EESTI ENERGIA AS

(*incorporated as a joint-stock company under the laws of the Republic of Estonia*)

€400,000,000 Perpetual Non-Call 5.25 Capital Securities

Issue price: 99.536 per cent.

The €400,000,000 Perpetual Non-Call 5.25 Capital Securities (the "**Securities**") will be issued by Eesti Energia AS (*Eesti Energia Aktsiaselts*) (the "**Issuer**") on 15 July 2024 (the "**Issue Date**"). As described in the terms and conditions of the Securities (the "**Conditions**"), the Securities will bear interest on their principal amount (a) at a fixed rate of 7.875 per cent. per annum from (and including) the Issue Date to (but excluding) 15 October 2029 (the "**First Reset Date**"); and (b) from (and including) the First Reset Date, at the applicable 5 Year Mid-Swap Rate in respect of the relevant Reset Period (as defined in the Conditions), plus in respect of: (i) the Reset Period commencing on the First Reset Date and ending on (but excluding) 15 October 2034 (the "**First Step-Up Date**"), 5.165 per cent. per annum; (ii) any Reset Period falling in the period from (and including) the First Step-Up Date to (but excluding) 15 October 2049 (the "**Second Step-Up Date**"), 5.415 per cent.; and (iii) any Reset Period from and including the Second Step-Up Date, 6.165 per cent. per annum, all as determined by the Calculation Agent (as defined in the Conditions), payable annually in arrear on 15 October in each year (each, an "**Interest Payment Date**"), commencing on 15 October 2024. The first payment of interest, to be made on 15 October 2024, will be in respect of the period from (and including) the Issue Date to (but excluding) 15 October 2024, representing a short first coupon.

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in –Condition 4(1) (*Deferral of Interest Payments*). Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate (as defined in the Conditions) applicable from time to time), shall constitute Arrears of Interest (as defined in the Conditions). The Issuer may pay outstanding Arrears of Interest, in whole or in part (upon notice to the Holders (as defined in the Conditions) at any time in accordance with the Conditions. Notwithstanding the foregoing, the Issuer shall pay any outstanding Arrears of Interest in whole (but not in part) on the first occurring Mandatory Settlement Date (as defined in the Conditions) following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred, all as more particularly described in Condition 4(3) (*Mandatory Settlement of Arrears of Interest*).

The Securities will be perpetual securities in respect of which there is no fixed maturity date and shall be redeemable (at the option of the Issuer) in whole (but not in part) (a) on any date from (and including) 15 July 2029 to (and including) the First Reset Date (the "**Initial Par Call Period**"), at their principal amount or (b) upon any Interest Payment Date thereafter, at their principal amount or (c) at any other time, at their Make-Whole Redemption Amount (as defined in the Conditions), in each case, together with any accrued and unpaid interest up to (but excluding) the date of redemption and any outstanding Arrears of Interest. In addition, upon the occurrence of a Tax Deductibility Event, a Withholding Tax Event, an Accounting Event, a Rating Methodology Event, a Change of Control Event or a Substantial Repurchase Event (each such term as defined in the Conditions), the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the amount set out, and as more particularly described, in the Conditions.

The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves, all as more particularly described in the Conditions. Payments on the Securities will be made in euro without deduction for or on account of any present or future taxes, duties assessments or governmental charges imposed or levied by the Government of the Republic of Estonia ("**Estonia**"), to the extent described under "*Terms and Conditions of the Securities – Taxation*".

This Prospectus has been approved by the Financial Conduct Authority (the "**FCA**"), in its capacity as competent authority under Regulation (EU) 2017/1129 as it forms part of United Kingdom ("**UK**") domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Prospectus Regulation**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Securities. Application has been made for the Securities to be admitted to listing on the Official List of the FCA and to trading on the Main Market of the London Stock Exchange plc (the "**London Stock Exchange**"). The London Stock Exchange's Main Market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**").

The Securities have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Securities are being offered outside the United States by Goldman Sachs Bank Europe S.E. and AS LHV Pank (the "**Joint Lead Managers**") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Estonia has not guaranteed the Securities and the Securities do not constitute obligations of Estonia.

The Securities will be in bearer form and in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 each. The Securities will initially be represented by a temporary global security (the "**Temporary Global Security**"), without interest coupons, which will be deposited on or around 15 July 2024 (the "**Issue Date**") with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Temporary Global Security will be exchangeable, in whole or in part, for interests in a permanent global security (the "**Permanent Global Security**" and, together with the Temporary Global Security, the "**Global Securities**"), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Securities cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Security will be exchangeable in certain limited circumstances in whole, but not in part, for Securities in definitive form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 each with interest coupons attached. See "*Summary of Provisions Relating to the Securities in Global Form*".

The Issuer's credit rating by Moody's Deutschland GmbH ("**Moody's**") is Baa3 (with stable outlook) and by S&P Global Ratings Europe Limited ("**S&P**") is BBB- (with negative outlook). Each of S&P and Moody's is established in the European Economic Area ("**EEA**") and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. The ratings given by Moody's and S&P are endorsed by Moody's Investors Service Limited and S&P Global Ratings UK Limited respectively, which are established in the UK and registered under Regulation (EC) No 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). As such, the ratings issued by Moody's and S&P may be used for regulatory purposes in the UK.A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. On issue, the Securities are expected to be rated B+ by S&P and B1 by Moody's.

The determination of each Subsequent Fixed Interest Rate (as defined in the Conditions) in respect of the Securities is dependent upon the relevant 6-month Euro Interbank Offered Rate ("**EURIBOR**") administered by the European Money Markets Institute and the 5 Year Mid-Swap Rate appearing on the Reuters Screen Page "**ICESWAP2**" provided by ICE Benchmark Administration Limited. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (as amended, the "**EU Benchmarks Regulation**") As at the date of this Prospectus, (a) European Money Markets Institute is included in the register of administrators and benchmarks (the "**EU Benchmarks Register**") established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the EU Benchmarks Regulation and the FCA's register of administrators (the "**UK Benchmarks Register**") established and maintained by the FCA pursuant to Article 36 of Regulation (EU) No 2016/1011 as it forms part of UK domestic law by virtue of the EUWA, and (b) ICE Benchmark Administration Limited is included in the UK Benchmarks Register but is not included in the EU Benchmarks Register.

An investment in the Securities involves certain risks. For a discussion of these risks, see "*Risk Factors*".

Sole Global Coordinator

Goldman Sachs Bank Europe SE

Joint Bookrunners

Goldman Sachs Bank Europe SE **AS LHV Pank**

Prospectus dated 11 July 2024

This Prospectus comprises a prospectus for the purposes of the UK Prospectus Regulation. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Certain of the information set out under "*The Republic of Estonia*" has been extracted, where indicated, from publicly available data published by the Statistical Office of Estonia, the Government of the Republic of Estonia, the Estonian Unemployment Insurance Fund, the central bank of Estonia – Eesti Pank, the Organisation for Economic Co-operation and Development ("**OECD**") and Eurostat on each of their respective websites. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by each of the Statistical Office of Estonia, the Estonian Unemployment Insurance Fund, the Government of the Republic of Estonia, the central bank of Estonia – Eesti Pank, OECD and Eurostat, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference, see "*Documents Incorporated by Reference*". This Prospectus should be read and construed on the basis that such documents are incorporated in and form part of this Prospectus. The information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Securities other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Trustee (as defined in "*Terms and Conditions of the Securities*") or the Joint Lead Managers.

None of the Joint Lead Managers, the Trustee nor the independent auditors have independently verified (i) the information contained herein or (ii) any statement, representation, or warranty, or compliance with any covenant, of the Issuer contained in any Securities or any other agreement or document relating to any Securities or made in connection with the Securities. Neither the Joint Lead Managers nor any of their respective affiliates nor the Trustee have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to (a) the accuracy or completeness of the information contained or incorporated in this Prospectus or (b) the execution, legality, effectiveness, adequacy, validity, enforceability or admissibility in evidence of any Securities or any other agreement or document relating to any Securities. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Security shall in any circumstances create any implication that the information contained or incorporated in this Prospectus is true subsequent to the date of this Prospectus or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Joint Lead Managers or the Trustee to subscribe for or purchase, any Securities.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offering, sale and delivery of Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Securities and on distribution of this Prospectus and other offering material relating to the Securities, see "*Subscription and Sale*".

The Securities have not been, and will not be, registered under the Securities Act and will be in bearer form and subject to United States tax law requirements. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). In addition, the offer of the Securities will not be approved by the Estonian Financial Supervision and Resolution Authority for the purposes of a public offering or sale in Estonia and, therefore, the Securities may not be offered or sold publicly in Estonia.

MiFID II product governance/Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and eligible counterparties only target market– Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined UK MiFIR; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation / Prohibition of sales to EEA retail investors – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation / Prohibition of sales to UK retail investors – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the potential investor's currency is not euro;

(iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how they will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA (being the European Union (the "**EU**") plus Iceland, Liechtenstein and Norway), references to "**euro**", "**EUR**" or "**€**" are to the currency introduced at the start of the third stage of European Economic and Monetary Union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to "**billions**" are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

In connection with the issue of the Securities, Goldman Sachs Bank Europe SE (the "Stabilisation Manager") (or persons acting on behalf of the Stabilisation Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

Presentation of Financial Information

Unless otherwise indicated, the financial information in this Prospectus relating to the Issuer has been derived from (i) the audited consolidated financial statements of the Group for the financial years ended 31 December 2022 and 31 December 2023 (the "**Annual Financial Statements**") and (ii) the unaudited and unreviewed condensed interim financial statements of the Group for the three months ended 31 March 2024 (the "**Interim Financial Statements"** and, together with the Annual Financial Statements, the "**Financial Statements**").

The Issuer's financial year ends on 31 December, and references in this Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU ("**IFRS-EU**") and the Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

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ALTERNATIVE PERFORMANCE MEASURES

Certain alternative performance measures ("**APMs**") as described in the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the "**ESMA Guidelines**") published on 5 October 2015 by the European Securities and Markets Authority and which came into force on 3 July 2016 are included or referred to in this Prospectus. Although certain data has been extracted or derived from the Group's financial statements, which are incorporated by reference herein, neither the APMs, nor assumptions underlying the data, have been audited or reviewed by the independent auditors. APMs are not recognised measures of financial performance, financial condition, or liquidity under IFRS accounting standards, but are used by the Issuer's management as a supplementary information to monitor the underlying performance of the Group. The Issuer considers that these measures provide useful information to enhance the understanding of financial performance. APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. These measures are non-IFRS measures and, as the Issuer calculates them, may not be comparable to similarly titled measures reported by other companies.

APMs have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for the Group's results or any performance measures under IFRS as set forth in the Group's consolidated financial statements.

The APMs referred to in this Prospectus are discussed below:

Alternative Performance Measure	**Definition / Reconciliation**	**Purpose for presentation**
EBITDA	EBITDA refers to profit/(loss) for the period adding back depreciation, amortisation and impairment, corporate income tax expense, and deducting profit (or adding back loss) from associates under the equity method, and net financial costs.	Measures earnings before interest, taxes, depreciation, amortisation and impairment losses, etc. One of the key measures the management uses to assess the Group's performance.
Adjusted EBITDA	Adjusted EBITDA refers to EBITDA that is further adjusted by gain/(loss) on revaluation of Power Purchase Agreements (derived from unaudited accounting records).	Measures EBITDA by eliminating temporary fluctuations in fair value of long-term Power Purchase Agreement derivatives, where long-term fair value calculation is based on in-house price curves methodology (not on long-term derivative market data due to illiquidity on the relevant stock exchange). One of the key measures the management uses to assess the Group's performance.
Adjusted net profit/(loss)	Profit/(loss) for the period adjusted by gain/(loss) on revaluation of Power Purchase Agreements (derived from unaudited accounting records).	Measures Net profit/(loss) where temporary fluctuations in fair value of long-term Power Purchase Agreement derivatives have been eliminated. One of the key measures the management uses to assess the Group's performance.
Net debt	Net debt refers to borrowings (current and non-current) minus accrued interest minus cash and cash equivalents as at the end of the	Measures the financial leverage of the company on absolute scale.

	relevant period.	
Investments	Investments refer to additions made during the relevant period to property, plant and equipment and intangible assets, including base investments, development investments and capitalised interest. Capitalised interest refers to 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 (interest) 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. This APM has been calculated based on the unaudited accounting records, for the indicated periods.	Measures investments in property, plant and equipment, right-of-use assets, and intangible assets for continuing operations only.
Net debt/EBITDA	The Net debt/EBITDA ratio has been calculated by dividing Net debt as at the end of the relevant period by EBITDA (or 12-months rolling EBITDA for interim periods). For the interim periods of 3 months ended 31 March 2024 and 2023, EBITDA is calculated on 12 month rolling basis as Q1 current period EBITDA plus full previous year EBITDA less Q1 previous year EBITDA.	Measures the financial leverage of the company on relative scale compared to the earnings before interest, taxes, depreciation, amortisation and impairment losses.
Financial leverage	Financial leverage has been calculated by dividing Net debt by the sum of Net debt and Total equity as at the end of the relevant period.	Measures the financial leverage of the company on relative scale compared to the equity of the company.
EBITDA margin	EBITDA margin has been calculated by dividing EBITDA by Revenue.	An alternative measure of a company's profitability margin.
Operating profit/(loss) margin	Operating profit/(loss) margin has been calculated by dividing Operating profit/(loss) by Revenue.	An alternative measure of a company's profitability margin.
CFADS (Cash Flow Available For Debt Service)	CFADS refers to Adjusted EBITDA plus change in working capital (derived from unaudited accounting	Measures the ability to generate cash flows and service debt.

	records) minus corporate income tax expense minus other impacts including CO_2 (derived from unaudited accounting records) as at the end of the relevant period. Other impacts also include the impacts of the amortisation of connection fees and government grants. For the purposes of this definition, working capital means current assets minus current liabilities (excluding CO_2 impact and derivative instruments).	

APMs of the Group

The table below presents certain financial measures on a consolidated basis as of the dates and for the periods indicated:

		As of and for 3 months ended 31 March 2024 (unaudited)	As of and for 3 months ended 31 March 2023 (unaudited)	As of and for full year ended 31 December 2023 (unaudited)	As of and for full year ended 31 December 2022 (unaudited)
EBITDA(1)	million €	127.8	178.3	436.7	420.4
Adjusted EBITDA	million €	137.4	202.3	483.0	333.0
Adjusted net profit/(loss)	million €	88.6	142.6	(375.8)	128.3
Net debt	million €	1,469.9	866.4	1,495.5	774.1
Investments	million €	167.7	160.3	779.2	445.2
Net debt/EBITDA	times	3.8	2.2	3.4	1.8
Financial leverage	%	41.9	22.9	42.1	19.9
EBITDA margin	%	25.5	30.6	22.9	19.0
Operating profit/(loss) margin	%	17.8	22.8	(20.0)	11.0
CFADS	million €	128.3	142.6	527.8	262.6

(1) EBITDA for three months ended 31 March 2024 and 2023 calculated on a 12 month rolling basis

EBITDA, EBITDA Margin, Adjusted EBITDA and Net debt/EBITDA

The following tables set out the reconciliation of the EBITDA, EBITDA Margin, Adjusted EBITDA and Net debt/EBITDA on the consolidated basis as for the periods indicated:

		3 months ended 31 March 2024 (unaudited)	3 months ended 31 March 2023 (unaudited)	Full year ended 31 December 2023 (unaudited)	Full year ended 31 December 2022 (unaudited)
Profit/(loss) for the period	million €	79.1	118.6	(422.1)	215.7
Adjustments for:					
Corporate income tax expense	million €	(0.2)	(5.2)	11.2	10.0
Profit/(loss) from associates under the equity method	million €	1.8	-	(0.2)	(2.5)
Net finance costs	million €	11.4	9.1	29.6	20.0
Depreciation, amortization and impairment	million €	(38.9)	(45.6)	818.2	177.2
EBITDA(1)	**million €**	127.8	178.3	436.7	420.4
Gain/(loss) on revaluation of power purchase agreements (PPA)	million €	(9.5)	(24.0)	46.3	(87.4)
Adjusted EBITDA	**million €**	**137.4**	**202.3**	**483.0**	**333.0**
Net debt/EBITDA	times	3.8	2.2	3.4	1.8

(1) EBITDA for three months ended 31 March 2024 and 2023 calculated on a 12 month rolling basis

		3 months ended 31 March 2024 (unaudited)	3 months ended 31 March 2023 (unaudited)	Full year ended 31 December 2023 (unaudited)	Full year ended 31 December 2022 (unaudited)
EBITDA[(1)]	million €	127.8	178.3	436.7	420.4
Revenue	million €	500.3	582.7	1,905.5	2,218.2
EBITDA Margin	**%**	**25.5**	**30.6**	**22.9**	**19.0**

(1) EBITDA for three months ended 31 March 2024 and 2023 calculated on a 12 month rolling basis

Adjusted Net profit/(loss)

The following table sets out the reconciliation of the Adjusted Net profit/(loss) on the consolidated basis for the periods indicated:

		3 months ended 31 March 2024 (unaudited)	3 months ended 31 March 2023 (unaudited)	Full year ended 31 December 2023 (unaudited)	Full year ended 31 December 2022 (unaudited)
Profit/(loss) for the period	million €	79.1	118.6	(422.1)	215.7
Gain/(loss) on revaluation of power purchase agreements (PPA)	million €	(9.5)	(24.0)	46.3	(87.4)
Adjusted net profit/(loss)	**million €**	**88.6**	**142.6**	**(375.8)**	**128.3**

Operating Profit/(loss) Margin

The following table sets out the reconciliation of the Operating Profit/(loss) Margin for the consolidated basis for the periods indicated:

		3 months ended 31 March 2024 (unaudited)	3 months ended 31 March 2023 (unaudited)	Full year ended 31 December 2023 (unaudited)	Full year ended 31 December 2022 (unaudited)
Operating Profit/(Loss)	million €	88.9	132.8	(381.5)	243.2
Revenue	million €	500.3	582.7	1,905.5	2,218.2
Operating Profit/(loss) Margin	**%**	17.8	22.8	**(20.0)**	**11.0**

Net debt and Net debt/EBITDA

The following table sets out the reconciliation of the Net debt and Net debt to EBITDA ratios on the consolidated basis as of the dates and for the periods indicated:

		As of and for 3 months ended 31 March 2024 (unaudited)	**As of and for 3 months ended 31 March 2023 (unaudited)**	**As of and for full year ended 31 December 2023 (unaudited)**	**As of and for full year ended 31 December 2022 (unaudited)**
Borrowings (non-current)	million €	1,210.3	445.8	1,226.1	449.0
Borrowings (current)	million €	390.5	654.2	468.0	610.4
Cash and cash equivalents	million €	130.9	233.6	(174.5)	(280.5)
Accrued interest	million €	13.6	10.1	(24.1)	(4.8)
Net debt	**million €**	1,469.9	866.4	**1,495.5**	**774.1**
EBITDA[(1)]	million €	127.8	178.3	436.7	420.4
Net debt/EBITDA	**times**	**3.8**	**2.2**	**3.4**	**1.8**

(1) For interim periods of 3 months ended 31 March 2024 and 2023, EBITDA is calculated on 12-month rolling basis as Q1 current period EBITDA plus full previous year EBITDA less Q1 previous year EBITDA.

Financial leverage

The following table sets out the reconciliation of the Financial leverage of the Group as of the dates indicated:

		As of 31 March 2024 (unaudited)	**As of 31 March 2023 (unaudited)**	**As of 31 December 2023 (unaudited)**	**As of 31 December 2022 (unaudited)**
Net debt	million €	1,469.9	866.4	1,495.5	774.1
Total Equity	million €	2,038.5	2,921.8	2,060.1	3,120.0
Total	million €	3,508.4	3,788.2	3,555.6	3,894.1
Financial leverage	**%**	**41.9**	**22.9**	**42.1**	**19.9**

Investments

The following table sets out the reconciliation of the Investments of the Group for the periods indicated:

		3 months ended 31 March 2024 (unaudited)	**3 months ended 31 March 2023 (unaudited)**	**Full year ended 31 December 2023 (unaudited)**	**Full year ended 31 December 2022 (unaudited)**
Purchase of property, plant and equipment	million €	160.7	156.7	773.7	442.7
Purchase of intangible assets	million €	7.0	3.6	5.5	2.5
Investments	**million €**	**167.7**	**160.3**	**779.2**	**445.2**

CFADS

The following table sets out the reconciliation of the CFADS of the Group for the periods indicated:

		3 months ended 31 March 2024 (unaudited)	**3 months ended 31 March 2023 (unaudited)**	**Full year ended 31 December 2023 (unaudited)**	**Full year ended 31 December 2022 (unaudited)**
Adjusted EBITDA	million €	137.4	202.3	483.0	333.0
Change in working capital	million €	5.6	35.4	80.5	0.5
Corporate income tax expenses	million €	(0.2)	(5.2)	(24.7)	(12.1)
Other impacts including CO2	million €	(14.5)	(89.9)	(11.0)	(58.8)
CFADS	million €	**262.6**	**142.6**	**527.8**	**262.6**

FORWARD LOOKING STATEMENTS

This Prospectus includes certain "forward-looking statements". Statements that are not historical facts, including statements about the beliefs and expectations of the Issuer, the Issuer and its subsidiaries (the "**Group**"), its directors or management, are forward-looking statements. Words such as "believes", "anticipates", "estimates", "expects", "intends", "plans", "projects", "aims", "potential", "will", "would", "should", "could", "considered", "likely", "may", "estimate" and negative or other variations of these words and similar future or conditional expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond the control of the Issuer and the Group and all of which are based on their current beliefs and expectations about future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Issuer and the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer and the Group and the environment in which the Issuer or the Group will operate in the future. These forward-looking statements speak only as at the date of this Prospectus.

Except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules or any other applicable law or regulation, the Issuer expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published, or are published simultaneously with this Prospectus, shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. the audited consolidated financial statements of the Group as at and for the year ended 31 December 2022 (prepared in accordance with IFRS-EU), together with the independent auditor's report thereon (pages 66* to 213* of the Eesti Energia Annual Report 2022, which can be found at: https://www.energia.ee/-/doc/8644186/ettevottest/investorile/failid/2022/2022_annual_report_ENG.pdf);

2. the audited consolidated financial statements of the Group as at and for the year ended 31 December 2023 (prepared in accordance with IFRS-EU), together with the independent auditor's report thereon (pages 57* to 206* of the Eesti Energia Annual Report 2023, which can be found at: https://public-docs.enefit.ee/ettevottest/investorile/2024/2023-annual-report-ENG.pdf); and

3. the unaudited condensed interim financial statements of the Group as at and for the three-month period ended 31 March 2024, (prepared in accordance with IAS 34, Interim Financial Reporting) (pages 14* to 37* of the Eesti Energia Interim Report for 1 January 2024 – 31 March 2024, which can be found at https://public-docs.enefit.ee/ettevottest/investorile/2024/Q1-2024-interim-report-ENG.pdf).

* These page numbers are references to the PDF pages included therein.

The financial statements along with the accompanying independent auditors' audit reports incorporated by reference into this Prospectus, all of which are in English, were prepared as convenience translations of the originally issued Estonian language financial statements and Estonian language independent auditors' audit reports. Any statement made herein or in a document incorporated by reference or deemed incorporated herein by reference is deemed to be modified or superseded for purposes of this Prospectus if, and to the extent that, a statement contained in this Prospectus or in any other document subsequently incorporated or deemed incorporated by reference herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. For the avoidance of doubt, information, documents or statements to be incorporated by reference into, or expressed to form part of, the information referred to in 1 to 3 above do not form part of this Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Any non-incorporated parts of the documents referred to above are either not relevant for investors or are covered elsewhere in the Prospectus.

OVERVIEW

This overview is a general description of the Securities and does not purport to be complete. It is taken from, and is qualified in its entirety by, the remainder of this Prospectus. For a more complete description of the Securities, including definitions of capitalised terms used but not defined in this section, please refer to the section entitled "Terms and Conditions of the Securities" below.

Capitalised terms used and not defined in this section shall have the meaning given in the Conditions, as the context admits, and references to a numbered Condition shall be construed accordingly.

Issuer:	Eesti Energia AS
Legal Entity Identifier (LEI):	5493005044RTLQ5RZU70
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Securities. There are also certain factors which are material for the purpose of assessing the market risks associated with the Securities and risks relating to the structure of the Securities. See the section entitled "*Risk Factors*".
Description:	€400,000,000 Perpetual Non-Call 5.25 Capital Securities
Sole Global Coordinator:	Goldman Sachs Bank Europe SE
Joint Lead Managers:	Goldman Sachs Bank Europe SE and AS LHV Pank
Trustee:	Citicorp Trustee Company Limited
Principal Paying Agent and Calculation Agent:	Citibank, N.A., London Branch
Securities	€400,000,000 Perpetual Non-Call 5.25 Capital Securities
Issue Price:	99.536 per cent. of the principal amount of the Securities
Issue Date:	15 July 2024
No Maturity Date:	The Securities are perpetual securities and have no fixed date for redemption. Unless previously redeemed or purchased and cancelled, the Securities will become due and payable and will be redeemed on the date on which any liquidation of the Issuer is deemed to be irrevocable and irreversible in accordance with mandatory provisions of Estonian law. (the "**Liquidation Event Date**").
Interest:	The Securities will bear interest on their principal amount at the following rates of interest: (a) from (and including) the Issue Date to (but excluding) the First Reset Date, at the rate of 7.875 per cent. per annum; and (b) from (and including) the First Reset Date, at the applicable 5 Year Mid-Swap Rate in respect of the relevant Reset Period plus in respect of: i) the Reset Period commencing on the First Reset Date and ending on (but excluding) the First Step-Up Date, 5.165 cent. per annum; ii) any Reset Period falling in the period from (and including) the First Step-Up Date to (but excluding) the Second Step-

Up Date, 5.415 per cent. per annum; and

iii) any Reset Period from (and including) the Second Step-Up Date, 6.165 per cent. per annum,

all as determined by the Calculation Agent, payable annually in arrear on each Interest Payment Date, commencing on 15 October 2024, subject to Condition 4 (*Optional Interest Deferral*), all as more particularly described in Condition 3 (*Interest).*

Interest Payment Dates:	Interest will be payable annually in arrear on 15 October in each year, commencing on 15 October 2024. There will be a short first coupon in respect of the Interest Period from (and including) the Issue Date to (but excluding) 15 October 2024.
Status of the Securities:	The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank and will at all times rank *pari passu* without any preference among themselves and with Parity Obligations.
Subordination:	In the event the liquidation of the Issuer is deemed to be irrevocable and irreversible in accordance with mandatory provisions of Estonian law (a "**Liquidation Event**"), the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons (including in respect of any Arrears of Interest) will rank: (a) senior only to share capital and any Junior Obligations; (b) *pari passu* among themselves and with any Parity Obligations; and (c) junior to all other unsubordinated obligations of the Issuer and junior to all subordinated obligations of the Issuer which rank, or are expressed to rank, senior to the Securities or any Parity Obligation, in each case whether present or future, in each case except as otherwise required by mandatory provisions of applicable law.
No Set-off:	Subject to applicable law, each Holder will, by virtue of its holding of any Security or Coupon or any beneficial interest therein, be deemed to have waived all rights of set-off, counterclaim, compensation or retention.
Form and Denomination:	The Securities are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons attached on issue. No definitive Securities will be issued with a denomination above €199,000. Securities of one denomination may not be exchanged for Securities of any other denomination.
Optional Interest Deferral	The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in Condition 4(1) (*Deferral of Interest Payments*). Non-payment of interest so deferred shall not constitute a default by the Issuer under the Securities or for any other purpose. Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest.

Optional Settlement of Arrears of Interest:	Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any time upon giving not more than 15 and no less than five Business Days' notice to the Holders, the Principal Paying Agent and the other Paying Agents prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date. See Condition 4(2) (*Optional Settlement of Arrears of Interest*).

Mandatory Settlement of Arrears of Interest:

The Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

"**Mandatory Settlement Date**" means the earliest of:

(a) as soon as reasonably practicable (but not later than the tenth business day) following the date on which a Deferred Interest Payment Event occurs;

(b) on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the interest accrued in respect of the relevant Interest Period; and

(c) the date on which the Securities are redeemed or repaid in accordance with Condition 6 (*Redemption and Purchase*) or become due and payable in accordance with Condition 9 (*Enforcement Events and No Events of Default*), including at the Liquidation Event Date (unless otherwise required by mandatory provisions of applicable law).

A "**Deferred Interest Payment Event**" means any one or more of the following events:

(a) the declaration or payment of any distribution or dividend or any other payment made by the Issuer on its share capital or any other Junior Obligations or by the Issuer or any Subsidiary of the Issuer, as the case may be, on any Parity Obligations; and/or

(b) the redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any shares of the Issuer or any other Junior Obligations; and/or

(c) the redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any Parity Obligations,

save as described in Condition 4(3) (*Mandatory Settlement of Arrears of Interest*).

A Deferred Interest Payment Event shall not occur pursuant to paragraph (a) above in respect of any optional *pro rata* payment of deferred or arrears of interest on any Parity Obligations which is made simultaneously with an optional *pro rata* payment of any Arrears of Interest provided that such *pro rata* payment of deferred or arrears of interest on a Parity Obligation is not proportionately more than the *pro*

	rata settlement of any such Arrears of Interest.
Optional Redemption	The Issuer may redeem the Securities in whole, but not in part, on (a) any date during the Initial Par Call Period, at their principal amount or (b) on any Interest Payment Date thereafter, at their principal amount or (c) at any other time at their Make-Whole Redemption Amount, in each case, together with any accrued and unpaid interest up to (but excluding) the date of redemption and any outstanding Arrears of Interest. In addition, upon the occurrence of a Tax Deductibility Event, a Withholding Tax Event, an Accounting Event, a Rating Methodology Event, a Change of Control Event or a Substantial Repurchase Event, the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the prices set out, and as more particularly described, in Condition 6 (*Redemption and Purchase*). If the Issuer does not elect to redeem the Securities following the occurrence of a Change of Control Event, the Prevailing Interest Rate, and each subsequent Fixed Interest Rate, shall be increased by the Change of Control Step-Up Margin with effect from the Interest Period commencing on the first Interest Payment Date immediately following the date on which the Change of Control Event occurred. See Condition 3(5) (*Step-Up following Change of Control Event*).
Events of Default	There are no events of default in relation to the Securities.
Taxation:	All payments in respect of the Securities will be made without withholding or deduction for or on account of any Taxes. In the event that any such withholding or deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
Substitution or Variation:	If at any time after the Issue Date, a Tax Deductibility Event, a Withholding Tax Event, an Accounting Event or a Rating Methodology Event has occurred, then the Issuer may, subject to Condition 6(7) (*Preconditions to Redemption, Substitution or Variation*) (without any requirement for the consent or approval of the Holders) and having given not less than 15 nor more than 30 days' notice to the Principal Paying Agent and, in accordance with Condition 11 (*Notices*), the Holders (which notice shall be irrevocable), on any applicable Interest Payment Date either (i) substitute all (but not some only) of the Securities for new securities of the Issuer, or any wholly-owned direct or indirect finance Subsidiary of the Issuer with a guarantee of the Issuer or (ii) vary the terms of the Securities, so that after such substitution or variation the Securities remain or become, as the case may be, eligible for the same or (from the perspective of the Issuer) more favourable tax, accounting or ratings treatment than the treatment to which they were entitled prior to the relevant event occurring.

Issuer Substitution: The Trustee may, without the consent of the Holders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute) of any other company being a Subsidiary of the Issuer as the principal debtor under the Securities, subject to certain conditions, including the Securities being unconditionally and irrevocably guaranteed by the Issuer and the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution.

Governing Law: The Trust Deed, the Agency Agreement, the Securities and the Coupons, and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law, other than the provisions of Conditions 2(2)(*Subordination*) and 2(3) (*No Set-Off*) which are governed by and construed in accordance with the laws of Estonia.

Selling Restrictions: There are restrictions on the distribution of this Prospectus and the offer or sale of the Securities in the United States, the EEA, the UK, Estonia, Belgium and Singapore, among other jurisdictions. See "*Subscription and Sale*".

Listing and Trading: Application has been made for the Securities to be admitted to listing on the Official List of the FCA and to trading on the Main Market of the London Stock Exchange plc.

Replacement Intention: The Issuer intends (without thereby assuming any obligation) that it will redeem or repurchase the Securities (or any part thereof) only to the extent that the aggregate principal amount of the Securities (or any part thereof) to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any Subsidiary of the Issuer on or prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities (or any part thereof) to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:

(a) the rating assigned by S&P to the Issuer is the same as or higher than the long-term corporate credit rating assigned to the Issuer on the date when the most recent additional hybrid security was issued (excluding refinancings without net new issuance) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or

(b) in the case of a repurchase or redemption, such repurchase or redemption is of less than (a) 10 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Group in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Group in any period of 10 consecutive years; or

(c) if the Securities are not assigned an "equity credit" by S&P (or such similar nomenclature then used by S&P at the time of such redemption or repurchase); or

(d) in the case of a repurchase or redemption, such repurchase or redemption relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Issuer's hybrid capital to which S&P then assigns equity content under its prevailing methodology; or

(e) the Securities are redeemed pursuant to a Tax Deductibility Event, a Withholding Tax Event, an Accounting Event, a Rating Methodology Event or a Change of Control Event; or

(f) such redemption or repurchase occurs on or after the Second Step-Up Date

Ratings	The Securities are expected to be rated B+ by S&P and B1 by Moody's. Each of S&P and Moody's is established in the EEA and registered under the CRA Regulation. As such, each of Moody's and S&P is included in the list of credit rating agencies published by ESMA) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. The ratings issued by Moody's and S&P are endorsed by Moody's Investors Service Limited and S&P Global Ratings UK Limited respectively, which are established in the UK and registered under the UK CRA Regulation. As such, the ratings issued by Moody's and S&P may be used for regulatory purposes in the UK. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Use of Proceeds:	The Issuer intends to apply an amount equivalent to the net proceeds of the issue of the Securities to finance and/or refinance Eligible Green Projects (as defined below) as described under "*Use of Proceeds*" on pages 72 and 73 of this Prospectus.

RISK FACTORS

The Issuer believes that the following factors are material risks specific to it and may affect the Issuer's ability to fulfil its obligations under the Securities. In addition, factors which are material for the purpose of assessing the market risks associated with the Securities are described below. The Issuer believes that the factors described below represent the principal risks specific to the Issuer and inherent in investing in the Securities but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Securities may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. The realisation of one or more of these factors could individually or together with other circumstances adversely affect the business activities and financial position of the Group. Prospective investors should carefully consider the factors set out below and the detailed information set out elsewhere in this Prospectus before making a decision about acquiring the Securities. Capitalised terms used but not defined in this section have the meanings given to them in the Conditions. See "Terms and Conditions of the Securities" below.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES

RISK FACTORS RELATED TO THE MARKET ENVIRONMENT IN WHICH THE GROUP OPERATES

The Group may experience difficulties implementing its sustainable development strategy and to adjust to the European Green Deal Policy

The transition to a low-carbon economy, and the work towards reducing the impacts of climate change, requires that sustainable development is factored into the Group's risk management approach. In recent years, EU laws have evolved, requiring businesses to disclose information on their sustainability performance. Examples include the green deal policy implemented by the European Commission in December 2019 (the "**European Green Deal Policy**"), which commits the EU to becoming climate-neutral by 2050 whilst also promising to help companies become world leaders in clean products and green technologies. In May 2022, the European Commission proposed its REPowerEU plan to make Europe independent from Russian fossil fuels well before 2030. The proposal sets a new 45 per cent. renewable energy target for 2030, which helps to meet the climate neutrality in 2050 and helps EU to lower its energy dependence, which strengthens the resilience and competitiveness of European economy.

In June 2021, the Group committed to achieving carbon neutrality by 2045. The carbon neutrality strategy announced by the Issuer is based on three pillars: (1) development of solar parks and wind farms with storage systems, (2) termination of electricity generation from oil shale and the transition to a chemical industry based on recycling plastics and a circular economy with a zero carbon footprint, and (3) providing energy solutions to clients that help to reduce their environmental footprint. The Group is committed to ending electricity generation from oil shale by 2035.

The need to take into account the impact of sustainability trends, as well as opportunities and risks resulting from following the principles of sustainable development, are expected to have a material bearing on the Group's business activity and financial results in the long term. Adopting the business operations of the Group to the new requirements of the European Green Deal Policy will require significant capital expenditures and there is a risk that the Issuer will not achieve its long-term objectives and fail to fully adopt its new low-emission strategy.

In addition, the Group's energy transition strategy requires continuous technological progress and innovation in the Group's electricity and shale oil businesses. Ineffective implementation of the carbon neutrality strategy could adversely affect the Group's operations and financial results. In addition, failure to deliver the Group's carbon neutrality strategy or to achieve the results envisaged in the strategy could undermine the Issuer's credibility in the financial markets, and thus adversely affect the Issuer's ability to raise new financing. These risks may adversely affect the Issuer's ability to make payments under the Securities and the value of the Securities.

Regulatory restrictions on CO_2, SO_2, NO_x and other air emissions may adversely affect the Group

Although the Group is seeking to reduce its air emissions, the Group's electricity generation and oil production installations generate significant amounts of CO_2, SO_2, NO_x and other air emissions that are subject to increasing regulatory restrictions. The Group's electricity generation and oil production installations are subject to EU Directive 2003/87/EC, which established the EU Emissions Trading Scheme ("**EU ETS**") which was designed to achieve annual reductions in CO_2 emissions. Any changes to the existing EU ETS framework could result in the future imposition of more onerous obligations regarding the emission of CO_2, for example quicker reductions in yearly available CO_2 allowances. There is a risk that an increase in the market price of CO_2 allowances, or generally more onerous obligations regarding CO_2 and other emissions, could make the Group's oil production and electricity generation less economically viable, which could have a material adverse effect on the Group's business and financial position.

Within Phase IV of the EU ETS (2021 - 2030), the overall number of emission allowances is scheduled to decline at an annual rate of 2.2 per cent. from 2021 onwards. In December 2022, the European Parliament and Council concluded negotiations around the revision of the EU ETS. The sectors covered by the scheme will now have to reduce their emissions by 62 per cent. by 2030 (from a 2005 baseline). This is a significant increase from the 43 per cent. reduction ambition adopted in 2021. However, certain quantities of free CO_2 allowances are still available with respect to certain of the Group's production assets (e.g. generation of electricity from waste gases, oil production, district heating), but these will be phased out by 2035 at the latest. The continuous decrease in the allocation of emission allowances across the EU, a greater decrease in the allocation of emission allowances within Phase IV of the EU ETS, and any increase in the price of CO_2 emission allowances, may result in a substantial increase in variable power generation costs. In this event, the price of electricity offered by the Group may become less competitive, which could have a material adverse effect on the Group's business, results of operations and financial condition. For further detail on the impact of the EU ETS on the Group see "*Regulation - CO_2 Emissions*" on page 117 of this Prospectus. As the market price of CO_2 allowances is volatile, the Group's profitability and cash flows will be materially affected by the development of, and short-term and long-term fluctuations in, that price. If prices for CO_2 allowances are high in the future this could have a material adverse effect on the Group's business and financial position.

Regulatory measures are also being taken at both national and international levels to reduce the quantities of other atmospheric pollutants, such as SO_2, NO_x, aromatic organic compounds and particulate matter from industrial activities, including power generation. For example, the Group is subject to the EU Industrial Emissions Directive ("**IED**") which imposes limitations on concentration levels of SO_2, NO_x and particulate matter in flue gases from power stations and other large industrial boilers, and which was incorporated into Estonian legislation on 1 June 2013. The Group's assets are in compliance with both Estonian and EU legislation including IED, and its installations must follow the best available techniques ("**BAT**") for its large combustion plants.

Regulatory measures are being taken on the EU level to review the IED, which could result in a reduction of the allowed emission limit values on atmospheric pollutants, such as SO_2, NO_x, aromatic organic compounds and particulate matter from industrial activities, including power generation. The BAT also evolves and the respective BAT conclusions are from time to time renewed by the EU Commission or by national environmental authorites. A reduced emission limit or more costly BAT may have a material adverse effect on the Group.

Additionally, the Group is affected by the EU National Emissions Ceiling Directive ("**NECD**") which sets national annual limit values for emissions of SO_2, NOx, non-methane volatile compounds and ammonia. Replacing earlier legislation, the new NECD that entered into force on 31 December 2016 sets emission reduction commitments for the Member States for five main air pollutants from 2020 to 2030. The Directive also requires that the Member States draw up National Air Pollution Control Programmes that contribute to the successful implementation of air quality targets established under the EU's Ambient Air Quality Directive. Based on this, the Group's emissions must fit with Estonian national targets set in NECD. Estonia was in compliance with the 2020 emission reduction commitments deriving from the NECD. According to the updated assessment which was conducted by the Estonian Ministry of Climate in 2023, the Republic of Estonia should fulfil the set national targets. As such, no further limitations on the emissions from the Group's combustion plants are currently expected.

To encourage cleaner industrial methods in non-EU countries and to charge a fair price for the carbon emitted during the production of carbon intensive goods entering the EU, the EU introduced the Carbon Border Adjustment Mechanism ("**CBAM**"). The gradual introduction of the CBAM is aligned with the phase-out of the allocation of free allowances under the EU Emissions Trading System. On 1 October 2023, the CBAM entered into application in its transitional phase, with the first reporting period for importers ending 31 January 2024. The CBAM will initially apply to imports of certain goods whose production is carbon intensive and at most significant risk of carbon leakage including cement, iron and steel, aluminium, fertilisers, electricity and hydrogen and EU importers of these goods will have to report on the volume of their imports and the greenhouse gas emissions embedded during their production, but without paying any financial adjustment at this stage. The full scope of the CBAM regulation will enter into force on 1 January 2026. From 2026 importers will need to obtain an authorization from the competent national authority in order to import CBAM goods, declare on a yearly basis the quantity of CBAM goods imported into the EU in the preceding year and their embedded greenhouse gas emissions and they will then release the corresponding number of CBAM certificates.

In addition to the developments described above, there is a risk of additional changes to the regulatory framework in relation to air emissions which would impact the Group's ability to use its current production facilities. Even if upgrades of existing assets were possible, completing such upgrades may not be economically viable and would carry technical risks and involve material costs for the Group. The works may be disruptive to production and if the new emission limits are still exceeded, there is a risk that the Group will have to reduce or shut down production at its plants. Such risks and costs could have a material adverse effect on the Group's business and financial position.

Risk related to fluctuations in commodity, electricity and emissions allowance prices

A significant portion of the Group's costs, products and services (particularly oil and electricity prices and CO_2 emission allowances) are subject to fluctuation based on both global and local factors, including as a result of the current inflationary environment. These fluctuations in commodity, electricity and emissions allowance prices may adversely impact the revenue and profitability of the Group.

An economic downturn, including a rise in inflation, may adversely affect consumption, investment and exports. This may also increase pressure on the demand for certain of the Group's products.

The Group seeks to mitigate the effect of fluctuations in commodity, electricity and emissions allowance prices on its generation portfolio and revenues from fuel oil sales through the use of hedging, including certain long-term hedge contracts, and Power-Purchase Agreements ("**PPAs**"), where this is available. The Group's hedging strategy is focused on hedging the price risks of electricity, liquid fuels and gas. The Group hedges its production assets and energy business separately. Internal hedging is preferred over external hedging. Internal hedging involves hedging the assets held by the Group internally by operating different business lines that naturally have the opposite impact on the Group's financial results as a result of changes in market prices, such as the generation units as electricity producer (which benefit from increases in electricity prices as a seller) and the supply business as electricity consumer (for which costs increase as a buyer). External hedging includes hedging assets held by the Group through external instruments available on the international financial markets (both OTC and exchange offered instruments), and also regionally (PPAs). Hedging for electricity, and fuel oil is done to support the profitability of the Group's production assets. If price hedges are made for production assets with CO_2 emissions, relevant CO_2 emissions allowances are purchased as forward transactions at the same time as the electricity price hedges, thus also fixing the price for CO_2 emission allowances. Hedging for electricity and gas is done to support the profitability of the Group's supply business as the Group offers both market price based products and fixed price products. The Group uses hedges on a selective basis and may not hedge its exposures fully. Accordingly, if effective, the hedging strategy would moderate the effect from unfavourable changes in commodity prices, but it would not offer full or long term protection from such trends and could also exacerbate the impact of changes in market prices. There is also a risk that the Group's hedging and risk management strategies may not be successful or efficient, which could have a material adverse effect on the Group's business and financial position.

Competitiveness in and regulation of wholesale power and oil markets may adversely affect the Group

The Group operates in integrated Baltic, Nordic and Polish power markets. Two EstLink submarine interconnectors between Estonia and Finland provide 1000 MW transmission capacity between the two countries and Estonian power prices have converged to a large extent with Finnish prices, although this has widened since 2021. Price levels on the Nordic power exchange for Finland, Sweden, Denmark, Norway, Estonia, Latvia and Lithuania ("**Nord Pool Spot**"), and Poland have a direct impact on the revenues and profitability of the Group.

