.4
<b>Total accrued income</b>	<b>2.4</b>	<b>1.4</b>
Prepayments	43.5	29.8
Restricted cash	182.0	42.6
Other receivables (Note 23)	16.8	13.6
<b>Total current trade and other receivables</b>	<b>516.9</b>	<b>430.8</b>
<b>Non-current receivables</b>		
Loan receivables from associates (Note 32)	12.3	12.6
Allowance for expected credit losses on loan receivables (Note 32)	(12.3)	(12.6)
Other non-current receivables	3.6	1.0
<b>Total non-current receivables</b>	<b>3.6</b>	<b>1.0</b>
<b>Total trade and other receivables (Note 3.1)</b>	<b>520.5</b>	<b>431.8</b>

The loan provided to the associate of Enefit Jordan B.V. Group is based on an agreement signed in 2011. The loan is denominated in US dollars, bears interest at the rate of 15% a year and has an indefinite repayment date. No interest income has been recognised by the Group, as its collection is not probable. See also Note 8.

The change in non-current receivables is attributable to the extent of EUR 0.4 million to the effect of the exchange rate for the US dollar, because the base currency for the receivables is the US dollar, and to the extent of EUR 0.1 million to an additional loan. For further information, see Note 32.

Restricted cash comprises cash, which is held in the bank accounts of different financial partners as security for derivative transactions.

The biggest change within year-end prepayments for the two periods was an increase in the balance of prepaid value added tax by EUR 11.0 million.

The fair values of receivables do not significantly differ from their carrying amounts. Collection of receivables is not covered by securities. Most of the Group's receivables and prepayments are denominated in euros. Information about the credit quality of the receivables is disclosed in Note 15.



## Analysis of accounts receivable

<i>in million EUR</i>	Total	Current	1-30 days past due	31-60 days past due	more than 60 days past due
<b>31 December 2023</b>					
Accounts receivable	<b>276.1</b>	249.2	17.3	2.1	7.6
Expected credit loss rate	-	0.1%	1.2%	12.1%	40.0%
Expected credit loss	<b>3.9</b>	0.3	0.2	0.3	3.1

Allowances for receivables are calculated based on IFRS 9. The credit risk rate calculations take into account the payment behaviour of receivables that were outstanding at the end of 2022.

To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 December 2023 or 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

According to management's assessment, the credit quality of receivables is high and in line with historical trends. The historical amounts of receivables written off as uncollectible have

been as follows: EUR 1.9 in 2023, EUR 1.6 million in 2022, EUR 0.9 million in 2021, EUR 1.5 million in 2020, EUR 0.5 million in 2019, EUR 0.2 million in 2018, EUR 0.4 million in 2017, EUR 0.6 million in 2016.

Receivables from associates and restricted cash balances are assessed and analysed separately from other receivables using the full expected credit losses model.

## Changes in allowance for expected credit losses on trade receivables

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
<b>Allowance for expected credit losses at the beginning of the period</b>	<b>(6.0)</b>	<b>(1.8)</b>
Items considered doubtful and doubtful items collected during the period	0.2	(5.8)
Items written off as uncollectible	1.9	1.6
<b>Allowance for expected credit losses at the end of the period</b>	<b>(3.9)</b>	<b>(6.0)</b>

Other classes of receivables do not include any impaired assets.

## 14. Derivative financial instruments

<i>in million EUR</i>	31 DECEMBER 2023		31 DECEMBER 2022	
	Assets	Liabilities	Assets	Liabilities
<b>Cash flow hedges</b>				
<b>Future, forward and long-term PPA contracts to purchase electricity</b>	<b>152.3</b>	<b>41.2</b>	<b>399.8</b>	<b>0.1</b>
Lithuanian area price risk components (long-term PPAs)	149.6	-	360.7	-
TGE Polish baseload price risk component	-	35.8	23.2	-
Nord Pool system price and Finnish area price component	2.7	5.4	15.9	0.1
Future and forward contracts to purchase natural gas	-	15.2	6.0	-
TGE Polish gas price risk component	-	15.2	6.0	-
Swap and forward contracts for sale of shale oil	3.8	(0.1)	2.2	73.4
Swap and forward contracts for sale of shale oil gasoline	0.6	-	1.3	16.4
<b>Interest rate swap</b>	<b>8.9</b>	<b>-</b>	<b>14.6</b>	<b>-</b>
<b>Total cash flow hedges</b>	<b>165.6</b>	<b>56.3</b>	<b>423.9</b>	<b>89.9</b>
<b>Trading derivatives</b>				
<b>Future, forward and long-term PPA contracts to purchase electricity</b>	<b>131.1</b>	<b>1.6</b>	<b>206.4</b>	<b>0.8</b>
Lithuanian area price risk components (long-term PPAs)	129.1	-	166.0	0.3
TGE Polish baseload price risk component	2.0	-	5.1	-
Nord Pool system price and Finnish area price component	-	1.6	35.3	0.5
<b>Future and forward contracts to purchase natural gas</b>	<b>3.3</b>	<b>5.6</b>	<b>63.0</b>	<b>60.3</b>
TGE Polish gas price risk component	-	3.1	-	-
Baltic gas price risk component	3.3	2.5	63.0	60.3
<b>Swap and forward contracts for sale of shale oil</b>	<b>4.0</b>	<b>7.6</b>	<b>0.4</b>	<b>0.4</b>
<b>Swap and forward contracts for sale of shale oil gasoline</b>	<b>-</b>	<b>1.5</b>	<b>-</b>	<b>-</b>
<b>Guarantees of origin</b>	<b>4.4</b>	<b>10.2</b>	<b>7.0</b>	<b>9.4</b>
<b>Universal service</b>	<b>9.1</b>	<b>-</b>	<b>-</b>	<b>37.1</b>
<b>Other derivatives</b>	<b>-</b>	<b>1.6</b>	<b>-</b>	<b>3.3</b>
<b>Total trading derivatives</b>	<b>151.9</b>	<b>28.1</b>	<b>276.8</b>	<b>111.3</b>
<b>Total derivative financial instruments (Notes 3.1, 3.3, 12, 15 and 20)</b>	<b>317.5</b>	<b>84.4</b>	<b>700.7</b>	<b>201.2</b>

Table continues on the next page



<i>in million EUR</i>	31 DECEMBER 2023		31 DECEMBER 2022	
	Assets	Liabilities	Assets	Liabilities
<b>Including non-current portion:</b>				
<b>Cash flow hedges</b>				
<b>Future, forward and long-term PPA contracts to purchase electricity</b>	<b>131.8</b>	<b>7.7</b>	<b>330.4</b>	<b>-</b>
Lithuanian area price risk components (long-term PPAs)	131.8	-	317.2	-
TGE Polish baseload price risk component	-	6.6	13.0	-
Nord Pool system price and Finnish area price component	-	1.1	0.2	-
<b>Future and forward contracts to purchase natural gas</b>	<b>-</b>	<b>2.0</b>	<b>0.6</b>	<b>-</b>
TGE Polish gas price risk component	-	2.0	0.6	-
<b>Swap and forward contracts for sale of shale oil</b>	<b>3.7</b>	<b>0.1</b>	<b>1.3</b>	<b>15.7</b>
<b>Swap and forward contracts for sale of shale oil gasoline</b>	<b>0.6</b>	<b>-</b>	<b>0.9</b>	<b>3.3</b>
<b>Interest rate swap</b>	<b>5.1</b>	<b>-</b>	<b>11.3</b>	<b>-</b>
<b>Total cash flow hedges</b>	<b>141.2</b>	<b>9.8</b>	<b>344.5</b>	<b>19.0</b>
<b>Trading derivatives</b>				
<b>Future, forward and long-term PPA contracts to purchase electricity</b>	<b>113.5</b>	<b>1.1</b>	<b>145.0</b>	<b>-</b>
Lithuanian area price risk components (long-term PPAs)	113.5	-	134.7	-
Nord Pool system price and Finnish area price component	-	1.1	10.3	-
<b>Future and forward contracts to purchase natural gas</b>	<b>-</b>	<b>-</b>	<b>1.2</b>	<b>-</b>
TGE Polish gas price risk component	-	-	0.6	-
Baltic gas price risk component	-	-	0.6	-
<b>Renewables as trading derivatives</b>	<b>3.1</b>	<b>5.6</b>	<b>5.8</b>	<b>7.4</b>
<b>Universal service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.1</b>
<b>Other derivatives</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>0.6</b>
<b>Total trading derivatives</b>	<b>116.6</b>	<b>6.8</b>	<b>152.0</b>	<b>13.1</b>
<b>Total non-current portion</b>	<b>257.8</b>	<b>16.6</b>	<b>496.5</b>	<b>32.1</b>
<b>Total current portion</b>	<b>59.7</b>	<b>67.8</b>	<b>204.2</b>	<b>169.1</b>

## 15. Credit quality of financial assets

The basis for estimating the credit quality of financial assets not due yet and not written down is the credit ratings assigned by rating agencies or, in their absence, the earlier credit behaviour of customers and counterparties.

<i>in million EUR</i>	31 DECEMBER 2023	
	2023	2022
<b>Current accounts</b>		
At banks with Moody's credit rating of Aa3	119.1	260.1
At banks with Moody's credit rating of A2	11.4	8.0
At banks with Moody's credit rating of A3	23.5	11.3
At banks with Moody's credit rating of Baa1	20.1	-
At banks with Moody's credit rating of Baa2	0.4	1.1
<b>Total current accounts (Notes 3.1, 3.2, 12 and 17)</b>	<b>174.5</b>	<b>280.5</b>
<b>Other receivables</b>		
Other receivables with Moody's credit rating of Aa3	6.2	32.3
Other receivables through Nasdaq OMX clearing house - Baa2	103.4	-
Receivables without credit rating from an independent party	89.2	26.3
<b>Total other receivables (Note 13)</b>	<b>198.8</b>	<b>58.6</b>
<b>Derivative financial instruments</b>		
Derivatives with positive value with Moody's credit rating of Aa3	13.3	17.0
Derivatives with positive value with Moody's credit rating of A1	2.6	1.1
Derivatives with positive value with Moody's credit rating of A2	0.6	-
Derivatives with positive value with Moody's credit rating of Baa3	0.1	0.2
Derivatives with positive value with Moody's credit rating of Baa2	2.3	60.4
Derivatives with positive value with Moody's credit rating of Baa1	5.9	1.2
Derivatives with positive value without credit rating from an independent party	292.7	620.8
<b>Total derivatives with positive value (Notes 3.1, 3.3, 12 and 14)</b>	<b>317.5</b>	<b>700.7</b>



The Group's cash and cash equivalent balances as at 31 December 2023 were deposited with SEB bank, Swedbank, Danske Bank, Luminor Bank, LHV Bank, Coop Bank, OP Corporate Bank, Citadele Bank, Citibank N.A. New York branch and Santander Bank Polska S.A. As at 31 December 2023, the account balances with SEB bank in Estonia, with Swedbank in Estonia, with LHV Bank in Estonia and with Luminor Bank in Estonia each exceeded 10% of the Group's total cash and cash equivalents (31 December 2022: the account balances with Swedbank in Estonia and SEB bank in Estonia each exceeded 10% of the Group's cash and cash equivalents).

