

Enefit Green

ENEFIT GREEN AS

(Established and organised with limited liability in Estonia)

Offering of up to 40,816,327 New Shares and up to 6,122,449 Secondary Shares, with potential upside to up to 30,612,245 Secondary Shares

Offer Price Range EUR 2.45 to 3.15 per Offer Share

OFFERING, LISTING AND ADMISSION TO TRADING PROSPECTUS

This is the prospectus (the “**Prospectus**”) for (i) the offering by Enefit Green AS (the “**Company**”) of newly issued shares in the Company (including by way of public offering to retail investors in Estonia, Lithuania and Latvia); (ii) the offering of existing ordinary shares of the Company by Eesti Energia AS (“**Eesti Energia**”) and (iii) the listing and admission to trading of all shares of the Company (the “**Shares**”) on the Baltic Main List of Nasdaq Tallinn Aktsiaselts (the “**Tallinn Stock Exchange**”). A public offering will be carried out only in Estonia, Lithuania and Latvia and there will be no public offering of the Shares in any other jurisdiction.

The Company is offering up to 40,816,327 newly issued ordinary Shares with the nominal value of EUR 1 each (the “**New Shares**”). Eesti Energia is offering up to 6,122,449 existing ordinary shares, with potential upside to up to 30,612,245 existing ordinary shares (the “**Upsize Option**”), with the nominal value of EUR 1 each (the “**Secondary Shares**” and, together with the New Shares, the “**Offer Shares**”). The Offering is made (i) by way of an offering to retail investors in Estonia, as well as retail investors in Latvia and Lithuania (the “**Retail Offering**”) in the course of which a certain number of Offer Shares are offered (the “**Retail Offer Shares**”) and (ii) by way of an offering to institutional investors in and outside of Estonia (the “**Institutional Offering**”) in the course of which a certain number of the Offer Shares are offered (the “**Institutional Offer Shares**”). The Institutional Offering comprises an offer of Institutional Offer Shares to qualified investors within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”), and elsewhere outside the United States in reliance on Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933 as amended (the “**U.S. Securities Act**”) and to qualified institutional buyers in the United States as defined in, and in reliance on, Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act (the Institutional Offering together with the Retail Offering, the “**Offering**”). The subscription/purchase period for the Offer Shares will commence on 5 October 2021 at 10 a.m. (Eastern European Summer Time – Estonian time) and expire on 14 October 2021 at 14 p.m. (Eastern European Summer Time – Estonian time) (the “**Offer Period**”). The offer price per Offer Share (the “**Offer Price**”) will be determined through a book-building process within the Offer Price Range (as defined below) and will be the same for all investors in the Retail Offering and the Institutional Offering. The Offer Price range for the Offer Shares is EUR 2.45 to 3.15 (the “**Offer Price Range**”). The final Offer Price will be published by means of a stock exchange release on or about 15 October 2021 and on the Company’s website (English version: www.enefitgreen.ee/en/ipo Estonian version: www.enefitgreen.ee/ipo).

This Prospectus is prepared pursuant to Section 15(1) of the Estonian Securities Market Act, Article 6 of the Prospectus Regulation and in accordance with Commission Delegated Regulation No 2019/980/EU of 14 March 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation No 809/2004/EC, in particular the Annexes 1 and 11 thereof. The Prospectus has been filed with, and approved by, the Estonian Financial Supervision and Resolution Authority (the “**EFSA**”) under registration number 4.3-4.9/4148 and has been made available to the public in accordance with Article 21 of the Prospectus Regulation. This Prospectus has been approved by the EFSA as competent authority under the Prospectus Regulation. The Retail Offering will take place in the Republic of Latvia and in the Republic of Lithuania after the EFSA has notified the competent authority of Latvia (the Latvian Financial and Capital Market Commission) and the competent authority of Lithuania (the Bank of Lithuania) of approval of the Prospectus in accordance with Article 25 of Prospectus Regulation, respectively. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is, 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.

In connection with the Offering, the Company and the Eesti Energia have agreed that Swedbank AS on behalf of Joint Global Coordinators (the “**Stabilising Manager**”), will have the right to acquire up to 15% of the Offer Shares on the Tallinn Stock Exchange, in order to stabilise the stock market price of the Offer Shares at a level higher than that which would otherwise prevail and that, for the purposes of funding the stabilisation transactions, the Stabilising Manager will retain the proceeds from the sale of the Secondary Shares (the “**Stabilisation Proceeds**”). The acquisition of the Shares in connection with stabilisation transactions will be made subject to applicable law. The stabilising transactions to purchase the Offer Shares may be effected at any time on or before the 30th calendar day after the commencement of trading in the Shares on the Tallinn Stock Exchange (the “**Stabilisation Period**”). The stabilising transactions to purchase the Shares may only be effected at a price not exceeding the Offer Price. The Stabilising Manager or its agent (if any) will not, however, be required to carry out any stabilisation actions. If any such actions are carried out by the Stabilising Manager or its agent, they may be discontinued at any time without prior notice. No assurance can be given that such stabilisation actions, if taken, will bring the expected results. At the end of the Stabilisation Period, the Stabilising Manager or its agent will return to Eesti Energia any Shares which have been purchased in the market as a result of stabilisation activities and/or any remaining Stabilisation Proceeds which were not used for stabilisation activities pursuant to the terms of the Put Option (as defined below).

The Company has filed an application with Nasdaq Tallinn Aktsiaselts (“**Nasdaq Tallinn**”) regarding the listing of the Shares on the Tallinn Stock Exchange (the “**Listing**”) on 1 October 2021. The trading of the Shares is expected to commence on the Tallinn Stock Exchange on or about 21 October 2021 (the “**Listing Date**”) following the registration of the New Shares with the Estonian Register of Securities (the “**ERS**”) and Settlement (as defined below) of the Offering. Please read “Part 3 (The Offering), Section 3.12 (Settlement and Trading)” in respect of the terms and conditions for the clearing and settlement of the Offer Shares (the “**Settlement**”).

Once the New Shares are registered with the ERS, the New Shares will rank *pari passu* with all the existing Shares and the Offer Shares will be eligible for any dividends declared and paid on the Shares for the financial period starting on 1 January 2021, and for any dividends declared and paid for any subsequent financial period. Possible dividends paid by the Company to shareholders who are not generally subject to taxation in Estonia may be subject to deduction of Estonian taxes as described in “Part 15 (Taxation)”.

This Prospectus will be valid until commencement of trading of the Shares on Nasdaq Tallinn Stock Exchange. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies will only apply during the validity period of the Prospectus and shall not apply when the Prospectus is no longer valid.

INVESTING IN THE OFFER SHARES IS CONNECTED WITH A HIGH DEGREE OF RISK INHERENT TO INVESTMENTS IN CAPITAL MARKET EQUITY INSTRUMENTS AND RISKS CONNECTED WITH THE COMPANY’S AND ITS SUBSIDIARIES’ OPERATIONS AND BUSINESS ENVIRONMENT. YOU SHOULD READ THE WHOLE OF THIS PROSPECTUS. IN PARTICULAR, YOU SHOULD READ “RISK FACTORS” FOR A DISCUSSION OF CERTAIN FACTORS THAT YOU SHOULD CONSIDER BEFORE INVESTING IN THE OFFER SHARES. THE CONTENTS OF THIS PROSPECTUS ARE NOT INTENDED TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL ADVISOR, FINANCIAL ADVISOR OR TAX ADVISOR FOR SUCH ADVICE. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS OR THE ACTION YOU SHOULD TAKE, YOU SHOULD IMMEDIATELY CONSULT A PERSON WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES.

The Joint Global Coordinators will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offering and will not be responsible to anyone other than the Company and Eesti Energia for providing the protections afforded to its clients nor for the giving of advice in relation to the Offering or any transaction, matter or arrangement referred to in this Prospectus.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act. The Securities are being offered and sold in the United States only to QIBs as defined in, and in reliance on, Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and outside the United States in offshore transactions in reliance on Regulation S.

The Offering is not directed to persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law and taken by the Company. No action has been or will be taken in any jurisdiction by the Company or Eesti Energia that would permit the offering of the Offer Shares other than in Estonia, Latvia and Lithuania and the Offering is not being made in any jurisdiction in which it would not be permissible to offer the Offer Shares. The Offer Shares have not been, and will not be, registered under the U.S. Securities Act, nor under the securities laws of any state of the United States, nor under any other jurisdiction except Estonia, Latvia and Lithuania. The Shares, including the Offer Shares, may not be offered, sold, resold, allotted or subscribed to, directly or indirectly, in the countries where it is unlawful to do so without meeting additional requirements, unless any applicable exemption of those requirements exists. Please read “Part 3 (The Offering), Section 3.13 (Selling and Transfer Restrictions)”. Distribution of copies of the Prospectus or any related documents are not allowed in those countries where such distribution or participation in the Offering requires any extra measures or is in conflict with the laws and regulations of these countries. Persons who receive this Prospectus or any related document should inform themselves about any restrictions and limitations on distribution of the information contained in this Prospectus and on acceptance of the Offering. The Company is not liable in cases where persons or entities take measures that are in contradiction with the restrictions mentioned in this paragraph.

Neither the delivery of this Prospectus nor any subscription or purchase made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company and/or its consolidated subsidiaries (together, the “Group”) since, or that the information contained herein is correct as of any time subsequent to, the date of this document.

The New Shares will be, and the existing Shares are registered with the ERS and are kept in book-entry form. The International Securities Identification Number (ISIN) for the Offer Shares is EE3100137985.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/ 65/EU on markets in financial instruments, as amended (“MiFID II”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “MiFID II Product Governance Requirements”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the securities that are the subject of the Offering have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “Target Market Assessment”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Global Coordinators will only procure investors who meet the criteria of professional clients and eligible counterparties (except for a public offering to investors in Estonia, Lithuania and Latvia).

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

Joint Global Coordinators and Joint Bookrunners

Citigroup

Nordea

Swedbank

The date of this Prospectus is 4 October 2021.

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In making their investment decision, prospective investors should rely only on the information contained in this Prospectus. The Company and the Joint Global Coordinators and Joint Bookrunners (the “Underwriters”) have not authorised anyone to provide prospective investors with any other information. If prospective investors receive any other information, they should not rely on it.

The Offer Shares are being offered for the subscription and purchase only in places where offers and subscriptions are permitted. Prospective investors should not assume that the information contained in this Prospectus is as of any other date than the date on the cover of this Prospectus.

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PART 1. SUMMARY

1.1 INTRODUCTION

This Summary should be read as an introduction to the prospectus (the “**Prospectus**”) prepared in connection with (i) the offering by Enefit Green AS (the “**Company**”) of newly issued shares in the Company; (ii) the offering of existing ordinary shares of the Company by Eesti Energia AS (“**Eesti Energia**”) and (iii) the listing and admission to trading of all shares of the Company (the “**Shares**”) on the Baltic Main List of Nasdaq Tallinn Aktsiaselts (the “**Tallinn Stock Exchange**”). The Company and its consolidated subsidiaries are together referred to herein as the “**Group**”. As at the date of this Prospectus, the Company has 27 consolidated subsidiaries.

The Summary includes information to be included in a summary for this type of securities and issuer in accordance with the Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Any decision to invest in the Offer Shares should be based on consideration of the Prospectus as a whole by the investor. Any investor could lose all or part of their invested capital.

In any court proceedings relating to the information contained in the Prospectus, an investor might, under the national law, have to bear the costs of translating the prospectus before such proceedings are initiated. Civil liability attaches only to those persons who have tabled the Summary, including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Offer Shares.

The legal (business) name of the Company is Enefit Green AS. The Company’s registered office is at the following address: Lelle 22, Tallinn, 11318, Estonia and its contact e-mail is info@enefitgreen.ee. The Company’s LEI code is 485100EAUB2D0VTK1R43. The name of the Offer Shares is “Enefit Green share” and the international securities identifier number (ISIN) of the Offer Shares is EE3100137985.

The legal (business) name of Eesti Energia is Eesti Energia Aktsiaselts. Eesti Energia’s registered office is at the address Lelle tn 22, Tallinn, 11318, Estonia and its contact e-mail is info@energia.ee. Eesti Energia’s LEI code is 5493005044RTLQ5RZU70.

The Prospectus has been approved by the Estonian Financial Supervision and Resolution Authority (the “**EFSA**”) as competent authority, under registration number 4.3-4.9/4148 on 4 October 2021. The contact details of the EFSA are the following: address Sakala 4, 15030, Tallinn, Estonia, telephone number +372 668 0500, e-mail info@fi.ee.

1.2 KEY INFORMATION ON THE ISSUER

1.2.1. Who is the issuer of the securities?

The Company is a public limited liability company (aktsiaselts) incorporated pursuant to the laws of the Republic of Estonia. The Company is registered in the Estonian Commercial Register under registration code 11184032.

The Company is the leading diversified renewable energy company in the Baltic states. The Group produces electricity primarily from wind, as well as municipal waste, biomass, solar and hydroelectric sources in Estonia, Latvia, Lithuania and Poland. The Company is a subsidiary of Eesti Energia, an integrated utility company owned by the Estonian state. The Company acquired Nelja Energia, a renewable energy producer and wind park developer in the Baltic countries, in November 2018. As of 30 June 2021, the Group had 456.4 MW of total installed capacity of electricity production and additionally 110.0 MW of reserve capacity and 81.2 MW of total installed capacity of heat production with additional 574.9 MW of reserve and peak capacity. In the six months ended 30 June 2021, the Group produced 557.2 GWh of electricity and 321.1 GWh of heat.

The Group’s near-term development project pipeline of wind and solar consists of projects of up to 600 MW capacity, of which 43.2 MW is already under construction. In addition, the visible long-term pipeline consists of projects of up to 1,112 MW and long-term offshore potential of up to 2,100 MW. The completion of these projects is dependent on a number of contingencies, including circumstances outside of the control of the Group.

As of 30 June 2021, the Group has wind assets with installed capacity of 397.8 MW in Estonia and Lithuania, and operates municipal waste and biomass CHP facilities in Estonia and Latvia with combined capacity of 27.7 MW of electrical energy and 81.2 MW of thermal energy. The Group also has a gas CHP facility in Estonia with capacity of 110 MW of electrical energy and 220.0 MW of thermal energy and heat boilers in Estonia and Latvia with total capacity of 354.9 MW to cover peak and reserve heat loads. The Group also operates solar facilities with capacity of 30.3 MW in Estonia and Poland and a wood pellet production facility in Latvia. The Group operates a small 0.365 MW hydroelectric unit in Estonia. For the year ended 31 December 2020, 74% of the Group’s revenue was regulated or contracted, and as such not subject to market price risk.

(a) *Major Shareholders*

As at the date of this Prospectus, Eesti Energia holds 100% of the Shares of, and voting rights in, the Company, and the sole shareholder of Eesti Energia is the Republic of Estonia acting through the Ministry of Finance. Immediately after the Offering, assuming 40,816,327 New Shares and 6,122,449 Secondary Shares are sold in the Offering (and assuming the put option is not exercised), Eesti Energia is expected to own 82.7% of the Shares of, and voting rights in, the Company. Accordingly, Eesti Energia will continue to be the Company's majority shareholder and the Company will continue to be a subsidiary of Eesti Energia.

(b) *Management*

In accordance with Estonian law, the operational management of the Company is structured as a two-tier system. The Management Board is responsible for the day-to-day management of the Company's operations and is authorised to represent the Company based on the law and the Articles of Association. The Supervisory Council is responsible for the strategic planning of the business activities of the Company and for supervising the activities of the Management Board.

As at the date of this Prospectus, the Management Board consists of four members:

Name	Citizenship	Year of birth	Member since	Position	Current term expires
Aavo Kärmas	Estonian	1975	05.07.2017	Chairman, CEO	24.09.2024
Veiko Räm	Estonian	1979	23.10.2017	Member, CFO	24.09.2024
Innar Kaasik	Estonian	1979	31.08.2012	Member, COO	24.09.2024
Linas Sabaliauskas	Lithuanian	1976	02.01.2019	Member, CDO	24.09.2024

As of 21 October 2021, the Supervisory Council shall consist of five members:

Name	Citizenship	Year of birth	Member since	Position	Current term expires	Independent
Hando Sutter	Estonian	1970	17.10.2017	Chairman	21.10.2024	No
Andri Avila	Estonian	1975	17.10.2017	Member	21.10.2024	No
Raine Pajo	Estonian	1976	01.01.2021	Member	21.10.2024	No
Erkki Raasuke	Estonian	1971	21.10.2021	Member	21.10.2024	Yes
Anne Sulling	Estonian	1976	21.10.2021	Member	21.10.2024	Yes

(c) *Statutory Auditors*

AS PricewaterhouseCoopers (registration code 10142876; having its registered address at Pärnu mnt 15, 10141 Tallinn, Estonia) is the statutory auditor of the Company from 2009. AS PricewaterhouseCoopers is a member of the Estonian Board of Auditors (in Estonian: *Auditorkogu*).

1.2.2. What is the key financial information regarding the issuer?

The tables below set forth the key financial information of the Group for each of the three financial years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021 which have been extracted or derived from the Group's Audited Financial Statements and Unaudited Interim Financial Statements included in this Prospectus respectively. The information has been presented in accordance with Annex I of European Commission Delegated Regulation (EU) 2019/979.

(a) *Consolidated income statements*

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018 ⁽²⁾
	(unaudited)		(audited)		
	(EUR '000)				
Revenue	63,522.4	56,558.8	113,994.3	119,833.1	60,007.6
Renewable energy support and other operating income.....	14,885.8	34,541.0 ⁽¹⁾	48,689.3 ⁽¹⁾	31,684.8	17,968.3
Operating profit.....	27,259.5	48,508.7	71,978.7	49,524.5	20,608.4
Profit for the period attributable to.....	25,032.3	47,474.5	67,870.4	36,784.9	9,638.0
Equity holder of the parent	25,032.3	47,474.5	67,870.4	36,701.6	9,626.9
Non-controlling interest.....	-	-	-	83.3	11.1
Basic earning per share (EUR)	5.22	9.90	14.2	7.7	2.0
EBITDA ⁽³⁾	46,385.2	66,845.8	110,170.5	90,326.4	40,263.9

Note:

- (1) Includes one-off transaction of sale of greenhouse gas emission allowances in the amount of EUR 13.7 million.
- (2) The Company acquired 100% of the shares of Nelja Energia on 6 November 2018. The results of operations of the acquired businesses of Nelja Energia were consolidated into the Group's financial statements as of 1 November 2018.
- (3) EBITDA, as calculated by the Group, represents profit for the period adjusted for corporate income tax expense, profit (loss) from associates under the equity method, net finance costs, depreciation, amortisation and impairment. EBITDA is an alternative performance measure and has not been audited or reviewed by the Group's independent auditors.

(b) Consolidated statements of financial position

	As at 30 June		As at 31 December	
	2021	2020	2019	2018
	(unaudited)		(audited)	
			(EUR '000)	
Total assets	727,635.9	739,444.8	730,197.4	757,765.9
Total equity	493,814.7	509,549.5	460,985.9	40,253.6
Net debt (unaudited) ¹	179,245.9	188,562.5	224,705.4	652,905.2

Note:

- (1) Net debt is defined as non-current borrowings plus current borrowings minus cash and cash equivalents.

(c) Consolidated statements of cash flows

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
			(EUR '000)		
Net cash generated from operating activities	41,949.2	65,490.6	101,254.6	74,626.9	36,838.6
Net cash used in investing activities	(38,724.1)	(1,146.7)	(10,948.8)	(20,650.0)	(258,809.7)
Net cash (used in) generated from financing activities	(2,858.9)	(66,353.6)	(90,658.6)	(70,852.0)	249,972.7

1.2.3. What are the key risks that are specific to the issuer?

- The production of electricity from renewable resources depends on weather conditions and on wind and solar resources. Unfavourable weather conditions and changes in climate may have a material adverse effect on the Group's business, financial condition, and operating results.
- 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. In particular, as the residual life of the Group's assets benefitting from the subsidy programmes established in Estonia, Latvia, Lithuania and Poland exceed the residual life of the subsidy programmes, the price it can obtain for electricity will have a greater impact on Group's revenues in the future.
- The Group's development plan is capital intensive and subject to uncertainty. The Group depends on financing from various sources, in particular external debt financing, for the development and construction of its projects.
- The Group has engaged, and expects to continue to engage, in transactions with its parent, Eesti Energia and other related parties and these may present conflicts of interest.
- Unfavourable changes in existing regulations or government policies in support of renewable energies could significantly affect the performance of the Group's existing operations.
- The Group faces risks associated with a lack of supply of raw materials used in its operations, in particular, municipal waste.
- The Group's maintenance activities depend to a large extent on third-party contractors, which may be inadequate and thus lead to unplanned power outages, reduced output, and unanticipated capital expenditures.
- Competition to develop new renewable energy capacity is increasingly intense and may unfavourably affect the Group. Further, the Group's business is growing and changing rapidly, raising strategic, management, operational and control challenges.

- The Group's insurance coverage may be inadequate to compensate the Group for certain losses.
- The Group is materially dependent on licences, permits and authorisations from various regulators and expiry, revocation, or inability to renew licences, permits or authorisations could have a material adverse effect on the Group. The Group is subject to ongoing legal proceedings.

1.3 KEY INFORMATION ON THE SECURITIES

1.3.1. What are the main features of the Shares?

As at the date of this Prospectus, the Company's registered share capital is EUR 229,793,473 divided into 229,793,473 authorised, fully paid and issued Shares with a nominal value of EUR 1 each. The Shares are registered in book-entry form in the Estonian Register of Securities (the "ERS") maintained by Nasdaq CSD Estonian branch.

The International Securities Identification Number (ISIN) of the Shares (including the Secondary Shares) is and of the New Shares will be ISIN EE3100137985. The Shares are freely transferrable. Once the New Shares are registered with the ERS, the New Shares will rank *pari passu* with all the existing Shares (including the Secondary Shares) and the Offer Shares will be eligible for any dividends declared and paid on the Shares for the financial period starting on 1 January 2021, and for any dividends declared and paid for any subsequent financial period.

Right to participate at general meetings of shareholders. The shareholders of the Company are entitled to take part in the corporate governance of the company through the general meeting of shareholders (the "**General Meeting of Shareholders**"). The General Meeting of Shareholders is the highest governing body of the Company and decides on certain important corporate matters, such as the amendment of the articles of association, the increase and decrease of the share capital, the issue of convertible bonds, the election and removal of the members of the supervisory council and the auditor, the approval of annual reports and the distribution of profit, the dissolution, merger, division or transformation of the company, and certain other matters. Resolutions may be adopted at either annual or extraordinary general meetings.

In order to have the right to attend and vote at a General Meeting of Shareholders, a shareholder must be registered in the shareholders' register on the cut-off date, which is seven days before the meeting. A shareholder whose shares are registered in the name of a nominee can participate at the General Meeting of Shareholders and exercise the voting rights only if the nominee account holder has given a power of attorney to the shareholder.

Voting rights. The Company has one class of shares. Each Share entitles the holder to one vote. A shareholder may attend and vote at a General Meeting of Shareholders in person or by proxy. At a General Meeting of Shareholders, resolutions generally require the approval of a majority of the votes represented at the meeting. However, pursuant to law or the articles of association of the Company certain resolutions require a higher majority (e.g., of two-thirds or three-quarters) of the votes represented at the General Meeting of Shareholders (such as amending the articles of association, recalling a member of the Supervisory Council before expiry of his or her term of office, increasing or decreasing the share capital).

Pre-emptive subscription rights. According to the Estonian Commercial Code, upon issue of new shares by a public limited company, existing shareholders of the company have pre-emptive rights to subscribe for new shares in the company pro rata to their existing shareholdings. A resolution waiving pre-emptive rights must be approved by at least 3/4 of all votes represented at the General Meeting of Shareholders. Such pre-emptive right is also attached to the Shares.

Right to Information. The shareholders of the Company have the right to receive information on the activities of the Company from the Management Board at the General Meetings of Shareholders. However, Management Board may refuse to give information if there is a reason to presume that this may cause significant damage to the interests of the Company.

Right to Dividends. The Company's articles of association do not provide for different rules in respect of dividend payments and all shareholders have the right to participate in the distribution of profit of the company proportionally to their shareholding in the Company. Under the Estonian Commercial Code, the distribution and payment of dividends is resolved by the General Meeting of Shareholders. The Management Board must present a profit distribution proposal to the General Meeting of Shareholders together with submitting an annual report. The Supervisory Council has the right to make changes to the proposal of the Management Board before submission to the General Meeting of Shareholders. Dividends of listed companies are paid only to those shareholders (or their nominees) who are entered on the list of shareholders (shareholders' register) as maintained in the ERS on the respective record date.

According to the Company's dividend policy, approved by the General Meeting of Shareholders and Supervisory Council on 14 September 2021 and 12 August 2021, respectively, the Company intends to annually distribute 50% of its preceding year's net profit to its shareholders. The timing and amount of any future dividend payments

will depend on the Group's existing and future financial condition, results of operations, need to maintain a reasonable capital structure, liquidity needs and other matters that it may consider relevant from time to time. As a result, there can be no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be.

Seniority of Shares in case of insolvency. Under the Estonian Bankruptcy Act, in the event of insolvency of the Company, the shareholders will have the lowest seniority and will be entitled to participate last in any surplus assets in a winding up in proportion to their shareholdings.

1.3.2. Where will the securities be traded?

On 1 October 2021, the Company filed an application with Nasdaq Tallinn Aktsiaselts ("Nasdaq Tallinn") for all the Shares to be listed and admitted to trading on the Baltic Main List of Nasdaq Tallinn ("Tallinn Stock Exchange"). The trading of the Shares is expected to commence on the Tallinn Stock Exchange on or about 21 October 2021 following the registration of the New Shares with the ERS. No application has been made for the Shares to be admitted to listing or trading on any other exchange.

1.3.3. What are the key risks that are specific to the securities?

- An active trading market for the Shares may not develop or may not be sustainable. The price of the Shares may be subject to volatility. In particular, future equity offerings by the Company or Eesti Energia, or the possibility of such sales, may adversely affect the price of the Shares.
- The Company's ability to pay dividends in the future is not guaranteed. Shareholders may be affected by changes in laws regarding taxation of dividends or gains at disposal.
- Additional equity capital raisings by the Company may dilute existing shareholdings. Further, shareholders in certain jurisdictions may not be able to participate in future equity offerings by the Company.
- Eesti Energia, which is currently the Company's sole shareholder and will continue to hold a majority of the Shares following the Offering, may influence various fundamental corporate and business decisions of the Group.
- The rights of shareholders of Estonian companies may differ from the rights of the shareholders of companies organised in other jurisdictions. Investors located or residing outside of Estonia may encounter more difficulty in enforcing judgments against the Company.

1.4 KEY INFORMATION ON THE OFFER AND/OR THE ADMISSION TO TRADING ON A REGULATED MARKET

1.4.1. Under which conditions and timetable can I invest in this security?

The Company is offering up to 40,816,327 newly issued ordinary shares with the nominal value of EUR 1 each (the "New Shares"). Eesti Energia is offering up to 6,122,449 existing ordinary shares, with potential upside to up to 30,612,245 existing ordinary shares (the "Upsize Option"), with the nominal value of EUR 1 each (the "Secondary Shares" and, together with the New Shares, the "Offer Shares"). The offering is made (i) by way of an offering to retail investors in Estonia, Latvia and Lithuania (the "Retail Offering") in the course of which a certain number of Offer Shares are offered (the "Retail Offer Shares") and (ii) by way of an offering to institutional investors in and outside of Estonia (the "Institutional Offering") in the course of which a certain number of Offer Shares are offered (the "Institutional Offer Shares") to qualified investors within the meaning of the Prospectus Regulation, and elsewhere outside the United States in reliance on Regulation S ("Regulation S") under the U.S. Securities Act of 1933 as amended (the "U.S. Securities Act") and to qualified institutional buyers in the United States as defined in, and in reliance on, Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act (the Institutional Offering together with the Retail Offering, the "Offering").

The offer price per Offer Share (the "Offer Price") will be determined through a book-building process within the Offer Price Range (as defined below) and will be the same for all investors in the Retail Offering and the Institutional Offering. The Offer Price range for the Offer Shares is expected to be EUR 2.45 to 3.15 (the "Offer Price Range"). The final Offer Price will be published by means of a stock exchange release on or about 15 October 2021 and on the Company's website (English version: www.enefitgreen.ee/en/ipo Estonian version: www.enefitgreen.ee/ipo).

Right to Participate in the Retail Offering. The Retail Offering comprises an offer of Retail Offer Shares to all natural and legal persons in Estonia, Latvia and Lithuania except for any persons who are categorised as qualified investors pursuant to Article 2(e) of the Prospectus Regulation who should submit their offers in the Institutional Offering.

Retail Offer Period. The subscription period for the Retail Offer Shares will commence on or about 5 October 2021 at 10 a.m. (Eastern European Summer Time – Estonian time) and expire on or about 14 October 2021 at 14 p.m. (Eastern European Summer Time – Estonian time) (the “**Retail Offer Period**”), unless the Offering is postponed or cancelled.

Participation in Retail Offering. In order to participate in the Retail Offering, investors must submit undertakings to subscribe for Retail Offer Shares (the “**Subscription Undertaking**”) during the Retail Offer Period. An investor having the right to participate in the Retail Offering may apply to purchase the Retail Offer Shares only for the price equal to the upper end of the Offer Price Range, i.e., EUR 3.15 per Retail Offer Share (the “**Subscription Price**”).

Submission of Subscription Undertakings. In order to subscribe to the Retail Offer Shares, an investor must have a securities account with the ERS or with a financial institution who is a member of Nasdaq Tallinn. An Estonian investor wishing to subscribe to the Retail Offer Shares should contact the account operator that operates such investor’s securities account at ERS and submit a subscription undertaking within the Offer Period for the purchase of Offer Shares in the form set out below.

Owner of the securities account:	name of the investor
Securities account:	number of the investor’s securities account
Custodian:	name of the investor’s custodian
Security:	Enefit Green share
ISIN code:	EE3100137985
Amount of securities:	the number of Retail Offer Shares for which the investor wishes to subscribe
Price (per one Offer Share):	EUR 3.15
Transaction amount:	the number of Retail Offer Shares for which the investor wishes to subscribe multiplied by the Subscription Price per one Retail Offer Share
Counterparty:	Swedbank AS ⁽¹⁾
Securities account of counterparty:	99000011822
Custodian of the counterparty:	Swedbank AS
Value date of the transaction:	20 October 2021
Type of transaction:	“purchase” or “subscription”
Type of settlement:	“delivery versus payment”

Note:

(1) In order to facilitate the settlement process, Swedbank AS in its capacity as Settlement Agent is expected to agree to prefund the issuance of the New Shares and in connection with the prefunding, the New Shares will be transferred to a special purpose securities account of Swedbank AS prior to Settlement.

A Latvian or Lithuanian investor wishing to subscribe for the Offer Shares should contact the financial institution which is a member of Nasdaq Tallinn and that operates such investor’s securities account and submit a subscription undertaking within the Offer Period for the purchase of Retail Offer Shares in the form accepted by the financial institution and in accordance with the terms of the Offering.

Multiple subscription undertakings by one investor shall be merged for the purposes of allocation. An investor shall bear all costs and fees payable in connection with the submission, cancellation or amendment of a subscription undertaking as charged by the respective ERS account operator or financial institution who is a member of Nasdaq Tallinn, accepting the Subscription Undertaking. The Company does not require payment of any direct costs upon subscription to the Retail Offer Shares from the investors.

Payment for Retail Offer Shares. By submitting a Subscription Undertaking, an investor authorises and instructs the institution operating the investor’s cash account connected to its securities account (which may or may not also be the investor’s custodian) to immediately block the whole transaction amount on the investor’s cash account until the Settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the Subscription Price multiplied by the number of Retail Offer Shares subscribed for.

Settlement of the Offering. The Offer Shares allocated to the investors who participated in the Offering shall be transferred to their securities accounts on or about 20 October 2021 through the “delivery versus payment” method simultaneously with effecting the payment for such Offer Shares.

Stabilisation. In connection with the Offering, Swedbank AS (the “**Stabilising Manager**”) acting on behalf of the Citigroup Global Markets Europe AG, Swedbank AS and Nordea Bank Abp (the “**Joint Global Coordinators**” and the “**Underwriters**”) may, for stabilisation purposes, acquire up to 15% Offer Shares on the Tallinn Stock Exchange in order to stabilise the stock market price of the Shares at a level higher than that which would otherwise prevail in accordance with applicable law and for the purposes of funding the acquisition of the Shares in the stabilisation transactions the Stabilising Manager or its agent (if any) will use the proceeds from the sale of the Secondary Shares. The stabilisation transactions to purchase the Shares may be effected at any time on or before the 30th calendar day after the commencement of trading in the Shares on the Tallinn Stock Exchange (the “**Stabilisation Period**”). At the end of the Stabilisation Period, the Stabilising Manager or its agent will return

to Eesti Energia any Shares which have been purchased in the market as a result of stabilisation activities and/or any remaining Stabilisation Proceeds which were not used for stabilisation activities pursuant to the terms of the put option. Stabilisation transactions (i) aim at supporting the market price of the Shares during the Stabilisation Period, (ii) may result in a market price of the Shares that is higher than would otherwise prevail, and (iii) will be conducted by the Stabilisation Manager solely on the Tallinn Stock Exchange.

Dilution. Assuming that all offered New Shares will be subscribed for and issued and all Secondary Shares sold, the Offering will result in an immediate dilution of (i) up to 23.0% to the shareholding of Eesti Energia (assuming both the Upsize Option and the put option are exercised in full); or (ii) up to 26.4% to the shareholding of Eesti Energia (assuming the Upsize Option is used in full and that the put option is not exercised).

1.4.2. Who is the offeror and/or the person asking for admission to trading?

The Company is the person asking for admission to trading for all the Shares of the Company. Eesti Energia is the offeror of the Secondary Shares. Eesti Energia is a public limited company (aktsiaselts) incorporated pursuant to the laws of the Republic of Estonia. Eesti Energia is registered in the Estonian Commercial Register under registration code 10421629.

1.4.3. Why is this prospectus being produced?

Reasons for the Offering. The Prospectus is being produced in connection with the Offering. The purpose of the Offering is to offer to investors up to 26.4% of the Company's shares (including newly-issued and existing shares) and to broaden the Group's investor base. With the Offering, the Company aims to increase liquidity of its Shares and enhance the Company's profile in relation to current and potential customers and other cooperation partners.

Use of proceeds. Assuming the Offer Price is set at the mid-point of the Offer Price Range and 35,714,286 New Shares are subscribed for and issued, the Company expects to receive gross proceeds of approximately EUR 100 million from the Offering. The net proceeds to the Company in the Offering, after deducting estimated commissions (excluding payment of any discretionary commissions) and expenses payable by the Company of approximately EUR 7.97 million, are estimated to be approximately EUR 92.0 million, assuming no use of the Upsize Option.

The Company intends to use the net proceeds of the Offering to finance the Group's development projects and any potential new projects in order to support the Group's growth and development strategy. In particular, the Company plans to use the net proceeds of the Offering for the purposes of developing the wind and solar parks in the Group's near-term pipeline which consists of Šilale II wind park that is under construction and various other projects with a potential for FiD by the end of 2021 and 2022. Management estimates that the development of all projects in the near-term pipeline would require capital expenditure between EUR 560 million and EUR 610 million. The exact allocation of the funds to various ongoing development projects will be determined by the Company at a later stage depending on the process (including speed, stage and order of execution) of the ongoing development projects. The Group will retain broad discretion in the allocation of the net proceeds of the Offering.

The Company will not receive any proceeds from the sale of Secondary Shares by Eesti Energia.

Underwriting arrangements. The Company and Eesti Energia expect to enter into an underwriting agreement on or about 5 October 2021 (the "**Underwriting Agreement**") with the Joint Global Coordinators with respect to the Offering. The obligations of the parties to the Underwriting Agreement will be subject to the execution of the Pricing Agreement by the parties to the Underwriting Agreement and certain other conditions precedent that are typical for an agreement of this nature.

Material conflicts of interest. To the knowledge of the Management, there are no conflicting interests which are material to the Offering.

PART 2. RISK FACTORS

Investment in the Shares involves a high degree of risk. Prospective investors in the Shares should consider carefully, among other things, the risks set forth below and the other information contained in this Prospectus prior to making a decision to invest in the Shares. Any of the risks highlighted below could have a material adverse effect on the Group's business, financial condition, results of operations or prospects and result in a corresponding decline in the value of Shares. As a result, investors could lose a part or all of the value of their investment. A potential investor who is in any doubt about the action it should take should consult a professional adviser who specialises in advising on the acquisition of shares and other securities.

Prospective investors should note that the risk factors described below are not intended to be exhaustive and additional risks and uncertainties not currently known to the Group or that the Group currently considers immaterial may also have the effect set forth above. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

2.1 RISKS RELATING TO THE GROUP'S BUSINESS

2.1.1. The production of electricity from renewable resources depends on weather conditions and on wind and solar resources.

The Group invests in and plans to continue to invest in electricity generation projects that depend on wind and solar resources. As of 31 December 2020, the Group's wind and solar assets in operation represented 398 MW and 30 MW, respectively, or approximately 87% and 7%, respectively, of its total installed electricity generation capacity.

Electricity generation by the Group's wind and solar assets depends largely on the kinetic energy of the wind to which its wind parks are exposed and the amount of solar irradiance available to its solar facilities. These resources are outside of the Group's control and may vary significantly over time. General meteorological conditions such as seasonal changes in resources are complex and difficult for the Group to predict, especially since exceptionally poor meteorological conditions may lead to one-time drops in production levels and in the associated levels of revenue generated by its assets. If unfavourable meteorological conditions were to continue over the long term, they could negatively affect the profitability of impacted projects. To the extent that climate change causes variations in wind or cloud cover, it may have an adverse effect on the Group's assets and business. Wind conditions may also be adversely affected by man-made obstructions constructed in the vicinity of the wind park, such as new wind parks. Any such obstructions could reduce the output of the Group's wind parks resulting in a material adverse effect on the Group's business, financial condition and operating results.

Insufficient wind or solar irradiance could lead to a decrease in the generation of electricity. By establishing a portfolio of projects in different geographical locations, performing extensive wind measurements and evaluating which wind turbines are most suitable for the specific geographical location prior to making decisions regarding investments, the Group reduces the risk of variations in output.

The Group bases its projected electricity production in part upon statistical studies of historical weather conditions at its sites. Unfavourable weather conditions, changes in climate, technological failures and significant discrepancies between estimates and actual electricity production may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.2. 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.

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.

There are three principal renewable energy subsidy programmes that impact the Group's revenue. Feed-in-Premiums ("FiP"), currently applicable to the Group's operations in Estonia, provide for fixed premiums on wholesale market power prices for a specified period of time up to a 600 GWh maximum of electricity produced in Estonia in a calendar year, in the case of wind energy producers qualified to receive FiP.

Feed-in-Tariffs ("FiT"), applicable to the Group's operations in Lithuania and Latvia, provide for fixed tariffs which the energy producer receives rather than wholesale market power prices (plus a premium if applicable) for a specified period of time. FiT rates are fixed rates, and the Group is therefore not exposed to electricity price fluctuations with respect to these assets for the duration of the FiT (although there may be an opportunity gain or loss associated).

Contract for difference ("CfD"), applicable to the Group's operations in Poland, 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. For further information, see "Part 10 (Regulatory Overview)".

With the exception of the Group's Polish assets which benefit from CfD and other than electricity which benefits from FiT subsidy programmes, electricity produced by the Group's facilities is sold on the Nord Pool power exchange in day-ahead and intra-day markets. The Group has contracted the energy trading business unit of Eesti Energia to act as the Group's agent for purposes of executing transactions on the Nord Pool power exchange.

The Group's operations in Estonia benefit from an FiP subsidy for a duration of 12 years from the start of operations of the relevant asset. The Group's operations in Latvia and Lithuania benefit from a FiT subsidy for a specific period of time. However, the 12-year FiP period of some of the Group's production assets in Estonia has already expired and the 12-year FiT period of Sudenai wind park in Lithuania has already expired, exposing the Group to higher wholesale market price risk.

The Group is exposed to changes in price levels on the Nord Pool power exchange. Decreases in electricity prices will have a direct impact on the results of operations of the Group. Any addition of new production capacities to the regional power market, especially renewable production capacities, could decrease electricity prices.