The Group is exposed to a high degree of competition in the joint Nordic-Baltic power market. Some of the competitors in the integrated Nordic-Baltic power market have greater financial resources and more extensive operational experience than the Group, which may allow them to respond to challenges and exploit opportunities more quickly or effectively than the Group. Further, some of these competitors are able to generate large volumes of electricity through hydro, solar, nuclear power, low carbon-based methods and wind, at a lower marginal cost than the Group and accordingly, drive down power prices. In the Baltic Sea region there are various renewable development projects in different stages of production which, if realised, all or in part, will have an impact on the regional power market. This increase in renewable projects, when commissioned under optimal weather conditions, may lead to high generation capacities and consequently lower electricity prices as a result of low variable costs of the assets generating renewable electricity. This may lead to higher cannibalisation risk and negative spot prices in the region. Conversely, low generation capacities as a result of unfavourable weather conditions may lead to higher electricity prices. This increased volatility based on weather conditions could have a negative impact on the Group's operations and amplifies the need for increased flexibility. Further, new interconnections can be expected in the Nord Pool region, while the impact of the interconnections will depend upon the size of the interconnections and the regions that the interconnections integrate.

The Group also produces and sells shale oil, and is therefore exposed to price movements in the global oil markets. Although the price of oil is very volatile and the Group has no control over its movements, the Group has partially hedged the sales price of shale oil for 2024, 2025 and 2026, thereby limiting the impact of oil price changes to the Group.

The Group is also subject to risks arising from the regulatory framework applying to the wholesale power market, such as (i) allocation of limited transmission capacity between countries and (ii) availability of hedging opportunities for market participants. For example, there is a structural bottleneck on the border of Estonia and Finland and from time-to-time a bottleneck also emerges on the border of Estonia and Latvia (i.e. the transmission capacity is not sufficient to equalise the power prices between Estonian and Finnish/Latvian bidding areas).

The Group's generation capacity is located in Estonia, Latvia, Lithuania, Poland and Finland. Due to pricing discrepancies between its regions of operations, this may make it more difficult for the Group to manage its electricity price risk, which could negatively impact the Group's results of operations.

To overcome and hedge the price differences between Estonia and its neighbouring bidding areas, auctions of financial transmission rights ("**FTRs**") have been held on a periodic basis since 2014 by the Estonian and Latvian transmission system operators ("**TSOs**") on the bidding zone border between Estonia and Latvia. The FTRs provide the Group with a possibility to hedge any spot power price risk between the Estonian and Latvian price areas of the Nord Pool region. On 28 May 2021, regulatory authorities of Estonia and Finland agreed that there is lack of hedging instruments in the region and to provide market participants with sufficient hedging opportunities TSOs of Estonia and Finland must introduce FTRs on the bidding zone border between Finland and Estonia. At the end of 2022, Elering and Fingrid introduced the first Finnish-Estonian FTR auction for 2023 with a capacity of 350 MW. Monthly auctions were also introduced, which take place around two weeks before the start of each month. These instruments enable Baltic market participants to hedge cross-border risks by packaging the FTRs along with Finnish power futures and forward contracts in the financial markets.

Any adverse change in the relevant regulatory framework could further limit the Group's ability to effectively develop its supply business in Latvia and Lithuania which could have an adverse effect on the Group's business and financial position.

The Group is also subject to other developments in the regulatory framework and structure of the wider European power market. Amidst high power prices from the second half of 2021, a number of European governments intervened in the European power market aiming to keep power prices under control for consumers in relevant states. Such interference from governments may have unanticipated and material consequences to the current set-up of the power market and its participants, including the Issuer, particularly as the extent of such government intervention in the future is not known. Universal service was also introduced in Estonia by which Enefit Power is under an obligation to sell electricity to all electricity sellers active in Estonia for resale to certain customer groups at regulated prices. 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 €9.1 million at the end of 2023. For further information, see "*Regulation - Universal Service Obligation*". For the ongoing legal proceedings in relation to the price of universal service, see "*Description of the Group – Litigation*".

Risks relating to competition and unbundling

The Group is subject to Estonian and EU competition and antitrust laws, which are administered by the Estonian Competition Authority ("**ECA**") and the European Commission, respectively. The ECA may declare that the Group is dominant in certain markets, which may lead to Estonian and/or EU competition enquiries. In the past, the Group has been deemed to have a dominant position upon sale of oil shale and electricity retail sales in Estonia. As such, the Group could be limited in its M&A activities and is at a higher risk of claims from other market participants because it is a vertically integrated energy utility. No assurance can be given that changes in competition or other law affecting the Group or changes in the application of these laws might not require the Group to restructure. The Group may also be required to sell one or more of its business units or subsidiaries or be otherwise restructured as a result of a change in policy or decisions of the Group's sole shareholder. In those circumstances, the Group may not be able to effect a sale on the best commercial terms and/or on terms that are in the best interests of Holders. Any such unbundling may also have a material adverse effect on the Group's business and financial condition.

The Group faces risks associated with entering new business areas and investments

The Group has targeted various investments in the past and intends to continue this strategy. However, growth through acquisitions and investments in strategic projects entails risks inherent in identifying suitable opportunities and assessing the value, strengths and weaknesses of the acquisition or investment targets. There are also challenges in managing the increased scope, geographic diversity and complexity of the expanded operations and integrating the acquired businesses into the Group's operations. Assumptions made by the Group when deciding to acquire or invest in certain businesses may not materialise.

The Group conducts due diligence by evaluating a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with a new project or make a new investment. Whilst the Group seeks to minimise risk through due diligence, the Group can only rely on resources available to it at the time, including information provided by the target of the investment, where relevant, and, in some circumstances, third party investigations. In some cases, information cannot be verified by reference to the underlying sources. As a result, prior to acquisition by the Group, target companies may have incurred contractual, financial, regulatory, environmental or other obligations and liabilities that may impact the Group in the future and that are not adequately reflected in the historical financial statements of such companies or otherwise known to the Group or discovered by it during the due diligence process or with respect to which the Group does not have adequate indemnities from the seller. Any failure by the Group to identify relevant facts through the due diligence process may cause it to make sub-optimal business decisions and may expose it to significant liabilities which the Group may not have been aware of.

Furthermore, the Group's ability to complete acquisitions will depend on, and may be limited by, the availability of suitable acquisition targets and restrictions contained in the Group's debt instruments and other existing and future financing arrangements. The Group's ability to complete acquisitions may also be limited by its ability to secure financing for such acquisitions as well as by regulatory constraints within the countries in which the Group operates due to anti-trust laws or political decisions.

The integration of acquired assets, companies or businesses and their operations, technologies and employees, may expose the Group to operating difficulties and expenditures associated with the retention of key employees, legal contingencies and risks related to the acquired business, and the maintenance and integration of procedures, controls and quality standards. Such growth may also significantly increase costs, including the cost of compliance arising from exposure to additional activities and jurisdictions. As a result of these or other factors, the Group may not be able to achieve the anticipated benefits from any acquisition or investment.

Further, the Group cannot provide assurance that any future acquisitions will be successfully identified and completed or that, if acquisitions are completed, the acquired companies will generate sufficient revenue to offset the associated costs or other harmful effects on the Group's business. Strategic acquisitions and investments could also divert management's time and focus from operating the Group's business. The financing of acquisitions or investments in other companies may require the Group to use a substantial portion of its available cash or raise debt, which would increase the Group's interest expense and impact its financial results. Moreover, acquisitions may result in write-offs and restructuring charges as well as the creation of goodwill and other intangible assets that are subject to an impairment test, which could result in future impairment charges.

If the Group is not successful in meeting the challenges associated with any significant investments which it may make, or in managing its growth successfully, this could have a material and adverse effect on the Group's business, results of operations or financial condition. Such a situation could materially and adversely affect the Group's operations, performance, financial condition and prospects, and consequently the Issuer's ability to make payments under the Securities and the value of the Securities.

The Group's existing involvement in the renewable energy sector could expose the Issuer to risks relating to changes in Government support programmes for renewables

Although the Group's latest renewable energy investments have been based on PPAs, in the past, the Group's activities were to a significant extent dependent on incentive-based public policies in the countries in which the Group operates, which aimed to promote the production and sale of energy from renewable resources. These policies and mechanisms typically have enhanced the commercial and financial viability of renewable energy installations for a certain period e.g. for 12 or 15 years. Changes in the regulatory environment and the government subsidies for renewable energy production could distort supply and demand based prices, reduce the profitability of projects, or otherwise have a material adverse effect on the Group's business, financial condition, results of operations or prospects. The diminishing importance of various Government support programmes for renewables may increase the Group's exposure to commercial price risks.

The continuing availability of subsidy programmes for the Group's operations depends on political and policy developments relating to environmental concerns in a given country or region, which can be affected by a wide range of factors, including macroeconomic conditions in the relevant country or region, fiscal conditions, changes in governments and lobbying efforts by various affected stakeholders (including the renewable energy industry), other producers and consumers of electricity, environmental groups, agricultural businesses and others.

Government subsidies for renewable energy production constitute state aid, the grant of which is subject to European Union state aid rules. Should any such aid be given in breach of the European Union state aid rules, recipients of such aid, including the Group, may face withdrawal of such subsidies and claims for repayment of renewable energy subsidies received (plus interest).

Any reversal of, or unfavourable changes to, such governmental incentive policies or interpretive ambiguities and uncertainties around their implementation could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

In addition, while the Group benefits from certain subsidy programmes, a substantial proportion of the electricity produced by the Group is sold to the market. Consequently, any long-lasting decline in electricity prices could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The main Government support programme having an effect on the Group's revenues is the Feed-in-Premium ("**FiP**") support scheme, which is currently applicable to some of the Group's renewable energy generation in Estonia and provides for fixed premiums on wholesale market power prices for a specified period of time.

There is also a Contract for Difference ("**CfD**") scheme, applicable to the Group's operations in Poland, which provides financial support for projects that are successful as part of an auction scheme. The support takes the form of a premium on top of the market price for electricity payable to a project owner, provided that, in the coming years, the market price for electricity is below that of the successful bidding price submitted at auction.

Over time, the relevance of such programmes has decreased, as subsidies are paid for a specified time following the commencement of operations, with some of the Group's existing renewable energy assets having already fallen away from such schemes due to the expiry of the subsidy period. The estimated share of renewable electricity generation covered by the FiP subsidy scheme in relation to total renewable electricity generation is expected to decline from 23 per cent. (or 502 GWh) in 2024 to 2 per cent. (or 75 GWh) in 2028. The estimated share of renewable electricity generation covered by CfD subsidy scheme is expected to be approximately 1 per cent. of expected total renewable electricity production over the 2024 – 2028 period.

The Group's most recent major investment decisions on renewable asset developments have been made without any state offered subsidies and were instead made through applying the PPA structure. On average approximately 47 per cent. of expected renewable energy production is covered by PPAs in the 2024 – 2028 period. In the future, the Group will engage in projects involving state subsidies as well as

PPAs in circumstances where state offered subsidies are not sufficient, non-existent, or offer a lower return than market-based PPAs. As of the date of this Prospectus, the Estonian Government has not agreed on the proposed support mechanisms for offshore wind farm development. Any unfavourable support mechanisms and lack of appetite for Baltics region PPAs may affect the Group's future investment decisions, including offshore wind farm development.

Risk of strikes or labour disruptions at the Group's facilities

A number of the Group's employees are represented by labour unions. Since the Group's foundation, it has experienced strikes, the most recent strike occurring in 2017. Any strikes, threat of strikes or other resistance or work stoppages in the future, particularly those affecting the Group's facilities in Estonia, could significantly disrupt the Group's operations and impair its ability to improve production efficiencies, and could therefore have a material adverse effect on the Group's business and financial condition.

The Group is exposed to risks relating to the supply of natural resources

The Group's operations depend on a consistent and commercially adequate supply of raw materials and fuels, including woodchips, municipal waste, natural gas and other fuels used in operations. The market price for these commodities may fluctuate widely beyond the Group's control. Relationships with suppliers are also very important. There is a risk that supplies may not be available, or may only be available on unfavourable terms that would adversely affect the Group's profitability, which could adversely affect the Group's business and financial position.

The Group's business also depends on a substantial and consistent supply of oil shale for the production of the majority of its electricity and shale oil and any interruption to, or decrease in, the supply of oil shale may negatively impact the Group's operations. The Group's oil shale resource comes from mining activities owned by the Group in Estonia pursuant to licences granted by the Estonian Government. The Group estimates its reserve in the currently operational Estonia underground mine and Narva opencast mine to be around 104 million tonnes (compared to annual mining of around 6 to 8 million tonnes (for circa 15 years)). The Group also has a permit to mine oil shale in the Uus-Kiviõli underground mine, where the Group has commenced some initial activities and the resource amounts to an estimated 138.5 million tonnes (which represents an additional circa 14 years of reserves according to current annual mining volumes). The Group may not be able to initiate mining operations in new reserves within the required regulatory timeframes, which could lead to the annulment of the mining permit. Such delays or losses could adversely affect the Group's future production and profitability.

The Group is actively engaged in mine and infrastructure planning operations. The initiation of mine opening and subsequent mining operations is anticipated to coincide with the point at which the current mines are no longer able to meet the necessary oil shale production capacity. The process of opening a mine and scaling up to full production capacity is projected to span approximately 5 to 7 years. Estonia has a national limit on the amount of oil shale that may be mined annually which currently stands at 20 million tonnes of geological oil shale resource. Further details of the Group's mining activities are set out in section "*Description of the Group – Mining*" on pages 92 to 93 of this Prospectus.

There can be also no certainty that, even if the total extraction limit remains at 20 million tonnes per annum, the Group's right to mine oil shale will not be curtailed for some other reason. Any inability of the Group to mine sufficient quantities of oil shale (as a result of technical, geological licence or allocation issues or otherwise) could have a material adverse effect on the Group's business and financial position.

The Group's oil shale reserves and resources are based on the best information available at the time of estimation and certain assumptions. Actual reserves, resources, life of mines and future production profiles may vary from the Group's estimated data, and the variations may be material, for numerous reasons, including, for example, geological irregularities and inconsistent depth and accessibility. The consequences of such variations may include lower production, reserves and resources than expected or the need for impairment write downs and may therefore materially adversely affect the Group's business and financial position. Any differences in the estimated and actual quantity of oil shale reserves and resources could adversely affect the Group's business and financial position.

Furthermore, the Group's mining operations depend upon obtaining deliveries of specialist explosives on a timely basis and the Group relies on one third party supplier, Orica Eesti OÜ, of which the Group is a minority shareholder, for the supply of all its specialist explosives for its mining operations in Estonia. Although the Group has a long-term supply contract with Orica Eesti OÜ, any significant shortages or disruption in the supply of explosives by Orica Eesti OÜ could disrupt the Group's mining operations which could in turn disrupt the Group's other operations in the production of electricity and liquid fuels from oil shale and could have a material adverse effect on the Group's business and financial position until the Group is able to source the specialist explosives it requires from other sources.

Seasonality, climate conditions, terrorism, natural disasters and insurance related risks

Seasonality and weather fluctuations, as well as long-term shifts in climate, affect demand for the Group's products, such as power and heat. Higher demand for power and heat is typically experienced from October to March, and lower demand from April to September. Periods of unseasonably warm weather during the autumn and winter months typically reduce demand below anticipated levels. Long-term shifts in climate conditions may result in more permanent changes in demand for the Group's products. Adverse weather conditions can also affect the Group's equipment and power networks.

From 2020, the emergence of solar panels for households, and also the addition of larger scale solar parks to the market, has shifted the traditional market price dynamics. In the case of favourable weather conditions (sunshine, wind), the peak hour electricity prices can be lower than off-peak hour prices, as weather conditions favour power production from renewable resources with low variable costs.

Further, Nordic hydro reservoir levels significantly impact the price of electricity in the Nord Pool region, as periods with excess hydro levels such as 2020, suppress power prices in the whole Nord Pool region, including the Baltics. On the other hand, periods with below average Nordic hydro reservoir levels, such as the second half of 2021 raise power prices, favouring the Group's power generation assets. The average level of hydro resources in the Nordic hydropower reservoirs in 2023 was 57.9 per cent. of the maximum, which is 3.1 percentage points higher than in 2022 and 3.9 percentage points below the historical median.

In addition, the Group's business is vulnerable to acts of terrorism and natural disasters, such as storms (that may result in power outages), fire and flooding. This in particular affects the Group's mining operations, generating units and the distribution network. Such situations may result in the Group being liable for repair and maintenance costs, damages and fines, all of which may undermine the Group's financial position. These events may also affect third parties whose operations have a material influence on the Group, for example, the transmission and distribution system operators in the countries where the Group operates.

Moreover, adequate insurance cover might not be available, either as a result of the lack of relevant insurance or excessive costs (in particular with respect to the risk of terrorist attacks and similar occurrences) and any insurance proceeds received may be inadequate to cover all liabilities incurred, lost revenue or increased expenses. These risks could have a material adverse effect on the Group's business and financial position. Further details of the Group's insurance cover are set out in section "*Description of the Group – Insurance*" on page 107 of this Prospectus.

Risks associated with capital intensity

The Group operates in a capital intensive industry and its assets will require substantial maintenance investments going forward, including in mining, generation, shale oil production, maintaining a distribution network and compliance costs with respect to environmental laws. Also, the Group's strategic plan related to (i) transitioning towards the chemical industry based upon recycling, plastics and circular economy; and (ii) the expansion of the renewable asset base, need substantial amounts of capital. Further details on the Group's capital expenditure policy, financing and recent and planned investments are set out in "*Description of the Group –Investments*" and "*Description of the Group – Financing*" on pages 101 to 103 of this Prospectus.

The Group may also commit to certain new investments. Some of the investments which the Group may commit to are described in more detail in "*Description of the Group – Investments*" on pages 101 to 102 of this Prospectus. If the Group decided to proceed with any of these or other new investments, new funding may have to be secured.

The Estonian Government as the sole shareholder has previously made equity contributions to the Issuer, however, there can be no assurance that the Estonian Government will provide any further equity injections or other financial support for financing the Group's possible new future investments or the Group's maintenance investments for existing assets. There is also no certainty regarding other equity raising opportunities. In the event of non-availability of any financial support, there is a risk that the Group's investment plans and the requirements arising from operating within a capital intensive industry could disproportionately increase the Group's debt, resulting in a breach of financial covenants and/or affect the Group's overall liquidity position. All of the above could have a material adverse effect on the Group's business, results of operation and financial condition.

The Group is exposed to liquidity risk

Liquidity risk is the risk that the Group is unable to maintain a sufficient reserve of cash and other liquid financial assets that can be used to meet its payment obligations as they fall due. Managing liquidity risk is particularly important in the current economic environment where the financial markets are volatile and the availability of capital is uncertain. The availability of liquidity for business activities and the ability to access long-term financing are necessary to enable the Group to meet its payment obligations in cash, whether scheduled or unscheduled. This is particularly relevant in the context of the Group's ongoing capital expenditure requirements and in the context of its hedging activities, whereby large margin calls may become payable due to sudden movements in commodity prices. The Group's ability to access liquidity during periods of liquidity stress may also be constrained as a result of current and future market conditions. Although the Group monitors its liquidity position and follows procedures to manage liquidity risk, a reduction in the Group's liquidity position may have a material adverse effect on its business and financial position.

Foreign exchange risk

The Group has exposure to changes in the U.S. dollar and the Polish zloty exchange rate. The U.S. dollar exposure derives largely from the Group's oil sales, which are predominantly U.S. dollar denominated and through past investments in assets in the U.S. and Jordan which at the moment are in a passive state (i.e. the Group's U.S. assets and Jordan oil shale based liquid fuel production project) or where the Group has divested its ownership to 10.0 per cent. (i.e. the Group's Jordan oil shale based power plant project). The Polish zloty exposure comes from the Group's supply business and renewable assets in Poland. In 2023, the Group reported a foreign exchange profit of €4.5 million. The Group's foreign exchange exposures are not hedged and therefore could adversely affect the Group's business and financial position.

Risks associated with macroeconomic and geopolitical trends

A large part of the Group's production facilities are based in Estonia but its business and financial results are increasingly exposed to macroeconomic developments in a wider region, including the Baltic and Nordic countries. Macroeconomic trends in these countries have a significant impact on the Group's business and financial position and any negative macroeconomic trends could have a material adverse effect on the Group's business and financial position.

The Group's business is influenced by electricity prices on the Nordic markets; by the price of CO_2 allowances; and by the price of certain global commodities such as oil, fuel oil and metals. All of these prices are affected by supply and demand constraints in the relevant markets and global macroeconomic trends. In addition, some cost components in the Group such as payroll and maintenance expenses are subject to the inflation and rising interest rates in the wider region, however these components cannot be hedged.

Member States of the EU ("**EU Member States**") and public finances in Europe face many challenges, including those related to demographic and political trends, including the Russia-Ukraine conflict (see "*Risks connected with the Russia-Ukraine conflict"*). All of the foregoing developments may have a material adverse effect on the Group's financial condition and results of operations. Further details of the Group's exposure to Russia and Belarus and certain suppliers providing technical maintenance for oil shale based power units in Russia and Belarus are set out in section "*Description of the Group – Exposure to Russia and Belarus*" on page 90 of this Prospectus.

Risks connected with the Russia-Ukraine conflict and other international conflicts

On 23 February 2022, Russia invaded Ukraine. There is currently no certainty on when the war will end. The United States, the EU, the United Kingdom, Japan, Australia and various other countries have implemented substantial economic sanctions against Russia, which are expected to have substantial impacts on energy prices, energy supply, and potentially the functioning of the banking system in Europe. These effects, in turn, may lead to changes in economic or regulatory policy. While it is difficult to anticipate the overall and full impact that the sanctions and controls announced to date may have on the Group, these and any further measures or actions taken by any governments, as well as any measures taken by the governments of Russia or other countries in response (such as restrictions in the supply of crude oil and gas to countries in the region and the EU), could adversely impact macroeconomic conditions, give rise to regional instability, increase the Group's and its customers' costs, and disrupt its supplies, which could have a material adverse effect on the Group's business, results of operation and financial condition. Further details of the Group's exposure to Russia relating to certain suppliers providing technical maintenance for oil shale-based power units in Russia are set out in section "*Description of the Group – Exposure to Russia and Belarus*" on page 90 of this Prospectus.

In addition, the Issuer operates within the energy sector, which is inherently exposed to various geopolitical risks, including international conflicts that can potentially affect the supply and price volatility of energy commodities. The Issuer may face disruptions in its operations and supply chains due to regional tensions or broader international disputes. Such conflicts could lead to adverse effects on the Issuer's financial performance, access to capital markets, and the overall stability of the energy market in which it operates.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering and counter-terrorism financing, economic and trade sanctions, could expose the Group to legal liability and negatively affect its reputation and business, financial condition, results of operations and prospects.

The Group is subject to compliance risks with respect to applicable laws and regulations concerning anticorruption and anti-bribery, counter-terrorism financing and anti-money laundering, economic and trade sanctions. Non-compliance with any such laws and regulations could expose the Group to investigations, criminal and/or civil liability, in particular the breach of financing agreements, and substantial fines, the occurrence of any of which would have a material adverse effect on the Group's reputation, business, financial condition, results of operations and prospects. Although the Group has no revenues or assets in Russia or Belarus and has implemented policies with respect to such matters, there can be no assurance that such policies will always be effective or prevent the Group from being exposed to violations of such laws and regulations. In particular, U.S., UK, European and other international economic or financial sanctions are often broad in scope and have in the past been imposed on companies engaging in certain types of transactions with specified countries, companies or individuals. Neither the Group nor any of its affiliates is currently the target of any economic or financial sanctions administered by the United States, the United Kingdom, the European Union, or any other sanctions authority. In the United States, the U.S. Department of Treasury’s Office of Foreign Assets Control of the U.S. Department of Treasury ("**OFAC**") administers economic and financial sanctions. Certain of OFAC's regulations restrict the ability of U.S. persons to invest in, or otherwise engage in business with, directly or indirectly, certain individuals, entities, regions, and countries (together, "**U.S. Sanctions Targets**"). As the Group is not a U.S. Sanctions Target, OFAC regulations do not prohibit U.S. persons from investing in, or otherwise engaging in business with the Group. However, investors investing in the Group may incur the risk of indirect contact with Sanctions Targets to the extent that the Group, directly or indirectly, engages in business with, or operations in, Sanctions Targets.

The war in Ukraine has led to an unprecedented expansion of sanction programs by the United States, the European Union and the United Kingdom, among others, against Russia, Belarus, the Crimea Region of Ukraine as well as other non-government-controlled areas of Ukraine, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic. These broad-sweeping sanctions included, inter alia, blocking sanctions against state owned and private Russian financial institutions (and their subsequent removal from the Society for Worldwide Interbank Financial Telecommunication payment system) and certain Russian businesses in addition to blocking sanctions against Russian and Belarusian individuals and of Russia's foreign currency reserves.

As outlined above, the Group is compliant with applicable sanctions, and is operating in accordance with such regulations. The Group has investigation processes for the implementation of corrective and disciplinary actions and the Group has in place comprehensive screening mechanisms to help reduce overall risk on the organisation. Targeted sanctions screening processes are initiated when there is a specific reason to believe that a business partner may be affected by sanctions. Subsequent to the imposition of new sanctions, such as those recently introduced in response to the conflict in Ukraine, the risk management department within the Group conducts a thorough assessment. The objective of this evaluation is to ascertain whether the newly enacted sanctions have any implications for the existing business relationships or operations of the Group. This proactive measure ensures compliance with the evolving international regulatory landscape and mitigates potential risks associated with sanctioned entities. However, failure to detect such issues may result in a violation of the applicable sanctions laws, which could in turn have an adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is subject to local community or individual complaints

The Group is subject to potential complaints by communities in the locality of the Group's sites, which may lead to individuals or groups taking legal action against the Group in relation to physical damage that has been caused to their property or interference with the enjoyment of their property.

Relations with local communities are especially important for the Group in getting permission to locate its wind farms, oil production facilities, new mines or other facilities at specific sites. The potential consequences of a complaint or third party claim could be: the payment of substantial damages for personal injury; damage to property or interference with the enjoyment of property rights; the loss of a regulatory permit or other regulatory enforcement action; and/or the imposition of fines or obligations to investigate and clean up/remediate environmental pollution or contamination. Each of these potential consequences could have a material adverse effect on the Group's business and financial position.

RISK FACTORS RELATED TO THE GROUP'S OPERATIONS

The Group is exposed to technology related risk

The Group's business is heavily reliant on conversion technology; in particular, its Enefit280 pyrolysis technology, which forms the core of the shale oil operations near Narva. Specifically, the Enefit280 technology is applied in the Group's newest oil production unit commissioned in 2012 and a further Enefit280 production unit is currently under construction. The first oil produced with the Enefit280 technology was at the end of 2012, with this Enefit280 oil production unit reaching stable operations 1.5 years later in H1 2014, and exceeding its designed performance parameters in 2019. Enefit280 technology remains the foundational basis for the Group's future oil production development and transition from liquid fuels production to the chemical industry based on oil shale, recycling plastics and other circular economy feedstocks. The Group's newest oil shale and biomass fired CFB power production unit Auvere (the "**Auvere Power Plant**") with a total gross capacity of 300MW was subject to various mechanical and technological challenges which resulted in it not achieving its designed performance parameters for an extended period. The Auvere Power Plant was scheduled to be commissioned by the end of 2015, however several delays occurred and the Group only took over the operation of the plant in August 2018. During the two year contractual warranty and reliability period of the Auvere Power Plant, the unit saw availability metrics below contracted levels as a result of which the Group and the constructor of the plant, General Electric, reached a compromise in September 2021 resulting in compensation for the Group of around €30.0 million. Mechanical and technological changes have been implemented in production units to improve the reliability of the equipment. In 2023, an emergency pumping station was built on the cooling water canal which provides the necessary cooling water for the dispatchable generating units at Auvere Power Plant even if the water level in the Narva river drops. The project significantly increased Estonia's energy security. As the Group continues to make improvements to its existing generation units, mainly related to oil shale generation units, there is the risk of unknown consequences of the improvements which may result in unforeseen outcomes. Any of these risks could have a material adverse effect on the Group's business and financial position.

The Group is currently in the process of constructing an additional Enefit280 production unit based on the same technology as the first unit that was commissioned in 2012. The Group believes it has made necessary adjustments to achieve the level of designed production parameters straight from the commissioning as the current production unit under construction has been improved with the knowledge from operating the unit that was commissioned in 2012. However, no assurance can be given that the necessary adjustments will materialise, and the level of designed production parameters will be achieved. Furthermore, the development of offshore wind farms by the Group involves a complex interplay of advanced technologies and engineering practices.

The Group's ability to remain efficient, to develop and adapt to new technology, to seek profitable renewable energy and other low-carbon energy solutions, are key success factors for the future of its business. The Group's risk mitigation process involves testing its technology to accept feedstocks other than oil shale via lab-tests and bench-scale tests, followed by industrial tests. There is the possibility that the Group may not be able to implement the necessary changes due to any deficiencies that may arise in its existing capabilities or as a result of external competition or should the costs of implementing new technologies be underestimated. Any of these factors may have a material adverse effect on the Group's profitability, ability to remain competitive and the achievement by the Group of its future business goals.

Ageing distribution infrastructure, production facilities and technology related risks

Despite periodic modernisation works, the use of the Group's distribution network, production facilities and technology for extended periods means that investment in maintenance, repair and, in some instances, replacement is required.

The Group's distribution network has been, and is likely to continue to be, subject to interruptions caused by extreme weather and possible faults due to ageing network equipment. For example, around 30.0 per cent. of the Group's overhead lines, 12.0 per cent. of the underground cables and around 19.0 per cent. of the distribution network's substations are more than 40 years old, which exposes the Group to a heightened risk of failure or non-compliance with safety legislation. The level of investment in the distribution network was at lower than optimal levels over long periods in the past. As a consequence of the age of a large part of the distribution network, the level of investment required each year increases steadily, as do maintenance and repair costs. In order to improve the reliability of the network around 3.0 per cent. of the network needs to be replaced each year. Further investment in the distribution network is also required to reduce electricity losses during distribution. If such investment is not undertaken, there is a risk that electricity losses from distribution as well as maintenance and repair costs could materially increase, which could have an adverse effect on the Group's business and financial position.

In addition, the Group's older power generation units with desulphurisation plants in Narva have been in operation for more than 40 years and some elements in these units are nearing the end of their physical life cycles. While specific steel quality testing and control procedures are in place, there can be no assurance that there will be no incidents which affect the availability of these production units. The Group’s power generation units have not been designed or constructed for today’s volatile power markets where the output of the power plants needs to be quickly increased or decreased depending on market prices. Some of the Group’s assets, especially the older less efficient units, may be shut down for shorter or longer periods in time. It is not known how such temporary closures or ramping up and down of the power units may affect them, although the Group has managed to introduce the required flexibility to the assets with evidence from 2022 and 2023 that the achievement of the required power generation is possible. However, there is a risk of unplanned shut-downs . Any incidents relating to the Group’s infrastructure, production facilities and technology could also pose a risk to the environment and cause the Group to breach the terms of permits or licences that it has been granted. Any such incident could have a material adverse effect on the Group’s business and financial position.

In addition, the Group’s aim is to help realise the growing demand for adding new solar production capacities and keep in line with market trends. The capacity to add solar to the DSO network is also limited and depends upon the network’s technical parameters in any given substation. The addition of solar capacities changes the operations of the network and therefore poses a risk as some connections points and substations would need reinforcement and/or updating. The addition of solar capacities in the DSO network requires additional investments, for which the Group has requested a subsidy from the Government. If such investment aid is not granted and the network is not upgraded to accommodate more solar capacities, this could result in an adverse effect on the Group’s reputation.

Furthermore, as renewable energy installations, including wind energy facilities, age, their operational efficiency and reliability can decline, leading to increased maintenance costs and potential disruptions in energy production. This deterioration can have a direct impact on the financial performance of the Group.

The Group is also required to obtain compliance certificates for its electrical installations, but it has not always done so and is in the process of rectifying this situation. The failure to comply with technical or other standards relating, for example, to service levels set out in the law or by regulatory authorities may result in the reduction of regulated service charges or significant liability, fines or administrative penalties, including remedial action being required which could take investment away from other projects, or disrupt the affected parts of the infrastructure. Lapses in compliance with administrative obligations could also lead to fines and/or third-party claims against the Group for accidents or failures and outages that could result in significant damages, penalties and/or negative publicity. The Group has informed the Estonian Technical Surveillance Authority of the lapses in compliance with respect to the distribution system operator’s power lines and this has resulted in an agreed action plan with the Estonian Technical Surveillance Authority for remedying the situation by 2030.

The Group may have to recognise impairment charges

The Group determines, as required, whether there are any indications of impairment to the carrying values of the Group’s property, plant and equipment, as well as its intangible assets. If the circumstances indicate that the net book value has fallen below the carrying value and therefore may not be recoverable, an impairment loss could be recognised.

The Group carries out annual impairment tests on its power units, specifically its wind farms and power plants. As a result of the declining competitiveness of oil shale-fired generating units, the Group was forced to write down the value of these power plants. Regardless of the otherwise good business results in 2023, €628.4 million impairment losses for oil shale power plants brought the Group a loss for the year 2023 of €422.1 million and an adjusted net loss for the year 2023 of €375.8 million. In the current electricity market price environment, oil shale power plants are unable to recover their costs from the market. When carrying out impairment tests, the Group uses various estimates for the cash flows arising from the use of the assets, sales, maintenance, and repairs of assets, as well as estimates for inflation and growth rates. The estimates are based on forecasts of the general economic environment, consumption, emissions allowances, and the sales price of electricity. If the situation changes in the future, either additional impairment could be recognised, or previously recognised impairment could be partially or wholly reversed. Any recognition of impairment charges could have a material adverse effect on the profits of the group.

Risks associated with the Issuer's state ownership

The sole shareholder of the Issuer is the Republic of Estonia acting through the Ministry of Finance and its representatives in the Supervisory Board are elected by the Minister of Finance as the representative of the sole shareholder. The Group's primary businesses are of strategic national importance to Estonia and the Estonian Government, in particular the generation and distribution of electricity and mining of oil shale. However, neither the Group nor the Group's liabilities are guaranteed by the Republic of Estonia and there is no assurance that any financial or other support would be provided in the event of any financial difficulties experienced by the Group, including, with respect to any payment of principal or interest on the Securities. The Ministry of Finance as shareholder has approved a document entitled "*Owner's expectations to Eesti Energia*" and dated 25 August 2022 setting out its expectations including strategic and financial objectives for the Group. Currently, the Estonian Government allows the Group to be independent and to manage its activities in a manner consistent with its business strategy and in line with the Estonian Government's expectations for the Group. However, there is a risk that the shareholder's expectations referred to above may change or the Estonian Government may otherwise intervene in the conduct of the Group's business and if there was such a change or intervention, the Group may not receive fair and adequate compensation from the Estonian Government, which could have a material adverse effect on the Group's business and financial position. There is also a risk that a larger than normal dividend could be requested by the Estonian Government as sole shareholder, which, if paid, could negatively impact the capital requirements of the Group. In addition, there is a risk that the Estonian Government could implement a separation of certain of the Group's business lines. See "*Risk factors - Risks relating to competition and unbundling*" for further detail.

Additionally, the Minister of Finance of Estonia has initiated a special audit to be carried out in relation to the Issuer. The special audit will cover the period from 1 January 2020 to 31 December 2023 and will be carried out during 2024. See "*Description of the Group – Litigation*" on pages 107 to 109 of this Prospectus. The special audit could uncover regulatory or financial discrepancies that may adversely affect the Issuer's financial condition and operations and could affect the Issuer's ability to meet its obligations under the Securities.

The Group is exposed to counterparty risk

In conducting its business, the Group, like any other business, faces counterparty risk. Counterparty risk may result in financial losses (including, but not limited to, money receivable under the Group's hedging arrangements, funds deposited at banks, partners in long term construction projects, partners of bilateral power purchase contracts and revenues to be received from customers). Although the Group monitors its counterparty risks and has risk management policies that include the management of these risks, there is a possibility that if these risks are realised, they may adversely impact the Group's business and financial position.

Failure to attract and retain key personnel could have an effect on the Group

Any limitations placed on the Group's ability to recruit and retain a skilled and experienced management team and operating staff may affect the Group's capability to implement its business strategy successfully. In particular, the Group relies on certain key employees who have specific experience, technical know-how and skills in respect of technological development, shale oil production and electricity generation. However, the Group is trying to reduce its reliance on such employees by documenting know-how, amongst other methods. In an increasingly competitive environment, there is an increased risk of losing staff to competitors, who may be willing and able to pay higher salaries. The failure to attract and retain key personnel could have an adverse effect on the Group's business and financial position.

Risks connected with pandemics

The economies of the countries in which the Group operates have been negatively affected by the COVID-19 pandemic and might, in the future, be negatively affected by any other outbreak of any contagious disease. The Issuer can provide no assurance on the further and continuous spread of COVID-19 or any other contagious diseases in areas in which Group operates or as to what the related impact on its business may be.

The potential impacts of any contagious disease which may result in a global, regional or other economic recession, are uncertain and difficult to assess. The Group cannot give any assurance that any contagious disease or pandemic will not arise in the future. Any such event, and any response of any government or society to any potential pandemic, may have a material adverse effect on the business, cash-flows, results of operations and financial condition of the Issuer or any other members of the Group.

Risks associated with the Group's IT systems and cyber attacks

As the Group's operations involve the use of complex and advanced IT systems in many business areas, to an extent typical of similar corporate organisations, there is a range of risk factors associated with the operation of IT systems on a corporate scale. The IT systems used by the Issuer and the Group are protected in line with global Information and Communications Technology security best practices. However, no assurance can be given that the IT systems will at all times operate properly and the risks related to their security cannot be fully eliminated. Such risks stem from potential incidents threatening the continuity of operation of IT systems and the confidentiality, availability or integrity of data processed in the IT systems, and are related mainly to potential system failures.

Incidents in the energy sector and other similar industries have shown that parties who are able to circumvent barriers aimed at securing industrial control systems are capable and willing to perform attacks or be subject to various frauds that destroy, disrupt or otherwise compromise operations. Although the Group has security barriers, policies and risk management processes in place that are designed to protect its information systems and digital infrastructure against a range of cyber security threats, there can be no assurance that such attacks will not occur, and any such attacks may have an adverse impact on the Group's operations. Any materialisation of the risks described above may have a material adverse effect on the Issuer's and the Group's operations, financial condition and performance and, consequently, on the Issuer's ability to make payments under the Securities and on the value of the Securities.

Risks relating to the availability of government subsidies and State Aid

Certain aspects of the Group's business, including electricity generation from renewable sources and other similar investments, have depended upon price subsidies and other incentives that are highly contingent on the prevailing political and regulatory environment in the EU and the countries where the Group operates.

Subsidies or other arrangements between the Estonian Government and the Issuer from time to time (including any loans, capital or financial contributions that were made other than on arm's length commercial terms, or any mining rights, special tax treatment or otherwise) may be found to constitute non-approved State Aid if these are not approved by the European Commission or are otherwise deemed incompatible with the common market. Receipt of any non-approved State Aid may result in the European Commission requiring the Estonian Government to withdraw such support, seek repayment (including any interest on any aid received prior to any European Commission decision, whether or not the aid is approved), and cease from providing any similar support in the future. The Issuer has limited control over such matters, which relate primarily to actions taken by the Estonian Government and the European Commission.

Some of the Group's investments have been made in part pursuant to its expectation that it will receive subsidies from the states where the renewable energy is produced. In the financial year ended 31 December 2023, the Group received a total of €21.3 million in renewable energy subsidies in the form of FiP and CfD in relation to its wind, solar and co-generation assets in Estonia and solar assets in Poland and in the form of FiT in relation to its wind assets in Lithuania and co-generation assets in Latvia. The FiTs are fixed tariffs that the energy producer receives rather than wholesale market power price plus a premium. The Group expects to continue receiving further such renewable subsidies until the expiry of such subsidies. Government subsidies for renewable energy production constitute state aid, the grant of which is subject to the EU state aid rules. Should any such aid be given in breach of the EU state aid rules, the recipient of such aid, including the Group, may face withdrawal of such subsidies and claims for repayment of renewable energy subsidies received (plus interest). Some of the Group's renewable energy subsidy arrangements are currently experiencing such challenges. In 2021, a major investment decisions on renewable asset developments (with a capacity of nearly 200MW) were made without any state offered subsidies, and were instead made through applying the PPA structure. Looking forward, the Group will engage in projects involving state subsidies and also PPAs in circumstances where state offered subsidies are not sufficient, non-existent or offer a lower return than market-based PPAs.

In addition, the Issuer received an equity injection in the amount of €125.0 million in 2020 from the Estonian Government as the sole shareholder. There is no assurance that any future equity injections by the Estonian Government will not be subject to challenge as unapproved State Aid and as a result, may be subject to State Aid approval and/or repayment (including any interest on any aid received prior to any European Commission decision, whether or not the aid is approved). If an equity injection is paid and is subsequently challenged as unapproved State Aid, the Issuer may be required to repay the equity injection (including any interest on any aid received prior to any European Commission decision, whether or not the aid is approved) and the Estonian Government may be required to cease from providing any similar support in the future. Each of these situations could have a material adverse effect on the Group's business and financial position.

The occurrence of one or more of these aforementioned events could have a material adverse effect on the Group's business and financial position.

The Group's financing agreements may affect how the Group operates, or the Group's ability to operate, its business. In particular, differences in the timing of capital expenditures and the receipt of earnings from projects may adversely impact the Group's ability to comply with its financial covenants

The Group's financing agreements contain, as is customary, representations, events of default and affirmative and negative covenants. The financing agreements with the European Investment Bank ("**EIB**") and sustainability linked syndicated term loan facility (the "**Syndicated Facility**") also require the Group to maintain certain financial covenants, including, among others, net debt to adjusted EBITDA, debt-service coverage and interest coverage ratios. Moreover, sustainability linked financing agreements include non-financial covenants, including, among other things, two environmental, social and governance ("**ESG**") key performance indicators ("**KPI's**") in relation to the carbon intensity of scope 1, 2 and 3 emissions, and the yearly addition of renewable energy generation capacity. The Group's non-financial covenants restrict, among other things, the Group's ability to grant security, dispose of assets, incur certain debt and merge or demerge. The Group's financial and non-financial covenants could affect how the Group operates, or the Group's ability to operate, its business.

To the extent the Group's capital expenditures for any projects require external funding, including the capital expenditures required for the Group's decarbonisation strategy and its transition to carbon neutral operation, the time gap between the incurrence of capital expenditure for the development of a particular project and the Group's receipt of earnings from that project can mean that from time to time the Group may operate close to or in excess of the appliable ratios under the financial covenants included in its financing agreements. Where this is the case, the Group has in the past sought, and (if required) intends to continue in the future to seek, to negotiate waivers or amendments of such covenants with its lenders. For example, the Group has recently agreed amendments to the interest coverage covenant in its EIB financing facilities. Aside from looking to obtain any required waivers or amendments the Group has at its disposal other available tools to ensure compliance with its financial covenants.

In particular, the Syndicated Facility requires the Group to maintain net debt of less than 3.5x adjusted EBITDA and a debt service cover ratio of not less than 1.2:1. Compliance with these covenants is tested semi-annually by reference to the Group's financial statements for the 12-month periods ending on 30 June and 31 December. Factors such as those described in the paragraph above may result in the Group's net debt exceeding the covenanted level, while adjusted EBITDA is not yet fully reflective of the full generation capacity. The Group's net debt to adjusted EBITDA was 3.4x as at 31 December 2023 and was 3.8x as at 31 March 2024. Compliance with the covenant as at 30 June 2024 is expected to be tested on 1 August 2024 following the release of the Group's financial statements for the 6-month period ending 30 June 2024. The Group expects net debt as at 30 June 2024 to have been lower than 3.5x adjusted EBITDA, due primarily to the evolution of adjusted EBTIDA in the first half of 2024 corresponding to the Group's business performance and operations expectations.

The Group's loan agreements provided by the EIB require the Group to maintain net debt of less than 3.5x EBITDA, a ratio of EBITDA to finance charges of at least (i) 3.0x between 1 January 2024 and 31 December 2025, (ii) 4.0x between 1 January 2026 and 31 December 2027 and (iii) 5.0x as of 1 January 2028 and thereafter, and a debt service coverage ratio of no less than 1.2x.

The maintenance by the Issuer of its investment grade rating is a key strategic priority of the Group and it is committed to remaining in compliance with its covenants under its financing agreements as part of this. However, in the circumstances where it is unable to remain in compliance with any covenant under any of its financing agreements, and is unable to negotiate the necessary waiver or amendment with its lenders, if no other actions are available to be taken by the Group at the relevant time in order to remain in compliance with such covenants, a default would occur under the relevant financing agreement.

As is customary, if the Group does not comply with the representations, events of default and covenants in the Group's financing agreements, the Group could be in default under those agreements, and the debt incurred under those agreements, together with accrued interest, could then be declared immediately due and payable. In addition, any default under one or more of the Group's financing agreements could lead to an acceleration of debt under other debt instruments that contain cross-acceleration or cross-default provisions. Consequently, this could have a material adverse effect on the Group's business and financial condition. For further information, please see "*Description of Group – Financing*" on pages 102 to 103 of this Prospectus.