As at 31 December 2023, financial assets with counterparties European Energy Trading A/S and UAB L-Vejas each accounted for more than 10% of total financial assets (31 December 2022: financial assets with counterparties European Energy Trading A/S and UAB L-Vejas all accounted for more than 10% of total financial assets). They are classified as derivatives with positive value without a credit rating from an independent party.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial and not recognised.

Based on management estimates in accordance with IFRS 9, other receivables without a credit rating from an independent party do not involve material credit risk. In 2023, the Group had restricted cash of EUR 72.5 million (2022: EUR 10.2 million) with counterparties with no credit rating.

Other receivables include the following claims:

- Enefit AS government grant receivable from the Ministry of Economic Affairs and Communications in the amount of EUR 8.7 million. The Ministry of Economic Affairs belongs to the Republic of Estonia, according to our group strategy we are rating the public sector companies using the rating allocated to the country (the Republic of Estonia). According to Moody's, the Republic of Estonia's rating is A1.
- Parent entity receivables against Joint Allocation Office (JAO) in the amount of EUR 15.0 million. JAO is the leading service provider for Transmission System Operators (TSOs) in the European electricity sector. According to the Moody's risk application, there hasn't been a significant increase in the probability of default for this counterparty since initial recognition.
- Receivables against the Polish broker who is the Group's intermediary in trading on Polish Electricity Exchange (TGE) in the amount of EUR 57.5 million. According to the Moody's risk application, there hasn't been a significant increase in the probability of default for this counterparty since initial recognition.

Derivatives with a positive value without a credit rating from an independent party total EUR 292.7 million (31 December 2022: EUR 620.8 million). 96% of the amount consists of four large PPAs (EUR 281 million) and 3% of derivatives related to the universal service (EUR 9 million). The Group's internal procedures always include assessing the creditworthiness of

potential counterparty before entering into a contract. Even though these counterparties have no external credit ratings, they are considered equivalent to counterparties with high credit rating, based on the Group's internal assessment. Also, approximately 30% of the amount of large PPAs, according to Moody's risk application the counterparty belongs to the group of credit rating A2. Large PPA-s are secured by securities (~20 million EUR) and 2<sup>nd</sup> rank pledges on assets (~30 million EUR). Therefore, no material credit risk has been identified in connection with the said counterparties.

## 16. Greenhouse gas allowances and guarantees of origin

Greenhouse gas emission allowances are sold when there is a significant surplus caused by a decrease in production volumes as a result of changes in the market prices of electricity and shale oil.

In the reporting and the comparative period, the following quantities of greenhouse gas emission allowances were allocated to the Group free of charge:

- in 2022, 886,299 tonnes of free allowances with a fair value\* of EUR 73.2 million;
- in 2023, 986,457 tonnes of free allowances with a fair value\* of EUR 83.2 million.

\* Fair value is based on the market price of the EU emission allowances as at the dates of receipt of the free allowances.

<i>in million EUR</i>	31 DECEMBER 2023	
	2023	2022
Greenhouse gas allowances	203.1	428.0
Guarantees of origin	13.4	16.1
<b>Total greenhouse gas allowances and guarantees of origin</b>	<b>216.5</b>	<b>444.1</b>

### Movements in greenhouse gas emission allowances

<i>in thousand tonnes, in million EUR</i>	Quantities		31 DECEMBER	
	2023	2022	2023	2022
Greenhouse gas emission allowances at the beginning of the period	6,700.0	4,942.0	428.0	193.3
Acquired	3,441.0)	6,725.0	204.4	431.0
Sold	(5.0)	(36.0)	(0.3)	(3.1)
Used (Note 24)	(6,701.0)	(4,931.0)	(429.0)	(193.2)
<b>Greenhouse gas emission allowances at the end of the period</b>	<b>3,435.0</b>	<b>6,700.0</b>	<b>203.1</b>	<b>428.0</b>

### Movements in guarantees of origin

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Guarantees of origin at the beginning of the period	16.1	15.3
Acquired	9.2	12.6
Surrendered	(13.0)	(11.4)
Effects on movements in foreign exchange rates	1.1	(0.4)
<b>Guarantees of origin at the end of the period</b>	<b>13.4</b>	<b>16.1</b>

Exchange rate differences for guarantees of origin arise from the Group's Polish subsidiary.



## 17. Cash and cash equivalents

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Bank accounts	174.5	280.5
<b>Total cash and cash equivalents (Notes 3.1, 3.2, 12 and 15)</b>	<b>174.5</b>	<b>280.5</b>

## Cash and cash equivalents by currency

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Euro	146.7	247.1
Polish zloty	20.9	18.4
US dollar	5.8	13.8
Swedish krona	1.1	1.2
<b>Total cash and cash equivalents (Notes 3.1, 3.2, 12 and 15)</b>	<b>174.5</b>	<b>280.5</b>

## 18. Share capital, statutory reserve capital and retained earnings

As at 31 December 2023, Eesti Energia AS had 746,645,750 registered shares (31 December 2022: 746,645,750 registered shares). The nominal value of each share is 1 euro. The sole shareholder is the Republic of Estonia.

The administrator of the shares and the exerciser of shareholder rights is the Estonian Ministry of Finance, represented by the Minister of Finance at the General Meeting of Shareholders. According to the articles of association of Eesti Energia AS, the minimum share capital is EUR 250.0 million and the maximum share capital is EUR 1,000.0 million.

As at 31 December 2023, the Group's statutory reserve capital totalled EUR 75.0 million (31 December 2022: EUR 75.0 million).

As at 31 December 2023 the Group's distributable retained earnings was EUR 656.5 million (31 December 2022: EUR 1,160.7 million). On distribution of profits to the shareholder, dividends that amount up to the three preceding years' average dividend distribution are subject to income tax at the rate of 14% (14/86 of the net distribution). The remaining dividends are subject to tax at the rate of 20% (20/80 of the net distribution).

As at 31 December 2023 the Group has share premium EUR 259.8 million. In accordance with the Estonian Commercial Code, share premium may be used:

- to cover a loss if such loss cannot be covered by retained profit from previous periods or the legal reserve;
- to increase share capital by a bonus issue.

If all retained earnings were distributed as dividends, the corporate income tax would amount to EUR 119.0 million (31 December (31 December 2022: EUR 227.9 million). It is possible to pay out EUR 537.5 million (31 December 2022: EUR 932.8 million) as net dividends.

Based on the implemented dividend policy the annual dividend payments to the shareholder are limited to the profit for the financial year. Taking this into account, 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 Group is able to control the timing and the amount of the dividend distributions of its subsidiaries.

The following table presents the basis for calculating the distributable shareholders' equity, potential dividends and the accompanying corporate income tax:

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Retained earnings	656.5	1,160.7
of which retained earnings subject to reduced income tax 14%	53.2	21.6
retained earnings subject to income tax rate of 20%	557.6	1,124.3
tax-exempt retained earnings	45.7	14.8
Distributable shareholder's equity	656.5	1,160.7
Corporate income tax on the distribution of the entire distributable equity	(119.0)	(227.9)
Maximum amount of net dividends available for distribution	537.5	932.8

## 19. Dividends per share

In 2023, Eesti Energia AS paid the Republic of Estonia dividends of EUR 68.9 million, i.e. EUR 0.09 per share (2022: of EUR 46.7 million dividends were paid). The payment was made on 3 April 2023.

The Management Board has proposed to the Annual General Meeting not to pay dividends for the financial year ended 31 December 2023. The dividend distribution has not been recognised as a liability in these financial statements, because the dividend had not been approved at 31 December 2023. Corporate income tax expense on the dividends amounts to EUR 0 million. See details from Note 31.

## 20. Other reserves

	31 DECEMBER	
<i>in million EUR</i>	2023	2022
<b>Other reserves at the beginning of the period (Note 3.1)</b>	<b>711.0</b>	<b>219.7</b>
<b>of which hedge reserve at the beginning of the period</b>	<b>698.5</b>	<b>211.5</b>
<b>electricity cash flow hedges</b>	<b>728.7</b>	<b>268.2</b>
- Lithuanian area price risk components (long-term PPAs)	360.7	95.4
- TGE Polish baseload price risk component	25.2	85.6
- Nord Pool system price and Finnish area price component	342.8	87.2
<b>gas cash flow hedges</b>	<b>8.3</b>	<b>12.5</b>
- TGE Polish gas price risk component	6.7	-
- Baltic gas price risk component	1.6	12.5
<b>shale oil cash flow hedges</b>	<b>(42.6)</b>	<b>(69.2)</b>
<b>shale oil gasoline cash flow hedges</b>	<b>(7.2)</b>	<b>-</b>
<b>interest rate swap</b>	<b>14.6</b>	<b>-</b>
<b>non-controlling interest of hedging instruments</b>	<b>(3.3)</b>	<b>-</b>
<b>of which currency translation reserve at the beginning of the period</b>	<b>5.7</b>	<b>9.0</b>
<b>of which reserve related to other comprehensive income of associates at the beginning of the period</b>	<b>6.8</b>	<b>(0.8)</b>
<b>Change in fair value of cash flow hedges</b>	<b>(438.8)</b>	<b>670.3</b>
<b>electricity cash flow hedges</b>	<b>(414.01)</b>	<b>706.0</b>
- Lithuanian area price risk components (long-term PPAs)	(199.3)	265.3
- TGE Polish baseload price risk component	(103.1)	16.3
- Nord Pool system price and Finnish area price component	(111.6)	424.4
<b>gas cash flow hedges</b>	<b>(30.9)</b>	<b>26.5</b>
- TGE Polish gas price risk component	(28.7)	41.4
- Baltic gas price risk component	(2.2)	(14.9)