During the early stages of renewable energy development in the markets in which the Group operates, FiP and FiT structures were put in place and designed to promote the construction of renewable energy-based capacities. The residual life of the Group's assets benefitting from the incentive schemes exceeds the residual life of the incentive schemes. Consequently, the Group expects that the price it can obtain for electricity will have a greater impact on revenue in the future, as existing FiP and FiT arrangements expire and the Group becomes increasingly exposed to market price fluctuations (See "Part 11 (Business) Section 11.7.2 (Revenue Model)").

The Group anticipates that several projects in development will not receive subsidies, but will instead be developed with the intention of either agreeing to Power Purchase Agreements ("PPA") with customers or executing electricity forward contracts with Eesti Energia (as have

been executed in the case of the Silale II and Akeme development projects) in order to hedge the wholesale electricity price risk (See Part 11 (Business), Section 11.8 (The Group's Business—Projects in Development)). Eesti Energia intends to separately enter into PPAs with customers. However, the Group 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.

2.1.3. The Group is limited in the tariffs it is permitted to charge for sales of heat, which may not adequately compensate the Group for its costs and allow for sufficient profitability.

The Group has entered into an agreement with AS Utilitas Tallinn for the sale of heat generated by the Group's waste-to-energy unit at Iru during the 12-year period until 15 February 2027. As of February 2021, AS Utilitas Tallinn will buy all of the heat produced by the Iru waste-to-energy unit in the range of its nominal capacity (50 MW) and will prefer the installation to other heat suppliers with whom agreements may be made later.

Pursuant to the agreement, the Group may charge the lower of (i) the heat price calculated according to the formula set out in the relevant agreement, or (ii) the maximum heat price limit approved by the Estonian Competition Authority (the "ECA"). The formula set forth in the agreement ties the heat price to the variable price of heat as would be produced by alternative gas-fired heat-only boilers. This means that the price of natural gas supplied to the district heating network operator and the price of greenhouse gas emission allowances that would have to be procured upon production of heat by gas-fired heat-only boilers may affect the amount the Group is able to charge. The maximum heat price set by the ECA is based on anticipated operating costs, assessed via a number of criteria. As at 30 June 2021, the maximum heat price set by the ECA was EUR 7.98/MWh for waste-to-energy heat production at the Iru facility. As at 30 June 2021, the maximum heat price set by the ECA for the sale of heat to end customers in Paide was EUR 52.33/MWh. The heat price was calculated on the basis of a formula, also set by the ECA, which is valid until 13 March 2022.

The Group has also entered into an agreement with the Valka city government in Latvia for the sale of heat generated by the Group's CHP facility in the Valka municipality. All of the heat produced at the CHP facility is sold to the town of Valka at a fixed price of 40 EUR/MWh.

For the financial year ended 31 December 2020, the return on investment the Group generated from its heat generation assets at Paide and Iru, which constitutes all of the Group's revenue from the sale of heat in Estonia, was subject to price regulations under applicable Estonian laws administered by the ECA as described above.

As such, the Group may have 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 interpretation of the criteria used to calculate the heat prices. Its decisions in this respect may be significantly impacted by social and political considerations, which could cause delays in price determinations or result in lower price increases than necessary to compensate the Group for its cost increases and investments. Any amendments to, or change in the interpretation of, the applicable price regulations could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.4. The Group relies on forecasts of electricity production when making offers on the Nord Pool power exchange.

In order to make offers in the day-ahead market on the Nord Pool power exchange, the Group uses forecasts of the amount of electricity which it anticipates it will produce one day prior to the actual delivery of such electricity. These forecasts are based on the Group's data and information provided by external service providers. The Group's ability to forecast the amount of electricity

to be produced the next day depends on a variety of factors, including the availability of its electricity generation installation, weather and wind conditions. Any difference between the volume of electricity sold to the market and the volume of electricity actually produced by the Group's electricity generation installations results in an imbalance. The Group seeks to reduce the imbalance through intraday trading on the Nord Pool exchange, which may or may not be successful. In order to correct any such imbalance, the Group either procures the outstanding volume of electricity or disposes of any excess electricity which is effected through open supply and balancing agreements with Eesti Energia.

Pursuant to these agreements, Eesti Energia will either (i) supply missing electricity to the Group at the imbalance price plus an administration fee published by TSO or (ii) buy excess electricity from the Group at the imbalance price less an administration fee published by TSO. The prices at which the missing or excess electricity is bought or sold is unfavourable to the Group compared to the prices that would have been otherwise available on the day-ahead market.

Any inability to correctly forecast the amount of electricity the Group is able to deliver to the market in respect of the Group's production assets which do not benefit from FiT or CfD subsidy structures could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.5. The Group is subject to ongoing legal proceedings.

The Group is a party to legal proceedings from time to time arising from the Group's operations, including investigations by the regulatory and tax authorities with jurisdiction over the Group. Such proceedings may result in substantial monetary damages or other sanctions, as well as damage to the Group's reputation, any of which could have a material adverse effect on the Group's business, financial condition or results of operations.

In particular, the Company is currently involved as a third party in the administrative proceedings whereby the merger clearance issued by the ECA to the Company for acquisition of 100% of the shares of Nelja Energia (following which the acquisition completed on 6 November 2018) is challenged by several claimants. In its decision of 17 July 2020 on the merits of the case, the Tallinn Administrative Court (*Tallinna Halduskohus*) found that the complaint was unfounded. The claimants filed an appeal with the Tallinn Circuit Court (*Tallinna Ringkonnakohus*) which, on 17 June 2021, also found that the complaint was unfounded. On 19 July 2021, the claimants filed an appeal in cassation with the Supreme Court of Estonia (*Riigikohus*). The Supreme Court of Estonia will likely decide whether or not to hear the case before the end of this calendar year. Should the Supreme Court of Estonia find that the ECA made an error in exercising its discretion when issuing the merger clearance to the Company on appeal, such clearance would be annulled. However, the consequences of annulling a merger clearance remain unclear. Although the Group believes it is unlikely that any such annulment would result in the unwinding of the acquisition of Nelja Energia, in such circumstances the ECA would be required to re-assess the competitive situation in the relevant goods market in which the Group operates and the effects the merger has had on it. See "Part 11 (Business), Section 11.13 (Legal and Arbitration Proceedings)" for further information on the legal proceedings involving the Company.

As a result of such re-assessment, the ECA may find that the merger of the Company and Nelja Energia should have been prohibited and may take steps necessary to eliminate possible distortions of competition (including, among other potential measures, requiring the Company to divest part of its business operations in Estonia), any of which may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.6. The Group's current and prospective operations may be negatively affected by failure of information and technology systems, an inability to implement technological and information technology innovations and cyber-attacks.

If any of the Group's critical information or communications systems fail or become unavailable, the Group may need to perform certain functions manually, which would temporarily affect the efficiency and effectiveness of its operations. Moreover, the operations of the Group and of its technology and communications service providers are vulnerable to damage or interruption from human error, data inconsistency, internet slowdowns or unavailability, natural disasters, power loss, computer viruses, intentional acts of vandalism, breaches of security and similar events.

The extent to which the provision of vital services in the markets where the Group operates and plans to operate depends on technology is continually increasing. Consequently, the impact of interruptions of these services on the functioning of society, the economy and national security in general is increasingly significant. Due to its geopolitical location, both public and private sector companies in the Baltic region are also at risk of being a target of politically-motivated cyber-attacks. If such attacks occur, the Group may experience theft or destruction of data, including commercial, customer and financial information, which could cause commercial detriment to the Group and/or damage to its reputation. The policies maintained by the Group to protect its data may not be sufficient to prevent its systems from suffering failures or delays that might cause significant data loss or other disruptions to the Group's business.

A system failure, disruption or security breach that causes a delay, interruption or impairment of the Group's services and operations, or the unsuccessful integration of ongoing projects, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.7. A number of the Company's production assets are located on land plots under lease agreements.

The majority of the Group's production assets are located on land which is not wholly owned by the Group. These facilities are located on land owned by third parties under long-term lease agreements or equivalent agreements providing the Group with rights to operate production assets on the land in question for the term of such agreement. The average terms of such agreements, as of 30 June 2021, are 23 years in respect of Estonian assets, 83 years in respect of Lithuanian assets and 23 years in respect of Polish assets. The terms of the land rights generally exceed the projected life expectancies of the production assets. However, in the case of certain production assets, the projected life expectancy exceeds the current term of the land rights. These include Ojaküla wind park (land rights expiration in December 2039 whereas life expectancy is to April 2043), four wind turbines in Aseriaru wind park (land rights expiration in November 2031 whereas life expectancy is to September 2032) and CHP facility in Valka (land rights expiration in 2029 whereas life expectancy is to 2032). The Company may not be able to negotiate extensions or renewals of these agreements upon their expiration with economically viable terms or at all. Any such eventuality could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The land plots where the Aulepa wind park is located (containing Aulepa I and Aulepa II, which constitute 48 MW of the Group's production capacity) are owned by a number of private individuals and companies. Although Enefit Wind has the right to use the respective land plots under the right of superficies (*hoonestusõigus*) until the end of the agreed term (which is beyond the estimated life expectancy of the wind park), some of the respective agreements also provide for the right of the landowner to terminate the right of superficies without cause with 12 months' prior notice, subject to payment of compensation to Enefit Wind. Any such termination would compel Enefit Wind to remove its wind turbines from the respective land plots. While the contractual arrangements relating to such land plots contain provisions pursuant to which Enefit

Wind receives compensation (including for loss of profit following termination, in certain circumstances), there is no assurance that the amount of compensation would be sufficient to cover the full loss of profits resulting from such termination and, as such, any such termination could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Further, the majority of the wind turbine sites at Ciuteliai and all of those at Mockiai are currently operated under sub-lease arrangements. As such, the provisions of the underlying third-party leases, particularly regarding continuation and validity, are beyond the Group's control. Termination of underlying leases could result in the loss of land use rights by the Group. Upon termination of underlying leases, the Group may not be able to negotiate renewals of these agreements with economically viable terms or at all. Legal uncertainties related to sub-lease arrangements may expose the Group to legal challenges impacting land use rights. Any such eventuality could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.8. The Group faces risks associated with a lack of supply of raw materials used in its operations, in particular, municipal waste.

The Group's operations primarily depend on a consistent and commercially adequate supply of raw materials and fuels, including logs, sawdust, woodchips and municipal waste. These raw materials and fuels are procured from waste collection companies and counterparties in the forestry and wood processing sector, via tender processes and bilateral agreements. If supply is limited, it could have a material adverse effect on the Group's business, financial condition, results of operations or prospects, particularly where – for example, with the sale of pellets – the Group is not able to pass the costs of any increases in raw material costs to end purchasers, thereby negatively affecting margins.

In particular, there is no guarantee that the Group will be able to secure a sufficient supply of mixed municipal waste at economically viable gate fees (the charge levied upon a given quantity of waste received at a waste processing facility) and of required quality for its waste-to-energy unit at Iru. Low energy content of municipal waste could result in technical difficulties in operating the waste-to-energy unit, resulting in the need to secure supplies of waste with higher energy content, such as refuse-derived fuel (“RDF”) or otherwise require the Group to use alternative sources of fuel, such as waste wood and woodchips. Increased demand for municipal waste resulting from new waste-to-energy units being established in the region and/or new RDF producers starting operations in the region could have a material adverse effect on the Group's ability to secure municipal waste and the applicable gate fees. Consolidation of Estonian waste collection companies could also lead to less favourable gate fees and other terms and conditions applied upon procurement of waste. Difficulties in securing supply of waste material of sufficient quantity and quality at economically viable gate fees could result in the waste-to-energy unit not being able to produce the expected quantity of heat or electricity, or in the Group earning less from the gate fees which may not be fully recovered from the regulated heat price, either of which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The EU regulatory framework relating to the handling of waste is anticipated to affect the volume of municipal waste available for incineration and thus also the ability of the Group to charge gate fees for the receipt of municipal waste that the Group needs to procure for the operation of its waste-to-energy unit. Under Directive (EU) 2018/851 of the European Parliament and of the Council of 30 May 2018 amending Directive 2008/98/EC on waste, by 2025, a minimum of 55% of municipal waste (by weight) must be prepared for re-use or recycled, and by 2030, this quota will be increased to 60% (subject to a possible reduction in targets by 5% upon meeting certain prerequisites) meaning that less municipal waste is directed to incineration. Future changes to the

regulatory framework or any applicable targets may further impact the availability of municipal waste.

In view of the above targets for re-use and recycling of waste, there have been initiatives from time to time to establish environmental charges on waste incineration. Although the Group may be able to pass on the additional costs resulting from environmental charges being imposed on waste incineration in the form of the gate fees it charges upon delivery of waste to the waste-to-energy unit or in the form of regulated heat prices, there is no certainty as to whether and/or when the Group would be able to pass on all such costs. Any such changes could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

In addition, pursuant to the terms of certain agreements which the Group has entered into for the procurement of waste for the Group's waste-to-energy unit at Iru, the Group may be obliged to accept waste deliveries regardless of planned or unplanned outages at the Iru facility. The Group has limited storage capacity for municipal waste and therefore has a policy in place to redirect waste deliveries in case of stoppages of the waste-to-energy unit. In such circumstances, the waste deliveries may be redirected (i) to landfill, (ii) for storage and redelivery and later use by the Group or (iii) for production of refuse-derived fuel to be later used by the Group. Any such unplanned stoppage of the operations of the waste-to-energy unit would increase the costs associated with landfilling, storage or transport and also decrease the revenues the Group receives from being able to charge gate fees. These additional risks could lead to a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.9. The Group's maintenance activities depend to a large extent on third-party contractors, which may be inadequate and thus lead to unplanned power outages, reduced output and unanticipated capital expenditures.

The Group's maintenance activities primarily aim to prevent any suspension or interruption in and to optimise the production of electricity and heat, and pellets. Suspensions and interruptions can occur as a result of a breakdown, externally inflicted damage (by fire or otherwise) or scheduled maintenance. Although insurance is in place to cover such suspensions and interruptions, there can be no assurance that the insurance will be sufficient to cover all eventualities. Such suspensions or interruptions could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group has entered into operation and maintenance ("O&M") contracts with respect to a majority of the Group's production assets in its Wind segment. These comprise 74% of the Group's installed capacity in the Group's Wind segment. Typically, under the terms of these O&M contracts, the Group is entitled to compensation from the O&M provider if the availability of its wind turbines falls below a certain threshold (either 95% or 97%, depending on the contract). The majority of the Group's O&M contracts in its Wind segment include time-based availability guarantees, while some include production-based availability guarantees. Some of the wind parks are under maintenance agreements with the original equipment manufacturer, including Virtsu, Virtsu I, Virtsu II and Esivere. These wind parks are not covered by contractual availability guarantees. The pricing structure for O&M contracts in the Wind segment is based on either a fixed fee per turbine per year or the volume of electricity produced per turbine per year. A majority of the contracts provide for a variable fee based on the volume of electricity produced per year combined with a minimum fixed fee per turbine per year.

Further, the O&M providers are difficult to replace. The bankruptcy of WinWinD in 2013 resulted in the termination of existing O&M services, previously provided by WinWinD, for the maintenance of the wind turbines used at Aulepa I, Aulepa II, Aseriaru, Vanaküla and Viru-Nigula wind parks. Currently, the Group has two O&M agreements with Empower 4Wind OÜ, which together provide for the maintenance of the above wind parks. Both agreements are valid until the end of 2023 and include a right to extend by a further two years. These wind turbines

account for approximately 26% of the Group's wind generation capacity. These contractors do not provide availability guarantees in respect of the WinWinD wind turbines, which means the risk of wind park availability is borne by the Group. In addition, WinWinD wind turbines suffer from a higher rate of fault and resulting lower availability than the other wind turbines used in the Group's Wind segment. While the Group continues to invest in the maintenance of these turbines, the bankruptcy of WinWinD has rendered it more difficult to procure the necessary parts for maintenance works. As such, while the availability of the WinWinD turbines at the Group's wind parks has improved during the period under review, it remains below that of the Group's turbines procured from other manufacturers and there can be no assurance that this improvement will continue. See "Part 11 (Business), Section 11.7.1 (The Group's Business—Description of Operating Assets by Segment)".

There is no certainty that the maintenance routines implemented by the Group will be adequate to maintain sufficient availability of the Group's assets. Suspensions or interruptions in the work of the production units may still occur, either due to lack of necessary spare parts, unavailability of necessary repair or maintenance services or other similar reasons. Over time, costs for service and maintenance of the Group's equipment may differ from those on which the cost estimate for the investment is based and actual decommissioning costs could exceed those planned or budgeted. Any such event could result in damage to the Group's production assets and unplanned outages which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects. Furthermore, any increase in the fees charged for these services and/or change in the applicable terms and conditions could have a material adverse effect on the Group's business, financial condition, results of operations or prospects, as there are limited alternative service providers.

Unplanned outages of the Group's power and heat generation facilities typically (i) increase the Group's operation and maintenance expenses and (ii) lead to reduced output, and therefore decreased revenue. In addition, critical equipment or parts may not be readily available when needed, which may lead to additional downtime. Loss of revenue in these circumstances may not be fully compensated by O&M contracts' penalty clauses and, for certain facilities, no such compensation is available. Certain specifically manufactured or designed equipment or parts require significant time and expense to build and deliver, and if such parts do not function as planned or are damaged, replacing them can create substantial expense for the Group and generate significant downtime for the relevant facility. Higher than expected capital expenditures may be required due to changing environmental, health and safety laws and regulations (including changes in the interpretation or enforcement thereof), necessary facility repairs or unexpected events (such as natural or man-made disasters or terrorist attacks). The Group has in place insurance to protect itself in the event that such circumstances were to occur but there can be no assurance that sufficient insurance is in place to cover all eventualities in respect of unplanned power outages, reduced output and unanticipated capital expenditures. Any unexpected failure, including failure associated with breakdowns, forced outages or any unanticipated capital expenditures at the Group's facilities, could result in reduced profitability and/or jeopardise the Group's ability to meet its obligations, which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.10. The Group's success depends on its senior management team and other key personnel as well as its ability to maintain good labour relations with its workforce.

The Group's success and its ability to carry out its growth initiatives depend on qualified executives and employees, in particular certain executive officers of the Company and employees with special expertise in the development, financing, engineering, construction, operation and maintenance of projects. Given their expertise in the industry, their knowledge of the Group's business processes and their relationships with the Group's local partners, the loss of the services of one or more of these individuals could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Furthermore, as the Group expands its operations, portfolio and geographic footprint, the Group's operating success and ability to carry out its business plan depend in a large part upon its ability to attract and retain additional qualified personnel who have specific technical or industry expertise, including people in the locations where the Group has operations. For example, the Group's engineering and on-the-ground personnel are critical to the development of new projects and the profitable operation of the Group's existing projects. The Group is also routinely required to assess the business, financial, legal and tax impacts of the complicated business transactions that the Group enters into, whether in connection with evaluating and developing new projects or overseeing asset construction and operation. The success of these projects is dependent on hiring and retaining personnel with sufficient expertise to allow the Group to accurately and timely complete its analysis and reporting requirements. There is significant competition in the renewable energy industry in attracting qualified personnel with the necessary expertise, and there can be no assurance that the Group will be able to hire a sufficient number to support its business plan and growth. The inability to attract and retain qualified personnel could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Additionally, from time to time, executives and other employees with technical or industry expertise may leave the Group. The Group's failure to promptly appoint qualified and effective successors for such individuals or inability to effectively manage temporary gaps in expertise or other disruption created by such departures, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group's success also depends on its ability to attract and maintain a motivated workforce more generally. The failure to maintain good relations with the Group's workforce could result in labour disputes, which could involve work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs) which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.11. The Group's insurance coverage may be inadequate to compensate the Group for certain losses.

Power and heat generation involves hazardous activities, including but not limited to operating large pieces of rotating equipment and delivering electricity to transmission and distribution systems. Hazards such as lightning, high winds, fire, explosion, collapse and machinery failure, are inherent risks in the Group's operations and may occur as a result of inadequate internal processes, technological flaws, human error or external events. These hazards can cause significant injury or death, severe damage to and destruction of property, plant and equipment and suspension of operations. The occurrence of any of these events may subject the Group to investigation, remediation requirements, substantial damages, personal injury and natural resource damages, fines and/or penalties and loss of revenue from suspended operations.

In addition, while the Group obtains warranties from vendors and obligates contractors to meet certain performance levels, the proceeds of warranties or performance guarantees may not sufficiently compensate the Group for lost revenue, increased expenses and financing costs or liquidated damages payments should the Group experience equipment breakdown or non-performance by contractors or vendors.

Damages or losses not covered by contractor warranties may be covered by insurance, but this may not always be the case, as such damages or losses may be (or be considered by insurers to be) outside the scope of applicable insurance policies.

2.1.12. The Group's business, financial condition and operating results are affected by macroeconomic trends in the markets in which it operates.

The Group's business is influenced by macroeconomic factors affecting the economies of the markets in which it operates (namely, the Baltic countries, as well as Finland and Poland). Further, as the Group sells the electricity it produces in Estonia and one wind-farm in Lithuania on the Nord Pool power exchange, the Group's business is also impacted by macroeconomic factors affecting the Nordic countries. Generally, there is a positive correlation between energy prices in a given region and the level of demand. One driver of energy demand is economic output: greater economic output can lead to increased demand for energy, since prices often reflect the state of the economy as a whole. For example, the price of electricity fell in the six months ended 30 June 2020 as compared with the equivalent period in 2019 due to lower demand arising from the combined impact of COVID-19, the increased supply from hydropower plants in the Nordics, and the unseasonably warm weather during winter. Therefore, macroeconomic trends in the countries in which the Group operates, and in Europe more broadly, 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, financial condition, results of operations or prospects.

2.1.13. The Group is subject to risks related to ethical misconduct or breaches of applicable laws by its employees and suppliers.

The Group has implemented compliance policies and procedures with respect to applicable anticorruption laws. However, there can be no assurance that all of the Group's employees and suppliers will not violate the Group's policies or applicable law. Any incidents of ethical misconduct or non-compliance with applicable laws and regulations, including anti-corruption, sanctions, anti-money laundering or other applicable laws, by the Group's employees may subject the Group to significant fines or may lead to other consequences, such as damage to the Group's reputation. Any such non-compliance could have a material adverse effect on the Group's business, financial condition, operating results and prospects.

2.1.14. The Group is subject to risks relating to its investments in associates.

The Group has invested in two associates in connection with its Wind segment: a 40% equity shareholding in the independent service provider Empower 4Wind OÜ and a 10% equity shareholding in Wind Controller JV Oy. The Group expects to continue conducting certain business functions in its Wind segment in part through investments in associates. The Group does not consolidate revenues from any of these entities, instead accounting for the profit or loss attributable to the shareholdings under the equity method of accounting. The Group's technical knowledge of WinWinD turbines is, in part, dependent on the Group's cooperation with its associate partners. If the Group is unable to continue its cooperation with these partners, such technical knowledge may be negatively impacted. This, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.15. The Group is subject to risks arising from PPAs.

Certain electricity produced by the Group's solar parks is sold under physical PPAs with Eesti Energia, which has entered into back-to-back physical PPAs with certain clients for the sale of electricity at a fixed price. The Company and Eesti Energia also entered into electricity base load swap derivative contracts under the ISDA 2002 Master Agreement in order to hedge the price risk of wholesale electricity prices against the production of all assets exposed to such market risks, but such agreements were recently replaced by PPAs in the form of electricity forward contracts under the European Federation of Energy Traders ("EFET") General Agreement. After the Offering, the Group expects to continue to use the above model with view to providing additional revenue security via physical PPAs, and may consider entering into direct corporate

(i.e., physical) PPAs with customers. Moreover, the Group expects sales of electricity produced by certain of its development projects to be structured in the form of long-term PPAs with state actors, utilities and, in certain cases, corporate off-takers. For further information, please see “Part 8 (Operating and Financial Review), Section 8.13 (Off-balance sheet transactions)” and “Part 11 (Business), Section 11.8.2 (Revenue Models)”.

The Group may be exposed to counterparty credit risk under its existing and future PPAs. This risk may be reduced where the Group has entered into contracts with Eesti Energia, state-owned entities and other counterparties with strong credit quality. The Group may also be exposed to other risks such as timing mismatch between the PPA amount and its generation units load curve, price risk, volume risk relating to the aggregate amount of generation and the PPA contract volume. In addition, there can be no assurance that the Group will be able to renew or secure new PPAs after an initial PPA ends or as to the prices under which electricity produced may be sold under any subsequent PPA or in wholesale markets following the expiration of the initial PPA. Risks associated with PPAs could have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

2.1.16. The Group is exposed to risks relating to natural disasters, public health crises including the COVID-19 pandemic, political and social unrest or other catastrophic events.

The Group’s operations are subject to the risks of natural disasters (such as extreme wind or ice, floods, high/low sea levels and other adverse weather and climate conditions, the frequency of which may be increased by climate change), unforeseen public health crises (such as pandemics and epidemics), unstable political conditions and other potential catastrophic events. For instance, extreme weather events may damage the Group’s assets and projects, resulting in an increase in stoppages and increased O&M costs, or interference with the development and construction of large-scale projects.

The Baltic (and global) economy at large have been, and may continue to be, negatively affected by the COVID-19 crisis, which contributed to a climate of macroeconomic uncertainty, disruption and significant volatility in the financial markets. The ongoing COVID-19 pandemic continues to evolve and, to date, has resulted in the implementation of significant measures by the state intended to control the outbreak, including lockdowns, restriction of human movement and social distancing, mandatory closures of business, quarantines and travel bans. In addition, the Group has also taken precautions, such as requiring employees to work remotely where possible, vaccinating operators and production managers, adopting social distancing at workplaces, implementing precautionary hygiene measures and providing online education to the Group’s employees, and, as a result, the Group did not face any facility, plant or farm closures due to COVID-19. These governmental and managerial measures and precautions, and any future prevention and mitigation measures related to COVID-19 or other widespread public health concerns, significantly reduced, and may continue to reduce in the future, economic activity and caused an adverse impact on economic conditions and on business and consumer confidence and spending, both in the Baltics and throughout the world, which could materially adversely affect demand for electricity in the Baltics. Although COVID-19 vaccination programs are progressing, as at the date of this Prospectus, such measures continue to impact economic activity. The COVID-19 pandemic could adversely affect the Group’s business, financial condition and results of operations in the future. Such future effects may be material and include, but are not limited to:

- supply difficulties, delivery delays and risk of supply chain disruption: risks related to changes in the prices of components needed to produce renewable electricity;
- market price instability: price risks on wholesale electricity markets. In particular, COVID-19 has contributed to increased price volatility of electricity, which dropped by approximately 27% in Estonia during the year ended 31 December 2020 (as compared

with the equivalent period in 2019) and increased by 89% in the six months ended 30 June 2021 (as compared with the six months ended 30 June 2020);

- health consequences on the activity of the Group's employees and service-providers: risks related to the employment of third party contractors and to the Group's ability to retain key staff;
- disruptions in carrying out the Group's projects and operations: risks linked to projects in the development and construction phases, risks related to the maintenance of electricity, heat and pellet production installations and to IT infrastructure; risks related to the maintenance or repair of production facilities;
- possible slowdown in the economic and administrative activity of the countries in which the Group operates: risks related to contract terminations and payment defaults, to obtaining permits, licenses and authorisations, and to the connection to distribution or transmission networks.

The extent to which the COVID-19 pandemic ultimately impacts the Group's business depends on future developments, including the duration, spread and intensity of the outbreak and the implementation of prevention and mitigation measures, which are uncertain and difficult to predict. There can also be no assurances that a potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances will not lead to new funding uncertainty, resulting in increased volatility and widening credit spreads. If the COVID-19 pandemic becomes more pronounced, or if widespread public health concerns occur in the future, the Group's business, financial condition or results of operations could be materially and adversely affected.

The foregoing could disrupt the Group's operations, affect regional economies, damage or destroy the Group's assets or adversely affect the business or financial condition of the Group's customers, any of which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.17. Seasonality and weather fluctuations, as well as long-term shifts in climate conditions, could decrease demand for the Group's products or otherwise have a material adverse effect on the Group's business, financial condition and operating results.

Demand for electricity and heat in the markets in which the Group operates is seasonal and shifts with fluctuations in weather. The Group typically experiences higher demand during the colder first and fourth quarters of the year, from October to March, and lower demand during the warmer second and third quarters, from April to September. Periods of unseasonably warm weather during autumn and winter months typically reduce demand below anticipated levels. Furthermore, long-term shifts in climate conditions may result in more permanent changes in demand for the Group's products.

Accordingly, if the Baltic and Nordic countries experience any unseasonably warm weather, particularly during the autumn and winter months, or the climate of the Baltic and Nordic countries becomes warmer as a result of global trends, demand for electricity, pellets and heat in the respective countries could decrease, which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.18. The Group could be adversely affected by challenges to its transfer pricing arrangements.

As the Group is operating multiple segments across related business lines, it undertakes significant intra-group transactions and enters into intra-group contractual arrangements among the Group entities, including with respect to the downstreaming of funds borrowed at the

Company level. Under the applicable transfer pricing regulations, companies must conduct any intra-group transactions on an arm's length basis and provide sufficient documentation thereof in accordance with the applicable regulations. Any non-compliance with transfer pricing regulations (including due to insufficient documentation) could result in material adverse effect on the Group's business, results of operations, financial condition and reputation.

2.2 RISKS RELATING TO THE COMPANY'S RELATIONSHIP WITH EESTI ENERGIA

2.2.1. The Group has engaged, and expects to continue to engage, in transactions with its parent, Eesti Energia and other related parties, which may present conflicts of interest.

Following completion of the Offering, Eesti Energia will remain the majority shareholder of the Company. As an integrated member of the consolidated Eesti Energia group (the "**Parent Group**"), the Group has previously relied, and expects to continue to rely after the completion of the Offering, on Eesti Energia and its personnel for the provision of a number of corporate and operational services. In particular, Eesti Energia will continue to provide the Group with (i) centralised services, such as accounting, financial controlling, legal, IT, human resources, communication, office space, procurement and environmental services, (ii) financial services, including cash and liquidity management, and (iii) energy trading services. In addition, Eesti Energia will also provide the Group with internal audit services, except with respect to auditing of any transactions between the Group and the Parent Group, which will be carried out by an independent external auditor.

The corporate services will be provided pursuant to a framework agreement entered into by the Company and certain Group companies, as service receivers, and Eesti Energia and certain Parent Group companies, as service providers (the "**Framework Agreement**"), effective as of 1 October 2021. The Framework Agreement has an initial term of three years, which may be extended by the mutual consent of the parties. Subject to certain conditions, Eesti Energia and the Parent Group companies, as service providers, have the right once a year to unilaterally change the applicable prices and principles relating to the provision of services to the Group pursuant to the Framework Agreement. As such, the risk of material changes to the nature and costs of the services provided to the Group cannot be excluded. For more information, See "Part XII (Management), Section 2 (Organisational Set-up of the Group and Relationship with Eesti Energia)".

As part of the consolidated Parent Group after the completion of the Offering, the Group has undertaken in the Framework Agreement to inform Eesti Energia in advance of its financing plans (including changes in equity structure and debt financing).

The Group transacts regularly with Eesti Energia for the sale and purchase of electricity including for the purposes of hedging the price risk of electricity. The Company has entered into open supply and balancing agreements with Eesti Energia (see "Part 18 (Additional Information), Section 18.2 (Related Party Transactions)"). Furthermore, the Company constitutes part of the Parent Group for the purposes of the agreements entered into with Nord Pool AS for the sale of electricity on the Nord Pool power exchange day-ahead and intra-day markets. Under the terms of such agreements, the Company is jointly and severally liable with certain other Parent Group companies which are parties to the agreements entered into with Nord Pool AS for all fees owed to Nord Pool AS thereunder as well as liable for any failure by Eesti Energia to comply with its obligations to post collateral (required by Nord Pool AS as a condition to the settlement of transactions). The Company and Eesti Energia also entered into electricity base load swap derivative contracts under the ISDA 2002 Master Agreement in order to hedge the price risk of wholesale electricity prices against the production of all assets exposed to such market risks, but such agreements were recently replaced by PPAs in the form of electricity forward contracts

under the EFET General Agreement. For more information, see “Part 8 (Operating and Financial Review), Section 8.13 (Off-balance sheet transactions)”.

Such relationships and transactions between the Group and Eesti Energia may, in certain circumstances, cause conflicts of interest. Under the procedural framework for review and approval of related party transactions, including those entered into with Eesti Energia and the Parent Group companies (effective from the Listing Date), the Group shall submit an overview of the related party transactions planned to be engaged in during the financial year firstly for opinion to the Audit Committee and thereafter for approval for the Supervisory Council together with the annual budgeting process. In addition, the same procedure applies to all transactions the value of which exceeds 100,000 EUR which have not been approved by the Audit the Supervisory Council during the annual budgeting process. Eesti Energia, as shareholder, or its representatives at the Supervisory Council will not be able to cast a vote on such matters and their votes will not count towards the required approval thresholds. In addition, the Group will inform the Audit Committee (the majority of which is made up of independent members) about all related party transactions made, except transactions made between the Group companies. However, there can be no assurance that these measures will prove effective in identifying and preventing conflicts of interest, which could have a material adverse effect on the Group’s reputation, business, financial condition, results of operation and prospects.

Existing intra-group transactions and contractual arrangements between the Group and the Parent Group have been entered into at market prices determined in accordance with Eesti Energia’s internal transfer pricing procedures and, where applicable, prices determined by the Estonian Competition Authority. Nevertheless, the Group is subject to a transfer pricing risk in relation to any transactions between related parties that are not conducted at arm’s length. Pursuant to its procedural framework, the Group plans to monitor intra-group transactions with Eesti Energia to ensure that any such transactions are carried out at arm’s length. Notwithstanding the foregoing, the tax impact of certain transactions may be assessed by relevant authorities in a manner in which the Group did not anticipate, and require the Group to make an adjustment. Any such adjustment could have a material adverse effect on the Group’s business, financial condition, results of operations or prospects. For more details on intra-group transactions with the Parent Group, see “Part 18 (Additional Information), Section 18.2 (Related Party Transactions)”.

In addition, as at the date of this Prospectus, the Company and its Estonian subsidiaries are part of the Eesti Energia value added tax group. All companies registered as a single value added tax group are jointly and severally liable for payment of value added tax of the whole value added tax group. After completion of the Offering, it is planned to deregister the Company and its Estonian subsidiaries from Eesti Energia value added tax group. See “Part 12 (Management), Section 12.2 (Organisational set-up of the Group and relationship with Eesti Energia)” for further information. However, the risk that the Company is held liable for value added tax payable by the broader Eesti Energia Group cannot be excluded. This could have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

Two of the Group’s long-term development projects – Liivi (an early-stage offshore wind park project in the Gulf of Riga) and Tootsi (an onshore wind park project which is subject to ongoing litigation) – are currently owned by Eesti Energia and Tootsi Windpark OÜ, a subsidiary of Eesti Energia, respectively. These projects have an aggregate expected capacity of approximately 1.1GW. In addition, land required for the establishment of the ElektriJaama solar park and Usnova solar park projects is currently owned by Enefit Power AS, a subsidiary of Eesti Energia. See “Part 11 (Business), Section 11.8 (Projects in Development)”. Pursuant to a Memorandum of Understanding entered into by the Company and Eesti Energia, effective as of 1 October 2021, the transfer of Liivi and Tootsi projects will eventually be made available for purchase by the Company, but there can be no assurance that these transfers will ultimately take place. In particular, in respect of the Tootsi project, Eesti Energia has agreed to offer the project to the Company on market terms before pursuing further development works or offering the project to

third parties. In the case of Liivi, Eesti Energia has agreed to offer the Company the possibility to participate in and/or acquire the project on market terms, although it is not obliged to offer this exclusively to the Company. In respect of the potential transfer of both Tootsi and Liivi, the Company's right to acquire the projects are subject to certain conditions precedent.

2.3 RISKS RELATING TO REGULATION AND GOVERNMENT POLICIES

2.3.1. Unfavourable changes in existing regulations or government policies in support of renewable energies could significantly affect the performance of the Group's existing operations.

The Group's activities are to a significant extent dependent on incentive-based public policies in the countries in which the Group operates, which aim to promote the production and sale of energy from renewable resources. These policies and mechanisms typically enhance the commercial and financial viability of renewable energy installations. 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. See "Part 10 (Regulatory Overview)" for a summary of the principal laws and regulations applicable to the renewable energy sector in Estonia, Latvia, Lithuania, Finland and Poland.

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, 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, recipient of such aid, including the Group may face withdrawal of such subsidies and claims for repayment of renewable energy subsidies received (plus interest). In particular, the following subsidy arrangements applicable to the Group are subject to ongoing challenge:

- Estonia:
 - o The Estonian renewable energy subsidy scheme for operating aid applicable to so-called existing producers failed to comply with the European Commission notification procedure as required under applicable law. As such, the risk that the subsidies received during this period could be found to constitute illegal state aid cannot be excluded. This concerns producers accepted onto the renewable energy subsidy scheme before 28 October 2014 and from 1 January 2016 to 6 December 2017. Most of the Group's electricity generation installations fall within these periods. Should the scheme be found to constitute illegal state aid, the European Commission may require the Estonian government to withdraw the applicable subsidies and to require the recipients of the state aid to repay any subsidies received (plus interest). While the European Commission has been aware of the Estonian renewable energy subsidy schemes and has not made any recovery decisions to date, the risk of future recovery orders cannot be excluded. Although any such claims would in addition to any other legal arguments be subject to expiration of the relevant statutes of limitation. Subject to applicable statutes of limitation, the Estonian state might also order the recovery of such aid or require the payment of interest.

- It has been disputed whether the Estonian renewable energy subsidy scheme applicable to so-called existing producers has an incentive effect for purposes of European Union state aid rules, as the relevant national legal provisions permitted renewable energy producers to apply for support after the relevant electricity generation installation had been completed (that is, after start of works within the meaning of European Union state aid rules). According to applicable state aid guidelines, aid granted without an incentive effect is considered incompatible with the internal market and, as such, is prohibited. The Estonian Supreme Court has on 28 September 2020, upon hearing of a case between third parties not connected to the Group, requested a preliminary ruling from the European Court of Justice, among others, on this question. While the European Commission (in its Decision No SA.47354 dated 6 December 2017) previously agreed that the aid under Estonian renewable energy subsidy scheme has incentive effect and previously confirmed the same in respect of other similar schemes, the risk of an adverse finding cannot be excluded. Such a finding could include a determination that the previously awarded subsidies were in breach of the applicable rules and might result in electricity generation installations, including those of the Group, losing the right to receive operational aid. Although any such claims would in addition to any other legal arguments be subject to expiration of the relevant statutes of limitation, the European Commission and the Estonian state might also order the recovery of such aid or require the payment of interest.
- The incentive effect of state aid for electricity generation installations with a capacity of below 50 kW is also a potential source of dispute due to changes in the Electricity Market Act which became effective as of 1 July 2020 and were aimed at rendering the aid scheme compatible with Article 43 of the Commission's regulation (EU) No 651/2014. Additionally, the TSO could revise the cost and aid calculation methods to avoid overcompensation. The Group also has electricity generation installations with the capacity of below 50 kW for which the start of works occurred prior to the referred changes became effective.
- Latvia: The Latvian government is currently revising various regulations regarding state aid schemes. Among other things, under contemplated amendments the results of operations of Valka CHP facility and Broceni CHP facility may be impacted in future, in particular because of reduction of future subsidies due to the contemplated changes regarding the calculation of the permitted IRR cap for the entire support period and assessment of compliance with such cap. In addition, amendments to the Electricity Market Law have been pending before the Latvian Parliament since February 2020, which may result in termination of the whole renewable energy subsidy scheme currently in place.
- Lithuania: Legal uncertainty exists with regard to the renewable energy subsidy mechanisms in Lithuania. The European Commission has approved the subsidy scheme that was valid from 12 May 2011 to 31 July 2015 on 8 January 2019, but on 14 April 2021 the General Court annulled the Commission's decision on clearance of state aid. Annulment of the decision means that the subsidies paid to market participants that were accepted to the subsidy scheme during the referred period amount to illegal state aid and will have the said status until such aid is reviewed and cleared by the Commission. The General Court annulled the Commission's referred decision on procedural grounds, which in turn means that no substantial problems with the applied renewable energy subsidy scheme were established. Therefore, it is expected that the Commission will approve the state aid again. However, until such decision is made and subject to applicable statutes of limitation, it cannot be excluded that further payment of subsidies may be suspended or previously paid subsidies may be reclaimed with interest.