Risks related to a potential downgrade to the Issuer's credit ratings

There is a risk that the Issuer's credit rating could be downgraded. The Issuer currently holds credit ratings from S&P and Moody's BBB- (negative outlook) and Baa3 (positive outlook), respectively). A downgrade could happen for example, if the Estonian Government, as the sole shareholder of the Issuer, were to review its levels of support for the Issuer, or propose material changes to the structure or assets of the Group without necessary changes in the financing structure, or if the relevant rating agency was to determine that this had or was likely to happen. A rating downgrade could also be caused by, amongst other things, weakening financial ratios, more aggressive financial policy or increased business risk of the Group. A material deterioration in the Issuer's credit rating is likely to increase its costs of funding and/or reduce its access to funding, and may lead to the Group having to increase levels of security for hedging contracts which may limit its ability to trade in commodity markets and to implement its hedging strategy. Any adverse change in an applicable credit rating could also adversely affect the trading price of the Securities. Each of these factors could have a material adverse effect on the Group's business and financial position. However, the Issuer's financial policy target is to maintain an investment grade credit rating.

The Group's operations are subject to environmental risk

The Group's facilities, mining and power infrastructure may damage the natural environment, and accidents in or near, or external attacks to, such facilities and infrastructure may have serious consequences. Many of the Group's production processes, raw materials and products are potentially destructive and dangerous in uncontrolled or catastrophic circumstances, such as fires, explosions, accidents or major equipment failures. Any such occurrence could adversely affect the Group's business and financial position, and potentially expose the Group to third party claims and public authority demands pursuant to the Estonian Environmental Liability Act.

In addition, the transportation of oil shale and liquid fuels, the generation and distribution of electricity, the use of heavy equipment and hazardous materials at power plants and landfilling of oil shale ash pose risks to health and safety, the human environment, disruption of business and the reputation and finances of the Group. If any one or more of these risks were to materialise, it could materially adversely impact the Group's business and financial position. Furthermore, the Group's operations include extensive mining activities in Estonia. These activities by their nature are capable of having a significant environmental impact and give rise to various risks, including subsidence and dewatering (dewatering meaning the pumping out of water to lower the level of groundwater to prevent the flooding of mines). These activities subject the Group to potential material risks, including third party claims or reputational damage, and public authority demands pursuant to the Estonian Environmental Liability Act.

Risks related to court and regulatory proceedings

The Group is a party to legal proceedings from time to time, including investigations by regulatory authorities.

The Group's building permit for the construction of the Enefit280 oil plant has been disputed in court by a non-profit organisation, Loodusvõlu MTÜ. In mid-October 2023, the Supreme Court of Estonia annulled the building permit for the Enefit280 oil plant, citing shortcomings in the environmental impact assessment. In the same ruling, the Supreme Court of Estonia 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 2023, the Narva-Jõesuu city government issued new building permits, allowing Enefit Power AS ("**Enefit Power**") to proceed with the construction of the Enefit 280-2 plant. At the beginning of 2024, the Group applied for an environmental complex permit ("**IPPC Permit**") for the Enefit 280-2 oil plant, which will allow the plant to start producing shale oil when completed. As of the date of this Prospectus, the Issuer expects the IPPC Permit to be granted with a time limit up to the end of 2034. There is no assurance that the permit will be granted in a timely manner or at all, or that it will not be subject to conditions, limitations, or challenges that could adversely affect the Group's ability to complete, operate, or expand the project. Any delays, denials, or modifications of the permit could result in increased costs or loss of market opportunities for the Group.

In addition, the Issuer, through its fully owned subsidiary, Attarat Holding OÜ, owns a 10.0 per cent. shareholding in the Jordan power plant project which has an ongoing arbitration proceeding with the Government of Jordan ("**GoJ**") and National Electric Power Company ("**NEPCO**") of Jordan. Both the GoJ and NEPCO are claiming a deduction on the agreed electricity tariff under the signed PPA. As at the date of this Prospectus, it is not possible to estimate with reasonable certainty the impact of such arbitration process.

In addition, Enefit Power is involved in ongoing proceedings with the Estonian Competition Authority, and Eesti Ühistuenergia OÜ has initiated certain legal actions related to the Purtse windfarm, which is operated by Enefit Wind Purtse AS, a subsidiary of Enefit Green AS.

Further details of these disputes are set out in the section "*Description of the Group – Litigation*" on pages 107 to 109 of this Prospectus. There can be no assurance that the Group will not be a party to court and administrative proceedings in the future or that, with respect to its current proceedings, it will not be subject to fines, damages or other penalties which could have a material adverse effect on the Group's business and financial position.

If the Group fails to implement and maintain an effective system of internal controls, it may be unable to accurately or timely report its results of operations.

The Group's internal controls over financial reporting are intended to ensure it maintains accurate records, promotes the accurate and timely reporting of its financial information, maintains adequate control over its assets, and detects unauthorised acquisition, use or disposition of its assets. Effective internal and disclosure controls are necessary for the Group to provide reliable financial reports and to operate successfully as a business. The Group's management is responsible for establishing and maintaining adequate internal controls.

Recently, effective and/or complex accounting standards and interpretations, such as IFRS 9, IFRS 15 and IFRS 16, and the amendments to IFRS 2 and IFRIC 23, have created new and more demanding requirements for financial reporting and disclosures, which require further development of the Group's internal controls. As the Group continues to grow, whether through acquisitions or organic growth, the sophistication of its internal controls and accounting and financial reporting functions will also need to expand in order to ensure its internal controls and financial and reporting procedures are adequate to address the scale and requirements of the Group.

If the Group's financial and reporting procedures and internal controls do not keep pace with the growth in the size and sophistication of its businesses and the applicable financial reporting framework, the Group may not be able to prepare financial information in a timely and accurate manner, whether in accordance with the Conditions or otherwise. This includes the implementation of internal controls by management to ensure that the Group's financial statements are prepared in accordance with IFRS. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS. Internal control over financial reporting includes maintaining records that accurately and fairly reflect in reasonable detail the Group's transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of the financial statements; providing reasonable assurance that receipts and expenditures of the Group's assets are made in accordance with management authorisation; and providing reasonable assurance that unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the Group's financial statements would be prevented or detected on a timely basis. A failure by the Group to implement and maintain effective internal controls could result in material misstatements in its financial statements or failure to prepare interim and/or annual financial information in a timely manner, which may cause a need to restate financial statements or result in a loss of confidence in its reported financial information, which in turn and could have a negative impact on the Group's compliance with the Conditions, access to external financing, and potentially its business and results of operations.

Risks associated with decommissioning liabilities

The Group is required to decommission its mines and related infrastructure and restore surrounding land when a mine's reserves are exhausted or the mining licence expires and mining activities are terminated. The Group is also required to make financial provision for liabilities relating to such decommissioning and restoration. There can be no assurance that current or future provisions are or will be sufficient and additional investments may be required, either as a result of change in applicable law or otherwise. Any significant increase in the actual or estimated decommissioning and restoration costs that the Group incurs may adversely affect its business and financial position.

Risks related to the Group's insurance coverage

The Group insures its operations in accordance with industry practice. However, in certain circumstances, the Group's insurance policies may not be of a nature or level to provide adequate insurance cover. In addition, insurance of all risks associated with the Group's businesses is not always available and where available the costs can be prohibitive and the Group's mining operations, as well as the distribution network and equipment, are not insured for these reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business and financial results of the Group.

Risks related to international investments

While the Group's principal focus is currently on its businesses in the Baltic States, Finland and Poland, as part of its business strategy, the Group has, in the past, sought to market and export its oil shale know-how and thus made relevant investments, including in Jordan (through the Group's associated companies) and the United States where the Group had been seeking to commercialise its oil shale expertise and intellectual property. International business operations in the U.S. and in Jordan relating to oil development are currently in a passive state, but still exist and therefore are still subject to legal, political, and operational risks, including the risk that the projects could be expropriated without adequate compensation. Such legal, political and operational risks, if realised, could have a material adverse effect on the Group's business, results of operation and financial condition. In 2017, the Group reduced its 65.0 per cent. share in the Jordan power project to 10.0 per cent. The Group's 10.0 per cent. share had a value of €74.0 million as at 31 December 2023 with respect to the Attarat Mining Co BV, Attarat Powe Holding Co BV Group and Attarat Operation & Maintenance Co BV. In the Jordan oil project, the Group still holds a 65.0 per cent. share. The United States assets are 100.0 per cent. held by the Group, with a value of €29.0 million as at 31 December 2023. These international investments represented less than 1 per cent. of the Group's total revenues and EBITDA for the financial years ended 31 December 2023 and 31 December 2022.

RISK FACTORS RELATED TO THE REGULATORY AND LEGAL ENVIRONMENT

The Group is exposed to risks associated with extensive and changing regulation

The Group's principal businesses, including oil shale mining, shale oil production, electricity generation, distribution and sale of electricity and shale oil, renewable electricity generation are subject to significant and complex regulations, which materially affect the structure and profitability of such operations. These regulations include those derived from EU regulations relating to health and safety, technical requirements and environmental matters, including the emission of CO_2, SO_2, NO_x and other hazardous substances into the environment. The requirements of such regulations are complex, and compliance represents a significant expense to the Group. Any changes in those requirements that impose higher standards of compliance than the Group currently adheres to could have a material adverse effect on the Group's business and financial position.

Environmental legislation in the EU and the countries where the Group operates is becoming increasingly stringent and uncertainty as to future environmental restrictions increases the risk that the Group's investments become less competitive or not competitive at all. The Group's operations include the production, manufacture, use, storage, disposal, emission, transport and sale of materials that are an unavoidable feature of an integrated energy business, but which may be considered to be contaminants when released into the environment. Preventive or remedial measures in connection with the Group's activities can be costly and such measures may affect the Group's business strategy and decisions.

In terms of health and safety regulation, the Group's business carries an inherent risk of incidents which could lead to personal injury or death of employees, contractors or other third parties. Estonian legislation imposes obligations on employers in relation to the occupational health and safety of its employees. Any accidents or breaches of occupational health and safety legislation may require the payment of penalties and/or compensation and would result in negative publicity for the Group.

The Ministry of Climate is in the process of drafting the Estonian Climate Act which purports to establish climate protection targets and relevant implementing measures for 2050, 2040 and 2030 and which may also have an impact on the activities of the Group.

Price regulation risks may negatively affect the Group

A substantial share of the Group's revenues, including those from the distribution of electricity and sales of heat, is derived from sales at regulated prices (accounting for 16.8 per cent. of the Group's total revenue and 21.7 per cent. of the Group's proportion of combined Distribution and Heat EBITDA to Total EBITDA in the 2023 financial year). The ECA approves the tariffs for these products based on various pricing methodologies (as described in more detail in *"Description of the Group – Distribution Network"*). The Group has a limited ability to pass any additional costs incurred on to its customers through price increases. The ECA may also disagree with the Group as to the appropriate level of tariffs, costs and investments and pricing decisions may be significantly impacted by social and political considerations, which may cause delays in price determinations or result in lower price increases than necessary to compensate the Group for its cost increases and investments.

For further detail, see "*Regulation – Regulated Tariffs*" on page 114 of this Prospectus. Any amendments to, or change in the interpretation of, the applicable price regulations could have a material adverse effect on the Group's business and financial position.

Risks relating to the expiry or revocation of licences, or failure to acquire new licences

The Group requires licences from various regulators and authorities in Estonia and the other countries in which the Group operates. In particular, the Group is required to hold licences to mine oil shale, generate electricity and heat, produce shale oil, distribute electricity and sell electricity, gas and heat. Such licences may be amended, suspended or revoked and there is no certainty that the Group will be able to secure renewal of any expired licences on comparable terms, if at all, or the required amendments to existing licences to reflect the evolving nature of the Group's business.

The Estonian Earth's Crust Act regulates the procedure for the grant of exploration and extraction permits in Estonia. Upon the expiry of the Group's mining licences, or the Group seeking a new licence, competitors may emerge who are willing and able to bid higher than the Group to obtain such licences if they are put out for auction. Although the Group believes that it will have preferential rights in respect of auctions for certain of its current and related licences, there is no assurance that, if contested, regulatory authorities will agree with the Group.

Other licences may also be disputed by third parties. By way of example, Integrated Pollution Prevention and Control ("**IPPC**") permits that are needed for most of the Group's major activities are granted under the IED by the Environmental Board and regulates the environmental impact of a wide range of industrial activities through the use of permits. IPPC permits have no expiry date and continue to apply until they are revoked or surrendered. However, they are subject to annual reviews In addition, the Industrial Emissions Act was revised with new provisions that became effective as of January 2024. These amendments empower the relevant regulatory body to impose restrictions on the validity period of an IPPC permit. Such restrictions can be applied to specify the duration of the permit when there are compelling reasons relating to the safeguarding of environmental standards. This regulatory change underscores the authority's ability to tailor the operational timeline of IPPC permits in response to environmental considerations. If there are new aspects that are regulated by the IPPC permit the Group is required to apply for revision of the permit. Facilities that do not hold IPPC permits require separate, additional environmental permits where necessary for the special use of water, waste disposal and recovery and air pollution. Under the IED the renewal of an IPPC permit with new aspects is an open process and may include a public hearing.

The Ministry of Climate has drafted legislation proposing a halt on the issuance of new permits for oil shale extraction until the year 2026. Should this legislation be enacted, it will not impact the activities of Enefit Power's facilities. The current permits held by the Group are expected to be sufficient to guarantee the necessary volumes such that the proposed suspension is not expected to impact on Enefit Power's operations. The enactment of legislation to halt new permits for oil shale extraction could lead to potential claims and legal challenges from other market participants who may argue that the freeze creates an unfair competitive advantage for established operators like Enefit Power. These developments, as well as any changes in the regulatory landscape affecting oil shale extraction may adversely affect the Issuer's reputation and its ability to conduct its business.

The Group is also required to apply for planning permissions and building permits if it wants to construct new facilities or make certain modifications to existing production units to keep them in good order (see "*Risk Factors - Risks related to court and regulatory proceedings*" on pages 32 to 33 of this Prospectus).

The failure to renew a licence or permit or the amendment, suspension or revocation of a licence or permit, or dispute of a licence or permit, could materially limit or prevent the Group's continued operations, or limit the Group's ability to expand its operations, which could have a material adverse effect on the Group's business and financial position.

There is also a risk of breaching the terms of a licence or permit despite the Group's efforts to be compliant. This could happen as a result of, for example, changes in measurement methodology or frequency, or changes in the interpretation or terms of applicable regulations. Additionally, breach of permits could occur temporarily during periods when the Group's production units run in an irregular manner, for example, for testing purposes. The failure to comply with the terms of a licence or permit could have a material adverse effect on the Group's business and financial position.

The Group is exposed to risks associated with changes to taxes and fees

Tax rules, including those relating to the energy industry, and their interpretation, may change, possibly with retrospective effect, in any of the jurisdictions in which the Group operates. Significant tax disputes with tax authorities, any change in the tax status of any member of the Group and any change in taxation legislation or its scope or interpretation could affect the Group's business and financial position. In addition, the Group is required to pay environmental fees in relation to an amount of the emissions and waste generated by its operations as well as resource taxes for extracting oil shale and water. These fees and taxes, which may be substantial, are set and adjusted by the Estonian Government by reference to quantity and other criteria. The Estonian Government has previously raised resource taxes and environmental fees at short notice and without prior discussions with industry stakeholders. Currently, the national oil shale resource tax in Estonia is tied to the market price of the reference product, 1.0 per cent. Sulphur content heavy fuel oil at Rotterdam ("**Reference Product**"). The current resource tax fees have been applicable since 2016, and vary from €0.275 per tonne of oil shale mined (if the price of Reference Product is below €241 per tonne) to €10.00 per tonne of oil shale mined (if the price of Reference Product is above €650 per tonne). Amendments to the Environmental Charges Act were enacted in January 2024, with the provisions set to come into force in July 2024. These amendments, among various other modifications, will escalate the maximum limit of the resource tax fee. Specifically, the fee for each tonne of oil shale extracted will rise from the current rate of €10 to a new rate of €13. Any further increase in these fees and taxes, and/or their application to materials not currently subject to such fees and taxes, such as oil, could increase the Group's costs.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE SECURITIES

There is no active trading market for the Securities

The Securities are new securities which may not be widely distributed and for which there is currently no active trading market. If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Securities are acquired upon issue by a limited number of initial investors, which could include the Joint Lead Managers, this may result in an even more illiquid or volatile market in the Securities. Although application has been made for the Securities to be admitted to listing on the Official List of the FCA and to trading on the London Stock Exchange's Main Market, there is no assurance that such application(s) will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Securities. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed trading market.

The Issuer's obligations under the Securities and the Coupons are subordinated

The Issuer's obligations under the Securities will be unsecured and subordinated obligations of the Issuer and will rank junior to the claims of unsubordinated and other subordinated creditors of the Issuer, except for subordinated creditors whose claims are expressed to rank *pari passu* with the Securities. See Condition 2 (*Status and Subordination of the Securities and Coupons*). By virtue of such subordination, payments to a Holder will, in case of a Liquidation Event (as described in the Conditions) only be made after all obligations of the Issuer resulting from higher ranking claims have been satisfied. A Holder may therefore recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under, or in connection with, the Securities and each Holder shall be deemed to have waived all such rights of set-off. Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of its investment should the Issuer become insolvent.

The Securities may be redeemed under certain circumstances

Holders should be aware that the Securities may be redeemed at the option of the Issuer in whole, but not in part, (a) at their principal amount (plus any accrued and outstanding interest and any outstanding Arrears of Interest) on any date during the Initial Par Call Period and on any Interest Payment Date thereafter or (b) at their Make-Whole Redemption Amount (plus any accrued and outstanding interest and any outstanding Arrears of Interest) at any other time.

The redemption at the option of the Issuer may affect the market value of the Securities. During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed.

The Issuer may be expected to redeem the Securities when its cost of borrowing is lower than the interest rate on the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Securities being redeemed and may only be able to do so at a significantly lower rate of return. Potential investors should consider reinvestment risk in light of other investments available at that time.

In addition, upon the occurrence of an Accounting Event, a Tax Deductibility Event, a Withholding Tax Event, Change of Control Event or a Substantial Repurchase Event, the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the amount set out, and as more particularly described, in the Conditions.

Further, Moody's and S&P (in each case as defined in the Conditions) may amend or clarify, or change their rating methodology or the interpretation thereof after the Issue Date, and as a result, the Securities may no longer be eligible for the same or be assigned a lower level of "equity credit" to that attributable to the Securities at the Issue Date, in which case, the Issuer may redeem all of the Securities (but not some only), as provided in Condition 6(2) (*Redemption following an Accounting Event, Change of Control Event, Rating Methodology Event or Tax Deductibility Event*), as more particularly described in the Conditions.

The Issuer has the right to defer interest payments on the Securities

The Issuer may, at any time and at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities which would otherwise be paid on any Interest Payment Date. The Issuer shall not have any obligation to make such payment and any such deferral of interest payment shall not constitute a default for any purpose. See Condition 4 (*Optional Interest Deferral*). Any interest in respect of the Securities the payment of which is deferred will, so long as the same remains outstanding, constitute Arrears of Interest. Arrears of Interest will be payable as outlined in Conditions 4(3) (*Mandatory Settlement of Arrears of Interest*). While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities and in such event, the Holders are not entitled to claim immediate payment of interest so deferred.

As a result of the interest deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which interest payments are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition. Investors should be aware that any deferral of interest payments may have an adverse effect on the market price of the Securities.

RISK FACTORS RELATED TO THE SECURITIES GENERALLY

Set out below is a brief description of certain risks relating to the Securities generally:

There are no events of default under the Securities

The Conditions do not provide for events of default (including by reason of any cross-default) allowing acceleration of the Securities if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Securities including the payment of any interest (including Arrears of Interest), Holders will not have the right to require the early redemption of the Securities. Upon a payment default, the sole remedy available to the Holders for recovery of amounts owing in respect of any payment of principal or interest on the Securities will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

The Securities are undated securities

The Securities are undated, perpetual securities, with no specified maturity date. The Issuer is under no obligation to redeem or repurchase the Securities at any time and the Holders have no right to require redemption of the Securities. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time and may not recover their investment in the foreseeable future.

No limitation on issuing senior or pari passu securities or other liabilities

There is no restriction on the amount of securities or other liabilities which the Issuer may issue and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities, or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on the insolvency, winding-up, liquidation or dissolution of the Issuer and/or may increase the likelihood of a deferral of Interest Payments under the Securities.

If the Issuer's financial condition were to deteriorate, the Holders could suffer direct and materially adverse consequences, including loss of interest and, if the Issuer were liquidated (whether voluntarily or not), the Holders could suffer loss of their entire investment.

Interest rate reset may result in a decline of yield

The Securities pay interest at a fixed interest rate that will be reset during the term of the Securities and therefore the Holders are exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of the Securities in advance. Therefore, the actual yield of the Securities may fall below the yield anticipated by Holders at the time of purchase of the Securities and could impact the ability of Holders to trade the Securities on the secondary market.

Risks relating to EURIBOR

The determination of each Subsequent Fixed Interest Rate is dependent upon the relevant 6-month EURIBOR administered by the European Money Markets Institute at the relevant time (as specified in the Conditions) and the 5 Year Swap Rate appearing on the Reuters Screen Page "ICESWAP2" provided by the ICE Benchmark Administration Limited.

EURIBOR and other interest rate or other types of rates and indices which are deemed to be benchmarks ("**benchmarks**") are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. Any such consequence could affect the manner in which interest determinations are required to be made pursuant to the Conditions, and have a material adverse effect on the value of and return on the Securities.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. €STR was published for the first time on 2 October 2019. Although EURIBOR has subsequently been reformed in order to comply with the terms of the EU Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

If the Issuer determines that a Benchmark Event (as defined in the Conditions) has occurred, then the Issuer may elect to apply provisions in the Conditions that permit the rate of interest to alternatively be set by the Issuer and an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer ("**Independent Adviser**") (without a requirement for the consent or approval of the Holders), by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required). The use of a successor rate or an alternative reference rate may, however, result in interest payments that are lower than, or otherwise do not correlate over time with, the payments that could have been made on the Securities if the relevant benchmark continued to be available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or the Independent Adviser and the Issuer fail to agree on a successor rate or an alternative reference rate or any adjustments thereto in accordance with the Conditions, the ultimate fallback of interest for a particular Reset Period may result in the rate of interest for the last preceding Reset Period being used (or, in the case of the Reset Period commencing on the First Reset Date, 2.835 per cent. per annum). Any such consequence could have a material adverse effect on the value of and return on the Securities.

No consent of the Holders shall be required in connection with effecting any relevant successor rate or alternative reference rate (as applicable) or any other related adjustments and/or amendments described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Holder, any such adjustment will be favourable to each Holder.

Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Securities or could have a material adverse effect on the value or liquidity of, and the amount payable under the Securities. Investors should consider these matters when making their investment decision with respect to the Securities.

Substitution or variation of the Securities, other modification, waivers and substitution of the Issuer, and failure of the Trustee to take action on behalf of Holders

There is a risk that, after the issue of the Securities, a Tax Deductibility Event, a Withholding Tax Event, an Accounting Event or a Rating Methodology Event may occur which would entitle the Issuer, without any requirement for the consent or approval of the Holders, to substitute or vary the Securities (including the substitution of the Securities for securities issued by a wholly-owned finance Subsidiary of the Issuer resident in a taxing jurisdiction other than Estonia), subject to certain conditions intended to protect the interests of the Holders, so that after such substitution or variation the Securities remain or become, as the case may be, Qualifying Capital Securities (as defined in the Conditions).

Whilst Qualifying Capital Securities are required to have terms which are not materially less favourable to Holders than the terms of the Securities (as reasonably determined by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing), there is a risk that any such substitution or variation of the Securities could have an adverse impact on the price of, and/or the market for, the Securities.

In addition, the Conditions contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of Holders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents.

These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and includes those Holders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Holders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Securities or (ii) agree to the substitution of another company, being a Subsidiary of the Issuer, as principal debtor under the Securities in place of the Issuer, in the circumstances described in Condition 13 (*Substitution*).

The Conditions further contain provisions allowing the Trustee to take action on behalf of the Holders in certain circumstances, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction. It may not be possible for the Trustee to take such action in every case and accordingly in such circumstances the Trustee will be unable to do so, notwithstanding the provision of an indemnity to it, and it will be for Holders to take such action directly.

Change of law

The Conditions are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Securities affected by it.

Trading in the clearing systems

The Securities have a denomination consisting of the minimum denomination of €100,000 plus a higher integral multiple of €1,000 in excess thereof, up to and including €199,000. Therefore, it is possible that the Securities may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such case a Holder who, as a result of trading such amounts, holds a principal amount which is less than €100,000 in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Securities at or in excess of €100,000 such that its holding amounts to €100,000 or a higher integral multiple of €1,000. Further, a Holder who, as a result of trading such amounts, holds a principal amount which is less than €100,000 in its account with the relevant clearing system at the relevant time may not receive a Definitive Security in respect of such holding (should Definitive Securities be printed) and would need to purchase a principal amount of Securities such that its holding amounts to the minimum denomination.

If such Definitive Securities are issued, holders should be aware that Definitive Securities which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

Sovereign Immunity and Immunity of Assets

Pursuant to Condition 16(2) *(Jurisdiction of English Courts)*, and the Trust Deed, the Issuer has irrevocably and unconditionally waived and agreed not to raise, to the extent permitted by applicable law, any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, should any such immunity become available to it.

There is no law or jurisprudence of Estonian courts in respect of sovereign immunity. Accordingly, if, notwithstanding the provisions of Condition 16(2) (*Jurisdiction of English Courts*), the Issuer sought to claim immunity in respect of any action or proceeding brought in connection with the Securities, there is no guarantee that such claim of immunity by the Issuer would not be successful.

In addition, the Estonian Code of Enforcement Procedure (*täitemenetluse seadustik*) provides a list of assets which may not be attached or sold in the course of enforcement proceedings. It is possible that an Estonian court may consider that the attachment of assets of the Issuer that are necessary for, or employed in, inter alia, the supply of electricity may conflict with good morals or the public interest (as such terms are interpreted under the Estonian Code of Enforcement Procedure) due to the security of supply obligations of the Issuer. If so, any such assets owned by the Issuer would be immune from attachment in the course of enforcement of any judgment or claim in respect of the Securities or Coupons. As a result, Holders could lose all or part of their investment.

Certification of non-Estonian residency in respect of Securities in definitive form

Holders should be aware that, if Definitive Securities are issued, holders of any Definitive Securities that are not held through Euroclear or Clearstream, Luxembourg, who are natural persons, will be required to present evidence of non-Estonian residency to the relevant Paying Agent or other evidence as required by the Issuer, in order to receive payments of interest free of Estonian withholding tax (which, as at the date of this Prospectus, is charged at a rate of 20.0 per cent. and as of 1 January 2025 the income tax rate will be 22.0 per cent). If Holders are natural persons of Estonian residency and they have not purchased the Securities with money held in an investment account as specified in Article 17^2 of the EITA (as defined below), Estonian withholding tax shall be deducted from the payments of interest made to such Holders.

The Estonian Reorganisation Act

Pursuant to the Estonian Reorganisation Act (*saneerimisseadus*) (the "**Reorganisation Act**"), companies themselves or creditors of such companies may make an application to court for the commencement of reorganisation proceedings (in case application is made by the creditor of a company, the written consent of the company to the commencement of such reorganisation proceedings must be appended to the application) and, in the event that the court commences such reorganisation proceedings, any enforcement proceedings against, or bankruptcy applications in respect of, such company will be stayed until the reorganisation plan is approved or reorganisation proceedings are terminated. In addition, the Reorganisation Act provides that, in connection with any reorganisation plan, creditors may agree to certain modifications to the terms of any obligations owed by the relevant company to its creditors.

Additionally, the Reorganisation Act foresees that an agreement according to which a creditor may refuse to perform a contract, accelerate the performance of a contract, terminate a contract or otherwise modify a contract to the detriment of a company (under or which is to be under reorganisation) due to the submission of a reorganisation petition, commencement of reorganisation proceedings, approval of a reorganisation plan, submission of a request to stay the measures specified in Section 11 of the

Reorganisation Act or the staying of such measures, is void. Therefore, each potential investor should note that upon occurrence of any of the circumstances set out above, no assurance can be provided that Holders would be able to enforce the payment of amounts due and payable under or in respect of the Securities, either immediately or during reorganisation proceedings. If this was approved by the creditors of the Issuer (including creditors of the Issuer other than the Holders), modifications to the claims of Holders may be made in connection with any such reorganisation proceedings and/or reorganisation plan, including, inter alia, the Issuer's payment obligations in relation to amounts due and payable under the Securities being satisfied by issuing Holders with shares in the Issuer, an extension of the due date for the payment of any such amounts or a reduction in any such amounts. Similarly, claims under the Securities could also be subject to modification by extension of the due date or reduction of the claim in a compromise agreed amongst the creditors in the course of insolvency proceedings. As a result, Holders could lose all or part of their investment.

Taxation of hybrid instruments

Investors should be aware that while the payments made by the Issuer on the Securities or Coupons are treated as loan interest payments under Estonian tax law and are not subject to withholding tax, except when made to Estonian tax resident natural persons not using an investment account regime, the hybrid nature of the Securities may lead to different tax treatments in other jurisdictions. In some countries, payments on the Securities or Coupons may be considered as equity distributions, such as dividends, or as capital gains, which are typically subject to different tax implications. Should investors be required to pay taxes on the payments received from the Securities or Coupons, their net investment returns may be materially reduced. For further information see "*Taxation*".

The current IFRS accounting classification of financial instruments such as the Securities as equity instruments may change, which may result in the occurrence of an Accounting Event

Following the publication in June 2018 by the IASB (International Accounting Standards Board) of the discussion paper DP/2018/1 on "Financial Instruments with Characteristics of Equity" (the "DP/2018/1 Paper") and subsequent discussions, the IASB tentatively decided in February 2021 not to implement the changes to the classification of financial obligations that only arise on liquidation of the entity that were contemplated in the DP/2018/1 Paper. However, at the March 2022 and subsequent meetings of the IASB the classification and presentation requirements of issued financial instruments was discussed. The IASB will consider proposals for potential reclassification principles and the next milestone is to produce an exposure draft. If similar proposals to those contemplated by the DP/2018/1 Paper are implemented or put forward in the future, the current IFRS equity classification of financial instruments such as the Securities may change. If such a change leads to an Accounting Event, the Issuer will have the option to redeem, in whole but not in part, the Securities pursuant to Condition) 6(2)(*Redemption following an Accounting Event, Change of Control Event, Rating Methodology Event or Tax Deductibility Event*) or substitute or vary the terms of the Securities pursuant to Condition 6(6) (*Preconditions to Redemption, Substitution or Variation*) and Condition 6(7) (*Preconditions to Redemption, Substitution or Variation*) urities. The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on (and include) the Accounting Event Adoption Date, which is the earlier of such date that a change is officially announced by the IASB or the equivalent body in respect of IFRS-EU or officially adopted or put into practice.

The implementation of any proposals similar to those set out in the DP/2018/1 Paper that may be made in the future, including the extent and timing of any such implementation, if at all, is uncertain. Accordingly, no assurance can be given as to the future classification of the Securities from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event.

The Securities may not meet investor expectations or requirements

It is the Issuer's intention to apply an amount equal to the net proceeds of the Securities towards the financing and/or refinancing of Eligible Green Projects as defined under "*Use of Proceeds*" below. A prospective investor should have regard to the information set out in the section "*Use of Proceeds*" and determine for itself the relevance of such information for the purpose of an investment in the Securities together with any other investigation it deems necessary.

There is currently no clearly-defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "social", or "sustainable" or equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social" or "sustainable" (and, in addition, the requirements of any such label may evolve from time to time). A basis for the determination of what may constitute a "sustainable project has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the "**Sustainable Finance Taxonomy Regulation**") on the establishment of a framework to facilitate sustainable investment (the "**EU Sustainable Finance Taxonomy**"). The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation. Given the lack of clearly-defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "social", or "sustainable" or equivalently-labelled project, no assurance is given the Issuer by that such use of proceeds will satisfy any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, in particular with regard to any direct or indirect environmental or sustainability impact of any Eligible Green Project.

Regulation (EU) 2023/2631 of the European Parliament and of the Council (the “**Green Bond Regulation**”) has been published in the Official Journal of the EU in December 2023 and will apply from 21 December 2024. The Green Bond Regulation establishes the European Green Bond Standard, which will be a voluntary label for issuers of green use of proceeds bonds where the proceeds will be invested in economic activities aligned with the EU Sustainable Finance Taxonomy with a flexibility pocket of 15 per cent. for allocation to areas not yet covered by taxonomy standards. The Securities do not seek to be aligned with such European Green Bond Standard and are intended to comply with the criteria and processes set out in the Issuer’s Sustainable Finance Framework only. The impact of the Green Bond Regulation on the market's interest in, and the valuation of, green bonds that do not align with this standard remains uncertain. Nevertheless, there is a potential risk that the Green Bond Regulation could lead to a decrease in both the demand and liquidity for the Securities, which might, in turn, negatively affect their market value.

No assurance can be given that the Eligible Green Projects will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including the Sustainable Finance Taxonomy Regulation or the EU Sustainable Finance Taxonomy, and including also as the Sustainable Finance Taxonomy Regulation and the EU Sustainable Finance Taxonomy form part of domestic law in the United Kingdom by virtue of the EUWA). Each prospective investor should have regard to the relevant information contained in this Prospectus and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Securities before deciding to invest. The Issuer's Green Finance Framework may be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Prospectus. The Issuer's Green Finance Framework does not form part of, nor is incorporated by reference, in this Prospectus.

While it is the intention of the Issuer to allocate an amount equal to the net proceeds of the Securities towards the financing and/or refinancing of Eligible Green Projects and to report on such use of proceeds and Eligible Green Projects as described in "*Use of Proceeds*" below, there is no contractual obligation to do so. There can be no assurance that any such Eligible Green Projects will be available or capable of being implemented in the manner and timeframe anticipated and, accordingly, that the Issuer will be able to use the proceeds for such Eligible Green Projects as intended. In addition, there can be no assurance that the Eligible Green Projects will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated. None of a failure by the Issuer to allocate the proceeds of the Securities or to report on the use of proceeds or Eligible Green Projects as anticipated or a failure of a third party to issue (or the withdrawal of) an opinion or certification in connection with the Securities or the failure of the Securities to meet investors' expectations or requirements regarding any "green", "sustainable", "social" or similar labels will constitute any form of default or breach with respect to the Securities.

The net proceeds of the issue of the Securities which, from time to time, are not allocated as funding for Eligible Green Projects are intended by the Issuer to be held pending allocation in accordance with the relevant internal policies of the Issuer, in cash, cash equivalents or liquid marketable instruments, as described in the Green Finance Framework.

The Issuer does not undertake to ensure that there are at any time sufficient Eligible Green Projects to allow for allocation of a sum equal to the net proceeds of the issue of the Securities in full.

No assurance of suitability or reliability of any Second Party Opinion or any other opinion or certification of any third party relating to the Securities

ISS Corporate has issued an independent opinion, dated 4 June 2024, on the Issuer's Green Finance Framework (the "**Second Party Opinion**"). The Second Party Opinion provides an opinion on certain environmental and related considerations and is a statement of opinion, not a statement of fact. No representation or assurance is given as to the suitability or reliability of the Second Party Opinion or any opinion or certification of any third party made available in connection with the issue of the Securities. The Second Party Opinion and any other such opinion or certification is not intended to address any credit, market or other aspects of any investment in the Securities, including without limitation market price, marketability, investor preference, suitability or any other factors that may affect the value of the Securities. The Second Party Opinion and any other opinion or certification is not a recommendation to buy, sell or hold the Securities and is current only as of the date it was issued.

The criteria and/or considerations that formed the basis of the Second Party Opinion and any other such opinion or certification may change at any time and the Second Party Opinion may be amended, updated, supplemented, replaced and/or withdrawn. As at the date of this Prospectus, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein. The Second Party Opinion and any other such opinion or certification does not form part of, nor is incorporated by reference, in this Prospectus.

The Securities are not linked to the performance of the Eligible Green Projects, do not benefit from any arrangements to enhance the environmental or other performance of the Issuer or any contractual rights derived solely from the intended use of proceeds of the Securities

The performance of the Securities is not linked to the performance of the relevant Eligible Green Projects or the performance of the Issuer in respect of any environmental or similar targets. There will be no segregation of assets and liabilities in respect of the Securities and the Eligible Green Projects. Consequently, neither payments of principal and/or interest on Securities nor any rights of Securityholders shall depend on the performance of the relevant Eligible Green Projects or the performance of the Issuer in respect of any such environmental or similar targets. Securityholders shall have no preferential rights or priority against the assets of any Eligible Green Project nor benefit from any arrangements to enhance the environmental or other performance of the Issuer.

RISKS FACTORS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Securities in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (1) the Investor's Currency-equivalent yield on the Securities, (2) the Investor's Currency-equivalent value of the principal payable on the Securities and (3) the Investor's Currency-equivalent market value of the Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Securities. The Securities will bear interest at a fixed rate. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**"). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. A change of the Market Interest Rate may cause the price of such security to change. If the Market Interest Rate increases, the price of such security typically falls. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases. Potential investors in the Securities should be aware that movements of the Market Interest Rate can adversely affect the price of the Securities and can lead to losses for the Holders if they sell such Securities.

Credit ratings may not reflect all risks

The Issuer's credit rating by Moody's is Baa3 (with stable outlook) and by S&P is BBB- (with negative outlook). Any adverse change in an applicable credit rating could adversely affect the trading price for the Securities. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. On issue, the Securities are expected to be rated B+ by S&P and B1 by Moody's.

In general, European regulated investors are restricted under the CRA Regulation from using a rating for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Securities changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Securities may have a different regulatory treatment, which may impact the value of the Securities and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Recognition of choice of court agreements in Estonia

The Issuer has agreed in Condition 16(2) (*Jurisdiction of English Courts*) that the courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with the Securities (including any non-contractual obligation arising out of or in connection with the Securities).

It is further agreed under Condition 16(2) (*Jurisdiction of English Courts*) that nothing contained in the Trust Deed prevents the Trustee from taking proceedings relating to a dispute in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee may take concurrent proceedings in any number of jurisdictions.

The agreement on the choice of courts of England provided in Condition 16(2) (*Jurisdiction of English Courts*)is, therefore, considered to be a hybrid jurisdiction clause (asymmetric jurisdiction clause) that allows the Issuer to take proceedings relating to a dispute only to the courts of England whereas the Trustee has the right to take proceedings in any other courts with jurisdiction to the extent allowed by law. Moreover, the agreement provided in Condition 16(2) (*Jurisdiction of English Courts*) allows the Trustee, to the extent allowed by law, to take concurrent proceedings in any number of jurisdictions.

The validity of the choice of court agreement, including as stipulated under Condition 16(2) (*Jurisdiction of English Courts*), would be assessed in Estonia under the Estonian Code of Civil Procedure (the

"**CCP**") if the Trustee or the Holder is from a foreign state that is not a member of the European Union and not a party to any other international agreement or convention that regulates the validity of the choice of court agreements with Estonia. The Hague Convention of 30 June 2005 on Choice of Court Agreements is not applicable when determining the validity of the asymmetric jurisdiction clauses.

Under the CCP, the parties are generally free to agree on a jurisdiction of their choice, provided that (i) the contract is concluded in the course of business activities, (ii) the contract is concluded in writing or in a format that can be reproduced in writing, and (iii) the choice of court agreement does not relate to a matter for which the exclusive jurisdiction of Estonian courts is provided under sections 99 to 103^1 of the CCP. The validity of asymmetric jurisdiction clauses is not expressly regulated in the CCP and is untested in the practice of the Estonian Supreme Court.

The Trustee's ability to bring proceedings against the Issuer in Estonian courts may be subject to limitations and conditions arising from (i) international agreements or conventions; (ii) European Union regulations; or (iii) the CCP, if no international agreements or European Union regulations are applicable to such situation.

As such, a risk exists that, should Estonian courts determine that, based on applicable law, it will not recognise the validity of the jurisdiction clause and rule that English courts do not have jurisdiction under the Trust Deed, any Trustees may submit actions against the Issuer in Estonian courts.

Recognition and/or enforcement of the judgments in Estonia that are made by the courts of England and other countries

The judgments in connection with the Securities made by the courts of England or any other court from a state that is not a member of the European Union and not a party to any other international agreement or convention that regulates the recognition and enforcement of foreign court judgments with Estonia are recognised and enforced in Estonia under sections 620 to 627 of the CCP. The Hague Convention of 30 June 2005 on Choice of Court Agreements is not applicable when applying for the recognition or enforcement of a judgment that is made under an asymmetric jurisdiction clause.

Under the CCP, the foreign court judgment in Estonia must (i) meet the requirements provided in section 620 of the CCP and (ii) be submitted to a court in Estonia according to the residence or seat of the debtor, or with the court within whose territorial jurisdiction the conduct of enforcement proceedings is sought, unless otherwise provided by law or an international agreement together with an application to declare the judgment enforceable/recognise the judgment. The merits of the judgment given by the English court shall not be reviewed by the Estonian courts without prejudice to such review as is necessary for the court to assess if the applicant has met the requirements provided in section 620 of the CCP.

The Trustee's, ability to recognise or enforce the judgments of the courts of England or judgments of other foreign courts in Estonia may be subject to limitations and conditions arising from (i) international agreements or conventions, (ii) the European Union Regulations if the foreign state is a member of the European Union; or (iii) the CCP if the respective state is not a member of the European Union nor a party to any other international agreement or convention that regulates the recognition and enforcement of court judgments.

Pursuant to Article 620 of the CCP, a court decision in a civil matter made by a foreign court is subject to recognition in the Republic of Estonia, except where: (i) recognition of the decision would be contrary to the essential principles of Estonian law (public order) and, above all, the fundamental rights and freedoms of persons; (ii) the defendant or other debtor was unable to reasonably defend the rights thereof and, above all, if the summons or other document initiating proceedings was not served on time and in the requisite manner, unless such person had a reasonable opportunity to contest the decision and the person failed to do so within the prescribed term; (iii) the decision is in conflict with an earlier decision made in Estonia on the same matter between the same parties or if an action between the same parties has been filed with an Estonian court; (iv) the decision is in conflict with a decision of a foreign court on the same matter between the same parties which has been earlier recognised or enforced on Estonia; (v) the decision is in conflict with a decision made in a foreign state on the same matter between the same parties which has not been recognised in Estonia, provided that the earlier court decision of the foreign state is subject to recognition or enforcement in Estonia; or (vi) the court which made the decision could not make the decision in compliance with the provisions of Estonian law regulating international jurisdiction.

Should the Estonian courts decide, based on the applicable law, not to recognise the judgment made by the courts of England, Holders would not be able to enforce the judgment in Estonia without, amongst other things, re-litigating the case (subject to any limitations that may derive from the applicable law).

The validity of the agreement on the choice of English law in Estonia and the procedural rules applied in the Estonian court proceedings

Upon determining the validity of the agreement on the choice of English law in Estonia, Estonian courts would apply Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (the "**Rome I Regulation**") to the extent the subject matter of the Conditions falls under the scope of application of Rome I Regulation.

According to Article 3 (1) of the Rome I Regulation, an agreement shall be governed by the law chosen by the parties. By their choice, parties may select the law applicable to the whole or part of the agreement. Hence, the choice of English law is a valid agreement in Estonia. However, according to Article 9 (2) of the Rome I Regulation, parties' choice of law does not preclude the application of the overriding mandatory provisions of the law of forum. In addition, application of law designated by the parties may be refused by a court if it is contrary to public policy of the law of the forum (Article 21 of the Rome I Regulation).

Therefore, Estonian courts may not apply rules, regulations or provisions of any other law than Estonian law (i) which are contrary to public policy or mandatory provisions of Estonian law, which due to their public nature or general interest will be applicable irrespective of the agreed choice of law; or (ii) where such application would result in an outcome contrary to the basic principles of the Estonian legal system.

In addition, an Estonian court may require the submissions of sufficient evidence as to the contents of any laws other than the laws of Estonia.

To the extent the subject matter of the Conditions should fall outside the scope of application of Rome I Regulation, other EU regulations or international agreements, the Estonian courts would apply the Estonian Private International Law Act (the "**PILA**"). Under section 32 of the PILA, obligations shall be governed by the law of the state agreed upon by the parties. Hence, the choice of English law is a valid agreement in Estonia. Still, the courts may refuse to apply the provisions of foreign law in Estonia in circumstances when (i) the provision of foreign law is manifestly incompatible with the public policy of Estonia (*ordre public*); (ii) the provisions of foreign law allow the parties to deviate from the provisions of Estonian law that cannot be derogated from by contract (mandatory rules); (iii) the courts are unable to establish the substance of the foreign law within a reasonable time. In these cases, Estonian courts may apply Estonian law instead.