Table continues on the next page



<i>in million EUR</i>	31 DECEMBER	
	2023	2022
<b>shale oil cash flow hedges</b>	8.7	(61.3)
<b>shale oil gasoline cash flow hedges</b>	(1.7)	(15.4)
<b>interest rate swap</b>	(2.2)	14.5
<b>non-controlling interest of hedging instruments</b>	1.3	-
<b>Recognised as an (increase) /decrease of revenue (Note 25)</b>	<b>48.2</b>	<b>155.0</b>
<b>electricity cash flow hedges</b>	<b>1.1</b>	<b>58.9</b>
- Nord Pool system price and Finnish area price component	1.1	58.9
<b>shale oil cash flow hedges</b>	<b>37.6</b>	<b>87.9</b>
<b>shale oil gasoline cash flow hedges</b>	<b>9.5</b>	<b>8.2</b>
<b>Recognised as an increase/(decrease) of raw materials and consumables used (Note 27)</b>	<b>(162.2)</b>	<b>(335.1)</b>
<b>electricity cash flow hedges</b>	<b>(171.3)</b>	<b>(304.4)</b>
- Lithuanian area price risk components (long-term PPAs)	(11.8)	-
- TGE Polish baseload price risk component	44.1	(76.7)
- Nord Pool system price and Finnish area price component	(203.6)	(227.7)
<b>gas cash flow hedges</b>	<b>9.1</b>	<b>(30.7)</b>
- TGE Polish gas price risk component	7.1	(34.7)
- Baltic gas price risk component	2.0	4.0
<b>Recognised as an increase/(decrease) of interest expenses (Note 30)</b>	<b>(3.5)</b>	<b>0.1</b>
<b>Non-controlling interest of hedging instruments</b>	<b>0.6</b>	<b>(3.3)</b>
<b>Currency translation differences attributable to foreign subsidiaries</b>	<b>1.3</b>	<b>(3.3)</b>
of which share of non-controlling interest	(0.3)	-
<b>Change in associates' other comprehensive income/(loss)</b>	<b>(0.4)</b>	<b>7.6</b>
<b>Other reserves at the end of the period (Note 3.1)</b>	<b>155.0</b>	<b>711.0</b>
<b>of which hedge reserve at the end of the period</b>	<b>141.6</b>	<b>698.5</b>
<b>electricity cash flow hedges</b>	<b>144.5</b>	<b>728.7</b>
- Lithuanian area price risk components (long-term PPAs)	149.6	360.7
- TGE Polish baseload price risk component	(33.8)	25.2

Table continues on the next page

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
- Nord Pool system price and Finnish area price component	28.7	342.8
<b>gas cash flow hedges</b>	<b>(13.5)</b>	<b>8.3</b>
- TGE Polish gas price risk component	(14.9)	6.7
- Baltic gas price risk component	1.4	1.6
<b>shale oil cash flow hedges</b>	<b>3.7</b>	<b>(42.6)</b>
<b>shale oil gasoline cash flow hedges</b>	<b>0.6</b>	<b>(7.2)</b>
<b>interest rate swap</b>	<b>8.9</b>	<b>14.6</b>
<b>non-controlling interest of hedging instruments</b>	<b>(2.6)</b>	<b>(3.3)</b>
<b>of which currency translation reserve at the end of the period</b>	<b>7.0</b>	<b>5.7</b>
<b>of which reserve related to other comprehensive income of associates at the end of the period</b>	<b>6.4</b>	<b>6.8</b>

Potential deferred tax impact from the realisation of Polish hedge reserve is EUR 15.3 million (in 2022: EUR 12.6 million).

## 21. Borrowings

### Borrowings measured at amortised cost

<i>in million EUR</i>	Short-term borrowings				Long-term borrowings			Total
	Interest	Bank loans	Bonds issued	Lease liabilities	Bank loans	Bonds issued	Lease liabilities	
<b>Borrowings at amortised cost 31 December 2021 (Notes 3.1, 3.2 and 12)</b>	<b>3.9</b>	<b>167.2</b>	<b>-</b>	<b>1.0</b>	<b>296.0</b>	<b>483.4</b>	<b>8.9</b>	<b>960.4</b>
<b>Changes occurred in 2022</b>								
<b>Cash movements</b>								
Borrowings received	19.4	70.0	-	-	270.0	-	-	<b>359.4</b>
Repayments of borrowings	(18.5)	(253.2)	-	(1.2)	-	-	-	<b>(272.9)</b>
<b>Non-Monetary movements</b>								
Initial recognition of lease liability	-	-	-	0.1	-	-	2.7	<b>2.8</b>
Transfers	-	127.3	483.3	1.4	(127.3)	(483.3)	(1.4)	-
Amortization of borrowing costs	-	-	9.5	-	-	-	-	<b>9.5</b>
Other Movements	-	-	-	0.1	-	-	0.2	<b>0.3</b>
<b>Total changes occurred in 2022</b>	<b>0.9</b>	<b>(55.9)</b>	<b>492.8</b>	<b>0.4</b>	<b>142.7</b>	<b>(483.3)</b>	<b>1.5</b>	<b>99.1</b>
<b>Borrowings at amortised cost 31 December 2022 (Notes 3.1, 3.2 and 12)</b>	<b>4.8</b>	<b>111.3</b>	<b>492.8</b>	<b>1.4</b>	<b>438.7</b>	<b>-</b>	<b>10.4</b>	<b>1,059.4</b>
<b>Changes occurred in 2023</b>								
<b>Cash movements</b>								
Borrowings received	79.1	378.0	-	-	1,045.0	-	-	<b>1,502.1</b>
Repayments of borrowings	(59.8)	(303.5)	(500.0)	(1.4)	(10.0)	-	-	<b>(874.7)</b>
<b>Non-cash movements</b>								
Initial recognition of new lease liability	-	-	-	0.3	-	-	7.0	<b>7.3</b>
Transfers	-	255.8	-	2.3	(255.8)	-	(2.3)	-
Amortization of borrowing costs	-	-	7.2	(0.3)	(8.2)	-	0.7	<b>(0.6)</b>
Other movements	-	-	-	-	0.4	-	0.2	<b>0.6</b>
<b>Total changes occurred in 2023</b>	<b>19.3</b>	<b>330.3</b>	<b>(492.8)</b>	<b>0.9</b>	<b>771.4</b>	<b>-</b>	<b>5.6</b>	<b>634.7</b>
<b>Borrowings at amortised cost 31 December 2023 (Notes 3.1, 3.2 and 12)</b>	<b>24.1</b>	<b>441.6</b>	<b>-</b>	<b>2.3</b>	<b>1,210.1</b>	<b>-</b>	<b>16.0</b>	<b>1,694.1</b>



In 2023, the parent company signed a new loan agreement of EUR 600 million (a syndicate loan maturing in February 2028). The loan is sustainability-linked with two ESG KPI's: carbon intensity of scope 1, 2 and 3 emissions and yearly addition of renewable energy capacity. The primary purpose of the syndicate loan was to refinance the EUR 500 million bond that matured and was redeemed in September 2023.

The Group's borrowings as at the end of 2023 amounted to EUR 1,651.7 million (end of 2022: EUR 1,042.8 million). Borrowings as at the reporting date consisted of a syndicate loan of EUR 591.8 million and loans from the EIB of EUR 242.1 million (nominal amount), loans from the NIB of EUR 173.0 million (nominal amount), loans from the EBRD of EUR 6.3 million (27.5 million Polish zloty) and loans from commercial banks of EUR 638.5 million (nominal amount, incl. revolving credit of EUR 195.0 million).

### Fair value of bonds and bank loans

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Carrying amounts of bonds (Note 3.1)	-	500.0
Market value of bonds on the basis of quoted sales price (Note 3.3)	-	493.8
Carrying amounts of bank loans with fixed interest rate (Note 3.1)	37.1	55.0
Fair value of bank loans with fixed interest rate (Note 3.3)	34.1	52.2
Carrying amounts of bank loans with fixed interest swap rate (Note 3.1.1.4)	157.8	168.3
Fair value of bank loans with fixed interest swap rate (Note 3.1.1.4)	157.8	168.3
Carrying amounts of bank loans with floating interest rate (Note 3.1)	1,456.8	326.7
Fair value of bank loans with floating interest rate (Note 3.3)	1,456.8	326.7

The bonds were denominated in euros and listed on the London Stock Exchange. The bonds were paid back in Sept 2023.

Management estimates that the fair values of the loans with floating interest rates do not differ from their carrying amounts as at the end of the period as the risk margins have not changed. The fair values of the bank loans with a fixed interest rate were determined based on discounted cash flows using discount rates between 3,291% -4.169% (2022: 4.414%–6.347%), that are within level 2 of the fair value hierarchy. The discount rates are calculated based on the interpolated interest rate swaps taking into account the average length of years to the repayment date(s). The interest rate swap information is based on EUR Midswap Rates disclosed by SEB.

### Bank loans at nominal value by maturity

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
< 1 year	439.5	111.3
1 - 2 years	159.8	24.7
3 – 5 years	749.8	344.3
> 5 years	310.8	69.7
<b>Total</b>	<b>1,659.9</b>	<b>550.0</b>

Loans are denominated in euros and Polish zloty (31 December 2022: in euros and Polish zloty). As at 31 December 2023 the interest rates of loans were between 1.1% and 9.3% (31 December 2022: 1.1–7.7%).

As at 31 December 2023, the weighted average interest rate on bank loans was 5.8% (31 December 2022: 2.47%).

As at 31 December 2023 the Group had undrawn loan facilities of EUR 410.0 million (31 December 2022: EUR 535.0 million).

### Weighted average effective interest rates of borrowings including the effects of signed interest rate swap agreements

<i>in %</i>	31 DECEMBER	
	2023	2022
Bank loans	5.8%	2.6%
Bonds	-	2.4%
Lease liabilities	3.6%	2.9%

## 22. Trade and other payables

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Trade payables	198.9	182.3
Accrued expenses	2.4	2.6
Payables to related parties (Note 32)	1.6	2.7
Other payables	37.1	14.7
<b>Total financial liabilities within trade and other payables (Note 3.1 and 12)</b>	<b>240.0</b>	<b>202.3</b>
Payables to employees	33.3	29.2
Tax liabilities	45.3	51.8
Prepayments	6.6	9.9
<b>Total trade and other payables</b>	<b>325.2</b>	<b>293.2</b>
of which current trade and other payables	319.9	288.4
of which non-current trade and other payables	5.3	4.8

Trade payables as at 31 December 2023 include payables for property, plant and equipment of EUR 58.8 million (31 December 2022: EUR 29.3 million).

Other payables as at 31 December 2023 have increased due to payables related to Kelme II and III projects of EUR 17.7 million.

Prepayments as at 31 December 2023 consist mainly of prepayments from customers of EUR 3.2 million (31 December 2022: mainly of the prepayments from customers of EUR 7.2 million).

## 23. Contract liabilities and government grants

### Connection and other service fees

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
<b>Deferred connection and other service fees at the beginning of the period</b>	<b>323.4</b>	<b>285.1</b>
Connection and other service fees received	45.8	46.8
Value of assets transferred for connection fees	8.7	3.6
Connection and other service fees recognised as revenue (Note 33)	(13.5)	(12.1)
<b>Deferred connection and other service fees at the end of the period</b>	<b>364.4</b>	<b>323.4</b>
Government grants	34.4	28.2
<b>Total contract liabilities and government grants</b>	<b>398.8</b>	<b>351.6</b>
of which current	2.1	0.5
of which non-current	396.7	351.1

Government grants include grants for the following projects of the Group:

- Narva wind farm,
- reconstruction of the city of Narva district heating piping system,
- Advanced Remote Engineering Platform,
- TSO-DSO-Consumer interface to provide innovative grid services for an efficient power system,
- user centric urban and long-range charging solutions,
- outsourcing air quality monitoring service outside the Eesti Energia oil production plant premises
- network investment to increase micro-production capacities.