Any reversal of, or unfavourable changes to, such governmental incentive policies or interpretive ambiguities and uncertainties around their implementation (including, but not limited to, those described above) could have a material adverse effect on the Group's business, financial

condition, results of operations or prospects. For further information, see “Part 10 (Regulatory Overview)”.

With respect to the CHP facility and related pellet factory in Broceni, it has been discovered that, although the electrical scheme of the facility has been approved by the relevant authority, certain changes in the electrical scheme may be required to ensure that the facility’s electricity consumption is calculated correctly. The Group has made the required changes and is in discussions with the authority to approve these. Electrical output of the CHP facility (*i.e.*, without own consumption of the facility) is the basis for the payment of FiT subsidies, and incorrect calculation of this could result in requirement for (partial) repayment of the FiT subsidies received, cancellation of FiT payments or withholding of FiT payments until compliance is established.

2.3.2. The Group is subject to an increasingly complex regulatory environment, and regulatory changes may negatively affect its business.

In addition to compliance with its contractual agreements, licences and permits, the Group must comply with a range of other legal requirements, including corporate, energy-sector, environmental, antitrust, administrative, data protection and property laws and regulations.

Although the Group seeks to continue to comply with all relevant laws, regulations, licences, permits and agreements, to the extent it is not able to do so, it could be subject to:

- significant administrative or civil penalties, including the imposition of fines, penalties and criminal sanctions for wilful violations;
- increased regulatory scrutiny;
- reputational damage to the Group’s brand;
- default under financing and commercial agreements;
- judgments for damages, which may not be covered by insurance or in excess of insurance cover;
- termination of, or increased premiums on, insurance policies;
- difficulty in recruiting and retaining personnel (especially with specific professional backgrounds), particularly where any non-compliance relates to matters affecting its employees; and/or
- the representatives, directors or managers of the relevant Group company being subject to a fine or imprisonment.

In addition, future changes to existing regulations or the introduction of new regulations, procedures or licensing requirements (either by the European Union or the regulators or governments of the countries where the Group operates) may adversely affect the Group’s business in the future. Any such expansion of the scope of regulations may require additional investment by the Group to ensure compliance, which may result in higher ongoing compliance costs and may increase the risk of non-compliance by the Group.

For example, due to changes in the regulatory framework Valka CHP facility is required to meet certain efficiency benchmarks in order to continue to benefit from the applicable Latvian renewable energy subsidy, failing which the available subsidy is reduced. While based on the

available historical operational data the Group expects that Valka CHP facility is able for comply with the benchmarks the risk of future noncompliance cannot be excluded.

Any failure by the Group to fully comply with current and future laws and regulations or to maintain good relations with regulators, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.3.3. The Group's operations are subject to extensive environmental regulation and the cost of complying with such regulations could have a material adverse effect on the Group's profitability and financial condition.

The Group is subject to significant and complex environmental regulation, including, with respect to the Group's CHP facilities, those regulating the emission of CO₂, SO₂, NO_x and other hazardous substances into the environment. The requirements of such regulations are complex, and the cost of compliance is significant. The imposition of requirements that are more stringent than those that the Group is currently subject to could have a material adverse effect on the Group's business, financial condition, operating results and prospects. Electricity switchgears in the Group's electricity generation installations use small amounts of fluorinated greenhouse gas SF₆, which is also subject to environmental regulation.

Although limitations on noise level are taken into account during the planning phase, any complaints from communities in the locality of the Group's sites, especially near residential areas, could result in adverse consequences for the Group. Any new requirements on maximum noise level of production units located in residential areas could have a material adverse effect on the Group's business and financial condition. In Lithuania, new rules effective as of 1 January 2020 apply in relation to establishment and registration of sanitary protection zones ("SPZs"). As a result of these new rules, the Group will have to establish and register with the Lithuanian Real Estate Register new SPZs relating to its operating assets in Lithuania by the end of 2022. This involves taking a number of steps, including — but not limited to — obtaining of consents from the owners of land plots covered by the SPZ. Failure to establish new SPZs could result in sanctions including the suspension of activities of the Group's operating assets in Lithuania and as a result have a material adverse effect of the Group's business, financial condition, results of operations or prospects.

Failure to comply with the requirements of environmental permits or environmental laws may lead to investigations, fines, penalties, claims, costly corrective works or suspension or shutdown of operations, any of which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

In addition, the Group is required under environmental laws to pay environmental charges in relation to the amount of the emissions generated by its operations. These charges, which may be substantial, are set by the Estonian or Latvian government as applicable (depending on the location of the operations), in each case by reference to quantity and other criteria. Any increase in these charges and/or their application to emissions of substances not currently subject to such charges could increase the Group's costs.

Regulatory measures are being taken at both national and international levels to reduce the quantities of atmospheric pollutants such as CO₂, NO_x, VOC, SO₂ and particulate matter from industrial activities, including electricity and heat generation.

Future changes to national, EU and international regulatory framework in relation to air emissions could affect the Group's ability to use some of its current production methods and limit its generation capacity. Even if upgrades of existing assets are possible, completing such upgrades may not be feasible from an economic perspective and they would in any case 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 some of its facilities. Such risks and costs could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

In addition, the Group is dependent on third-party contractors for disposal of hazardous fly ash from the production operations of its waste-to-energy unit at Iru, due to environmental regulations. Fly ash is considered to be hazardous waste which must be handled and disposed of in accordance with strict legal requirements. The Group outsources transportation and disposal of fly ash from appropriately licensed third-party service providers and is therefore dependent on such service providers for disposal of waste from the production operations of its waste-to-energy unit. The Group is also reliant on third-party contractors for the disposal of bottom ash, which has similar handling and disposal requirements (although is not classed as hazardous waste). Any increase in the fees charged for these services and/or change in the applicable terms and conditions and/or inability of the Group to appropriately dispose of waste in accordance with the relevant environmental regulations could have a material adverse effect on the Group's business, financial condition, results of operations or prospects, as there are limited alternative service providers.

2.3.4. The Group's operations have the capacity to cause substantial environmental damage.

The Group's facilities may damage the natural environment, and accidents in or near, or external attacks to, such facilities may have serious consequences. Fires, explosions, accidents, major equipment failures, other catastrophic events at the Group's wind, CHP, solar or hydroelectric facilities, fuel storage installations and substations together with power lines and cables owned by the Group can be dangerous to the surrounding environments. The Group also faces risks in connection with the handling and storage of waste at its waste-to-energy unit at Iru. Although the Group's insurance covers damages arising from pollution and contamination caused by sudden and unexpected incidents at the Group's facilities, any such occurrence could adversely affect the Group's business and financial position and potentially expose the Group to third party claims that are not fully covered by insurance.

The Company leases out part of the land located under the Iru facility to AS Liwathon E.O.S., which operates oil products terminals in the Baltics, one of which is located on land owned by the Company, and AS GoCraft which provides rail wagons and locomotives repairs and whose railway depot is located on land owned by the Company. Any uncontrolled or catastrophic circumstances at the oil terminal and/or the railway depot, such as fires, explosions, accidents or major equipment failure, could result in substantial environmental damage which could potentially also expose the Group as the land owner to third party claims and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.3.5. The Group is materially dependent on licences, permits and authorisations from various regulators and expiry, revocation or inability to renew licences, permits or authorisations could have a material adverse effect on the Group.

In connection with its activities, the Group is subject to significant demands with respect to obtaining permits, licences and authorisations required by applicable regulations and issued by national or local authorities. Depending on the country, these permits, licences and authorisations may take the form of urban planning authorisations (such as construction permits), mandatory environmental impact assessments or studies, production and operation authorisations, authorisations to connect to the grid, and other specific authorisations related to the presence of protected sites in proximity to the Group's projects (such as archaeological sites, historic buildings, military installations and forests).

In particular, the Group is required to hold licences in connection with the production, distribution and sale of heat and production of electricity. 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 Group also requires environmental permits to carry out its operations. For example, an integrated permit is required for the Iru facility which covers all aspects of the operations, including waste disposal and air pollution. Integrated permits have no expiry date and continue to apply until they are revoked or surrendered. However, they are subject to annual reviews and, if new requirements enter into force or new regulated activities are conducted at the relevant facility, the Group is required to apply for revision of the permit.

The risk of breaching the terms of a licence or permit by Group members cannot be excluded. 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, and the penalties for such breach could range from monetary fines to loss of licence. 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, financial condition, results of operations or prospects.

National governments and local authorities may, depending on the country, have a high degree of discretion in issuing such permits, licences and authorisations, and they may exercise their discretion arbitrarily or unpredictably. In addition, the multitude of government agencies involved may make the process of obtaining these authorisations long, complex and expensive. As a result, there can be no assurance that the Group will obtain the permits, licences and authorisations necessary for the construction of a given project or for the exercise of the business that it intends to conduct in a given country at a reasonable cost or within the expected time periods.

2.3.6. The Group could be materially affected by changes to district heating regulatory frameworks.

A material part of the Group's revenue is derived from sales of heat to AS Utilitas Tallinn for supply to the City of Tallinn's district heating network. Revenue from sales of heat for supply to the district heating of Tallinn comprised 3% of the Group's revenue in the financial year ended 31 December 2020.

According to the regulations applicable to the Group's district heating assets in Estonia, if there is a need for new production capacity and/or several companies have expressed in writing their wish to enter into agreements with the network operator for the sale of heat, the district heating network operator must organise a tender for the award of the relevant contract. Even though the Group believes that its waste-to-energy unit at Iru is competitive in the Tallinn heat market as compared to other heat producers, its competitive position could change if there arise new entrants into the Tallinn heat market. There can be no certainty that, following expiry of the term of the current heat sales agreement, the Group will be successful in bidding for new agreements, or as to the terms and conditions of any new heat sales agreement. Consequently, the Group's current level of profitability may not be maintained upon a new tender. Any loss of heat load would also affect the ability of the Group to produce electricity at the waste-to-energy unit as the facility is most efficient when operated in co-generation mode, thereby negatively affecting the Group's competitive standing.

Changes in the district heating regulation applicable in Latvia have been considered which if implemented would result in Valka CHP facility becoming subject to regulated tariffs with respect to the heat sold. This may lead to a reduction of the applicable tariff in future below current levels.

Any adverse changes to the regulatory framework of district heating in Estonia or Latvia, such as deregulation of district heating, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.3.7. The Group may incur material costs to comply with health and safety laws and regulations.

The field in which the Group operates carries an inherent risk of incidents which could lead to personal injury or death of employees, contractors or other third parties. For example, the facilities the Group operates often put its employees and others in close proximity to large pieces of mechanised equipment, industrial processes, heat or liquids stored under pressure and other dangerous materials.

Applicable legislation imposes obligations on employers in relation to the occupational health and safety of its employees. Where such obligations are not met, the competent governmental authorities have the right to issue precepts and inspect compliance with the issued precepts. If an employer does not comply with any such precepts, a monetary penalty may be imposed. In addition, applicable legislation includes compensation provisions for damage caused to the health of employees. As such, any accidents or breaches of occupational health and safety legislation may require the Group to pay penalties and/or compensation and would result in negative publicity for the Group.

Moreover, two steam boilers in the Iru facility contain asbestos, which Estonian legislation classifies as hazardous waste. The asbestos is being removed and replaced with other materials in the Iru facility during regular maintenance; this process is expected to be completed after the power units are dismantled, with the first unit being scheduled to be dismantled in the course of 2023 and the second by the end of 2025. Handling and disposal of asbestos is subject to additional requirements, which are adhered to by the specialist companies that the Group contracts for the purposes of asbestos removal; skilled personnel with the requisite protective equipment carry out the asbestos removal works. The Group believes it is compliant with the applicable occupational health and safety requirements with regards to working with asbestos and is not aware of any third-party claims relating to the asbestos in the Iru facility. However, any failure to maintain such compliance may lead to liability for the Group. Under Estonian law, and depending on the particular circumstances, such liability may include civil liability for damages and, under specific circumstances, criminal penalties, for violation of requirements established for working environments affected by physical, chemical, biological, physiological and psychosocial hazards.

The foregoing could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.3.8. Complaints raised by and resistance of local communities or individuals in relation to the Group's activities may affect the Group's operations and its financial condition.

The Group is subject to potential complaints by communities near the Group's sites. Members of these communities may take 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 parks or other facilities at specific sites. The potential consequences of a complaint or third-party claim could involve 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, financial condition, results of operations or prospects.

2.3.9. The Group is subject to public procurement laws and regulations in Estonia.

The Group is required to comply with EU, national and other public procurement regulations applicable to it in various areas of its business in Estonia. These regulations are often difficult to interpret and apply and may delay the Group's development projects. In addition, an agreement entered into in breach of public procurement regulations may be rendered void or a fine calculated on the basis of the contract value may be imposed on the procuring party. The foregoing could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.4 RISKS RELATING TO THE GROUP'S GROWTH STRATEGY

2.4.1. The Group's development plan is capital intensive and subject to uncertainty.

The Group operates in a capital intensive industry and any new development projects will require substantial investments. The Group expects to make significant capital expenditures in the short- and medium-term to implement its business plan. If the Group decides to proceed with any of these or other new investments, new funding would have to be secured. There is no certainty that the Group will be able to procure funding on acceptable terms, if at all. For further details on the Group's capital expenditure, see "Part 11 (Business), Section 11.8 (Projects in Development)".

The Group's success in implementing its strategy will depend on, among other things, its ability to identify and assess potential investments, successfully finance and integrate such investments, control costs and maintain sufficient operational and financial controls. The Group's expenditure is and will continue to be made on the basis of forecasts of production and projected prices for the Group's products, and also on the basis of forecasts of long-term prices for the Group's principal costs. The Group also makes certain assumptions regarding long-term interest rates and electricity prices in its decisions on making capital expenditure. These forecasts, judgments and assessments may be inaccurate, which could undermine the economic viability of such investments and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group is reliant on the use of land owned by third parties to develop, construct and operate any new development project. For example, to develop, build and operate a wind park the Group must use a large number of land plots as access routes, cable routes to the feed-in point or sites for technically necessary ancillary facilities, or to establish sanitary protection zones. The Group may not be able to obtain ownership of the required land or obtain ownership at economically viable prices and may, as a result, need to secure the land by lease agreements, easements, building rights, written agreements or unilateral consents of the land owners. Any cancellation of such rights can lead to the operation of the respective production units having to be completely or partially suspended or to the incurrence of additional costs because existing facilities have to be moved or new agreements have to be entered into on unfavourable terms.

In addition, some of the Group's development projects and prospects may require greater investment than currently planned. In the course of development, the Group may uncover problems or encounter difficulties with projects, including but not limited to the following:

- the Group may encounter difficulties in obtaining and maintaining governmental permits, licences and approvals required by existing laws and regulations or additional unanticipated regulations, particularly in connection with the development of wind parks;
- the Group may face delays associated with challenges to permits or regulatory approvals;
- the Group may encounter difficulties in securing adequate property with sufficient natural resources (such as wind) or at an acceptable price, due, in particular, to heightened

competition with other renewable energy infrastructure developers in obtaining high-potential property and opposition from local communities;

- the Group may not be able to procure grid connections, or may not be able to procure these at economically viable prices;
- the Group's initial evaluations of site suitability may be based on assumptions that turn out to be incorrect, or unforeseen issues may arise with respect to the land or terrain for a project;
- adverse changes in the underlying political, legal or economic environment;
- the Group may encounter engineering and project design problems; and
- third parties that the Group partners with for initial project development may fail to perform their duties or may fail to perform them in a timely manner or to the required standards, leading to delays or a failure to discover problems with identified sites.

Moreover, certain newly constructed facilities and projects may not perform as expected. The Group forms its expectations around the performance of new facilities and projects based on assumptions, estimates, data provided by third parties and experience with similar assets that the Group has previously managed. The ability of these assets to meet the Group's performance expectations is subject to the risks inherent in newly constructed wind parks and solar plants, including, but not limited to, degradation of equipment in excess of the Group's expectations, system failures and outages.

Such matters arising during development stages may result in delays or additional costs that could render the projects less competitive than the Group initially anticipated and the Group's actual capital expenditure may differ from anticipated figures. Opportunities and projects may be delayed or postponed in implementation, reduced in scope or ownership share, sold or rejected and the Group may not pursue all of the opportunities and projects that it is currently considering. This may adversely affect the Group's ability to execute its investment plan and growth strategies. In addition, failure to meet completion deadlines may result in the loss of applicable subsidies, grid connections or project rights. The foregoing could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.4.2. The Group may not be able to complete projects under construction.

Projects are subject to risks in the development and construction phase relating in particular to engineering and design, equipment supply and construction performance. The inability to complete construction, or to complete it on a timely basis, may result in contractual defaults, impairment of assets or a reduction in the period of eligibility for specified tariffs as a result of a failure to meet certain milestones, among other adverse consequences. Eligibility for certain subsidies may be compromised or lost if assets are not commissioned on schedule, and time-consuming and costly litigation may result among the Company or other members of the Group and the parties participating in or financing the project's development. Projects may encounter a range of difficulties in the construction phase that result in delays or higher than expected costs that may not be fully covered or adequately addressed by performance guarantees from contractors, damages clauses or insurance, including but not limited to the following:

- contractor or sub-contractor defaults and performance shortfalls;
- delays due to unforeseen events;
- damage to equipment in the course of delivery as a result of accidents or otherwise;

- damage to components or equipment in the course of installation;
- adverse weather, environmental and geological conditions, force majeure and similar events;
- theft and vandalism; and
- regulatory authorisations or difficulties in obtaining permits.

When the Group commits to capital expenditures for project construction, it expects these costs to be recoverable. However, there can be no assurance that any individual project will be completed and reach commercial operation; the Group may abandon a project under construction and write off the costs incurred in connection with such project. Further, ineffective project management and execution in the construction phase could result in delays or unanticipated cost overruns in respect of completed projects, which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.4.3. The Group may not be able to achieve expected benefits from selective acquisitions.

The Group has a strategy of organic growth but has made selective acquisitions in the past and may do so again in the future. There can be no assurance that the Group will realise the benefits that it anticipates from such acquisitions. For further details on the Group's growth strategy, see "Part 11 (Business), Section 11.4 (Strategy)".

For instance, unforeseen problems or issues with an acquired project or business that negatively impact its profitability could make it difficult or impossible for the Group to achieve the returns it initially expected. For example, anticipated synergies may not materialise, and the Group may not be able to adequately integrate acquired companies. The Group may also become exposed to unforeseen material liabilities and problems affecting its acquisition targets. The applicable acquisition agreements may not provide indemnities sufficient to make the Group whole.

Any of these problems could require the Group to restructure its investment or abandon the acquisition altogether, which could have a material adverse effect on the Group's business, results of operations and financial condition.

2.4.4. The Group depends on financing from various sources, in particular external debt financing, for the development and construction of its projects.

The Group currently intends to finance a portion of its capital expenditures for the development and construction of its projects through bank borrowings. The Group had EUR 190.4 million of outstanding indebtedness (sum of non-current and current borrowings) as at 30 June 2021. The Group's access to debt financing is subject to many factors, many of which are outside of the Group's control. For example, political instability, economic downturns, social unrest or changes in the regulatory environment in which the Group has or plans to have operations could increase the Group's cost of borrowing with respect to new financing arrangements or restrict the Group's ability to obtain debt financing. Access to debt financing may be further restricted by financial covenant obligations under the Group's existing financings. There can be no assurance that it will be able to arrange financing on acceptable terms, if at all. See "Part 8 (Operating and Financial Review), Section 8.10 (Liquidity and Capital Resources)".

The inability of the Group to obtain debt financing from banks and other financial institutions, or otherwise through the capital markets, could adversely affect its ability to execute its investment plan and growth strategies, which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.4.5. Additional indebtedness could have an adverse effect on the Group's operations and financial condition.

The Group has incurred indebtedness via financing facilities in the past. The Group's total borrowings as at 31 December 2020 was EUR 199.3 million and as at 30 June 2021 was EUR 190.4 million. An increase in indebtedness may expose the Group to additional risks as debt can make companies inherently more sensitive to declines in revenue, increases in expenses and interest rates, and adverse economic, market and industry developments. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would otherwise be the case if debt had not been incurred to the same extent. Leverage may also restrict the Company from making strategic acquisitions or cause it to make non-strategic divestitures and limit its ability to obtain additional financing. In addition, companies with relatively high fixed costs may have greater difficulty servicing higher debt levels. For further details on the Group's indebtedness, see "Part 8 (Operating and Financial Review), Section 8.10 (Liquidity and Capital Resources)".

Debt covenants may limit the Group's ability to finance additional expansion through borrowings, which could limit the Group's scope for expansion. This could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.4.6. The Group's business is growing and changing rapidly, raising strategic, management, operational and control challenges.

The Group has expanded significantly in recent years (notably through the acquisition of Nelja Energia) and intends to further expand its business within selected existing markets. The Group also intends to continually adapt its approach to keep pace with developments in its existing markets. The Group has targeted its current and future markets based on various assumptions. If these assumptions prove to be incorrect, the Group may need to adjust its strategy and restructure its operations and workforce.

As the Group's business expands and its business strategy evolves, it expects to encounter additional challenges to its internal processes, integration of acquired businesses, external construction management, project funding infrastructure and financing capabilities. The Group's existing operations, personnel, systems and internal controls may not be adequate to support its growth and expansion. The Group may be required to make additional unanticipated investments in its organisational structure and improve its administrative, operational and financial systems, procedures and controls. If the Group is unable to manage these changes effectively, it may not be able to take advantage of market opportunities, execute its business strategies successfully or respond to competitive pressures. As a result, there could be a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.4.7. The Group is reliant on continued governmental policy support in order to realise its growth strategy.

Economic incentives can materially improve the viability of investment in new renewable energy production assets and render new renewable energy production assets more competitive than they otherwise would be as compared to existing energy production assets in the market. While the countries in which the Group operates have set national targets for renewable energy to constitute between 21% and 51% of total domestic energy consumption by 2030, and the EU as a whole has set a target of 32% for the same purpose by that date, there can be no assurance as to the nature and scope of future tenders for establishment of new renewable energy production units which arise as a result of these targets, nor of the opportunity for the Group to benefit from such economic incentives.

The Group anticipates that several projects in development will not receive subsidies, but will instead involve the agreement of PPAs with customers or physical PPAs with Eesti Energia in the form of electricity forward contracts under the EFET General Agreement in order to hedge the wholesale electricity price risk of certain production assets exposed to such market risks. These have been entered into, as of the date hereof, with respect to the Silale II and Akmene development projects. For further information, please see “Part 8 (Operating and Financial Review), Section 8.13 (Off-balance sheet transactions)” and “Part 11 (Business), Section 11.8.2 (Revenue Models)”. However, depending on the terms of the Group’s future PPA arrangements, the Group’s results of operations may remain dependent on other incentive-based public policies.

With respect to the Group’s development projects, any unfavourable changes to such governmental incentive policies, or interpretive ambiguities and uncertainties around implementation of such government incentive policies, or any decrease in the number of public calls for tenders which include the opportunity for the Group to benefit from such economic incentives, or in the volumes of subsidies allocated through them, with respect to the Group’s development projects could have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

2.5 RISKS RELATING TO COMPETITION WITHIN THE RENEWABLE ENERGY SECTOR AND BETWEEN RENEWABLE RESOURCES AND OTHER SOURCES OF ENERGY PRODUCTION

2.5.1. Competition to develop new renewable energy capacity is increasingly intense and may unfavourably affect the Group.

The market to develop new renewable energy is highly competitive and continually evolving. The Group faces significant competition in each of the markets in which it operates. Competitors frequently bid aggressively in the tender procedures in which the Group participates, calculating their bids based on assumptions of low prices for wind turbines, solar panels or other components, as well as low construction, maintenance, capital and other costs. Such bids may make it more difficult for the Group to submit winning bids at prices that ensure targeted or sufficient returns. This intense and growing competition has contributed to an increase in the numbers of suppliers and overall supply of electricity, which, along with the decrease in supply costs, has led to a downward trend in bid prices for tenders, thus leading to the increasingly reduced prices seen in recent tender procedures.

In addition, in each of the markets in which it operates, the Group faces competition from market participants, which may include, in the biomass market and in reverse auctions for renewable energy subsidies in Estonia, competition from Eesti Energia, to the extent such auctions allow bids by electricity producers using continuous dispatchable capacities (as opposed to intermittent technologies such as wind and solar). Many competitors benefit from extensive experience (both domestically and internationally) in the development and operation of electrical generation facilities as well as from financial resources that may be comparable to or greater than those of the Group. Moreover, barriers to entry in auction processes for development of new wind parks and solar parks are typically low. For example, an auction held in Lithuania in January 2020 was won by UAB Windfarm Akmene One, a new entrant to the market.

Any changes to the competitive environment described in the foregoing could have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

2.5.2. Difficulties in connecting to transmission grids, a lack of transmission capacity or potential upgrade costs to the transmission grid could significantly impact the Group's ability to build its assets and to sell the electricity that they generate.

In order to sell the electricity generated by the assets that it operates, the Group must connect the assets to the electrical transmission grid and, to a lesser extent, the distribution grid. A lack of available capacity in the grid due to congestion, overproduction by connected facilities or excessive fluctuations in electricity market prices could substantially impact the performance of the Group's assets and cause the Group to reduce the size of its facilities and lead to delays in project implementation, cancellation of projects, increases in costs from transmission upgrades and potential forfeitures of any guarantees the Group has provided to the relevant grid manager in connection with a given project's grid connection.

2.5.3. Renewable energy technology is newer than conventional energy technology and is rapidly changing. Its competitiveness in the power market may increase less rapidly or develop differently than currently predicted by the Group and may encounter increased competition from other sources of electricity generation.

Renewable energy technology is relatively new compared with fossil fuel and nuclear energy technology.

The competitiveness of renewable energy technology within the power generation market may increase less rapidly or develop differently than currently predicted by the Group or industry analysts. Many factors may affect the rate of growth in installed capacity and the attractiveness of renewable energy technology as compared to other energy sources, including:

- the competitiveness of electricity generated by renewable energy facilities as compared with conventional energy sources such as natural gas or nuclear energy;
- the performance, reliability and availability of renewable energy facilities as compared with other, non-renewable power generation facilities;
- technological improvements and changes in the costs of components (such as wind turbines, solar panels and other system components), as well as design, construction and O&M costs;
- fluctuations in economic and market conditions that affect the price of, and demand for, conventional energy sources, such as increases or decreases in the price of conventional energy sources (such as natural gas, coal, oil and other fossil fuels) and changes in the cost, efficiency and equipment investment needed for other electricity-producing technologies;
- variations affecting global demand for renewable energies both by state actors (in the event of changes to incentive-based public policies) and by private actors (in particular if the reputational benefit gained by private companies for sourcing their energy primarily or exclusively from renewable sources diminishes); and
- for geographical markets in which grid parity has not yet been reached, changes in the availability, substance and magnitude of support programs, including government targets, subsidies, incentives and favourable renewable energy standards, including potential adverse changes relative to programs applicable to other forms of conventional or non-conventional power generation.

Any of the above factors may evolve in ways not currently anticipated by the Group. Other new market conditions may develop, which could affect the Group's strategic planning in unforeseen

ways. If the renewable energy technology develops less quickly or in a different manner than anticipated, equity and debt investor appetite for investments in the industry sector may decline, and the Group may have difficulty meeting its development targets or business objectives.

2.5.4. In order to remain competitive, the Group must respond to rapid changes in the wind and solar energy markets, in particular the discovery of new technologies and their integration into existing installations and the projects being developed.

The wind and solar energy industries are characterised by rapid improvements and increases in the diversity of technologies, products and services. Technological improvements in the wind and solar industries contribute to reduced costs and to improved technical features, in order to offer better integration into the relevant electrical grids and improved returns, thereby rendering older technologies less competitive. Additionally, companies may refine new electrical production technologies that are more competitive from a cost standpoint or more profitable than wind, biomass or solar facilities. If the Group does not succeed in identifying and developing these new technologies or updating its existing installations for these innovations, it could encounter difficulties in connection with its participation in tender procedures with attractive terms for its new projects. This could significantly impact the Group's business, financial condition and results of operations.

The Group may also encounter difficulties in negotiating financing for projects using new technologies that are unproven and not yet widespread, which could place the Group at a competitive disadvantage relative to competitors with sufficient resources to self-finance projects using these new technologies, in particular where the new technologies require a substantial initial investment and/or provide a later, significant cost advantage.

If the Group's competitors succeed in developing technologies that enable them to submit tenders at lower prices or on more attractive terms, the Group could be unable to match these bids without otherwise affecting its profitability or may be unable to submit a bid at all. Such a situation could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.6 MARKET RISK

2.6.1. The Group faces counterparty risk.

In conducting its business, the Group faces counterparty risk. Counterparty risk may result in financial losses (including, but not limited to, funds deposited at banks, partners in long term construction projects and revenues to be received from customers). Although the Group monitors its counterparty risks and implements risk management policies, there is a possibility that if these risks are realised, they could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.6.2. The Group is exposed to variation in interest rates.

As a result of the Group's funding arrangements, the Company is exposed to variation in interest rates. Interest risk is defined as the risk of a fall in earnings caused by a change in market interest rates. The management of interest risk is aimed at reducing negative effects from changes in market interest rates. The Group strives to achieve a balance between cost-effective borrowing and risk exposure on the one hand, and a negative impact on earnings in the event of a sudden major change in interest rates on the other hand. Increased market interest rates will, over time, increase interest costs for the Group, which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects unless such increased interest costs are offset by otherwise increased income or reduced costs.

2.6.3. The Group may face 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. 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 capital expenditure requirements in relation to new development projects. 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 could have a material adverse effect on the Group's business, financial condition, results of operations or prospects. For further information, see "Part 8 (Operating and Financial Review), Section 8.10 (Liquidity and Capital Resources)".

2.7 RISKS RELATING TO THE SHARES AND TO THE OFFERING

2.7.1. An active trading market for the Shares may not develop or may not be sustainable.

Eesti Energia currently holds 100% of the Shares of, and voting rights in, the Company. Immediately after the Offering, assuming 40,816,327 New Shares and 6,122,449 Secondary Shares are sold in the Offering, and assuming that the Put Option is not exercised, Eesti Energia is expected to hold at least 82.7% of the Shares of, and voting rights in, the Company. As a prerequisite for the listing on the Nasdaq Tallinn Stock Exchange, a sufficient number of Shares must be held by investors belonging to the public. This condition is considered satisfied, *inter alia*, if at least 25% of the share capital represented by the Shares is held by investors belonging to the public, or, in view of the large number of Shares and their distribution among investors who belong to the public, the Nasdaq Tallinn Stock Exchange would be satisfied that the market would operate properly with a lower percentage of Shares being held by members of the public.

Prior to the Offering, there has been no public trading market for the Shares. The offer price is not an indication of the market price of the Company's shares following the expected admission to trading on the Baltic Main List of Nasdaq Tallinn Stock Exchange. The price of the Shares following the expected admission of the Shares to trading may vary substantially from the offering price. Although the Company has applied for listing and admission to trading of the Shares on the Baltic Main List of the Nasdaq Tallinn Stock Exchange, there can be no assurance that an active trading market for the Shares will develop, or if developed, can be sustained following the closing of the Offering. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected.

Further, the Baltic Main List of the Nasdaq Tallinn Stock Exchange, as well as the Nasdaq Tallinn Stock Exchange in general, is substantially less liquid and more volatile than established markets such as those in other countries with highly developed securities markets. The total trading turnover of the Baltic Main List of the Nasdaq Baltic Stock Exchanges in 2020 was EUR 450 million. As at 30 June 2021, a total of 32 companies were listed on the Baltic Main List of the Nasdaq Baltic Stock Exchange and their aggregate market capitalisation was EUR 7.6 billion. The relatively small market capitalisation and low liquidity of the Nasdaq Tallinn Stock Exchange may impair the ability of shareholders to sell the Shares on the Nasdaq Tallinn Stock Exchange, or could increase the volatility of the price of the Shares as the impact of individual transactions on the market price of securities may be significant.

2.7.2. The price of the Shares may be subject to volatility.

The value of an investment in the Shares may decrease or increase abruptly, and such volatility may bear little or no relation to the Group's performance. For example, such volatility may be

caused by general market conditions and regulatory, economic or political changes. In particular, the Nasdaq Tallinn Stock Exchange has, similarly to other stock markets, from time to time, experienced significant price and volume fluctuations that have affected the market price of securities, and may, in the future, experience similar fluctuations which may be unrelated to the Group's operating performance and prospects but nevertheless affect the price of the Shares. The market price of the Shares may also be significantly affected by a variety of factors that relate specifically to the Group. These factors include the market's appraisal of the Group's strategy and a difference between the Group's results of operations and/or prospects and market analysts and shareholders' expectations thereof. Moreover, the price of the Shares may be impacted by speculation, whether or not well-founded, as to the Group's business, performance, management and strategic plans, the intentions of Eesti Energia and actions by the market participants in the Group's business sector. As a consequence of such volatility, investors should be aware that the value of an investment in the Company may fluctuate.

2.7.3. Future equity offerings by the Company or Eesti Energia, or the possibility of such sales, may adversely affect the price of the Shares.

Sales of a substantial amount of Shares following the Offering, or market perception that such sales are imminent, could lower the price of the Shares. Following the expiration of the lockup period, or upon waiver of the lockup restrictions by the Joint Global Coordinators, the Company and Eesti Energia will be free to, as applicable, offer, sell, pledge or otherwise dispose of Shares, in whole or in part. This could have an adverse effect on the market price for the Shares.

2.7.4. The Company's ability to pay dividends in the future is not guaranteed.

The Company has distributed dividends during the period covered by the Audited Financial Statements (paying dividends of EUR 3.13 per share comprising EUR 15.0 million in total, EUR 3.84 per share comprising EUR 18.4 million in total, EUR 5.66 per share comprising EUR 27.1 million in total, for the years ended 31 December 2018, 2019 and 2020, respectively). However, there is no assurance that the Company will distribute dividends in the future. For example, the Company may not be able to, or its General Meeting of Shareholders may choose not to, pay any dividends. The Company's ability to pay dividends may be limited by corporate law and restrictions contained in its financing arrangements. The Management's recommendations for the distribution of profit will depend on the Company's existing and future financial condition, results of operations, capital requirements, liquidity needs and other matters that it may consider relevant from time to time, including, without limitation, its capital needs, financial performance, strategic considerations and prevailing equity market conditions which may not necessarily coincide with the short-term interests of all the shareholders. The payment of dividends and the amount thereof will be subject to the ultimate discretion of the General Meeting of Shareholders of the Company. For further details on the Company's dividend policy, see "Part 6 (Dividends and Dividend Policy)".

2.7.5. Additional equity capital may dilute existing shareholdings.

The proportion of shareholding held by the Shareholders in the Company may be diluted if the share capital of the Company is increased and new Shares are issued in the future. In such case, the shareholders will be entitled to the right to subscribe for such new shares of the Company proportionally to their existing shareholding in the Company. Such preferential right can, however, be excluded by the respective resolution of the General Meeting of Shareholders, which requires the affirmative vote of 3/4 of the votes represented at the General Meeting of Shareholders. Eesti Energia currently holds 100% of the Shares of, and voting rights in, the Company. Immediately after the Offering, assuming 40,816,327 New Shares and 6,122,449 Secondary Shares are sold in the Offering, and assuming that the Put Option is not exercised, Eesti Energia is expected to hold at least 82.7% of the Shares of, and voting rights in, the Company. Therefore, there can be no assurance that the Shareholders will be entitled to subscribe

for the new Shares, which may be issued in the future and therefore the proportion of their shareholding in the Company may decrease. Future equity offerings may be also conducted below market value and the Company may decide to offer shares at a discount to the prevailing market price if it believes that this would be appropriate in the context of the financing options available to it. A future equity offering could also depress the market value of the Shares.

2.7.6. Shareholders in certain jurisdictions may not be able to participate in future equity offerings.

Securities laws of certain jurisdictions may restrict the Company's ability to allow shareholders to participate in future offerings. In particular, holders of the Shares in the United States may not be entitled to exercise these rights, unless the Shares and any other securities that are offered and sold are registered under the U.S. Securities Act, or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Group cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable U.S. or other shareholders to exercise their pre-emptive rights or, if available, that the Group will utilise any such exemption.

2.7.7. The underwriting agreement relating to the Offering may not be executed or may be terminated in certain circumstances.

The Underwriting Agreement relating to the Shares may not be executed or may be terminated by the Joint Global Coordinators in certain circumstances at any time up to and including the settlement date of the Offering under certain conditions, which may affect the success of the Offering. These circumstances include the inaccuracy of, or non-compliance with, the representations and warranties or breach of one of the covenants of the Company or of Eesti Energia; a failure to satisfy one or more customary conditions precedent, including the approval of the listing and admission on the Main List of the Tallinn Stock Exchange (see "—2.7.1 An active trading market for the Shares may not develop or may not be sustainable"); a material adverse change in the situation of the Company and its subsidiaries; or certain international or national events affecting Estonia, the United Kingdom or the United States. Such events include the limitation, interruption or suspension of trading in certain markets; the interruption of settlement and delivery on regulated markets or the interruption of banking activities; acts of terrorism; declarations of war; or any other significant change in national or international financial, economic or political situations.

If the Underwriting Agreement is not executed or is terminated, the admission of the Shares to trading on the Baltic Main List of the Tallinn Stock Exchange and the Offering will be retroactively cancelled. This information will be published by the Company in a press release and in a notice issued by the Tallinn Stock Exchange.

In the event the Underwriting Agreement is executed but terminated prior to Settlement, the admission of the Shares to trading and the Offering will be retroactively cancelled and all orders placed will be cancelled retroactively. The Offering and all orders and transactions executed up to (and including) the settlement date will be cancelled retroactively and unwound. Each individual investor assumes the risk of any applicable losses or costs resulting from such cancellation.

2.7.8. Eesti Energia, which is currently the Company's sole shareholder and will continue to hold a majority of the Shares following the Offering, may hence influence various fundamental corporate and business decisions of the Group.

Eesti Energia currently holds 100% of the Shares of, and voting rights in, the Company. Immediately after the Offering, assuming 40,816,327 New Shares and 6,122,449 Secondary

Shares are sold in the Offering, and assuming the Put Option is not exercised, Eesti Energia is expected to hold at least 82.7% of the Shares of, and voting rights in, the Company. Assuming the Upsize Option is used in full, and assuming that the Put Option is not exercised, Eesti Energia is expected to hold at least 73.6% of the Shares of, and voting rights in, the Company. Accordingly, Eesti Energia will continue to be the Company's majority shareholder and, consequently, have the number of votes required to take the majority of corporate actions at the General Meeting of Shareholders, such as the approval of the annual report, decisions on dividend distributions and the appointment of auditors, as well as increases of share capital and amendments to the Company's Articles of Association, which require a two-thirds majority of votes at a General Meeting of Shareholders. The Articles of Association of the Company provide that half (or if there is an uneven number of members, one fewer than the number of majority shareholder representatives) of the Supervisory Council members should be independent. It is expected that the remaining members of the Supervisory Council will be representatives of a shareholder holding over 50% of the Shares entitled to vote at a General Meeting of Shareholders, which will be the representatives of Eesti Energia. Immediately after the Offering, the Company's Supervisory Council will be made up of five members, three of which will be representatives of Eesti Energia.

As a result, following the Offering, Eesti Energia, as majority shareholder, will be able to influence various fundamental corporate and business decisions of the Group. Such actions could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, as well as the value of the Company's listed securities.

Under the State Assets Act, acquisition and sale of a material shareholding (*i.e.*, at least 10% in the shares of, or voting rights in, another company) by the Company shall require the approval of the general meeting of shareholders of Eesti Energia, *i.e.* the Republic of Estonia acting through the Minister of Finance. Therefore, the Estonian government may limit the Group's ability to engage in future acquisitions activity.

2.7.9. Lack of adequate analyst coverage.

There is no guarantee of continued analyst research coverage for the Group. Over time, the amount of third-party research available in respect of the Group may fluctuate regardless of the results of the Group's operations. The Group generally cannot influence the extent of research prepared relating to the Group. Negative or insufficient third-party reports could have an adverse effect on the market price and the trading volume of Shares.

2.7.10. The rights of shareholders of Estonian companies may differ from the rights of the shareholders of companies organised in other jurisdictions.

The Company's corporate governance and the rights, obligations and liability of its shareholders are governed by the laws of Estonia and by the Company's Articles of Association and may be different from the rights and obligations of the shareholders of companies organised in other jurisdictions. Certain rights and privileges that shareholders may benefit from in another jurisdiction may not be available in Estonia. The exercise of some of the shareholders' rights in the Company could be more complicated or expensive for investors from other countries than the exercise of similar rights in their country of residence.