Furthermore, in any proceedings held in Estonian courts or other authorities concerning the Securities, including the enforcement of foreign court judgments, the Estonian procedural rules would apply. Thus, any proceedings held in Estonia would be subject to the limitations arising from Estonian law. Such limitations include, inter alia, principles of reasonableness and fairness, statutory limitations for filing claims and general discretionary authority of the courts to mitigate damages. Additionally, restrictions on the enforcement of the Securities could arise from applicable bankruptcy, insolvency, moratorium and other laws of general application relating to or affecting generally the enforcement of creditor's rights and remedies.

Any of the above may, therefore, adversely affect the Trustee's or Holders' rights to enforce claims arising from the Securities against the Issuer.

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the Terms and Conditions of the Securities which (subject to modification) will be endorsed on each Security in definitive form (if issued).

The €400,000,000 Perpetual Non-Call 5.25 Capital Securities (the "**Securities**", which expression shall in these Conditions, unless the context otherwise requires, include any further Securities issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Securities) of Eesti Energia AS (the "**Issuer**") are constituted by a trust deed dated 15 July 2024 (as amended or supplemented from time to time, the "**Trust Deed**") made between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include its successor(s)) as trustee for the holders of the Securities and the holders of the interest coupons appertaining to the Securities (the "**Coupons**"). In these Conditions, the bearer of any Security, Coupon or Talon in definitive form is referred to as the "**Holder**" of such Security, Coupon or Talon, and such persons are collectively referred to as the "**Holders**".

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed and the Agency Agreement (as defined below). Copies of the Trust Deed and the agency agreement dated 15 July 2024 (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Issuer and Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", and together with any other agents appointed in accordance with such agreement, the "**Paying Agents**", which expressions shall include any successor(s)) and as calculation agent (the "**Calculation Agent**") and the Trustee: (i) are available for inspection or collection during normal business hours by the Holders at the principal office for the time being of the Trustee (being at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified office of each of the Paying Agents; or (ii) may be provided by email to a Holder following their prior written request to the Trustee and any Paying Agent and provision of proof of holding and identity (in a form satisfactory to the Trustee and the relevant Paying Agent). The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

(1) Form and Denomination

The Securities are in bearer form, serially numbered, in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, each with Coupons attached on issue. No definitive Securities will be issued with a denomination above €199,000. Securities of one denomination may not be exchanges for Securities of any other denomination.

(2) Title

Title to the Securities and to the Coupons will pass by delivery.

(3) Holder Absolute Owner

The Issuer, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the Holder of a Security or Coupon as the absolute owner thereof for all purposes (whether or not the Security or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Security or Coupon or any notice of previous loss or theft of the Security or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer and no person shall be liable for treating such Holder.

2. STATUS AND SUBORDINATION

(1) Status

The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves and with Parity Obligations.

"**Parity Obligations**" means (i) any present or future obligations of the Issuer, issued or incurred directly or indirectly by it which rank, or are expressed to rank, *pari passu w*ith the Securities; and (ii) any present or future securities or other instruments or obligations issued or incurred by any Subsidiary of the Issuer which have the benefit of a guarantee or similar instrument or obligation from the Issuer, which guarantee or similar instrument or obligation ranks, or is expressed to rank, *pari passu* with the Securities.

(2) Subordination

In the event the liquidation of the Issuer is deemed to be irrevocable and irreversible in accordance with mandatory provisions of Estonian law (a "**Liquidation Event**"), the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons (including in respect of any Arrears of Interest) will rank:

(a) senior only to share capital and any Junior Obligations;

(b) *pari passu* among themselves and with any Parity Obligations; and

(c) junior to all other unsubordinated obligations of the Issuer and junior to all subordinated obligations of the Issuer which rank, or are expressed to rank, senior to the Securities or any Parity Obligation, in each case whether present or future,

in each case except as otherwise required by mandatory provisions of applicable law.

The provisions of these Conditions concerning subordination of the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons (including in respect of any Arrears of Interest) (the "**Subordinated Liabilities**") and concerning the rankings of the Subordinated Liabilities shall, among other things, constitute an agreement on assigning a lower ranking to the Subordinated Liabilities than that of the unsubordinated obligations of the Issuer and all other subordinated obligations of the Issuer which rank senior to the Subordinated Liabilities or any Parity Obligation within the meaning of Subsection 153 (4^1) of the Estonian Bankruptcy Act (in Estonian: *pankrotiseadus*) and shall be treated and enforced as such in any bankruptcy proceedings in respect of the Issuer as may be carried out in accordance with the Estonian Bankruptcy Act.

(3) No Set-off

Subject to applicable law, no Holder may exercise or claim any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of its holding of any Security or Coupon or any beneficial interest therein, be deemed to have waived all such rights of set-off counterclaim, compensation or retention.

3. INTEREST

(1) Interest Payment Dates

The Securities bear interest from and including 15 July 2024 (the "**Issue Date**") at the Prevailing Interest Rate in accordance with the provisions of this Condition 3 (*Interest*).

Subject to Condition 4 (*Optional Interest Deferral*), interest shall be payable on the Securities annually in arrear on 15 October in each year (each an "**Interest Payment Date**") and in each case as provided in this Condition 3 (*Interest*). There will be a short first Interest Period from (and including) the Issue Date to (but excluding) 15 October 2024. The amount of interest payable per Calculation Amount on each Security on 15 October 2024 shall be €1,979.51.

(2) Interest Accrual

Each Security (and any unpaid amounts thereon) will cease to bear interest from (and including) its due date for redemption or the date of substitution or variation thereof pursuant to the relevant paragraph on Condition 6 (*Redemption and Purchase*), as the case may be, unless, upon due presentation, payment of the principal and all unpaid amounts in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of payment in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Security (both before and after judgment) until whichever is the earlier of: (a) the day on which all sums due in respect of such Security up to that day are received by or on behalf of the relevant Holder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is any subsequent default in payment).

(3) Calculation of Broken Interest

Save as provided in Condition 3(1) (*Interest Payment Dates*) in respect of the interest payment to be made on 15 October 2024, when interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the Prevailing Interest Rate to each €1,000 in principal amount of the Securities (the "**Calculation Amount**") and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, with half a cent being rounded upwards. The interest payable in respect of a Security shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Security, without any further rounding.

(4) Prevailing Interest Rate

Unless previously redeemed or repurchased and cancelled in accordance with these Conditions and subject to the further provisions of this Condition 3 (*Interest*), the Securities will bear interest on their principal amount as follows:

(a) from (and including) the Issue Date to (but excluding) 15 October 2029 (the "**First Reset Date**"), at the rate of 7.875 per cent. per annum; and

(b) from (and including) the First Reset Date, at the applicable 5 Year Mid-Swap Rate in respect of the relevant Reset Period plus, in respect of:

(i) the Reset Period commencing on the First Reset Date and ending on (but excluding) 15 October 2034 (the "**First Step-Up Date**"), 5.165 per cent. per annum; and

(ii) any Reset Period falling in the period from (and including) the First Step-Up Date to (but excluding) 15 October 2049 (the "**Second Step-Up Date**"), 5.415 per cent. per annum; and

(iii) in respect of any Reset Period from (and including) the Second Step-Up Date, 6.165 per cent. per annum,

(each a "**Subsequent Fixed Interest Rate**"),

all as determined by the Calculation Agent, payable annually in arrear on each Interest Payment Date, commencing on 15 October 2024, subject to Condition 4 (*Optional Interest Deferral*),

and where:

"**5 Year Mid-Swap Rate**" means, in respect of any Reset Period, the annualised mid-swap rate for euro swap transactions with a term of five years, expressed as a percentage, as displayed on the Reset Screen Page (under the heading "EURIBOR BASIS – EUR" and above the caption "11AM FRANKFURT") as at 11:00 a.m. (Central European Time) on the relevant Reset Interest Determination Date;

Subject to the operation of Condition 3(6) (*Benchmark Replacement*), in the event that the relevant 5 Year Mid-Swap Rate does not appear on the Reset Screen Page on the relevant Reset Interest Determination Date, the 5 Year Mid-Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date;

"**5 Year Mid-Swap Rate Quotations**" means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 Day Count basis) of a fixed-for-floating euro interest rate swap transaction which (i) has a term of 5 years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) where the floating leg (calculated on the basis of the actual number of days elapsed and a year of 360 days) is equivalent to (A) the rate for deposits in euro for a six month-period commencing on the relevant Reset Date offered by the principal Eurozone office of major banks in the Eurozone interbank market to prime banks in the Eurozone interbank market at the time the relevant 5 Year Mid-Swap Rate Quotation is provided by the relevant Reference Bank or (B) to the extent that an industry-accepted substitute or successor rate for the rate in (A) has been established, including the rate that would have been used for the floating leg of the mid-swap rate that was to appear on the relevant Reset Screen Page at the relevant time if it had appeared at such time (as determined by the Issuer in its sole discretion), such substitute or successor rate;

"**Determination Agent**" means an Independent Adviser appointed by the Issuer for the purpose of determining (i) the relevant Reset Reference Bank Rate, and (ii) any Make-Whole Redemption Amount, as applicable;

"**Reset Interest Determination Date**" means, in relation to each Reset Date, the second Business Day immediately preceding such Reset Date;

"**Reset Reference Bank Rate**" means the percentage rate calculated by the Determination Agent on the basis of the 5 Year Mid-Swap Rate Quotations provided by four leading swap dealers in the Eurozone interbank market, as selected by the Determination Agent (the "**Reset Reference Banks**"), at approximately 11:00 a.m. (Central European Time) on the relevant Reset Interest Determination Date. If (a) at least three quotations are provided, the 5 Year Mid-Swap Rate will be calculated by the Determination Agent on the basis of the arithmetic mean (or, if only three quotations are provided, the median) of the quotations provided, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); (b) only two quotations are provided, the 5 Year Mid-Swap Rate will be the arithmetic mean of the quotations provided; and (c) only one or no quotations are provided, the 5 Year Mid-Swap Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the 5 Year Mid-Swap Rate in respect of the immediately preceding Reset Period, or (ii) in the case of the Reset Period commencing on the First Reset Date, 2.835 per cent. per annum;

"**Reset Screen Page**" means the display page on the relevant Reuters information service designated as the "ICESWAP2" page, or such other page as may replace that page on that information service, or on such other equivalent information service as determined by the Issuer (after consultation with an Independent Adviser), for the purpose of displaying equivalent or comparable rates to the 5 year Mid-Swap Rate; and

"**Reset Period**" means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

(5) Step-up following Change of Control Event

Notwithstanding any other provision of this Condition 3 (*Interest*), if the Issuer does not elect to redeem the Securities in accordance with Condition 6(2) (*Redemption following an Accounting Event, Change of Control Event, Rating Methodology Event or Tax Deductibility Event*) following the occurrence of a Change of Control Event, the Prevailing Interest Rate, and each Subsequent Fixed Interest Rate, otherwise determined in accordance with the provisions of this Condition 3 (*Interest*), shall be increased by the Change of Control Step-Up Margin with effect from the Interest Period commencing on the first Interest Payment Date immediately following the date on which the Change of Control Event occurred.

Without prejudice to the Issuer's right to redeem the Securities in accordance with Condition 6(2) (*Redemption following an Accounting Event, Change of Control Event, Rating Methodology Event or Tax Deductibility Event*) following the occurrence of any Change of Control Event, this Condition 3(5) (*Step-up following Change of Control Event*) shall only apply in relation to the first Change of Control Event to occur while any of the Securities remains outstanding.

(6) Benchmark Replacement

Notwithstanding the provisions above in this Condition 3 (*Interest*), if the Issuer determines that a Benchmark Event has occurred in relation to the Original Reference Rate when the Prevailing Interest Rate (or any component thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions shall apply:

(a) The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer and the Independent Adviser determining, no later than three Business Days prior to the relevant Reset Interest Determination Date, a Successor Rate, failing which an Alternative Rate (in accordance with paragraph (b)(ii) below) and, in either case, an Adjustment Spread if any (in accordance with paragraph (c) below) and any Benchmark Amendments (in accordance with paragraph (d) below).

(b) If the Issuer and the Independent Adviser:

(i) agree that there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in paragraph (c) below) subsequently be used in place of the Original Reference Rate in determining the Prevailing Interest Rate for all future payments of interest on the Securities (subject to the subsequent operation of this Condition 3(6)); or

(ii) agree that there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in paragraph (c) below) subsequently be used in place of the Original Reference Rate in determining the Prevailing Interest Rate for all future payments of interest on the Securities (subject to the subsequent operation of this Condition 3(6) (*Benchmark Replacement*)); or

(iii) do not agree on the selection of a Successor Rate or an Alternative Rate, the fallback provisions set out in Condition 3(4) (*Prevailing Interest Rate*) shall continue to apply.

(c) If the Issuer and the Independent Adviser agree (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 3(6) (*Benchmark Replacement*) and the Issuer and the Independent Adviser agree: (i) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with paragraph (e) below, without any requirement for the consent or approval of the Holders, vary these Conditions and/or the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice. In connection with any such variation in accordance with this paragraph, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

(e) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 3(6) (*Benchmark Replacement*) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Principal Paying Agent, any other Paying Agents and, in accordance with Condition 11 (*Notices*), the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any and will be binding on the Issuer, the Trustee, the Paying Agents and the Holders.

No later than notifying the Holders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by two authorised signatories of the Issuer:

(i) confirming (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate, (C) the applicable Adjustment Spread, and (D) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 3(6) (*Benchmark Replacement*); and

(ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Holders.

Subject to receipt of the certificate from the Issuer referred in this paragraph (e), the Trustee shall (at the expense of the Issuer), without the requirement for any consent or approval of the Holders, be obliged to concur with the Issuer in making any modification to the Agency

Agreement or Trust Deed (including, inter alia, the execution of a deed or agreement supplemental to or amending the Trust Deed and/or the Agency Agreement) provided that the Trustee shall not be obliged to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions, the Trust Deed or the Agency Agreement.

(f) Without prejudice to the obligations of the Issuer under paragraphs (a) to (e) above, the Original Reference Rate and the fallback provisions provided for in Condition 3(4) (*Prevailing Interest Rate*) will continue to apply unless and until the Trustee, the Calculation Agent and the Principal Paying Agent have been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with this Condition 3 (*Interest*).

(g) Notwithstanding any other provision of this Condition 3 (*Interest),* no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to cause a reduction in or loss of the equity credit (or such other nomenclature that a Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Securities from a Rating Agency or a shortening of the period of time for which any such equity credit is attributed to the Securities by a Rating Agency.

(7) Publication of Subsequent Fixed Interest Rates

The Issuer shall cause notice of each Subsequent Fixed Interest Rate (including the First Step-Up Date and the Second Step-Up Date) and the corresponding amount payable per Calculation Amount determined in accordance with this Condition 3 (*Interest*) to be given to the Principal Paying Agent, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 11 (*Notices*), the Holders, in each case as soon as practicable after its determination but in any event not later than the first Business Day of the relevant Reset Period.

(8) Calculation Agent

The Issuer may from time to time replace the Calculation Agent with another independent financial institution with appropriate expertise. If the Calculation Agent is unable or unwilling to act as the Calculation Agent or fails to determine the Prevailing Interest Rate or calculate the amount of interest payable (subject to deferral in accordance with Condition 4 (*Optional Interest Deferral*)) per Calculation Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer shall forthwith appoint another independent financial institution with appropriate expertise to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid. If the Issuer fails to appoint a successor Calculation Agent in a timely manner, then the Calculation Agent shall be entitled to appoint as its successor a reputable financial institution of good standing which the Issuer shall approve.

(9) Determinations of Calculation Agent Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 (*Interest*) by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, Trustee, the Principal Paying Agent, the Paying Agents and all Holders and (in the absence of wilful default and bad faith) no liability to the Holders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

4. OPTIONAL INTEREST DEFERRAL

(1) Deferral of Interest Payments

The Issuer may, subject as provided in Conditions 4(2) (*Optional Settlement of Arrears of Interest*) and 4(3) (*Mandatory Settlement of Arrears of Interest*) below, elect in its sole discretion to defer (in whole or in part) any Interest Payment that is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "**Deferral Notice**") of such election to the Holders in accordance with Condition 11 (*Notices*), the Trustee and the relevant Paying Agents not more than 15 and not less than 5 Business Days prior to the relevant Interest Payment Date. Any Interest Payment that the Issuer has elected to defer pursuant to this Condition 4(1) (*Deferral of Interest Payments*) and payment in respect of which has not subsequently been satisfied is referred to as a "**Deferred Interest Payment**".

If any Interest Payment is deferred pursuant to this Condition 4(1) (*Deferral of Interest Payments*) then such Deferred Interest Payment shall itself bear interest (such further interest together with the Deferred Interest Payment, being "**Arrears of Interest**"), at the relevant Prevailing Interest Rate applicable from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the date on which such Deferred Interest Payment is paid in accordance with Condition 4(2) (*Optional Settlement of Arrears of Interest*) or Condition 4(3) (*Mandatory Settlement of Arrears of Interest*) (as applicable), with such further interest being compounded on each Interest Payment Date.

Non-payment of interest deferred pursuant to this Condition 4(1) (*Deferral of Interest Payments*) shall not constitute a default by the Issuer under the Securities or for any other purpose.

(2) Optional Settlement of Arrears of Interest

Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time (the "**Optional Deferred Interest Settlement Date**") following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 11 (*Notices*), the Trustee and the relevant Paying Agents not more than 15 and not less than 5 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

(3) Mandatory Settlement of Arrears of Interest

Notwithstanding the provisions of Condition 4(2) (*Optional Settlement of Arrears of Interest*), the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

Notice of the occurrence of any Mandatory Settlement Date shall be given to the Holders in accordance with Condition 11 (*Notices*), the Trustee and the Paying Agents not more than 15 and not less than 5 Business Days prior to the relevant Mandatory Settlement Date.

"**Mandatory Settlement Date**" means the earliest of:

(a) as soon as reasonably practicable (but not later than the tenth Business Day) following the date on which a Deferred Interest Payment Event occurs;

(b) on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the interest accrued in respect of the relevant Interest Period; and

(c) the date on which the Securities are redeemed or repaid in accordance with Condition 6 (*Redemption and Purchase*) or become due and payable in accordance with Condition 9 (*Enforcement Events and No Events of Default*), including on the Liquidation Event Date (unless otherwise required by mandatory provisions of applicable law).

A "**Deferred Interest Payment Event**" means any one or more of the following events:

(a) the declaration or payment of any distribution or dividend or any other payment made by the Issuer on its share capital or any other Junior Obligations or by the Issuer or any Subsidiary of the Issuer, as the case may be, on any Parity Obligations; and/or

(b) the redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any shares of the Issuer or any other Junior Obligations; and/or

(c) the redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any Parity Obligation,

save for:

(i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law;

(ii) in the case of (b) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in connection with, or for the purpose of (A) any reduction of the quota value of the share capital of the Issuer without a corresponding return of cash, capital or assets to shareholders of the Issuer or (B) any share buyback programme then in force and duly approved by the shareholders' general meeting of the Issuer or the relevant Subsidiary of the Issuer (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan, in all cases, reserved for directors, officers and/or employees of the Issuer or the relevant Subsidiary of the Issuer or any associated hedging transaction; and

(iii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Parity Obligation below its par value.

A Deferred Interest Payment Event shall not occur pursuant to paragraph (a) above in respect of any optional *pro rata* payment of deferred or arrears of interest on any Parity Obligations which is made simultaneously with an optional *pro rata* payment of any Arrears of Interest provided that such *pro rata* payment of deferred or arrears of interest on a Parity Obligation is not proportionately more than the *pro rata* settlement of any such Arrears of Interest.

5. PAYMENTS

(1) Payments in respect of Securities

Payments of principal and interest in respect of each Security will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Security, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

(2) Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

(3) Missing Unmatured Coupons

Each Security should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Security (whether or not the Coupon would otherwise have become void pursuant to Condition 8 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

(4) Payments subject to Applicable Laws

Payments in respect of principal and interest on the Securities are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

(5) Payment only on a Presentation Date

A holder shall be entitled to present a Security or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Optional Interest Deferral*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

"**Presentation Date**" means a day which (subject to Condition 8 (*Prescription*)):

(a) is or falls after the relevant due date;

(b) is a Payment Business Day in the place of the specified office of the Paying Agent at which the Security or Coupon is presented for payment; and

(c) in the case of payment by credit or transfer to a euro account as referred to above, is a T2 Settlement Day.

In this Condition:

(i) "**Payment Business Day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

(ii) "**T2 Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system or any successor or replacement for that system is open.

(6) Initial Paying Agents, Determination Agent and Calculation Agent

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to replace or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents **provided that** (a) there will at all times there will be a Principal Paying Agent, (b) it will at all times maintain a Paying Agent having its specified office in London, (c) so long as the Securities are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority, (d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated and (e) whenever a function expressed in these Conditions is to be performed by a Determination Agent, a Determination Agent is appointed and (for so long as such function is required to be performed) maintained. Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by the Issuer in accordance with Condition 12 (*Meetings of Holders and modification*).

The Paying Agents, the Calculation Agent(s) and the Determination Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Holder.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Determination Agent, the Reset Reference Banks or the Reference Government Bond Dealers shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Holders and (in the absence of wilful default and bad faith) no liability to the Holders or the Issuer shall attach to the Determination Agent, the Reset Reference Banks or the Reference Government Bond Dealers in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

(7) Partial payments

If a Paying Agent makes a partial payment in respect of any Security or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

6. REDEMPTION AND PURCHASE

(1) Final Redemption

Subject to any early redemption described below, the Securities are perpetual securities with no fixed maturity date. The Securities may not be redeemed at the option of the Issuer other than in accordance with the following provisions of this Condition 6 (*Redemption and Purchase*).

The Securities are subject to redemption and shall be due for payment on the Liquidation Event Date, provided they have not been previously redeemed or purchased and subsequently cancelled in accordance with these Conditions.

(2) Redemption following an Accounting Event, Change of Control Event, Rating Methodology Event or Tax Deductibility Event

If, immediately prior to the giving of the notice referred to below, an Accounting Event, a Change of Control Event, a Rating Methodology Event or a Tax Deductibility Event has occurred and is continuing, then the Issuer may, subject to having given not less than 15 nor more than 30 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 11 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Redemption Date**")) and subject to Condition 6(7) (*Preconditions to Redemption, Substitution or Variation*), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the First Call Date, or (ii) at their principal amount if the Redemption Date falls on or after the First Call Date, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(3) Redemption following a Withholding Tax Event or a Substantial Repurchase Event

If, immediately prior to the giving of the notice referred to below, a Withholding Tax Event has occurred and is continuing or a Substantial Repurchase Event has occurred, then the Issuer may, subject to having given not less than 15 nor more than 30 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 11 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the Redemption Date) and subject to Condition 6(7)(*Preconditions to Redemption, Substitution or Variation*), redeem the Securities in accordance with these Conditions in whole, but not in part, in accordance with these Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(4) Redemption at the Option of the Issuer (Make-Whole)

The Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to Holders in accordance with Condition 11 (*Notices*); and

(b) notice to the Trustee and the Principal Paying Agent not less than five days before the giving of the notice referred to in paragraph (a) above,

(which notices shall (subject as provided below) be irrevocable and shall specify the date fixed for redemption (each a "**Make-Whole Redemption Date**"), redeem all (but not some only) of the Securities on any T2 Settlement Day (other than a date on which the Issuer may exercise its option to redeem the Securities pursuant to Condition 6(5) (*Redemption at the Option of the Issuer (Par Call Redemption Option*)), in each case at their Make-Whole Redemption Amount, together with any accrued and unpaid interest up to (but excluding) the Make-Whole Redemption Date and any outstanding Arrears of Interest.

Any such notice of redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, in which case such notice shall state that, in the Issuer's discretion, the Make-Whole Redemption Date may be delayed until such time as any or all such conditions have been satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions are not satisfied (or waived by the Issuer in its sole discretion) by the Make-Whole Redemption Date, or by the Make-Whole Redemption Date as so delayed.

Upon the expiry of such notice, and the satisfaction or waiver of the conditions (if any) specified by the Issuer in such notice, the Issuer shall redeem the Securities.

No later than the T2 Settlement Day immediately following the applicable Calculation Date, (i) the Determination Agent shall notify the Issuer of the applicable Make-Whole Redemption Amount and (ii) the Issuer shall notify the Trustee, the Principal Paying Agent and, in accordance with Condition 12 (*Meetings of Holders and Modification)*, the Holders of the applicable Make-Whole Redemption Amount.

For the purposes of this Condition 6(4) (*Redemption at the Option of the Issuer (Make-Whole*):

"**Calculation Date**" means the date which is the second T2 Settlement Day prior to the applicable Make-Whole Redemption Date;

"**Make-Whole Redemption Amount**" means an amount calculated by the Determination Agent, equal to the greater of:

(a) the principal amount outstanding of the Securities to be redeemed; and

(b) the sum (expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards) as reported in writing to the Issuer by the Determination Agent) of the then present values of the principal amount outstanding of the Securities to be redeemed at the relevant Make-Whole Redemption Date and the interest on such Securities for the Remaining Term (exclusive of interest accrued to the redemption date and any outstanding Arrears of Interest) discounted to the relevant Make-Whole Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 (in the case of a leap year, 366)) at a discount rate equal to the higher of:

(i) the sum of (x) the Reference Bond Rate and (y) the Make-Whole Redemption Margin; and

(ii) zero per cent.;

“**Make-Whole Redemption Margin**” means 0.50 per cent.;

“**Reference Bond**” means the 0.00 per cent. Federal Bond due 2029 of the Federal Republic of Germany with ISIN DE0001102473 (or, if such government bond is no longer outstanding, or where the Determination Agent advises the Issuer that, for reasons of illiquidity or otherwise, such government bond is not appropriate for such purpose, such other government bond as chosen by the Determination Agent and notified to the Issuer which has an actual or interpolated maturity comparable with the Remaining Term that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in euro and of a comparable maturity to the Remaining Term);

“**Reference Bond Rate**” means, with respect to the relevant Make-Whole Redemption Date, the mid-market annual yield to maturity of the Reference Bond as displayed on the Reference Screen Page at 11.00 a.m. (Central European time) on the Calculation Date (or, if the Reference Screen Page is not available at such time, the average of the four quotations given by Reference Government Bond Dealers of the mid-market annual yield to maturity of the Reference Bond on the Calculation Date at or around 11.00 a.m. (Central European time). The Reference Bond Rate will be published by the Issuer in accordance with Condition 11 (*Notices*);

“**Reference Government Bond Dealer**” means each of four banks selected by the Determination Agent, or their respective affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

“**Reference Screen Page**” means Bloomberg screen page “HP” for the Reference Bond (using the settings “Mid YTM” and “Daily”) (or any successor or replacement page, section or other part of the information service), or such other page, section or other part as may replace it on the information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying the mid-market yield to maturity for the Reference Bond; and

“**Remaining Term**” means, with respect to any Security, the period from (and including) the Make-Whole Redemption Date to (but excluding):

(a) if the Make-Whole Redemption Date occurs before the First Call Date, the First Call Date; or

(b) if the Make-Whole Redemption Date occurs after the First Reset Date, the next succeeding Interest Payment Date.

(5) Redemption at the Option of the Issuer (Par Call Redemption Option)

The Issuer may, having given:

(a) not less than 15 nor more than 30 days’ notice to Holders in accordance with Condition 11 (*Notices*); and

(b) notice to the Trustee and the Principal Paying Agent not less than five days before the giving of the notice referred to in paragraph (a) above,

(which notices shall be irrevocable and shall specify the Redemption Date), redeem all (but not some only) of the Securities on any T2 Settlement Day falling in the Initial Par Call Period or on any Interest Payment Date thereafter, in each case at an amount equal to the principal amount outstanding of the Securities to be redeemed, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest . Upon the expiry of such notice, the Issuer shall redeem the Securities.

(6) Substitution and Variation

If at any time after the Issue Date, a Tax Deductibility Event, a Withholding Tax Event, an Accounting Event or a Rating Methodology Event has occurred, then the Issuer may, subject to Condition 6(7) (*Preconditions to Redemption, Substitution or Variation*), without any requirement for the consent or approval of the Holders, and having given not less than 15 nor more than 30 days' notice to the

Trustee and the Principal Paying Agent and, in accordance with Condition 11 (*Notices*), the Holders s (which notice shall be irrevocable and specify the date fixed for substitution or variation), on any applicable Interest Payment Date either (i) substitute all (but not some only) of the Securities for new securities of the Issuer, or any wholly-owned direct or indirect finance Subsidiary of the Issuer with a guarantee of the Issuer or (ii) vary the terms of the Securities, so that after such substitution or variation the Securities remain or become, as the case may be, Qualifying Securities.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 6(6)(*Substitution and Variation*).

In connection with any such substitution or variation in accordance with this Condition 6(6) (*Substitution and Variation*), the Issuer shall comply with the rules of any stock exchange on which the Securities are (at the request of the Issuer) for the time being listed or admitted to trading.

(7) Preconditions to Redemption, Substitution or Variation

Prior to the publication of any notice of redemption pursuant to this Condition 6 (other than Condition 6(4) (*Redemption at the Option of the Issuer (Make-Whole)*) or Condition 6(5) (*Redemption at the Option of the Issuer (Par Call Redemption Option*)) or any notice of substitution or variation pursuant to Condition 6(6) (*Substitution and Variation*)), the Issuer shall:

(a) deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary (as the case may be) the Securities is satisfied;

(b) in the case of a Tax Deductibility Event or a Withholding Tax Event, deliver to the Trustee an opinion of independent legal or other tax advisers to the effect set out in paragraph (a) above and that such Tax Deductibility Event or Withholding Tax Event cannot be avoided by the Issuer taking reasonable measures available to it;

(c) in the case of an Accounting Event, deliver to the Trustee the relevant letter or report from the relevant accountancy firm;

(d) in the case of a Rating Methodology Event, deliver to the Trustee the relevant confirmation from the relevant Rating Agency; and

(e) in the case of a substitution or variation pursuant to Condition 6(6) *Substitution and Variation*), deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that:

  (i) the Issuer has determined that the terms of the Qualifying Securities are not materially less favourable to Holders than the terms of the Securities and that determination has been reached by the Issuer in consultation with an independent investment bank or independent financial adviser of international standing;

  (ii) the criteria specified in paragraphs (a) to (h) of the definition of Qualifying Securities will be satisfied by the Qualifying Securities upon issue; and

  (iii) the relevant substitution or variation (as the case may be) will not result in the occurrence of a Tax Deductibility Event, a Withholding Tax Event, an Accounting Event or a Rating Methodology Event.

The Trustee shall be entitled to accept the certificate, opinion or confirmation as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Holders.

(8) Purchases

The Issuer or any of its Subsidiaries may at any time purchase Securities (provided that all unmatured Coupons appertaining to the Securities are purchased with the Securities) in any manner and at any price. Such Securities may be held, reissued, resold or surrendered by the purchaser through the Issuer for cancellation. Securities held by or for the account of the Issuer or any of its Subsidiaries for their own account will cease to carry the right to attend and vote at meetings of Holders and will not be taken into account in determining how many Securities are outstanding for the purposes of these Conditions and the provisions of the Agency Agreement.

(9) Cancellations

All Securities which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries and are surrendered for cancellation by the Issuer will forthwith be cancelled, together with all relative unmatured Coupons attached to the Securities or surrendered with the Securities, and accordingly may not be reissued or resold.

7. TAXATION

(1) Payment without Withholding

All payments (including Arrears of Interest) in respect of the Securities and the Coupons by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of Estonia, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Holder after the withholding or deduction shall equal the respective amounts (including Arrears of Interest) which would have been receivable in respect of the Securities or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Security or Coupon:

(a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Security or Coupon by reason of his having some connection with Estonia other than the mere holding of the Security or Coupon; or

(b) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Security or Coupon to another Paying Agent in a member state of the European Union; or

(c) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date.

(2) Interpretation

In these Conditions "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Holders by the Issuer in accordance with Condition 11 (*Notices*).

(3) Additional Amounts

Any reference in these Conditions to any amounts in respect of the Securities shall be deemed also to refer to any additional amounts which may be payable under this Condition 7(3) (*Additional Amounts*) or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

(4) Jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than Estonia, references in these Conditions to Estonia shall be construed as references to Estonia and/or such other jurisdiction.

8. PRESCRIPTION

Securities and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Securities or, as the case may be, the Coupons, subject to the provisions of Condition 6 (*Redemption and Purchase*).

9. ENFORCEMENT EVENTS AND NO EVENTS OF DEFAULT

(1) There are no events of default in relation to the Securities.

On the Liquidation Event Date, the Securities will become due and payable at an amount equal to their principal amount, together with any outstanding interest accrued up to (but excluding) the Liquidation Event Date and any outstanding Arrears of Interest. Notwithstanding anything in this Condition (9) (*Enforcement Events and No Events of Default*), the Securities will not become due and payable due to submission of a reorganisation petition, commencement of reorganisation proceedings, approval of a reorganisation plan, submission of a request to stay the measures specified in Section 11 of the Estonian Reorganisation Act or the staying of any such measures in relation to the Issuer.

On or following the Liquidation Event Date, no payments will be made in relation to Junior Obligations of the Issuer before all amounts due, but unpaid, on the Securities have been paid by the Issuer.

(2) The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Securities and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Securities or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution of the Holders or so requested in writing by the holders of at least one-fifth in principal amount of the Securities then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(3) No Holder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails or is unable so to do within a reasonable period of time and the failure or inability shall be continuing.

(4) No remedy against the Issuer, other than as referred to in this Condition 9 (*Enforcement Events and No Events of Default*), shall be available to the Trustee, the Holders, whether for the recovery of amounts due in respect of the Securities or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities, the Coupons and the Trust Deed.

10. REPLACEMENT OF SECURITIES AND COUPONS

Should any Security or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or the Principal Paying Agent may reasonably require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Securities or Coupons must be surrendered before replacements will be issued.

11. NOTICES

All notices required to be given to the Holders pursuant to these Conditions will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may, with the prior written approval of the Trustee, decide. It is expected that publication will normally be made in the Financial Times. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Securities are for the time being listed, as well as the rules of the relevant clearing systems. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

12. MEETINGS OF HOLDERS AND MODIFICATION

(1) Provisions for Meetings

The Trust Deed contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Holders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50.0 per cent. in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Securities held or represented by him or them, except that at any meeting the business of which includes the modification of certain of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Securities for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of all the holders of not less than three-fourths in nominal amount of the Securities for the time being outstanding, or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders. An Extraordinary Resolution passed at any meeting of the Holders or through a written resolution or electronic consent process, will be binding on all Holders, whether or not they are present at the meeting, and on all Couponholders.

(2) Modification / Waiver / Authorisation / Determination

The Trustee may agree, without the consent of the Holders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or is required to comply with a mandatory provision of law.

(3) Interests of Holders as a class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, substitution or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

(4) Notification to Holders

Any modification, waiver, authorisation, determination or substitution shall be binding on the Holders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 11 (*Notices*).

13. SUBSTITUTION

The Trustee may, without the consent of the Holders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Securities, the Coupons and the Trust Deed, of any other company being a Subsidiary of the Issuer, subject to:

(a) the Securities being unconditionally and irrevocably guaranteed by the Issuer (on a subordinated basis as provided in Condition 2(2) (*Subordination*)); and

(b) certain other conditions set out in the Trust Deed being complied with.

14. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) acting reasonably to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Holders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any Person in that jurisdiction or if, in its opinion, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

The Trustee may rely without liability to Holders on a report or certificate or opinion or any advice of the Auditors (as defined in the Trust Deed) or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap or otherwise.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee is entitled to assume that the Issuer is performing all of its obligations pursuant to the Securities and the Trust Deed (and shall have no liability for doing so) until it has actual knowledge or express notice to the contrary.

15. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Holders to create and issue further notes or bonds either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same be consolidated and form a single series with the outstanding notes or bonds of any series (including the Securities) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Securities) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may, be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(1) Governing Law

The Trust Deed, the Agency Agreement, the Securities and the Coupons, and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Securities and the Coupons, are governed by English law. except for Conditions 2(2) (*Subordination*) and 2(3) (*No Set-Off*) which are governed by Estonian law.

(2) Jurisdiction of English Courts

The Issuer has in the Trust Deed (i) agreed for the benefit of the Trustee, the Holders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Securities (including any non-contractual obligation arising out of or in connection with the Securities); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf (being TMF Global Services (UK) Limited, 13th Floor, One Angel Court, London, EC2R 7HJ, United Kingdom); (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee may take concurrent Proceedings in any number of jurisdictions.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No Person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. DEFINITIONS

In these Conditions:

"**30/360 Day Count**" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period (such number of days being calculated on the basis of a 360 day year consisting of 12 months of 30 days each), divided by 360;

"**5 Year Mid-Swap Rate**" has the meaning given to it in Condition 3(4) (*Prevailing Interest Rate*);

"**5 Year Mid-Swap Rate Quotations**" has the meaning given to it in Condition 3(4) (*Prevailing Interest Rate)*;

"**Accounting Event**" shall be deemed to occur if the Issuer has received, and notified the Holders in accordance with Condition 11 (*Notices*) that it has so received, a letter or report of a recognised accountancy firm of international standing, stating that, as a result of a change in the accounting rules or methodology (or in each case the application thereof) after the Issue Date (the earlier of such date that the aforementioned change is officially announced by the IASB or the equivalent body in respect of IFRS-EU or officially adopted or put into practice, the "**Accounting Event Adoption Date**"), the Securities may not or may no longer be recorded as "equity" pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of preparing the consolidated financial statements of the Issuer. The Accounting Event shall be deemed to have occurred on the Accounting Event Adoption Date notwithstanding any later effective date. The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on (and include) the Accounting Event Adoption Date. For the avoidance of doubt, such period shall include any transitional period.

"**Adjustment Spread**" means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(b) the Issuer determines, following consultation with the Independent Adviser and acting in good faith, is recognised or acknowledged as being the industry standard for over-the counter derivative transactions or is in customary market usage in the debt capital market for transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged); or

(c) the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer determines, following consultation with the Independent Adviser, has replaced the Original Reference Rate in customary market usage in the international swap markets for the purposes of determining rates of interest (or any relevant component thereof) for interest periods of the same length and in euros;

"**Arrears of Interest**" has the meaning given to it in Condition 4(1) (*Deferral of Interest Payments*);

"**Benchmark Amendments**" has the meaning given to it in Condition 3(6) (*Benchmark Replacement*);

"**Benchmark Event**" means:

(a) the Original Reference Rate has ceased to be published for a period of at least five Business Days as a result of such benchmark ceasing to be calculated or administered; or

(b) a public statement by the administrator of the Original Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of the Original Reference Rate) it has ceased publishing the Original Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date; or

(c) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified future date, be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will, by a specified future date, be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Securities; or

(e) a public statement by the supervisor of the administrator of the Original Reference Rate that, in the view of such supervisor, the Original Reference Rate is or will, by a specified future date no longer representative of an underlying market; or

(f) it has or will, by a specified date within the following six months, become unlawful for any Paying Agent, the Calculation Agent, the Issuer, or any other party to calculate any payments due to be made to any Holder using the Original Reference Rate (including, without limitation, under Regulation (EU) 2016/1011, if applicable),

and, notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (b), (c), (d) or (e) above and the specified future date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such specified future date.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which T2 is operating and on which banks are open for general business in Talinn, Estonia;

"**Conditions**" means the terms and conditions of the Securities;

a "**Change of Control**" shall be deemed to have occurred if, at any time, the Ministry of Finance on behalf of the Republic of Estonia ceases to own, directly or indirectly, at least 51.0 per cent. of the issued share capital of the Issuer;

"**Change of Control Event**" means if at any time there occurs (a) a Change of Control and within the Change of Control Period (if at the relevant time there are Rated Securities) a Rating Downgrade in respect of that Change of Control occurs or (b) a Change of Control (if at the relevant time there are no Rated Securities);

"**Change of Control Period**" means the period commencing on the first to occur of (i) a Change of Control and (ii) any official public announcement by the Issuer or any shareholder of the Issuer that states that a Change of Control shall occur and ending 30 days after such Change of Control occurs;

"**Change of Control Step-Up Margin**" means 5.0 per cent. per annum;

"**Couponholders**" means the holders of the Coupons;

"**Deferral Notice**" has the meaning given to it in Condition 4(1) (*Deferral of Interest Payments*);

"**Deferred Interest Payment**" has the meaning given to it in Condition 4(1) (*Deferral of Interest Payments*);

"**Deferred Interest Payment Event**" has the meaning given to it in Condition 4(3) (*Mandatory Settlement of Arrears of Interest*);

"**Early Redemption Amount**" means in respect of a redemption of the Securities before the First Call Date following the occurrence of a Tax Deductibility Event, an Accounting Event, a Rating Methodology Event or a Change of Control Event, 101 per cent. of the principal amount of such Securities plus accrued interest and any Arrears of Interest;

"**First Call Date**" means 15 July 2029;

"**First Reset Date**" means 15 October 2029;

"**IFRS-EU**" means International Financial Reporting Standards, as adopted by the European Union;

"**IASB**" means the International Accounting Standards Board;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise;

"**Initial Par Call Period**" means the period commencing on (and including) the First Call Date and ending on (and including) the First Reset Date;

"**Interest Payment**" means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the relevant Coupon for the relevant Interest Period in accordance with Condition 5 (*Payments*);

"**Interest Payment Date**" has the meaning given to it in Condition 3(1) (*Interest Payment Dates*);

"**Interest Period**" means the period from (and including) an Interest Payment Date (or the Issue Date, in the case of the first Interest Period) to (but excluding) the next Interest Payment Date or the relevant payment date the Securities become payable on a date other than an Interest Payment Date;

"**Junior Obligations**" means all present and future obligations of the Issuer, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, junior to the Securities or any Parity Obligation;

"**Liquidation Event**" has the meaning given to it in Condition 2(2) (*Subordination*);

"**Liquidation Event Date**" means the date on which the liquidation of the Issuer is deemed to be irrevocable and irreversible in accordance with mandatory provisions of Estonian law;

"**Make-Whole Redemption Amount**" has the meaning given to it in Condition 6(4) *(Redemption at the Option of the Issuer (Make-Whole))*;

"**Make-Whole Redemption Date**" has the meaning given to it in Condition 6(4) *(Redemption at the Option of the Issuer (Make-Whole))*;

"**Mandatory Settlement Date**" has the meaning given to it in Condition 4(3) (*Mandatory Settlement of Arrears of Interest*);

"**Moody's**" means Moody's Deutschland GmbH;

"**Optional Deferred Interest Settlement Date**" has the meaning given to it in Condition 4(2) (*Optional Settlement of Arrears of Interest*);

"**Original Reference Rate**" means the 5 Year Mid-Swap Rate or any component thereof (provided that if, following one or more Benchmark Events, such originally specified benchmark or screen rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term "Original Reference Rate" shall include any such Successor Rate or Alternative Rate);

"**Parity Obligations**" has the meaning given to it in Condition 2(1) (*Status*);

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Prevailing Interest Rate**" means the applicable rate of interest payable on the Securities from time to time pursuant to Condition 3 (*Interest)*;

"**Qualifying Securities**" means securities that contain terms not materially less favourable to Holders than the terms of the Securities (as reasonably determined by the Issuer in consultation with an independent investment bank or independent financial adviser of international standing), and provided that a certification to such effect (and confirming that the conditions set out in (a) to (h) below have been satisfied) of two authorised signatories of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the Securities), provided that such securities:

(a) shall be issued by the Issuer, the successor in business of the Issuer or any wholly-owned direct or indirect finance Subsidiary of the Issuer and be guaranteed by the Issuer;

(b) (and/or as appropriate, any applicable guarantee of the Issuer) shall rank *pari passu* in a Liquidation Event with the ranking of the Securities;

(c) shall contain terms which provide for at least the same Prevailing Interest Rate and preserve the same Interest Payment Dates;

(d) shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption;

(e) shall preserve any existing rights under the Securities to any accrued interest, any Arrears of Interest and any other amounts payable under the Securities which, in each case, has accrued to Holders and not been paid;

(f) shall not contain terms providing for the mandatory deferral of interest and shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares;

(g) shall, immediately after such substitution or variation, be assigned at least the same credit rating(s) by the same Rating Agencies as may have been assigned to the Securities immediately prior to such substitution or variation; and

(h) shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Securities, save where any such modification to such terms are required to be made to avoid the occurrence or effect of a Tax Deductibility Event, a Withholding Tax Event, an Accounting Event or, as the case may be, a Rating Methodology Event or, in the case of a Rating Methodology Event occurring following any relevant refinancing of the Securities, to avoid any part of the aggregate principal amount of the Securities which benefitted from equity credit by the relevant Rating Agency prior to the occurrence of the Rating Methodology Event being assigned a level of equity credit (or such other nomenclature that the relevant Ranting Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) that is lower than the equity credit assigned on the Issue Date (or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time); and

(i) shall be (i) listed on the Official List of the Financial Conduct Authority and admitted to trading on the Main Market of the London Stock Exchange plc or (ii) admitted to trading on any other regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as selected by the Issuer;

"**Rated Securities**" means (i) the Securities so long as they shall have an effective rating from any Rating Agency at the invitation of the Issuer and (ii) any unsecured and unsubordinated debt of the Issuer (or any Subsidiary of the Issuer which is guaranteed on an unsecured and unsubordinated basis by the Issuer) which is rated at the invitation of the Issuer by one or more of the Rating Agencies;

"**Rating Agency**" means S&P or Moody's or, in each case, any successor to the rating agency business thereof;

a "**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating assigned to the Rated Securities by any Rating Agency is (a) withdrawn or (b) changed from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or (c) (if the rating assigned to the Rated Securities by any Rating Agency shall be below an investment grade rating (as described above)) lowered one full rating category (by way of example, from BB+ to BB or such lower or equivalent rating), provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply has not announced or confirmed (whether publicly or in writing to the Issuer and/or the Trustee) that the withdrawal or the reduction was wholly or substantially the result of the Change of Control;

"**Rating Methodology Event**" shall be deemed to occur if the Issuer has received (directly or via publication by such Rating Agency), and notified the Holders in accordance with Condition 11 (*Notices*) that it has so received, confirmation from any Rating Agency that, due to any amendment to, clarification of, or change in hybrid capital methodology or a change in the interpretation thereof, in each case occurring or becoming effective after the Issue Date:

(a) all or any of the Securities are being assigned a level of "equity credit" that is lower than the level or equivalent level of "equity credit" assigned to the Securities by such Rating Agency on the Issue Date, or, if "equity credit" is not assigned to the Securities by the relevant Rating Agency on the Issue Dat, at the date on which "equity credit" is assigned by such Rating Agency for the first time; or

(b) if the Securities have been partially re-financed since the Issue Date and are no longer eligible for "equity credit" in part or in full as a result, paragraph (a) above would have applied had the Securities not been re-financed; or

(c) the length of time the Securities are assigned a particular level of "equity credit" by that Rating Agency would be shortened as compared to the length of time they would have been assigned that level of "equity credit" by that Rating Agency on the initial issuance of the Securities;

"**Redemption Date**" has the meaning given it to Condition 6(2) (*Redemption following an Accounting Event, Change of Control Event, Rating Methodology Event or Tax Deductibility Event*);

"**Reference Bond**" has the meaning given it to Condition 6(4) *(Redemption at the Option of the Issuer (Make-Whole)*);

"**Reference Bond Price**" has the meaning given it to Condition 6(4) *(Redemption at the Option of the Issuer (Make-Whole)*);

"**Reference Bond Rate**" has the meaning given it to Condition 6(4) *(Redemption at the Option of the Issuer (Make-Whole)*);

"**Reference Government Bond Dealer**" has the meaning given it to Condition 6(4) *(Redemption at the Option of the Issuer (Make-Whole)*);

"**Remaining Term**" has the meaning given it to Condition 6(4) *(Redemption at the Option of the Issuer (Make-Whole)*);

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate(as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

"**Reset Date**" means the First Reset Date and each date falling on the 5th anniversary of the previous Reset Date;

"**Reset Period**" means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date;

"**S&P**" means S&P Global Ratings Europe Limited;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Substantial Repurchase Event**" shall be deemed to have occurred if at least 75 per cent. of the aggregate principal amount of the Securities originally issued (which for these purposes shall include any further securities issued pursuant to Condition 15 (*Further Issues*)) is purchased by the Issuer and/or any of its Subsidiaries (and in each case is cancelled in accordance with Condition 6(9) (*Cancellation*));

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body;

"**T2**" means the real time gross settlement system operated by the Eurosystem of any successor system;

"**Tax Deductibility Event**" shall be deemed to have occurred if, as a result of a Tax Law Change, in respect of the Issuer's obligation to make any payment under the Securities (including any Interest Payment) on the next following Interest Payment Date, the Issuer would no longer be entitled to claim a deduction in respect of computing its tax liabilities in Estonia, or such entitlement is materially reduced.