Government grants related to Paide power plant and construction of a biomass cogeneration plant in Latvia were reclassified as held for sale because they are part of a disposal group (Note 11).

In the reporting period Group received grant EUR 8.0 million which was allocated from the 2022 budget of the Republic of Estonia. The goal of the project was to increase the ability of micro-producers (with a nominal capacity of up to 15 kilowatts) to integrate renewable energy production into the electricity distribution network through medium and low voltage network strengthening works. As part of the project, investments were made, as a result of which the connection capacity of renewable electricity generation equipment in the electricity distri-

bution network increased at least 66 MW, depending on the voltage level of the connection point location and in the substation. The project activities were carried out by the deadline, which was 31.12.2022 and the subsidy was paid out in 2023.

In the reporting period Group received grant for the development of electric vehicle charging infrastructure. The aim of the project is to create a smart and ultra-fast public electric vehicle charging network from Estonia to Poland, by building 100 charging points with a capacity of 150 kW to 600 kVa. This is a global project that promotes a green mindset by encouraging the adoption of electric vehicles and thereby reducing the share of greenhouse gas emissions from fossil fuels. The amount of support received was EUR 2.0 million. It was divided equally among four countries: Estonia (Enefit AS), Latvia (Enefit SIA), Lithuania (Enefit UAB), and Poland (Enefit Sp zoo).

At the end of the reporting period Group has recognise a grant receivable in the amount of EUR 8.7 million. The receivable arises from the grant from the Consumer Protection and Technical Regulatory Authority, which is intended for the establishment of broadband networks. All activities to obtain the grant were carried out in 2023 and applications submitted. Applications were approved during the first quarter of 2024 by the Consumer Protection and Technical Regulatory Authority.

There are certain obligations that the Group has to fulfil to make sure that the grants are not recovered: retention of project documents, presentation of project reporting upon demand, and, in the case of some projects, meeting certain technical requirements.



## 24. Provisions

<i>in million EUR</i>	Opening balance 1 January 2023	Recognition and reversal of provisions	Interest charge (Note 30)	Use	Closing balance 31 December 2023	
					Short-term provision	Long-term provision
Environmental protection provisions (Note 27)	16.2	1.1	0.8	(1.1)	1.3	15.7
Provision for dismantling cost of assets	6.4	5.1	0.3	-	-	11.8
Provision for greenhouse gas emission allowances (Notes 16 and 27)	428.7	205.4	-	(429.0)	205.1	-
Provision for renewable energy certificates	3.7	(1.9)	-	-	1.8	-
Other provisions	3.7	2.8	0.1	(0.6)	3.0	3.0
<b>Total provisions (Note 4)</b>	<b>458.7</b>	<b>212.5</b>	<b>1.2</b>	<b>(430.7)</b>	<b>211.2</b>	<b>30.5</b>

<i>in million EUR</i>	Opening balance 1 January 2022	Recognition and reversal of provisions	Interest charge (Note 30)	Use	Closing balance 31 December 2022	
					Short-term provision	Long-term provision
Environmental protection provisions (Note 27)	19.4	(2.6)	0.5	(1.0)	2.6	13.6
Provision for dismantling cost of assets	6.0	-	0.3	-	-	6.4
Provision for greenhouse gas emission allowances (Notes 16 and 27)	193.2	428.7	-	(193.2)	428.7	-
Provision for renewable energy certificates	2.2	12.0	-	(10.3)	3.7	-
Other provision	5.5	(1.2)	-	(0.7)	1.0	2.7
<b>Total provisions (Note 4)</b>	<b>226.3</b>	<b>436.8</b>	<b>0.8</b>	<b>(205.2)</b>	<b>436.0</b>	<b>22.7</b>

The provision for greenhouse gas emissions has decreased significantly due to the changes in the electricity production market. See details from Note 1.1.

Provisions have been discounted at the rate of 5.28%–6.82% (2022: 5.8%–6.07%). Provisions are discounted using the

discount curve that allows more accurate evaluation of the provisions in different time horizons. Out of expenses on the recognition and reassessment of provisions in 2023, EUR 2.3 million (2022: EUR 10.5 million) resulted from the change in the discount rates and EUR (0.3) million (2022: EUR 1.7 million) resulted from the change in inflation rates.

### Environmental protection provisions

Environmental protection provisions and provisions for the termination of mining operations have been set up for:

- restoring land damaged by mining;
- cleaning contaminated land surfaces;
- restoring water supplies contaminated as a result of

- the mining activities;
- ascertainment and compensation of damages caused by blasting work;
- closing landfills and neutralising excess water;
- maintenance of closed ash fields;
- closing of industrial waste dump;
- eliminating asbestos in power plants;
- for payment of mining rights fee.

Non-current environmental protection provisions will be settled at the mines of Enefit Power AS during the time period of 2024-2044 and at the power plants of Enefit Power AS during the time period of 2024-2058.

In the case of each individual provision, the inputs are highly specific, and no individual input has a significant impact on the total amount of the Group provision.

#### Provision for dismantling cost of assets

The provision for the dismantling costs of assets has been set up to cover the future dismantling costs of the generating units 8 and 11, the industrial waste dump of the Narva power plants and the Estonian electricity plant chimney. The present value of the dismantling costs of the assets has been included in the cost of property, plant and equipment. The provision for the Estonian electricity plant chimney is expected to be settled in 2026 and for other assets in 2034-2035.

#### Provision for greenhouse gas emission allowances

Accounting policies for the recognition of provisions for greenhouse gas emission allowances are described in Note 2.3 and additional information regarding greenhouse gas emission allowances can be found in Note 16.

## 25. Revenue

	1 JANUARY – 31 DECEMBER	
<i>in million EUR</i>	2023	2022
<b>Revenue from contracts with customers</b>		
<b>By activity</b>		
<b>Sale of goods</b>		
Shale oil	200.7	229.3
Pellets	31.5	30.3
Shale rock	0.9	7.2
Other goods	5.1	4.6
<b>Total sale of goods</b>	<b>238.2</b>	<b>271.4</b>
<b>Sale of services</b>		
Electricity	1,237.2	1,538.0
Gas	103.0	243.9
Sales of services related to network	292.0	242.3
Heat	27.9	22.0
Waste reception and resale	16.3	14.2
Rental and maintenance income	1.0	1.0
Other services	38.1	40.4
<b>Total sale of services</b>	<b>1,715.5</b>	<b>2,101.8</b>
<b>Total revenue from contracts with customers</b>	<b>1,953.7</b>	<b>2,373.2</b>
<b>Reclassifications from other comprehensive income</b>		
Realisation of shale oil cash flow hedges (Note 20)	(47.1)	(96.1)
Realisation of electricity cash flow hedges (Note 20)	(1.1)	(58.9)
<b>Total reclassifications from other comprehensive income</b>	<b>(48.2)</b>	<b>(155.0)</b>
<b>Total revenue (Note 5)</b>	<b>1,905.5</b>	<b>2,218.2</b>

For information about the significant changes in electricity, gas and distribution network services revenues in 2023 compared to 2022, see Note 1.1.

Sales transactions generally do not contain significant financing components. There are no significant discrepancies between the time of revenue recognition and the time of receiving the consideration for the goods sold or services provided (with the exception of connection fees which are described below) as the average payment period is 14–30 days.

Contract liabilities recognised by the Group relate to advance consideration received from customers in relation to constructing the connections for new places of consumption in the power network and production facilities. The Group has concluded that the connection fees do not constitute a separate performance obligation from the sale of electricity or the ongoing provision of distribution service, and therefore the revenue from connection fees is deferred and recognised as revenue over the estimated average useful life of the assets required to provide the service, which is 32 years. Changes in the Group's contract liability balances are disclosed in Note 23. The Group's other revenue streams do not give rise to contract liabilities or contract assets.

## 26. Other operating income

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER	
	2023	2022
Gain from revaluation of derivatives	225.7	426.1
Renewable energy grants	21.3	22.8
Fines, penalties and compensation	8.5	4.9
Gain on disposal of property, plant and equipment (Note 33)	0.4	1.6
Foreign exchange gain	0.5	1.3
Government grants (Note 33)	1.5	1.0
Gain on disposal of business (Note 35)	0.9	-
Other operating income	1.1	1.0
<b>Total other operating income</b>	<b>259.9</b>	<b>458.7</b>

For other information about derivatives see Notes 3 and 20.

## 27. Raw materials and consumables used

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER	
	2023	2022
Electricity	570.8	677.9
Greenhouse gas emission expense (Note 24)	205.4	428.7
Gas bought for resale	106.6	211.7
Transmission services	81.0	77.5
Technological fuel	87.1	73.7
Materials and spare parts	59.9	65.2
Resource tax on mineral resources	29.2	55.9
Maintenance and repairs	58.8	45.6
Purchased works and services	32.6	23.2
Environmental pollution charges	11.5	17.3
Usage of environmental and mining termination provisions (Note 24)	6.2	(2.8)
Other raw materials and consumables used	26.2	13.9
<b>Total raw materials and consumables used</b>	<b>1,275.3</b>	<b>1,687.8</b>



The reason for the decrease in the costs of electricity and gas bought for sale are described in Note 1.1.

In 2023, electricity costs in the table above include the positive impact of realised cash flow hedges in the amount of EUR 171.3 million which decreased the cost of electricity (2022: decrease of EUR 304.4 million).

In 2023, gas brought for resale costs in the table above include the negative impact of realised cash flow hedges in the amount of EUR 9.1 million which increased the cost of gas (2022: decrease of EUR 30.7 million).

For further information see Note 20.

Greenhouse gas emission expenses, resources tax and environmental pollution charges have decreased because electricity production from oil shale was significantly reduced. See also Note 1.1 and 24.

## 28. Payroll expenses

	1 JANUARY – 31 DECEMBER	
	2023	2022
<b>Number of employees</b>		
Number of employees at the beginning of the period	5,361	4,572
Number of employees at the end of the period	5,252	5,361
Average number of employees	5,268	4,833
	1 JANUARY – 31 DECEMBER	
<i>in million EUR</i>	2023	2022
<b>Payroll expenses</b>		
Wages, salaries, bonuses and vacation pay	163.4	139.7
Average monthly pay (EUR)	2,614.6	2,408.8
Other payments and benefits to employees	7.2	2.5
Payroll taxes	54.9	46.1
Recognition and (reversal) of employee related provisions	1.1	(0.6)
<b>Total payroll expenses</b>	<b>226.6</b>	<b>187.7</b>
Of which remuneration of management and supervisory boards		
Salaries, bonuses, additional remuneration	4.3	3.9
<b>Total remuneration of management and supervisory boards</b>	<b>4.3</b>	<b>3.9</b>
Capitalised in the cost of self-constructed assets	(24.1)	(20.1)
<b>Total payroll expenses</b>	<b>202.5</b>	<b>167.6</b>

Payroll taxes include social security tax in the amount of EUR 52.9 million (2022: EUR 44.5 million) and employer's unemployment insurance contribution in the amount of EUR 1.2 million (2022: EUR 1 million). The Group has no other legal or constructive obligations to make pension or similar payments.