2.7.11. Enforceability of judgments against the Company.

The Company is organised in accordance with Estonian law and has its registered office in Estonia. A significant proportion of the assets of the Group are located in Estonia and the majority of the management personnel working for the Group reside in Estonia. For this reason, investors located or residing outside of Estonia may encounter more difficulty in serving summons and other documents relating to court proceedings on any of the entities within the Group and/or the

management personnel working for the Group and in enforcing a judgment of the Estonian court issued against any entities within the Group and/or the management personnel working for the Group than if those entities and/or the management personnel were located in the jurisdiction where the investor concerned is located or residing.

2.7.12. Shareholders may be affected by changes in laws regarding taxation of dividends or gains at disposal.

Changes in the tax regime applicable to taxation of dividends or gains on disposal of the Shares may result in an increased tax burden on the shareholders of the Company and may therefore have an adverse effect on the rate of return from an investment in the Shares. Tax legislation of the prospective investor's Member State and of Estonia (the Company's country of incorporation) may have an impact on the income received from the Shares.

PART 3. THE OFFERING

3.1 THE OFFERING

In the course of the Offering, the Company is offering up to 40,816,327 newly issued ordinary shares with the nominal value of EUR 1 each (the “**New Shares**”). Eesti Energia is offering up to 6,122,449 existing ordinary shares, with potential upsize to up to 30,612,245 existing ordinary shares (the “**Upsize Option**”) with the nominal value of EUR 1 each (the “**Secondary Shares**” and, together with the New Shares, the “**Offer Shares**”). The Offering is made (i) by way of an offering to retail investors in Estonia, Latvia and Lithuania (the “**Retail Offering**”) in the course of which a certain number of Offer Shares are offered (the “**Retail Offer Shares**”) and (ii) by way of an offering to institutional investors in and outside of Estonia (the “**Institutional Offering**”) in the course of which a certain number of Offer Shares are offered (the “**Institutional Offer Shares**”). The Retail Offering will take place in the Republic of Latvia and in the Republic of Lithuania after the EFSA has notified the competent authority of Latvia (the Latvian Financial and Capital Market Commission) and the competent authority of Lithuania (the Bank of Lithuania) of approval of the Prospectus in accordance with Article 25 of Prospectus Regulation, respectively. The Prospectus together with translation of its summary into Latvian and Lithuanian has been published respectively in the Republic of Latvia and in the Republic of Lithuania. The Institutional Offering comprises of an offer of Institutional Offer Shares to qualified investors within the meaning of Article 2(e) of the Prospectus Regulation in Estonia, and elsewhere outside the United States in reliance on Regulation S under the U.S. Securities Act and to qualified institutional buyers in the United States as defined in, and in reliance on, Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act (the Institutional Offering together with the Retail Offering, the “**Offering**”).

The sizes of the Institutional Offering tranche and the Retail Offering tranche have not been predetermined. The total number of Institutional Offer Shares to be allocated to the investors participating in the Institutional Offering and of Retail Offer Shares to the investors participating in the Retail Offering will be determined by the Company and Eesti Energia, in consultation with the Underwriters, in the allocation process after the end of the Offer Period based on the demand for the Offer Shares by the different investor groups. In case any part of the Offering is cancelled, the total number of the Offer Shares issued and allocated to investors in the Offering may decrease.

The offer price per Offer Share (the “**Offer Price**”) will be determined through a book-building process within the Offer Price Range (as defined below) and will be the same for all investors in the Retail Offering and the Institutional Offering. The Offer Price range for the Offer Shares is expected to be EUR 2.45 to 3.15 (the “**Offer Price Range**”).

The Company expects to announce the final price of the Offer Shares and the results of the Offering, including the allocation of the Offer Shares between the Institutional Offering and the Retail Offering on or about 15 October 2021 via the Tallinn Stock Exchange and on the website of the Company (English version: www.enefitgreen.ee/en/ipo, Estonian version: www.enefitgreen.ee/ipo).

The Company has on 1 October 2021 filed an application with the Tallinn Stock Exchange for the Listing of all Shares on the Nasdaq Baltic Main List (for further details, please see “Part 3 (The Offering), Section 3.12 (Settlement and Trading)”).

The timetable set forth below provides certain indicative key dates for the Offering (subject to shortening or extensions):

5 October 2021	Publication of the Prospectus
5 October 2021 10 a.m.	Retail Offer Period/Institutional Book-Building Period commences

14 October 2021 14 p.m.	Retail Offer Period/Institutional Book-Building Period ends
On or about 15 October 2021	Decision on the Offer Price and allocation of the Offer Shares Offering
On or about 15 October 2021	Pricing announcement in respect of the Offering
On or about 20 October 2021	Settlement
On or about 21 October 2021	Listing and commencement of trading on Tallinn Stock Exchange

Offering Statistics

The statistics of the Offering are set out below:

(i) Assuming no use of the Upsize Option:

	Bottom of the Price Range	Mid-point of the Price Range	Top of the Price Range
Offer Price per Offer Share ⁽¹⁾	2.45	2.80	3.15
Number of New Shares to be issued in the Offering	40,816,327	35,714,286	31,746,032
Number of Secondary Shares to be sold in the Offering ⁽²⁾	6,122,449	5,357,142	4,761,904
Aggregate number of Offer Shares to be sold in the Offering ⁽²⁾	46,938,776	41,071,428	36,507,936
Percentage of the share capital being offered in the Offering ⁽²⁾	17.3%	15.5%	14.0%
Number of Shares subject to the Put Option ⁽³⁾	6,122,449	5,357,142	4,761,904
Number of Shares issued immediately following the Offering	270,609,800	265,507,759	261,539,505
Expected market capitalisation of the Company at the Offer Price (EUR) ⁽⁴⁾	662,994,010	743,421,725	823,849,441
Estimated net proceeds of the Offering receivable by the Company (EUR) ⁽⁵⁾	92,028,557	92,028,557	92,028,557
Estimated net proceeds of the Offering receivable by Eesti Energia (EUR) (assuming no exercise of the Put Option)	13,804,284	13,804,282	13,804,282

Notes:

- (1) It is currently expected that the Offer Price will be set within the Offer Price Range. The Company expects to publish the final Offer Price on or about 15 October 2021 via Tallinn Stock Exchange and on the website of the Company at www.enefitgreen.ee/en/ipo (English version) and www.enefitgreen.ee/ipo (Estonian version). In the event the Offer Price is set above the Offer Price Range, the Company will prepare a supplement to the Prospectus.
- (2) Assuming no exercise of the Put Option (as defined below).
- (3) The maximum number of Shares subject to the Put Option (as defined below) will be approximately 15% of the total number of Offer Shares.
- (4) The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will be equal to or exceed the Offer Price.
- (5) The estimated net proceeds receivable by the Company are stated after deduction of the estimated underwriting fees and other fees and expenses of the Offer (including VAT) payable by the Company, which are currently expected to be approximately EUR 7.97 million. The Company will not receive any portion of the proceeds resulting from the sale of Secondary Shares by Eesti Energia in the Offering. The Company and Eesti Energia, in their sole and absolute discretion, may pay an additional performance-related fee to the Underwriters following the completion of the Offering (not reflected in the table above).

(ii) With use of the Upsize Option to the extent indicated:

	Bottom of the Price Range	Mid-point of the Price Range	Top of the Price Range
Offer Price per Offer Share ⁽¹⁾	2.45	2.80	3.15
Number of New Shares to be issued in the Offering	40,816,327	35,714,286	31,746,032
Number of Secondary Shares to be sold in the Offering ⁽²⁾	30,612,245	26,785,713	23,809,523
Aggregate number of Offer Shares to be sold in the Offering ⁽²⁾	71,428,572	62,499,999	55,555,555

	Bottom of the Price Range	Mid-point of the Price Range	Top of the Price Range
Percentage of the share capital being offered in the Offering ⁽²⁾	26.4%	23.5%	21.2%
Number of Shares subject to the Put Option ⁽³⁾	9,316,770	8,152,173	7,246,376
Number of Shares issued immediately following the Offering	270,609,800	265,507,759	261,539,505
Expected market capitalisation of the Company at the Offer Price (EUR) ⁽⁴⁾	662,994,010	743,421,725	823,849,441
Estimated net proceeds of the Offering receivable by the Company (EUR) ⁽⁵⁾	94,761,481	94,761,481	94,761,481
Estimated net proceeds of the Offering receivable by Eesti Energia (assuming no exercise of the Put Option) (EUR)	71,071,360	71,071,356	71,071,357

Notes:

- (1) It is currently expected that the Offer Price will be set within the Offer Price Range. The Company expects to publish the final Offer Price on or about 15 October 2021 via Tallinn Stock Exchange and on the website of the Company at www.enefitgreen.ee/en/ipo (English version) and www.enefitgreen.ee/ipo (Estonian version). In the event the Offer Price is set above the Offer Price Range, the Company will prepare a supplement to the Prospectus.
- (2) Assuming no exercise of the Put Option (as defined below).
- (3) The maximum number of Shares subject to the Put Option (as defined below) will be approximately 15% of the total number of Offer Shares.
- (4) The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will be equal to or exceed the Offer Price.
- (5) The estimated net proceeds receivable by the Company are stated after deduction of the estimated underwriting fees and other fees and expenses of the Offer (including VAT) payable by the Company, which are currently expected to be approximately EUR 5.24 million. The Company will not receive any portion of the proceeds resulting from the sale of Secondary Shares by Eesti Energia in the Offering. The Company and Eesti Energia, in their sole and absolute discretion, may pay an additional performance-related fee to the Underwriters following the completion of the Offering (not reflected in the table above).

3.2 UNDERWRITING

The Company and Eesti Energia expect to enter into an underwriting agreement on or about 5 October 2021 (the “**Underwriting Agreement**”) with the Underwriters with respect to the Offering. On the terms and subject to the conditions set forth in the Underwriting Agreement, the execution of a pricing agreement (the “**Pricing Agreement**”) between the parties to the Underwriting Agreement setting forth the final Offer Price and number of Offer Shares and the purchase commitments of each Underwriter and provided that the Offering has not been terminated prior thereto in accordance with the terms of the Underwriting Agreement: (I) (i) Swedbank AS is expected to procure subscribers for the Retail Offer Shares, or, failing which, to subscribe for the Retail Offer Shares itself; (ii) the Underwriters are expected to agree to procure subscribers or purchasers for the Institutional Offer Shares, or, failing which, to subscribe for or purchase the Institutional Offer Shares themselves, severally and not jointly; and (II) (i) the Company is expected to agree to offer and issue the New Shares for subscription by subscribers procured by the Underwriters, or, failing which, to the Underwriters themselves (as specified above); and (ii) Eesti Energia is expected to agree to offer and sell the Secondary Shares to purchasers procured by the Underwriters, or, failing which, to the Underwriters themselves.

The obligations of the parties to the Underwriting Agreement will be subject to the execution of the Pricing Agreement by the parties to the Underwriting Agreement and certain other conditions precedent that are customary for an agreement of this nature. In addition, the Underwriters may terminate the agreement in certain specified circumstances that are typical for agreements of this nature. These include the occurrence of certain material changes in the condition (financial or otherwise), or in the earnings or business affairs of the Company and certain changes in the financial, political or economic conditions affecting the Company (as more fully set out in the Underwriting Agreement).

3.3 STABILISATION AND PUT OPTION

In connection with the Offering, Eesti Energia and the Company have mandated Swedbank AS (the “**Stabilisation Manager**”) acting on behalf of the Citigroup Global Markets Europe AG, Swedbank AS and Nordea Bank Abp (the “**Joint Global Coordinators**” and the “**Underwriters**”) to carry out purchases on the Tallinn Stock Exchange or over-the-counter with a view to stabilising the stock exchange price of the Shares at a level higher than which might otherwise prevail in conformity with the applicable law (including with Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (Market Abuse Regulation) and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures) up to the amount of the Shares subject to the Put Option (as defined below). The stabilising transactions to purchase the Shares may be effected at any time on or before the 30th calendar day after the commencement of trading in the Shares on the Tallinn Stock Exchange (the “**Stabilisation Period**”). The Stabilising Manager is not required to enter into such transactions and is entitled to discontinue stabilisation purchases at any time without prior notification. In addition, the Stabilising Manager might not enter into stabilisation transactions at all and there is no guarantee whatsoever as to the intended effect of such transactions. The stabilising transactions to purchase the Shares may only be effected at a price not exceeding the Offer Price. The Company and the Stabilising Manager shall notify of all transactions made for the purposes of stabilisation in accordance with applicable law. Stabilisation transactions (i) aim at supporting the market price of the Shares during the Stabilisation Period, (ii) may result in a market price of the Shares that is higher than would otherwise prevail, and (iii) will be conducted by the Stabilisation Manager solely on the Tallinn Stock Exchange.

In connection with the Offering, Eesti Energia has granted a put option to the Stabilising Manager or its agent, on behalf of the Underwriters, to sell up to 15% of the Shares sold in the Offering to Eesti Energia at the same price per Share at which the Stabilising Manager may acquire them in the open market in connection with the stabilisation transactions (the “**Put Option**”). The Put Option will be exercisable up to the sixth business day following the end of the Stabilisation Period. In connection with the stabilising actions that may be performed by the Stabilising Manager, Eesti Energia will agree that the Stabilising Manager or its agent will use the Stabilisation Proceeds received from the Settlement Agent in order to finance the stabilisation transactions. The balance of such retained proceeds, after deduction of amounts used by the Stabilising Manager to acquire the Shares in respect of which the Put Option is exercised, and applicable costs shall be transferred to Eesti Energia by no later than the sixth business day following the end of the Stabilisation Period. The Underwriters will not be granted any over-allotment or “green-shoe” option pursuant to the terms of the Underwriting Agreement. The Shares acquired by the Stabilisation Manager as a result of stabilisation purchases will be returned to Eesti Energia in accordance with the terms of the Put Option.

3.4 INSTITUTIONAL OFFERING

3.4.1. Book-building Period

The book-building period for the Institutional Offering is expected to start on or about 5 October 2021 and end on or about 14 October 2021 (the “**Book-Building Period**”), unless shortened or extended. The Company, based on the resolution of the General Meeting of Shareholders, and Eesti Energia, in consultation with the Joint Global Coordinators, may jointly decide to shorten or extend the Book-Building Period at any time, on one or several occasions. In the event of a shortening or an extension of the Book-Building Period, the allocation date, and the settlement date of Offer Shares will be changed accordingly and also the Offer Period aligned accordingly;

however, the Listing Date and commencement of trading on the Tallinn Stock Exchange may not necessarily be changed.

3.4.2. Minimum Application

The Institutional Offering is not subject to a minimum application.

3.4.3. Application Procedure

Applications for Institutional Offer Shares (the “**Application**”) in the Institutional Offering must be made during the Book-Building Period by informing one of the Underwriters of the number of Institutional Offer Shares that the investor wishes to order, and the price per share that the investor is offering to pay for such Institutional Offer Shares within the Offer Price Range.

All applications in the Institutional Offering will be treated in the same manner regardless of which Underwriter the applicant chooses to place the application with. Any orally placed application in the Institutional Offering will be binding upon the investor and subject to the same terms and conditions as a written application. The Underwriters may, at any time and in their sole discretion, require the investor to confirm any orally placed application in writing. Applications made may be withdrawn or amended by the investor at any time up to the end of the Book-Building Period. At the close of the Book-Building Period, all applications in the Institutional Offering that have not been withdrawn or amended are irrevocable and binding upon the investor.

3.5 RETAIL OFFERING

3.5.1. Right to Participate

The Retail Offering comprises an offer of Retail Offer Shares to all natural and legal persons in Estonia, Latvia and Lithuania except for any persons who are categorised as qualified investors pursuant to Section 6(2) of the Estonian Securities Market Act and Article 2(e) of the Prospectus Regulation who should submit their offers in the Institutional Offering.

For the purposes of the Offering:

- a natural person is considered to be “in Estonia” and has the right to participate in the Retail Offering, if all the following conditions are met: (i) such person has an operational securities account with the ERS, (ii) such person’s address recorded in the ERS records in connection with that securities account is located in Estonia and (iii) such person submits a Subscription Undertaking (as defined below) in relation to Offer Shares via that securities account; and
- a legal person is considered to be “in Estonia” and has the right to participate in the Retail Offering, if all the following conditions are met: (i) such person has an operational securities account with the ERS; (ii) such person’s address recorded in the ERS records in connection with that securities account is located in Estonia or its registration code recorded in the ERS records is the registration code of the Estonian Commercial Register; (iii) such person submits a Subscription Undertaking (as defined below) in relation to Offer Shares via that securities account;
- a natural person is considered to be “in Latvia” and has the right to participate in the Retail Offering, if all the following conditions are met: (i) such person has a securities account with a financial institution who is a member of the Tallinn Stock Exchange; (ii) such person’s address is recorded in connection with such person’s securities account in Latvia; (iii) such person submits Subscription Undertaking (as defined below) in relation to Offer Shares via that securities account;

- a legal person is considered to be “in Latvia” and has the right to participate in the Retail Offering, if all the following conditions are met: (i) such person has a securities account with a financial institution who is a member of the Tallinn Stock Exchange; (ii) such person’s address is registered in connection with such person’s securities account in Latvia or its registration code is the registration code of the Latvian commercial register; (iii) such person submits Subscription Undertaking (as defined below) in relation to Offer Shares via that securities account;
- a natural person is considered to be "in Lithuania" and has the right to participate in the Retail Offering, if all the following conditions are met: (i) such person has a securities account with a financial institution who is a member of the Tallinn Stock Exchange; (ii) such person’s address is recorded in connection with such person’s securities account in Lithuania; (iii) such person submits Subscription Undertaking (as defined below) in relation to Offer Shares via that securities account;
- a legal person is considered to be “in Lithuania” and has the right to participate in the Retail Offering, if all the following conditions are met: (i) such person has a securities account with a financial institution who is a member of the Tallinn Stock Exchange; (ii) such person’s address is registered in connection with such person’s securities account in Lithuania or its registration code is the registration code of the Lithuanian commercial register; (iii) such person submits Subscription Undertaking (as defined below) in relation to Offer Shares via that securities account;

The members of the management and supervisory bodies and employees of the Company may participate in the Offering subject to meeting the conditions set out above, as well as subject to other terms and conditions of the Offering set forth herein. The Company is not aware whether or not such persons intend to participate in the Offering.

As an exception to the above and only in accordance with Article 1(4)(b) of the Prospectus Regulation, the members of the management and supervisory bodies and employees of the Eesti Energia group companies in Poland (including the subsidiaries of the Company) may participate in the Offering, if all the following conditions are met: (i) such person has an operational securities account with the ERS; (ii) such person submits a Subscription Undertaking (as defined below) in relation to Offer Shares via that securities account and subject to other terms and conditions of the Offering set forth herein. For the avoidance of doubt, the number of members of management and supervisory bodies and employees of Eesti Energia group companies in Poland remains below 150 natural persons and there will be no public offering in any other country than Estonia, Latvia and Lithuania. The Company is not aware whether or not such persons intend to participate in the Offering.

3.5.2. Retail Offer Period

In order to participate in the Retail Offering, investors who meet the conditions set out in “Part 3 (The Offering), Section 3.5 (Retail Offering)” must submit undertakings to subscribe for Retail Offer Shares (the “**Subscription Undertaking**”) during the Retail Offer Period (as defined below).

The period during which investors may submit Subscription Undertakings will start at 10:00 am (Eastern European Summer Time, Estonian time) on 5 October 2021 and will end at 14:00 pm (Eastern European Summer Time, Estonian time) on 14 October 2021 (the “**Retail Offer Period**”), unless the Offering is postponed or cancelled in accordance with “Part 3 (The Offering), Section 3.6 (Cancellation and Postponement of Offering)”.

3.5.3. Subscription and Instructions to Investors

The Subscription Undertakings may be submitted only during the Retail Offer Period. An investor having the right to participate in the Retail Offering may apply to purchase the Retail Offer Shares only for the price equal to the upper end of the Offer Price Range, i.e. EUR 3.15 per Retail Offer Share (the “**Subscription Price**”).

Multiple Subscription Undertakings by one investor, if submitted, shall be merged for the purposes of allocation. An investor shall bear all costs and fees charged by the respective custodian of the ERS accepting the Subscription Undertaking in connection with the submission, cancellation or amendment of a Subscription Undertaking in accordance with the price list of the respective custodian.

(a) Submission of Subscription Undertakings within Estonian Retail Offering

In order to subscribe for Retail Offer Shares in Estonia, an investor must have a securities account with the ERS. Such securities account may be opened through any custodian of the ERS. The list of banks and investment firms authorised to operate as custodians of the ERS is available at the website of Nasdaq CSD SE at: <https://nasdaqcsd.com/list-of-account-operators/>

An investor wishing to subscribe for the Retail Offer Shares should contact a custodian that operates such investor’s ERS securities account in Estonia and submit a Subscription Undertaking for the purchase of Retail Offer Shares in the form set out below. The Subscription Undertaking must be submitted by 14 October 2021 14 p.m. The investor may use any method that such investor’s custodian offers to submit the Subscription Undertaking (e.g., physically at the client service venue of the custodian, over the internet or by other means). The Subscription Undertaking must include the following information:

Owner of the securities account:	name of the investor
Securities account:	number of the investor’s securities account
Custodian:	name of the investor’s custodian
Security:	Enefit Green share
ISIN code:	EE3100137985
Amount of securities:	the number of Retail Offer Shares for which the investor wishes to subscribe
Price (per one Offer Share):	EUR 3.15
Transaction amount:	the number of Retail Offer Shares for which the investor wishes to subscribe multiplied by the Subscription Price per one Retail Offer Share
Counterparty:	Swedbank AS ⁽¹⁾
Securities account of counterparty:	99000011822
Custodian of the counterparty:	Swedbank AS
Value date of the transaction:	20 October 2021
Type of transaction:	“purchase” or “subscription”
Type of settlement:	“delivery versus payment”

Note:

- (1) In order to facilitate the Settlement, the New Shares will be transferred to a special purpose securities account of Swedbank AS in its capacity as Settlement Agent prior to Settlement.

(b) Submission of Subscription Undertakings within Latvian and Lithuanian Retail Offering

An investor wishing to subscribe for the Offer Shares must contact the financial institution, which is a member of the Tallinn Stock Exchange and manages such investor’s securities account and submit a Subscription Undertaking for the purchase of Retail Offer Shares in a form accepted by

the financial institution and in conformity with the terms and conditions of the Prospectus. The investor may use any method that such investor's account operator offers to submit the Subscription Undertaking (e.g., physically at the client service venue of the account operator, over the internet or by other means).

(c) Terms and conditions for the submission of Subscription Undertaking

An investor may submit a Subscription Undertaking through a nominee account only if such investor authorises the owner of the nominee account in writing to disclose the investor's identity and details to the registrar of the ERS or to the Tallinn Stock Exchange (depending on whether the Subscription Undertaking is submitted via ERS account operator or a financial institution which is a member of Tallinn Stock Exchange). The Subscription Undertakings submitted through nominee accounts will be taken into account upon the allocation of the Retail Offer Shares only if the owner of the nominee account has actually disclosed the identity and details of the investor to the registrar of the ERS in writing. Such details shall include: (i) the name of the investor; (ii) the permanent address and personal identification code if the investor is a natural person; and (iii) the registered address and the registry code (if applicable) if the investor is a legal person. An investor may submit a Subscription Undertaking either personally or through a representative whom the investor has authorised (in the format required by law) to submit the Subscription Undertaking.

A Subscription Undertaking is deemed submitted from the moment the registrar of the ERS receives a duly completed transaction instruction from the custodian of the respective investor or the financial institution managing investor's securities account.

An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Company reserves the right to reject any Subscription Undertakings, which are incomplete, incorrect, unclear or illegible, or which have not been completed and submitted during the Retail Offer Period in accordance with all requirements set out in this Part.

By submitting a Subscription Undertaking, every investor:

- confirms that he/she/it has read the Prospectus and the Prospectus summary translated into Estonian, Latvian, Lithuanian or Russian including without limitation "Part 2 (Risk Factors)" of the Prospectus and the description of rights and obligations resulting from the ownership title to the Shares contained therein;
- accepts the terms and conditions of the Offering set out under this "Part 3 (The Offering), Section 3.5 (Retail Offering)" and elsewhere in this Prospectus and agrees with the Company that such terms will be applicable to the investor's acquisition of any Retail Offer Shares;
- acknowledges that the Retail Offering does not constitute an offer of the Retail Offer Shares by the Company within the meaning of Section 16(1) of the Estonian Law of Obligations Act or otherwise and that the submission of a Subscription Undertaking does not itself entitle the investor to acquire the Retail Offer Shares nor result in a contract for the sale of Retail Offer Shares between the Company and the investor;
- accepts that the number of the Retail Offer Shares indicated by the investor in the Subscription Undertaking will be regarded as the Maximum Number of the Retail Offer Shares, which the investor wishes to acquire and that the investor may receive less (but not more) Retail Offer Shares than the Maximum Number;
- undertakes to acquire any number of Retail Offer Shares, up to the Maximum Number, allocated to it in accordance with these terms and conditions and pay for each acquired Retail

Offer Share the Offer Price (to be determined by the Company and Eesti Energia, in consultation with the Underwriters, provided that it is not greater than the Subscription Price);

- authorises and instructs its custodian to forward the investor's Subscription Undertaking to the registrar of the ERS;
- accepts and agrees that the Company and the Underwriters have a right for daily update of received Subscription Undertakings provided by the Registrar;
- authorises the custodian or the registrar of the ERS, the Company and any of the Underwriters to process, forward and exchange information on the identity of the investor and the contents of respective investor's Subscription Undertaking before, during and after the Retail Offer Period;
- authorises the custodian or the registrar of the ERS or the financial institution who is member of the Tallinn Stock Exchange, as the case may be, to amend the information contained in the investor's Subscription Undertaking, including (a) to specify the value date of the transaction, (b) to specify the price per Retail Offer Share in accordance with the determination of the Offer Price by the Company, (c) to specify the number of the Retail Offer Shares to be purchased by the investor and the total amount of the transaction found by multiplying the Offer Price by the number of Retail Offer Shares allocated to the relevant investor and (d) correct or clarify obvious mistakes or irregularities in the Subscription Undertaking, if any;
- confirms that he/she/it is located within Estonia, Latvia or Lithuania, as the case may be, and not subject to the laws of any other jurisdiction which would prohibit the placing of the Subscription Undertaking and represents that he/she/it is authorised to place a Subscription Undertaking in accordance with the Prospectus;
- confirms that the Subscription Undertaking shall be unconditional, shall not include any reservations and shall be irrevocable from the time when the Subscription Undertakings are binding on the investors, subject to the provisions of the Prospectus; and
- confirms his/her/its awareness that investing in shares is inherently associated with investment risk that can be inadequate for his/her/its knowledge and experience.

3.5.4. Payment

By submitting a Subscription Undertaking, an investor authorises and instructs the credit institution operating the investor's cash account connected to its securities account (investor's custodian) to immediately block the whole transaction amount on the investor's cash account until the Settlement is completed or funds are released in accordance with this Part. The transaction amount to be blocked will be equal to the Subscription Price multiplied by the Maximum Number. An investor additionally authorises its custodian to block the amount necessary for payment of custodian's fees and charges related to Subscription Undertaking according to the applicable price list of the custodian. An investor may submit a Subscription Undertaking only when there are sufficient funds on the cash account connected to its ERS securities account or to the securities account opened with a financial institution to cover the whole transaction amount for that particular Subscription Undertaking.

3.5.5. Amendment or Cancellation of Subscription Undertakings

An investor may amend or cancel a Subscription Undertaking at any time before the expiry of the Retail Offer Period. To do so, the investor must contact its custodian or financial institution who is member of the Tallinn Stock Exchange through whom the Subscription Undertaking in question has been made, and carry out the procedures required by the custodian or the financial institution who is member of the Tallinn Stock Exchange for amending or cancelling a

Subscription Undertaking (such procedures may differ between different custodians). All fees payable in connection with an amendment and/or annulment of a Subscription Undertaking shall be payable by the investor according to the applicable price list of the custodian or the relevant subscription place. Any amendment to or cancellation of the Subscription Undertaking becomes effective at the moment when the transaction instruction of the investor has been amended or cancelled in the ERS on the basis of the respective order received from the investor's custodian.

3.5.6. Sales Agent for the Retail Offering in Estonia

The Company has appointed an Estonian credit institution, AS LHV Pank (registered address Tartu mnt 2, Tallinn, Estonia; the “**Sales Agent**”) as a sales agent in connection with the Retail Offering in Estonia. The Sales Agent shall serve as a distributor and offer the Retail Offer Shares only in Estonia on a best-efforts basis.

3.6 CANCELLATION AND POSTPONEMENT OF OFFERING

The Company, based on the resolution of the General Meeting of Shareholders, and Eesti Energia may jointly decide to postpone or cancel the Offering or any part thereof at any time prior to the date and time at which pricing and allocation of the Offer Shares occurs (the “**Time of Sale**”).

The reasons for which the Company and Eesti Energia may decide to cancel or postpone the Offering may include, but not be limited to:

- sudden and material adverse change in the economic or political situation in Estonia or worldwide, which could affect the financial markets, economy, or the Group's operations and its prospects; or
- failure to adopt relevant resolutions authorising the issue of New Shares or approving the final Offer Price expected to take place on or around 15 October 2021; or
- any material change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Group's operations.

In addition, the Company and Eesti Energia jointly have the right to cancel a part of the Offering which was not subscribed for during the Offer Period.

Any cancellation of the Offering will be announced through the information system of the Tallinn Stock Exchange and on the website of the Company (English version: www.enefitgreen.ee/en/ipo, Estonian version: www.enefitgreen.ee/ipo). All rights and obligations of the parties in relation to the cancelled part of the Offering shall terminate at the moment when such announcement is made public.

Further, the Offering will not be completed if the conditions precedent to the Underwriters' obligations are not satisfied (nor expressly waived in writing) as and when required by the Underwriting Agreement, or if the Underwriting Agreement is terminated prior to payment for the Offer Shares in accordance with the terms stipulated therein.

3.7 OFFER PRICE

The final offer price payable for each Offer Share shall be decided jointly by the Company and Eesti Energia, after consultation with the Joint Global Coordinators, following the completion of the Book-Building process directed at institutional investors in the course of the Institutional Offering. The Offer Price shall be determined on the basis of Applications for the Offer Shares obtained from institutional investors, taking into consideration, *inter alia*, the total demand for the Offer Shares in the Institutional Offering, price sensitivity of the demand and the nature of

demand from various investors with the aim of a more balanced trading environment upon the Listing.

The Offer Price will be in the range of EUR 2.45 and EUR 3.15. The Offer Price Range may be amended until the end of the Offer Period on the basis of information obtained in the Book-Building process in accordance with applicable laws and notification requirements.

The Offer Price in the Institutional Offering and the Retail Offering will be the same.

The Company will announce the final Offer Price via the Tallinn Stock Exchange and on the website of the Company (English version www.enefitgreen.ee/en/ipo, Estonian version: www.enefitgreen.ee/ipo).

3.8 PROCEDURE FOR AMENDING THE OFFER PRICE RANGE; WITHDRAWAL RIGHTS

In case the Offer Price Range is amended, the Company may be required to prepare a supplement to the Prospectus. For example, such obligation will apply if the Offer Price is set higher than the Offer Price Range. The supplement will be submitted for approval to EFSA and, after having been approved, published in the same way as the original Prospectus was published. If the Offer Price Range is amended, also the total number of Offer Shares, the dates and other terms and conditions set forth in this Prospectus may be subject to change. All such changes shall be announced together with the announcement of the amended Offer Price Range via the Tallinn Stock Exchange and on the website of the Company (English version www.enefitgreen.ee/en/ipo, Estonian version: www.enefitgreen.ee/ipo).

In addition, pursuant to the Prospectus Regulation, any significant new factor, material error or inaccuracy related to the information included in this Prospectus which could affect the assessment of the Offer Shares, and which arises or becomes known between the date of approval of this Prospectus and Listing of the Shares on Tallinn Stock Exchange will be required to be communicated through a supplement to this Prospectus. Such prospectus supplement would be submitted to the EFSA for review prior to publication in accordance with the Prospectus Regulation.

In the event that the Company is required to publish a supplement to the Prospectus in accordance with Article 23 of the Prospectus Regulation, investors who have submitted Subscription Undertakings in the Retail Offering before the publication and announcement of a prospectus supplement will, where the relevant new factor, material mistake or material inaccuracy referred to above arose or was noted before the closing of the Offer Period or delivery of the Offer Shares (whichever occurs first), have a right to withdraw their Subscription Undertakings within two business days (or such later date as may be specified in that supplement) after the announcement following the procedure described in “Part 3 (The Offering), Section 3.5.5 (Retail Offering—Amendment or Cancellation of Subscription Undertakings)”. However, in the event the Offer Price Range is amended so that the upper end of the Offer Price is set higher than the initial Offer Price Range, all Subscription Undertakings submitted in the Retail Offering will be cancelled and will need to be re-submitted in accordance with the procedure described in “Part 3 (The Offering), Section 3.5 (Retail Offering)”.

Investors who have submitted Applications in the Institutional Offering will also have a right to withdraw their Applications within two business days (or such later date as may be specified in that supplement) after the date on which the prospectus supplement is published in the circumstances described above. Investors wishing to exercise the above right to withdraw their Application must do so by lodging a written notice of withdrawal via e-mail, fax or other means of communication (during normal business hours only) to any of the Underwriters.

If a Subscription Undertaking or an Application is not withdrawn within the stipulated period, that Subscription Undertaking or Application and the offer to apply for Offer Shares in the Offering stipulated therein will remain valid and binding.

3.9 DISTRIBUTION AND ALLOCATION

3.9.1. Allocation of Offer Shares in the Institutional Offering and the Retail Offering

In the allocation, the Company and Eesti Energia shall take into consideration only those Subscription Undertakings and Applications, which have been completed and submitted during the Retail Offer Period and Book-Building Period respectively. The Company may reject any Subscription Undertaking, which has not been submitted in accordance with all the requirements set out in the terms above.

The Offer Shares will be allocated to investors participating in the Offering in accordance with the following terms and conditions:

- (i) The division of the Offer Shares between the Institutional Offering and the Retail Offering has not been predetermined. There is no minimum allocation percentage established for either tranche. The Company and Eesti Energia, in consultation with the Underwriters, will jointly determine the exact tranche sizes of the Retail Offering and Institutional Offering (percentage wise);
- (ii) the Company and Eesti Energia, in consultation with the Joint Global Coordinators, will determine the exact allocation of the Offer Shares among investors in the Institutional Offering on a discretionary basis;
- (iii) the indicative minimum individual allocation in the Retail Offering (amount up to which Subscription Undertakings are expected to be fully accepted in the Retail Offering) is an allocation of up to 1,000 Offer Shares. The final minimum individual allotment will, however, be determined by the Company and Eesti Energia, together with Underwriters, after the expiry of the Offer Period and it may differ from the indicative amount provided above;
- (iv) the indicative minimum individual allocation to the Preferred Managers (as defined below) and Preferred Employees (as defined below) (amount up to which Subscription Undertakings are expected to be fully accepted) is an allocation of up to 2,000 Offer Shares. The final minimum individual allotment to the Preferred Managers and Preferred Employees will, however, be determined by the Company and Eesti Energia, together with the Underwriters, after the expiry of the Offer Period and it may differ from the indicative amount provided above;
- (v) any Subscription Undertakings exceeding the above indicative minimum individual allocation are expected to be allocated to investors in the Retail Offering on the basis of stepped allocation methodology determined by the Company and Eesti Energia, in consultation with the Underwriters as follows:
 - A. the Company and Eesti Energia, together with the Underwriters will determine, after the Offer Period, one or more allocation levels (in number of the Offer Shares) and the allocation percentages applied to each level;
 - B. the transaction amount in each Subscription Undertaking will be divided into different parts, *e.g.*, part being below the first level (x% of such part will be accepted), part being between the first and second level (y% of such part will be accepted), part exceeding the second level (z% of such part will be accepted), etc.;
 - C. the main criteria for the determination of the levels and allocation percentages are: (a) the total demand for the Offer Shares in the Retail Offering; (b) the size of Subscription

Undertakings in the Retail Offering and (c) the number of investors having submitted Subscription Undertakings in the Retail Offering;

- (vi) the indicative minimum guaranteed individual allocation amount stipulated in clauses (iii) and (iv) of Subsection 9.1 can be amended at the sole discretion of the Company and Eesti Energia, together with the Joint Global Coordinators, if deemed to be necessary;
- (vii) in the Retail Offering, the allocation for investors who have subscribed for more than 100,000 Offer Shares shall be decided in the Institutional Offering by the Company and Eesti Energia, together with the Joint Global Coordinators, at their sole discretion;
- (viii) no tranche has been predetermined to investors in Estonia, Latvia or Lithuania;
- (ix) allocation of the Offer Shares will not be determined on the basis of which firm they are made through or by;
- (x) possible multiple Subscription Undertakings submitted by an investor in the Retail Offering or multiple Applications submitted by an investor in the Institutional Offering shall be merged for the purpose of allocation. If different securities' accounts of the investor have been indicated in the Subscription Undertakings or Applications submitted by such investor respectively, subject to the amount of the Offer Shares indicated in each such Subscription Undertaking, the Company and Eesti Energia shall have the discretion to determine the number of the Offer Shares that will be transferred to each such securities' accounts of such investor in the course of the Settlement;
- (xi) each investor subscribing via a nominee account is considered as an independent investor if the Company, Eesti Energia and the Joint Global Coordinators have received information on such investor's identity and the amount of Offer Shares subscribed for by such investor; and
- (xii) each investor entitled to receive the Offer Shares shall be allocated a whole number of the Offer Shares and, if necessary, the number of the Offer Shares to be allocated shall be rounded down to the closest whole number. Any remaining Offer Shares which cannot be allocated using the above-described process will be allocated to investors on a random basis.

The Company and Eesti Energia will decide on the allocation of the Offer Shares after the determination of the Offer Price.

The Company expects to notify the results of the Offering and Offer Shares allocation by an announcement through Tallinn Stock Exchange and on the website of the Company (English version www.enefitgreen.ee/en/ipo, Estonian version: www.enefitgreen.ee/ipo) on or about 15 October 2021. The amount of Offer Shares allotted to individual institutional investors shall be notified by the respective Underwriter on or about 15 October 2021. The trading of the Shares is expected to commence on the Nasdaq Tallinn Stock Exchange on or about 21 October 2021. Therefore, dealing with the Shares will begin after the notification on allocation to individual institutional investors has been made.

3.9.2. Preferred Allocation to Managers and Employees

A natural person will be entitled to preferential allocation if he or she chooses to participate in the Retail Offering and duly submits a Subscription Undertaking via a custodian and he or she is:

- (i) a member of the management board or the supervisory council of the Company, its consolidated subsidiaries in Estonia, Latvia, Lithuania or Poland or any other legal entity from Estonia, Latvia, Lithuania or Poland which belongs to the Eesti Energia group (*i.e.*, Eesti Energia, Enefit Connect OÜ, Elektrilevi OÜ, Narva Soojusvõrk AS, Enefit Power AS, Enefit Solutions AS, Attarat Holding OÜ, Enefit SIA, Enefit UAB, Tootsi Windpark OÜ, Enefit Outotec Technology OÜ and

Enefit Sp. z o.o), as at 10:00 a.m. (Eastern European Time – Estonian time) on 5 October 2021 (the “**Preferred Managers**”); and/or

- (ii) an employee of the Company, its consolidated subsidiaries in Estonia, Latvia, Lithuania or Poland or any other legal entity from Estonia, Latvia, Lithuania or Poland which belongs to the Eesti Energia group (as indicated in subsection 3.9.2.(i) above), who works under an employment contract, as at 10:00 a.m. (Eastern European Time – Estonian time) on 5 October 2021 (the “**Preferred Employees**”).

For the avoidance of doubt, such preferential allocation does not constitute a public offering of securities in any country other than Estonia, Latvia, Lithuania, and no Preferred Manager or Preferred Employee may be offered the Offer Shares with the right to participate in the preferential allocation, unless such person is a natural person and resident in Estonia, Latvia, Lithuania or Poland.

If a person is simultaneously both a Preferred Employee and a Preferred Manager, such person shall be entitled to participate in the preferential allocation only once (*i.e.*, the maximum indicative preferential allocation to any one person is 2,000 Offer Shares). Multiple Subscription Undertakings by a Preferred Employee or a Preferred Manager, if submitted, shall be merged into one Subscription Undertaking for the purposes of allocation.