"**Tax Law Change**" means (a) any amendment to, clarification of, or change (excluding any proposed amendment, clarification or change announced prior to the Issue Date but including any proposed amendment, clarification or change announced on or after the Issue Date) in the laws or treaties (or any regulations thereunder) of Estonia affecting taxation, (b) any governmental action (c) or any amendment to, clarification of, or change in the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in Estonia, irrespective of the manner in which such amendment, clarification, change, action, pronouncement, interpretation or decision is made known, which amendment, clarification or change is effective or such governmental action, pronouncement, interpretation or decision is announced on or after the Issue Date; and

"**Withholding Tax Event**" shall be deemed to occur if as a result of a Tax Law Change, in making any payments in respect of the Securities, the Issuer has paid or will or would on the next Interest Payment Date be required to pay any additional amounts in respect of the Securities pursuant to Condition 7 (*Taxation*) that cannot be avoided by the Issuer, as the case may be, taking measures reasonably available to it.

The following paragraphs do not form part of the terms and conditions of the Securities:

The Issuer intends (without thereby assuming any obligation) that it will redeem or repurchase the Securities (or any part thereof) only to the extent that the aggregate principal amount of the Securities (or any part thereof) to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any Subsidiary of the Issuer on or prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities (or any part thereof) to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:

(a) *the rating assigned by S&P to the Issuer is the same as or higher than the long-term corporate credit rating assigned to the Issuer on the date when the most recent additional hybrid security was issued (excluding refinancings without net new issuance) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or*

(b) *in the case of a repurchase or redemption, such repurchase or redemption is of less than (a) 10 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Group in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Group in any period of 10 consecutive years; or*

(c) *if the Securities are not assigned an "equity credit" by S&P (or such similar nomenclature then used by S&P at the time of such redemption or repurchase); or*

(d) *in the case of a repurchase or redemption, such repurchase or redemption relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Issuer's hybrid capital to which S&P then assigns equity content under its prevailing methodology; or*

(e) *the Securities are redeemed pursuant to a Tax Deductibility Event, a Withholding Tax Event, an Accounting Event, a Rating Methodology Event, a Substantial Purchase Event or a Change of Control Event; or*

(f) *such redemption or repurchase occurs on or after 15 October 2049.*

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The Securities will be in bearer form and will initially be represented by the Temporary Global Security which will be deposited on or around the Issue Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Temporary Global Security will be exchangeable in whole or in part for interests in the Permanent Global Security not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Security unless exchange for interests in the Permanent Global Security is improperly withheld or refused. In addition, interest payments in respect of the Securities cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Security will become exchangeable in whole, but not in part, for Securities in definitive form ("**Definitive Securities**") in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 each at the request of the bearer of the Permanent Global Security against presentation and surrender of the Permanent Global Security to the Principal Paying Agent if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business (an "**Exchange Event**").

So long as the Securities are represented by a Temporary Global Security or a Permanent Global Security and the relevant clearing system(s) so permit, the Securities will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, notwithstanding that no Definitive Securities will be issued with a denomination above €199,000.

Whenever the Permanent Global Security is to be exchanged for Definitive Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Securities, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Security to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Security and the Permanent Global Security will contain provisions which modify the Conditions as they apply to the Temporary Global Security and the Permanent Global Security. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Security and the Permanent Global Security will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Security or (as the case may be) the Permanent Global Security to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Securities. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Security or (as the case may be) the Permanent Global Security, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Interest Calculation: For so long as all of the Securities are represented by the Temporary Global Security or the Permanent Global Security, interest payable to the bearer of the relevant Global Security(s) will be calculated by applying the Prevailing Interest Rate to the outstanding principal amount of the Securities evidenced by such Global Security(s) and on the basis of (a) the actual number of days in the period from and including the Accrual Date to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next Interest Payment Date. The resultant figure will be rounded to the nearest cent (with half a cent being rounded upwards). The amount of interest payable in respect of the outstanding principal amount of the Securities represented by the Permanent Global Security on 15 October 2024 shall be €1,979.51.

Payments on business days: In the case of all payments made in respect of the Temporary Global Security and the Permanent Global Security "**business day**" means any day (other than a Saturday or a Sunday) which commercial banks are open for business and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

Call option: In the case of a partial redemption of Securities, the Securities to be redeemed (the "**Redeemed Securities**") will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). No exchange of the relevant Global Security will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant and notice to that effect shall be given by the Issuer to the Holders in accordance with Condition 11 (*Notices*) at least 5 days prior to the Selection Date.

Notices: Notwithstanding Condition 11 (*Notices*), while all the Securities are represented by the Permanent Global Security (or by the Permanent Global Security and/or the Temporary Global Security) and the Permanent Global Security is (or the Permanent Global Security and/or the Temporary Global Security are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Holders in accordance with Condition 11 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The Issuer intends to apply an amount equivalent to the net proceeds of the issue of the Securities to finance and/or refinance, in whole or in part, new or existing Eligible Green Projects (as defined below) in accordance with its Green Finance Framework (as defined below). Such financing or refinancing may be of new and/or existing Eligible Green Projects.

An amount equal to the net proceeds of the Securities will be managed, using a portfolio approach, by the Issuer. The Issuer will endeavour to fully allocate the net proceeds of the Securities in financing or refinancing the relevant Eligible Green Projects within two years of the issue of the Securities. Pending such allocation, any unallocated net proceeds will be temporarily invested, managed or held by the Issuer at its own discretion, in accordance with its relevant internal policies, in cash, cash equivalents and/or other short-term liquid instruments.

The Issuer has obtained a second-party opinion from ISS Corporate (the "**Second Party Opinion**"), an external ESG research, analysis and ratings provider, to confirm the Green Finance Framework's alignment with the ICMA Green Bond Principles and the 2023 LMA Green Loan Principles and the alignment of the project categories with the EU Taxonomy on a best efforts basis. The Second Party Opinion is available for viewing on the Issuer's website at https://public-docs.enefit.ee/ettevottest/investorile/ESG/Eesti-SPO-UoP.pdf.

In addition, until full allocation of the net proceeds of the issue the Issuer intends, within one year from the date of issue of the Securities and annually thereafter until the net proceeds of the Securities have been fully allocated, and thereafter as necessary in case of any material development, to prepare an allocation report and an impact report in respect of that issue, as further described in the Green Finance Framework (the "**Green Financing Report**"). The Green Financing Report is expected to be published on the Issuer's website.

The Issuer also intends to appoint an independent auditor to provide a review or at least a limited assurance of the Green Financing Report, including on the tracking and allocation of the net proceeds of the Securities and on the associated impact metrics, in accordance with the Green Finance Framework. The auditor or verifier's report will be available on the Issuer's website.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Securities and in particular with any Eligible Green Projects to fulfil any environmental, sustainability, social and/or other criteria.

None of any such opinion or certification or the Green Finance Framework are, or shall be deemed, (i) to be incorporated in and/or form part of this Prospectus or (ii) a recommendation by the Issuer or any other person to buy, sell or hold the Securities. Any such opinion or certification is only current as at the date that opinion or certification was initially issued and the criteria and/or considerations that formed the basis of the Second Party Opinion or any such other opinion or certification may change at any time and the Second Party Opinion may be amended, updated, supplemented, replaced and/or withdrawn.

Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Securities. Prospective investors in the Securities should also refer to "*Risk Factors — The Securities may not meet investor expectations or requirements*".

In this section:

"**Eligible Green Projects**" are projects in the eligible green categories of renewable energy (investments in the grid transmission network) and clean transportation (investments in electric transport) as described in the Issuer's Green Finance Framework. Eligible Green Projects may comprise of physical assets and capital expenditures related to the improvement and extension of Eligible Green Projects.

Eligible Green Projects will be identified, and selected for eligibility, by a dedicated working group of the Issuer in line with the Green Finance Framework. Assets and expenditures related to fossil-fuel energy business are excluded and deemed ineligible. All existing fossil fuel exposure sits under the Enefit Power entity and is ringfenced from the entities referenced within the eligibility criteria of the Green Finance Framework. Renewable energy power generation has not been included in the Green Finance Framework of the Issuer primarily due to the fact that this activity would fall under Enefit Green's activities and Enefit Green's borrowings are arranged on a standalone basis.

"**Green Finance Framework**" means the Green Finance Framework of the Issuer published by the Issuer on its website at https://public-docs.enefit.ee/ettevottest/investorile/ESG/Eesti-Project-Forseti.pdf, including as amended, supplemented, replaced or otherwise updated from time to time."

The "**ICMA Green Bond Principles**", at any time, are the Green Bond Principles published by the International Capital Markets Association at such time, which as of the date of this Pricing Supplement are the Green Bond Principles June 2021 (with June 2022 Appendix 1) (https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf).

DESCRIPTION OF THE GROUP

Introduction and Background

The Issuer's legal and commercial name is Eesti Energia AS. The Issuer is a public limited company (*aktsiaselts*), whose sole shareholder is the Republic of Estonia. The Issuer was incorporated under the Commercial Code in Estonia as a public limited company on 31 March 1998 with the name "*Eesti Energia Aktsiaselts*". The Issuer is registered in the Estonian Commercial Register under number 10421629. The principal legislation under which the Issuer operates is the law of Estonia. The Issuer's website is: https://www.enefit.com/en. Information on the Issuer's website does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus.

The Group is an energy company operating in the Baltic and Finnish energy markets and, from 2017, also in Poland. Outside of Estonia, the Group operates under the "*Enefit*" brand name introduced in 2009 and, in Estonia, some subsidiaries of the Group now use the brand name of "*Enefit*", such as the renewable energy subsidiary, Enefit Green AS ("**Enefit Green**").

The origins of the Issuer go back to 1939 when Elektrikeskus, a predecessor of Eesti Energia, was established to implement the Estonian electrification plan and to create a comprehensive national energy system. After its foundation, the organisation was renamed "Eesti Energia", marking the beginning of the Eesti Energia group, which has become an international and versatile provider of energy solutions. As part of the electrification process, power lines were built connecting consumers to power plants, and preparations began for the construction of new oil shale-based power plants. Since then, the Issuer has significantly expanded its scope of operations – the local Estonian electricity company has become an international and versatile provider of energy solutions. Electrification is still part of the Issuer's strategy, but today fossil fuel-based solutions are replaced by renewable electricity.

In 2010, Estonia's Transmission System Operator, Elering AS (formerly *OÜ Põhivõrk*), was fully separated from the Eesti Energia group due to EU legislative requirements. In the 2000s, the Group's strategy included expansion of its oil shale business internationally, which resulted in acquisitions of oil shale resources in Jordan and the U.S. Currently, the Group's geographical focus is in the Baltic Sea region, covering the Baltic countries and Finland, as well as Poland. The assets located in Jordan and the U.S. still exist within the ownership of the Issuer but without a significant shareholding or active plans.

In 2018, the Issuer's then fully owned renewable energy subsidiary, Enefit Green, completed the largest acquisition in the history of the Group by acquiring 100.0 per cent. of the shares in a Baltic renewable energy producer, Nelja Energia AS, for a purchase price of €289 million. As a result of the transaction, the Group's renewable asset base grew from 111MW of installed wind capacity to 398MW. The Group also acquired a Baltic wind development pipeline, a pellet factory and a co-generation plant in Latvia. Since October 2021, the shares of Enefit Green have been listed on the Tallinn Stock Exchange with the Issuer holding 77.17 per cent. while the remaining 22.83 per cent. accounts for a free float. The listed subsidiary, Enefit Green, is the only majority owned subsidiary in the Group with its own independent external financing in place, although there are no guarantees or security given from the Issuer for the benefit of Enefit Green. The listing of the minority shareholding in Enefit Green was partly driven by the Issuer's shareholder, the state of Estonia, but also by the Group's need to acquire additional equity and funds to carry out its strategic goals until 2025.

The principal business lines of the Group are: (i) the oil shale to energy business, which includes oil shale mining, generation of electricity from oil shale and production of shale oil, and which the Group aims to transition into a net-zero CO_2 footprint chemical industry by 2045; (ii) generation of electricity and heat from renewables and co-generation capacities; (iii) the distribution of electricity; (iv) the supply of energy services to industrial, commercial and household customers (the retail sales) and (v) natural gas. Within these business lines, the sale of heat to the cities of Tallinn, Narva and Paide in Estonia and Valka in Latvia, and the distribution network services offered by Elektrilevi (as defined below) are subject to regulated tariffs. At the end of 2023, Enefit Green signed contracts to sell the assets of Paide and Valka for €15.9 million (which came into force at the beginning of 2024). The financial reporting of the Group is organised around the four major products, or business lines, generated by these businesses: (i) electricity; (ii) distribution (iii) shale oil and (iv) other products and services. The electricity business line includes the business lines of electricity generation, both oil shale and renewable, and retail sales. The distribution business line includes the activities around the distribution of electricity. The shale oil business line includes the part of oil shale to energy business which currently produces liquid fuels. The natural gas business line includes the sale of gas, while the other products and services business line comprises the sale of heat, industrial equipment, and the effects of one-off transactions. As at 31 December 2023, the Group had a gross capacity of 2050MW, compared to 1992MW in 2022 and 2021.

The table below provides an overview of the Group's key performance indicators for the periods indicated:

		3 months ended 31 March 2024 (unaudited)	**3 months ended 31 March 2023 (unaudited)**	**Full year ended 31 December 2023 (unaudited)**	**Full year ended 31 December 2022 (unaudited)**
Total electricity sales	GWh	2,849	2,868	10,236	10,537
Split of total electricity sales between wholesale and retail:					
Wholesale electricity sales	TWh	0.07	0.04	0.2	0.6
Retail electricity sales	TWh	2,779	2,829	10	9.9
Electricity distributed	GWh	1,994	1,879	6,708	6,475
Liquid fuel sales	th tonnes	110	112	468	405
Heat sales	GWh	296	297	843	817
Gas sales	TWh	0.7	0.5	1.5	2.2
Total electricity production	GWh	1,225	1,225	3,614	6,260
Renewable electricity production	GWh	646	538	1,626	1,440
Heat production	GWh	390	360	1,182	1,186
Shale oil production	th tonnes	129	128	475	424
Liquid fuel production	th tonnes	129	128	475	424
Liquid fuel production	GWh	1,452	1,440	5,357	4,779
CO_2 total emissions	million tonnes	0.9	1.1	3.6	6.8
CO_2 intensity of electricity production	t/MWh	0.47	0.60	0.61	0.88
CO_2 intensity of energy production	t/MWh	0.31	0.35	0.34	0.55
Lost Time Injury Frequency Rate per 1 million hours	frequency per 1 million hours	2.27	2.35	1.73	2.55
Average number of employees	No.	5,036	5,339	5,268	4,833

The table below provides an overview of the Group's financial performance and key ratios as of the dates and for the periods indicated:

		As of and for 3 months ended 31 March 2024 (unaudited)	**As of and for 3 months ended 31 March 2023 (unaudited)**	**As of and for full year ended 31 December 2023**	**As of and for full year ended 31 December 2022**
Revenue	million €	500.3	582.7	1,905.5	2,218.2
EBITDA (unaudited)	million €	127.8	178.3	436.7	420.4

Depreciation, amortisation and impairment	million €	(38.9)	(45.6)	(818.2)	(177.2)
Operating profit/(loss)	million €	88.9	132.8	(381.5)	243.2
Net finance costs	million €	11.4	9.1	(29.6)	(20.0)
Profit/(loss) from associates under the equity method	million €	1.8	-	0.2	2.5
Corporate income tax expense	million €	(0.2)	(5.2)	(11.2)	(10.0)
Profit/(loss) for the period	million €	79.1	118.6	(422.1)	215.7
Total non-current assets	million €	3,781	3,976	3,680.5	3,969.8
Total equity	million €	2,038.5	2,921.8	2,060.1	3,120.0
Net debt (unaudited)	million €	1,470	866	1,495.5	774.1
Investments (unaudited)	million €	167.7	160.3	779.2	445.2
Net cash generated from operating activities	million €	165.0	71.2	13.9	508.8
Net debt/ EBITDA (unaudited)	times	3.8	2.2	3.4	1.8
Financial leverage (unaudited)	%	41.9	22.9	42.1	19.9
EBITDA margin (unaudited)	%	25.5	30.6	22.9	19.0
Operating profit /(loss) margin (unaudited)	%	17.8	22.8	(20.0)	11.0
CFADS (unaudited)	million €	128.3	142.6	527.8	262.6
Adjusted EBITDA (unaudited)	million €	137.4	202.3	483.0	333.0
Adjusted net profit/(loss) (unaudited)	million €	88.6	142.6	(375.8)	128.3

In 2023, the net cash generated from operating activities of the Group was €13.9 million, a significant decrease of 97.3 per cent. from the previous year of €508.8 million, primarily due to a large negative impact from derivative financial instruments. In the first three months of 2024, the net cash generated from operating activities was €165.0 million compared to €71.2 million in the first three months of 2023.

Shareholder

The Republic of Estonia is the sole shareholder of the Issuer. As at the date of this Prospectus, the Issuer is unaware of any plans that may result in a change of ownership. The Ministry of Finance holds all of the shares in the Issuer on behalf of the Republic of Estonia and, accordingly, is the registered shareholder of the Issuer in the Estonian Register of Securities maintained by Nasdaq CSD SE Estonia Branch (the "**Shareholder**"). The Shareholder is represented by the Minister of Finance, who also represents the Shareholder at all general meetings.

The relationship between the Shareholder and the Issuer is conducted through members of the Supervisory Board. Members of the Supervisory Board are appointed by the resolution of the Minister of Finance taking into account the proposals made by the special nomination committee. However, day-to-day management of the Issuer is undertaken by the Issuer's Management Board.

Under the Commercial Code, the shareholders of a public limited company (including the State) are neither liable for the debts of the company nor obligated to supply additional capital in the event of a financial crisis. Save for an obligation of the Issuer's subsidiary, Elektrilevi OÜ ("**Elektrilevi**"), as distribution network operator, to notify the ECA should bankruptcy procedures be initiated against it, there are no special laws in Estonia applying to the bankruptcy of public service entities, nor are there any derogations from the normal bankruptcy procedures. Under the Electricity Market Act, the ECA may also seek expropriation of certain assets of Elektrilevi, including the acquisition of immovable assets of Elektrilevi in the public interest.

The General Part of the Economic Activities Code Act also authorises the ECA to require companies that are deemed to be either a provider of a service of general interest or a service of vital importance (for example, in the areas of generation or distribution of electricity) to maintain their operations to ensure the continuous provision of these services. This may impact such companies' ability to cease operations in the event of bankruptcy proceedings.

In the past, the Issuer has received equity injections from the Estonian Government. In 2012 and 2020 respectively, the Issuer received €150.0 million and €125.0 million equity injection from the Estonian Government to finance its investment programme. It is possible that support of this sort may also be provided in the future but there is no commitment from the Shareholder to do this. Previously, provisional amounts for share capital increases of state-owned companies have been set out in the annual Estonian State Budgets, which are publicly available documents. However, there is no certainty that the Issuer will receive all or any part of the provisional amounts, as the Estonian Government decides on each equity injection separately. The ability of the Estonian Government to support the Issuer and the Group through subsidies, allocation of mining rights, loans, capital or other financial injection is restricted by and subject to the relevant rules regarding State Aid.

Strategy

The Group's strategic goals are set for a period of five years and updated annually. In June 2021, the Group disclosed its long-term strategy for the period of 2022-2026. The most important goal of the Group is to achieve carbon neutrality by 2045, a summary of which is presented below. In its decarbonisation strategy, the Group has set the goals that, by 2035, electricity will not be produced from oil shale and, by 2045, all of the Group's production operations will be carbon neutral. The Group's most important near-term goal is to increase its renewable energy production capacities, specifically wind and solar, from the 2021 level of 428 MW (398MW of wind and 30MW solar) to 1,100 MW (an increase of 2.6 times) by 2025. The transition to carbon neutral operation is based on three pillars:

1) provision of complete energy solutions that are beneficial to customers and reduce the environmental footprint;

2) developing a renewable asset base portfolio (solar parks, onshore and offshore wind farms along with storage systems); and

3) termination of electricity generation from oil shale and transition from liquid fuels production to a chemical industry based on the circular economy (recycling).

The Group therefore has two elements to its strategy. On the one hand, the Group aims to reduce the environmental footprint of its customers, as the Group believes it is an expert in the field of electrification based on renewable electricity. On the other hand, the Group aims to transform its own operations, i.e., its energy production based on oil shale, to being CO_2 neutral.

The Group operates in the interlinked Baltic, Finnish and Polish energy markets and believes that it is well positioned to maximise the value of the Group and achieve the strategic targets.

Background to the strategy

The Issuer's intention is to be a reliable partner for customers in the development and implementation of new, smarter and cleaner energy solutions, while also helping its stakeholders to achieve a zero-carbon footprint. The Group helps its customers find a personal and flexible way to plan and navigate to carbon neutrality by offering a broad range of solutions: green energy plans, solar solutions complete with storage, smart and sustainable energy consumption management, electromobility, and energy-efficient lighting, heating and cooling services.

The Group believes that electrification based on green electricity is the fastest, cheapest and most environmentally friendly way to a carbon-neutral economic model. Electrification, the wider implementation of renewable energy, assumes adequate availability of green electricity. Thus, in electricity production, the Group's focus is on building new wind and solar farms. For the Issuer, as an energy producer, the green transition means a gradual changeover from its current operating model to the production of solely renewable electricity and implementation of the concept of a circular economy-based chemicals industry. The Issuer believes that its business strength lies in diversity and involvement in the entire energy value chain. The Group has identified the Baltic Sea region (mainly Finland, Estonia, Latvia, Lithuania and Poland) as its home markets, and thus the main focus of its strategy.

The Group's ambition is to provide customers with useful and convenient energy solutions as well as to produce energy in an increasingly environmentally friendly way, as this is how the Group believes it can make its contribution to the world in becoming a cleaner place.

Currently, the Group follows the strategies described below:

Oil shale to energy

The oil shale to energy business line is the Group's largest in terms of assets. According to the Shareholder's expectations, the Group aims to add value to the Estonian oil shale resource that it has access to and thereby also to grow its own business. The business line currently primarily comprises the mining of oil shale, the generation of heat and power and the production of shale oil.

The Group's oil shale to energy operation is vertically integrated, so that the Group mines the oil shale that it needs for its power generation and oil production activities itself. In addition, most of the oil shale the Group mines is used by its own production facilities. Accordingly, the ability of the Group's mining operation to produce oil shale at a reasonable cost is important for the competitiveness of the Group's power units and oil production business. Due to volatile energy prices (both in electricity and liquid fuels), the Group has been focused in recent years on improving the efficiency of its mining operations to bring down the cost of oil shale. At the same time, the Group has been developing the flexibility to decrease or increase the mined quantities as needed to respond to market price movements in the Baltic and Nordic energy markets and trends and varying demand from the Group's electricity generation and oil production units.

The newest production units of the Group were handed over to the Issuer for operation in 2012 and 2018. In 2012, the Group started active operations with its new Enefit280 oil plant, the technology for which is the basis for the CO_2 neutral transformation described above. In 2018, the Group took over the operations of the newest oil shale-based electricity production unit, Auvere Powe Plant, which has a capacity of 300 MW (gross). Auvere Power Plant is expected to be developed to produce electricity (1.3TWh) using 43 per cent. semi-coke gas, 26 per cent. biomass and 26 per cent. oil shale

At the same time, the Group's older power generation units' flexibility have been improved to respond to the volatile power market price environment.

The Estonian power market has been converged with the Finnish market to a significant extent since 2014, with the completion of the EstLink2 interconnector between Estonia and Finland that increased the interconnection capacity between Finland and Estonia from 350MW to 1000MW. By comparison, the peak demand in Estonia during the winter is between 1500MW and 1600MW, while the summertime peak demand is around 800MW. As there are connections between the three Baltic states, and the electricity that flows from Finland to Estonia is usually transmitted on to Latvia and Lithuania, the Baltics are usually in one Nord Pool price region, while Finland's electricity prices tend to be lower than those of the Baltics.

The Enefit280 technology used in oil shale plants enables more efficient usage of the oil shale resource compared to the Group's other production technologies, and also allows recycling of waste plastics. The primary product of the Enefit280 process is currently shale oil, while from 2030, the Group aims to start the production of chemicals, and by 2035 cease the productions of liquid fuels. Retort gas and semi-coke are by-products that are used for generating electricity. The combined production of oil and electricity through such technology is potentially much more efficient when compared to the available alternatives.

In addition to its Estonian businesses, the Group has sought in the past to exploit its oil shale expertise internationally, particularly in Jordan (through the Group's associated companies) and the U.S., which resulted in the acquisition of certain assets prior to 2015. Since 2015, the international operations of the Group have been in a more passive state and were not identified as a strategic goal.

In 2023, the Group has 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, the Group can simultaneously reduce the use of oil shale and solve the problem of scrap tyres. The Group's goal is to continue replacing oil shale in its plants with secondary raw materials (for example, waste tyres and waste plastics), applying the principles of the circular economy and pyrolysis-based technology. In January 2024, the Group started an industrial test programme of waste plastics pyrolysis to validate the suitability of additional carbon-rich waste fractions within Enefit technology. One of the cornerstones of the transition is the construction of a new pyrolysis-based oil shale plant based on the Enefit-280 technology that the Group committed to in March 2020. The Group's amount capitalised (including construction in progress and prepayments of Property plant and equipment) allocated for the pyrolysis-based oil shale plant as at 31 December 2023 was €244.4 million and the amount of contractual commitments connected to this investment as at 31 December 2023 amounted to €300 million.

As a result of substituting oil shale with secondary raw materials, the share of oil shale is expected to decrease over time from 100 per cent. to up to an estimated 70 per cent. At the end of 2023, the Government of Estonia 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 Issuer, especially with respect to oil shale. The increase in environmental fees affects the price of production, but the Group is still competitive after the changes.

By 2035, the Group aims to cease electricity production from oil shale. However, the prerequisite for this to happen is the existence of enough alternative power capacities to provide the security of power supply to the state of Estonia. Currently, the Shareholder's expectations (as defined below) state that the Group must hold at least 1000MW of operation-ready controllable power units until the end of 2026. The Group has started negotiations with the Shareholder to receive compensation for the security of supply service. Currently, the Issuer satisfies the Shareholder's Expectation of 1000MW of controllable power units through the ownership and operations of traditionally oil-shale based electricity power plants, which have been transformed in recent years to be capable of burning alternative fuels (biomass, wood waste, retort gas from shale oil production), together with oil shale, and capable of being ramped up and down based on the demand for the power units. In addition to the Shareholder's expectations, Enefit Power has also entered into an agreement with Elering, the TSO, under which it is obliged to provide certain security of supply services. Under this agreement, Enefit Power is responsible for guaranteeing the delivery of specific system services and, when required, initiating the activation of reserve plants to ensure the security of the energy supply. Traditionally the power units were designed to be stable baseload units with most of the units built in the second half of the 20th century. However, in recent years the Group has made technical improvements to the units. Currently, the power units are capable of meeting the volatile demands of the power markets, thus also guaranteeing the security of power supply and the profitability of the Group. Additionally, the Group's power units are capable of providing important energy market services, which can be used to regulate the operation of the energy system (through flexible power generation), and the Group is the first in the market to have such readiness developed and tested. These services are also offered to the Finnish market.

From 2030, or earlier, if possible, the Group intends to upgrade light fuel fractions into chemicals like naphtha and LPG destined to the polymer industry, thus reducing the share of liquid fuels in its total output. The Issuer has taken several important steps in the development of the chemical industry. In December 2023, Group's supervisory board approved the vision and roadmap for the chemical industry until 2045, which foresees a gradual transition from the production of liquid fuels based on single-feedstock oil shale to a multi-feedstock petrochemical industry. To achieve such transformation, the Issuer has engaged international market leaders in refining engineering to carry out a FEED (front-end engineering design) for the first combined fuel upgrading and chemical-recycling plant to be constructed in Auvere. Also, from 2040, or earlier if possible, the Group is aiming to start capturing, utilising and storing CO_2. In December 2023, the Issuer established a dedicated working group to evaluate different carbon capture technologies and commercialisation pathways, including the implementation of E280 carbon capture and usage storage. Converting captured CO_2 in a green hydrogen supported process into chemicals like methanol is one option under consideration. However, the lack of clarity in the European regulation and the low market willingness to pay a significant premium is a key obstacle to delivery of meaningful change in the short-term. In the area of the circular economy, the Finnish materials technology company Betolar, in collaboration with the Issuer, has initiated a by-product study to explore the use of ash from oil shale combustion as a binder in concrete. This would enable the partial or complete substitution of cement in concrete production, as cement is one of the world's largest sources of CO2 emissions.

According to its latest decarbonisation strategy, the Group's target is for its electricity production to be CO_2 net-zero by 2045 at the latest, and to also cease the production of liquid fuels. This means that, from 2045, the Group's target is to produce chemicals based on circular economy principles instead of producing liquid fuels, as is the case currently.

Between 2030 and 2035, the CO_2 emissions from the Group's electricity production will come from the use of alternative fuels (biomass, wood waste, retort gas from shale oil production), as the same units that are operational currently will be used but with a different fuel-mix. While one of the Issuer's electricity production plant's alternative fuel capacity is up to 85 per cent, the Issuer's management expect that the decarbonisation strategy will require significant investments in the future. Until 2045, the Group currently expects some of its production units to create carbon emissions. The long-term target of the Group is to have carbon neutral production by 2045 at the latest. The planned plant will enable the recycling of all the light pyrolysis oil produced, which is currently sold as gasoline, and part of the retort gas into chemicals. This will allow the carbon to be sequestered in the products instead of being emitted to 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 essential raw material in the refining of oil into chemicals.

Renewables

The Group has accumulated a portfolio of renewable and co-generation assets. This business line used to be closely linked with the subsidies that were made available by the Baltic states for power generated from renewable resources and through efficient co-generation. Currently, the development, construction and commissioning of renewable assets is more market based through the usage of PPAs (as defined below) between customers and renewable asset developers in order to hedge the wholesale electricity price risk. The Issuer acts as an intermediary by purchasing renewable electricity production and separately enters into PPAs with customers. See "*Hedging and Power Purchase Agreements*" below for further detail. However, the Group, in particular Enefit Green, will remain partially exposed to fluctuations in wholesale electricity prices, and there can be no assurance that the Group's hedging and risk management strategies will be successful.

In 2018, the Group completed its biggest acquisition to date, by acquiring 100.0 per cent. of the shares in the Baltic renewable energy producer, Nelja Energia AS, for €289 million. As a result of this transaction, the Group's renewable asset base grew from 111MW of installed wind capacity to 398MW. The Group also acquired a Baltic wind development pipeline, a pellet factory and a co-generation plant in Latvia. The pellet factory and co-generation plant in Latvia have since been sold. The listing of the Enefit Green's minority shareholding was also, in part, to provide additional equity and funds to carry out the Group's strategic goals until 2025, at the centre of which is the goal to increase the renewable asset base to 1100MW through commissioning new renewable assets in the Baltic Sea region (Finland, Estonia, Latvia, Lithuania, Poland), both in wind and solar. As at the end of 2023, the Group has built a total of 2,500 solar farms with a total capacity of 50 MW since 2019. Over the past three years, Enefit Green has made investment decisions worth almost a billion euros, adding almost 750 MW to its generation portfolio. Enefit Green had 419 MW of wind farms in operation in the Baltics and 75 MW of solar farms in operation in Estonia and Poland. As of the date of this Prospectus, a total of six wind farms are under construction 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 in 2023. The hybrid farm in Purtse, 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 substation and grid connection which makes for more efficient use of scarce grid resources.

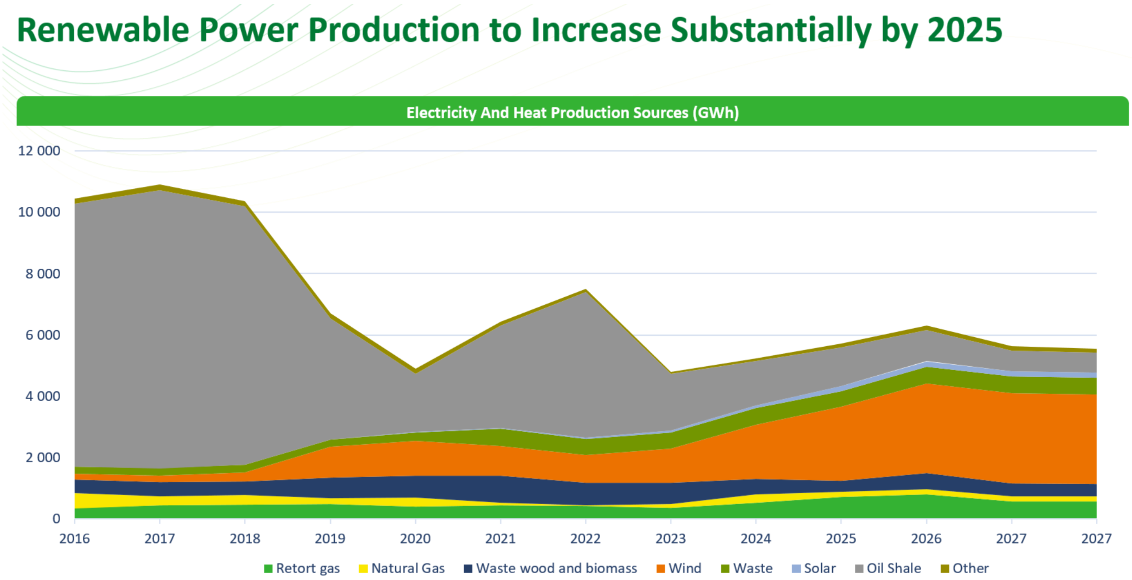
The Group's strategy also includes the construction and commissioning of its first Baltic off-shore wind park before 2030, with a capacity of up to 1000MW. Enefit Green is developing the project and plans to complete all necessary studies in the Gulf of Riga offshore wind farm area by the end of 2025. Since the development of off-shore wind parks in the Baltics is an untested practice, there can be no assurance that the Group's plans in commissioning its first Baltic off-shore wind park before 2030 with a capacity of up to 1000MW will be successful. Enefit Green's projected potential for electricity generation capacity surpasses 6 GW when considering all aspects of its operations. This includes the current operating capacity, facilities that are under construction, and projects that are in various stages of development. Moreover, this projection takes into account two offshore wind farm projects: the Gulf of Riga, also known as the Liivi project, and an additional 1 GW offshore venture located in North-West Estonia near Hiiumaa.

By 2025, the amount of energy produced from wind and solar is expected to increase the most. The CO_2 intensity of energy production will decrease due to the increase in the use of renewable and alternative sources and the closure of older production units. In 2023, Group's renewable electricity production increased by 12 per cent., non-renewable electricity production decreased by 59 per cent. The decline was mainly due to the high price of CO_2 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.

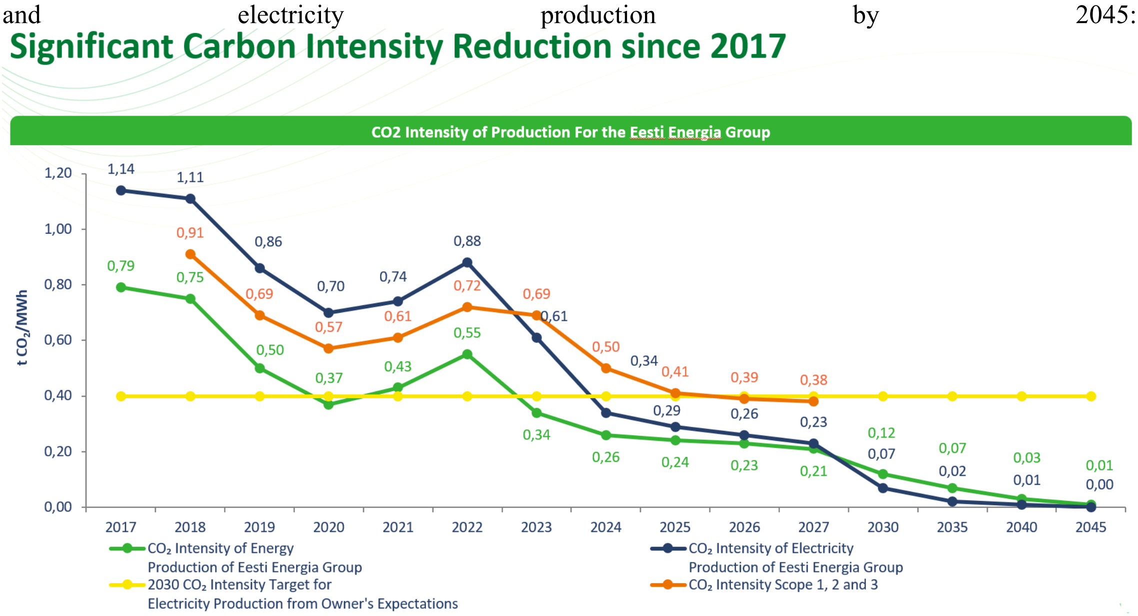
The price of CO_2 emission allowances has a strong impact on the cost of electricity produced by direct combustion of oil shale, particularly at the Group's older production facilities which have a higher carbon intensity. At the same time, a higher CO_2 emission allowance price increases the competitiveness of the Group's renewable energy production units. The average price of CO_2 emission allowances in 2023 was 85.3 €/t, which is 5 per cent. (+4.1 €/t) higher than in 2022. The average price of CO_2 emission allowances in the first three months of 2024 was 61.7 €/t, which is 31.4 per cent. (-28.2 €/t) lower than in the first three months of 2023.

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 2024, the Issuer has started construction of its first large-scale battery storage facility totalling 53.1 MWh storage capacity and 26.5 MW power generation, with an expected start up due in 2025. In addition to the battery storage system, the Issuer is planning to build a green hydrogen production plant with an electrolyser of at least 0.5 MW, capable of supplying green hydrogen for transportation purposes. The project is expected to reduce annual greenhouse gas emissions from vehicles by 1,200 tonnes. 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.

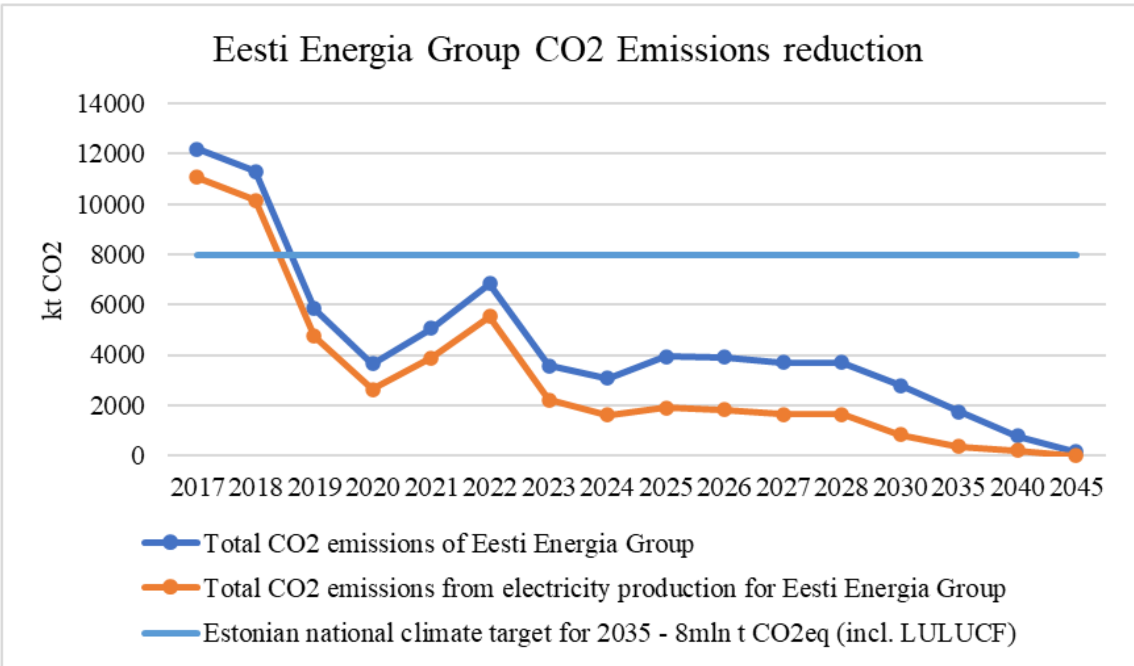
The following graph sets out the actual (until 2023) and expected development of electricity and heat production sources by 2028:



The following graph sets out the actual (until 2023) and expected development of CO_2 intensity of energy and electricity production by 2045:



The following graph shows the comparison of the Issuer's CO_2 emissions and different climate goals:



Distribution network

The distribution network, as a regulated business, adds stability to the Group's revenues and earnings in comparison to the more volatile power generation and shale oil businesses. The Group currently aims to gradually improve the quality of its distribution network in order to provide a more reliable service for its customers and to reduce network losses, while also enabling more micro-producers to join the network. In addition to on-going grid investments, the Group has already completed installing smart meters to all its customers. This enables customers to track and adjust their consumption more accurately as well as allowing the distribution company to assess service disruptions remotely. Smart meters also empower the development of digital, AI based algorithms for distribution network development, which is the mainstay of electrification. Due to the shortening of the balance period from 1 hour to 15 minutes, there is a regulatory need to upgrade these smart meters. As of the date of this Prospectus, this regulatory upgrade is ongoing.

The EMA imposes a universal service obligation on all distribution network operators, i.e., where a small-scale consumer has not chosen an electricity supplier, the network operator to whose network the consumer's installations are connected to shall either sell the electricity itself or appoint a supplier who will provide this as a universal service. Network operators are also under an obligation to supply electricity to those customers that have decided not to choose an electricity supplier which means the DSOs act as providers of last resort. For further information, please see: *"Regulation - Universal Service Obligation"* on page 115 of this Prospectus.