The members of the Management Board are appointed by the Supervisory Board for a term of 3 years.

## 29. Other operating expenses

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER	
	2023	2022
Loss from revaluation of derivatives	218.9	349.8
Miscellaneous office expenses	17.7	15.7
Taxes	4.1	6.0
Consultation expenses	8.1	5.6
Insurance	6.6	5.4
Lease expenses (Note 7)	5.9	4.9
Expenses on buildings and facilities	5.5	4.8
Research and development costs	5.3	2.7
Fines, penalties and compensation	0.6	0.4
Other operating expenses	10.0	11.1
<b>Total other operating expenses</b>	<b>282.7</b>	<b>406.4</b>

For other information about derivatives see Note 3 and 20.

### Breakdown of lease expenses disclosed in the table above

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER	
	2023	2022
Variable lease payments not included in the measurement of lease liabilities	1.0	0.9
Low value leases	4.4	2.1
Short-term leases	0.5	1.9
<b>Total</b>	<b>5.9</b>	<b>4.9</b>

Discounted future payments expected to be made over the terms of leases with variable lease payments are disclosed in Note 34.

**30. Net finance income/(costs)**

<i>in million EUR</i>	<b>1 JANUARY – 31 DECEMBER</b>	
	<b>2023</b>	<b>2022</b>
<b>Finance income</b>		
Interest income	10.9	0.8
Foreign exchange gain	4.5	2.2
<b>Total finance income (Note 33)</b>	<b>15.4</b>	<b>3.0</b>
<b>Financial expenses</b>		
<b>Interest expenses on borrowings</b>		
Interest expenses on bonds and loans	(76.0)	(29.0)
of which realised interest rate swap agreement	3.5	(0.1)
Capitalised borrowing costs (Note 5)	32.6	7.0
<b>Total interest expenses on borrowings (Note 33)</b>	<b>(43.4)</b>	<b>(22.0)</b>
Interest expenses on provisions (Note 24)	(1.2)	(0.8)
<b>Total interest expenses</b>	<b>(44.6)</b>	<b>(22.8)</b>
Other finance costs	(0.4)	(0.2)
<b>Total finance costs</b>	<b>(45.0)</b>	<b>(23.0)</b>
<b>Net finance costs</b>	<b>(29.6)</b>	<b>(20.0)</b>

Interest expenses on loans have been increased because the loan liabilities have increased. For additional information please look Note 21.

The weighted average capitalisation rate of borrowings in 2023 was 4.6% (in 2022: 2.5%)



### 31. Income tax expense

According to the Income Tax Act, the companies are taxed in Estonia upon the distribution of dividends.

From 2019, dividend distributions may be eligible for a 14% tax rate (the amount of tax payable is calculated as 14/86 of the net distribution). Thus, the dividends distributed by a resident company can be taxed at a more favourable 14% or the regular 20% rate (with the amount of tax payable calculated as 14/86 or 20/80 of the net distribution, respectively). The more favourable tax rate can be applied to a dividend distribution that amounts to up to three preceding years' average dividend distribution that has been taxed. Dividends distributed are exempt from income tax, if these are paid out from dividends received from other companies in which the recipient of the dividends had at least a 10% ownership interest at the time the dividend was paid.

As at 31 December 2023, the Group had a deferred tax liability of EUR 13.7 million (31 December 2022: EUR 22.1 million) of which EUR 9.7 million (31 December 2022: EUR 10.3 million) is related to the difference between the fair values and the carrying amounts of the Lithuanian wind farms identified in the purchase price allocation on the acquisition of Nelja Energia AS in 2018.

### Average effective tax rate

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER	
	2023	2022
<b>Estonia</b>		
Net dividends	68.9	64.8
of which dividends subject to reduced income tax rate 14/86	-	
dividends subject to income tax rate 20/80	54.1	34.1
tax-exempt dividends	14.8	24.0
Theoretical income tax at applicable rates	13.5	9.6
Effective income tax on dividends	13.5	9.6
Average effective income tax rate	19.6%	14.8%
Income tax expense arising from the subsidiaries	11.6	3.2
<b>Income tax expense</b>	<b>25.1</b>	<b>12.8</b>
Deferred tax expense (income)	(13.9)	(2.8)
of which deferred tax income	(16.2)	(3.2)
deferred tax expense	2.3	0.4
<b>Total income tax expense</b>	<b>11.2</b>	<b>10.0</b>

### 32. Related party transactions

The sole shareholder of Eesti Energia AS is the Republic of Estonia. For the purposes of the Group's financial statements, related parties include associates, members of the management and supervisory boards of the parent company, and other companies over which these persons have control or significant influence. Related parties also include entities under the control or significant influence of the state.

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

The sales of electricity, distribution service and heat to entities over which the state has control or significant influence have taken place in the ordinary course of business. The Group has performed in the reporting and comparative period purchase and sales transactions in material amounts with Elering AS, which is a fully state-owned enterprise.

Transactions with Elering AS have been conducted in the ordinary course of business (e.g. purchases and sales of electricity, gas and associated network services) on market terms and are not secured.

#### Receivables from and payables to Elering AS

	31 DECEMBER	
<i>in million EUR</i>	2023	2022
Receivables	7.6	3.3
Payables	23.6	4.9

#### Transactions with associates

	1 JANUARY – 31 DECEMBER	
<i>in million EUR</i>	2023	2022
Purchase of goods	14.8	21.6
Purchase of services	1.6	-
Proceeds from sale of services	0.3	1.5
Gain on disposal of ownership interest	-	0.6
Purchase of property, plant and equipment	-	0.1
Loans granted (Note 13)	0.1	0.1
Dividends received (Note 8)	1.6	1.6
Capital contributions made (Note 8)	3.3	14.1

#### Transactions with entities over which the members of Supervisory and Management Board have significant influence

	1 JANUARY – 31 DECEMBER	
<i>in million EUR</i>	2023	2022
Purchases of goods and services	7.2	3.3

#### Transactions with Elering AS

	1 JANUARY – 31 DECEMBER	
<i>in million EUR</i>	2023	2022
Purchase of services	107.1	237.0
Purchase of property, plant and equipment and prepayments	33.1	14.2
Sale of goods and services	20.1	39.0
Support for electricity produced from renewable sources (Note 26)	21.8	23.8

The Group receives free greenhouse gas emission allowances from the Estonian Environmental Board which acts as the national administrator on the basis of a decision of the European Commission. The quantities of allowances allocated free of charge as well as their fair value which takes into account the market price of the EU emissions at the date of receiving them (date when rights are given over in EU emission register) are disclosed in Note 16.

The remuneration paid to the members of the Supervisory and Management Boards is disclosed in Note 28.

Receivables from associates are disclosed in Note 13 and payables to associates in Note 22. The change in receivables from associate in 2023 is attributable to the extent of EUR (0.4) million (in 2022 EUR 0.8 million) to the effect of the exchange rate of the US dollar, because the base currency for the receivables is the US dollar, and to the extent of EUR 0.1 million (in 2022 EUR 0.1 million) to an additional loan, which was considered to be impaired (collection is doubtful). For further information about the loan, see Note 13.

The service contracts with members of the Management Board stipulate that upon early termination of the contract, the member of the Management Board is entitled to 6 months' remuneration as a termination benefit.

In purchasing and selling distribution service, the prices set by the Estonian Competition Authority are used.

### 33. Cash generated from operations

	1 JANUARY – 31 DECEMBER	
<i>in million EUR</i>	2023	2022
<b>(Loss)/profit before income tax</b>	<b>(410.9)</b>	<b>225.7</b>
<b>Adjustments</b>		
Depreciation and impairment of property, plant and equipment and right of use assets (Notes 5 and 7)	810.1	171.1
Amortisation and impairment of intangible assets (Note 6)	8.1	6.1
Write-down of inventories (Note 10)	16.7	0.9
Connection and other service fees recognised as revenue (Note 23)	(13.5)	(12.1)
Gain on disposal of property, plant and equipment (Note 26)	(0.4)	(1.6)
Gain on disposal of business (Note 35)	(0.9)	-
Gain on disposal of an associate (Note 8)	-	(0.6)
Amortisation of government grants related to assets (Note 26)	(1.5)	(1.0)
(Loss)/profit from associates under the equity method (Note 8)	0.3	(1.9)
Unpaid/unsettled net (loss)/profit on derivatives	(291.1)	184.7
Loss from other non-cash transactions	0.1	0.1
Interest expense on borrowings (Note 30)	43.4	22.0
Interest and other finance income (Note 30)	(10.9)	(0.8)
<b>Net operating cash flow before changes in current assets and liabilities</b>	<b>149.5</b>	<b>592.6</b>
<b>Net change in current assets relating to operating activities</b>		
Change in receivables related to operating activities (Note 13)	65.8	(58.8)
Change in inventories (Note 10)	(20.1)	(63.7)
Net change in other current assets relating to operating activities	75.7	(278.4)
Change in assets classified as held for sales*	(0.4)	-
<b>Total net change in current assets relating to operating activities</b>	<b>121.0</b>	<b>(397.3)</b>

\* These line items of the cash flow statement refer only to the following line items of the statement of financial position: trade and other receivables, inventories, trade and other payables.

Table continues on the next page



<i>in million EUR</i>	1 JANUARY – 31 DECEMBER	
	2023	2022
<b>Net change in current liabilities relating to operating activities</b>		
Change in provisions (Note 24)	(217.0)	232.4
Change in trade payables (Note 22)	(9.9)	78.0
Net change in other current liabilities relating to operating activities	44.2	36.5
Change in liabilities directly associated with assets classified as held for sale*	(0.3)	-
<b>Total net change in current liabilities relating to operating activities</b>	<b>(183.0)</b>	<b>346.9</b>
<b>Cash generated from operations</b>	<b>87.5</b>	<b>538.6</b>

\* These line items of the cash flow statement refer only to the following line items of the statement of financial position: trade and other receivables, inventories, trade and other payables.

### 34. Off-statement of financial position assets, contingent liabilities and commitments

(a) Assets that do not appear on the statement of financial position

#### Oil shale resources

The overview of the resources of oil shale in the possession of the Group and its associates is presented in the table below. The resources of oil shale of Estonian Republic represent the resources of oil shale in the official balance of natural resources. The resources of oil shale of international development projects are recognised based on the disclosure requirements of international standards for evaluation of resources and reserves. The classification and determination of the reliability of the resources have been carried out by authorised experts at both the level of exploration and economical perspective. Depending on the development phase the known technical, environmental and socio-economic restrictions have been adjusted and taken into account when recognising the resources.