The Company is not aware whether members of the Management Board and Supervisory Council of the Company or any other Preferred Managers or Preferred Employees intend to subscribe for Offer Shares.

3.10 RETURN OF FUNDS

If (i) the Offering is cancelled in full, (ii) the Offer Price is lower than the Subscription Price, (iii) the Subscription Undertaking is revoked, (iv) the investor’s Subscription Undertaking is rejected or (v) the allocation deviates from the Maximum Number of Offer Shares indicated in the duly submitted Subscription Undertaking, the funds blocked on the investor’s cash account in excess of the payment for the allocated Offer Shares will be released by the custodian in or around one business day after the relevant event or Settlement described in “Part 3 (The Offering), Section 3.12 (Settlement and Trading)” occurs. The Company shall be liable neither for the release of the respective amount nor for the payment of interest on the released amount for the time it was blocked.

3.11 ISSUE OF THE NEW SHARES

In connection with the Offering, the Republic of Estonia as the sole shareholder of Eesti Energia (acting through the Minister of Finance) has by its decision dated 17 September 2021 authorised Eesti Energia to dispose up to 49% holding in the Company through sale of existing shares or waiver of pre-emptive right to subscribe for new issued shares. The New Shares subscribed for and allocated to investors in the course of the Offering in accordance with this Part will be issued by the Management Board of the Company on the basis of a resolution on the conditional increase of the Company’s share capital that was adopted at a General Meeting of Shareholders on 3 October 2021 (the “**Resolution**”). Under the resolution, Eesti Energia waived its pre-emptive right to subscribe for the New Shares. The conditional share capital increase is expected to be registered in the Estonian Commercial Register on or about 11 October 2021.

Under the Resolution, the Management Board is authorised to issue the New Shares in connection with the Offering at the Offer Price to be determined in accordance with this Part. The New Shares will be issued and will carry voting and other shareholders’ rights once the New Shares have been issued by the ERS. Offer Shares are created and issued under Estonian laws. After the allocation

of the Offer Shares, the Management Board will apply for the registration of the New Shares with the ERS.

3.12 SETTLEMENT AND TRADING

The New Shares will be, and the Secondary Shares together with existing Shares are, registered in book-entry form in the ERS maintained by Nasdaq CSD SE and under ISIN EE3100137985.

The Offer Shares allocated to the investors who participated in the Offering shall be transferred to their securities accounts on or about 20 October 2021 through the “delivery versus payment” method simultaneously with effecting the payment for such Offer Shares. Each investor shall be entitled to transfer the Offer Shares from its securities’ account as from the moment the transfer of the Offer Shares to its account has been completed.

The final amount payable by an investor for the Offer Shares will be calculated by multiplying the number of Offer Shares allocated to such investor with the Offer Price. Each investor in the Institutional Offering will be required to undertake to pay the Offer Price for the Offer Shares to the respective Underwriter.

The Company has on 1 October 2021 filed an application with the Tallinn Stock Exchange for the Listing of all Shares on the Nasdaq Baltic Main List. Upon satisfaction of the application for the Listing, the trading in the Shares is expected to commence on the Tallinn Stock Exchange on or about 21 October 2021.

3.13 SELLING AND TRANSFER RESTRICTIONS

The distribution of this Prospectus and the offer of any Shares, including the Offer Shares, in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those that follow. Failure to comply with these restrictions may constitute a violation of securities laws.

3.13.1. Selling Restrictions

(a) General

No action has been or will be taken in any jurisdiction (other than Estonia, Lithuania and Latvia) that would permit a public offering of the Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Offering, in any jurisdiction where action for such purpose is required. This Prospectus does not constitute an offer to subscribe for or buy any of the Shares offered in this Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. Accordingly, the Shares may not be offered or sold, directly or indirectly, nor may this Prospectus or any other offering material or advertisement in connection with such securities be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

(b) EEA

In relation to each Member State of the European Union (other than Estonia, Latvia and Lithuania) (a “**Relevant State**”) no offer to the public of Shares which are the subject of the Offering contemplated by this Prospectus has been, or will be, made in that Relevant State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall require the Company or any Joint Global Coordinators to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Shares to the public” in relation to any Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

(c) United Kingdom

In the United Kingdom, this Prospectus and any other material in relation to the Offering described herein is only being distributed to, and is only directed qualified investors as defined in the Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK Prospectus Regulation**”) that are also: (i) persons having professional experience in matters relating to investments falling within the definition of “investment professionals” falling within Article 19(5) of the Order; or (ii) persons who are high net worth bodies corporate, unincorporated associations and partnerships and the trustees of high value trusts, as described in Article 49(2)(a) to (d) of the Order; or (iii) persons to whom distributions may otherwise lawfully be made (all such persons together being referred to as “**Relevant Persons**”) or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of FSMA. The Offer Shares are only available to, and any investment or investment activity to which this Prospectus relates is available only to, and will be engaged in only with, Relevant Persons. This Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Persons who are not Relevant Persons should not take any action on the basis of this Prospectus and should not rely on it.

(d) United States

The Shares have not been and will not be registered under the U.S. Securities Act and the Shares may not be offered or sold within the United States except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the U.S. Securities Act. The Shares will be offered and sold in the United States only to QIBs as defined in, and in reliance on Rule 144A or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S.

Any offer regarding sales of Shares in the United States will be made solely by one or more broker dealers registered in accordance with the United States Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”).

Until the expiration of 40 days after the later of the commencement of the Offering and the original issue or sale date of the Shares offered in the Offering, an offer, sale or transfer of the shares within the United States by a dealer may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to an exemption from registration under the U.S. Securities Act.

(e) Australia

This document:

- does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (“**Corporations Act**”);
- does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act;
- has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (“**ASIC**”), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and
- may not be provided in Australia other than to select investors (“**Exempt Investors**”) who are able to demonstrate that they: (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act; and (ii) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Shares, each subscriber or purchaser of Shares represents and warrants to the Company, Eesti Energia, the Joint Global Coordinators and their affiliates that such subscriber or purchaser is an Exempt Investor.

As any offer of Shares under this Prospectus or any other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Shares, each subscriber or purchaser of Shares undertakes to the Company, Eesti Energia and the Joint Global Coordinators that such subscriber or purchaser will not, for a period of 12 months from the date of issue or purchase of the Shares, offer, transfer, assign or otherwise alienate those Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

(f) South Africa

Due to restrictions under the securities laws of South Africa, the Shares are not offered, transferred, sold, made, renounced or delivered in South Africa or to a person with an address in South Africa and the Offering is not made, offered, transfer, sold, renounced or delivered in South Africa or to a person with an address in South Africa, unless such person falls within one or more of the exemptions to the securities laws relating to offers to the public set out in Section 96 of the Companies Act No. 71 of 2008 (as amended). The exemptions include

- Offers made only to the following persons, namely (i) persons whose ordinary business, or part of whose ordinary business, is to deal in securities, whether as principals or agents; (ii) the Public Investment Corporation as defined in the Public Investment Corporation Act, No. 23 of 2004 (as amended); (iii) persons regulated by the Reserve Bank of South Africa; (iv) authorised financial services providers as defined in the Financial Advisory

and Intermediary Services Act, No. 37 of 2002 (as amended); (v) financial institutions as defined in the Financial Services Board Act, No. 97 of 1990; (vi) wholly owned subsidiaries of the persons contemplated in (iii), (iv) and (v) acting as agent in the capacity of authorised portfolio manager for a pension fund registered in terms of the Pension Funds Act, No. 24 of 1956 or as a manager for a collective investment scheme registered in terms of the Collective Investment Schemes Control Act, No. 45 of 2002; (vii) any combination of the persons contemplated in (i) to (vi); and

- Offers made to a single address acting as principal where the contemplated acquisition cost of Shares is equal to or greater than R1,000,000.

The Offering does not constitute an offer for the sale or subscription for, or solicitation of an offer to buy and subscribe for, Shares to the public as defined in the Companies Act, No. 71 of 2008 (as amended) and will not be distributed to any person in South Africa in any manner which could be construed as an offer to the public in terms of the Companies Act, No. 71 of 2008 (as amended) and should any person who does not fall into any of the above exemptions receive this Prospectus they should not and will not be entitled to acquire any Shares or otherwise act thereon. This Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act, No. 71 of 2008 (as amended).

(g) Canada

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of NI 33-105, the Joint Global Coordinators are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

3.13.2. Transfer Restrictions

The Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered or sold except: (i) within the United States only to QIBs as defined in, and in reliance on, Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and (ii) outside the United States in compliance with Regulation S, and in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Terms defined in Rule 144A or Regulation S shall have the same meaning when used in this section.

Investors outside of the United States

Each purchaser of the Shares outside the United States pursuant to Regulation S will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- The purchaser is authorised to consummate the purchase of the Shares in compliance with all applicable laws and regulations;
- The purchaser acknowledges that the Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority or any state of the United States, and are subject to significant restrictions on transfer;
- The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Shares was located outside the United States at the time the buy order for the Shares was originated and continues to be located outside the United States and has not purchased the Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Shares to any person in the United States;
- The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Shares from the Company or an affiliate thereof in the initial distribution of such Shares;
- The purchaser is aware of the restrictions on the offer and sale of the Shares pursuant to Regulation S described in this Prospectus;
- The Shares have not been offered to it by means of any “directed selling efforts” as defined in Regulation S;
- The Company shall not recognise any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above restrictions; and
- The purchaser acknowledges that these representations and undertakings are required in connection with the securities laws of the United States and that the Company, Eesti Energia and the Joint Global Coordinators will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Investors in the United States

Each purchaser of the Shares within the United States will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- The purchaser is authorised to consummate the purchase of the Shares in compliance with all applicable laws and regulations;
- The purchaser acknowledges that the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions to transfer;
- The purchaser (i) is a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such Shares for its own account or for the account of a QIB, in each case for investment and not with a view to any resale or distribution to the Shares, as the case may be;

- The purchaser is aware that the Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;
- The purchaser understands and acknowledges that if, in the future, the purchaser or any such other QIBs for which it is acting, or any other fiduciary or agent representing such purchaser decides to offer, resell, pledge or otherwise transfer such Shares, as the case may be, such Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction meeting the requirements of Regulation S, (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), (iv) pursuant to any other exemption from the registration requirements of the U.S. Securities Act, subject to the receipt by the Company of an opinion of counsel or such other evidence that the Company may reasonably require that such sale or transfer is in compliance with the U.S. Securities Act or (v) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction;
- The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Shares from the Company or an affiliate thereof in the initial distribution of such Shares;
- The purchaser understands that Shares are “restricted securities” within the meaning of Rule 144(a)(3) and that no representation is made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for resales of any Shares, as the case may be;
- The Company shall not recognise any offer, sale pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions; and
- The purchaser acknowledges that these representations and undertakings are required in connection with the securities laws of the United States and that the Company, Eesti Energia, the Joint Global Coordinators and their respective advisors will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- For so long as the Shares are “restricted securities” as defined in Rule 144(a)(3) under the U.S. Securities Act, the Shares may not be deposited into any unrestricted depository facility established or maintained by a depository bank, unless and until such time as the Shares are no longer restricted securities.

3.14 OTHER RELATIONSHIPS

The Underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, issuing or creating and trading in securities and financial products, publishing research and exercising voting power over securities on behalf of third parties, financing and brokerage activities, for which they received customary fees. In the ordinary course of the Underwriters’ trading, brokerage, asset management, and financing activities, the Underwriters may at any time deal as principal or agent for more than one party in, or hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or loans of the Company, Eesti Energia, their respective associates or any counterparty.

Each Underwriter may have and may in the future have investment and commercial banking, trust and other relationships with parties other than the Company, which parties may have interests with respect to the Company, Eesti Energia, their respective affiliates or other persons. The Underwriters and their respective affiliates may provide such services for the Company and Eesti Energia and their respective affiliates in the future.

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up a portion of the Shares in the Offering as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any of the Company's other securities or other related investments in connection with this Offering or otherwise. Accordingly, references in this Prospectus to the shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Underwriters or any of them and any of their respective affiliates acting as an investor for its or their own account(s). In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of the Shares. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

3.15 LOCK UP ARRANGEMENTS

The Company has agreed that, without the prior written consent of the Underwriters, neither the Company nor any of its affiliates nor any person acting on its behalf will, during the period ending 180 calendar days from the Listing Date:

- (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell or lend or otherwise transfer or dispose of any Shares or any securities convertible into or exercisable or exchangeable for Shares, or file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange, or listing authority with respect to any of the foregoing;
- (ii) enter into any swap or any other agreement or other arrangement that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of any Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (iii) submit to its shareholders a proposal to effect any of the foregoing; or
- (iv) publically announce such an intention to effect any such transaction.

The foregoing sentence shall not apply to

- a. the issue or sale of Shares pursuant to the Offering;
- b. the issue of Shares pursuant to the grant or exercise of share options or awards under share option schemes described in this Prospectus;
- c. the grant of any share options or awards under share option schemes described in this Prospectus; or
- d. any circumstances where an issue or sale of Shares is required by law or by any competent authority or by order of a court of competent jurisdiction.

provided that the aggregate number of Shares issued or issuable pursuant to sub clauses b. and c. do not exceed 5% of the number of Shares outstanding immediately after the Offering and, prior to such issuance, each recipient of any such securities shall execute and deliver to the Underwriters a deed of adherence in a form reasonably satisfactory to the Underwriters in relation to such Shares agreeing to be bound by the restrictions provided in this “Section 3.15”.

Eesti Energia has agreed that, without the prior written consent of the Underwriters, neither Eesti Energia nor any of its affiliates nor any person acting on its behalf, will during the period ending on the expiration of 180 calendar days after the Listing Date:

- (i) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any other shares of the Company or any securities convertible into or exercisable or exchangeable for any shares of the Company or request or demand that the Company file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing;
- (ii) enter into any swap or any other agreement or other arrangement that transfers, in whole or in part, the economic consequences of ownership of Shares, whether any such transactions described in clause (i) or (ii) above are to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (iii) submit to the Company’s shareholders a proposal to effect any of the foregoing; or
- (iv) publicly announce such an intention to effect any such transaction.

The foregoing sentence shall not apply to

- a. the sale of Secondary Shares by the Selling Shareholder pursuant to this Offering;
- b. the acceptance of a general offer made to all holders of issued and outstanding Shares for the time being (other than Shares held or contracted to be acquired by the offeror or associated parties) made on terms which treat all such holders alike;
- c. the execution and delivery of an irrevocable commitment or undertaking to accept an offer (without any further agreement to transfer or dispose of any Shares or any interest therein) referred to in clause b. above;
- d. the sale or disposal of Shares pursuant to any offer by the Company in accordance with Estonian law to purchase its own Shares which is made on identical terms to all holders of Shares in the Company;
- e. the transfer or disposal of Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members or any class of them which is agreed to by the creditors or members;
- f. the transfer of the legal interest in Shares provided that the beneficial owner shall not change; or
- g. the transfer of Shares where a disposal is required by law or by any competent authority or by order of a court of competent jurisdiction.]

PART 4. BACKGROUND, REASONS FOR OFFERING AND USE OF PROCEEDS

The purpose of the Offering is to offer to investors up to 26.4% of the Company and to broaden the Group's investor base. The listing of the Shares is expected to increase liquidity of the Shares and enhance the Group's profile in relation to current and potential customers and other cooperation partners.

Assuming the Offer Price is set at the mid-point of the Price Range and 35,714,286 New Shares are subscribed for and issued, the Company expects to receive gross proceeds of approximately EUR 100 million from the Offering. The net proceeds to the Company in the Offering, after deducting estimated commissions (excluding payment of any discretionary commissions) and expenses payable by the Company of approximately EUR 7.97 million, are estimated to be approximately EUR 92.0 million, assuming no use of the Upsize Option.

The Company intends to use the net proceeds of the Offering to finance the Group's development projects and any potential new projects in order to support the Group's growth and development strategy. In particular, the Company plans to use the net proceeds of the Offering for the purposes of developing the wind and solar parks in the Group's near-term pipeline which consists of Šilale II wind park that is under construction and various other projects with a potential for FiD by the end of 2021 and 2022.

In Management's view, the exact allocation of the funds to the ongoing projects cannot be determined at the date of this Prospectus. The exact allocation of the funds to various ongoing development projects will be determined by the Company at a later stage depending on the process (including speed, stage and order of execution) of the ongoing development projects. The Group will retain broad discretion in the allocation of the net proceeds of the Offering.

Management currently estimates that the development of all projects in the near-term pipeline would require capital expenditure between EUR 560 million and EUR 610 million. The Group intends to finance the remaining portion of its capital expenditures for the development and construction of the above projects by combination of cash flows from operations and through bank borrowings. For further details on the Group's development and capital expenditure plans, see "Part 11 (Business), Section 11.4 (Strategy)" and "Part 11 (Business), Section 11.8 (Projects in Development)".

Assuming (i) the Offer Price is set at the mid-point of the Price Range; 5,357,142 Secondary Shares are subscribed for and sold and the Upsize Option is not used; and (iii) the Put Option is not exercised, and all Shares remain in public hands, Eesti Energia expects to receive net proceeds of up to approximately EUR 13.8 million from the sale of the Secondary Shares. For further information, see "Part 3 (The Offering), Section 3.1 (The Offering)". Eesti Energia intends to use the net proceeds of the Offering for general corporate purposes, including reduction of its indebtedness. The Company will not receive any proceeds from the sale of Secondary Shares by Eesti Energia.

PART 5. CAPITALISATION AND INDEBTEDNESS

5.1 CAPITALISATION

The table below sets out the Group's capitalisation and indebtedness as of 31 August 2021. The capitalisation and indebtedness information has been extracted without material adjustment from the Group's unaudited accounting records and management information as of 31 August 2021. The Group's consolidated capitalisation and indebtedness will be significantly impacted by the Offering and the use of proceeds therefrom. Investors should read this table together with "Part 6 (Selected Financial Information)".

CAPITALISATION

	As of 31 August 2021 (EUR '000)
Current debt	
Guaranteed	0.0
Secured	103.0 ⁽¹⁾
Unguaranteed/unsecured	42,535.7
Total current debt	42,638.7
Non-current debt	
Guaranteed	0.0
Secured	2,041.5 ⁽²⁾
Unguaranteed/unsecured	140,652.8
Total non-current debt	142,694.4
Shareholder Equity	
Share capital	229,793.5
Statutory reserve capital	479.3
Other reserves	151,025.1
Retained earnings	110,980.0⁽³⁾
Total equity	492,277.9
Total capitalisation	677,611.0

Note:

- (1) Current secured debt consists of current portion of lease liabilities of EUR 103.0 thousand.
- (2) Non-current secured debt consists of non-current portion of lease liabilities of EUR 2,041.5 thousand.
- (3) Retained earnings include profit for the period of EUR 32,968.6 thousand, which does not account for profit / loss from Wind Controller JV Oy and Team Paldiski OÜ associates.

5.2 NET INDEBTEDNESS

The table below sets out the Group's net indebtedness as of 31 August 2021. This statement of indebtedness has been extracted without material adjustment from the Group's unaudited accounting records as of 31 August 2021.

INDEBTEDNESS	
	As of 31 August 2021 (EUR '000)
A. Cash	18,812.8
B. Cash equivalent	-
C. Other current financial assets	-
D. Liquidity (A)+(B)+(C)	18,812.8
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	-
F. Current portion of non-current financial debt	42,535.7
G. Other current indebtedness	103.0 ⁽⁴⁾
H. Current financial indebtedness (E)+(F)+(G)	42,638.7
I. Net Current Financial Indebtedness (H)-(D)	23,825.9
J. Non-current financial debt (excluding current portion and debt instruments)	137,652.8
K. Other non-current indebtedness	5,041.5 ⁽⁵⁾
L. Debt instruments	-
M. Non-current trade and other payables	-
N. Non-current Financial Indebtedness (J)+(K)+(L)+(M)	142,694.4
O. Total Financial Indebtedness (I)+(N)	166,520.3

Note:

- (4) Other current indebtedness consists of current portion of lease liabilities of EUR 103.0 thousand.
- (5) Other non-current indebtedness consists of non-current portion of lease liabilities in the amount of EUR 2,041.5 thousand and other long-term borrowings in the amount of EUR 3,000.0 thousand.

As of 31 August 2021, the Group has no contingent or indirect indebtedness. Certain of the Group's loan agreements and debt securities contain covenants that could result in an event of default under the existing loan agreement or debt instrument if breached. See "Part 18 (Additional Information), Section 18.1.2 (Material Contracts—Financing Agreements)" for further information on loan agreements entered into by the Company, including those entered into since 31 August 2021.

For the Group's off-balance sheet transactions, see "Part 8 (Operating and Financial Review), Section 8.13 (Off-balance sheet transactions)".

PART 6. DIVIDENDS AND DIVIDEND POLICY

Company declared a dividend distribution to its sole shareholder for the financial year 2020 in the total amount of EUR 5.66 per share comprising EUR 27.1 million in total. For 2019, dividend in the amount of EUR 3.84 per share comprising EUR 18.4 million in total and for the financial year 2018 in the amount of EUR 3.13 per share comprising EUR 15.0 million in total was declared to its sole shareholder. After registration of the New Shares with the ERS, all the Offer Shares will give rights to dividends declared and paid on the Shares for the financial period starting on 1 January 2021 and for any subsequent financial years.

According to the Company's dividend policy approved by the Supervisory Council on 12 August 2021 and the General Meeting of Shareholders of the Company on 14 September 2021, the Company aims to provide dividends to its shareholders. The Company intends to annually distribute 50% of its preceding year's net profit to its shareholders. The above excludes any one-off effects and is subject to market conditions, growth and development plans and the need to maintain a reasonable level of liquidity.

The existing financing agreements entered into by the Group do not restrict payment of dividends subject to (i) compliance by the Group with the financial covenants, and (ii) no default set out in such financing agreements having occurred. However, the timing and amount of any future dividend payments will depend on the Group's existing and future financial condition, results of operations, need to maintain a reasonable capital structure, liquidity needs and other matters that it may consider relevant from time to time. As a result, there can be no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be. Furthermore, as under Estonian law, the payment of dividends is decided by the General Meeting of Shareholders, the payment of dividends and the amount thereof will be subject to the ultimate discretion of the General Meeting of Shareholders.

As to the tax considerations applicable to the Company's dividends, see "Part 15 (Taxation)". As to the procedure and statutory regimes relating to the payment of dividends, see "Part 13 (Information on Company, Shares and Share Capital), Section 13.3.4 (Shareholder Rights—Dividends and other distributions)".

PART 7. SELECTED FINANCIAL INFORMATION

7.1 HISTORICAL FINANCIAL INFORMATION

The following tables set forth selected financial information for the Group as at the end of and for each of the three financial years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021. The financial information of the Group included in this Prospectus has, unless otherwise indicated, been derived or extracted from the audited consolidated financial statements of the Group as of and for the years ended 31 December 2018, 2019 and 2020 (the “**Audited Financial Statements**”) and the unaudited condensed consolidated interim financial statements of the Group as of and for the six months ended 30 June 2021 and 2020 (the “**Unaudited Interim Financial Statements**” and, together with the Audited Financial Statements, the “**Financial Statements**”).

The Audited Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”). AS PricewaterhouseCoopers audited the Annual Financial Statements included herein. The Unaudited Interim Financial Statements are prepared in accordance with International Accounting Standards (“**IAS**”) 34, *Interim Financial Reporting* (“**IAS 34**”) as adopted by the European Union. AS PricewaterhouseCoopers reviewed the Unaudited Interim Financial Statements included herein. As of 1 November 2018, the Group consolidated the acquired Nelja Energia businesses. As such, the financial information of the Group included as of and for each of the three financial years ended 31 December 2018, 2019 and 2020 is not directly comparable (see “Part 8 (Operating and Financial Review), Section 8.3 (Comparability of Financial Information)”).

7.1.1. Changes in Accounting Policy

Adoption of IFRS 16 “Leases”

IFRS 16 superseded IAS 17 Leases for annual periods beginning on or after 1 January 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees are required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently.

The Group adopted the standard from 1 January 2019, using the simplified transition approach, *i.e.*, without restating comparative information for 2018, as permitted by certain transition provisions of the standard. Accordingly, the comparative information on 2018 is presented in accordance with the previous standard IAS 17 and associated interpretations. As a practical expedient, the Group has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 “Leases” and Interpretation 4 “Determining whether an Arrangement contains a Lease”.

7.1.2. Acquisitions and Change in Tax Regimes for 2020

On 6 November 2018, the Company acquired 100% of the shares in Nelja Energia, an independent renewable power producer and wind park developer in the Baltic states. The acquisition had a significant impact on the financial results and operations of the Group. Due to the acquisition of Nelja Energia Group in November 2018, the historical financial information of the Group for the year ended 31 December 2018 are not representative for full year results generated by the Group in its current structure. The impact of the acquisition to the Group was significant as the total value of the transaction amounted to EUR 281.3 million (cost of interest acquired). Prior to the acquisition, Nordic Power

Management OÜ (the subsidiary of Nelja Energia which had historically conducted energy trading activities, hereafter “NPM”) was spun off from the Nelja Energia Group and not acquired by the Company. The results of the acquired businesses of Nelja Energia (excluding NPM) were consolidated into the Group’s financial statements as of 1 November 2018.

On 1 February 2019, the Company and Nelja Energia entered into a merger agreement (with balance sheet date of 1 January 2019). The merger was completed on 2 April 2019 and, as a result, Nelja Energia ceased to exist as a standalone legal entity and all the assets and liabilities of Nelja Energia Group were transferred to the Company, effective as of 1 January 2019. The above-mentioned merger did not impact the Group’s financial statements.

Due to the significant impact of the acquisition of Nelja Energia Group and since the Nelja Energia Group results (excluding NPM) were consolidated into the Group’s financial statements from 1 November 2018, the comparability of financial information of the Group between the years ended 31 December 2018 and 2019 is limited.

The Group has also made a number of other acquisitions, as described in “Part 18 (Additional Information), Section 18.1 (Material Contracts), Subsection 18.1.4 (Acquisition Agreements).” These acquisitions did not have a significant impact on the financial results and operations of the Group.

Both Estonia and Latvia have replaced the traditional profit-based tax regimes with distribution-based tax regimes where corporate income tax is not payable on profit but rather on distribution of dividends. In accordance with IAS 12.52A and IAS 57A, in distribution-based tax regimes no current or deferred tax liability is recognised in respect of undistributed profits until a liability to pay dividends is recognised. In June 2020, the IFRS Interpretation Committee issued an agenda decision where it concluded that the principle set out in IAS 12.52A and 57A only applies to undistributed profits accumulated in the parent company and does not apply to undistributed profits accumulated in subsidiaries. Instead, the principles described IAS 12.39-40 should be followed in respect of undistributed profits in subsidiaries, stipulating that a deferred tax shall be recognised in respect of such accumulated profits, unless it is probable that they will not be distributed to the parent in the foreseeable future.

The Group has recognised the change in the accounting policy retrospectively, however no corrections to the consolidated financial statements have been made as the dividends paid in 2019 were derived from the parent entity of the Group and therefore the transaction does not fall under the scope previously described. The dividends paid to the sole shareholder in 2020 were taken from a Lithuanian subsidiary of the Group and are therefore previously taxed. For further information, please see Note 2 of the Group’s Audited Financial Statements.

7.2 SELECTED FINANCIAL INFORMATION FOR THE GROUP

7.2.1. Consolidated income statements

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
			(EUR ‘000)		
Revenue	63,522.4	56,558.8	113,994.3	119,833.1	60,007.6
Renewable energy support and other operating income.....	14,885.8	34,541.0	48,689.3	31,684.8	17,968.3
Change in inventories of finished goods and work-in-progress	(5,942.2)	2,551.2	4,674.2	1,192.9	316.2
Raw materials, consumables and	(19,086.9)	(19,972.2)	(43,819.9)	(46,554.7)	(26,945.0)

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)			(audited)	
	(EUR '000)				
services used.....					
Payroll expenses.....	(3,306.5)	(3,013.4)	(6,070.8)	(5,874.1)	(4,535.2)
Depreciation, amortisation and impairment	(19,125.6)	(18,337.1)	(38,191.8)	(40,801.9)	(19,655.7)
Other operating expenses	(3,687.5)	(3,819.6)	(7,296.6)	(8,564.1)	(6,547.8)
Loss on disposal of a subsidiary	-	-	-	(1,391.6)	-
OPERATING PROFIT	27,259.5	48,508.7	71,978.7	49,524.5	20,608.4
Finance income	144.5	38.5	202.9	37.7	7.6
Finance costs	(1,575.6)	(1,855.8)	(3,579.7)	(10,241.5)	(9,997.3)
Net finance costs	(1,431.1)	(1,817.3)	(3,376.8)	(10,203.8)	(9,989.7)
Profit (loss) from associates under the equity method	(36.1)	(51.1)	5.2	257.6	(47.4)
PROFIT BEFORE TAX	25,792.4	46,640.3	68,607.1	39,578.3	10,571.2
Corporate income tax expense	(760.0)	834.2	(736.7)	(2,793.4)	(933.2)
PROFIT FOR THE PERIOD					
ATTRIBUTABLE TO:	25,032.3	47,474.5	67,870.4	36,784.9	9,638.0
Equity holder of the parent	25,032.3	47,474.5	67,870.4	36,701.6	9,626.9
Non-controlling interest.....	-	-	-	83.3	11.1
<i>Basic earnings per share (euros)</i>	<i>5.22</i>	<i>9.90</i>	<i>14.2</i>	<i>7.7</i>	<i>2.0</i>
<i>Diluted earnings per share (euros)</i>	<i>5.22</i>	<i>9.90</i>	<i>14.2</i>	<i>7.7</i>	<i>2.0</i>

7.2.2. Consolidated statements of comprehensive income

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)			(audited)	
	(EUR '000)				
PROFIT FOR THE PERIOD	25,032.3	47,474.5	67,870.4	36,784.9	9,638.0
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Revaluation of hedging instruments in a cash flow hedge net of reclassification to profit or loss of EUR nil thousand (six month ended 30 June 2020, net of EUR nil thousand)	(2,980.6)	-	-	-	-
Exchange differences on the translation of foreign operations.....	93.6	(613.9)	(892.0)	56.2	-
Other comprehensive income for the period	(2,887.0)	(613.9)	(892.0)	56.2	-

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)			(audited)	
			(EUR '000)		
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD					
ATTRIBUTABLE TO:	22,145.3	46,860.6	66,978.4	36,841.1	9,638.0
Equity holder of the parent	22,145.3	46,860.6	66,978.4	36,757.8	9,626.9
Non-controlling interest.....	-	-	-	83.3	11.1

7.2.3. Consolidated statements of financial position

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
	(unaudited)		(audited)	
			(EUR '000)	
ASSETS				
Non-current assets				
Property, plant and equipment	615,405.8	594,980.0	627,866.1	644,079.6
Intangible assets	68,306.0	67,838.8	60,000.9	57,228.3
Right-of-use assets	2,139.6	2,222.3	2,725.4	-
Deferred tax assets	382.0	344.3	1,185.3	618.0
Prepayments	4,108.3	-	-	-
Investments in associates	496.1	532.1	594.9	3,420.6
Long-term receivables	78.0	102.9	129.1	463.3
Total non-current assets	690,915.8	666,020.4	692,501.7	705,809.8
Current assets				
Inventories	6,382.4	11,085.2	6,723.2	5,608.2
Trade and other receivables and prepayments	19,197.8	51,565.5	19,846.1	18,346.3
Cash and cash equivalents	11,139.9	10,773.7	11,126.5	28,001.6
Total current assets	36,720.1	73,424.4	37,695.8	51,956.1
Total assets	727,635.9	739,444.8	730,197.4	757,765.9
EQUITY				
Total equity and reserves attributable to equity holder of the parent				
Share capital	4,793.5	4,793.5	4,793.5	4,793.5
Statutory capital reserve	479.3	479.3	479.3	479.3
Other reserves	386,239.3 ⁽¹⁾	400,000.0	400,000.0	-
Foreign currency translation reserve	(741.1) ⁽¹⁾	(834.7)	56.2	-
Retained earnings	103,043.7	105,111.4	55,656.9	33,998.4
Total equity and reserves attributable to equity holder of the parent	493,814.7	509,549.5	460,985.9	39,271.2
Non-controlling interest	-	-	-	982.4
Total equity	493,814.7	509,549.5	460,985.9	40,253.6
LIABILITIES				

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
	(unaudited)		(audited)	
			(EUR '000)	
Non-current liabilities				
Borrowings	142,713.4	161,558.3	188,290.1	103,476.6
Government grants	7,742.7	8,020.1	8,575.0	5,261.2
Deferred tax liabilities	12,480.4	12,555.4	12,190.9	12,894.8
Derivative financial instruments	13,760.7	-	-	2,074.2
Provisions	11.8	12.7	14.4	13.7
Total non-current liabilities	176,709.0	182,146.5	209,070.4	123,720.5
Current liabilities				
Borrowings	47,672.4	37,777.9	47,541.8	577,430.2
Trade and other payables	9,333.1	9,857.3	12,533.1	14,602.2
Derivative financial instruments	-	-	-	1,757.5
Provisions	106.7	113.6	66.0	1.9
Total current liabilities	57,112.2	47,748.8	60,140.9	593,791.8
Total liabilities	233,821.2	229,895.3	269,211.3	717,512.3
Total equity and liabilities	727,635.9	739,444.8	730,197.2	757,765.9

Note:

- (1) Please note that the “Foreign currency translation reserve” in the statement of financial position and statement of changes in equity in the Unaudited Interim Financial Statements has been presented net with “Other reserves” (this presentation does not have an impact on total equity as of 30 June 2021). In the above table the “Foreign currency translation reserve” has been presented separately from “Other reserves” for consistency of presentation with the Audited Financial Statements. See also a reconciliation of “Other reserves” as at 30 June 2021 in note 8 to the Unaudited Interim Financial Statements.

7.2.4. Consolidated statement of cash flows

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
			(EUR '000)		
Cash flows from operating activities					
Cash generated from operations	43,897.4	67,555.4	105,210.2	86,521.8	46,491.8
Interest and loan fees paid	(1,577.4)	(1,861.1)	(3,653.1)	(7,729.3)	(9,425.4)
Interest received	23.3	1.6	1.8	94.7	0.4
Corporate income tax paid	(394.1)	(205.3)	(304.3)	(4,260.3)	(228.2)
Net cash generated from operating activities	41,949.2	65,490.6	101,254.6	74,626.9	36,838.6
Cash flows from investing activities					
Paid on purchase of property, plant and equipment and intangible assets	(38,746.6)	(1,253.8)	(11,055.9)	(7,869.0)	(8,927.6)
Proceeds from connection and other fees	-	-	-	-	36.0
Proceeds from sale of property, plant and equipment	22.5	34.0	34.0	149.0	2.3
Loans provided	-	-	-	-	(3.0)
Paid on acquisition of a business (net of cash and cash equivalents acquired)	-	-	-	(13,786.5)	(249,917.4)
Net change in term deposits with maturities of over 3 months	-	5.2	5.2	(5.2)	-
Repayments of loans provided	-	-	-	237.0	-
Dividends received from associates	-	67.9	67.9	96.6	-
Payments related to government grants	-	-	-	(81.2)	-
Proceeds from sale of a business (net of tax)	-	-	-	609.3	-

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)			(audited)	
			(EUR '000)		
Net cash used in investing activities	(38,724.1)	(1,146.7)	(10,948.8)	(20,650.0)	(258,809.7)
Cash flows from financing activities					
Change in overdraft (net)	33,312.3	(38,214.1)	(43,415.1)	(510,421.0)	304,431.6
Redemption of bonds	-	-	-	-	(48,500.0)
Bank loans received	10,000.0	8,976.7	8,976.7	260,000.0	-
Repayments of bank loans	(18,961.8)	(18,570.9)	(37,527.8)	(190,295.6)	(2,366.9)
Principal elements of lease payments (2018 – Principal elements of finance lease payments)	(109.4)	(118.3)	(292.4)	(11,241.3)	(510.7)
Repayments of interest rate swaps	-	-	-	(3,831.6)	-
Contribution to voluntary reserve	-	-	-	400,000.0	-
Dividends paid	(27,100.0)	(18,400.0)	(18,400.0)	(15,000.0)	-
Acquisition of a non-controlling interest in a subsidiary	-	-	-	(50.0)	(1,740.7)
Financing transactions with the parent	-	-	-	(12.5)	(1,340.6)
Net cash (used in) generated from financing activities	(2,858.9)	(66,353.6)	(90,658.6)	(70,852.0)	249,972.7
Net cash flow	366.2	(2,009.7)	(352.8)	(16,875.1)	28,001.6
Cash and cash equivalents at the beginning of the period	10,773.7	11,126.5	11,126.5	28,001.6	-
Cash and cash equivalents at the end of the period	11,139.9	9,116.7	10,773.7	11,126.5	28,001.6
Change in cash and cash equivalents	366.2	(2,009.8)	(352.8)	(16,875.1)	28,001.6

7.2.5. Consolidated statement of changes in equity

	Share capital	Statutory capital reserve	Other reserves	Foreign currency translatio n reserve	Retained earnings	Total	Non- controllin g interest	Total equity
	(audited)							
	(EUR '000)							
Equity at 1 January 2018	4,793.5	479.3	-	-	24,371.6	29,644.4	-	29,644.4
Profit for the year					9,628.8	9,628.8	11.1	9,637.9
Increase in non-controlling interests due to acquisition of a subsidiary	-	-	-	-	-	-	2,712.0	2,712.0
Acquisition of non-controlling interest in a subsidiary	-	-	-	-	-	-	(1,740.7)	(1,740.7)
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	-	-	-	-	971.3	971.3
Equity as at 31 December 2018.....	4,793.5	479.3			33,998.5	39,271.3	982.4	40,253.7
Profit for the year	-	-	-	-	36,701.6	36,701.6	83.3	36,784.9
Other comprehensive income for the year	-	-	-	56.2	-	56.2	-	56.2
Decrease in non-controlling interest due to sale of a subsidiary	-	-	-	-	-	-	(1,065.7)	(1,065.7)

	Share capital	Statutory capital reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	(audited)							
	(EUR '000)							
Contribution to voluntary reserve	-	-	400,000.0	-	-	400,000.0	-	400,000.0
Dividends paid	-	-	-	-	(15,000.0)	(15,000.0)	-	(15,000.0)
Other adjustments					(43.2)	(43.2)		(43.2)
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	400,000.0	-	(15,043.2)	384,956.8	(1,065.7)	383,891.1
Equity as at 31 December 2019	4,793.5	479.3	400,000.0	56.2	55,656.9	460,985.9	-	460,985.9
Profit for the year	-	-	-	-	67,870.4	67,870.4	-	67,870.4
Other comprehensive income / (loss) for the year	-	-	-	(892.0)	-	(892.0)	-	(892.0)
Dividends paid	-	-	-	-	(18,400)	(18,400)	-	(18,400)
Other adjustments	-	-	-	1.1	(15.9)	(14.8)	-	(14.8)
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	-	1.1	(18,415.9)	(18,414.8)	-	(18,414.8)
Equity as at 31 December 2020	4,793.5	479.3	400,000.0	(834.7)	105,111.4	509,549.5	-	509,549.5
Profit for the period	-	-	-	-	25,032.3	25,032.3	-	25,032.3
Other comprehensive income / (loss) for the period	-	-	(2,980.6)	93.6	-	(2,887.0)	-	(2,887.0)
Total comprehensive income / (loss) for the period			(2,980.6)	93.6⁽¹⁾	25,032.3	22,145.3	-	22,145.3
Dividends paid	-	-	-	-	(27,100.0)	(27,100.0)	-	(27,100.0)
Fair value on initial recognition of derivative financial instrument transactions conducted with the parent entity	-	-	(10,780.1)	-	-	(10,780.1)	-	(10,780.1)
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	(10,780.1)	-	(27,100.0)	(37,880.1)	-	(37,880.1)
Equity as at 30 June 2021	4,793.5	479.3	386,239.3⁽¹⁾	(741.1)⁽¹⁾	103,043.7	493,814.7	-	493,814.7

Note:

- (1) Please note that the “Foreign currency translation reserve” in the statement of financial position and statement of changes in equity in the Unaudited Interim Financial Statements has been presented net with “Other reserves” (this presentation does not have an impact on total equity as of 30 June 2021). In the above table the “Foreign currency translation reserve” has been presented separately from “Other reserves” for consistency of presentation with the Audited Financial Statements. See also a reconciliation of “Other reserves” as at 30 June 2021 in note 8 to the Unaudited Interim Financial Statements.