The Group's strategic goal is to further develop a reliable power network that can cope with growing electricity consumption and to which thousands of new electricity producers can connect. The number of micro-producers connecting to the network has risen sharply and will continue to grow during the coming years. In 2023, the Group's distribution network operator Elektrilevi invested €168.5 million 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.

The connection of new producers brings new challenges, including: (i) the current one-way traffic is replaced by two-way traffic, meaning a more complex network management; (ii) electricity generated and consumed in the distribution network reduces its losses and lowers the purchase of electricity from the transmission network; and (iii) an increasing number of customers value the service quality both as consumers and producers of electricity. The Issuer believes it has good foundations to meet the rising demands of the distribution network marketplace.

Another important aspect in the strategic development of the distribution network is to decrease failures due to the weather and the natural environment. For this, the Issuer aims to increase the share of its weatherproof low and medium voltage power distribution network from the current 72.0 per cent. to 80.0 per cent. by 2025. In 2023, 95.7 per cent. of Elektrilevi's low voltage distribution network was weatherproof compared to 94.7 per cent. in 2022. The distribution network also intends to make its operations more efficient with the aim of improving its return on capital and cash flow generation.

Supply

The Group is the largest supplier of electricity in Estonia with a 54 per cent. market share in 2023 (2 percentage points down from 56 per cent. in 2022). It also has operations in Latvia and Lithuania (with 29 per cent. and 14 per cent. market share for 2023, respectively, compared to 25 per cent. and 18 per cent. in 2022) where the Group estimates it has the second largest market share after the local electricity suppliers. The Group also sells electricity in Poland, where the Issuer estimates to have an insignificant market share. However, in terms of the Group's sales quantities, Poland's operations are significant. 2021 was the first year where sales quantities of other markets excluding Estonia, were above Estonia's quantities, illustrating the growing international presence of the Group. Over the next few years, the focus of the Group's supply business shall be to continue its current strategy, i.e., grow its market share in all three of these Baltic countries and in Poland, as well as to improve the efficiency of its operations. The Group's supply business has expanded in the last couple of years to also include gas supply and other energy related services such as consulting, lightning services, electrical work, flexible energy management, infrastructure solutions, insurance, heating solutions, cooling solutions, storage solutions, solar solutions, electromobility related solutions. In addition, the Group also provides high speed internet services and works on establishing a high speed network.

Hedging and Power Purchase Agreements ("PPAs")

The Group uses various derivative financial instruments in order to hedge the risk of changes in the prices of shale oil and electricity for both its production assets and supply business. Traditionally, the Group has used exchange listed instruments for hedging. However, since 2020, the Company has also used PPAs for hedging purposes for its renewable production assets and supply business. The development of the Issuer's renewable asset base portfolio and assisting clients to reduce their environmental footprint, together with the diminishing state subsidies for renewable asset developments, has resulted in a shift in the conventional pattern of renewable energy development. As a result, PPAs have become central to how the renewable power market operates in the region

The Issuer's PPAs are take-or-pay contracts where the purchaser is obligated to pay for the power supply whether they take the actual energy or not. This clause ensures that the Issuer has a guaranteed payment, providing financial stability and reducing the risk of revenue fluctuations due to demand variability. Management of the Issuer views its PPA contract prices as the maturity date of the contract approaches. This review process allows management to assess current market prices and decide whether it is beneficial to enter into new PPA contracts. The decision on the length of the new contract will also be influenced by market forecasts and the company's strategic objectives. In the Baltic region, it is not common to include the Consumer Price Index ("**CPI**") in the PPA price formula which is otherwise often used as an indicator of inflation. By not including CPI, the PPAs of the Issuer do not directly tie electricity prices to inflation rates.

In 2021, the Issuer signed PPAs with 69 Baltic corporate customers on 1.9 TWh of electricity deliveries for the future. This electricity will be produced by renewable assets (both external and internal). Such producer-consumer partnerships, which are aimed at delivering on the Issuer's green transition, are instrumental in enabling the Issuer, as well as other renewable energy developers in the Baltic Sea region, to build new wind and solar farms.

The electricity purchased from wind and solar park developers is offered to consumers who wish to consume renewable energy, resulting in long term (up to 12 years) fixed price electricity contracts. The PPAs are not new to the power markets, but the use of the business model to develop renewable assets while meeting the demands of consumers on such a scale is a new development in the Baltic Sea region. The PPA business model is summarised as follows:

1) a wind or solar park development project becomes ready for the final investment decision;
2) customers buy a percentage of the output of the project at an agreed fixed price over a specified time period (up to 12 years);
3) a significant share of future output will be sold to customers at an agreed price, therefore, developers' investment risks are lower and investment decisions can be made without national support schemes;
4) a developer commissions the wind farm, and/or solar park and the customer buys electricity at an agreed price during the agreed period.

Environmental Strategy

The Group bases its activities and decision-making process on principles that are gathered by Group's Environmental Policy, approved by the Management Board. These principles include (i) analysis of the environmental impact and associated risks of the Group's activities in order to develop and improve its environmental activities, and consequently reduce any environmental impact and contribute to existing research, (ii) utilising technology to maximize resource efficiency and minimize emissions and waste, (iii) raising environmental awareness amongst the Group's employees and within society, and (iv) ensuring the Group's environmental data is publicly available. The Group's activities and decisions are in accordance with the principles of environmental law and legislation in EU and the state of Estonia. The Issuer's developments and regular activities are analysed for environmental risks and impacts to reduce its environmental footprint. In order to monitor changes in the environment and the Group's possible environmental impacts, the Group implements thorough monitoring of air and water quality and prepares relevant publicly available environmental reports.

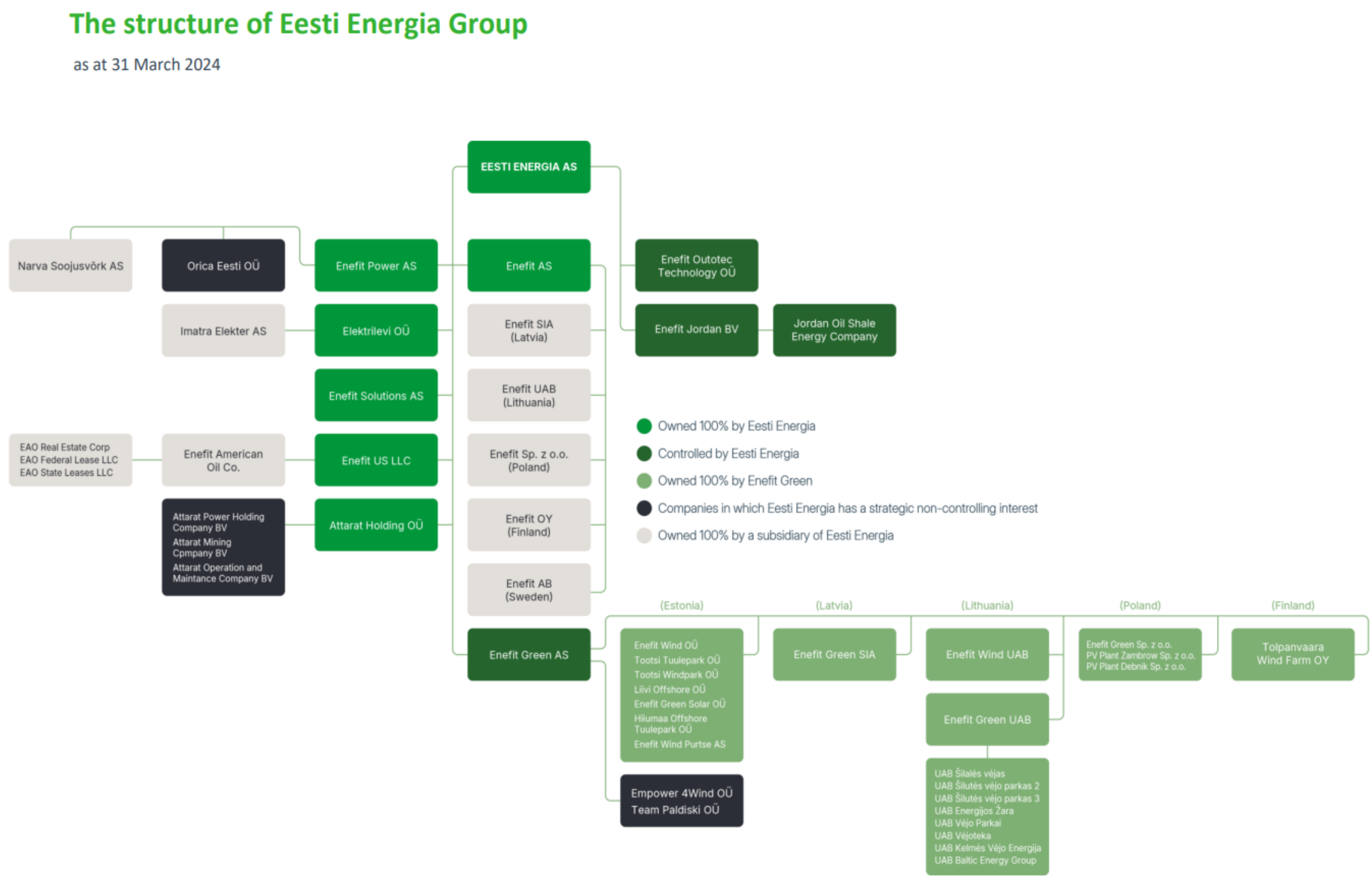
In the Issuer's productions sites that have been shut down (for example, closed mine territories), all necessary restoration activities have been carried out and preconditions for the restoration or preservation of biological diversity have been created, together with ensuring nature conservation where necessary. For instance, the amount of land used for any mining activity related expansion is directly proportionate to the amount of land that is restored through reforestation. Consequently, as at 31 December 2023, the Group has restored 13,300 hectares of land. In order to manage and improve the environmental activities of the Group, certified environmental management systems in accordance with the international standard ISO 14001 are implemented. The Group's main production units are certified according to those international standards, and environmental management systems are constantly monitored and improved. The next step in environmental management is the implementation of the EU standard Eco-Management and Audit Scheme ("**EMAS**") in the Group's production units. Compared to an ISO-compliant environmental management system, EMAS requires companies to be more open and reliable in showing their environmental performance. In order to ensure the transparency of environmental activities, the Issuer must prepare an environmental report certified by an impartial verifier and make the report public. The environmental report contains a brief description of the company and its environmental management system, environmental policy, an overview of significant environmental aspects and impacts, environmental objectives, and environmental performance. To ensure continuous improvement of the Group's environmental performance, the environmental management systems consisting of four ISO certificates and one EMAS certificate are implemented based on the Deming cycle. The Deming cycle is a continuous quality improvement model which consists of a logical sequence of four key stages: Plan, Do (Implement), Study (Control), and Act (Improve).

The Group has audited and verified its Scope 1, Scope 2 and Scope 3 greenhouse gas emissions for the years 2020-2022 with a target to audit and verify 2023 Scope 1, Scope 2 and Scope 3 greenhouse gas emissions by 31 October 2024. The Group estimates its 2023 scope 1 to 3 emissions to be the following: scope 1 3.7 million tonnes, scope 2 357 thousand tonnes, and scope 3 1.8 million tonnes, CO_2 emissions from the biomass combustion were 1.0 million tonnes. Relevant 2023 estimations will be updated by the Group in the first half of 2024, as one specific component, the average CO_2 emission of the Estonian electricity network, will be published by the TSO in mid-2024. The Group's emissions according to ETS legislation in 2022 were 6.7 million tonnes and in 2023 were 3.4 million tonnes due to the end of the energy crisis of 2022.

The strategy for achieving carbon neutrality was established in 2024, outlining the Group's pathway to carbon-neutral energy production by the year 2045. The Group's environmental policy and strategy for carbon neutrality articulate the Group's commitment to mitigating climate change. The Group is dedicated to progressively diminishing the carbon footprint of its energy generation, with the ultimate goal of producing energy with zero net carbon emissions by 2045 and ceasing the generation of electricity from oil shale by 2035. Additionally, the Group is committed to assisting its customers in planning and executing a sustainable transition by offering comprehensive energy solutions.

The Group's strategy for the reduction of CO_2 emissions in its energy production serves as a critical framework for establishing a consensus across the organisation on the reduction of greenhouse gas emissions. This strategy undergoes an annual review and is complemented by the development of a strategic action plan. The Group's objective is to attain climate-neutral operations by 2045, which entails balancing any greenhouse gas emissions from production with an equivalent amount of offsets, thereby achieving net-zero emissions.

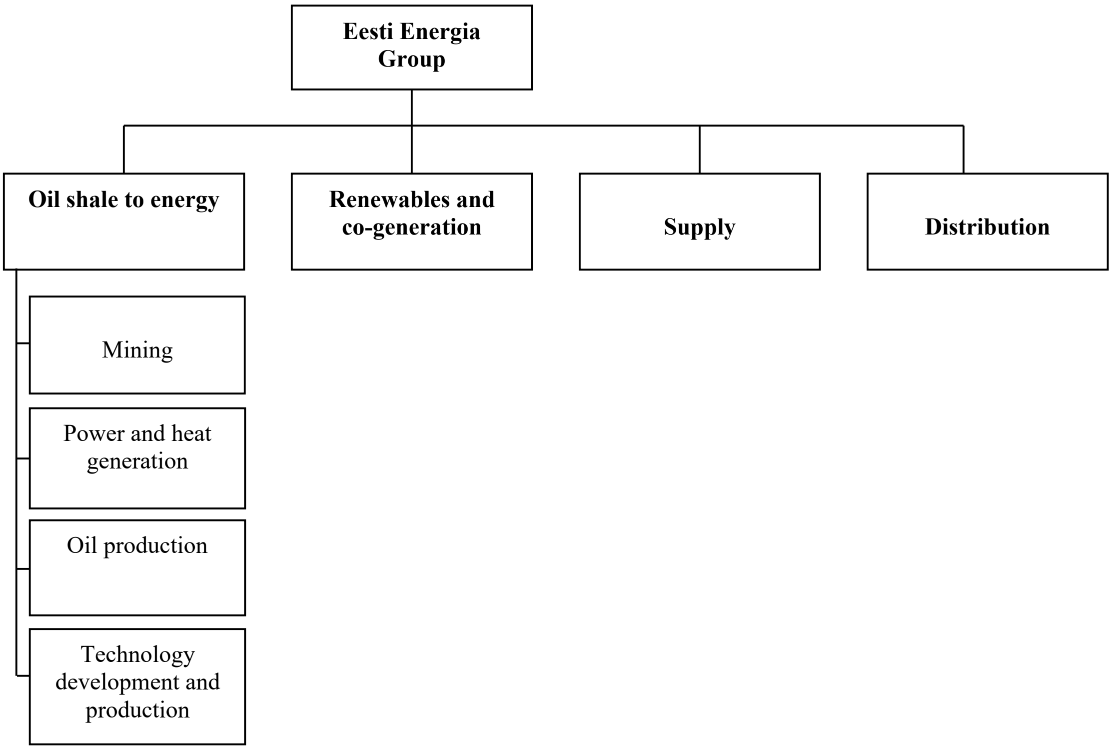
Group Structure chart of significant subsidiaries and associates



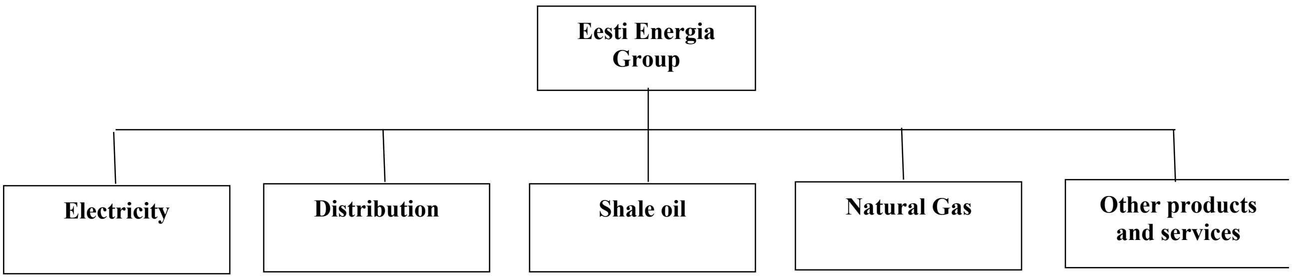
Operational Structure

The Group divides its operations into four major business lines: (i) the oil shale to energy business; (ii) renewables and co-generation; (iii) distribution; and (iv) supply. The Group's financial reporting is organised around the major products of the Group, which differ from the four major business lines: (i) electricity; (ii) distribution; (iii) shale oil; and (iv) other products and services The mining activities are allocated between the business lines of electricity and shale oil.

The Group's operational structure is as follows:



The Group's financial reporting structure is as follows:



The electricity business line (referred to as "Electricity" in the Annual Reports) includes electricity production from renewable sources (including the activities of Enefit Green), electricity production at traditionally oil-shale based hybrid power plants, and retail sales of electricity in Estonia, Finland, Latvia, Lithuania and Poland.

The distribution business line (referred to as "Distribution" in the Annual Reports) includes the business operations of the distribution network assets of the Group's wholly owned subsidiaries Elektrilevi OÜ (together with its subsidiary Imatra Elekter AS).

The shale oil business line (referred to as "Shale oil" in the Annual Reports) includes the production of liquid fuels from oil shale.

The natural gas business line (referred to as "Natural gas" in the Annual Reports) includes natural gas sales in Estonia, Latvia, Lithuania and Poland and wholesale market trading in Finland.

The other products and services business line (referred to as "Other Products and Services" in the Annual Reports) includes the sale of heat, industrial equipment, ancillary services of the Group (charging, lighting, solar and flexibility services as well as services related to heating and cooling equipment), and the effects of one-off transactions.

Financial Performance

The following table provides selected unaudited financial information in relation to the major products of the Group.

12 months ended 31 December 2023	Electricity	Distribution	Shale oil	Natural gas	Other	**Total**
						(In EUR millions)
Revenue	1,223.3	291.6	153.6	103.0	134.0	**1,905.5**
EBITDA	334.6	106.0	0.8	(6.4)	1.8	**436.7**

12 months ended 31 December 2022	Electricity	Distribution	Shale oil	Natural gas	Other	**Total**
						(In EUR millions)
Revenue	1,480.4	242.1	133.2	243.9	118.6	**2,218.2**
EBITDA	286.1	52.1	(12.0)	73.5	20.7	**420.4**

3 months ended 31 March 2023	Electricity	Distribution	Shale oil	Natural gas	Other	**Total**
						(In EUR millions)
Revenue	373.3	81.5	40.6	45.6	41.7	**582.7**
EBITDA	149.7	29.1	5.7	(7.1)	0.9	**178.3**

3 months ended 31 March 2024	Electricity	Distribution	Shale oil	Natural gas	Other	**Total**
						(In EUR millions)
Revenue	301.0	86.1	45.8	38.1	29.2	**500.3**
EBITDA	65.6	32.7	17.7	6.0	5.8	**127.8**

Impact of hedging on financial statements

The Issuer uses electricity, oil, gas and CO_2 financial instruments to hedge the effect of volatile market prices with the aim to provide stability in the Group's financial results. Most of Group's hedging transactions are covered under the hedge accounting framework in accordance with IFRS 9, thus affecting the Income Statement only when the final settlement of the hedging instruments takes place. However, some electricity, oil, gas and CO_2 instruments are not considered as hedges in accounting terms and therefore are not part of the hedge accounting framework in accordance with IFRS 9, thus affecting the Income Statement only when the final settlement of the hedged items takes place (subject to the hedge effectiveness criteria being met). In the case of such transactions, the Group has fixed the price for a specific quantity of a specific instrument and therefore such transactions provide the same effect after the final settlement as transactions covered under the hedge accounting framework in accordance with IFRS 9. From January 2022, some gasoline and gas hedges previously not covered under the hedge accounting framework in accordance with IFRS 9, were moved under IFRS.

Split of assets according to business lines

Total assets held on 31 December	**2023 (unaudited)**	**2022 (audited)**
		(In EUR millions)
Electricity	2,362.8	2,989.3

Distribution	1,469.8	1,292.6
Shale oil	554.0	547.7
Natural Gas	49.6	154.7
Other	386.8	521.9
Total	4,822.9	5,506.2

Geographical split of revenues, assets

Most of the Group's revenue derives from sales of electricity produced and delivered to retail clients in Estonia, Finland, Latvia, Lithuania and Poland. The Group sells produced liquid fuels mostly with annual contracts to approved counterparties. The majority of the revenue from other products and services comes from sales of heat and gas, which is in Estonia, Latvia, Lithuania and Poland. Heat and gas sales accounted for 58.5 per cent. of the revenue from other products and services in 2023, and 73.1 per cent. in 2022.

External revenue split for 12 months ended 31 December	2023 (unaudited)	2022 (audited)
		(In EUR millions)
Estonia	667.3	1,068.5
Singapore	151.4	0.0
Lithuania	403.8	500.5
Latvia	221.6	299.8
Poland	393.7	285.7
United Arab Emirates	27.2	23.4
Denmark	22.2	12.7
Great Britain	7.9	12.2
The Netherlands	1.7	3.9
Belgium	0.0	3.8
France	0.8	3.1
Nordic countries	6.4	3.0
Other countries	1.5	1.6
Total external revenues	1,905.5	2,218.2

Allocation of non-current assets by geographical location as of 31 December(1)	2023 (unaudited)	2022 (audited)
		(In EUR millions)
Estonia	2,710.4	2,940.6
Lithuania	479.4	333.7
Latvia	4.8	31.9
USA	26.9	27.9
Finland	88.3	33.3

Poland	26.5	23.8
Other countries	0.0	0.4
Total	3,336.3	3,391.6

(1) Assets other than financial instruments, deferred tax assets and investments in associates

Exposure to Russia and Belarus

The Group has no revenues or assets in Russia or Belarus. In Estonia, imports of natural gas from Russia have been banned since 1 January 2023. The Group has, in the past, used some suppliers from Russia and Belarus for very specific equipment related to oil shale fixed assets (spare parts of mining machinery, power plant turbines). The Group believes alternative solutions are available from suppliers outside of Russia or Belarus which could lead to higher prices for the same service or product. However, since the value of such transactions has been below €1 million per annum in 2022 and 2023, the Group believes the financial impact on the Group's operations is not material.

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. The Balticconnector is a bi-directional natural gas pipeline between Ingå, Finland and Paldiski, Estonia which connects the Estonian and Finnish gas grids. The subsea pipeline and a nearby data cable of Balticconector were damaged on 8 October 2023 which showed that relying on cross-border connections alone is not enough and that assessment of security of the Group's infrastructure is of high priority. 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.

Exposure to inflation

The Group believes it is reasonably protected against current inflationary pressures in the economic environment as the recent high inflation was largely driven by power and energy prices, while the majority of the Group's revenues come from sales of power and energy. One specific reason for recent high inflationary pressures is the increase in gas prices, for which the Group's direct exposure is insignificant in the context of power and energy production. The Group produces power from retort gas which is a left-over product from Group's own liquid fuels production. The Group also sells gas to retail clients, where customers have the possibility to select either fixed-price or market-price contracts. According to Group's internal policies, all fixed-price contracts are simultaneously hedged in order to minimise market price risk.

Relevance of the Enefit Green operations to the Group

Since October 2021, the shares of Enefit Green have been listed on the Tallinn Stock Exchange with the Issuer holding 77.17 per cent. while the remaining 22.83 per cent. accounts for a free float. Enefit Green's operations are fully consolidated in the Group's financial statements, and are included in the electricity (renewable electricity production) and other products and services (production and sales of heat, pellets) business lines. Neither the Issuer, nor any other legal entity of the Group has provided collateral, security or guarantees of any kind to guarantee the obligations of Enefit Green. Borrowings on the Enefit Green level are organised on a stand-alone basis, are unsecured and have no guarantees from the Group.

The following table provides selected financial information based on the unaudited accounting records of the Group in relation to Enefit Green compared to the Group as at or for the 12 month period ended 31 December 2023:

	Enefit Green AS* *(In EUR millions)*	**Eesti Energia Group, including Enefit Green AS** *(In EUR millions)*
Revenue	205.8	1,905.5
Other operating income	1.5	259.9
EBITDA (unaudited)	105.9	436.7

Operating profit/(loss)	65.3	(381.5)
Profit/(loss) for the year	55.8	(422.1)
Total assets	1,301.9	4,822.9
Total Borrowings	486.4	1694.1

* includes transactions conducted between Enefit Green AS and the Group

The Oil Shale to Energy Business

The oil shale to energy business forms the largest part of the Group by assets and, depending on the market conditions, can generate most of its revenue and EBITDA. Due to volatile power, oil and CO_2 market prices, the revenues and earnings of the business line may differ significantly between different time periods. The Group hedges the sales price of electricity and shale oil according to its internal mandates and rules, with the aim of more stable financial results. The principal operations of the oil shale to energy business are: (i) the generation of electricity from oil shale, biomass and waste wood at flexible hybrid power units; (ii) the production of shale oil; (iii) the mining of oil shale; and (iv) technology development and production.

		3 months ended 31 March 2024	3 months ended 31 March 2023	Full year ended 31 December 2023	Full year ended 31 December 2022
Production					
Oil shale mined	million tonnes	1.6	2.2	7.3	8.4
Electricity generation	GWh	1,225	1,296	3,614	6,260
Heat production	GWh	396	395	1,182	1,186
Oil production	th tonnes	128.6	127.6	474.5	423.9
incl. Enefit140 oil production	th tonnes	63.5	65.2	234.9	227.6
incl. Enefit 280 oil production	th tonnes	65.1	62.4	239.6	196.4
Solid waste					
Oil shale fly and bottom ash	million tonnes	0.6	0.9	2.8	4.4
incl. recycled	million tonnes	-	-	0.1	0.1
Waste rock	million tonnes	0.5	0.9	3.3	3
incl. recycled	million tonnes	0.5	1.1	3.3	3.9
Emissions					
CO_2 emissions	million tonnes	0.58	1.11	3.6	6.8
Dust emissions	th tonnes	0.3	0.3	0.7	1.8
NOX	th tonnes	0.7	0.9	2.7	3.9
SO2	th tonnes	0.6	0.6	2.5	6.4
Water pollutants					
Suspended matter	th tonnes	0.1	0.2	0.6	0.6
Sulphates	th tonnes	12.6	14.9	59.8	65
Environmental and resources taxes		55.8	84.5	246.1	501.8
Resource tax on mineral resources	€ million	5.1	5.8	23.0	48.9
Environmental pollution charges	€ milllion	3.2	3.4	11.5	17.3
Greenhouse gases emissions expense	€ million	45.9	73.5	205.4	428.7

The Group's oil shale to energy operations and related operational figures for mining, electricity and oil production, and environmental and resource taxes are highly dependent on market conditions. As a result of the declining competitiveness of oil shale-fired generating units, the Group was forced to write down the value of these power plants in 2023 (i.e. €628.4 million impairment losses for oil shale power plants brought the Group a loss for the year of €422.1 million and an adjusted net loss of €375.8 million for the year ended on 31 December 2023). One of the Group's strategic goals is to transform the oil shale industry into a chemical industry (see above "*Description of the Group – Strategy – Shale oil to energy*").

Mining

Oil shale assets are a key strategic resource for the Group. Oil shale is a sedimentary rock that contains organic matter called kerogen. Once mined, oil shale can be crushed and either used as fuel for power generation or processed to produce shale oil. The shale oil is produced by heating the rock to a sufficiently high temperature without oxygen for it to decompose and the liquid hydrocarbons to be released. Oil shale is not one of the porous varieties of shale in which gas is trapped naturally (such as Barnet shale in the United States). Oil shale is also different to oil sands, which are a natural mixture of sand or clay, water and a dense and viscous form of petroleum called bitumen. Oil shale is mined in open pit mines or in underground mines using the conventional room-and-pillar method.

The Group mines oil shale for its own use but does not sell oil shale to external parties and, therefore, does not generate any revenue from mining oil shale. The Group holds mining permits to mine the oil shale needed by the Group's production units. Oil shale is processed at the Group's own plants to provide fuel for the Group's electricity and heat generation activities as well as acting as feedstock for the Group's oil production activities. In 2023, this accounted for 38.8 per cent. of the total oil shale consumed by the Issuer, and the remaining 61.2 per cent. of the oil shale is used for producing oil. Although the Issuer does not generate revenue directly from the sale of oil shale, the activities that utilise oil shale do generate revenue streams.

There is no real commodity market for oil shale. Small proportions of the oil shale mined have been sold locally in Estonia, primarily to other Estonian producers of shale oil. The demand for the oil shale mined by the Group is therefore directly linked to how much electricity and shale oil it produces. In turn, the efficiency of its mining operations also determines the production cost for the Group's power generation and oil processing units and therefore their competitiveness at global commodity markets.

The Group's principal operating mines are the Narva opencast mine and the Estonia underground mine (of which approximately 50.0 per cent. has been partially closed since 2020), each of which are located in the North-East of Estonia. The Group also operates an enrichment plant (at the Estonia mine). Oil shale is transported to power plants and oil plants by the Group's own rail transport business as well as by other carriers. The Group also looks from time to time to purchase oil shale from other mines in Estonia if it is economical to do so.

As at 31 December 2023, the Group held 11 extraction permits in respect of geological oil shale resources is allocated 15.05 million tonnes of the 20.0 million tonnes for the Estonian annual extraction limit. Regarding volumes, the Group is flexible and adjusts volumes according to consumption. The Group's mining operations in Estonia are summarised in the following table:

Mines	**Operation type**	**Open for operations**	**Permit expiry date**
Estonia	Underground	1972	Aug 2049
Narva	Opencast	1936	Aug 2029
Uus-Kiviõli	Underground	TBD	Jul 2049

The Group mines around 6 million tonnes of oil shale per annum, the mined oil shale is divided between electricity production and oil production. In 2023, oil shale used for electricity production amounted to approximately 2.4 million tonnes, and for oil production approximately 3.8 million tonnes. The Group also has oil shale inventories which it can use if oil shale usage is higher than mined quantities, as was the case in 2022.

The Group was granted the extraction permit at the Uus Kiviõli mine in 2019. The Group currently expects the Uus Kiviõli mine to provide it with additional oil shale in the future if needed and has commenced some initial activities at the mine. There is a risk that the extraction permit granted to the

Group for the Uus Kiviõli mine could be annulled if mining activities are not initiated within five years from the date of issuance, without a legitimate justification. This potential annulment could adversely affect the Group's operational capabilities and its strategic reserves of oil shale.

The Group leases the majority of the land on which the mines are situated from the Estonian Government and holds exclusive mining licences to conduct its mining activities. In contrast, the majority of the land on which the Group's facilities for its other activities are carried out is owned outright by the Group.

In Estonia, a mining company may explore for, and extract, mineral resources only on the basis of an exploration or extraction permit which, since 2019, is part of the environmental permit granted by the Environmental Board. The granting of an extraction permit is dependent on the mining company fulfilling the criteria set out in the Estonian Earth's Crust Act. The Group's major extraction permits are due to expire in 2049.

Estonian law currently sets an annual extraction limit of 20.0 million tonnes on geological oil shale mined in the country, of which, as mentioned above, the Group is allocated 15.01 million tonnes through extraction permits owned by the Group. The Group currently expects to extract around 6-7 million tonnes of oil shale per annum. The total mined volume in Estonia in 2022 was 10.7 million tonnes, and the 2023 national figure is expected to be published in Q3 2024. Further details on the related oil shale resource risk can be found in the section "*Risk Factors – The Group is exposed to risks relating to the supply of natural resources*" on page 23 of this Prospectus.

The Group's extraction permits include, as is customary in Estonia, requirements for land restoration, remediation and recultivation. The Ministry of Climate, in conjunction with the relevant local government authority, requires any land restoration to be carried out in a manner approved by the Environmental Board. Recultivation work is outsourced to the State Forest Management Centre. The Ministry of Environment may take enforcement action and levy penalties against permit holders who fail to fulfil the terms of any restoration plan. The extraction permit holder's liability for any environmental damage in the restoration area continues for 10 years after completion of the relevant mining activities. The Group has provisions, which it currently considers to be adequate, for the anticipated costs of such land restoration and recultivation.

Production of Electricity and Heat from Oil Shale

Generation portfolio

Oil shale-based electricity and heat generation is one of the Group's oldest and largest businesses. The Group's oil shale-based electricity production facilities are situated in the eastern part of Estonia, near the city of Narva. Traditionally, only oil shale fired base load power units have been developed in recent years to be able to use different fuels (such as retort gas from the Group's oil production, waste wood and biomass), and to be ramped up and down according to market price dynamics. The Group's renewable electricity output rose by 12 per cent. in 2023, while its non-renewable output fell by 59 per cent. due to the high CO_2 allowance costs and low electricity market prices that made oil shale power plants, with their high production costs, uncompetitive. This resulted in a situation where the older oil shale units could not cover their fixed costs with the market revenues and required the Group's subsidiary Enefit Power to spend tens of millions of euros annually to maintain them on standby and ensure security of supply.

The Group's electricity generation assets can be divided between older Pulverised Combustion ("**PC**") and newer Circulating Fluidised Bed ("**CFB**") units. The older PC units have a higher CO_2 intensity per MWh of electricity produced and have more restrictions regarding fuels from which electricity can be produced. The newer CFB units have a lower CO_2 intensity per MWh of electricity produced and have more flexibility regarding fuels from which electricity can be produced. 386MW of CFB units are originally PC units that were converted between 2001-2005 to CFB technology offering more flexibility on operations and lower CO_2 intensity. Additional CFB generation units include the Group's newest 272MW Auvere unit that was passed over to the Group for operating in 2018, despite being connected to the power grid for the first time in May 2015. The Group's CFB generation units also include a 35MW CFB unit integrated to the Enefit280 oil plant.

The Group's currently operational PC units amount to 672MW, and the CFB units amount to 693 MW, which only infrequently make it to the market. On 1 April 2024, Enefit Power has decommissioned the unprofitable cogeneration unit of the Balti Power Plant for at least a year, while the production of thermal energy will continue in the reserve boiler house. The obligation to maintain the controlled reserve capacity will be ensured by the energy units of the Auvere Power Plant and the Eesti Power Plant. The PC units are planned to be phased out by circa 2030, however, the timeline of this phase out is currently unclear, as it depends on the Shareholder's expectation for the necessary level of operational units the Issuer must hold to secure the security of supply to the state of Estonia, and of market conditions that dictate how much the units will be able to access the market. Currently, the expectation from the Shareholder for providing such security of supply is 1000MW until the end of 2026. There is also a contractual obligation under the respective agreement with Elering, the TSO. The Group has not received any official update, however, negotiations with the Shareholder are ongoing and the CFB units are planned to be operational until the end of their lifetime. One of the CFB units, the Balti power plant, was recently decommissioned and the Group hopes to achieve oil shale free operations by 2035, as currently such capability is being created. Without oil shale, the CFB units produce electricity from the same sources already used, and available, as of the date of this Prospectus – waste wood, biomass, and retort gas (by-product of shale oil production).

By 31 December 2023, the Group had decommissioned 879 MW of older generation capacity PC units, as a result of the EU's IED legislation, which came into force in 2016. The currently operational CFB units are in accordance with the current EU regulations and the only limitations to operating them are financial. The currently operational PC units may face limitations under the IED legislation even if operated under the universal derogations available under the IED legislation (see "*Regulation – Environmental Regulation*" for further detail). The older PC units have been installed with desulphurisation and denitrification equipment, and the two PC units upgraded to CFB units have been upgraded with electrostatic precipitators. The Group is not planning the construction of any new electricity production units based on oil shale.

The Group's different generating capacities have different running costs and in general terms CFB units tend to be more efficient than PC units. The Estonian power market is directly connected to the broader Nordic market only via two Estonian-Finnish subsea cables (EstLink 1 and EstLink 2), along with land connections to Latvia, which is a reason for price differences between Estonia and Finland. For example, the price spread between Estonia and Finland has steadily increased since 2021 (annual average spread of €14.4/MWh). This has brought about higher volatility of the hourly power price, as well as periods of low price levels in line with the rest of the Nordic region, as witnessed in 2020. The Group has therefore worked on increasing the flexibility of its power generation units, in order to regulate their production more quickly depending on the hourly and daily power prices. If needed, the Group can close down some of the Group's power units for a prolonged period which results in lower fixed costs for the hibernation period but would entail higher costs once the units are brought back to an operational state again.

Power sales

The electricity that is generated is sold on the wholesale market (through the Nord Pool Spot power exchange) or through the Group's supply business to retail customers. The Group's total electricity sales amounted to 10,236 GWh for the 12 months ended on 31 December 2023, which comprised wholesale electricity sales of 0.2 GWh and retail electricity sales of 10.1 GWh.

On the retail side, the Group operates in an integrated Baltic, Nordic and Poland power market. Each of Finland, Estonia, Latvia, Lithuania and Poland are part of the Nord Pool power exchange. The Estonian and Finnish power markets are linked by two EstLink submarine cables with total transmission capacity of 1000 MW. The Estonian TSO, Elering, announced in the second half of 2021 that it has initiated preliminary research for the establishment of a third connection between Estonia and Finland, however, the commissioning of such interconnections can take up to 10-15 years. The Lithuanian and Swedish power markets are linked by NordBalt submarine power cable with capacity of 700 MW. Moreover, the Lithuanian and Polish power markets are linked by LitPol Link power cable with capacity of 500 MW. At the same time, several interconnections are expected to be commissioned between the United Kingdom and the Nordics which would mean higher prices for the Nordic region as electricity prices in the United Kingdom are higher than in the Nordics. A 1400MW North Sea Link submarine cable between the United Kingdom and Norway became operational on 1 October 2021. An additional 1400MW Viking Link submarine cable between the United Kingdom and Denmark was completed in 2023. Growing transmission capacity between countries is expected to result in the further convergence of market prices across Europe, which could result in higher regional prices in the Nordics.

The price of electricity in the Nord Pool Spot Estonia price area is one of the key factors influencing the Group's financial results. The following table depicts the average electricity prices in key Nord Pool Spot ("**NPS**") price areas:

		3 months ended 31 March 2024	3 months ended 31 March 2023	Full year ended 31 December 2023	Full year ended 31 December 2022
Average price of NPS Estonia	€/MWh	90.4	99.4	91.0	192.0
Average price of NPS Latvia	€/MWh	87.1	101.7	94.1	225.9
Average price of NPS Lithuania	€/MWh	87.0	100.0	94.6	229.2
Average price of NPS Finland	€/MWh	72.9	77.6	56.6	153.5
Average price of NPS Poland	€/MWh	82.2	131,0	112,1	166,8
Group's average electricity sales price (including the impact of hedging)	€/MWh	105.3	129.8	119.1	140.1
Group's average electricity sales price (excluding the impact of hedging)	€/MWh	105.3	130.1	119.0	145.8

The Group has a policy in place to hedge the price risks affecting its power generation activities. The hedge positions in relation to electricity include financial market hedges as well as fixed price contracts signed with the customers of the Supply business. Fixed price contracts signed with the customers in Finland, Estonia, Latvia, Lithuania and Poland accounted for 56 per cent. of the total electricity sales. Risks associated with fixed price contracts are hedged mainly on the Nasdaq OMX and TGE through derivative instruments, or hedged with own production assets. The Group's financial results are also affected by the prevailing price of CO_2 allowances given that the Group has to surrender the allowances for its emissions. Accordingly, the Group also hedges the CO_2 price. The table below depicts the Group's hedge positions and average hedge prices for the full year 2024 and 2025 as of 31 December 2023. The Group hedges its oil shale production assets, renewable production assets and supply business separately and, when possible, internal hedging is preferred. For further information, please see "*Description of Group – Hedging and Power Purchase Agreements*" on pages 83 to 84 of this Prospectus.

Hedge positions as of 31 December 2023

	Oil shale electricity production		**CO_2 allowances**	
	Closed position, (TWh)	Average price of closed position (€/MWh)	Closed position (thousand tonnes)	Average price of closed position (€/tonne)
2024	0.5	148.2	851	76.9
2025	0.1	144.4	145	93.8

	Supply	
	Closed position, (TWh)	Average price of closed position (€/MWh)
2024	6.5	66.0
2025	4.5	62.0

Oil Production

The Group employs the Enefit technology to produce oil out of oil shale. The Enefit technology uses all of the oil shale that is mined, including fine oil shale particles, in an efficient industrial process. There are two other companies operating in Estonia that process oil shale to produce oil. These are VKG Oil AS (a subsidiary of Viru Keemia Grupp AS) and Kiviõli Keemiatööstuse OÜ.

The Group's shale oil production facilities are situated in the eastern part of Estonia, near the city of Narva. The first shale oil plant was originally constructed in 1980, with the newest production facility commissioned in 2012. The annual production capacity of oil plants owned by the Group is around 450 thousand tonnes of shale oil per annum. The Enefit technology does not require material quantities of water, thereby reducing the environmental impact of its operation and cost. Alongside shale oil, the production process also generates retort gas, which is used is in the Group's power production units to generate electricity.

Currently the Group is in the process of constructing its third oil plant, based on the same Enefit280 technology as the oil plant commissioned in 2012. The total cost of the third oil plant is expected to be €368 million. The construction of the plant began in the second half of 2020, and the unit is expected to be commissioned in 2024 with annual production of around 270 thousand tonnes of shale oil. The Enefit technology-based production units are currently producing shale oil, however, together with an upgrading unit and process enhancements the production of different chemicals beyond naphtha and LPG like methanol, reformate, benzene, xylenes, toluene, etc., is possible. The Group's target according to its latest decarbonisation strategy is for its electricity production to be CO2 net-zero by 2045 at the latest, and to also cease the production of liquid fuels. This means that, from 2045, the Group's target is to produce energy based on chemicals on circular economy principles instead of producing liquid fuels, as is the case currently. To realise the vision of the chemical industry, the Group has commissioned the principal design for the first chemical-recycling plant to be built in Auvere by Technip and UOP Honeywell.

The sale price for shale oil is unregulated and tends to follow the global market for heavy fuel oil which in turn broadly follows crude oil market movements. The Group hedges the sale price of its shale oil production to fuel oil with 1.0 per cent. sulphur content (circa 85.0 per cent. of the output), and with Naphtha derivatives for the gasoline fraction of the production (circa 10.0 per cent. of the output). The actual sale price of shale oil tends to follow the price of such fuel oil with a discount or surplus depending on the market demand as the technical parameters of shale oil compared to the standard fuel oil product are slightly different.

Shale oil qualities differ from standard heavy fuel oil, so the market for it is limited. Primarily, export demand comes from producers of bunker or marine fuels, who buy the shale oil, blend it with other products and sell it to shipping companies. In 2020, the International Maritime Organization imposed heavier restrictions on the sulphur content of fuel oil. As a result, the Group's sales of shale oil for the first time in history witnessed a surplus compared to the reference product of 1.0 per cent. sulphur content fuel oil, due to the Group's shale oil having a low content of sulphur (below 0.5 per cent.). The Group has a policy in place which is designed to hedge the cash flow from its oil sales.

The following two tables provide an overview of the key price developments relating to the Group's oil sales and its hedging positions for the three months ended 31 March 2024 and 31 March 2023 (respectively) and for the full years ended 31 December 2023 and 2022 (respectively):

		3 months ended 31 March 2024 (unaudited)	**3 months ended 31 March 2023 (unaudited)**	**Full year ended 31 December 2023 (unaudited)**	**Full year ended 31 December 2022 (unaudited)**
Group's average shale oil sales price (including the impact of hedges)	€/tonne	415.2	363.3	328.1	328.6
Group's average shale oil sales price (excluding the impact of hedges)	€/tonne	445.9	420.7	428.8	565.2
Average price of 1.0 per cent. heavy fuel oil[(1)]	€/tonne	437.0	407.5	437.0	541.8

(1) Source: Reuters

Hedge positions as of 31 December 2023

	Closed position (thousand tonnes) Fuel oil	**Average price of closed position Fuel oil (€/tonne)**
2024	220.4	375.3
2025	155.4	433.4

	Closed position (thousand tonnes) Naphtha	**Average price of closed position Naphtha (€/tonne)**
2024	220.4	375.3
2025	155.4	433.4

Technology development and production

Enefit Outotec Technology OÜ

In 2009, the Group established a joint venture with Outotec, a leading international minerals and metals processing technology provider. The joint venture is called Enefit Outotec Technology OÜ. The Issuer holds a 60.0 per cent. stake in Enefit Outotec Technology OÜ, with Outotec holding the remaining 40.0 per cent. The purpose of the joint venture company is to develop and market shale oil production technology. Enefit Outotec Technology OÜ provides technology licensing and related services for the use of the Enefit technology, the world's most advanced shale oil production technology. The Group pays a production royalty to Enefit Outotec Technology OÜ for any oil, gas and electricity produced using Enefit technology. The Enefit280 oil plant in Auvere is the first practical application of the Enefit280 shale oil production technology. The Group made the investment decision and commenced construction on a second Enefit280 oil plant in 2021, deploying further advancements in Enefit Technology as provided by Enefit Outotec Technology OÜ. Enefit Outotec Technology OÜ issued an Enefit Technology license and services agreement to a third-party developer in Israel in 2019, and it actively markets for licensing around the world, and regularly invests in research and development to continually improve the economic and environmental performance of Enefit Technology.