The difference between 'indicated' and 'inferred' is the level of research conducted. Indicated is more researched, and in addition to the size of the stock, it is known to be economically viable.

#### Emission allowances

In 2024 an estimated amount of 1,060,256 tonnes of free CO<sub>2</sub> emission allowances will be allocated to installations belonging to the Group. The precise amount of free allowances to be allocated for 2024, will be determined by April 2024 at the latest. Allocation of free allowances should continue during the periods of 2024–2025 and 2026–2030 based on the

<i>in millions of tonnes</i>	31 DECEMBER	
	2023	2022
<b>Estonia</b>		
Measured*	354.0	362.0
<b>Jordan (APCO***)</b>		
Measured*	915.0	924.0
Inferred**	285.0	295.0
<b>Jordan (JOSE)</b>		
Measured*	-	-
Inferred**	2,309.0	2,309.0
<b>USA**</b>		
Measured **	3,500.0	3,500.0
Indicated**	2,300.0	2,300.0
Inferred**	230.0	230.0

\* Resource is part of an explored geological stock that has been determined taking into account known technical, environmental and socio-economic constraints.

\*\* Resource is the amount of oil shale with high economic potential in the earth's crust determined as a result of a geological survey, for which possible restrictions limiting the use have not been taken into account.

\*\*\* Eesti Energia AS has 10% ownership of the company.

annual production levels of the installations and the climate policy measures defined by the EU. See additional information regarding greenhouse gas emission allowances from Note 16.

(b) Contingent liabilities

#### Litigation in progress

#### Attarat Power Company vs. Government of Jordan (GoJ) and National Electric Power Company

Eesti Energia AS through its subsidiary Attarat Holding OÜ owns a 10% shareholding in Attarat Power Company (APCO) in Jordan. On 19 December 2020 the Government of Jordan (GoJ) and National Electric Power Company (NEPCO) issued their respective requests for arbitration to the ICC arbitral tribunal. Both GoJ and NEPCO are claiming a deduction on the agreed electricity tariff under the signed power purchase agreement. APCO management have nominated Slaughter

and May as well as Jordanian based Obeidat Law to represent them in the arbitration process. APCO management maintains the position that both claims are fully without merit and will deny them. At the date this report is authorised for issue, it is not possible to estimate with reasonable certainty the impact of the arbitration process. The dispute is expected to be resolved in 2024. Therefore, no provision has been recognised in the associate's financial statements for this legal case and therefore the claim is disclosed in Eesti Energia's financial statements as a contingent liability. If the arbitration process is resolved with a negative outcome for the Group, the equity investment (as at 31 December 2023: EUR 67.9 million; as at 31 December 2022: EUR 68.8 million) recognised in the statement of financial position may need to be written down.

#### **Attarat Power Company vs. China Energy Engineering Group Guangdong Power Engineering Co., LTD**

On 24 August 2023, GPEC (China Energy Engineering Group Guangdong Power Engineering Co., LTD.) filed a claim against APCO through ICC arbitration, seeking (i) payments of the outstanding amounts due (ii) extension of time and (iii) compensation of damages under the Engineering, Procurement and Construction Agreement (EPC) of the power plant concluded between the parties amounting to USD 433.6 million. APCO has refused to make the final milestones payments to GPEC under the EPC agreement because the GPEC has failed to perform its contractual obligations in a timely manner and APCO was entitled to liquidated damages. GPEC refused to pay the agreed liquidated damages, claiming that no damages were due as the delay was solely due to a force majeure event. On 23 September 2023, APCO filed a counterclaim with the ICC arbitration, seeking payment of liquidated damages

under the EPC in the amount of USD 365.5 million. Both the claim and the counterclaim are being reviewed by the arbitration court in Hong Kong under ICC arbitration rules and the English law. APCO has selected Slaughter&May as its legal counsel and representative for this arbitration. According to the assessment of APCO's management, a resolution is not expected before 2025. It is not possible at this early stage to estimate with reasonable certainty the impact of the arbitration. If the arbitration is resolved in GPEC's favour, the potential exposure is USD 433.6 million, but it is likely that a portion of this will be offset against the liquidated damages payable by GPEC. No provision has been recognised for the claim in the associate's financial statements and therefore it is disclosed as a contingent liability in these financial statements. If the claim is resolved with a negative outcome for the Group, the equity investment (31 December 2023: EUR 67.9 million; 31 December 2022: EUR 68.8 million) recognised in the statement of financial position may have to be written down.

#### **Criminal Court case (in Jordan) initiated by Ministry of Environment against Attarat Power Company for operating the plant without the environmental permit**

Jordanian prosecution authorities have initiated a criminal case against Attarat Power Company (APCO) for operating the power plant (and producing power) without an environmental permit. The potential penalties for this criminal offence are a fine and a suspension of the power plant's activities until the violation is corrected (although if APCO is found guilty, both penalties will apply). In fact, APCO applied for the environmental permit prior to commissioning the plant and starting production, but the Ministry of Environment refused to issue the environmental permit to APCO on the grounds that the

environmental impact assessment prepared by APCO in 2015 has now expired as it was not properly extended (according to Jordanian environmental regulations, the environmental impact assessment must be extended every 3 years and APCO failed to extend it in 2018). The case is currently before the Magistrate Court and is expected to be resolved in the first half of 2024. The potential impact of the suspension of plant activities is significant as no electricity can be produced during the suspension period. In the event of a negative outcome, APCO's management intends to challenge the judgment in the Court of Appeal and, in the meantime, is actively working with the Ministry of Environment to obtain the environmental permit before the court judgment takes effect.

#### **Jordanian Customs Department vs APCO and GPEC**

The Jordanian Customs Department has filed a total of 26 criminal cases against Attarat Power Company (APCO) and China Energy Engineering Group Guangdong Power Engineering Co., LTD. (GPEC, the EPC contractor of the power plant) for violation of customs regulations: (i) difference in value, (ii) unified fee (which is the customs value) and (iii) sales tax, (iv) customs fine and (v) sales tax fine. The value of the claim for all cases cumulatively amounts to EUR 12.2 million (JOD 9,397,200). The potential exposure is therefore EUR 12.2 million (JOD 9,397,200). The potential exposure in the Group's accounts may be 10% (EUR 1.2 million).

#### **Soscor case**

In 2021, Soscor Energy PTE Ltd (Soscor), a company registered in Singapore, participated in the call for tenders for the sale of shale oil gasoline organised by Eesti Energia AS on behalf of its subsidiary Enefit Power AS (the seller). Soscor



submitted a bid which was initially declared successful. Subsequent due diligence revealed that Soscor did not meet the requirements for transaction partners. Soscor was therefore excluded from the competition, and it was decided not to sign a sales contract with Soscor. Soscor did not accept the exclusion from the competition and claimed that the contract had already been entered into. In 2022, Soscor filed an arbitration claim against Enefit Power AS. The amount of the claim is between USD 5.6 million and USD 11.9 million. The dispute is ongoing and will continue in 2024. Management has assessed that no provision should be recognised because probability to lose this arbitration case is below 50%.

#### **Dispute with the Estonian Competition Authority**

Estonian Competition Authority (ECA) decided on 28 April 2023 not to approve the new producer price for universal service in electricity for Enefit Power AS, which mean that the old producer price remained in force. On 31 July 2023, Enefit Power AS filed a lawsuit against the ECA, challenging the decision of 28 April 2023 and claiming damages caused by the old producer price.

#### **Court cases in Lithuania**

Enefit UAB is involved (either as plaintiff or defendant) in nine court cases involving business customers that dispute the fact that they are obliged to pay a fee for terminating fixed-term electricity contracts. The total value of all the claims amounts to EUR 4.0 million. On 11 December, the court of first instance ruled in favour of one of the business customers and rejected Enefit UAB's claim for EUR 1.1 million. Enefit UAB will appeal the decision. These claims are not recognised in financial statements as the probability of collection is below 50%.

#### **Contingent liabilities arising from potential tax audits**

##### *Estonia*

The tax authorities have not initiated or carried out any tax or individual case audits at any Group company in Estonia. The tax authorities have the right to audit the company's tax records within five years of the reported tax year and, if they find errors, they may impose additional taxes, interest and penalties. According to management's assessment, there are no circumstances that could give rise to a potential material liability in this respect.

##### *Investigation conducted by the Estonian Data Protection Authority*

Estonian Data Protection authority conducted an investigation regarding potential data leak on 16 May 2023 in Eesti Energia's e-service, which the Group uses to monitor the performance of solar farms. The investigation was based on the customers allegation, who said that he/she can access personal data of other Eesti Energia AS customers. Eesti Energia AS eliminated the error in the E-service by the 23 May 2023 and cooperated with Data Protection Authority in connection with the leak. Data Protection Authority closed the formal proceedings and issued a warning to Eesti Energia AS on 22 January 2024.

##### *Foreign countries*

Foreign tax authorities have not performed any tax audits on any of the Group's subsidiaries, besides Enefit UAB. According to Eesti Energia AS management boards assessments, there are no circumstances which would indicate a potential tax liability.

The Lithuanian tax authorities have made enquiries of Enefit UAB regarding intercompany derivatives between Enefit UAB

and the parent entity. According to Lithuanian law, derivatives used for trading purposes are exempt from corporate income tax, while derivatives used for hedging purposes are not exempt from corporate income tax. Currently, Enefit UAB has accounted for intragroup derivatives as derivatives that are exempt from corporate income tax as there is no hedge accounting documentation existent for these derivatives and therefore, they are not accounted as cash flow hedges. In August 2023, the Lithuanian tax authorities asked to explain the nature of the derivatives. Enefit UAB provided explanations to the Lithuanian tax authorities. At the end of 2023, the Lithuanian tax authorities started an official tax audit to obtain more information about the derivatives, intragroup loans and the income statement.

The tax authorities in the other countries have neither initiated nor carried out tax audits or individual case examinations at any of the Group's foreign entities. In other countries where the Group's subsidiaries operate, the tax authorities have the right to examine the company's tax records for up to six years after the reported tax year. According to management's assessment, there are no circumstances that could give rise to a potential material liability in this respect.

##### *(c) Financial covenants*

The loan agreements concluded by the Group include certain covenants that impose limits on the Group's consolidated financial indicators. In addition, the Group has a loan agreement with ESG (environmental, social and governance) KPI-s that may have a financial impact (up to EUR 0.3 million annually) and therefore are similar to covenants. The covenants have been adhered to (Note 21).

*(d) Commitments***Capital commitments arising from construction contracts**

As at 31 December 2023, the Group had contractual obligations relating to the acquisition of non-current assets totalling EUR 468.5 million (31 December 2022: EUR 340.7 million).