7.3 ALTERNATIVE PERFORMANCE MEASURES USED BY THE GROUP

This Prospectus includes certain measures to assess the financial performance of the Group’s business that are termed “alternative performance measures” because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measures calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. Such measures are considered to be

“alternative performance measures” as defined in the “ESMA Guidelines on Alternative Performance Measures” issued by the European Securities and Markets Authority on 5 October 2015. These alternative performance measures include EBITDA (as defined below), EBITDA margin, cash conversion, net debt, net debt to total capital ratio, net debt to EBITDA ratio and total equity to total assets ratio.

The management of the Group uses such measures to measure operating performance and liquidity, in presentations to the Supervisory Council and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of its operating cash flow and liquidity. Management believes that these and similar measures are used widely by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

The Group’s use and method of calculation of alternative performance measures may not be comparable to the other companies in its industry due to differences in accounting policies or differences in the calculation methodology of similar measures by other companies in its industry.

An explanation of the relevance of each of the alternative performance measures, a reconciliation of the alternative performance measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out below. The Group does not regard these alternative performance measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS. Although certain of these alternative performance measures have been extracted or derived from the Financial Statements contained in this Prospectus, this data has not been audited or reviewed by Group’s independent auditors.

EBITDA, as calculated by the Group, represents profit for the period adjusted for corporate income tax expense, profit (loss) from associates under the equity method, net finance costs, depreciation, amortisation and impairment (“**EBITDA**”).

EBITDA margin is defined as EBITDA divided by the sum of (1) revenue and (2) renewable energy support and other operating income and is monitored by the Company as a measure of profitability.

The table below sets out reconciliation of profit for the year to EBITDA, for the periods indicated.

	For the six month period ended 30 June		For the Year ended 31 December		
	2021	2020	2020	2019	2018
	(EUR '000)				
Profit for the period	25,032.3	47,474.5	67,870.4	36,784.9	9,638.0
Corporate income tax expense	760.0	(834.2)	736.7	2,793.4	933.2
(Profit) / loss from associates under the equity method	36.1	51.1	(5.2)	(257.6)	47.4
Net finance costs	1,431.1	1,817.3	3,376.8	10,203.8	9,989.7
Depreciation, amortisation and impairment..	19,125.6	18,337.1	38,191.8	40,801.9	19,655.7
EBITDA	46,385.2	66,845.8	110,170.5	90,326.4	40,263.9
Revenue	63,522.4	56,558.8	113,994.3	119,833.1	60,007.6
Renewable energy support and other operating income	14,885.8	34,541.0	48,689.3	31,684.8	17,968.3
Total revenue	78,408.2	91,099.8	162,683.6	151,517.9	77,975.9
EBITDA margin	59.2%	73.4%	67.7%	59.6%	51.6%

EBITDA and EBITDA margin are presented because these measures are widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortisation expense).

EBITDA has limitations as an analytical tool, and prospective investors should not consider it in isolation from, or as a substitute for analysis of, the Group's results of operations, as reported under IFRS. Some of these limitations are:

- it does not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs;
- it does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- although depreciation, amortisation and impairment are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- it is not adjusted for all non-cash income or expense items that are reflected in the Group's statements of cash flows.

In view of the above limitation, prospective investors should use caution when reviewing EBITDA and should not consider EBITDA as an absolute measure of the Group's financial performance or liquidity under IFRS. EBITDA should not be considered by prospective investors in isolation to, or as a substitute to operating profit, profit for the year or any other performance measures as determined in accordance with IFRS, or as an alternative to cash flow from operating activities as a measure of the Group's liquidity, or consider them to be comparable to other companies.

The table below sets out reconciliation of cash conversion which, as calculated by the Group, represents net cash generated from operating activities as presented in the statement of cash flows divided by EBITDA.

	For the six-month period ended 30 June		For the Year ended 31 December		
	2021	2020	2020	2019	2018
	(EUR '000)				
Net cash generated from operating activities	41,949.2	65,490.6	101,254.6	74,626.9	36,838.6
EBITDA	46,385.2	66,845.8	110,170.5	90,326.4	40,263.9
Cash conversion.....	90.4%	98.0%	91.9%	82.6%	91.5%

Net debt is defined as total borrowings (sum of current and non-current borrowings) adjusted for cash and cash equivalents and is monitored by the Company as a measure of liquidity. A reconciliation of net debt to the nearest IFRS measure is shown in the table below:

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
			(EUR '000)	
Current borrowings	(47,672.4)	(37,777.9)	(47,541.8)	(577,430.2)
Non-current borrowings	(142,713.4)	(161,558.3)	(188,290.1)	(103,476.6)
Cash and cash equivalents	11,139.9	10,773.7	11,126.5	28,001.6
Net debt	(179,245.9)	(188,562.5)	(224,705.4)	(652,905.2)

The table below sets out a reconciliation of the following alternative performance measures: net debt to total capital ratio; net debt to EBITDA (for the last twelve months) ratio; and total equity to total assets ratio.

	As at or for the last twelve months ended 30 June	As at or for the year ended 31 December		
	2021	2020	2019	2018
			(EUR '000)	
Net debt	179,245.9	188,562.5	224,705.4	652,905.2
Total equity	493,814.7	509,549.5	460,985.9	40,253.6
Total capital (net debt + total equity)	673,060.6	698,112.0	685,691.3	693,158.8
Net debt/total capital	27%	27%	33%	94%
EBITDA ⁽¹⁾	89,709.9	110,170.5	90,326.4	40,263.9
Net debt/EBITDA⁽¹⁾	2.0	1.7	2.5	16.2
Total assets	727,635.9	739,444.8	730,197.4	757,765.9
Total equity/total assets	68%	69%	63%	5%

Note:

- (1) EBITDA for the last twelve months ended 30 June 2021 has been calculated by adding (i) Group's EBITDA the year ended 31 December 2020 as extracted from the Audited Financial Statements (EUR 110.2 million) and (ii) the Group's EBITDA for the six months ended 30 June 2021 as extracted from the Unaudited Interim Financial Statements (EUR 46.4 million) and then subtracting (iii) the Group's EBITDA for the six months ended 30 June 2020 as extracted from the Unaudited Interim Financial Statements (EUR 66.8 million). The Group's EBITDA for the twelve months ended 30 June 2021 has been prepared solely for the purpose of this Prospectus, is not prepared in the ordinary course of the Group's financial reporting and has not been audited or reviewed by the Group's independent auditors. The Group's EBITDA for the twelve months ended 30 June 2021 presented herein is not required by or presented in accordance with IFRS or any other generally accepted accounting principles and is not necessarily indicative of the results that may be expected for any future period and should not be used as the basis for, or prediction of, an annualized calculation.

PART 8. OPERATING AND FINANCIAL REVIEW

The following discussion should be read together with the Financial Statements and the notes thereto and the other information included elsewhere in this Prospectus. This section contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those discussed under “Part 2 (Risk Factors)” and in “Part 18 (Additional Information)”.

8.1 OVERVIEW

The Company is one of the leading renewable energy producers in the Baltic Sea region. The Group produces electricity primarily from wind, as well as municipal waste, biomass, solar and hydroelectric sources in Estonia, Latvia, Lithuania and Poland. The Company is a subsidiary of Eesti Energia, an integrated utility company owned by the Estonian state. The Company acquired Nelja Energia, a renewable energy producer and wind park developer in the Baltic countries, in November 2018. As of 30 June 2021, the Group had 456.4 MW of total installed capacity of electricity production and additionally 110.0 MW of reserve capacity and 81.2 MW of total installed capacity of heat production with additional 574.9 MW of reserve and peak capacity. In the six months ended 30 June 2021, the Group produced 557.2 GWh of electricity and 321.1 GWh of heat.

As of 30 June 2021, the Group has wind assets with installed capacity of 397.8 MW in Estonia and Lithuania, and operates municipal waste and biomass CHP facilities in Estonia and Latvia with combined capacity of 27.7 MW of electrical energy and 81,2 MW of thermal energy. The Group also has a gas CHP facility in Estonia with capacity of 110 MW of electrical energy and 220.0 MW of thermal energy and heat boilers in Estonia and Latvia with total capacity of 354.9 MW to cover peak and reserve heat loads. The Group also operates solar facilities with capacity of 30,3 MW in Estonia and Poland and a wood pellet production facility in Latvia. The Group operates a small 0.365 MW hydroelectric unit in Estonia. For the year ended 31 December 2020, 74% of the Group’s revenue was regulated or contracted, and as such not subject to market price risk.

8.2 BASIS OF PRESENTATION

The Audited Financial Statements have been prepared in accordance with IFRS as adopted by the European Union.

The Unaudited Interim Financial Statements have been prepared in accordance with IAS 34 as adopted by the European Union.

8.3 COMPARABILITY OF FINANCIAL INFORMATION

On 6 November 2018, the Company acquired 100% of the shares in Nelja Energia, an independent renewable power producer and wind park developer in the Baltic states. The acquisition had a significant impact on the financial results and operations of the Group. Prior to the acquisition, NPM was spun off from the Nelja Energia Group. The results of operations and assets and liabilities of the acquired businesses of Nelja Energia (excluding NPM) were consolidated into the Group’s financial statements as of 1 November 2018. As such, consolidated financial statements as of and for the financial year ended 31 December 2018 are not directly comparable with the financials years ended 31 December 2019 and 2020.

Effective from 1 January 2019, the Group adopted IFRS 16. IFRS 16 superseded IAS 17 Leases for annual periods beginning on or after 1 January 2019. The new standard sets out the principles

for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees are required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group adopted the standard from 1 January 2019, using the simplified transition approach, *i.e.*, without restating comparative information for 2018, as permitted by certain transition provisions of the standard. As a result, the comparative information for 2018 is reported under IAS 17 which limits the comparability to the information for the year ended 31 December 2019 and 2020 presented in the Prospectus.

The Group adopted certain new or revised accounting standards and interpretations on 1 January 2020. However, these had no material impact on the Group's consolidated financial statements. For further information, see note 2.2 to the Audited Financial Statements.

8.4 DESCRIPTION OF KEY PERFORMANCE MEASURES AND INCOME STATEMENT LINE ITEMS

8.4.1. Revenue

The Group reports revenue as income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a good or service to the customer.

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

If the contract includes variable consideration, it is recognised as revenue only to the extent that it is highly probable that there will be no significant reversal of such consideration. The Group manufactures pellets and sells them in an open market and also sells services related to solar turn-key solutions to the parent entity. Sales are recognised when control of the products has been transferred, *i.e.*, when the products have been delivered to the customer (wholesaler), the customer has full discretion over the distribution channel and price of the products, and there is no unsatisfied obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied. The sales transactions do not contain a financing component because sales are made with a credit term of up to 90 days,

which is consistent with industry practice. A receivable is recognised when the goods have been delivered as this is the point in time where the right to consideration becomes unconditional because only the passage of time is required before payment is due. If the Group provides any additional service to the customer after control of the goods has transferred to the customer, provision of the service is treated as a separate performance obligation and relevant revenue is recognised over the period in which the service is provided.

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

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

8.4.2. Renewable energy support and other operating income

The Group reports renewable energy support, government grants, gain on greenhouse gas emission allowances sold and other income as renewable energy support and other operating income and consists primarily of renewable energy support for electricity sales in Estonia. The Group monitors both revenue and renewable energy support and other operating income on a reportable segment basis. For further information, please see Notes 24 and 25 of the Group's Audited Financial Statements.

8.4.3. EBITDA

EBITDA, as calculated by the Group, represents profit for the period adjusted for corporate income finance tax expense, profit (loss) from associates under the equity method, net finance costs, depreciation, amortisation and impairment.

8.4.4. Operating profit

Management assesses segment results mainly on the basis of EBITDA but also monitors segment results based on operating profit. Finance income and costs and corporate income tax expense are not allocated to operating segments.

8.5 REPORTABLE SEGMENTS

The Group's operating segments have been identified by reference to its main business lines. All production units operated by the Group have been allocated to operating segments based on the primary fuel source and technology. Other internal structural units have been allocated to operating segments based on their primary field of activity.

The Group has the following three main business lines, which are presented as separate reportable segments and less significant business activities and functions, which are presented within a fourth segment ("Other"):

- Wind (which comprises all of the Group's wind parks);
- Cogeneration, or "CHP" (which comprises all of the Group's CHP facilities and the production and sale of wood pellets);
- Solar (which comprises all of the Group's solar facilities except for Ruhnu); and

- Other (which comprises hydropower, hybrid renewable energy solutions as at Ruhnu and central development and management units).

Other segments include business lines, the share of which in both the Group's revenue and EBITDA is insignificant. None of these business lines exceeds the quantitative criteria for which separate disclosure would be required.

The revenues and expenses of a segment include all the revenues and expenses of the structural units that are part of it.

The Group's non-current assets are allocated to segments based on their purpose of use. Non-current assets allocated to wind, cogeneration and solar segments include goodwill. Liabilities and current assets are not allocated to segments.

8.6 KEY FACTORS AFFECTING RESULTS OF OPERATIONS

The most significant factors affecting the Group's consolidated financial results are described below:

- (i) Prices the Group is able to obtain for energy and goods it has produced
- (ii) Seasonality and weather conditions
- (iii) Production asset availability
- (iv) Revenue and profitability mix
- (v) Revenue the Group is able to obtain for its waste treatment services ("gate fees")
- (vi) Execution and success of development projects
- (vii) Financing

8.6.1. Prices the Group is able to obtain for energy and goods it has produced

For a discussion of the Group's pricing and tariff structure by operating segment, see "Part 11 (Business), Section 11.7.2 (The Group's Business—Revenue Model)".

(a) *Energy*

The prices the Group is able to obtain for the energy it has produced are primarily affected by (i) the subsidies and tariffs the Group's operational assets benefit from; and (ii) the prices the Group is able to obtain on the market.

As of 30 June 2021, 86.1% of the electrical capacity of the Group's production assets in active operation is subject to FiP, FiT or other incentive arrangements, with a weighted average remaining contract life of approximately 4.3 years as of the same date. The Group expects that the market price of electricity will have a greater impact on revenue in the future as existing FiP, FiT and CfD arrangements expire and the Group becomes increasingly exposed to market price fluctuations. During the early stages of renewable energy development in the markets in which the Group operates, FiP and FiT structures were put in place, designed to promote the construction of renewable energy production assets. As those markets have matured and technological advancements and increasing volumes have reduced construction costs, government incentives have been scaled back, and subsidies are expected to be increasingly awarded on the basis of auction mechanisms designed to result in lower subsidies for the electricity produced.

As of 30 June 2021, 100% of the heat produced by the Group's heat-generating assets in operation is regulated by way of commitments under long-term contracts and/or by the relevant regulatory authorities.

The level of prices under FiP, FiT, other incentive arrangements and long-term contracts varies by market and is heavily influenced by evolving market conditions, market structure, the level of government incentives and government regulators and competition authorities.

The electricity produced by the Group's production assets in Estonia is sold on the Nord Pool power exchange in day-ahead markets and intraday markets. During the years ended 2018, 2019 and 2020, and the six months ended 30 June 2020 and 2021, the revenue derived from sales of electricity by the Group on the Nord Pool power exchange in the Estonia price area was EUR 12.2 million, EUR 29.4 million and EUR 23.5 million and EUR 10.9 million and EUR 16.0 million, respectively.

Fuel prices, greenhouse gas emission allowance prices, availability of hydroelectric capacity and the level of demand for electricity have particularly affected the price of electricity on the Nord Pool power exchange in the three years ended 31 December 2020 and the six months ended 30 June 2021. The electricity markets of Estonia and other Baltic and Nordic countries are well-connected via interconnectors. Therefore, electricity production and prices are also affected by various factors outside the Group's home markets, such as water levels at Norwegian hydropower plants and wind conditions in Denmark.

The following tables show the Group's average electricity and heat sale prices during the periods indicated:

	For the six-month period ended 30 June		For the Year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
Average Electricity and Heat Sale Prices by segment (in €/MWh)⁽¹⁾					
Wind (electricity)	85	73	73	85	89
CHP (electricity)	95	85	83	97	89
CHP (heat).....	13	16	16	26	32
Solar (electricity).....	85	71	94	99	111

Note:

(1) Calculated by dividing consolidated electricity and heat sale revenues and renewable energy support by MWh produced.

	For the six-month period ended 30 June		For the Year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
Average Electricity Prices by country (in €/MWh)⁽¹⁾					
Estonia.....	93	71	71	90	95
Latvia	124	131	131	143	153
Lithuania	79	79	79	78	78
Poland.....	82	70	98	80	n/a

Note:

(1) Calculated by dividing consolidated electricity and heat sale revenues and renewable energy support and by MWh produced.

	For the six-month period ended 30 June		For the Year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
Average Heat Prices by country (in €/MWh)⁽¹⁾					
Estonia.....	14	20	19	25	31
Latvia	41	41	41	41	41

Notes:

(1) Calculated by dividing consolidated electricity and heat sale revenues and renewable energy support by MWh produced.

The average electricity sale prices for the wind segment increased by 12€/MWh, or 16.4%, in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020 mainly due to higher Nord Pool prices in Estonia.

The average electricity sale prices for the wind segment decreased by 12€/MWh, or 14.1%, in 2020 as compared to 2019 mainly due to lower hourly market prices in 2020.

The average electricity sale prices for the wind segment decreased by 4€/MWh, or 4.6%, in 2019 as compared to 2018 mainly due to the inclusion of Nelja Energia's assets since November 2018 in Lithuania, which adopts a different subsidy structure to the Estonian assets. This decrease was partially offset by an increase in market price in 2018.

The average electricity sale prices for the CHP segment increased by 10€/MWh, or 11.8%, in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020 mainly due to higher Nord Pool prices in Estonia.

The average electricity sale prices for the CHP segment decreased by 14€/MWh, or 14.4%, in 2020 as compared to 2019 mainly due to lower market prices in 2020.

The average electricity sale prices for the CHP segment increased by 8€/MWh, or 9.0%, in 2019 as compared to 2018 mainly due to the inclusion of Broceni CHP facility since November 2018, which was acquired as part of Nelja Energia Group and benefits from a FiT which is higher than the EiP available to the Group's comparable Estonian assets.

The average electricity sale prices for Estonia increased by 12€/MWh, or 31.0%, in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020 mainly due to higher Nord Pool prices in Estonia. The decrease in average heat sale prices for Estonia by 6€/MWh, or 30%, in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020 is mainly due to lower waste-to-energy regulated heat prices becoming effective in the second half of 2020. The average electricity sale prices for Estonia decreased by 19€/MWh, or 21.1%, in 2020 as compared to 2019 mainly due to lower hourly market prices in 2020. The decrease in average heat sale prices for Estonia by 6€/MWh, or 24%, in 2020 as compared to 2019 is mainly due to a reduction in Iru's waste-to-energy regulated heat price during 2019, as well as lower gas-fired heat sales. The average electricity sale prices for Estonia decreased by 5€/MWh, or 5.3%, in 2019 as compared to 2018 mainly due to the significant change in asset portfolio as a result of the Nelja Energia acquisition, which led to a significant increase in wind production as a proportion of the Group's total Estonian power production. The price decrease is mainly attributable to market prices for electricity in Nord Pool power exchange. The decrease in average heat sale prices for Estonia by 6€/MWh, or 19.4%, in 2019 as compared to 2018 is mainly due to a decrease in Iru's waste-to-energy regulated heat price during 2018 and 2019, as well as lower gas-fired heat sales.

The average electricity sale prices for Latvia decreased by 7€/MWh, or 5.3%, in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020 mainly due to a portion of the electricity produced at the Valka CHP facility being sold at market price. The average heat sale prices for Latvia in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020 remained flat, as no changes in heat price were agreed with Valka municipality. The average electricity sale prices for Latvia decreased by 12€/MWh, or 8.4%, in 2020 as compared to 2019 mainly due to a decrease in Valka CHP's electricity price during 2019. The average heat sale prices for Latvia in 2020 as compared to 2019 remained flat, as no changes in heat price were agreed with Valka municipality. The average electricity sale prices for Latvia decreased by 10€/MWh, or 6.5%, in 2019 as compared to 2018 mainly due to price decrease in Valka in autumn 2019 after price review every three years. The average heat sale prices for Latvia in 2019 as compared to 2018 remained flat, as no changes in heat price were agreed with Valka municipality.

The average electricity sale prices for Lithuania have remained constant throughout 2018, 2019 and 2020 because Lithuania is shielded from price movements in the electricity market as a result of the FiT support scheme applied. As of 6 June 2021, the FiT support scheme no longer applies to the Sudenai wind park and the electricity produced by the wind park is now sold on Nord Pool power exchange where it is subject to market price risk. The FiT support scheme continues to apply to the Group's other wind parks in Lithuania.

The average electricity sale prices for Poland increased by 12€/MWh, or 17.1%, in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020. The average electricity sale prices for Poland increased by 18€/MWh, or 22.5%, in 2020 as compared to 2019. For electricity sales in Poland, the Company receives the annually indexed CfD price; fluctuations between comparable periods are due to accounting-specific reasons as opposed to any material changes to the business.

(b) Goods

Pellets are sold to customers registered in Denmark, Belgium, UK and other countries under several master agreements for the sale of pellets. As of 30 June 2021, the Group had three outstanding long-term contracts for the sale of pellets. Under the contract with Ørsted A/S, which will expire in May 2024, the Group agreed to sell 255,000 tonnes of pellets over the duration of the contract. Under the contract with Engie which will expire in September 2022, the Group agreed to sell 125,000 tonnes of pellets over the duration of the contract. Under the master

agreement with Drax, the Group does not currently have specific commitments for the sale of pellets. The Group also sells pellets pursuant to short-term contracts at spot prices.

Pellet prices are affected by subsidies for biomass-based electricity generation, in addition to demand for heat and electricity, in the United Kingdom, Belgium and Denmark, being the Group's main target markets for pellet sales. Levels of subsidies available in target countries based on generation of electricity using pellets and other demand-side drivers have the effect of increasing or decreasing the price of pellets, as the case may be. Increased raw materials' cost may also have a negative impact on pellet margins, as the Group may not be able to pass the costs of increases in raw material costs to end purchasers, thereby negatively affecting margins.

8.6.2. Seasonality

Seasonality can affect both the Group's revenue and production.

(a) Revenue seasonality

Reduced demand for electricity can lead to lower prices on the Nord Pool power exchange. The Group typically experiences higher demand during the colder first and fourth quarters of the year, from October to March, and lower demand during the warmer second and third quarters, from April to September. Periods of unseasonably warm weather during autumn and winter months typically reduce demand below anticipated levels. See "Part 2 (Risk Factors), Section 2.1.16 (Risks Relating to the Group's Business—Seasonality and weather fluctuations, as well as long-term shifts in climate conditions, could decrease demand for the Group's products or otherwise have a material adverse effect on the Group's business, financial condition and operating results)".

(b) Production seasonality and resource variability

The following table compares the Group's electricity/heat production by segment over the time periods specified:

	For the six-month period ended 30 June		For the Year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
Energy sold (in MWh)					
Wind.....	449,713	627,937	1,138,736	1,022,672	305,453
CHP (Electricity).....	93,929	93,979	184,849	164,354	166,133
CHP (Heat).....	321,059	313,652	543,783	572,597	615,329
Solar	13,075	14,081	25,352	8,622	176
Other.....	529	972	1,372	1,160	620

The following table sets out revenue by the location of customers:

Revenue by location of customers	For the six-month period ended 30 June				For the Year ended 31 December					
	2021		2020		2020		2019		2018	
	(unaudited)				(audited)					
	(EUR '000)									
			%		%		%		%	
Estonia.....	29,371.6	46.2%	23,136.0	40.9%	50,173.3	44.0	57,132.20	47.7	48,319.10	80.5
Denmark.....	10,726.0	16.9%	7,106.2	12.6%	-	-	-	-	2,761.70	4.6

Belgium.....	3,051.0	4.8%	-	-	-	-	-	-	-	-
Finland	648.4	1.0%	1,531.7	2.7%	2,520.6	2.2	-	-	-	-
Latvia	4,065.4	6.4%	4,274.1	7.6%	23,189.9	20.3	26,613.70	22.2	4,259.80	7.1
Lithuania	14,980.4	23.6%	20,084.0	35.5%	37,193.3	32.6	35,815.40	29.9	4,667.10	7.8
Poland.....	679.6	1.1%	426.8	0.8%	917.2	0.8	271.8	0.2	-	-
Total.....	63,522.4	100.0	56,558.8	100.0	113,994.3	100.0	119,833.10	100.0	60,007.70	100.0

While the nameplate capacity of the Group's production assets in operation is an important indicator of the Group's potential electricity production, actual electricity produced depends, in large part, on the availability of the wind or solar resources the Group's facilities are designed to harness. Although the Group plans its projects based on historical patterns of wind resources and solar radiation, the actual amount of wind or solar irradiance received at a particular site can vary (particularly in the case of wind) and resource predictions may fail to be met. Available wind and solar irradiance are also subject to seasonal variations. For example, the Group's solar plants tend to produce less electricity during the shorter daylight hours in the winter. Variations in the level of wind or solar irradiance from one period to the next can have a significant impact on the amount of electricity produced by a particular generation facility. However, the fact that the Group's production assets are located in different geographical locations, together with its use of different technologies (wind, CHP and solar) generally reduces the impact on the overall portfolio of low resource events affecting particular production assets. The impact of resource availability and seasonality on the CHP segment is limited.

Significant changes in ambient temperature may also impact the Group's results of operations. The volume of pellets the Group is able to produce is also seasonal and affected by the ambient temperature. This is due to the increased cost, or shortage of supply, of raw materials, which may be subject to increased demand from other market participants. The Group's strategy is to maintain sufficient inventory of raw materials in order to mitigate this impact.

8.6.3. Production asset availability

Production-based availability of a facility is defined as the ratio between the energy actually generated by a wind park or solar facility and the theoretical maximum it could have generated using available resources during a given period (to the extent this exceeds nominal hours planned therefor). The production-based availability of a facility is affected by equipment downtime for scheduled or unscheduled maintenance that would decrease the volume of electricity generated. Hence, production-based availability is negatively impacted when facilities experience downtime due to such maintenance, equipment failures, weather disruptions and similar events. Production-based availability is also affected by the nature of the generating technology used. Solar plants generally require little equipment downtime for maintenance, and often can continue producing electricity while maintenance is performed. In contrast, maintenance performed on wind or CHP facilities generally requires the turbines to be stopped to carry out the maintenance. To minimise equipment downtime, the Group seeks to use reliable and proven equipment from reputable suppliers with responsive service teams. The Group monitors performance and the operational status of its production assets on an ongoing basis and, as such, is able to identify periods of low productivity. As a result, the Group is able to arrange maintenance activities (either directly or through O&M contractors) during periods of lower productivity, with a view to minimising disruption and equipment downtime and maximising production asset availability.

Time-based availability applies to CHP facilities and is defined as time available (in hours) expressed as a percentage of total time under consideration (in hours).

The following table summarises the availability of the Group's facilities in operation during the periods indicated.

	For the six-month period ended 30 June		For the Year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
Availability⁽¹⁾⁽²⁾					
Wind.....	95.3%	96.3%	96.1%	96.0%	92.9%
CHP.....	96.4%	96.3%	96.6%	89.6%	95.0%
Solar.....	99.8%	99.8%	99.9%	99.5%	n/a%
Other ⁽³⁾	95.6%	99.5%	98.9%	97.8%	98.7% ⁽¹⁾

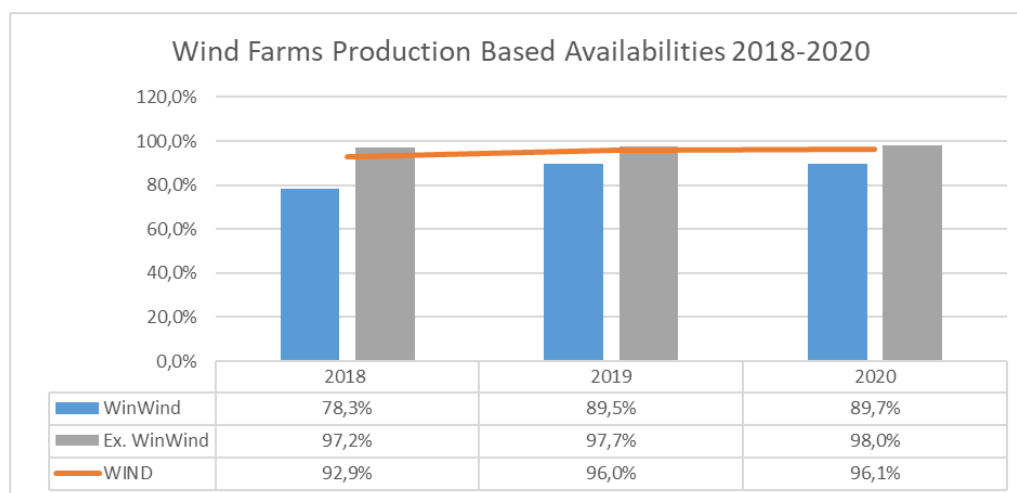
Notes:

(1) Wind, Solar and Other availability are production-based, while CHP is time-based.

(2) Includes Nelja Energia assets availability.

(3) Figures are for the Keil-Joa unit only. As a combined solution, Ruhnu has 100% availability.

In 2018, the availability of WinWinD wind parks negatively affected overall wind fleet availability by 4.3%. The lower availability of WinWinD wind parks was predominantly due to gearbox and transformer failures. In 2019 and 2020, the Group's production and asset management activities, which included ensuring the smooth performance of the production unit and the responsiveness of the asset management team to increase asset availability when required by reducing gearbox and transformer failures among other things, had a positive effect on wind fleet availability, as shown in the graph below. Overall wind fleet availability in 2019 was 3.1% higher than in 2018, and overall wind fleet availability in 2020 was 0.1% higher than in 2019. For the six months ended 30 June 2021, wind fleet availability was 1% lower than in the six months ended 30 June 2020 due to unplanned maintenance at the Silute wind park and unplanned stoppages caused by adverse weather conditions.



8.6.4. Revenue and profitability mix and the Nelja Energia acquisition

The Group's results of operations have been in the period under review, and are expected to continue to be, significantly impacted by the proportion of Group revenue contributed by each segment and the variations in profitability of those segments.

The following tables set out the revenue and renewable energy support and other operating income for each of the Group's segments:

For the six-month period ended 30					For the Year ended 31 December						
June											
2021		2020			2020		2019		2018		
(unaudited)							(audited)				
					(EUR '000)						
Revenue		%		%		%		%		%	
Wind.....	27,118.3	42.7	29,167.5	51.6	56,463.1	49.5	62,909.80	52.5	16,677.90	27.8	
CHP	33,747.8	53.1	26,126.5	46.2	51,371.8	45.1	56,326.10	47.0	42,881.70	71.5	
Solar	1,500.3	2.4	562.0	1.0	4,623.8	4.1	476.6	0.4	111.8	0.2	
Other.....	1,156.0	1.8	702.8	1.2	1,535.6	1.3	120.6	0.1	336.1	0.6	
Total.....	63,522.4	100	56,558.8	100	113,994.3	100	119,833.10	100	60,007.50	100	

For the six-month period ended 30					For the Year ended 31 December						
June											
2021			2020		2020		2019		2018		
(unaudited)							(audited)				
					(EUR '000)						
Renewable energy support and other operating income	%		%		%		%		%		
	Wind.....	11,586.6	77.8	17,196.7	49.8	28,344.2	58.2	25,920.1	81.8	12,835.4	71.4
	CHP.....	2,853.6	19.2	3,224.2	9.3	5,438.6	11.2	5,061.0	16.0	5,105.5	28.4
	Solar.....	279.9	1.9	444.0	1.3	1,238.7	2.5	385.0	1.2	13.0	0.1
	Other.....	165.7	1.1	13,676.2	39.6	13,667.8	28.1	318.7	1.0	14.3	0.1
	Total.....	14,885.8	100	34,541.0	100	48,689.3	100	31,684.8	100	17,968.2	100

The following tables set out EBITDA and EBITDA margin for each of the Group's segments:

For the six-month period ended 30							For the Year ended 31 December			
June										
2021			2020		2020		2019		2018	
(unaudited)							(audited)			
(EUR '000)										
EBITDA		%		%		%		%		%
Wind.....	31,392.9	67.7	39,152.5	58.6	69,397.8	63.0	69,682.6	77.1	21,882.1	54.3
CHP.....	16,438.8	35.4	15,435.8	23.1	29,849.8	27.1	24,704.0	27.3	22,520.8	55.9
Solar.....	867.1	1.9	534.4	0.8	1,673.9	1.5	458.1	0.5	(166.6)	(0.4)
Other.....	(2,313.6)	(5.0)	11,723.2	17.5	9,249.0	8.4	(4,518.3)	(5.0)	(3,972.4)	(9.9)
Total.....	46,385.2	100	66,845.8	100	110,170.5	100	90,326.4	100	40,263.9	100

For the six-month period ended 30 June			For the Year ended 31 December		
2021	2020		2020	2019	2018
(unaudited)				(unaudited)	
EBITDA Margin	%	%	%	%	%
Wind.....	81.1	84.4	81.8	78.4	74.1
CHP.....	44.9	52.6	52.5	40.2	46.9
Solar.....	48.7	53.1	28.6	53.2	(133.5)
Other.....	(175.0)	81.5	60.8	(1,028.5)	(1,133.7)
Total.....	59.2	73.4	67.7	59.6	51.6

The following table sets out operating profit for each of the Group's segments:

	2021		2020		2020		2019		2018	
	(unaudited)						(audited)			
					(EUR '000)					
Operating Profit		%		%		%		%		%
Wind.....	17,756.5	65.1	26,124.4	53.9	41,804.4	58.1	37,633.3	76.0	9,165.7	44.5
CHP.....	11,367.9	41.7	10,848.4	22.4	20,189.9	28.0	16,433.6	33.2	15,827.6	76.8
Solar.....	515.3	1.9	(135.2)	0.3	885.6	1.2	138.2	0.3	(170.6)	(0.8)
Other	(2,380.1)	(8.7)	11,671.1	24.1	9,098.8	12.6	(4,680.5)	(9.5)	(4,214.4)	(20.5)
Total	27,259.6	100	48,508.7	100	71,978.7	100	49,524.5	100	20,608.3	100

On 6 November 2018, the Company acquired 100% of the shares in Nelja Energia, a renewable energy producer and wind park developer in the Baltic countries. The results of the acquired businesses of Nelja Energia (excluding NPM, which historically conducted energy trading activities and was one of Nelja Energia's operating segments) were consolidated into the Group's financial statements as of 1 November 2018, leading to significant increases in Group revenue and EBITDA. The acquisition of the Nelja Energia Group had a disproportionate impact on the Wind segment, as the majority of assets of the acquired businesses were wind parks. Therefore, there was a notable increase in the proportion of the Group's revenue and EBITDA derived from the Group's Wind segment from 27.8% and 54.3% respectively in 2018 to 52.5% and 77.1% respectively in 2019.

The acquisition had a related impact on the Group's profitability: the Wind segment is the most profitable segment for the Group, with its EBITDA margin being highest of all the Group's segments, in the year ended 31 December 2020 and the six months ended 30 June 2021, at 81.8% and 81.1%, respectively. The profitability is explained by the fact that, particularly as compared to the CHP segment, the Wind segment incurs limited operating expenses (based on 2020 data and after excluding amortisation and depreciation, 98% of operating expenses and which the Company treats as fixed in their nature, related mainly to maintenance and repairs, security and insurance and other business costs). This results from limited staff costs and a high proportion of capitalised costs. It is, however, affected significantly by factors outside the Group's control (in particular, the volume of wind in a given year — see “— Seasonality—Production seasonality and resource variability”). In the future, the Group is well-positioned to take advantage of beneficial climatic conditions (such as higher wind speeds) to generate both increased revenue and higher EBITDA.

Operating costs in the Wind segment increased in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020, mainly attributable to additional expenses incurred in moving the wind development team from Eesti Energia to the Company. Operating costs in the Wind segment decreased in 2020 as compared to 2019, mainly attributable to lower maintenance expenses in Lithuanian wind parks and lower insurance expenses. Operating costs in the Wind segment decreased in 2019 as compared to 2018, mainly attributable to payroll expenses for the Nelja Energia business being allocated to the “Other” segment because they were not directly related to the Wind segment.

Whilst demand for heat is also seasonal, the CHP segment has not, and is not expected to be in future, materially affected by resource availability and it benefits from regulated revenues. Therefore, the revenue generated by this segment is more stable than in the Wind segment, although EBITDA margins are lower. The most important reason for the decrease in EBITDA margin in the CHP segment between 2018 and 2019 is the inclusion of the Broceni pellet plant as part of this segment since November 2018, following the acquisition of Nelja Energia. The improvement in EBITDA margin from 2019 to 2020, meanwhile was due to an increase in heat sales for the Iru gas-fired CHP facility and an improved pellet margin resulting from, among other factors, lower production costs and raw material prices.

The Group's Other segment includes all Group overheads, including certain costs relating to development projects and, therefore, usually has negative EBITDA (despite revenue generated from operating assets in that segment — see “Part 8 (Operating and Financial Review), Section 8.8.1 (Results of Operations of the Group—Revenue and Renewable energy support and other operating income)”). The positive EBITDA for the Group's Other segment in 2020 was explained by the one-off sale of greenhouse gas emission allowances for EUR 13.7 million during this period.

In addition to the impact on revenue and EBITDA discussed immediately above, the acquisition of Nelja Energia enabled the Group to realise significant synergies, including regarding overheads, electricity trading costs, insurance and O&M costs.

Following the acquisition, the Group's enlarged portfolio has enabled the Group to negotiate more favourable arrangements with commercial counterparties. For example, the Group renegotiated contracts with O&M providers in 2020, which resulted in a 23% reduction in EUR/MW across five of the Group's wind farms.

8.6.5. Gate fees

The Group receives gate fees upon receipt of waste to the Iru waste-to-energy unit. As such, the Group has an additional revenue stream (other than the sale of heat or electricity) in the CHP segment. The Group received the following gate fees during the period under review:

	For the six-month period ended 30 June		For the Year ended 31 December		
	2021	2020	2020	2019	2018
Revenue derived from the Iru waste-to-energy facility	(unaudited)		(audited)		
Gate Fees (EUR '000) ¹	8,054.6	7,443.8	14,755.6	12,472.7	9,856.4
Receipt of waste (tonnes).....	131,067	144,522	264,287	233,199	248,199
Gate Fees (EUR/tonne).....	61.4	51.4	55.8	53.5	39.7
Average heat tariff (EUR /MWh)	9.0	15.9	15.1	21.8	29.7

The increased gate fee revenue obtained by the Group over the periods indicated was achieved by switching from negotiated long-term contracts into competition-based tendering of contracted volumes. This was made possible by the high level of competition in waste treatment tenders, driven by an increased interest in waste treatment (over other forms of waste handling), driving an increase in prices. It was further assisted by an expectation in the market of an increase in the environmental charges applicable upon landfilling (“landfill taxes”), thereby making landfill — one of the most prominent alternative methods for handling of municipal solid waste — more expensive. Landfill taxes in Estonia were EUR 29.84 per tonne as of the six months ended 30 June 2021. As of both 31 December 2018 and 2019, the average landfilling rate was 63.50 EUR/tonne and the rates from 2020 onwards range between 70 to 95 EUR/tonne.

The Iru CHP facility runs competitive tenders between waste collection companies and participates in municipal waste treatment tenders which run for up to three years in advance and so has visibility over this period as to the level of gate fees. To the extent the level of gate fees is expected to increase in the near- to medium-term, the Group has the obligation to assess these and apply for regulatory approval for a reduction in the regulated heat price, as long as such reduction is expected to be more than 5% of the final tariff, in order to avoid surpassing the

¹ Corresponds with “Waste treatment and resale (in time)” line item as disclosed in the Financial Statements

permitted level of heat sale profitability and cross-subsidising energy production by the revenues derived from heat production.

8.6.6. Execution and success of development projects

Worldwide demand for renewable energy has grown rapidly over the last decade, driven by government policies promoting clean power and cost reductions that have made it more competitive. The countries in which the Group operates have set national targets for renewable energy to constitute between 21% and 51% of total domestic energy consumption by 2030, and the EU, as a whole, has set a target of 32% for the same purpose by that date. In addition, renewable energy generation accounts for an increasingly significant portion of new electricity production worldwide. Further, on 14 July 2021, the European Commission adopted a package of proposals for the EU's climate, energy, land use, transport and taxation policies to reduce net greenhouse gas emissions by at least 55% by 2030. As a result, the ability of the Group to successfully execute and operate development projects will be an important driver of the Group's future performance.