Enefit Solutions AS

The Group operates an engineering business called Enefit Solutions AS, which provides a range of technological project solutions and maintenance services, mostly to other business units in the Group. This business focuses on the maintenance, design, manufacture and installation of mining, oil and power plant equipment. To a lesser extent, it also sells its products and service to some external customers. In addition, Enefit Solutions contributes to building the chemical industry and supports the Issuer, as well as Estonia on its green journey.

International projects

Whilst the Group's principal focus has been and remains the Baltic Sea region, in the past, the Group has also discovered possibilities to exploit its shale oil production expertise internationally, particularly in Jordan (through the Group's associated companies) and the United States. Currently, the Group does not expect to make any commitments of new capital to these international projects. In 2016, the Group signed an agreement by which it sold its majority stake in the Jordanian oil shale power plant and quarry project in 2017 and retained a 10.0 per cent. minority interest. In 2021, the Jordanian oil shale power plant produced its first electricity to the Jordanian power network, and construction activities finalised in 2023. As at the date of this Prospectus, both power production units are working at full capacity and the power plant's revenue streams are stable.

Renewables and Co-generation

Generation capacities

The Group has developed a portfolio of renewable and co-generation assets mostly held by its majority owned subsidiary, Enefit Green. The renewables assets contribute to diversifying the Group's mainly oil shale-based generation portfolio and reducing the Group's carbon emissions. The Group seeks to lower the CO_2 intensity of its generation capacities and the existing renewables and co-generation portfolio contributes to this aim.

Electricity and heat produced by the Group's renewables and co-generation assets

		3 months ended 31 March 2024	**3 months ended 31 March 2023**	**Full year ended 31 December 2023**	**Full year ended 31 December 2022**
Electricity production by renewables and co-generation assets	GWh	646	538	2,809	2,636
incl. Enefit Green	GWh	475	383	1,947	1,684

The Group has a total of 419.1 MW of wind-based generation capacity in Estonia and Lithuania across 24 wind parks. Solar facilities amount to 75.4 MW and are situated in Estonia and Poland. The Group's subsidiary, Enefit Green, also operates a mixed municipal waste powered waste-to-energy facility in

Estonia with a capacity of 19.3 MW of electrical energy and 50 MW of thermal energy. The Group also operates a small 0.365 MW hydroelectric unit in Estonia.

In the context of renewable energy projects and the pipeline of the Group, the terms "short-term" and "long-term" refer to the portfolio of projects at different stages of planning and development. The short-term pipeline typically includes projects that are in the advanced stages of development and the long-term pipeline consists of projects that are in the earlier stages of development. The Issuer's short-term pipeline projects are developed to be ready for the final investment decision before the end of 2024, however the actual timing of final investment decisions depends on various factors, including the PPA demand, availability of other instruments for revenue security, pricing of equipment for electricity production, construction prices and availability of the necessary financing.

As of the end of 2023, the Group had invested in nearly 709 MW of new renewable projects, which are currently in the construction phase. When completed, these projects should increase the Group's renewable electricity generation capacity to more than 1,200 MW by mid-2026. In addition to the more near-term projects that the Group expects to complete by mid-2026, there is a significant near-term and long-term pipeline of onshore wind and solar farm projects which the Group estimates to amount to circa 709MW and 1,640MW, respectively.

In addition, two offshore wind farm projects with up to 2,100MW capacity each are being developed. An overview of the Group's renewable pipeline is provided below as of 31 March 2024. The Issuer's management believes that the Group has a total generation asset base of 2050 MW (compared to 1992 in 2022), out of which 515MW is renewables based. As of 31 December 2023, Enefit Green's portfolio encompasses an operating capacity alongside projects that are currently under development, cumulatively amounting to a substantial total capacity of 1,735 MW, out of which operating capacity is 515 MW, capacity under construction is 709 MW and the near term development portfolio is 511 MW.

Asset, or project name	**MW**	**Final Investment Decision (Actual/Readiness)**	**Expected completion**	**Status**
Existing asset base	**515**			**In operation**
Šilale II wind park (Lithuania)	43	Q2 2021	2024	In construction
Akmene wind park (Lithuania)	75	Q3 2021	2024	In construction
Tolpanvaara wind park (Finland)	72	Q4 2021	2024	In construction
Debnik solar park (Poland)	6	Q1 2022	2024	In construction
Kelme I wind park (Lithuania)	80	Q4 2022	2025	In construction
Sopi-Tootsi wind park (Estonia)	255	Q4 2022	2025	In construction
Sopi solar park (Estonia)	74	Q2 2023	2025	In construction
Kelme II wind park (Lithuania)	87	Q4 2023	2026	In construction
Carnikava solar parks (Latvia)	17	Q4 2023	2024	In construction
Total capacity under construction	**709**			
Strzalkowo solar park (Poland)	Up to 40	H2 2022	2024	In development
Long-term pipeline wind and solar developments	Up to 1,600	2024 and beyond	2025 and beyond	In development
Liivi offshore wind park	Up to 1,000	2025 and beyond	2028 and beyond	In development
Hiiumaa offshore wind park	Up to 1,100	2029 and beyond	2032 and beyond	In development
Total pipeline	**Up to 3,740**			

Overview of renewable subsidies

In the 2023 financial year, the Group received a total of €21.3 million in renewable energy grants in the form of FiP and CfD (as defined below) and in the form of FiT (as defined below). The FiTs are fixed tariffs that the energy producer receives rather than wholesale market power price plus a premium, if applicable, and as such are recorded as revenue and not as renewable energy subsidies in the financial statements of the Group. In 2023, decisions to invest in 180MW of wind and solar parks were all based on market terms through the use of PPAs. Going forward, the Group does not expect any significant subsidies or other incentive schemes for the development of the pipeline, save for offshore wind farm projects. Going forward, about 8 per cent. of forecast renewable production for 2024-28 is expected to be covered by either a FiP or CfD.

Some of the Group's onshore wind and solar assets in operation in Estonia (145.2 MW of 280 MW of installed wind and 12.1 MW of 48.2 MW of installed solar assets) benefit from a 12-year FiP of €53.7/MWh on top of wholesale power prices. As of 31 December 2023 the average residual incentive period was 1.7 years for wind and 8.6 years for solar assets. In Poland, the Group has entered into a 15-year indexed CfD for one of its solar assets, where the CfD price is adjusted each year in accordance with the CPI. As of 31 December 2023, 18.2 MW of installed wind capacity and 27.2 MW of Polish solar assets are covered by this incentive scheme with an average residual incentive period of 10.3 years.

The following table shows the share of renewable energy subsidies and other selected financial information as at and for the periods indicated below:

	As of and for 3 months ended 31 March 2024 (unaudited)	**As of and for 3 months ended 31 March 2023 (unaudited)**	**As of and for full Year ended 31 December 2023**	**As of and for full Year ended 31 December 2022**
				(In EUR millions)
Renewable energy subsidies	6.4	7.3	21.3	22.8
Group's revenue	500.3	582.7	1,905.5	2,218.2
Group's revenue and other operating income	550.7	698.4	2,165.4	2,676.9
Group's EBITDA (unaudited)	127.8	178.3	436.7	420.4
Group's operating profit/(loss)	88.9	132.8	(381.5)	243.2
Group's profit/(loss) for the period	79.1	118.6	(422.1)	215.7

Energy Supply

This business line includes the supply of electricity to industrial, commercial and household customers. The Group is active in the supply business in Estonia, Latvia, Lithuania, Poland and Finland. For the year ended 31 December 2023, total estimated electricity demand in Estonia, Latvia and Lithuania amounted to 26 TWh. Total estimated electricity demand in Poland was 166 TWh and in Finland was 80 TWh.

The Group's retail electricity sales amounted to 10.1 TWh in the year ended 31 December 2023 and 2.8 TWh in the three months ended 31 March 2024. In 2023, the Group's Baltic retail electricity sales amounted to 7.8 TWh, from which Estonia made up 3.9 TWh, Latvia 1.6 TWh and Lithuania 2.3 TWh. Polish electricity sales amounted to 2.2 TWh and Finnish sales below 0.1 TWh. The Group offers its clients market-price based electricity supply contracts, as well as fixed price electricity supply contracts that can benefit the Group as they can provide a price hedge in relation to the Group's electricity generation business, for both renewable and oil shale-based hybrid plants. In addition to the supply of electricity, the Group also sells gas to its customers in Estonia, Latvia, Lithuania and Poland.

The electricity markets of Estonia, Latvia, Poland, and Finland are fully liberalised and the Group competes with a number of companies in the electricity supply business. The Lithuanian electricity market is nearly fully liberalised, with some households retaining the possibility to use regulated prices. In 2023, the Group's market share in the Estonian electricity supply market was 54.5 per cent. For 2023, in Latvia was 22.7 per cent., and in Lithuania 22.9 per cent. The Group's total market share in the Baltics amounted to 32.8 per cent. in 2023. In Poland and Finland, the Group's market share compared to the relevant market size is insignificant. The Group's main competitors in the Baltics include Latvenergo, and Ignitis.

Distribution Network

The Group's distribution network is operated by Elektrilevi OÜ, a standalone subsidiary within the Group. Elektrilevi's network includes approximately 61,000 km of 0.4-35 kV underground and overhead lines and more than 24,300 substations at 6-35 kV. The Group has the largest share of the distribution market in Estonia, covering about 95.0 per cent. of the Estonian population, and with approximately 533,000 electricity network service customers. Electricity distribution companies operate as natural monopolies. Therefore, the Group's distribution network is not subject to direct competition from other market participants. In 2021, the Group acquired Estonia's third largest distribution network operator Imatra Elekter AS for €29.8 million. There are still roughly 30 distribution network operators in their respective areas in Estonia, the largest of which is OÜ VKG Elektrivõrgud. In 2023, investments made to maintain and continuously improve the quality of the electricity distribution service totalled €168.5 million, including investments of €95.8 million in network connections.

The Group's distribution activities are regulated by the ECA under the EMA and regulations adopted thereunder. The Group is subject to price regulation in relation to the provision of network services. The ECA approves the distribution tariff by taking into account the legal obligations of the distribution network operator as well as allowing it to obtain a reasonable rate of return. The calculation of tariff is based on the distribution network's weighted average cost of capital ("**WACC**") that is applied to its regulated asset base ("**RAB**"), regulatory depreciation, uncontrollable costs (such as fees of the transmission system operator) and reasonable operating costs. The current tariff of the distribution services was approved in September 2022, effective from 1 January 2023.

The EMA obliges all distribution network operators to treat all electricity market participants equally and to protect information about market participants. The Group has taken this into account when designing its operational structure. Elektrilevi is a separate subsidiary of the Issuer, which has its own independent management board and management structure.

The Group's distribution network company has implemented a significant expenditure programme with the aim of improving the reliability of the distribution network and increasing the efficiency of the network. Network losses have been declining over recent years (losses amounted to above 5.0 per cent. in 2014 and compared to 4.0 per cent. for 2022 and 2023).

The following table provides an overview of the losses in the Group's distribution network in recent reporting periods:

		3 months ended 31 March 2024 (unaudited)	**3 months ended 31 March 2023 (unaudited)**	**Full year ended 31 December 2023 (unaudited)**	**Full year ended 31 December 2022 (unaudited)**
Distributed electricity	GWh	1,994	1,901	6,540	6,779
Network losses	%	4.30	4.04	4.19	3.75
Network losses	GWh	91.2	80.7	296.3.	271.5

The Group is also working towards improving customer satisfaction with the network which involves reducing the number and duration of faults. A large share of the outages in the network is attributable to adverse weather conditions and trees falling on the lines. The Group is replacing wires with aerial insulated cables and underground cables to reduce such outages. The Group is also conducting drone overflights in accordance with local laws and implementing different IT solutions as part of the preventive actions to decrease the time of interruptions. Due to a lower than optimal level of investment in the 1980s and 1990s, a large share of the network equipment is relatively old and susceptible to breakdown. This increases the capital expenditure needs of the distribution network. Metrics including cashflow targets have been agreed with Elektrilevi with a view to appropriately managing and planning for this capital expenditure.

The table below depicts some of the Issuer's distribution assets by their useful remaining lives as of 31 December 2023:

(%)	**0-10 years**	**10-20 years**	**20-30 years**	**30-40 years**	**More than 40 years**
Wires (incl. poles)	16	12	10	15	47

Cables	31	36	10	9	14
MV/LV Substations (incl. transformers)	19	26	3	16	26

Source: Elektrilevi OÜ

Investments

The Group expects its investments to increase in the coming years due to its renewable asset base development in line with the Group's strategy, and with the construction of the new liquid fuel production plant Enefit280, which will serve as the integral part of the Group's transition to CO_2 neutrality by 2045. In the last few financial years, the distribution network investments has been the largest investment area in the Group. The Issuer expects that the Group's development investments will account for approximately 60 per cent of the total investments which will ensure the execution of the Group's decarbonisation strategy. For the definition of Investments see "*Alternative Performance Measures*" on page 2 of this Prospectus.

The table below provides an overview of the total investments breakdown by cost types for the period between 2021 and 2023 and the expected investments for the period between 2024 and 2026:

		Full year ended 31 December 2021	Full year ended 31 December 2022	Full year ended 31 December 2023	Full year ended 31 December 2024	Full year ended 31 December 2025	Full year ended 31 December 2026
Maintenance Investments	€ million	127.1	151.4	209.9	182.1	163.7	251.7
Developing Investments	€ million	123.1	286.7	536.7	519.2	258.1	222.3
Capitalised Interest	€ million	3.1	7.1	32.6	43.2	29.2	15.9
Total Investments	€ million	**253.3**	**445.2**	**779.2**	**744.5**	**451.0**	**489.9**

The table below provides an overview of the total investments breakdown by business lines for the period between 2021 and the first three months of 2024:

		Full year ended 31 December 2021	Full year ended 31 December 2022	Full year ended 31 December 2023	3 months ended 31 March 2024	3 months ended 31 March 2024
Electricity	€ million	68.1	209.8	438.8	98.6	120.0
Distribution	€ million	101.8	126.1	177.4	33.2	24.0
Shale oil	€ million	63.3	88.1	125.4	22.4	17.8
Other[(1)]	€ million	20.1	21.2	37.6	5.3	5.9
Total Investments	€ million	**253.3**	**445.2**	**779.2**	**159.5**	**167.7**

(1) For the purposes of this table, the Natural Gas business line is included under the Other segment.

Investments made in 2023 were the largest in the Issuer's history due to the rapid development of renewable energy capacities. The Group invested €350.6 million in increasing its renewable energy production capacity through its subsidiary Enefit Green. Its Estonian wind farms received investments of €102.8 million, of which €84.1 million was allocated to the Sopi-Tootsi wind farm. Its Lithuanian wind farms comprised investments of €127.5 million for the Kelmė and €12.5 million for the Akmenė wind farms. It also invested €51.8 million in its Tolpanvaara wind farm in Finland and €24.9 million in other wind farms. The Šilalė and Tolpanvaara wind farms are scheduled for completion in 2024.

The Group also made investments in the development of solar farms in Estonia and Poland. In Estonia, it invested in the Purtse (€12.7 million) and Vändra (€9.4 million) and Sopi (€7.9 million) solar farms. The Sopi solar farm, located in the northern part of Pärnu county near the Sopi-Tootsi wind farm, is the largest renewable energy production area in the Baltics, is due to start operating 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.

Investments made to maintain and continuously improve the quality of the electricity distribution service totalled €168.5 million. In addition, the Group invested €104.9 million in the development of the chemical industry, which is scheduled for completion in 2024 and will increase the Group's annual output of liquid fuels to 700,000 tonnes.

In the first three months of 2024, the Group invested €167.7 million out of which €104.8 million was invested in the development of renewable energy production capacity.

Committed investments

In the next 3 years, the Group plans to invest about €450.0 million into the distribution network (including connections for renewable energy based generation installations and weatherproofing the grid) through the DSO Elektrilevi.

Approximately half of the Issuer's planned investments for the remainder of 2024 and in 2025 and 2026 are committed, including among others the construction of the Sopi-Tootsi wind farm and the Enefit 280-2 oil plant. The remaining portion of the Issuer's planned investments over this period retain a degree of flexibility and discretion on the part of the Issuer. The ability to exercise this discretion is contingent upon the specific characteristics of the investments and the extent to which any political and other considerations may advocate for the realisation of these investments, such as in the case of the planned investments in the distribution network.

Non-committed investments

The Group is also reviewing a number of capital expenditure projects which are not yet committed, including investments in electronic transport services. Most of these projects are renewable asset development projects for which an overview has been provided above on pages 97 to 98 of this Prospectus.

Financing

The Group has funded, and expects to fund, its capital expenditures using a combination of internally generated funds and external sources of funding, including bank loans and financing through the capital markets. While the Estonian Government has previously made equity injections to the Group (€125.0 million in 2020) there is no assurance that such funds will be available to finance the Group's investment plans in the future.

The Group's 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. The Group also uses revolving credit and guarantee facilities obtained from regional banks.

The Group had total borrowings of €1.69 billion as of 31 December 2023, comprising (i) a syndicated loan of €600.0 million, (ii) EIB loans of €242.1 million (nominal value), (iii) NIB loans of €173.0 million (nominal value), (iv) EBRD loans of €6.3 million (27.5 million Polish zloty) and (v) commercial bank loans of €638.5 million (nominal value, including a €195.0 million revolving credit facility). As at 31 December 2023, the Group's borrowings included €472.6 million of loans taken by its subsidiary Enefit Green (including the €6.3 million EBRD loan). As at 31 December 2023, the Issuer's loans from commercial banks amounted to €945.0 million, consisting of the €600.0 million syndicated loan, a €150.0 million loan from Swedbank (due in June 2027), and revolving credit of €70.0 million from Swedbank and €125.0 million from OP Corporate Bank. Additionally, as at 31 December 2023, the Issuer had EIB loans of €242.1 million. Enefit Green repaid €23.4 million of loans to SEB, the NIB, OP Corporate Bank and the EBRD in regular instalments during the 2023. In 2023, the Issuer also repaid €17.9 million of EIB loans in regular instalments. The Group's liquid assets (cash) amounted to €174.5 million at the end of 2023. Moreover, the Group had €410.0 million of unused loans, of which €75.0 million were unused loans of the Issuer and €335.0 million were unused loans of Enefit Green.

As of 31 March 2024, the Group had total borrowings of €1,591 million, the Group's investment loan liabilities amounted to €1,456 million, consisting of liabilities of the Issuer of €992 million and liabilities of the subsidiary Enefit Green of €464 million. During the first three months of 2024, the Issuer did not make any investment loan repayments while Enefit Green made regular investment loan repayments of €8.2 million. The Group's liquid assets (cash) at the end of three months ended 31 March 2024 amounted to €130.9 million. In addition, the Group had €470.0 million of unused loans, of which €165.0 million were unused loans of the Issuer and €305.0 million were unused loans of Enefit Green.

As at 31 December 2023, the Group's approved limits of revolving credit facilities amounted to €320.0 million (€150.0 million from OP Corporate Bank, €100.0 million from SEB and €70.0 million from Swedbank), of which the €70.0 million from Swedbank and €125.0 million from OP Corporate Bank was drawn down. The revolving credit lines comprise loans raised by the parent company with an approved limit of €270.0 million and loans raised by the subsidiary Enefit Green with an approved limit of €50.0 million. As at 31 March 2024, the Group's approved limits of revolving credit facilities remained the same as at 31 December 2023.

In 2023, the Issuer signed a new loan agreement of €600.0 million (the syndicated loan maturing in February 2028). The loan is sustainability-linked with two ESG KPIs: 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 €500.0 million bond that matured in September 2023. In 2023, Enefit Green signed new loan agreements of €505.0 million (€180.0 million maturing in September 2035 from the EIB, €100.0 million maturing in January 2035 from the NIB and €225.0 million maturing in January 2030 from SEB).

As at 31 December 2023, the Group's undrawn long-term investment loans totalled €285.0 million, all of them attributable to Enefit Green. The figure comprises a loan of €105.0 million raised from SEB in January 2023 and a loan of €180.0 million raised from the EIB in September 2023.

As at 31 December 2023, the weighted average interest rate of the Group's borrowings was 5.76 per cent. (end of 2022: 2.47 per cent.). As at 31 December 2023, the Group had borrowings of €194.9 million with fixed interest rates and borrowings of €1.5 billion with floating interest rates (end of 2022: borrowings of €723.3 million with fixed interest rates and borrowings of €0.3 billion with floating interest rates). Out of total borrowings, 99.6 per cent were denominated in euros. One loan liability of €6.3 million (to the EBRD) was denominated in Polish zloty. As at 31 March 2024, the weighted average interest rate of the Group's borrowings remained the same as at 31 December 2023.

The Group's financing agreements contain representations, events of default and affirmative and negative covenants. The Group's non-financial covenants restrict, among other things, the Group's ability to grant security, dispose of assets, incur debt and merge or demerge to the extent that the forementioned activities do not pertain to intra-group restructurings. The Group's loan agreements with the EIB and the Syndicated Facility contain various financial covenants including (i) a net debt to adjusted EBITDA ratio, (ii) an interest coverage ratio, and (iii) debt-service coverage. As of 31 December 2023, the Group complied with these financial covenants. See "*Risk factors – Risk factors related to the Group's operation - The Group's financing agreements may affect how the Group operates, or the Group's ability to operate, its business. In particular, differences in the timing of capital expenditures and the receipt of earnings from projects may adversely impact the Group's ability to comply with its financial covenants*".

As at 31 March 2024, the Group's debt maturity profile is the following: (i) €221 million in 2024, (ii) €156 million in 2025, (iii) €193 million in 2026, (iv) €333 million in 2027, (v) €363 million in 2028, (vi) €38 million in 2029 and (vii) €98 million in 2030. On 9 April 2024, the Issuer and Swedbank AS signed an agreement to refinance the €150.0 million term loan facility agreement signed in March 2021. With the refinancing the final repayment date of this loan facility has been now set to 28 June 2027.

In 2023, the Group paid the shareholder a dividend of €68.9 million. The Shareholder's expectation is for dividends of between 50.0-100.0 per cent. of the Issuer's net profits in the future. The actual dividend payment is decided separately each year, taking into account the financial results and investment plans for the coming years. A lower income tax rate on dividends of 14/86 is applied in Estonia if certain criteria set out in the Estonian Income Tax Act is met. Also, some of Group's dividends have been paid out by Lithuanian subsidiaries to which an income tax rate of 15 per cent. is applied. From 1 January 2025, there will be a flat corporate income tax rate of 22 per cent. in Estonia and the reduced tax rate on regular dividends will be abolished. Inbound dividends from Lithuanian subsidiaries are generally subject to a participation exemption, i.e., are exempt upon further distribution by the Issuer.

The policy document by the Shareholder also sets out limits for certain financial ratios applicable to the Group. In line with the Shareholder's expectations, the financial policy adopted by the Issuer's Management Board and approved by the Supervisory Board envisages a long-term target for net debt at 3.5 times EBITDA (although this ceiling may be exceeded in the short term in the case of major investments or acquisitions) and an investment grade credit rating. The Group's net debt divided by the EBITDA for 2023 stood at 3.4 as of 31 December 2023.

Credit rating

As at the date of this Prospectus, the Issuer's credit rating by Moody's is Baa3 (with stable outlook) and by S&P BBB- (with negative outlook).

Management of the Issuer

Overview

In shareholders' meetings of the Issuer, the Shareholder is represented by the Minister of Finance. The Minister exercises all of the Shareholder's powers in a general meeting. For certain corporate actions, the Minister needs government approval prior to voting at the shareholders' meetings. Such corporate actions include, amongst other things: (i) amending the Issuer's share capital; (ii) commencing liquidation proceedings; (iii) entering into a merger agreement with another entity; (iv) demerger of or re-organising the Issuer; (v) amending the Issuer's Articles of Association if this results in amendments to rights pertaining to the Issuer's shares; and (vi) determining the dividend level to be paid.

The governing bodies of the Issuer are the General Meeting, the Supervisory Board and the Management Board. In strategic matters, they are supported by the Group’s strategic management team. While the General Meeting, the Supervisory Board and the Management Board are governing bodies required by law, the Group’s strategic leadership team is a body established by the Management Board of the Issuer, with the purpose to enable the leadership team of the Group to discuss strategic matters, review implementation of the strategy and analyse related topics. The strategic leadership team consist of the Group’s Management Board and other key managers of the Group as decided by the Management Board. In 2023, the strategic leadership team consisted of the members of the management board of the Issuer, 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 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.

The Supervisory Board is a non-executive body responsible for, amongst others: (i) overseeing the Group's strategy; (ii) approving major strategic and tactical decisions; and (iii) supervising the work of the Management Board. The Supervisory Board communicates the results of its supervision activities to the Shareholder. The Supervisory Board also approves the annual budget and business plan. The Supervisory Board is constituted on the basis of the requirements specified in the State Assets Act, the Commercial Code and the Issuer's Articles of Association. The Management Board's rules of procedure are set out in the State Assets Act, the Commercial Code and the Issuer's Articles of Association. The Management Board is responsible for representing and managing the Group's affairs in all day-to-day activities and administration.

The Management Board and the Supervisory Board manage the Issuer in accordance with the Shareholder’s expectations, the Group’s strategy, vision, values and applicable laws and regulations. The Minister of Finance has approved a document entitled “Owner’s expectations for Eesti Energia”, the most recent version of which is dated 25 August 2022, outlining its expectations as the Shareholder of the Issuer (the “**Shareholder’s expectations**”). The Group’s Management and Supervisory Boards are accountable to the Shareholder for the achievement of the Shareholder’s expectations and the goals set.

General Meeting

The Issuer’s highest governing body is the General Meeting, which decides (among other things): (i) the establishment and acquisition of new companies; (ii) the liquidation of existing companies; (iii) the election and removal of members of the supervisory board; (iv) the appointment of the auditor; (v) the approval of the annual report; and (vi) distribution of profits. The Annual General Meeting is convened once a year, within six months after the end of the Group’s financial year, at the time and in the place determined by the management board.

Supervisory Board

The Supervisory Board comprises seven members. The work of the Supervisory Board is organised by the Chairman. The compensation of the members of the Supervisory Board is determined by the Minister of Finance, as Shareholder, within the generally applicable limits established by the Minister of Finance. The

Supervisory Board is responsible for approving major strategic and tactical decisions and supervising the work of the Management Board of the Issuer.

The members of the Issuer's Supervisory Board are set out in the table below:

Name	Function	Date appointed from	Date appointed until	External activities
Anne Mere	Chairman	12/05/2022	11/05/2025	Management Board member at Fazer Esti OÜ, Fazer Latvia SIA and Fazer Lietuva UAB; former Management Board member at AS HKScan Estonia, AS HKScan Latvia and UAB HKScan Lithuania; former CEO and marketing manager at AS Rakvere Lihakombinaat; representative of employers at the Supervisory Board of the Health Insurance Fund of Estonia.
Andres Liinat	Member	12/05/2027	11/05/2025	Former Chief Operating Officer of Cleveron and chancellor of Tartu University (2009 – 2017); previous board level positions including Swedbank, Tallinna Kaubamaja Group, Hotel Olümpia, and Reval Hotels.
Kristi Klaas	Member	23/01/2024	23/01/2027	Deputy Secretary General for Green Transition at Ministry of Climate of Estonia; former Government green policy coordinator at Government Office of Estonia; former Deputy Secretary General at Ministry of Environment of Estonia
Einari Kisel	Member	12/05/2017	11/05/2025	Head of Strategy and Partnerships at the FinEst Twins Smart City Centre of Excellence of Tallinn University of Technology; former Europe Region Manager at the World Energy Council; former Deputy Secretary General of Energy in the Estonian Ministry of Economic Affairs and Communications; former Head of Energy Trading in Eesti Energia.
Allan Niidu	Member	20/12/2022	19/12/2025	PhD in organic chemistry; Professor and research scientist in Tallinn University of Technology; Research manager at the Oil Shale Competence Center of Virumaa College and Head of the Applied Chemistry Working Group of Virumaa College
Meelis Einstein	Member	12/05/2020	11/05/2025	Managing Director and member of Management Board of Estonian-based cement producer AS Kunda Nordic Tsement from 2008; president of an NGO, Association of Construction Material Producers of Estonia, since 2019.
Kaur Kajak	Member	03/04/2023	02/04/2025	Vice-Chancellor for Administrative Policy of the Ministry of Finance; former General Director at Consumer Protection and Technical Regulatory Authority

The business address of each member of the Supervisory Board is Lelle 22, 11318 Tallinn.

Save for the matters disclosed in the table above under the heading "External Activities", no member of the Supervisory Board has any potential conflict of interest between his duties to the Issuer and his private interests and/or other duties. Furthermore, no member of the Supervisory Board has any actual conflict of interest between his duties to the Issuer and his private interests and/or other duties.

Management Board

The Issuer’s Management Board comprises five members elected by the Supervisory Board. A chairman is separately appointed to organise the work of the Management Board and act as Chief Executive Officer. The Management Board generally meets once a week and is responsible for fulfilment of the objectives of the Group.

The members of the Issuer's Management Board are set out in the table below:

Name	Function	Date appointed from	External activities
Andrus Durejko	Chairman	01/04/2023	Former CEO in Ericsson Eesti AS
Marlen Tamm	Member, CFO	01/04/2023	Former Head of the groups management accounting team at Eesti Energia; former Head of Baltic Financial IT unit in Swedbank
Kelli Toss-Kaasik	Member in the field of sales and service of solutions for customers	01/04/2023	Customer experience area manager at Eesti Energia
Raido Ivalo	Member in the field of business information technology	18/04/2024	Former Head of the software developers team in Twilio, former Head of IoT Technical Operations in Ericsson
Kristjan Kuhi	Member, Development Manager for Energy Solutions	01/04/2023	Former global expert in the fields of energy and IoT in Ericsson, former member of the technical committee of EVS/TK 58 smart grid; former member of the HARNO IT Academy's expert council.

The business address of each member of the Management Board is Lelle 22, 11318 Tallinn.

Save for the matters disclosed in the table above under the heading "External Activities", no member of the Supervisory Board has any potential conflict of interest between his duties to the Issuer and his private interests and/or other duties. No member of the Management Board has any actual or potential conflict of interest between his duties to the Issuer and his private interests and/or other duties.

Risk Management

The Group has implemented a multi-level process to ensure effective supervision of the operation of the internal control system. Supervision is carried out by the Group’s Supervisory Board and Management Board, the audit committee, the Supervisory Boards and Management Boards of the Group subsidiaries, the risk management and internal audit department as well as other departments and units entrusted with supervision such as the procurement and environmental services units. Ultimate responsibility for the implementation and proper functioning of the Group’s risk management policies and internal control system rests with the Management Board. To fulfil this obligation, the Management Board, among other things: (i) approves risk limits and risk management principles and policies for individual risk areas; (ii) develops a strategy and organises the preparation of a budget; (iii) manages the Group’s activities in a manner which ensures that the Group implements the approved strategy and meets the budget; (iv) organises the development and approval of operational agreements and requirements necessary for management; (v) applies management measures to develop a risk-conscious management culture; and (vi) monitors the current and expected levels of the Group’s risks to make sure that they meet the Group’s risk appetite and risk tolerance.

The risk and internal audit department under the Chairman of the Management Board and the Auditing 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.

Audit Committee

The Audit Committee is a body set up by the Group’s Supervisory Board. It is responsible for advising the Supervisory Board in matters related to accounting, external audit, risk management, internal control and internal audit, supervision and budgeting, and legal and regulatory compliance. The Audit Committee has four members. The composition and the chairman of the Audit Committee are appointed by the Group’s

Supervisory Board. The Audit Committee meets according to an agreed schedule at least once a quarter. The Audit Committee evaluates the independence of the external auditor and carries out supervisory activities to prevent conflicts of interest.

Code of Ethics

The Issuer has adopted a Code of Ethics which states, among other things, that the organisation does not tolerate any discrimination, harassment, bullying, abuse or other inappropriate behaviour. In 2022, the Group's management board approved the Code of Ethics for Partners which has the purpose to inform the Group's partners about the ethical requirements that are a prerequisite for cooperation.

Employees

The Group employed 5,268 employees on average in 2023 (compared to 5,360 employees in 2022) and 5,036 employees in the first three months of 2024 (compared to 5,339 employees in the first three months of 2023). There are six unions and four collective agreements. However, there have been no stoppages owing to employment disputes. The Group does not provide any employer funded pension schemes. Since 2022, the Issuer has been offering to its employees the opportunity to join a health insurance scheme and receive employer-paid medical care. In 2023, more than 3,500 employees enrolled in the health insurance scheme.

Insurance

As of the date of this Prospectus, the Group has insurance against property damage, machinery breakdown and business interruption in its major production units. The assets of the Enefit Power owned power and oil plants and the Iru power plant owned by Enefit Green are insured with an indemnity limit of €300 million per claim, from which a separate limit of €100 million is solely for the Iru power plant. The Group's wind farms and other assets are insured without a limit on the total value.

The Group does not insure against all potential losses where it is not economical to do so. The Group does not have insurance against damage to its distribution network and equipment or against damage to its mining operations.

The Group also has public, product liability and casualty insurance against claims related to its operations, with the exception of its mining operations. This policy also has additional sub-limits for professional liability insurance, motor-third party insurance, employers' liability insurance, pure financial loss insurance and care custody and control insurance. Finally, the Group also has directors' and officers' liability insurance.

Litigation

Except as described below, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened against the Issuer of which the Issuer is aware) during the 12 months prior to the date of this Prospectus that may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability.

Jordan Power Project's Power Purchase Agreement

The Issuer, through its subsidiary Attarat Holding OÜ, owns a 10.0 per cent. shareholding in Attarat Power Company ("**APCO**") in Jordan. On 19 December 2020, the GoJ and the NEPCO issued their respective requests for arbitration to the ICC arbitral tribunal. Both the GoJ and NEPCO are claiming a deduction on the agreed electricity tariff under the signed power purchase agreement. The APCO management maintains its position that both claims are fully without merit and will deny them. As at the date of this Prospectus, it is not possible to estimate with reasonable certainty the impact of the arbitrations process. The dispute is expected to be resolved in 2024. Therefore, no provision has been recognised for the legal action and the claim is disclosed as a contingent liability.

Enefit280 Oil Plant Building Permit

On 27 April 2020, a non-profit organisation Loodusvõlu MTÜ filed a complaint with the Tartu Administrative Court (*Tartu Halduskohus*) challenging the Decree No 157 from 27 March 2020 of the Narva-Jõesuu Municipality on issuance of a building permit to Enefit Power for the construction of the Enefit280 oil plant. On 4 June 2021 the Tartu Administrative Court dismissed the claim. On 5 July 2021, the claimant filed an appeal with the Tartu Circuit Court (*Tartu Ringkonnakohus)*. In mid-October 2023, the Supreme Court of Estonia annulled the building permit for the Enefit280 oil plant, citing shortcomings in the environmental impact assessment. In the same ruling, the Supreme Court of Estonia 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.

Special audit

By decision of the Minister of Finance of Estonia dated 9 April 2024 acting as the representative of the sole shareholder of the Issuer, a special audit will be conducted at the Issuer during 2024 to evaluate the Issuer's management activities to date. Under Estonian law special audits are primarily directed at individual transactions and operations and are designed to determine whether there may be grounds for making claims against members of the company's management bodies. The result of the special audit is a report to the general meeting of shareholders which must enable the shareholders to take decisions to safeguard the interests and rights of the company. The results of the special audit must make it possible to decide on the existence of possible claims against, as well as on the activities of particular members of the company's management bodies.

The special audit will cover the period from 1 January 2020 to 31 December 2023. The aim of the special audit is to assess the adequacy of management's actions and decisions with the due diligence of a prudent entrepreneur in order to prevent and remedy deficiencies identified in the Issuer's internal audits (including, in particular, hedging and derivative transactions, shortcomings and/or non-implementation of internal procedures concerning compliance with environmental laws and network reliability). The audit will not affect the operation of the Issuer's services – the usual activities of the Group's companies will continue during the audit. In addition, management of the Issuer is in ongoing communication with the Ministry of Finance, supplying all required information to facilitate the audit process.

Ongoing procedures in relation to universal services

Enefit Power initiated legal proceedings against the Estonian Competition Authority ("**ECA**") on 31 July 2023. This action was in response to the ECA's decision dated 28 April 2023, which rejected Enefit Power's proposed new pricing for universal services. Universal services are part of Enefit Power's mandated duties to offer electricity at regulated prices, intended to shield certain consumer groups from the volatility of high electricity costs. Alongside contesting the decision, Enefit Power is seeking compensation for losses incurred due to the ECA's imposition of what it considers to be an unfairly low price for these services. The case is currently under review by the Administrative Court, with a resolution anticipated in the second quarter of 2024. It is noteworthy that Enefit Power's obligation to provide universal services is set to end on 1 July 2024, following legislative amendments.

On 29 September 2023, Enefit Power contested an order from the ECA, which demanded that Enefit Power remit a regulatory oversight fee totaling €1,179,207.52. Enefit Power argued that the fee, which the ECA has the authority to impose under the Competition Act, was miscalculated. The company contended that the ECA's forecast for universal service sales was significantly overstated, leading to an inflated fee. On 22 March 2024, the Tallinn Administrative Court sided with Enefit Power, ruling that the ECA must reassess the fee, taking into account the actual sales figures for universal services. This would likely result in the ECA having to refund a substantial portion of the initially charged fee. The decision made on 23 April 2024 was appealed by the ECA.

Purtse windfarm related disputes

Eesti Ühistuenergia OÜ has initiated three separate legal actions related to the Purtse windfarm, which is operated by Enefit Wind Purtse AS, a subsidiary of Enefit Green AS:

(i) Civil procedure

Eesti Ühistuenergia OÜ has initiated legal action against Enefit Wind Purtse, a subsidiary of Enefit Green. The lawsuit seeks either to prevent the installation of wind turbines with capacities over three megawatts at the Purtse wind farm or to compel Enefit Wind Purtse AS to abstain from constructing turbines exceeding that capacity on the site. The initial hearing in the trial court occurred on 14 February 2023, with a deadline set for 15 March 2023, for both parties to provide additional comments. Upon the deadline, the plaintiff expanded their demands, requesting that Enefit Wind Purtse AS be ordered not to activate the already installed 4.2 MW turbines or to ban their operation altogether. Since these developments, there have been no further updates in the case.

(ii) Administrative Proceedings (Building Permit Supervision)

On 21 November 2022, Eesti Ühistuenergia OÜ filed an administrative objection, urging the Lüganuse Municipality to resume its oversight of the construction processes at Enefit Wind Purtse's Purtse wind farm site. The goal of Eesti Ühistuenergia OÜ is to have the building permits for the wind turbines revoked. On 22 March 2024, the court provided an opportunity for the parties to express their positions regarding the potential dismissal of the case, citing the completion of the construction and the possibility that revoking the permits might not fulfil the complainant's goals. Both the Municipality of Lüganus and Enefit Wind Purtse are in favor of dismissing the case, while Eesti Ühistuenergia opposes the dismissal but has consented to pause the proceedings until a conclusive ruling is made on the dispute concerning the operational permits.

(iii) Administrative Proceedings (Occupancy Permits)

Lüganuse Municipality issued operational permits for five wind turbines at the Purtse Hybrid Park on 7November 2023. Eesti Ühistuenergia OÜ challenged this decision on 8 December 2023, seeking to overturn the municipality's issuance of the permits. The appellant's primary contention is that the turbines' capacity and rotor blade diameter exceed the specifications outlined in the planning and design conditions. Eesti Ühistuenergia OÜ also sought a preliminary injunction to stop Enefit Wind Purtse from using turbines with a capacity over 3 MW. This request was granted on 15 February 2024, when the Circuit Court issued an order to halt the operation of turbines at the Purtse wind farm that exceed the 3 MW capacity limit.

Complaint against the integrated environmental permit of Enefit 280-2 oil plant

On 25 June 2024, the non-profit entity Loodusvõlu MTÜ, in conjunction with a minor, filed a complaint at the Tallinn Administrative Court (*Tallinna Halduskohus*) against the Environmental Board of the Republic of Estonia's decision to grant an integrated environmental permit for the operation of the Enefit 280-2 oil plant. In addition to the complaint, the plaintiffs sought interim measures to suspend the operations of Enefit Power AS under the permit in question during the legal review process. The plaintiffs' main contentions are as follows: a) the oil plant's activities cause irreversible damage to the environment; b) such operations violate children's rights to a healthy environment; c) the environmental impact assessment was flawed; and d) there were numerous procedural mistakes made by the Environmental Board during the process of granting the permit.

The Tallinn Administrative Court commenced the case on the 26 of June 2024, and agreed to impose a partial temporary injunction, which is in effect until the 12 July 2024, with the potential for an extension until the case is fully resolved. The court has set a deadline of 9 July 2024, for the Environmental Board and Enefit Power AS to submit their arguments regarding the temporary injunction. The filing of this complaint does not interfere with the ongoing construction of the oil plant, and the temporary injunction does not affect Enefit Power AS, as the Enefit 280-2 oil plant has not commenced operations.

Material Contracts

Except as described below, the Issuer has not entered into any material contracts outside the ordinary course of business, which could result in either the Issuer or another member of the Group being under an obligation or entitlement which is material to the Issuer's ability to meet its obligations to Holders in respect of the Securities:

Outotec Joint Venture Agreement

In 2009, the Issuer and Outotec, a leading international minerals and metals processing technology provider, established a joint venture called Enefit Outotec Technology OÜ to further develop and exploit the Group's Enefit technology. The Issuer holds a 60.0 per cent. stake in Enefit Outotec Technology OÜ.

Under the shareholders' agreement, the Issuer and Outotec are each entitled to nominate three members of the supervisory board and one member of the management board of Enefit Outotec Technology OÜ. All key decisions have to be taken by consensus.

Both the Issuer and Outotec have agreed to provide to Enefit Outotec Technology OÜ reasonable access to, and use of, their respective intellectual property and know-how relevant to the Enefit technology. Any and all new intellectual property relating to the Enefit technology created as a result of the parties cooperation shall belong to Enefit Outotec Technology OÜ.

Neither shareholder may transfer or create any security over its share in Enefit Outotec Technology OÜ without the consent of the other shareholder. In the event of deadlock, either shareholder and in the event of an un-remedied default by one shareholder, the other shareholder will have a right to issue a termination notice. Upon service of the termination notice, the Issuer is required to purchase and Outotec is required to sell its share in Enefit Outotec Technology OÜ at a fair market price agreed between the parties or failing that in accordance with a specified valuation procedure.

Related Party Transactions

In preparing the Group's consolidated financial statements, related parties include associates of the Group, members of the Supervisory and Management Board of the Issuer, and other individuals and entities who can control or significantly exercise influence over the Group's financial and operating decisions. As Estonia is the sole owner of all the shares of the Issuer, the related parties also include entities under the control or significant influence of Estonia. Associates include entities over which the Group exercises significant influence but not control, generally holding between 20.0 per cent. and 50.0 per cent. of the voting rights in the relevant entity.