**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. The Group estimates that as at 31 December 2023 discounted future payments over the terms of the lease contracts totalled EUR 7.0 million (31 December 2022: EUR 7.7 million). Changes in underlying cadastral values, electricity prices or production volumes will affect the actual lease payments.

**35. Sale of a subsidiaries**

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 OÜ. The contractual price of the transaction was EUR 32.0 million. The final sales price is subject to a post-closing adjustment depending on the level of cash working capital in the business which the Group has estimated to be EUR 1.4 million which would make the total profit of the transaction to be EUR 0.9 million.

**Recognised amounts of identifiable assets and liabilities sold:**

<i>in million EUR</i>	<b>29 December 2023</b>
<b>ASSETS</b>	
Property, plant and equipment	18.1
Inventories	12.2
Trade receivables and other prepayments	4.2
Cash and cash equivalents	1.5
<b>LIABILITIES</b>	
Trade and other payables	(3.5)
<b>Total net assets of the subsidiaries disposed</b>	<b>32.5</b>
Sales price	32.0
Post closing adjustment (recognised as other receivables as at 31 December 2023)	1.4
<b>Gain from sales (Note 26)</b>	<b>0.9</b>
<b>Cash inflows in transaction</b>	
Proceeds from sale	<b>32.0</b>
Cash and cash equivalents of subsidiary	(1.5)
Post closing adjustment (recognised as other receivables as at 31 December 2023)	1.4
<b>Net cash inflows</b>	<b>30.5</b>

**36. Earnings per share**

Basic earnings per share are calculated by dividing profit attributable to the equity holders of the company by the weighted average number of ordinary shares outstanding. As there are no potential ordinary shares, diluted earnings per share equal basic earnings per share in all the periods.

As at 31 December 2023 and 31 December 2022, Eesti Energia AS had 746,645,750 registered shares.

The nominal value of each share is EUR 1.

	<b>1 JANUARY – 31 DECEMBER</b>	
	<b>2023</b>	<b>2022</b>
Profit attributable to the equity holders of the company (million EUR)	(435.3)	189.8
Weighted average number of shares (million)	746.6	746.6
Basic earnings per share (EUR)	(0.6)	0.25
Diluted earnings per share (EUR)	(0.6)	0.25

### 37. Events after the reporting period

#### Demerger of Enefit OÜ

On 1 January 2024, Enefit OÜ transferred part of its business to Elektrilevi OÜ by way of demerger (a division transaction). On the same date, Eesti Energia AS made a non-monetary contribution to Enefit OÜ, which consisted of Eesti Energia AS's customer service business and the subsidiaries Enefit SIA, Enefit UAB, Enefit Sp z.o.o., Enefit OY and Enefit AB.

On 19 January 2024, Enefit OÜ was transformed into Enefit AS.

#### 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 business in Paide (Estonia) (a separate sub-unit of Enefit Green AS) and the district heating business in Valka (Latvia) (the subsidiary Enefit Power & Heat Valka) to AS Utilitas Eesti for a total of EUR 15.9 million. The transaction was subject to approval by the Estonian and Latvian competition authorities. The competition authorities approved the sale in February 2024 and the transaction was completed in March 2024. The final sales price is subject to a post-closing adjustment depending on the level of cash working capital in the business.

#### Changes in the regulatory environment

From 1 July 2024, new rates of environmental (pollution) charges for waste, water and ambient air will come into force in Estonia. The new rates will increase the costs of the Eesti Energia group. We have taken this change into account in the impairment tests on the Group's assets, which are based on the cash flow projections for future periods.

#### General services in Elektrilevi

Due to the amendment of law (electricity Market Act), in a second half of 2023, a procurement was announced to change the general electricity energy service provider for Elektrilevi OÜ (subsidiary of Eesti Energia AS) clients. Since the opening of the electricity market in 2013, Eesti Energia AS has been the general electricity energy service provider for Elektrilevi clients. By the legislation in force, small consumers who have not chosen their own electricity supplier have the right to buy electricity from the grid operator who is providing connection services, at a price that is reasonable, justified and follows the principle of equal treatment. This is called general service. Pursuant to the law, Elektrilevi OÜ itself is not allowed to sell electricity, therefore a procurement was conducted to find a general service provider. The offer submitted by Elektrum Eesti OÜ proved to be successful, and the contract was signed for the next 3 years. The change of the service provider and the beginning of the execution of the contract are planned from June 1, 2024, and are related to the completion of changes to the data exchange platform of Elering AS. The Group was providing general services at 31 March 2024 to 47,332 clients (31 December 2023 to 55,177 clients).

#### Environmental permit for the Enefit 280-2 oil shale plant

The Environmental Board started the public display of the draft integrated environmental permit for the Enefit 280-2 oil shale plant on April 1, 2024. During the display Enefit Power AS and interested parties can make proposals regarding the permit requirements. Based on this, the Environmental Board may make amendments to the permit draft. The permit is expected to be issued in the second quarter of 2024 and will be valid until December 31, 2034.

#### Refinancing of the bank loan from Swedbank AS

On 9 April 2024, Eesti Energia AS and Swedbank AS signed an agreement to refinance the EUR 150.0 million term loan facility agreement signed in March 2021. With the refinancing the final repayment date has been now set to 28 June 2027. The refinancing provides Eesti Energia Group with further flexibility to carry out its strategy.



### 38. Financial information on the parent company

Financial information disclosed on the parent company includes the primary separate financial statements of the parent company, the disclosure of which is required by the Accounting Act of Estonia. The primary financial statements of the parent company have been prepared using the same accounting policies that have been used in the preparation of the consolidated financial statements. Investments in subsidiaries and associates are reported at cost in the separate financial statements of the parent company.

### Income statement

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER	
	2023	2022
Revenue	217.9	612.4
Other operating income	374.9	116.3
Raw materials and consumables used	(225.7)	(32.4)
Payroll expenses	(48.6)	(39.1)
Depreciation, amortisation and impairment	(4.6)	(4.1)
Other expenses	(389.9)	(342.8)
Loss from impairment of investments in subsidiaries	(107.6)	-
<b>OPERATING (LOSS)/PROFIT</b>	<b>(183.6)</b>	<b>310.3</b>
Finance income	109.7	66.7
Finance costs	(66.2)	(25.6)
<b>Net finance income</b>	<b>43.5</b>	<b>41.1</b>
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>(140.1)</b>	<b>351.4</b>
Corporate income tax expense	(13.5)	-
<b>(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>(153.6)</b>	<b>351.4</b>
<b>PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS</b>	<b>16.2</b>	<b>27.1</b>
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(137.4)</b>	<b>378.5</b>

## Statement of comprehensive income

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER	
	2023	2022
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(137.4)</b>	<b>378.5</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Revaluation of hedging instruments net of reclassifications to profit or loss	(321.8)	238.4
<b>Other comprehensive (loss)/profit for the year</b>	<b>(321.8)</b>	<b>238.4</b>
<b>TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>(459.2)</b>	<b>616.9</b>
<b>TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR</b>	<b>(459.2)</b>	<b>616.9</b>

## Statement of financial position

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	27.2	22.8
Right-of-use assets	5.2	6.0
Intangible assets	9.2	9.8
Derivative financial instruments	356.5	879.5
Investments in subsidiaries	781.6	889.2
Receivables from subsidiaries and other receivables	168.8	183.8
<b>Total non-current assets</b>	<b>1,348.5</b>	<b>1,991.1</b>
<b>Current assets</b>		
Inventories	24.6	41.4
Greenhouse gas emission allowances and guarantees of origin	206.5	429.3
Trade and other receivables	1,004.9	791.8
Derivative financial instruments	83.9	349.8
Cash and cash equivalents	79.7	126.8
	<b>1,399.6</b>	<b>1,739.1</b>
Assets classified as held for sales	106.8	-
<b>Total current assets</b>	<b>1,506.4</b>	<b>1,739.1</b>
<b>Total assets</b>	<b>2,854.9</b>	<b>3,730.2</b>

Table continues on the next page



	<b>31 DECEMBER</b>	
<i>in million EUR</i>	<b>2023</b>	<b>2022</b>
<b>EQUITY</b>		
Share capital	746.6	746.6
Share premium	259.8	259.8
Statutory reserve capital	75.0	75.0
Hedge reserve	30.1	352.0
Retained earnings	255.3	461.5
<b>Total equity</b>	<b>1,366.8</b>	<b>1,894.9</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	769.6	192.5
Non-current prepayments	-	1.8
Derivative financial instruments	63.3	544.9
Provisions	0.4	0.4
<b>Total non-current liabilities</b>	<b>833.3</b>	<b>739.6</b>
<b>Current liabilities</b>		
Borrowings	415.0	581.5
Trade and other payables	139.5	166.2
Derivative financial instruments	96.5	347.7
Provisions	0.4	0.3
	<b>651.4</b>	<b>1,095.7</b>
Liabilities directly associated with assets classified as held for sale	3.4	-
<b>Total current liabilities</b>	<b>654.8</b>	<b>1,095.7</b>
<b>Total liabilities</b>	<b>1,488.1</b>	<b>1,835.3</b>
<b>Total liabilities and equity</b>	<b>2,854.9</b>	<b>3,730.2</b>

## Statement of cash flows

<i>in million EUR</i>	1 JANUARY – 31 DECEMBER	
	2023	2022
<b>Cash flows from operating activities</b>		
<b>(Loss)/Profit before tax</b>	<b>(140.1)</b>	<b>351.4</b>
<b>Adjustments</b>		
Depreciation of property, plant and equipment and right-of-use assets	3.3	3.0
Amortisation of intangible assets	1.3	1.1
Gain on sale of property, plant and equipment	(0.1)	(1.3)
Gain on sale of subsidiary	-	(4.3)
Expected credit loss from loan to subsidiary	0.9	1.0
Impairment loss on investment in subsidiary	107.6	-
Unpaid/unsettled profit on derivatives	(268.1)	(79.9)
Interest expense on borrowings	62.7	25.4
Interest income	(63.8)	(18.9)
Dividend income	(42.4)	(46.7)
Loss from other non-cash transactions	3.3	0.1
<b>Adjusted net (loss)/profit</b>	<b>(335.4)</b>	<b>230.9</b>
<b>Net change in current assets relating to operating activities</b>		
Change in receivables relating to operating activities	4.3	(0.3)
Change in inventories	16.8	(28.0)
Net change in other current assets relating to operating activities	159.4	(300.0)
<b>Total net change in current assets relating to operating activities</b>	<b>180.5</b>	<b>(328.3)</b>
<b>Net change in liabilities relating to operating activities</b>		
Change in provisions	0.2	(0.1)
Change in trade payables	5.0	(6.2)
Net change in liabilities relating to other operating activities	4.7	23.1
<b>Total net change in liabilities relating to operating activities</b>	<b>9.9</b>	<b>16.8</b>