The Group incurs project development costs to develop its portfolio of wind and solar projects. Such project development costs are either expensed (charged to the income statement) or capitalised (included in the balance sheet) depending on the stage of development of the specific project that the costs relate to. Costs are expensed in the early stages of development until there is certainty regarding the future economic benefits of the project, after which costs are capitalised. The Group expects significantly higher expensed project development costs in the coming years due to the build-up of its portfolio of projects to be constructed post-2021 as well as due to the shift towards competitive tender and auction processes which may cause the Group to incur higher project development costs at the outset of a given process, whether or not that development ultimately proceeds.

8.6.7. Financing

In the year ended 31 December 2020 the Group had net debt of EUR 188.6 million and a net debt to EBITDA ratio of 1.7, which falls well below the limitations set forth in the Group's existing financing arrangements. As a result, the Group has, and expects to continue to have, the ability to incur debt if required to support its development projects and drive future growth.

8.7 CURRENT TRADING AND PROSPECTS

During the two months ended August 31, 2021:

- The Group's energy production was hampered in July by high pressure weather, as a result of which wind speeds were more modest compared to the same period in 2020 (59 GWh were produced in July, 33% lower than in July 2020). However, production increased in August to 76GWh (a 75% increase compared to August 2020), driven by improved wind conditions, which led to production in the Group's wind segment being 118% higher in August 2021 than in August 2020.
- The Group's business was supported by a general increase in electricity prices across its markets.

Overall, Management expects the Group's performance for the eight months ended August 31, 2021 to be broadly in line with the trends seen in the six months ended June 30, 2021 in comparison with the corresponding periods in 2020 (see "—Results of Operations of the Group").

During the course of September 2021, the Group has observed even more pronounced increases in energy prices across its markets.

8.8 RESULTS OF OPERATIONS OF THE GROUP

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)			(audited)	
	(EUR '000)				
Revenue	63,522.4	56,558.8	113,994.3	119,833.1	60,007.6
Renewable energy support and operating income	14,885.8	34,541.0	48,689.3	31,684.8	17,968.3
Change in inventories of finished goods and work-in-progress	(5,942.2)	2,551.2	4,674.2	1,192.9	316.2
Raw materials, consumables and services used	(19,086.9)	(19,972.2)	(43,819.9)	(46,554.7)	(26,945.0)
Payroll expenses	(3,306.5)	(3,013.4)	(6,070.8)	(5,874.1)	(4,535.2)
Depreciation, amortisation and impairment.....	(19,125.6)	(18,337.1)	(38,191.8)	(40,801.9)	(19,655.7)
Other operating expense	(3,687.5)	(3,819.6)	(7,296.6)	(8,564.1)	(6,547.8)
Loss on disposal of a subsidiary	-	-	-	(1,391.6)	-
Operating profit.....	27,259.5	48,508.7	71,978.7	49,524.5	20,608.4
Finance income.....	144.5	38.5	202.9	37.7	7.6
Finance costs.....	(1,575.6)	(1,855.8)	(3,579.7)	(10,241.5)	(9,997.3)
Net finance costs.....	(1,431.1)	(1,817.3)	(3,376.8)	(10,203.8)	(9,989.7)
Profit from investments in joint venture under equity method of accounting ...	(36.1)	(51.1)	5.2	257.6	(47.4)
Profit before income tax.....	25,792.4	46,640.3	68,607.1	39,578.3	10,571.2
Income tax expense.....	(760.0)	834.2	(736.7)	(2,793.4)	(933.2)
Profit for the period.....	25,032.3	47,474.5	67,870.4	36,784.9	9,638.0
Consolidated statement of comprehensive income					
Profit for the period	25,032.3	47,474.5	67,870.4	36,784.9	9,638.0
Other comprehensive income / (loss) for the period	(2,887.0)	(613.9)	(892.0)	56.2	-
Revaluation of hedging instruments in a cash flow hedge net of reclassification to profit or loss of EUR nil thousand (six month ended 30 June 2020, net of EUR nil thousand)	(2,980.6)	-	-	-	-
Exchange differences on the translation of foreign operations.....	93.6	(613.9)	(892.0)	56.2	-
Total comprehensive income for the period.....	22,145.3	46,860.6	66,978.4	36,841.1	9,638.0
EBITDA (unaudited)⁽¹⁾	46,385.2	66,845.8	110,170.5	90,326.4	40,263.9

Note:

(1) EBITDA ,as calculated by the Group, represents profit for the period adjusted for corporate income tax expense, profit (loss) from associates under the equity method, net finance costs, depreciation, amortisation and impairment. EBITDA is an alternative performance measure and has not been audited or reviewed by the Group's independent auditors.

8.8.1. Revenue and renewable energy support and other operating income

The Group's revenue consists of income across its four reportable segments: Wind energy, CHP, Solar energy and Other.

	For the six-month period ended 30 June				For the Year ended 31 December					
	2021		2020		2020		2019		2018	
	(unaudited)				(EUR '000)		(audited)			
Revenue		%		%		%		%		%
Wind.....	27,118.3	42.7	29,167.5	51.6	56,463.1	49.5	62,909.8	52.5	16,677.90	27.8
CHP.....	33,747.8	53.1	26,126.5	46.2	51,371.8	45.1	56,326.1	47.0	42,881.70	71.5
Solar.....	1,500.3	2.4	562.0	1.0	4,623.8	4.1	476.6	0.4	111.8	0.2
Other	1,156.0	1.8	702.8	1.2	1,535.6	1.3	120.6	0.1	336.1	0.6
Total	63,522.4	100.0	56,558.8	100.0	113,994.3	100.0	119,833.1	100.0	60,007.5	100.0

	For the six-month period ended 30 June				For the Year ended 31 December					
	2021		2020		2020		2019		2018	
	(unaudited)				(EUR '000)		(audited)			
Renewable energy support and other operating income		%		%		%		%		%
Wind	11,586.6	77.8	17,196.7	49.8	28,344.2	58.2	25,920.1	81.8	12,835.4	71.4
CHP	2,853.6	19.2	3,224.2	9.3	5,438.6	11.2	5,061.0	16.0	5,105.5	28.4
Solar.....	279.9	1.9	444.0	1.3	1,238.7	2.5	385.0	1.2	13.0	0.1
Other	165.7	1.1	13,676.2	39.6	13,667.8	28.1	318.7	1.0	14.3	0.1
Total.....	14,885.8	100.0	34,541.0	100.0	48,689.3	100.0	31,684.8	100.0	17,968.2	100.0

	For the six-month period ended 30 June		For the Year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
			(EUR '000)		
Total revenue⁽¹⁾					
Wind	38,704.9	46,364.2	84,807.3	88,829.9	29,513.3
CHP.....	36,601.4	29,350.7	56,810.4	61,387.1	47,987.2
Solar.....	1,780.2	1,006.0	5,862.5	861.6	124.8
Other	1,321.7	14,379.0	15,203.4	439.3	350.4
Total	78,408.2	91,099.8	162,683.6	151,517.9	77,975.7

Note:

(1) (Revenue and renewable energy support and other operating income)

The table below shows the Group's revenue for the periods indicated.

	For the six-month period ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)			(audited)	
	(EUR '000)				
Revenue by activity:					
Sale of goods					
Pellets (in time).....	14,496.5	7,870.1	16,315.0	19,545.0	3,032.0
Scrap metal (in time).....	532.1	313.9	675.2	714.3	477.9
Other goods (in time).....	117.4	2.2	2,026.4	38.3	120.6
Total sale of goods.....	15,146.0	8,186.2	19,016.6	20,297.6	3,630.5
Sale of services					
Heat (over time).....	4,027.9	5,155.4	8,523.1	11,423.1	18,653.9
Electricity (over time).....	35,227.5	35,192.6	69,323.8	73,999.9	27,043.7
Waste treatment and resale (over time).....	8,054.6	7,443.8	14,755.6	12,472.7	9,856.4
Rental and maintenance of assets (over time).....	959.3	333.3	703.3	683.6	683.4
Other services (over time).....	107.1	247.5	1,671.9	956.2	139.6
Total sale of services.....	48,376.4	48,372.6	94,977.7	99,535.5	56,377.1
Total revenue.....	63,522.4	56,558.7	113,994.3	119,833.1	60,007.7
Renewable energy support.....	14,451.1	20,570.3	33,279.0	30,620.1	17,158.7
Government grants.....	270.5	270.5	540.9	517.2	301.3
Gain on greenhouse gas emission allowance sold.....	-	13,667.5	13,667.5		
Other income.....	164.2	32.8	1,201.9	547.5	508.3
Total renewable energy support and other operating income.....	14,885.8	34,541.0	48,689.3	31,684.8	17,968.3
Total revenue and renewable energy support and other operating income.....	78,408.2	91,099.7	162,683.6	151,517.9	77,976.0

(a) *Six months ended 30 June 2021 and 2020*

The Group's revenue, together with renewable energy support and other operating income, decreased by EUR 12.7 million, or 13.9%, from EUR 91.1 million in the six month period ended 30 June 2020 to EUR 78.4 million in the six-month period ended 30 June 2021.

The Group's revenue (excluding renewable energy support and other operating income) increased by EUR 7.0 million, or 12.3%, from EUR 56.6 million in the six-month period ended 30 June 2020 to EUR 63.5 million in the six-month period ended 30 June 2021. This increase was mainly attributable to an increase in pellet sales of EUR 6.6 million.

The Group's renewable energy support and other operating income decreased by EUR 19.7 million, or 56.9%, from EUR 34.5 million in the six-month period ended 30 June 2020 to EUR 14.9 million in the six-month period ended 30 June 2021. This decrease was mainly attributable to a EUR 13.7 million reduction in sales of greenhouse gas allowances and wind conditions, prompting a EUR 5.6 million reduction in renewable energy subsidies for wind parks in Estonia.

(i) *Wind*

Wind revenue decreased by EUR 2.0 million, or 7.0%, from EUR 29.2 million in the six-month period ended 30 June 2020 to EUR 27.1 million in the six-month period ended 30 June 2021. This decrease was mainly attributable to lower rates of electricity production, partly offset by increased electricity prices.

(ii) CHP

CHP revenue increased by EUR 7.6 million, or 29.2%, from EUR 26.1 million in the six-month period ended 30 June 2020 to EUR 33.7 million in the six-month period ended 30 June 2021. This increase was mainly attributable to an increase in pellet sales of EUR 6.6 million.

(iii) Solar

Solar revenue increased by EUR 0.9 million from EUR 0.6 million in the six-month period ended 30 June 2020 to EUR 1.5 million in the six-month period ended 30 June 2021. This increase was mainly attributable to EUR 0.7 million in services related to turn-key solutions for solar parks.

(iv) Other

Other revenue increased by EUR 0.5 million, from EUR 0.7 million in the six-month period ended 30 June 2020 to EUR 1.2 million in the six-month period ended 30 June 2021..

(b) *Years ended 31 December 2020 and 2019*

The Group's revenue, together with renewable energy support and other operating income, increased by EUR 11.2 million, or 7.4%, from EUR 151.5 million in 2019 to EUR 162.7 million in 2020. This was mainly attributable to one-off sale of greenhouse gas emission allowances for EUR 13.7 million.

The Group's revenue (excluding renewable energy support and other operating income) decreased by EUR 5.8 million, or 4.9%, from EUR 119.8 million in 2019 to EUR 114.0 million in 2020. This decrease was mainly attributable to a decrease in the hourly Nord Pool power exchange market price for Estonia price area leading to a reduction in the sale of electricity, decreases in the sale of pellets and scrap metal and decreases in the sale of heat, partially offset by increases in sales of other goods and other services and increases in waste treatment and resale.

The Group's renewable energy support and other operating income increased by EUR 17 million, or 53.7%, from EUR 31.7 million in 2019 to EUR 48.7 million in 2020. This increase was mainly attributable to a gain on greenhouse gas emission allowances (EUR 13.7 million in 2020; 2018 and 2019: nil euros) in the amount of 550,000 tonnes that had been allocated to the Iru facility for the period 2013–2020 and were expected to remain unused due to smaller share of fossil fuels in the heat production. The quotas were sold to Eesti Energia and then sold on to the market, with Eesti Energia acting as a broker.

The Group's other income increased by EUR 0.7 million, or 119.5% from EUR 0.5 million in 2019 to EUR 1.2 million in 2020. This increase was mainly attributable to the payment of insurance compensation in the amount of EUR 0.9 million for the failure and replacement of a WinWinD gearbox some years earlier. An agreement regarding compensation was reached in 2020.

(i) Wind

Wind revenue decreased by EUR 6.4 million, or 10.2%, from EUR 62.9 million in 2019 to EUR 56.5 million in 2020. This decrease was mainly attributable to a decrease in Nord Pool power exchange market prices for Estonia price area in 2020 compared to 2019.

(ii) CHP

CHP revenue decreased by EUR 5.0 million, or 8.8%, from EUR 56.3 million in 2019 to EUR 51.4 million in 2020. This decrease was mainly attributable to a decrease in pellet revenue and a decrease in gas-produced heat arising from a warmer winter in 2020 than that experienced in 2019. There was also a decrease in pellet revenues by 16.5%, resulting in a large volume of pellets remaining in storage at year end.

(iii) Solar

Solar revenue increased by EUR 4.1 million from EUR 0.5 million in 2019 to EUR 4.6 million in 2020. This increase was mainly attributable to the Group's acquisition of Polish solar parks in July and December of 2019.

(iv) Other

Other revenue increased by EUR 1.4 million from EUR 0.1 million in 2019 to EUR 1.5 million in 2020. This increase was mainly attributable to a shift in the Group's internal allocation of energy transactions between segments.

(c) *Years ended 31 December 2019 and 2018*

The Group's revenue, together with renewable energy support and other operating income, increased by EUR 73.5 million, or 94.3%, from EUR 78.0 million in 2018 to EUR 151.5 million in 2019.

The Group's revenue (excluding renewable energy support and other operating income) increased by EUR 59.8 million, or 99.7%, from EUR 60.0 million in 2018 to EUR 119.8 million in 2019. This increase was mainly attributable to the acquisition of Nelja Energia, in addition to higher sales prices for electricity on the Nord Pool power exchange and higher gate fee revenue. These were offset by a decrease in heat revenues of EUR 7.2 million, or 38.8%, from EUR 18.7 million in 2018 to EUR 11.4 million in 2019. This reduction was due to lower heat prices (caused by (i) a smaller share of heat produced by natural gas, which has a higher sales price than heat sales from the waste-to-energy unit), and (ii) an increase in gate fees at the Iru facility which led to a decreased regulated heat price for heat sold from the waste-to-energy unit (for a discussion of the relationship between gate fees and heat prices for heat sold from the waste-to-energy unit, see "Part 8 (Operating and Financial Review), Section 8.6.5 (Key Factors Affecting Results of Operations—Gate fees)") and less demand for peak heat from gas-fired CHP facilities (due to warmer weather conditions).

The Group's renewable energy support and other operating income increased by EUR 13.7 million, or 76.3%, from EUR 18.0 million in 2018 to EUR 31.7 million in 2019. This increase was mainly attributable to the increase in renewable energy support received under the government support schemes as a result of the increase in the volume of electricity produced in 2019 compared to 2018 due to the acquisition of Nelja Energia.

(i) Wind

Wind revenue increased by EUR 46.2 million, or 277.2%, from EUR 16.7 million in 2018 to EUR 62.9 million in 2019. This increase was mainly attributable to the acquisition of Nelja Energia, which added 287 MW to the Group's onshore wind production capacity.

(ii) CHP

CHP revenue increased by EUR 13.4 million, or 31.4%, from EUR 42.9 million in 2018 to EUR 56.3 million in 2019. This increase was mainly attributable to revenues generated by the

Broceni CHP facility, which were partially offset by a decrease in heat sales from the Iru facility caused by decreased demand for peak heat from gas-fired CHP facilities.

(iii) Solar

Solar revenue increased by EUR 0.4 million, from EUR 0.1 million in 2018 to EUR 0.5 million in 2019. This increase was mainly attributable to the commencement of operations in Estonia towards the end of 2018 and in Poland during 2019.

(iv) Other

Other revenue decreased by EUR 0.2 million, from EUR 0.3 million in 2018 to EUR 0.1 million in 2019.

8.8.2. Inventories

The table below shows the Group's inventories as for the dates indicated.

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
	(unaudited)		(audited)	
	(EUR '000)			
Raw materials and materials at warehouses				
Fuel.....	38.6	93.1	93.4	127.4
Wood chips.....	941.6	523.9	670.7	256.1
Technological wood	1,171.0	1,431.5	2,469.0	1,348.5
Total raw materials and materials at warehouses.....	2,151.2	2,048.4	3,233.1	1,732.0
Finished goods				
Pellets	593.3	6,476.5	1,802.7	680.0
Total finished goods	593.3	6,476.5	1,802.7	680.0
Spare parts.....	1,953.4	1,739.5	1,687.4	3,195.9
Solar panels.....	1,642.9	820.8	-	-
Other	41.6	-	-	0.2
Total inventories.....	6,382.4	11,085.2	6,723.2	5,608.1

The Group's total inventories decreased by EUR 4.7 million, or 42.4%, from EUR 11.1 million as at 31 December 2020 to EUR 6.4 million at 30 June 2021. This decrease was mainly attributable to a more active market for the sale of pellets in the winter of 2021, due to favourable weather conditions.

The Group's total inventories increased by EUR 4.4 million, or 64.9%, from EUR 6.7 million in 2019 to EUR 11.1 million in 2020. This increase was mainly attributable to a warm winter in 2020, which resulted in an increase in pellet inventory balance and lower market prices.

The Group's total inventories increased by EUR 1.1 million, or 19.9%, from EUR 5.6 million in 2018 to EUR 6.7 million in 2019. This increase was mainly attributable to the increase in technological wood (the raw wood used to produce pellets at the Broceni CHP facility) inventories and pellets. The increase in technological wood inventories by EUR 1.1 million, or 83.1%, from EUR 1.3 million in 2018 to EUR 2.5 million in 2019, was due to a strategic decision by the Group to grow existing inventory of raw materials, both to ensure a stable supply thereof

and also to take advantage of what were expected to be prevailing favourable market prices at that time. This also had a consequential benefit of increasing operational efficiency (stored wood dries in the course of being stored, and so requires less heat for pellet manufacturing) and increasing the volume of finished pellets.

8.8.3. Raw materials, consumables and services used

The table below shows the Group's raw materials, consumables and services used for the periods indicated.

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
	(EUR '000)				
Technological fuel.....	5,464.2	7,980.2	14,667.1	18,664.2	11,676.9
Maintenance and repairs.....	7,238.6	7,136.8	15,704.6	15,976.6	6,659.4
Electricity	2,557.7	1,567.8	3,363.0	5,472.4	2,751.7
Services related to ash treatment.....	1,363.4	1,264.9	3,660.9	2,700.0	2,923.4
Transport services for sale of finished products	1,001.4	784.3	-	-	-
Materials and spare parts for production	856.6	498.0	2,884.2	1,041.4	1,609.3
Transmission services	189.1	421.1	999.0	712.6	381.2
Environmental pollution charges.....	3.2	133.5	241.6	225.7	381.8
Waste handling	183.7	47.9	-	-	-
Resource charges for natural resources ..	147.4	5.8	6.6	7.5	4.1
Other raw materials and consumables used ⁽¹⁾	81.6	131.9	2,292.9	1,754.5	557.2
Total raw materials, consumables and services used	19,086.9	19,972.2	43,819.9	46,554.7	26,945.1

- (1) Other raw materials and consumables used for 2020 includes costs of 1.7 million EUR incurred in transporting pellets and related raw material to the harbour (2019: 1.4 million EUR; 2018: 0.3 million EUR).

The Group's raw materials, consumables and services used decreased by EUR 0.9 million, or 4.4%, from EUR 20.0 million in the six month period ended 30 June 2020 to EUR 19.1 million in the six month period ended 30 June 2021. This decrease was mainly attributable to a decrease in the amount of technological fuel used.

The Group's raw materials, consumables and services used decreased by EUR 2.7 million, or 5.9%, from EUR 46.6 million in 2019 to EUR 43.8 million in 2020. This decrease was mainly attributable to the reduction in technological fuel costs, which decreased due to a decline in the price of biomass and marginal use of gas boilers for heat production at the Iru facility and decreases in electricity line item, partially offset by costs relating to materials and spare parts.

The Group's raw materials, consumables and services used increased by EUR 19.6 million, or 72.8%, from EUR 26.9 million in 2018 to EUR 46.6 million in 2019. This increase was mainly attributable to the acquisition of Nelja Energia. The acquisition had a more significant impact on certain items as indicated above due to the changed nature of the business following the acquisition. For instance, the CHP segment was larger and the Wind segment was smaller, relative to the size of the Group, prior to the acquisition. As such, following the acquisition, the proportion of maintenance and repairs, which is more significant in the Wind segment than in the Group's other segments, as a percentage of overall raw materials, consumables and services used increased

from 24.7% in 2018 to 34.3% in 2019. The comparable business units themselves also vary over time, especially the CHP segment where Iru produced more than two times less heat from natural gas in 2019 compared to 2018 (due to a warmer winter), which led to a significant decrease in fuel costs for Iru (from EUR 7.3 million in 2018 to EUR 2.7 million in 2019), which offset increases in consumption in 2019 compared to 2018 described above.

8.8.4. Payroll expenses

The table below shows the Group's payroll expenses for the periods indicated.

	For the six-month period ended 30 June		For the year ended 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (audited)	2019 (audited)	2018 (audited)
(EUR '000)					
Wages, salaries, additional remuneration, bonuses and vacation pay	2,561.5	2,320.4	4,669.2	4,487.6	3,385.3
Other payments and benefits to employees	36.0	46.1	102.3	134.4	89.8
Payroll taxes	709.0	646.9	1,299.2	1,252.1	1,060.1
Total calculated payroll expenses.....	3,306.5	3,013.4	6,070.8	5,874.1	4,535.2
Of which remuneration to management and supervisory boards					
Salaries, bonuses, additional remuneration.....	230.5	230.5	410.2	396.3	410.0
Average number of employees	158.0	147.7	153.0	148.0	94.0

The Group's payroll expenses increased by EUR 0.3 million, or 9.7%, from EUR 3.0 million in the six-month period ended 30 June 2020 to EUR 3.3 million in the six-month period ended 30 June 2021. This increase was mainly attributable to the transfer of wind development services and associated personnel from Eesti Energia to the Company.

The Group's payroll expenses increased by EUR 0.2 million, or 3.3%, from EUR 5.9 million in 2019 to EUR 6.1 million in 2020. This increase was mainly attributable to an increase in the average number of employees from 148 to 153.

The Group's payroll expenses increased by EUR 1.3 million, or 29.5%, from EUR 4.5 million in 2018 to EUR 5.9 million in 2019. This increase was mainly attributable to the acquisition of Nelja Energia. The acquisition led to additional staff costs arising from the increased headcount in the Group's development and asset management teams, partially offset by synergies realised in the course of the post-acquisition integration of the existing Enefit Green business with Nelja Energia in relation to the management and operational structure of the combined entity. Other payments and benefits to employees increased due to the changed employee profile of the Group as a result of the acquisition.

8.8.5. Depreciation, amortisation and impairment

The Group's depreciation, amortisation and impairment expenses increased by EUR 0.8 million, or 4.3%, from EUR 18.3 million in the six-month period ended 30 June 2020 to EUR 19.1 million in the six-month period ended 30 June 2021. This increase was mainly attributable to the harmonisation of economic useful lives to 20 years across WinWinD parks.

The Group's depreciation, amortisation and impairment expenses decreased by EUR 2.6 million, or 6.4%, from EUR 40.8 million in 2019 to EUR 38.2 million in 2020. This decrease was mainly attributable to the adjustment of useful lives of the wind parks acquired from Nelja Energia to

align with the Group's own wind parks as well as the adjustment of the useful lives of solar parks located in Poland to align with those located in Estonia.

The Group's depreciation, amortisation and impairment expenses increased by EUR 21.1 million, 107.6%, from EUR 19.7 million in 2018 to EUR 40.8 million in 2019. This increase was mainly attributable to depreciation of assets acquired in the acquisition of Nelja Energia, together with a small impact of depreciation of the Group's solar assets.

8.8.6. Other operating expenses

The table below shows the Group's other operating expenses for the periods indicated.

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
	(EUR '000)				
Business consulting services	499.0	397.7	946.7	1,759.2	2,582.0
Excise duties	42.0	264.1	324.5	727.0	1,394.5
Lease and maintenance of real estate	1068.9	1069.1	1,960.6	1,976.1	1,110.5
Information technology services	502.2	387.6	890.2	837.0	338.9
Employee-related expenses	58.4	88.4	185.7	293.5	125.1
Grants and donations.....	91.6	170.5	419.8	246.1	183.6
Electricity tax	-	-	-	-	13.1
Office expenses.....	99.8	96.9	206.5	228.8	305.3
Security and comprehensive insurance ...	645.5	653.5	1,302.2	1,631.9	169.4
Finance and accounting services	182.2	138.4	299.4	243.9	163.6
Legal services	49.8	102.5	74.9	73.2	75.5
Other expenses	448.1	450.9	686.0	547.4	86.6
Total other operating expenses	3,687.5	3,819.6	7,296.6	8,564.1	6,547.8

The Group's other operating expenses decreased by EUR 0.1 million, or 3.5%, from EUR 3.8 million in the six-month period ended 30 June 2020 to EUR 3.7 million in the six-month period ended 30 June 2021. This decrease was mainly attributable to various production-related and administrative studies outsourced to consultants, a reduction in excise duties, as well as grants and donations.

The Group's other operating expenses decreased by EUR 1.3 million, or 14.8%, from EUR 8.6 million in 2019 to EUR 7.3 million in 2020. This decrease was mainly attributable to various production-related and administrative studies outsourced to consultants, savings associated with security and general insurance services and a reduction in excise duties due to a decrease in gas-fired heat sales.

The Group's other operating expenses increased by EUR 2.0 million, or 30.8%, from EUR 6.5 million in 2018 to EUR 8.6 million in 2019. This increase was mainly attributable to the acquisition of Nelja Energia, which gave rise to an increase in lease and maintenance of real estate expenses and information technology expenses, and to an increase in security and general insurance services, which was partially offset by a decrease in business consulting services and in excise duties arising from a decrease in gas-fired heat production.

8.8.7. Sale of a subsidiary

The table below shows the Group's other expenses for the periods indicated.

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
	(EUR '000)				
Loss on disposal of a subsidiary.....	-	-	-	1,391.6	-
Total other expenses.....	-	-	-	1,391.6	

The Group's other expenses in 2019 consisted of a EUR 1.4 million loss on the sale of a subsidiary (4E Biofond OÜ, which was acquired as part of the Nelja Energia acquisition). There were no such expenses in 2021, 2020 or 2018.

8.8.8. EBITDA

The following table sets out EBITDA for each of the Group's segments

	For the six-month period ended 30 June		For the Year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
	(EUR '000)				
EBITDA					
Wind	31,392.9	39,152.5	69,397.8	69,682.6	21,882.1
CHP.....	16,438.8	15,435.8	29,849.8	24,704	22,520.8
Solar.....	867.1	534.4	1,673.9	458.1	(166.6)
Other	(2,313.6)	11,723.2	9,249.0	(4,518.3)	(3,972.4)
Total	46,385.2	66,845.8	110,170.5	90,326.4	40,263.9

(a) Six months ended 30 June 2021 and 2020

The Group's EBITDA decreased by EUR 20.5 million, or 30.6%, from EUR 66.8 million in the six-month period ended 30 June 2020 to EUR 46.4 million in the six-month period ended 30 June 2021.

(i) Wind

Wind EBITDA decreased by EUR 7.8 million, or 19.8%, from EUR 39.2 million in the six-month period ended 30 June 2020 to EUR 31.4 million in the six-month period ended 30 June 2021. This decrease was mainly attributable to lower rates of electricity production, partly offset by increased electricity prices.

(ii) CHP

CHP EBITDA increased by EUR 1.0 million, or 6.5%, from EUR 15.4 million in the six-month period ended 30 June 2020 to EUR 16.4 million in the six-month period ended 30 June 2021. This increase was mainly attributable to improved profitability of the Iru CHP facility.

(iii) Solar

Solar EBITDA increased by EUR 0.3 million, or 62.3%, from EUR 0.5 million in the six-month period ended 30 June 2020 to EUR 0.9 million in the six-month period ended 30 June 2021. This increase was mainly attributable to two factors: (i) higher revenue from Polish solar parks in the six-month period ended 30 June 2021, and (ii) the start of internal invoicing for solar turn-key services provided to Eesti Energia for the six-month period ended 31 December 2020, resulting in the turn-key services revenue being recorded as Group revenue.

(iv) Other

Other EBITDA decreased by EUR 14.0 million, from EUR 11.7 million in the six-month period ended 30 June 2020 to EUR (2.3) million in the six-month period ended 30 June 2021. This decrease was mainly attributable to the one-off sale of greenhouse gas emission allowances in 2020.

(b) *Years ended 31 December 2020 and 2019*

The Group's EBITDA increased by EUR 19.8 million, or 22.0%, from EUR 90.3 million in 2019 to EUR 110.2 million in 2020.

(i) Wind

Wind EBITDA decreased by EUR 0.3 million, or 0.4%, from EUR 69.7 million in 2019 to EUR 69.4 million in 2020. This decrease was mainly attributable to lower Nord Pool power exchange market prices in the Estonia price area and partially offset higher wind portfolio output.

(ii) CHP

CHP EBITDA increased by EUR 5.1 million, or 20.8%, from EUR 24.7 million in 2019 to EUR 29.8 million in 2020. This increase was mainly attributable to an increase in waste-to-energy profitability for the Iru facility and an improved pellet margin resulting from, among other factors, lower production costs and raw material prices.

(iii) Solar

Solar EBITDA increased by EUR 1.2 million, or 265.4%, from EUR 0.5 million in 2019 to EUR 1.7 million in 2020. This increase was mainly attributable to the acquisition of solar plants in Poland in July and December 2019.

(iv) Other

Other EBITDA increased by EUR 13.8 million, from EUR (4.5) million in 2019 to EUR 9.2 million in 2020. This increase was mainly attributable to the one-off sale of greenhouse gas emission allowances.

(c) *Years ended 31 December 2019 and 2018*

The Group's EBITDA increased by EUR 50.1 million, or 124.3%, from EUR 40.3 million in the year ended 31 December 2018 to EUR 90.3 million in the year ended 31 December 2019.

(i) Wind

Wind EBITDA increased by EUR 47.8 million, or 218.4%, from EUR 21.9 million in the year ended 31 December 2018 to EUR 69.7 million in the year ended 31 December 2019. This increase was mainly attributable to the Nelja Energia acquisition.

(ii) CHP

CHP EBITDA increased by EUR 2.2 million, or 9.7%, from EUR 22.5 million in the year ended 31 December 2018 to EUR 24.7 million in the year ended 31 December 2019. This increase was mainly attributable to the Nelja Energia acquisition and, specifically, the acquisition of the Broceni CHP facility.

(iii) Solar

Solar EBITDA increased by EUR 0.6 million, from EUR (0.2) million in the year ended 31 December 2018 to EUR 0.5 million in the year ended 31 December 2019. This increase was mainly attributable to the increased portfolio of solar facilities in Estonia and Poland.

(iv) Other

Other EBITDA decreased by EUR 0.5 million, or 13.7%, from EUR (4.0) million in the year ended 31 December 2018 to EUR (4.5) million in the year ended 31 December 2019. This decrease was mainly attributable to increased labour and general business costs arising from the Nelja Energia acquisition.

8.8.9. Operating profit

The Group's operating profit across its four segments was as follows for the period under review for the foregoing reasons.

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
	(EUR '000)				
Operating profit					
Wind	17,756.5	26,124.4	41,804.4	37,633.3	9,165.7
CHP	11,367.9	10,848.4	20,189.9	16,433.6	15,827.6
Solar	515.3	(135.2)	885.6	138.2	(170.6)
Other	(2,380.1)	11,671.1	9,098.8	(4,680.5)	(4,214.4)
Total	27,259.6	48,508.7	71,978.7	49,524.5	20,608.3

8.8.10. Finance income and costs

The table below shows the Group's net finance costs for the periods indicated.

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
	(EUR '000)				
Finance income					
Interest income.....	23.3	1.6	1.8	37.4	7.4
Foreign exchange gain	121.1	36.9	201.1	0.3	0.2
Total finance income	144.5	38.5	202.9	37.7	7.6
Finance costs					
Interest expense on borrowings					
Interest expense on borrowings	(1,579.6)	(1,848.8)	(3,634.9)	(7,133.4)	(9,428.6)
Capitalised borrowing costs.....	85.8	65.3	132.8	175.5	

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)			(audited)	
	(EUR '000)				
Total interest expense on borrowings	(1,493.8)	(1,783.5)	(3,502.1)	(6,957.7)	(9,428.6)
Interest expense on provisions	-	(0.1)	(0.2)	(0.2)	(0.2)
Total interest expense	-	(1,783.6)	(3,502.3)	(6,957.9)	(9,428.8)
Other finance costs	(4.2)	(45.6)	(41.7)	(3,283.6)	(568.6)
<i>Incl. charge for early repayment</i>	-	-	-	(2,823.3)	-
Foreign exchange loss	(77.6)	(26.6)	(35.7)		
Total finance costs	(1,575.6)	(1,855.8)	(3,579.7)	(10,241.5)	(9,997.3)
Net finance costs	(1,431.1)	(1,817.3)	(3,376.8)	(10,203.8)	(9,989.7)

The Group's net finance costs decreased by EUR 0.4 million, or 21.3% from EUR 1.8 million in the six-month period ended 30 June 2020 to EUR 1.4 million in the six month period ended 30 June 2021. This decrease was mainly attributable to an overall decrease in the total interest expense on borrowings.

The Group's net finance costs decreased by EUR 6.8 million, or 66.9%, from EUR (10.2) million in 2019 to EUR (3.4) million in 2020. This decrease was mainly attributable to lower interest expense on borrowings and the absence of EUR 2.8 million of charges for early repayment of a loan in the year ended 31 December 2019, which did not re-occur in the year ended 31 December 2020.

The Group's net finance costs increased by EUR 0.2 million, or 2.1%, from EUR 10.0 million in 2018 to EUR 10.2 million in 2019. This increase was mainly attributable to the one-off costs relating to re-financing of existing indebtedness of the Nelja Energia Group, including early termination fees relating to the existing indebtedness and fees incurred in arranging the new financing. Additionally, following the Nelja Energia acquisition, the Group maintained a relatively high level of intra-Group debt in the fourth quarter of 2018 and the first quarter of 2019, at the end of which equity reserves were created and the intra-Group debt was extinguished.

8.8.11. Share of profit of equity-accounted investees

As at 30 June 2021, the Group had three equity method associates, Empower 4Wind OÜ, Team Paldiski OÜ, and Wind Controller JV Oy, in which the Group holds a 40.0%, 12.5% and 10.0% interest respectively.

8.8.12. Income tax expense

The Group's income tax expense decreased by EUR 1.6 million, or 191.1%, from EUR 0.8 million in the six-month period ended 30 June 2020 to EUR (0.8) million in the six-month period ended 30 June 2021.

The Group's income tax expense decreased by EUR 2.1 million, or 73.6%, from EUR 2.8 million in 2019 to EUR 0.7 million in 2020. This decrease was mainly attributable to the fact that in 2020, dividends paid to the sole shareholders were taken from a Lithuanian subsidiary of the Group and had already been taxed under Lithuanian legislation. By contrast, dividends in 2019 were distributed from profits taxed under the Estonian corporate income tax regime.

The Group's income tax expense increased by EUR 1.9 million, or 199.3%, from EUR 0.9 million in 2018 to EUR 2.8 million in 2019. This increase was primarily due to income taxes paid in connection with the Group's operations in Lithuania (resulting from the acquisition of Nelja Energia), together with taxation on dividends paid by the Group in 2019 that were taxed in Estonia. For further information, see Note 31 to the Audited Financial Statements.

8.8.13. Profit for the period

The Group's profit for the period decreased by EUR 22.4 million, or 47.3%, from EUR 47.5 million in the six-month period ended 30 June 2020 to EUR 25.0 million in the six-month period ended 30 June 2021 for the reasons set forth above.

The Group's profit for the year increased by EUR 31.1 million, or 84.5%, from EUR 36.8 million in 2019 to EUR 67.9 million in 2020 for the reasons set forth above.

The Group's profit for the year increased by EUR 27.1 million, or 281.7%, from EUR 9.6 million in 2018 to EUR 36.8 million in 2019 for the reasons set forth above.

8.9 CASH FLOWS

The following table sets forth the Group's cash flows for the periods indicated.

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)			(audited)	
	(EUR '000)				
Net cash generated from operating activities	41,949.2	65,490.6	101,254.6	74,626.9	36,838.6
Net cash used in investing activities	(38,724.1)	(1,146.7)	(10,948.8)	(20,650.0)	(258,809.7)
Net cash (used in) generated from financing activities	(2,858.9)	(66,353.6)	(90,658.6)	(70,852.0)	249,972.7
Net cash flow	366.2	(2,009.7)	(352.8)	(16,875.1)	28,001.6
Cash and cash equivalents at the beginning of the period	10,773.7	11,126.5	11,126.5	28,001.6	-
Cash and cash equivalents at the end of the period	11,139.9	9,116.7	10,773.7	11,126.5	28,001.6
Net change in cash and cash equivalents	366.2	(2,009.8)	(352.8)	(16,875.1)	28,001.6

Net cash generated from operating activities

The Group's net cash generated from operating activities decreased by EUR 23.5 million, or 35.9%, from EUR 65.5 million in the six-month period ended 30 June 2020 to EUR 41.9 million in the six-month period ended 30 June 2021. This decrease was mainly attributable to sales of CO2 allowances and improved weather conditions over the first six months of 2020.

The Group's net cash generated from operating activities increased by EUR 26.6 million, or 35.7%, from EUR 74.6 million in 2019 to EUR 101.3 million in 2020. This increase was mainly attributable to transactions in 2020 that did not take place in 2019, such as sales of greenhouse gas emission allowances and sales of solar turn-key services. Further, various increases in revenue items, as discussed in "Part 8 (Operating and Financial Review), Section 8.8.1 (Results of Operations of the Group—Revenue and Renewable energy support and other operating income)".

The Group's net cash generated from operating activities increased by EUR 37.8 million, or 102.6%, from EUR 36.8 million in 2018 to EUR 74.6 million in 2019. This increase was mainly attributable to the addition of Nelja Energia's assets in the 2019 results.

Net cash used in investing activities

The Group's net cash used in investing activities increased by EUR 37.6 million, from EUR (1.1) million in the six-month period ended 30 June 2020 to EUR (38.7) million in the six-month period ended 30 June 2021. This increase was mainly attributable to the acquisition of land for the Sopi development project and Purtse development project in the first six months of 2021 (see Note 3 to the Interim Financial Statements for more information).

The Group's net cash used in investing activities decreased by EUR 9.7 million, or 47.0%, from EUR (20.7) million in 2019 to EUR (10.9) million in 2020. This decrease was mainly attributable to the acquisition of 20 solar park projects in Poland in 2019, which investment exceeded the acquisition of the Tolpanvaara development project and construction work on the Klibuloo solar park in 2020.

The Group's net cash used in investing activities decreased by EUR 238.2 million, or 92.0%, from EUR (258.8) million in 2018 to EUR (20.7) million in 2019. This decrease was mainly related to the acquisition of Nelja Energia in 2018.

Net cash used in or generated from financing activities

The Group's net cash used in financing activities decreased by EUR 63.5 million, or 95.7%, from EUR (66.4) million in the six-month period ended 30 June 2020 to EUR (2.9) million in the six-month period ended 30 June 2021. This decrease was mainly attributable to a change in overdraft balances and the effect of no longer being a part of Eesti Energia's cash pool facility.

The Group's net cash used in financing activities increased by EUR 19.8 million, or 28.0%, from EUR (70.9) million in 2019 to EUR (90.7) million in 2020, arising from a significant number of financing transactions in 2019 (net change in overdraft of EUR (510.4) million relating to conversion of the Eesti Energia overdraft to voluntary equity reserve of EUR 400.0 million, and repayments of bank loans of EUR (190.3) million partially offset by bank loans received of EUR 260.0 million and contribution to voluntary reserve of EUR 400.0 million). In 2020 the net cash used in financing activities resulted mainly from a net change in overdraft of EUR (43.4) million, repayments of bank loans of EUR (37.5) million and dividends paid of EUR (18.4) million partially offset by bank loans received of EUR 9.0 million.