Subsidiary undertakings

The Issuer is the holding company of the Group. It has the following subsidiaries and associates:

Business name	**Country of incorporation**	**Nature of business**	**Proportion of ordinary shares held by the Group (%)**	
Subsidiaries:			***31 December 2023***	***31 December 2022***
Elektrilevi OÜ	Estonia	Network operator	100.0	100.0
Imatra Elekter AS*	Estonia	Network operator	100.0	100.0
Enefit Power AS	Estonia	Oil shale mining, production of electrical energy and liquid fuels	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, energy industry machinery and other industrial equipment	100.0	100.0
Enefit Green AS	Estonia	Establishment and operation of renewable assets	77.2	100.0
Attarat Holding OÜ	Estonia	Holding	100.0	100.0
Enefit Outotec Technology OÜ	Estonia	Developing and licensing the new generation of Enefit shale oil production technology	60.0	60.0
Hiiumaa Offshore Tuulepark OÜ**	Estonia	Development of wind farms	77.2	77.2
Tootsi Tuulepark OÜ**	Estonia	Development of wind farms	77.2	77.2
Enefit Wind OÜ**	Estonia	Production of electrical energy	77.2	77.2
Enefit Wind Purtse AS**	Estonia	Development of wind farms	77.2	77.2
Enefit Connect OÜ	Estonia	Network co-management and energy solutions based on new technologies		100.0
Enefit AS	Estonia	Selling electricity to end consumers	100.0	
Tootsi Windpark OÜ**	Estonia	Development of wind farms	77.2	77.2
Enefit SIA	Latvia	Selling electricity to end consumers	100.0	100.0
4Energia SIA	Latvia	Management services	77.2	100.0
Enefit Power & Heat Valka SIA**	Latvia	Production and sale of heat and electrical energy	0	77.2
Enercom SIA**	Latvia	Development of wind farms	77.2	77.2
Technological Solutions SIA**	Latvia	Cogeneration plant	0	77.2
Enefit Green SIA**	Latvia	Production of pellets	0	77.2

Business name	Country of incorporation	Nature of business	Proportion of ordinary shares held by the Group (%)	
Enefit UAB	Lithuania	Selling electricity to end consumers	100.0	100.0
Enefit Wind UAB**	Lithuania	Production of electrical energy	77.2	77.2
Enefit Green UAB**	Lithuania	Establishment and operation of wind farms	77.2	77.2
Šilalės vėjas UAB**	Lithuania	Development of wind farms	77.2	77.2
Šilutės vėjo parkas 2 UAB**	Lithuania	Development of wind farms	77.2	77.2
Šilutės vėjo parkas 3 UAB**	Lithuania	Development of wind farms	77.2	77.2
Energijos Žara**	Lithuania	Development of wind farms	77.2	77.2
Vėjo Parkai UAB**	Lithuania	Development of wind farms	77.2	77.2
Vejoteka UAB**	Lithuania	Development of wind farms	77.2	77.2
Kelmes vejo energija UAB**	Lithuania	Development of wind farms	77.2	77.2
Baltic Energy Group UAB**	Lithuania	Research related to the development of the offshore wind farm	77.2	77.2
Enefit U.S., LLC	USA	Holding	100.0	100.0
Enefit American Oil Co.*	USA	Developing of liquid fuels production	100.0	100.0
Enefit Sp. z o.o.	Poland	Selling electricity to end consumers	100.0	100.0
Enefit Green sp z.o.o**	Poland	Production of electrical energy from sun	77.2	77.2
PV Plant Zambrow Sp. z o.o.**	Poland	Development of solar parks	77.2	77.2
PV Plant Debnik Sp. z o.o.**	Poland	Development of solar parks	77.2	77.2
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
Tolpanvaara Wind Farm Oy**	Finland	Development of wind farms	77.2	77.2

Business name	Country of incorporation	Nature of business	Proportion of ordinary shares held by the Group (%)	
EAO Real Estate Corp*	United States	Developing of oil shale project in U.S.	100.0	100.0
EAO Federal Lease LLC*	United States	Developing of oil shale project in U.S.	100.0	100.0
EAO State Leases LLC*	United States	Developing of oil shale project in U.S.	100.0	100.0
EAO Technology LLC*	United States	Developing of oil shale project in U.S.	100.0	100.0
EAO Orion LLC*	United States	Developing of oil shale project in U.S.	100.0	100.0
Associates:				
Orica Eesti OÜ*	Estonia	Manufactures and sells explosives and is a strategic partner for Enefit Power AS	35.0	35.0
Empower 4Wind OÜ**	Estonia	Maintenance of wind farms in Estonia	40.0	40.0
Team Paldiski OÜ**	Estonia	Development of renewable energy technologies	12.5	12.5
Enefit Jordan B.V. Group	the Netherlands	Oil shale development project in Jordan	65.0	65.0
Attarat Mining Co BV*	the Netherlands	Provision of mining services in Jordan	10.0	10.0
Attarat Power Holding Co BV Group*	the Netherlands	Development of an oil shale power plant in Jordan	10.0	10.0
Attarat Operation & Maintenance Co BV*	the Netherlands	Mine management activities in Jordan	10.0	10.0
Jordan Oil Shale Energy Company*	Jordan	Oil shale development project in Jordan	65.0	65.0
Attarat Power Company*	Jordan	Development of an oil shale power plant in Jordan	10.0	10.0

(*) Denotes companies which are indirectly owned by the Issuer

(**) Denotes companies which are indirectly owned by the Issuer through ownership at Enefit Green AS

REGULATION

The Group operates under a wide and complex set of laws and regulations. A brief, non-exhaustive summary of the laws and regulations applicable to the Group in the Republic of Estonia as the Group's principal market is set out below. The description is based on laws and regulations in effect as at the date of this Prospectus. The following summary should be read in conjunction with the information set out elsewhere in this Prospectus.

Security of Supply

The Electricity Market Act ("**EMA**") permits the Estonian Government to take, for a specified period, certain measures in case the security of supply is endangered; there is scarcity of primary energy sources; or there is a danger to humans or to the integrity of a network or electrical installation. In such an eventuality, the Estonian Government must establish the grounds for the calculation of costs incurred as a result of implementing the measures, as well as the list of persons who are required to pay compensation for such costs and of persons who are entitled to compensation, and the extent of and rules for the compensation of the costs. The measures that may be taken include imposing stocking obligations on electricity producers; suspending or restricting market participants' rights; limiting or interrupting electricity supply to particular market participants; and restricting or amending the obligation to provide network services.

Regulated Tariffs

Provision of network services is subject to price regulation. General tariff regulation principles are established by the EMA. Detailed rules on calculation of tariffs are stipulated in the tariff regulation methodologies adopted by the ECA. The general aim of the tariff regulation principles is to enable the network operator to cover its reasonable costs which are necessary for the performance of its duties and to earn reasonable return on the regulated asset base ("**RAB**"). Electricity distribution network tariffs need the prior approval of the ECA.

The regulation of the network tariffs is based on the rate of return method. The allowed regulated revenue is the sum of justified costs (which is a reflection of actual costs considered justified by the ECA) and a reasonable return (justified profitability) on the RAB. Reasonable return is defined as operating profit (i.e., profit before interest expense and income tax) and is calculated by multiplying the RAB with the weighted average cost of capital ("**WACC**").

RAB for each year is found as the RAB at the end of the previous year to which the sum of justified investments in the RAB during the next year is added. The investment plan is included in the tariff application and the ECA investigates the proposed investments prior to approval of the tariffs. In case making an investment takes several years, each year the RAB will increase by the amount actually spent that year. As a result, justified investments in RAB are always rewarded as they earn exactly the same return as existing RAB.

WACC is calculated by the ECA based on capital asset pricing model and disclosed in its methodology. The most important variable in this model is the market interest rate level, more specifically, the average yield of the 10-year Estonian government bond for the last ten years. For the purposes of calculation of the cost of equity, the beta of similar companies is used, assuming the equity to debt ratio of 0.5. The current WACC for electricity distribution network operators applied by the ECA as of 19 July 2023 is 6.27 per cent.

Tariffs are calculated by dividing the regulated revenue by the volume of transmitted electricity. The average of the last three calendar years' transmission volume is used. In case the actual transmission volumes differ from those used in the calculation of tariffs no *ex post* compensation is used.

There is no fixed expiry date of the tariffs. If the costs or revenue of the network operator have changed since the previous ECA approval decision, the network operator is entitled to apply for approval of new tariffs. There is no automatic (e.g., annual) correction of tariffs. As a rule, amendments and approval of tariffs can only be initiated by network operator's own application. However, if the ECA has identified that the applicable tariffs do not comply with law and the network operator does not comply the compliance notice issued by the ECA, the ECA can establish temporary tariffs that will remain in force until such time as the network operator obtains new approval for the tariffs. See "*Risk Factors- Price regulation risks may negatively affect the Group*".

Universal Service Obligation

There are two different concepts of universal obligation in the EMA: (i) the so-called "üldteenus" under which network operators are required to supply electricity to certain customer groups and (ii) "universaalteenus" under which Enefit Power is under an obligation to sell electricity for provision of universal service to certain customer groups at regulated prices:

i. *Üldteenus*

Small-scale consumers (households, apartment associations, building associations and such commercial customers whose electricity installations are connected to the network at low voltage and through a main circuit breaker of up to 63A) can buy electricity under the universal service concept. If they have not chosen an electricity supplier, the network operator to whose network the consumer's installations are connected to shall either sell the electricity itself or appoint a supplier who will provide this as a universal service. The price of electricity sold under the universal service concept is the weighted average price calculated based on the hourly consumption of electricity during any month and the hourly prices of the electricity exchange during such month. Justified costs related to the provision of universal service and a reasonable sales margin will be added to such weighted average price. The ECA is authorised to review and control whether the price charged for electricity sold under the universal service obligation is in compliance with the EMA.

ii. *Universaalteenus*

During 2021, when electricity costs surged, various European national authorities stepped in to regulate the energy market with the goal of maintaining affordable electricity rates for their citizens. Such interference from governments may have unanticipated and material consequences to the current set-up of the power market and its participants, including the Issuer, particularly as the extent of such government intervention in the future is unpredictable. One of the measures introduced by the government of Estonia is the universal service provision by which Enefit Power is under an obligation to sell electricity to all electricity sellers active in Estonia for resale to certain customer groups at regulated prices. This initiative resulted in an increase of the fair value of the universal service derivative instrument measured at Group level of €9.1 million at the end of 2023 (which relates to the consumption of the customers of other suppliers (i.e. not the Group's customers)). The fair value of this derivative instrument is based on complex estimates including future electricity prices, changes in the universal service price, and forecasted consumption volumes. This measure will be discontinued as of 1 July 2024.

See "*Description of the Group – Litigation*" with regard to the ongoing legal proceedings in relation to the price of universal service.

Environmental Regulation

The Group's businesses are subject to environmental regulation which is monitored in Estonia mainly by the Environmental Board, which enforces applicable EU and Estonian law. The Group aims to act in a way that minimises its environmental impact by increasing its operational efficiency, exploiting newer and cleaner technologies, and finding ways to lower the environmental impact of its currently available equipment and facilities. Based on applicable regulations and issued environmental permits the Group has clearly defined legal responsibilities to keep its operational activities and their impact to environment within prescribed limits.

The Group's operational activities cover the whole value chain starting from mining of oil shale, extracting oil from it, generating electricity and heat from both fossil and renewable sources, distributing and selling electricity and heat to end-customers. The referred activities entail significant impact on the environment, most notably as follows:

- emission of pollutants, including CO_2, NO_x, SO_2, particulates and volatile organic compounds, to air as a result of combustion of fossil fuels, solid waste and waste gases and certain renewable sources such as biomass;
- generation of oil shale ash as a result of electricity generation and shale oil production, which, during hydro-transportation, makes the water, which circulates in the closed system and is used as transportation agent, alkaline;

- use of large volumes of water for the cooling in the process of electricity generation;
- release of water during oil shale mining as a result of the need to dewater the mining zone, containing sulphates and suspended solids;
- deforestation of the electricity distribution overhead lines' corridors to maintain the stability and performance of those lines during the storms and other unusual natural phenomena;
- use of oil switches and transformers that might cause oil pollution in the case of accidents or malfunction; and
- noise as a result of operation of wind turbines for electricity generation.

Due to the significant impact on the environment of the Group's operational activities, the Group is subject to a range of EU and Estonian environmental regulations and legislation, including: (i) the Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (recast) ("**IED**"); (ii) the Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC ("**NECD**"); (iii) the Directive (EU) 2015/2193 of the European Parliament and of the Council of 25 November 2015 on the limitation of emissions of certain pollutants into the air from medium combustion plants ("**MCPD**"); (iv) the Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste ("**Landfill Directive**"); (v) the Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe ("**AAQD**"); (vi) the Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC ("**EU ETS Directive**"); (vii) the Directive 2009/30/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 98/70/EC as regards the specification of petrol, diesel and gas-oil and introducing a mechanism to monitor and reduce greenhouse gas emissions and amending Council Directive 1999/32/EC as regards the specification of fuel used by inland waterway vessels and repealing Directive 93/12/EEC ("**Fuel Quality Directive**"); (viii) the Directive 2006/21/EC of the European Parliament and of the Council of 15 March 2006 on the management of waste from extractive industries and amending Directive 2004/35/EC ("**Mining Waste Directive**"); (ix) the Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy ("**Water Framework Directive**"); (x) the Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives ("**Waste Framework Directive**"); (xi) the Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (recast) ("**Renewable Energy Directive**") and the relevant best available technics ("**BAT**") conclusions. The IED came into force at the beginning of 2011 and has been incorporated into Estonian legislation as of 1 June 2013. Starting from 2016 the Group's large combustion plants fulfil all the requirements stemming from the IED. The Group initially relied on the limited life-time derogation under Article 33 of the IED but by now all respective large combustion plants have been closed permanently. The Group continues to rely on the universal derogations with regards to the desulphurisation rate (Article 31 of the IED) and district heating plants (Article 35 of the IED) to maintain adequate reserve capacities but due to limited working hours of these reserve capacities their impact to the environment remains very limited.

A new NECD entered into force on 31 December 2016 which sets out emission reduction commitments for the Member States regarding five main air pollutants from 2020 through to 2030. Under the new NECD the Member States must draw up National Air Pollution Control Programmes that should contribute to the successful implementation of the air quality targets established under the AAQD. According to the Ministry of Climate of the Republic of Estonia should fulfil the set national targets also if current operations are continued as is. As such no further limitations on the emissions from the Group's combustion plants are currently expected.

The Group is also subject to the following Estonian environmental legislation including: (i) the Earth's Crust Act, which regulates the permitting for extraction of natural resources and imposes various obligations designed to ensure the safety of persons and property involved in mining operations but also the obligations to restore the depleted mining areas; (ii) the Environmental Charges Act, which controls the application and regulation of environmental charges that are payable by the Group; (iii) the Environmental Liability Act, which implements the provisions of Directive 2004/35/EC of the European Parliament and of the Council on environmental liability with regard to the prevention and remedying of environmental damage; (iv) the Waste Act, which regulates the acceptable waste management activities and landfilling rules; (v) the Water Act, which stipulates that a permit for the special use of water is required for the abstraction of specified volumes of water from both surface water and groundwater supplies, the dredging and damming of water bodies, the treatment activities of ground water and the discharge of effluent or other polluted water; (vi) the Atmospheric Air Protection Act, which regulates the pollutants and permitted quantities of such pollutants a holder of environmental permit or integrated environmental (IPPC) permit may emit and provides noise abatement responsibilities; (vii) the Industrial Emissions Act, which regulates the issuance of an IPPC permit, emission limit values for the large combustion plants, emission limit values and other conditions for waste incineration and other topics from the IED; (viii) the General Part of the Environmental Code Act, which establishes principles and duties of environmental protection and general principles for all environmental permit procedures; (ix) the Energy Sector Organisation Act, which regulates measures for achieving the national energy efficiency target and targets for renewable energy and establish the sustainability criteria of biomass.

CO_2 Emissions

The Group's oil production installations and four electricity generation installations which use fossil fuels are subject to the EU Emission Trading System ("**EU ETS**"). The Group's activities released a total of 4.93 million tonnes of CO_2 into the atmosphere during the year ended 31 December 2023. The EU ETS requires that companies which are subject to its regulatory framework must obtain CO_2 emission quotas and surrender each year the amount of these quotas which equals to the amount of their last year's CO_2 emissions. The EU ETS is a cap and trade system whereby a cap is defined for the total combined permitted CO_2 emissions. Within the cap, emission allowances may be sold or purchased as required.

The EU ETS has been divided into four trading periods. With the start of EU ETS Phase III from 2013, the Group must, as a rule, acquire CO_2 allowances by auction process or from the market. However, pursuant to Article 10a of the EU ETS Directive decreasing quantities of free CO_2 allowances are still available for production of measured heat (including district heating), generation of electricity from waste gases and oil production. The quantity of free CO_2 allowances that can be allocated in each of the cases varies significantly. For example, the Group's oil production installation received about 86 per cent. of the required CO_2 allowances in 2023 for free, whereas in the case of generation of electricity from waste gases about 39 per cent. of the required CO_2 allowances were received for free.

Quantities of free CO_2 allowances are expected to decrease over time, with no further free allocations being made by 2035 at the latest. The pace of reduction of allocation of free CO_2 allowances varies between sectors and is dependent of the respective sector's exposure to carbon leakage. Overall, the rate of reduction of free CO_2 allowances is pre-defined by the so-called linear reduction factor which defines annual decrease of allowances in the EU ETS system and currently stands at 2.2 per cent. annually. Certain exceptions are being applied with regards to sectors with high threat of carbon leakage (including oil refineries sector). The EU's Fit for 55 package was updated in 2023. See "*Risk Factor- Restrictions placed on CO2, SO2, NOx and other air emissions may adversely affect the Group*".

The Ministry of Climate is in the process of drafting the Estonian Climate Act which purports to establish climate protection targets and relevant implementing measures for 2050, 2040 and 2030 and which may also have impact on the activities of the Group. Currently the substance of the draft act and its adoption and implementation timelines are not known.

Oil Shale Ash and Mining Residues

Thermal treatment of oil shale to generate electricity, heat and liquid fuel creates a significant amount of ash. In 2023, the Group generated a total of 2,8 million tonnes of fly and bottom ash. The Group uses a closed hydro transportation system to remove and store the oil shale ash, which helps to ensure that the whole system meets environmental requirements. The Group has also increased the environmental safety of the whole ash removal system through systematic maintenance, sediment removal from the water return system and extensive continuous monitoring of ground and surface water.

In addition to developing ways to reuse oil shale ash as a product, the Group's environmental principles include efforts to reuse and recycle the mining residue rock produced from its operations. There is strong potential for the mining residue rock left over from the oil shale enrichment process to be used as an alternative resource for road construction and in other areas. Nearly all of the mining residue rock originating mining activities carried out during 2021 was used in various infrastructure projects.

Fit for 55 Package

The European Commission put forward a reform package called "Fit for 55" to increase the speed of greenhouse gas emissions reduction in the EU and achieve reduction rate of 55.0 per cent. by 2030 compared to 1990 levels and net zero by 2050. The European Commission published its first part of the "Fit for 55" package in July 2021, the second part was released in December 2021. In 2023, the Fit for 55 package was updated when the EU Commission proposed increased ambition on renewable energy and energy efficiency in response to Russia's invasion of Ukraine and to boost Europe's energy security. The final legislative package is expected To reduce EU net greenhouse gas emissions by 57 per cent. by 2030 compared to the levels in 2005.

The proposals related to the revision of the EU ETS, amendments to the Renewable Energy Directive and the Energy Efficiency Directive and the revision of the Energy Tax Directive are expected to have greatest impact on the Group's businesses.

Increasing the targets for emissions reduction signals the need to reduce production volumes in the Group's fossil fuel based electricity generation installations. At the same time higher targets and more streamlined procedures are being proposed for renewable energy production. The Group's long-term strategy and decarbonisation action plan foresees the decommissioning of a number of older electricity generation installations and the refurbishment of the remaining fossil fuel based electricity generation installations to use alternative fuels and thereby reduce their carbon intensity. The Group plans to phase out electricity generation from domestically procured solid fossil fuel (oil shale) by 2030 at the latest and replace it with renewable energy production facilities.

The largest question marks are currently related to the EU's willingness to protect not only its internal market but also its exporting industries from increasing international competition which will be accompanied by increasing emissions reduction targets. This is of importance for the Group's oil production units which currently enjoy preferential treatment when it comes to allocation of free CO_2 allowances (due to threat of carbon leakage).

Taxonomy

The EU taxonomy is a classification system establishing a list of environmentally sustainable economic activities. It is expected to play an important role in helping the EU to scale up sustainable investments and implement the European Green Deal Policy. The Group currently assumes that the EU taxonomy will not have any significant short-term effects on the Group's operations and plans to continue with all of its current operational activities as long as they remain profitable or are required for security of supply reasons by the Group's sole shareholder. The Group's long-term strategy and decarbonisation action plan foresees a significant increase of the share of environmentally sustainable economic activities in the Group's businesses. See "*Risk factors - The Group may experience difficulties implementing its sustainable development strategy and to adjust to the European Green Deal Policy*".

Health and Safety Regulation

The Group's business carries an inherent risk that there may be incidents which could lead to personal injury or death of employees, contractors or other third parties. Estonian legislation, such as Occupational Health and Safety Act, imposes obligations on employers in relation to the occupational health and safety of its employees. According to the Occupational Health and Safety Act an employer must ensure compliance with the occupational health and safety requirements in every work-related situation. Specific technical and safety requirements arise from the Equipment Safety Act and regulations adopted by the Minister for Economic Affairs and Infrastructure under the referred legal act.

GLOSSARY

"CFB"	Circulating Fluidised Bed technology is a low temperature combustion technology that is widely used in burning low-grade fuels, such as oil shale.
"CHP"	Combined Heat and Power technology is heat which is not used in conventional thermal power generation plants is captured and used as steam or hot water. This increases the fuel efficiency of a power plant. See Co-generation.
"Circular economy"	The process where the by-products of the process of adding value to oil shale become useful raw materials in other areas.
"Co-generation"	Combined generation of electricity and useful heat by combustion of one primary fuel.
"Deming cycle"	The Deming cycle is a continuous quality improvement model which consists of a logical sequence of four key stages.
"Distribution"	The system that delivers electricity from a substation to a customer's premises at voltages of 110 kV or less.
"DSO"	Distribution System Operator which, for the Group, means Elektrilevi OÜ and its subsidiaries.
"Efficiency"	In energy conversion, the ratio of useful work performed to total energy expended. In thermal power stations, the efficiency is the percentage of thermal energy contained in the fuel which can be converted to electricity. The higher the efficiency the lower the loss of the fuel's energy content.
"Electrification"	The process of powering by electricity or the introduction of such power by changing over from an earlier power source.
"Enefit technology"	Enefit is a technology that processes oil shale into oil and gas and generates electricity as a by-product, using 100 per cent. of the mined oil shale. All organic matter is fully utilised and waste heat is used to generate electricity, making Enefit shale oil plants net producers of electricity.
"EPAD"	Electricity Price Area Differential, a special contract for difference which allows members on the power exchange to hedge against the market risk of area price risk.
"Estlink"	A set of high-voltage, direct current submarine cables between Estonia and Finland with the capacity of 350MW.
"Estlink2"	A set of high-voltage, direct current submarine cables between Estonia and Finland, with the capacity of 650MW.
"Fit for 55"	The European Union's plan to reduce greenhouse gas emissions by 55 per cent. by 2030.
"Flue gas"	The combustion gas that is produced in power plants, consisting of a mixture of N_2, NO_x, SO_2, CO_2, CO, particulate matters and water vapor.
"Geological oil shale"	Pure oil shale. This term is relevant for calculating compliance with extraction limits set out by law or specified in extraction permits.
"Generation"	Electricity is produced in generating stations where a propulsion unit (for example, a thermal or hydro unit) turns a large electric generator that produces electricity. A generating station may consist of several generating units.
"GWh"	Gigawatt hours, a unit for measuring the generation and consumption of electricity.
"IED"	The Industrial Emissions Directive (Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control)) is a European Union directive which commits EU Member States to control and reduce the impact of

	industrial emissions on the environment.
"IFRS 9"	IFRS 9 Financial Instrument issued on 24 July 2014 by the International Accounting Standards Board and adopted by the European Union.
"ISO 14001"	Defines criteria for an Environmental Management System by mapping out a framework that a company and organisation can follow to set up an Environmental Management System.
"kV"	Kilovolts, a unit for measuring voltage or electrical tension. One kilovolt equals 1,000 volts.
"MCPD"	The Medium Combustion Plant Directive (EU directive 2015/2193 on the limitation of emissions of certain pollutants into the air from MCPs) regulates pollutant emissions from the combustion of fuels in plants with a rated thermal input equal to or greater than 1 MWth and less than 50 MWth.
"Micro-producers"	Households or small businesses that produce electricity, primarily for own use.
"MW"	Megawatts, a unit for measuring the capacity to produce electricity. One megawatt equals 1,000,000 watts.
"MWh"	Megawatt hours, a unit for measuring the generation and consumption of electricity. One million watts over the period of an hour.
"MWth"	The capacity to produce thermal energy.
"Pulverised Combustion"	Solid fuel combustion technology where the finely ground solid fuel (for example, oil shale) is injected into air through furnace chambers where the combustion process occurs, where heat is released and transferred to water or steam to be used for electricity or heat production.
"Semi-coke"	The solid residue obtained by carbonisation at lower temperatures, generally softer and more friable than coke from carbonisation at higher temperatures and which can be used as a domestic fuel.
"t/MWh"	Ton per Megawatt hour of electricity.
"Transmission"	The part of the electric power system that carries electricity from power stations to distribution networks at voltages between 330 kV and 110 kV.
"TSO"	Transmission system operator of the electricity system.
"TW"	Terawatts. A unit for measuring the capacity to produce electricity. One terawatt equals 1,000,000,000,000 watts.
"TWh"	Terawatt hours, a unit for measuring the generation and consumption of electricity. One terawatt hour is equal to sustained electricity consumption of approximately 114 MW for a period of one year.

TAXATION

General

The following summary provides a general overview of the consequences applicable to Holders under Estonian tax laws and should not be considered as professional advice to any person. This summary does not constitute an exhaustive overview of all tax considerations which may be relevant to a decision to purchase, own or dispose of the Securities. Purchasers of the Securities should consult with their tax advisers as to the consequences of holding or transferring Securities under the tax laws of their countries of tax residency.

This summary is based on the laws in force in Estonia as of the date of this Prospectus and is subject to any future changes in Estonian legislation.

Taxation of interest

Estonian Resident Holders

Pursuant to Section 17(1) of the Estonian Income Tax Act, as amended (the "**EITA**"), all interest accrued from Securities (coupon payments) to individuals, whose tax residency is in Estonia, is subject to income tax at the rate of 20.0 per cent. (as of 1 January 2025 the income tax rate will be 22.0 per cent). Income tax on interest payments to Estonian resident individuals (except for registered sole proprietors) is to be withheld by the Issuer. Income tax liability arising from interest accrued from Securities can be postponed by way of acquiring the Securities via an Investment Account (*investeerimiskonto*) or a Pension Investment Account ("**PIA**"; *pensioni investeerimiskonto*) (for more details please see below under "Investment Account" and "Pension Investment Account"). In such event, pursuant to Section 40(2)(4) of the EITA, income tax will not be withheld, provided the Estonian resident Holder notifies the Issuer that the Securities were acquired from funds held in the Investment Account or Pension Investment Account.

Generally, interest accrued from Securities to Estonian resident legal entities is not subject to immediate taxation with corporate income tax, nor is income tax withheld from interest paid to Estonian resident legal entities. All earnings of Estonian resident legal entities are included in their profits and are taxed only upon distribution of profit.

Non-resident Holders

Generally, interest accrued from Securities to non-resident Holders is exempt from taxation in Estonia. Hence, no income tax is withheld from interest payments to non-residents in Estonia. Interest income earned by non-resident Holders may be subject to taxation in their country of tax residence.

Nominee accounts

When utilising a nominee account or other arrangements preventing the Issuer from ascertaining the beneficial owners of the interest payment, it is imperative for the beneficial owner of the interest payment to consider the tax implications associated with the interest payment from the Issuer and ensure that such tax obligations are properly fulfilled by the beneficial owner of the interest payment, if not fulfilled by the Issuer, the Paying Agent or other parties involved. Should the Issuer not withhold income tax on interest payment and the beneficial owner of the interest payment is an Estonian tax resident natural person not using an investment account regime, such individual must independently declare the interest payments on his/her personal income tax return and remit the appropriate income tax amount to the Estonian Tax and Customs Board.

Taxation of capital gains

Estonian Resident Holders

Income earned by Estonian resident individuals from the sale or exchange of Securities is taxed as capital gain from the transfer of property at the rate of 20.0 per cent. (as of 1 January 2025, the income tax rate will be 22.0 per cent). Earnings realised by an Estonian resident individual are taxable on a cash-basis: income tax from capital gains is not withheld by the Issuer and the Estonian resident individual has an obligation to declare the income and pay the income tax (self-assessment tax). The income tax obligation can be postponed if the Securities are acquired via the Investment Account or the Pension Investment Account (please see below for more details).

For the purposes of capital gains taxation, gain derived from sale is the difference between the acquisition cost and the sales price of the Securities. Gain derived from exchange is the difference between the acquisition cost of the Securities subject to exchange and the market price of the property received as a result of the exchange. Expenses directly related to the sale or exchange of the Securities can be deducted from the gains.

Generally, gains earned from the sale or exchange of Securities by Estonian resident legal entities are not subject to immediate taxation with corporate income tax, nor is income tax withheld from interest paid to Estonian resident legal entities. All earnings of Estonian resident legal entities are included in their profits and are subject to taxation only upon the distribution of profit.

Non-resident Holders

As a rule, capital gains derived by non-residents from the sale or exchange of Securities are not taxed in Estonia (except for certain securities related to Estonian real estate). However, non-resident Holders receiving capital gains from the sale or exchange of Securities may be subject to declaring and paying income tax in their respective country of tax residence.

Tax deferral

Investment Account

Estonian resident individuals may defer the taxation of their investment income (including interest and capital gains) by using an Investment Account for the purposes of making transactions with financial assets (including Securities). Pursuant to Section 17^2(1) EITA, an Investment Account is a monetary account opened with a credit institution based in a member state of the European Economic Area or the OECD for acquiring financial assets. The moment of taxation of the financial income accrued on an Investment Account is deferred until such income is withdrawn from the Investment Account (i.e., the funds withdrawn exceed the amount previously contributed to the Investment Account). Hence, financial income accrued on the Investment Account can be reinvested tax-free until it is withdrawn from the Investment Account.

Pension Investment Account

Pursuant to Section 3^1 of the Estonian Funded Pensions Act, as amended (the "**EFPA**"), individuals who have decided to grow their Estonian mandatory funded pension (II Pillar) via PIA, can also acquire Securities through PIA. PIA is a separate bank account opened with an Estonian-based credit institution, which is part of the mandatory funded pension system. Therefore, on the one hand, PIA enables individuals to enjoy benefits related to mandatory funded pensions (such as additional contributions from the state), and on the other hand allows individuals to make their own investment decisions. Like an Investment Account, a PIA can be used only for the purposes of making transactions with financial assets (including Securities), whereas possible investment income from transactions with financial assets (including interest and capital gains) is deferred until income is withdrawn from the PIA.

Funds withdrawn from the PIA are, generally, taxed at a 20.0 per cent income tax rate(as of 1 January 2025 the income tax rate will be 22.0 per cent), unless withdrawn after reaching the retirement age, in which case a 10.0 or 0.0 per cent income tax rate applies (depending on the method of withdrawal).

Taxation of Hybrid Instruments

Under Estonian tax law, the payments made by the Issuer to any holder of the Security or Coupon qualify as loan interest payments. Estonia does not levy withholding tax on loan interest payments unless made to Estonian tax resident natural persons not using an investment account regime. The Securities have several characteristics which give it a hybrid nature; hence, in some jurisdictions, the payments made under any Security or Coupon could be treated fully or partially as payments from equity and the local tax administration in the state of residency of the holder of any Security or Coupon may perceive the payment as a dividend or other type of equity distribution (usually taxed as capital gain). Despite the hybrid nature, the Estonian tax authorities treat the instrument as a debt instrument and the payments as interest. Holders are advised to contact tax advisors qualified in their relevant jurisdiction to assess the qualification of income from any Security or Coupon and the applicable tax treatment of such income.

THE REPUBLIC OF ESTONIA

General description

Estonia is located on the eastern coast of the Baltic Sea in the Nordic region. The territory of Estonia covers approximately 45,000 square kilometres and it is larger in area than Denmark, Switzerland and The Netherlands. Estonia is bordered to the north by the Gulf of Finland, to the west by the Baltic Sea, to the south by Latvia, and to the east by the Russian Federation. The nearest overseas neighbour to Tallinn (capital of Estonia) is Finland, which lies 85 kilometres across the Gulf of Finland. The population of Estonia is approximately 1.36 million with 59.2 per cent. of the total population living in cities. *(Source: Statistics Estonia)*

Estonia, along with Finland, Lithuania and Latvia, first attained independence in 1918. Estonia was later occupied by the Soviet Union in 1940 and regained its independence in 1991 with the collapse of the communist regime. In June 1992, Estonia replaced the Russian rouble with the Estonian kroon and immediately began a programme of free market reforms. Estonia has been a member of the European Union since 1 May 2004. On 1 January 2011, Estonia adopted the euro, becoming the seventeenth member of the Eurozone.

Estonia's constitution (introduced in 1992) provides for a unicameral 101-seat Parliament (*Riigikogu*) whose members are elected directly by proportional representation. The current government coalition (formed in April 2023) consists of three political parties: Estonian Reform Party (*Eesti Reformierakond*) Estonia 200 (*Eesti 200*) and the Social Democrats (Sotsiaaldemokraatlik Erakond)

According to the World Bank database, Estonia is listed as a High-Income Economy and is also ranked as a High-Income Member of the Organisation for Economic Co-operation and Development (OECD). The United Nations lists Estonia as a developed country with a very high Human Development Index.

Estonia is a member of a number of international organisations including the United Nations (UN), the European Union, North Atlantic Treaty Organization (NATO), the OECD, the World Trade Organisation (WTO), the International Monetary Fund (IMF), the World Bank, the European Bank for Reconstruction and Development (EBRD) and the Organisation for Security and Co-operation in Europe (OSCE).

The Estonian Economy

General

Estonia has a modern market-based economy. Successive Estonian governments have pursued a free market and pro-business economic agenda. The government has followed fiscal policies that have resulted in balanced budgets and low public debt. The economy also benefits from strong trade ties with Finland, Sweden, Latvia, Lithuania and Germany. Manufacturing, wholesale and retail trade, transportation, storage and construction activities together amounted to 34.2 per cent. of Estonia’s total annual GDP in 2023.

Economic Growth

For the five years prior to the COVID-19 pandemic, Estonia’s economic growth had been on average approximately 3.8 per cent. per annum. In 2020, due to the COVID-19 crisis, the annual GDP decreased by 3 per cent. However, in 2021 following a quick recovery, Estonia’s economy grew by over 8.0 per cent. In 2022 and 2023, the annual GDP declined by –3.2 per cent. and –3.0 per cent. respectively. The table below shows the percentage change in Estonian GDP between 2020 and 2023, compared to the average of the 27 EU Member States, as determined by Eurostat.

Annual GDP change (%)	**2020**	**2021**	**2022**	**2023**
Estonia	-3.0	8.3	-3.2	-3.0
EU-28 (27 from 2020) average	-5.9	5.3	3.4	0.4

Source: Eurostat (unaudited)

Inflation

The rate of inflation, as measured by the harmonised consumer price index (“**HICP**”), peaked in 2022 when prices increased on average by 19.4 per cent. compared to the previous year. Recently, the EU-wide increase in energy (especially electricity, natural gas and oil) costs is having the biggest impact on inflation in Estonia, thus the peaking inflation was caused by higher energy prices across the Europe after Russia invaded to Ukraine. Energy cost increase accounted for about 50 per cent. of the overall inflation in 2022. As energy prices are still expected to be volatile, the outlook for 2025 and 2026 is that inflation will be a little over 2 per cent. Estonia recorded 9.1 per cent. HICP inflation in 2023, despite significantly falling global energy prices and moderation in food and industrial goods inflation. For the last several years inflation of Estonia has been higher than EU average because in 2020 pension reform was implemented, which boosted private sector spending. Moreover, the higher VAT applied as of 1 January 2024 in Estonia is set to keep prices high, but inflation is expected to gradually decline in line with global trends in the next years. The table below shows the percentage change in HICP in Estonia between 2020 and 2023, compared to the average of the 27 EU Member States, as determined by Eurostat.

Annual HICP change (%)	**2020**	**2021**	**2022**	**2023**
Estonia	-0.6	4.5	19,4	9,1
EU-28 (27 from 2020) average	0.7	2.9	9.2	6.4

Source: Eurostat (unaudited)

Unemployment

Unemployment rates in Estonia have continually been relatively low after recovering from the 2008 economic crisis. During the COVID-19 induced economic upheaval, unemployment rates increased by approximately 2.0 per cent. Even though the Russia invasion of Ukraine contributed to very high inflation across Europe, especially in the Baltics, Estonia unemployment rates have remained stable at around 6 per cent. which was the European Union average as of October 2023. The unemployment rate in Estonia increased to 6.4 per cent. in 2023 from 5.6 per cent. in 2022. *(Source: Statistics Estonia)*

The table below shows the average percentage of registered unemployment in the total labour force between 2020 and 2023, as determined by the Estonian Unemployment Insurance Fund.

Annual average rate of registered unemployment in labour force (%)	**2020**	**2021**	**2022**	**2023**
Estonia	6.8	6.2	5.6	6.4

Source: Statistics Estonia (unaudited)

Foreign Trade

Estonia's geographical position favours foreign trade in the region, with the availability of ice-free ports and a well-developed railway and road transport infrastructure. In 2023 exports of goods decreased by 16 per cent and imports by 17 per cent. compared with 2022. Exports of goods amounted to 18 billion and imports to €21 billion at current prices. The trade deficit was €3 billion, which is €695 million lower than in 2022.

During 2023, the largest proportion of Estonia's exports were bound for Finland (17 per cent. of total exports), followed by Latvia (12.0 per cent.) and Sweden (9.0 per cent.). The main commodities imported in 2023 were electrical equipment (13 per cent. of Estonia’s total imports), transport equipment (13 per cent.), mineral products (12 per cent.), and agricultural products and food preparations (12 per cent.). The biggest decreases were recorded in the imports of mineral products (down by €2.8 billion), base metals and articles of base metal (down by €480 million), and wood and articles of wood (down by €368 million). Imports of transport equipment increased the most, by €203 million.

During 2023 the largest proportion of Estonia's goods were imported from Finland (15.0 per cent. of total imports), followed by Germany (12.0 per cent.) and Latvia (11.0 per cent.). The main commodities imported were mineral products, electrical equipment, and base metals and articles of base metal from Finland, transport equipment, mechanical appliances, and electrical equipment from Germany, and mineral products, agricultural products and food preparations, and electrical equipment from Latvia. The biggest fall compared with 2022 occurred in imports of goods from Russia (down by €1.7 million), Finland (down by €916 million), and Latvia (down by €537 million). There were fewer imports of processed oils from Russia, electricity from Finland, and natural gas from Latvia. Imports of goods from Czechia increased the most, by €113 million.

The main Estonian foreign trade items have been electrical equipment which have on average formed 14.0 per cent. of total Estonian exports and 13.0 per cent. of imports over the last four years. *(Source: Statistics Estonia)*

Balance of Payments

The current account of Estonia has been positive for most of the past ten years. The slight deficit after 2020 is to a large extent attributable to the unforeseen effects of the COVID-19 pandemic and Russia's full-scale invasion of Ukraine on the national and global economy. The table below shows the Estonian current account balance as a percentage of GDP between 2020 and 2023, as determined by OECD.

Current account balance (% of GDP)	**2020**	**2021**	**2022**	**2023**
Estonia	-1.9	-2.6	-3.1	-2.1

Source: OECD (unaudited)

Public Finances

Maintaining a balance of public expenditures and revenues has been a key priority of the Estonian government. The table below shows the government surplus or deficit as a percentage of GDP in Estonia between 2020 and 2022, compared to the average of the EU Member States, as determined by Eurostat.

Government surplus/(-)deficit (% of GDP)	**2020**	**2021**	**2022**
Estonia	-5.4	-2.5	-1.0
EU-27 average	-6.7	-4.7	-3.3

Source: Eurostat (unaudited)

Government debt has remained at low levels over the last 10 years compared to the average of the EU Member States. During the years of economic growth, the government has generally provided a budget surplus (with the exception of 2012 and 2013). Despite the increase in public sector debt in 2020 due to COVID-19 related measures taken by the Estonian government, over the last 10 years, Estonia has consistently had the lowest public sector debt among all EU Member States.

In recent times, the Estonian government has stepped up its activity in the bond market, launching bond issues of €500 million and €1 billion in the years 2023 and 2024, respectively. These funds have been raised to address the shortfall in the national budget. Despite the challenging economic conditions, Estonia's robust credit rating has enabled it to secure these funds at favourable interest rates. The table below shows the government's gross debt as a percentage of GDP in Estonia between 2020 and 2022, compared to the average of the EU Member States, as determined by Eurostat.

Government gross debt (% of GDP)	**2020**	**2021**	**2022**
Estonia	18.6	17.8	18.5
EU-27 average	90.0	87.4	83.5

Source: Eurostat (unaudited)

SUBSCRIPTION AND SALE

Goldman Sachs Bank Europe SE (the "**Sole Global Coordinator**") and AS LHV Pank (together with the Sole Global Coordinator, the "**Joint Lead Managers**") have, in a subscription agreement dated on or around 11 July 2024 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers, upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Securities at the issue price of 99.536 per cent. of their principal amount. The Issuer has agreed to pay the Joint Lead Managers a combined management and underwriting commission in connection with the issue of the Securities. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Securities. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Securities.

United States of America

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U. S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Securities, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after commencement of the offering, an offer or sale of Securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. For the purposes of this provision, the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of UK MiFIR. For the purposes of this provision, the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities.

Other Regulatory Restrictions

Each Manager has further represented and agreed that:

(a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

Republic of Estonia

The offer of the Securities has not been and will not be approved by the Estonian Supervision and Resolution Authority for the purposes of a public offering or sale in the Republic of Estonia. Accordingly, each Manager has represented and agreed that it will not offer or sell any Securities, directly or indirectly, in Estonia or to or for the benefit of any resident of Estonia (which term as used in this paragraph means any person resident in Estonia, including any corporation or other entity incorporated under the laws of Estonia), or to others for re-offering or resale, directly or indirectly, in Estonia or to a resident of Estonia except in compliance with an exemption under Regulation (EU) 2017/1129 from the requirement to produce a prospectus for offers of the Securities and in compliance with Estonian law, including with applicable requirements of the Estonian Securities Market Act. The Securities may not be offered or sold to natural persons residing in Estonia unless such persons have purchased the Securities with money held in an investment account as specified in Section 17^2 of the EITA.

Belgium

Each Manager has represented, warranted and agreed that an offering of Securities may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Securities, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Securities, directly or indirectly, to any Belgian Consumer.

Singapore

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

General

No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would, or is intended to, permit a public offering of the Securities, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Each Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction, in which it purchases, offers, sells or delivers Securities or possesses, distributes or publishes this Prospectus or any other offering material relating to the Securities. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Securities or possess, distribute or publish this Prospectus or any other offering material relating to the Securities, in all cases at their own expense.

GENERAL INFORMATION

1. The Issuer is incorporated in Estonia with its registered and head office at Lelle 22, 11318 Tallinn. The telephone number of the Issuer's registered office is +372 4652885.

2. The Issuer is entered in the Estonian Commercial Register under number 10421629. The Issuer's Legal Entity Identifier ("**LEI**") is 5493005044RTLQ5RZU70.

3. On 8 July 2024 the Management Board of the Issuer resolved to issue the Securities. The issue of the Securities has been approved by way of a resolution of the Supervisory Board of the Issuer by its resolution dated 8 July 2024.

4. There has been no material adverse change in the prospects of the Issuer since 31 December 2023 (being the date of the last published audited consolidated financial statements of the Group for the year ended 31 December 2023). There has been no significant change in the Group's financial performance or financial position since 31 March 2024 (i.e., the date of the unaudited interim condensed financial statements of the Group for the three-month period ended 31 March 2024).

5. AS PricewaterhouseCoopers of Tatari 1, 10116 Tallinn, Estonia, certified auditors and member of the Estonian Auditor's Association, are the auditors of the Group and have audited the Group's consolidated financial statements as at and for the year ended 31 December 2023 and as at and for the year ended 31 December 2022 and issued respective audit reports, without qualification, in accordance with International Standards on Auditing.

   The Group's consolidated financial statements as at and for the year ended 31 December 2023 and as at and for the year ended 31 December 2022 have been prepared in accordance with IFRS-EU.

6. The Group's unaudited interim condensed financial statements as at and for the three months ended 31 March 2024 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the EU. These interim financial statements were not audited or reviewed by an independent auditor.

7. Application has been made to the FCA for the Securities to be admitted to the Official List and to the London Stock Exchange for the Securities to be admitted to trading on the London Stock Exchange's Main Market. The listing of the Securities is expected to be granted on or about 15 July 2024.

8. Copies of the following documents (together with accurate English translations of the originals) will be available for inspection from https://www.enefit.com/en/ettevottest/investorile :

   (a) the constitutional documents of the Issuer (in the event of a discrepancy between the original Estonian document and the English translation thereof, the Estonian document shall prevail);

   (b) a copy of this Prospectus together with any supplement to this Prospectus or further prospectus;

   (c) the Trust Deed, which includes the forms of the Securities; and

   (d) the Agency Agreement.

9. In addition, this Prospectus will be available on the website of the Regulatory News Service operated by the London Stock Exchange at *https://www.londonstockexchange.com/news?tab=news-explorer&period=daily&headlinestypes=1,2*

10. The Securities and the Coupons will bear a legend to the following effect: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code*".

11. The Issuer estimates that the amount of expenses related to the admission to trading of the Securities will be approximately £6,850.

12. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Securities will have the ISIN XS2824761188 and the Common Code 282476118. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

13. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Joint Lead Managers and/or their affiliates may receive allocations of Securities (subject to customary closing conditions), which allocations could be substantial and could affect future trading of the Securities. Certain of the Joint Lead Managers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Securities offered hereby. Any such short positions could adversely affect future trading prices of the Securities offered hereby. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

14. Save for the fees payable to the Joint Lead Managers, the Trustee, the Calculation Agent and the Paying Agents, so far as the Issuer is aware, no person, natural or legal, involved in the issue of the Securities has an interest that is material to the issue of the Securities.

15. On the basis of the issue price of the Securities of 99.536 per cent. of the principal amount, the yield of the Securities to the First Call Date is 8.000 per cent. on an annual basis. This yield is calculated on the Issue Date on the basis of the issue price of the Securities, and is not an indication of future yield.

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