Table continues on the next page

Interest paid and borrowing costs	(47.3)	(15.3)
Interest received	51.6	12.7
Corporate income tax paid	(13.5)	-
<b>Net cash used in operating activities from continuing operations</b>	<b>(154.2)</b>	<b>(83.2)</b>
<b>Net cash generated from operating activities from discontinued operations</b>	<b>66.3</b>	<b>1.7</b>
<b>Net cash flows used in operating activities</b>	<b>(87.9)</b>	<b>(81.5)</b>
<b>Cash flows from investing activities</b>		
Dividends received from subsidiaries	42.4	46.7
Purchase of property, plant and equipment and intangible assets	(9.6)	(1.8)
Proceeds from sale of property, plant and equipment and intangible assets	-	5.5
Loans granted	(0.1)	-
Received from sale of subsidiaries	-	56.6
Change in overdraft granted to subsidiaries	(331.5)	169.4
<b>Net cash (used in)/generated from investing activities from continuing operations</b>	<b>(298.8)</b>	<b>275.8</b>
<b>Net cash used in investing activities from discontinued operations</b>	<b>(2.9)</b>	<b>(1.7)</b>
<b>Net cash (used in)/generated from investing activities</b>	<b>(301.7)</b>	<b>274.1</b>
<b>Cash flows from financing activities</b>		
Loans received	1,121.0	70.0
Redemption of bonds	(500.0)	-
Repayments of bank loans	(208.9)	(137.9)
Payments of lease principal	(0.7)	(0.8)
Dividends paid	(68.9)	(46.7)
<b>Net cash generated/(used in) financing activities from continuing operations</b>	<b>342.5</b>	<b>(115.4)</b>
<b>Net cash (used in) financing activities from discontinued operations</b>	<b>-</b>	<b>-</b>
<b>Net cash generated/(used in) from financing activities</b>	<b>342.5</b>	<b>(115.4)</b>
<b>Net cash flow</b>		
Cash and cash equivalents at the beginning of the period	126.8	49.6
Cash and cash equivalents at the end of the period	79.7	126.8
<b>Net change in cash and cash equivalents</b>	<b>(47.1)</b>	<b>77.2</b>



## Statement of changes in equity

<i>in million EUR</i>	Share capital	Share premium	Statutory reserve capital	Hedge reserve	Retained earnings	Total
<b>Equity as at 31 December 2021</b>	<b>746.6</b>	<b>259.8</b>	<b>75.0</b>	<b>113.5</b>	<b>129.8</b>	<b>1,324.6</b>
Profit for the year	-	-	-	-	378.5	<b>378.5</b>
Other comprehensive income for the year	-	-	-	238.4	-	<b>238.4</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>238.4</b>	<b>378.5</b>	<b>616.9</b>
Dividends paid	-	-	-	-	(46.7)	<b>(46.7)</b>
<b>Total contributions to owners of the company, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(46.7)</b>	<b>(46.7)</b>
<b>Equity as at 31 December 2022</b>	<b>746.6</b>	<b>259.8</b>	<b>75.0</b>	<b>351.9</b>	<b>461.6</b>	<b>1,894.9</b>
Loss for the year	-	-	-	-	(137.4)	<b>(137.4)</b>
Other comprehensive loss for the year	-	-	-	(321.8)	-	<b>(321.8)</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(321.8)</b>	<b>(137.4)</b>	<b>(459.2)</b>
Dividends paid	-	-	-	-	(68.9)	<b>(68.9)</b>
<b>Total contributions to owners of the company, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68.9)</b>	<b>(68.9)</b>
<b>Equity as at 31 December 2023</b>	<b>746.6</b>	<b>259.8</b>	<b>75.0</b>	<b>30.1</b>	<b>255.3</b>	<b>1,366.8</b>

Under the Accounting Act of Estonia, adjusted unconsolidated retained earnings are the amount from which a limited company can make payments to its shareholders. See reconciliation of the parent entity's equity to the adjusted unconsolidated equity from the table below.

<i>in million EUR</i>	31 DECEMBER	
	2023	2022
Equity of the parent entity	1,366.8	1,894.9
Carrying amount of interests under control and significant influence	(781.6)	(889.2)
Carrying amount of interests under control and significant influence under the equity method	1,307.7	1,947.4
<b>Adjusted unconsolidated equity (Note 18)</b>	<b>1,892.9</b>	<b>2,953.1</b>



## Independent Auditor's Report

To the Shareholder of Eesti Energia AS

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### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Eesti Energia AS 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 the International Financial Reporting Standards as adopted by the European Union.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- 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.

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### 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](http://www.pwc.ee)

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.





## 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.

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## Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report, Eesti Energia's Sustainability report, Loss allocation proposal and Glossary (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. 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.

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; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

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 that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Translation note:

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## 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 the 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 judgment 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.

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



- 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.

AS PricewaterhouseCoopers

Jüri Koltsov  
Auditor's certificate no. 623

Toomas-Hendrik Parts  
Auditor's certificate no. 689

24 April 2024  
Tallinn, Estonia



# Loss allocation proposal

The retained earnings of the Eesti Energia Group as at 31 December 2023 were EUR 656,475,525.13 of which the loss for the year 2023 amounted to EUR 435,350,133.26.

The Management Board proposes under section 332 of the Commercial Code of Estonia to allocate the retained earnings of the Eesti Energia Group as at 31 December 2023 as follows:

1. to cover the net loss of the 2023 financial year on the account of the retained profit of the previous periods;
2. to leave the retained profit of previous periods in the remaining part undistributed and not pay dividends to the shareholders.

# Signatures of the Management Board to the annual report for financial year 2023

In the 2023 financial year, the Eesti Energia Management Board complied as required with the duties of members of the Management Board, and led the Eesti Energia Group to achieve its targets. The Management Board has regularly reported to the Supervisory Board, has acted within its powers and has submitted all the information necessary for decision-making to the Supervisory Board. The Management Board is aware of and hereby confirms its responsibility for the preparation of the annual report and for the data therein.

24 April 2024

## Chairman of the Management Board

Andrus Durejko



The annual report of the Eesti Energia Group for the financial year ended on 31 December 2023 consists of the management report, the consolidated financial statements, the auditor's report and the loss allocation proposal. The Management Board has prepared the management report, the consolidated financial statements and the loss allocation proposal.

## Members of the Management Board

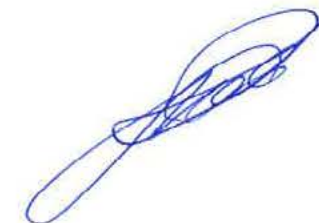
Marlen Tamm

Raido Ivalo

Kelli Toss-Kaasik

Kristjan Kuhi

Andres Vainola



# Glossary

**Circulating fluidised bed (CFB) technology** – Circulating fluidised bed combustion technology whereby larger (unburnt) particles are returned to the furnace

**Clean Dark Spread (CDS)** – Eesti Energia's margin between the price of electricity (in NP Estonia) and oil shale costs and CO<sub>2</sub> costs (taking into account the price of CO<sub>2</sub> allowance futures maturing in December and the amount of CO<sub>2</sub> emitted in the generation of a MWh of electricity)

**CO<sub>2</sub> emission allowance** – According to the European Union Emissions Trading System (ETS), one emission allowance gives the holder the right to emit one tonne of carbon dioxide (CO<sub>2</sub>). The limit on the total number of emission allowances available gives them a monetary value

**Controllable production assets** – Production assets which operate on energy sources such as oil shale, oil shale gas, wood chips, peat and tyre chips

**EBITDA** – Earnings before interest, taxes, depreciation and amortisation

**EBITDA margin** – Earnings before interest, taxes, depreciation and amortisation divided by revenue

**FFO** – Funds from operations. Cash flow from operations, excluding changes in working capital

**Financial leverage** – Net debt divided by the sum of net debt and equity

**Future** – A contract between counterparties which obligates to buy or sell an underlying asset (e.g. a commodity) at a pre-agreed price

**Green paper on industrial policy** – A document prepared by the state and employers' associations which outlines the bot-

tlenecks of industrial development and suggests solutions for their elimination and improving industrial development

**Level of water reservoirs** – The level of water in the reservoirs of hydro power plants as a percentage of the maximum possible level. Most of the Nordic countries' electricity production is based on hydro power whose output depends on the level of water reservoirs

**Liquidity** – Amount of liquid assets. Sum of cash and cash equivalents, short-term financial investments and deposits with a maturity of more than 3 months

**Maintenance and repair expenditures** – Expenditures incurred to maintain the existing production capacities

**MWh** – megawatt hour. 1 MWh is the unit of energy generated (or consumed) in one hour by a device operating at a constant power of 1 MW (megawatt) 1,000,000 MWh = 1,000 GWh = 1 TWh

**Net debt** – Debt obligations (amortised) less cash and cash equivalents (incl. bank deposits with maturities exceeding 3 months), units in money market funds and investments in fixed income bonds

**Network losses** – The amount of electricity delivered to customers is somewhat smaller than the amount supplied from power plants to the network because during transfer a part of electricity in the power lines and transformers converts into heat. To a lesser extent, network losses are caused by power theft and incorrect measuring. The network operator has to compensate energy losses and for this a corresponding amount of electricity has to be purchased every hour

**NP system price** – The price on the Nord Pool power exchange that is calculated on the basis of all purchase and sale

bids without taking into account transmission capacity  
Limitations OHSAS, ISO 14001 – International standards which deal with risk management in the area of occupational health and safety, the environment management system, and accident prevention

**Oil shale resource charge** – A charge to be paid to the state for the use of 1 tonne of oil shale located in the mineral deposit

**Position hedged with forward transactions** – The quantity of electricity and shale oil to be sold and emission allowances to be purchased in future periods whose average price is previously fixed

**RAB** – Regulated Asset Base, which represents the value of assets used to provide regulated services

**Return on Fixed Assets (ROFA)** – Operating profit (rolling 12 months) divided by average fixed assets excluding assets under construction (allocated to specific products)

**ROIC** – Return on Invested Capital, calculated by dividing operating profit by average invested capital

**SAIDI** – System Average Interruption Duration Index. The sum of all customer interruption durations in minutes divided by the total number of customers served

**SAIFI** – System Average Interruption Frequency Index. The total number of customer interruptions divided by the total number of customers served

**Tax footprint** – An indicator which reflects the contribution made to society through taxes

**Variable profit** – Profit after deducting variable costs from sales revenue



# Investor information

The Group's results for the financial year 2024 are released as follows:

**Q1 interim report** – 2 May 2024

**Q2 interim report** – 1 August 2024

**Q3 interim report** – 31 October 2024

Eesti Energia's financial results and contacts for investor relations are available on the Group's web page:

**<https://www.energia.ee/en/ettevottest/investorile>**