The Group's net cash used in financing in 2019 was EUR (70.9) million, as compared to net cash generated from financing activities of EUR 250.0 million in 2018. The inflows in 2018 were mainly due to a parent company loan. The outflows in 2019 were mainly attributable to repayments of bank loans and changes in overdraft balance caused by refinancing of the Group's debt portfolio and conversion of debt into equity capital, which were only partially offset by a capital increase of EUR 400.0 million, and EUR 260.0 million of bank loans. Additionally, EUR 15.0 million was used for dividend payments in 2019.

Net changes in cash and cash equivalents

As a result of the foregoing changes in cash flows, net change in cash and cash equivalents was an inflow of EUR 0.4 million in the six months ended 30 June 2021 as compared to the outflow of EUR 2.0 million in the six months ended 30 June 2020.

As a result of the foregoing changes in cash flows, net change in cash and cash equivalents was an outflow of EUR 0.4 million in 2020 as compared to an outflow of EUR 16.9 million in 2019.

The net change in cash and cash equivalents was an outflow of EUR 16.9 million in 2019 as compared to an inflow of EUR 28.0 million in 2018. The outflow was mainly attributable to the

financial restructuring of Enefit Green to refinance the Group at a level necessary for the Group's operations. The inflow was mainly attributable to the cash generated from financing activities.

8.10 LIQUIDITY AND CAPITAL RESOURCES

8.10.1. Overview and working capital statement

The Group has historically used financing from external and intra-Group lenders in connection with its investments. In the periods under review, the Group met most of its liquidity needs out of operating activities and financings such as bank loans, overdrafts, intragroup loans and financial leases, and the Group expects that these will continue to be the principal sources of the Group's liquidity in the medium term (with the exception of intra-Group loans).

As of 30 June 2021, the Group's current liabilities exceeded its current assets by EUR 20.4 million. This was caused primarily by investments into new business opportunities in the first half of 2021, as well as by the structure of existing loan obligations.

On 27 September 2021, the Group entered into a EUR 40 million Term Loan Facility Agreement with SEB Bankas AB to finance development projects and two EUR 20 million revolving credit facilities for general corporate and working capital purposes. On 24 September 2021, the Group entered into a EUR 50 million Investment Loan with OP Corporate Bank plc Estonian branch to finance development projects.

The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements, for the period covering at least 12 months from the date of the approval of this Prospectus. For the avoidance of doubt, the Company's working capital statement is not contingent upon a successful completion of the Offering.

8.10.2. Group indebtedness (corporate financing debt and project finance)

As of 30 June 2021, the Group has incurred long-term bank loans amounting to EUR 137.7 million, long-term lease liabilities amounting to EUR 2.0 million and current bank loans amounting to EUR 47.5 million in order to sustain operations. As of 30 June 2021, the Group's bank loans weighted average interest rate was 1.64.

During the period after 30 June 2021 until the date of this Prospectus, the Group has entered into additional financing arrangements for the purposes of financing development projects and general corporate and working capital purposes. On 24 September 2021, the Group entered into a EUR 50 million Investment Loan with OP Corporate Bank plc, Estonian branch to finance development projects. On 27 September 2021, the Group entered into a EUR 40 million Term Loan Facility Agreement with SEB Bankas AB to finance development projects and two EUR 20 million revolving credit facilities for general corporate and working capital purposes.

Additionally, the Group is in ongoing discussions with several financial institutions relating to further EUR and PLN investment loans.

8.10.3. Financial covenants

Debt covenants may limit the Group's ability to finance additional expansion through borrowings, which could limit the Group's scope for expansion.

(a) Loan Agreements with AS SEB Pank and Swedbank AS

On 21 December 2018, the Company entered into a EUR 200,000,000 term loan facility agreement with AS SEB Pank and a EUR 60,000,000 term facility agreement with Swedbank AS for the purposes of refinancing the loan obligations of the acquired Nelja Energia Group

companies and general corporate purposes. The repayments under both loan agreements are made by way of consecutive quarterly payments with the final repayment date of the last instalment being 21 December 2023. Each quarterly repayment under agreement with Swedbank AS corresponds to 3.571% of the original loan amount while the last instalment is in the amount of EUR 19.29 million (32.15% of the original loan amount). Each quarterly repayment under the agreement with AS SEB Pank corresponds to 3.571% of the original loan amount while the last instalment is in the amount of EUR 64.30 million (32.15% of the original loan amount). The final repayment is a larger amount than previous quarterly instalments as both loan agreements have a term of five years and a repayment schedule of seven years. As of 30 June 2021, the outstanding principal amount of the loan under the agreement with AS SEB Pank was EUR 128,571,429.60 and under the agreement with Swedbank was EUR 38,574,000.

The above loans are provided on an unsecured basis. Both loan agreements include certain financial covenants, namely the leverage ratio and interest cover ratio, stipulating that (i) the ratio of group's consolidated net debt to adjusted EBITDA (both terms as defined in the agreements) shall not be more than 6:1 and (ii) the ratio of adjusted EBITDA (both terms as defined in the agreements) to consolidated interest expense for any relevant period shall not be less than 5:1. The agreements also include terms and conditions largely customary for such financing arrangements, including other customary covenants and undertakings (such as negative pledge).

(b) Revolving Credit Facility with AS SEB Pank

On 18 May 2020, the Company entered into a EUR 25,000,000 unsecured revolving credit facility with AS SEB Pank for general corporate and working capital purposes of the Group. The revolving credit facility is available for five years from the date of the Agreement. The agreement stipulates the same financial covenants as described in Section 1.2(a) (Loan Agreements with AS SEB Pank and Swedbank AS) above and includes other terms and conditions largely customary for such financing arrangements, including other customary covenants and undertakings (such as negative pledge). As of 30 June 2021, the amount in use under the revolving credit facility was EUR 10,000,000.

(c) Facilities Agreement with EBRD

On 9 April 2020, the Company entered into a PLN 40,000,000 unsecured Facilities Agreement with the European Bank for Reconstruction and Development (the “**EBRD**”). Under the agreement, the EBRD has made available to the Company a term loan for the purposes of financing the acquisition of certain small-scale photovoltaic plants located in Poland. The repayments are made by way of semi-annual payments with the final instalment due on 30 April 2028. Each semi-annual instalment corresponds to 4.46% of the original loan amount while the last instalment is in the amount of PLN 13.24 million (33.1% of the original loan amount). The loan is provided on an unsecured basis. The agreement includes terms and conditions largely customary for such financing arrangements, including customary covenants and undertakings (such as negative pledge). It also includes several financial covenants, namely (i) an interest coverage ratio, providing that the Group shall, at all times, maintain a ratio of adjusted EBITDA to consolidated net interest expense (each as defined in the relevant agreement) of not less than 5:1; and (ii) a consolidated net debt to adjusted EBITDA ratio, stipulating that the Group shall maintain a ratio of consolidated net debt to adjusted EBITDA of not more than 6:1. As of 30 June 2021, the outstanding principal amount of the loan under the agreement was PLN 36,432,000.

(d) Loan Agreements with SEB Bankas AB and OP Corporate Bank plc, Estonian Branch

The loans with SEB Bankas AB and OP Corporate Bank plc, Estonian branch referred in Section 8.10.2 above are provided on an unsecured basis. The loan agreements include certain financial covenants, in particular concerning leverage ratio and interest coverage ratio, stipulating that: (i) the ratio of the Group's consolidated net debt to adjusted EBITDA (both terms as defined in the

agreements) shall not be more than 6:1, and (ii) the ratio of adjusted EBITDA to consolidated interest expense (both terms as defined in the agreements) for any relevant period shall not be less than 5:1. The agreements also include terms and conditions typical for such financing arrangements, including other customary covenants and undertakings (including, for example, a negative pledge clause).

8.10.4. Sources of funds

The Group's financial resources include:

- *Net cash flow from operating activities of the Group.* The net cash flow generated by the Group's operating activities totalled EUR 41.9 million and EUR 65.5 million as of 30 June 2021 and 2020 and EUR 101.3 million, EUR 74.6 million and EUR 36.8 million as of 31 December 2020, 2019 and 2018.
- *Cash and cash equivalents.* After taking into account the cash flows described in "— Cash Flows", including the cash flows referred to below, cash and cash equivalents totalled EUR 11.1 million as of 30 June 2021 and EUR 10.8 million, EUR 11.1 million and EUR 28.0 million as of 31 December 2020, 2019 and 2018, respectively.
- *Loans and borrowings.* See "8.10.2 (Group indebtedness (corporate financing debt and project finance))".

8.11 CONTRACTUAL COMMITMENTS AND OTHER FUTURE OBLIGATIONS

The following table sets out the Group's remaining contractual maturities for its financial liabilities with agreed repayment periods, as of 30 June 2021. The contractual maturities are based on the earliest date on which the Group may be required to pay:

	Payments due by period					
	Carrying value	Total cash outflow due to contracts	0 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
			(EUR '000)			
Borrowings excl. lease liabilities.....	188,205.4	194,623.6	20,005.5	30,698.6	139,565.0	4,354.5
Lease liabilities	2,180.4	3,906.6	91.8	71.5	1,211.8	2,531.5
Derivative financial instruments	13,760.7	13,760.7	-	-	13,760.7	-
Trade and other payables.....	5,116.5	5,116.5	5,116.05	-	-	-
Due to related parties	1,411.5	1,411.5	1,411.5	-	-	-

8.12 CAPITAL EXPENDITURES

	For the six-month period ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	(unaudited)		(audited)		
	(EUR '000)				
Total capital expenditure ⁽¹⁾	43,974.5 ⁽²⁾	1,371.8	13,726.0 ⁽³⁾	8,112.4 ⁽⁴⁾	8,927.6 ⁽⁵⁾
Capital expenditure as a % of revenue.....	69.2	2.4	12.0	6.8	14.9

Notes:

(1) Capital expenditure is defined as investments in non-current assets as presented in the segment reporting in Note 5 to the Audited Financial Statements and Note 5 to the Unaudited Interim Financial Statements.

(2) The Group's total capital expenditure by segment for the six-month period ended June 30 2021 was split across onshore wind development (EUR 41.6 million), solar park development (EUR 0.6 million) and cogeneration / CHP (EUR 1.6 million).

(3) The Group's total capital expenditure by segment in 2020 was split across onshore wind development (EUR 6.4 million), onshore wind maintenance (EUR 0.6 million), solar park development (EUR 4.7 million) and cogeneration / CHP (EUR 1.9 million).

(4) The Group's total capital expenditure by segment in 2019 was split across onshore wind development (EUR 2.5 million), onshore wind maintenance (EUR 2.8 million), solar park development (EUR 0.4 million) and cogeneration / CHP (EUR 2.2 million).

(5) The Group's total capital expenditure by segment in 2018 was split across wind development (EUR 3.3 million), solar park development (EUR 3.9 million) and cogeneration / CHP (EUR 1.6 million).

In the six-month period ended 30 June 2021, the Group's capital expenditures totalled EUR 44.0 million, mainly attributable to the acquisition of land as part of the Sopi wind and solar development project, as well as the acquisition of the Purtse wind and solar development project.

In 2020, the Group's capital expenditures totalled EUR 13.7 million, mainly attributable to investments in wind farm developments (EUR 6.5 million), the construction of the Klibuloo solar farm (EUR 2.6 million), wind farm improvements (EUR 0.8 million) and CHP facility improvements (EUR 1.9 million).

In 2019, the Group's capital expenditures totalled EUR 8.1 million, mainly attributable to improvement of fixed assets (EUR 5.1 million), in addition to development projects. Out of the EUR 5.1 million spent on the improvement of fixed assets, EUR 3.2 million was spent on improving the reliability of certain wind assets, and EUR 1.9 million was spent on the CHP segment, in particular the Iru facility.

In 2018, the Group's capital expenditures totalled EUR 8.9 million, mainly attributable to development projects (EUR 6.5 million), but also improvement of fixed assets. Out of the EUR 6.5 million spent on development projects, EUR 3.9 million was invested in solar assets, EUR 2 million was invested in wind development, and EUR 0.6 million was invested into developments in the other segment. In relation to the improvement of fixed assets, EUR 1.3 million was spent on improving the reliability of certain wind assets, and EUR 1.2 million was spent on the CHP segment, in particular the Iru facility.

8.13 OFF-BALANCE SHEET TRANSACTIONS

The Company and its parent entity Eesti Energia entered into an EFET General Agreement concerning the delivery and acceptance of electricity on 17 August 2021, simultaneously terminating all open base load swap derivative contracts between the Company and Eesti Energia under the ISDA 2002 Master Agreement. By signing the agreement, the parties entered into a physical electricity sales contract at a fixed price for the period 2023-2027. The contract was entered into for the same volumes of electricity and based on the same fixed prices as the derivatives open as at 30 June 2021. See "Part 11 (Business), Section 11.8.3 (Additional Project-Specific Information)" with respect to Silale II and Akmene, the projects in respect of which the EFET General Agreement has been entered into. The Group is considering entering into similar physical PPAs in respect of other facilities in future.

The Group continued to apply hedge accounting to the open derivatives position up until 17 August 2021, accounting for the change in the fair value of the derivatives between 30 June 2021 and up to the date of the signing of the EFET General Agreement in accordance with its policies described in Notes 2 and 7 of the Unaudited Interim Financial Statements. The value of the derivative liability increased from a negative EUR 13,760.7 thousand to a negative EUR 23,206.7 thousand due to the change in the forecasted electricity prices between 1 July 2021 and 17 August 2021. The negative EUR 9,446.0 thousand change in fair value will be reflected in other comprehensive income as no material sources of ineffectiveness have been identified in the hedging relationships in the period between 1 July 2021 and 17 August 2021.

For further information, see Note 15 of the Unaudited Interim Financial Statements and “Part 11 (Business), Section 11.8 (Projects in Development)”.

8.14 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The most significant risks facing the Group are discussed below. For further details, see Note 3 to the Audited Financial Statements.

8.14.1. Credit Risk

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

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

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
	(unaudited)	(audited)		
		(EUR '000)		
Trade and other receivables ⁽¹⁾	5,934.5	9,847.2	16,515.2	15,580.0
Receivables from related parties	785.8	36,284.9	187.4	651.7
Cash and cash equivalents.....	11,139.9	10,773.7	11,126.5	28,001.6
Total amount exposed to credit risk	17,859.3	56,905.8	27,829.1	44,233.3

Note:

(1) Total trade and other receivables less prepayments.

To measure expected credit losses, trade receivables are grouped based on their days past due.

The expected loss rates are based on the customers’ settlement behaviour during the 36-month period before the six months ended 30 June 2021 and the six months ended 30 June 2020.

On the basis described above, the loss allowance recognised as at the six months ended 30 June 2021 and the six months ended 30 June 2020 was immaterial. The Group has identified the expected credit losses of trade receivables not yet past due and up to 90 days past due and has determined that their effect is immaterial.

The expected loss rates are based on the customers’ settlement behaviour during the 36-month period before 31 December 2020, December 2019 and 31 December 2018 and the historical credit losses experienced within those periods. The historical loss rates are adjusted to reflect current and forward-looking information about macroeconomic factors affecting the customers’ ability to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On the basis described above, the loss allowance recognised as at 31 December 2020, 31 December 2019 and 31 December 2018 was immaterial. The Group has identified the expected credit losses of trade receivables not yet past due and up to 90 days past due and has determined that their effect is immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2020, 31 December 2019 and 31 December 2018.

Under the group's accounting policies, receivables over 90 days past due are usually written down in full. The total amount of the loss allowance for receivables over 90 days past due is adjusted based on historical experience of how many receivables classified as doubtful are subsequently collected and how many receivables not over 90 days past due at the reporting date are subsequently not collected. Also, other individual and exceptional impacts such as deterioration in the global economic situation are taken into account during the evaluation. Receivables from associates are assessed and analysed separately from other receivables based on their collectability.

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

At 31 December 2020, the Group had one customer that accounted for over 10% of the Group's trade and other receivables. Receivables from this customer totalled to EUR 4.6 million. At 31 December 2019, the Group had two customers that each accounted for over 10% of the Group's trade and other receivables. Receivables from those customers totalled EUR 9.4 million. At 31 December 2018, the Group had two customers that each accounted for over 10% of the Group's total trade and other receivables. Receivables from those customers totalled EUR 3.9 million.

For further information see note 15 of the Audited Financial Statements.

8.14.2. Liquidity Risk

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

The following liquidity analysis reflects the maturity profile of the Group's current and non-current liabilities. All amounts presented in the table are contractual undiscounted cash flows. The amounts of liabilities falling due within 12 months after the end of the reporting period, except for borrowings and lease liabilities, are equal to their carrying amounts.

As of 30 June 2021, the Group had undrawn loans of EUR 15.0 million. As of 31 December 2020, 2019 and 2018, this figure was EUR 25.0 million, EUR 0.0 million, and EUR 261.5 million, respectively.

Maturity profile of liabilities as at 30 June 2021					
	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
	(EUR '000)				
Borrowings excl. lease liabilities ⁽¹⁾	50,704.1	139,565.0	4,354.5	194,623.6	188,205.4
Lease liabilities	169.3	1,211.8	2,531.5	3,906.6	2,180.4
Derivative financial instruments	-	13,760.7	-	13,760.7	13,760.7

Maturity profile of liabilities as at 30 June 2021

	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
	(EUR '000)				
Trade and other payables.....	6,528.0	-	-	6,528.0	6,528.0
Tax liabilities and payables to employees ...	2,805.1	-	-	2,805.1	2,805.1
Total	60,200.5	154,537.5	6,886.0	221,624.0	213,479.6

Note:

(1) Interest expense has been estimated on the basis of interest rates as at 30 June 2021.

Maturity profile of liabilities as at 31 December 2020

	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
	(EUR '000)				
Borrowings excl. lease liabilities ⁽¹⁾	41,182.4	161,098.7	4,655.8	206,936.9	197,046.4
Lease liabilities	226.3	1,139.7	2,531.5	3,897.5	2,289.8
Trade and other payables.....	7,039.0	-	-	7,039.0	7,039.0
Total	48,447.7	162,238.4	7,187.3	217,873.4	206,375.2

Note:

(1) Interest expense has been estimated on the basis of interest rates as at 31 December 2020.

Maturity profile of liabilities as at 31 December 2019

	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
	(EUR '000)				
Borrowings excl. lease liabilities ⁽¹⁾	50,708.2	192,369.3	-	243,077.5	232,896.4
Lease liabilities	307.0	1,064.6	2,942.2	4,313.8	2,935.5
Trade and other payables.....	8,153.0	-	-	8,153.0	8,153.0
Total	59,168.2	193,433.9	2,942.2	255,544.3	243,984.9

Note:

(1) Interest expense has been estimated on the basis of interest rates as at 31 December 2019.

Maturity profile of liabilities as at 31 December 2018

	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
	(EUR '000)				
Borrowings excl. lease liabilities ⁽¹⁾	568,118.9	63,030.7	49,286.3	680,435.9	669,624.6
Lease liabilities	11,042.0	240.2	-	11,282.2	11,282.2
Derivative financial instruments	1,757.5	2,074.2	-	3,831.7	3,831.7
Trade and other payables.....	10,334.5	-	-	10,334.5	10,334.5
Total	591,252.9	65,345.0	49,286.3	705,884.3	695,073.0

Notes:

(1) Interest expense has been estimated on the basis of interest rates as at 31 December 2018.

8.14.3. Capital Management

The Group regards equity and borrowings (debt) as capital. In order to maintain or change its capital structure, the Group may change the dividend distribution rate, repay capital contributions to owners, issue new shares or sell assets to reduce its financial liabilities, and raise debt capital in the form of loans. On raising loans, management assesses the Group's ability to service the principal and interest payments with operating cash flow and where necessary, starts timely negotiations to refinance existing loans before maturity. In setting the cap for borrowings, management monitors the net debt to capital ratio and the net debt to EBITDA ratio and takes into account the restrictions imposed by the terms and conditions of loan agreements.

8.15 NEW AND AMENDED STANDARDS APPLICABLE TO OUR CONSOLIDATED FINANCIAL STATEMENTS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

Certain new standards, interpretations and amendments have been issued that are mandatory for the Group in annual periods beginning on or after 1 January 2021 and that the Group has not early-adopted. For further information, see Note 2.2 (b) to the Group's Audited Financial Statements.

New standards, interpretations and amendments not yet effective are not expected to have a material impact on the Group.

8.16 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

Estimates that have a significant effect on the information reported in the financial statements and assumptions that may cause significant changes in the carrying amounts of assets and liabilities are related to determining the useful lives of items of property, plant and equipment (see note 7 of the Audited Financial Statements), estimating the recoverable amounts of property, plant and equipment and intangible assets (see notes 7 and 9 of the Audited Financial Statements), and determining the fair value of net assets acquired in business combinations (see note 11 of the Audited Financial Statements).

8.16.1. Determining the useful lives of items of property, plant and equipment

The useful lives of items of property, plant, and equipment are determined based on management's estimates of the economic lives over which the assets can be used. Past experience reflects that the actual economic lives of assets are sometimes somewhat longer than their

estimated useful lives. At 30 June 2021, the total carrying amount of the Group's property, plant, and equipment was EUR 615.4 million (31 December 2020: EUR 595.0 million; 31 December 2019: EUR 627.9 million; 31 December 2018: EUR 644.1 million) and depreciation expense for the period amounted to EUR 19.0 million (31 December 2020: EUR 37.8 million; 31 December 2019: EUR 39.2 million; 31 December 2018: EUR 19.0 million) (see note 7 of the of the Audited Financial Statements). At 30 June 2021, a 10% change in depreciation rates would change annual depreciation expense by EUR 1.9 million (31 December 2020: EUR 3.8 million; 31 December 2019: EUR 3.9 million; 31 December 2018: EUR 1.9 million).

8.16.2. Estimating the recoverable amounts of property, plant and equipment and intangible assets

The Group performs impairment tests and estimates the recoverable amounts of its property, plant, and equipment and intangible assets when and as required. In carrying out impairment tests, management uses various estimates of cash inflows from the use and sale of assets and cash outflows from the maintenance and repair of assets, as well as estimates of inflation and growth rates and the probability of the receipt of support (subsidies). The estimates are based on forecasts of developments in the general economic environment, and the consumption and sales price of electricity. Where necessary, the fair value of assets is determined using the assistance of experts. If circumstances change, the Group may have to recognise additional impairment losses or reverse previously recognised impairment losses either in part or in full.

The Group assesses whether impairment indicators exist at each balance sheet date. No impairment indicators were identified as at 30 June 2021 and 2020; therefore, no impairment tests were carried out (see note 6 of the Unaudited Interim Financial Statements).

Based on impairment tests carried out in 2020, the Group did not write down the assets of its wind parks (see note 7 of the Audited Financial Statements). The impairment testing was performed by estimating the recoverable amounts of the assets based on the discounted future cash flows of each cash-generating unit. Cash flows for each unit were projected until the end of the use life for each wind farm. Every wind farm was treated as a separate cash-generating unit.

Based on impairment tests carried out in 2019, the Group wrote down the assets of the Aulepa wind park by EUR 0.5 million and the assets of the Silale wind park by EUR 0.6 million (see note 7 of the Audited Financial Statements). The impairment of the Silale wind park was due to maintenance costs being higher than expected, and the impairment of the Aulepa wind park was due to the increase in availability and electricity production being lower than forecasted.

Based on an impairment test carried out in 2018, the Group wrote down the assets of the Aulepa wind park by EUR 0.6 million (see note 7 of the Audited Financial Statements). The impairment of the Aulepa wind park was due to the increase in availability and electricity production being lower than forecasted.

8.16.3. Deferred tax recognition of undistributed earnings of Group's Estonian and Latvian subsidiaries

As at 31 December 2020, the Group did not account for deferred tax liabilities associated with temporary taxable differences related to the undistributed retained earnings of the Estonian and Latvian subsidiaries in the amount of EUR 96.0 million. The Group has implemented a written dividend policy that is based on the dividend expectations of its sole shareholder, Eesti Energia. The Group is able to control the timing and the amount of dividend distributions of its subsidiaries to implement the dividend policy.

PART 9. INDUSTRY OVERVIEW

The following information includes extracts from and references to information, statistical data and studies publicly released by officials or by third parties. The following information has been reproduced from public or other sources the Company believes to be reliable. The Company accepts responsibility for extracting and reproducing accurately such information, statistical data and studies. Such information, statistical data and studies may be approximations or rounded numbers. As far as the Company is aware, no facts have been omitted that would render such information, statistical data and studies misleading, but the Company accepts no further responsibility in respect of such information, statistical data and studies.

9.1 GENERAL MACROECONOMIC OVERVIEW

The European economy entered a sudden recession in 2020 due to shutting down large parts of the economy in order to counter the spread of COVID-19. With the countries introducing a series of different containment measures throughout the year, GDP y-o-y growth remained negative for all four quarters in the euro area during 2020².

Overall, the euro area economy contracted by 6.6% in 2020 and is forecasted to recover by 4.3% in 2021. Inflation prospects have been revised to 1.7% for 2021 and 1.3% for 2022³.

The full extent of permanent output and labour market losses due to the pandemic crisis is rather difficult to predict. Due to policy measures that have protected companies from COVID 19-related insolvency the number of firms filing for insolvency fell sharply at the outset of the crisis and stayed low for the rest of the year. Government support measures have significantly mitigated the negative impact of the pandemic on companies and workers, and many of the scars of the crisis will become visible when the economy finally opens up again and policy support is phased out.⁴

The table below presents real GDP growth rates from 2017-2020 and forecasted real GDP growth rates from 2021–2022 in the Baltics, Finland, Poland and the euro area.

Real GDP Growth ⁵	2017	2018	2019	2020	2021F	2022F
Estonia	5.7%	4.8%	4.3%	-2.9%	2.8%	5.0%
Latvia	3.8%	4.3%	2.2%	-3.6%	3.5%	6.0%
Lithuania	4.2%	3.6%	3.9%	-0.9%	2.9%	3.9%
Finland	3.1%	1.6%	1.0%	-2.8%	2.7%	2.8%
Poland	4.9%	5.1%	4.1%	-2.7%	4.0%	5.4%
Euro area	2.5%	1.9%	1.2%	-6.6%	4.3%	4.4%

² European Commission: European Economic Forecast Spring 2021 (Interim)

³ European Commission: European Economic Forecast Spring 2021 (Interim)

⁴ European Commission: European Economic Forecast Spring 2021 (Interim)

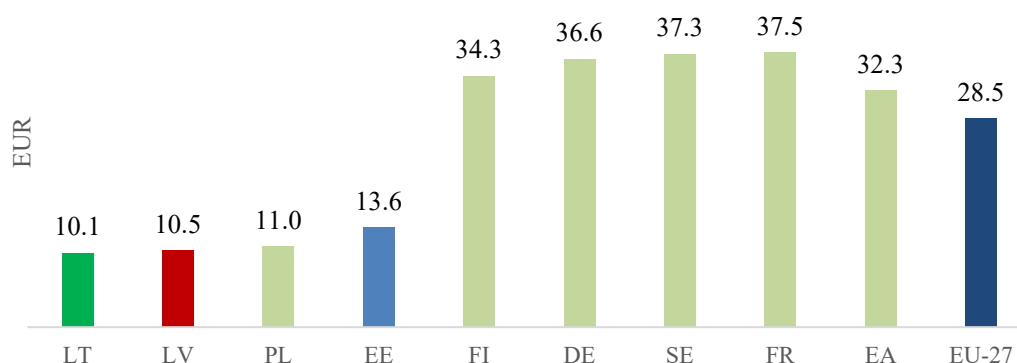
⁵ European Commission: European Economic Forecast Spring 2021 (Interim)

The table below presents inflation rates from 2017–2020 and forecasted inflation rates from 2021–2022 in the Baltics, Finland, Poland and the euro area.

Inflation⁶	2017	2018	2019	2020	2021F	2022F
Estonia	3.7%	3.4%	2.3%	-0.6%	1.6%	2.2%
Latvia	2.9%	2.6%	2.7%	0.1%	1.7%	2.0%
Lithuania	3.7%	2.5%	2.2%	1.1%	1.9%	1.9%
Finland	0.8%	1.2%	1.1%	0.4%	1.2%	1.2%
Poland	1.6%	1.2%	2.1%	3.7%	3.5%	2.9%
Euro area	1.5%	1.8%	1.2%	0.3%	1.7%	1.3%

The estimated hourly labour cost, which includes salaries paid to employees and other costs such as social contributions payable by the employer, is a key determinant of an economy's competitiveness. By that metric, the Baltic economies are more competitive than their European counterparts, which have higher hourly labour costs by comparison⁷.

The graph below presents estimated hourly labour cost in 2020⁸.



A sovereign credit rating is an independent assessment of the creditworthiness of a country or sovereign entity. Sovereign credit ratings can give investors insights into the level of risk associated with investing in the debt of a particular country, including any political risk. Baltic countries as well as Finland and Poland have some of the highest sovereign credit ratings and lowest debt-to-GDP ratios across the EU.

The table below presents the latest credit ratings of the Baltics, Finland and Poland.

Credit rating⁹	S&P	Moody's
Estonia	AA-	A1
Latvia	A+	A3
Lithuania	A+	A3
Finland	AA+	Aa1
Poland	A-	A2

⁶ European Commission: European Economic Forecast Spring 2021 (Interim)

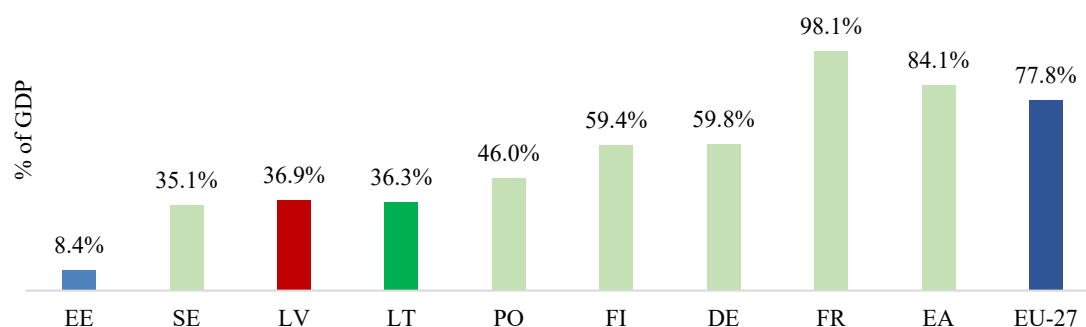
⁷ Eurostat

⁸ Eurostat

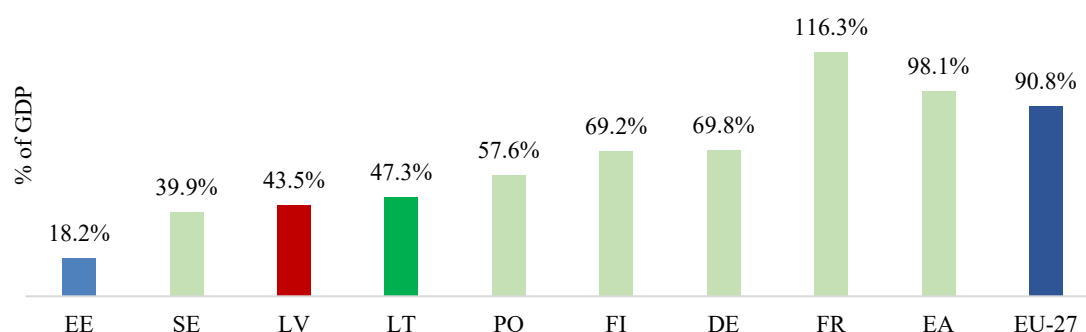
⁹ S&P, Moody's

The governments of Estonia, Latvia and Lithuania have displayed excellent fiscal and financial discipline in the past, having the lowest level of government debt to GDP in the EU. In 2019, the government debt to GDP stood at 8.4% for Estonia, 36.9% for Latvia and 36.3% for Lithuania.

The graph below presents government debt as a percentage of GDP in 2019:



The graph below presents government debt as a percentage of GDP in Q4 2020:



At the end of the fourth quarter of 2020, when COVID-19 containment measures were widely in effect for the Member States, the government debt to GDP ratio in the euro area increased to 98.1%, as compared to 84.1% in 2019. The government debt as a percentage of GDP increased in all Member States.

9.1.1. Estonia

GDP contracted by 2.9% in 2020, mainly due to a decline in household consumption, while exports of goods held up relatively well and exports by the ICT services sector increased strongly. A single large investment into software led to a jump in investment and imports and depressed the current account surplus, but with no significant impact on GDP.¹⁰

GDP is forecast to grow by 2.8% in 2021. Private consumption is forecast to rebound as soon as COVID-19 restrictions are lifted, as households have accumulated record high savings. In addition, the recent changes to the second pillar of the pension system will allow savers to withdraw their accumulated pension assets at any point in time. The first wave of withdrawals will be paid out in September 2021. It is expected that about a quarter of second pillar pension savings will be cashed out then, amounting to EUR 1.3 billion or 4.6% of GDP. This will give a short-term boost to household consumption, the real estate sector and possibly financial

¹⁰ European Commission: European Economic Forecast Spring 2021 (Interim)

investments or repayment of existing consumer loans. The boost to GDP will be dampened somewhat as the sudden income increase will likely be spent on consumer durables, vehicles and holidays abroad, which have a significant import content.¹¹

Consumer prices decreased by 0.6% in 2020, notably due to a fall in global fuel prices. This effect was amplified by a temporary drop in excise duties on diesel fuel from 1 May 2020 for two years. Inflation is forecast to pick up to 1.6% in 2021 and to over 2% in 2022, as global energy prices are assumed to recover and as the higher diesel excise will be reapplied in May 2022. The remaining slack in the economy is expected to dampen services inflation, especially over 2021.¹²

Unemployment has stabilised since the end of 2020, even though the first employment support scheme ran out in July 2020 (a more limited scheme ran from December 2020 until February 2021). A second more comprehensive employment support scheme was launched in March 2021 in response to the renewed tightening of restrictions. On an annual basis, the average unemployment rate is forecast to reach almost 8% in 2021, and to decline to over 6% in 2022.¹³

9.1.2. Latvia

Real GDP contracted by 3.6% in 2020, as face-to face services like tourism, hospitality and cultural services were massively affected by the COVID-19 restrictions. Other sectors of the economy were less affected by the temporary disruptions in the first half of 2020 and even expanded in 2020. Private consumption declined by 10%, while investment remained at the 2019 level and exports of goods benefited from good harvests and demand for electric equipment. In 2021, GDP is projected to grow 3.5%. 2021 started with high infection rates and tight restrictions, as the spread of COVID-19 surged towards the end of 2020. Real GDP contracted by 2.2% q-o-q in the first quarter but should rebound in the following quarters. Private consumption has been supported by fiscal measures and is expected to recover once the restrictions are eased and pent-up demand is released. Investment will increase with improving business sentiment. Exports should benefit from a pick-up in external demand and the removal of travel restrictions. At the same time, domestic demand for durable goods and holidays abroad will increase imports.¹⁴

The strong economic recovery in the second half of 2021 is expected to continue and set to contribute to GDP growth of 6.0% in 2022. Private consumption growth is expected to increase on the back of the recovery in employment. Moreover, investment is set to benefit from strong private sector confidence and sizable EU funding inflows, including financing for the construction of Rail Baltica and from the Recovery and Resilience Facility. Exports of goods are expected to further increase in view of the strong demand in the main export markets, while recovery in services exports is projected to be more protracted – not reaching the pre-pandemic level over the forecast horizon.¹⁵

Employment declined by 2.3% in 2020 with large job losses in the affected labour-intensive service sectors. Labour demand is expected to rebound with the economic recovery over 2021 and 2022. The unemployment rate is estimated to move up to 8.2% in 2021 before declining below 7% in 2022. Wages increased by 5.3% in 2020, as companies retained and hired well-paid specialists, while low-wage workers faced job losses. Public sector wage increase and the higher national minimum wage will contribute to wage growth in 2021. The government debt-to-GDP ratio increased from 37% in 2019 to 43.5% in 2020, due to the government borrowing and the

¹¹ European Commission: European Economic Forecast Spring 2021 (Interim)

¹² European Commission: European Economic Forecast Spring 2021 (Interim)

¹³ European Commission: European Economic Forecast Spring 2021 (Interim)

¹⁴ European Commission: European Economic Forecast Spring 2021 (Interim)

¹⁵ European Commission: European Economic Forecast Spring 2021 (Interim)

drop in GDP. The debt-to-GDP ratio is expected to reach around 47% in 2021, but to decline in 2022, on the back of the lower fiscal deficit and the rebound in GDP.¹⁶

9.1.3. Lithuania

GDP contracted by 0.9% in 2020, significantly less than the EU average. Considerable positive contributions to growth were recorded in exports of pharmaceutical and tobacco products, cereals, and computer services. Although tourism, accommodation and catering activities suffered, they constitute a relatively small part of Lithuania's economy. At the same time, gross fixed capital formation decreased slightly in 2020, with investment in transport vehicles contracting the most. Private consumption declined, mainly due to limited opportunities to spend and a rise in precautionary saving. Exports, especially of pharmaceutical and petroleum products, are expected to put in strong performance in 2021: however, a dynamic recovery is also anticipated for imports. Overall, net exports are forecast to be slightly negative. Lithuania's real GDP already returned to its pre-pandemic level in the first quarter of this year and is forecast to grow by 2.9% in 2021 and 3.9% in 2022.¹⁷

In January 2021, the unemployment rate stood at 9.6%, compared to 6.2% in January 2020. Gradual relaxation of various restriction measures implies a slow decrease in labour market slack. Therefore, the unemployment rate is forecast to remain elevated in 2021 before decreasing to 7.1% in 2022. Wage growth remained strong in 2020, with the public sector outpacing the rest of the economy. The improving economic situation should continue to support further increases in salaries in 2021 and 2022.¹⁸

HICP inflation moderated from 2.2% in 2019 to 1.1% in 2020 as sharp decreases in energy prices partially counterbalanced increases in other categories. Higher oil prices combined with the envisaged rebound in consumer demand and overall economic activity is set to push inflation close to 2% over the forecast horizon. The debt-to-GDP ratio grew from 35.9% in 2019 to 47.3% in 2020 due to a surge in the general government deficit. In 2021 and 2022, the general government debt is expected to stand at 51.9% and 54.1% of GDP, respectively.¹⁹

9.1.4. Other Markets

(a) Finland

GDP contracted by 2.8% in 2020, mostly driven by contact-intensive service sectors, with accommodation and food services being the most affected. While the economy took a heavy hit, the fall was smaller than initially expected. After a strong fall in 2020, economic activity is expected to recover robustly on the back of domestic demand. Employment and wage growth are set to remain supportive of private consumption. Real GDP growth in 2021 is forecasted to rebound to 2.7% in 2021.²⁰

(b) Poland

The COVID-19 pandemic pushed Poland's economy into a broad-based recession in 2020. Poland's economy contracted by 2.7% in 2020. The fall in GDP was milder than the EU average, however, as Poland's low exposure to hard-hit sectors and its diversified economic structure cushioned the impact of containment measures on economic activity. As the pandemic-related restrictions are gradually lifted, the economy should recover in 2021 and 2022, supported by pent-

¹⁶ European Commission: European Economic Forecast Spring 2021 (Interim)

¹⁷ European Commission: European Economic Forecast Spring 2021 (Interim)

¹⁸ European Commission: European Economic Forecast Spring 2021 (Interim)

¹⁹ European Commission: European Economic Forecast Spring 2021 (Interim)

²⁰ European Commission: European Economic Forecast Spring 2021 (Interim)

up consumer demand and the inflow of funds from Next Generation EU. Poland's economy is projected to grow by 4.0% in 2021 and 5.4% in 2022, with GDP expected to reach the pre-pandemic level in the third quarter of 2021.²¹

9.2 OVERVIEW OF THE ELECTRICITY MARKET IN THE BALTICS, FINLAND AND POLAND

9.2.1. Overview of power market

The EU electricity market opened fully in 2007. Across the EU, the electricity markets were opened first to large-scale consumers, and subsequently to all market participants.

On the open market, producers sell electricity to the wholesale market, where wholesale buyers, who are usually electricity sellers, buy it. Baltic countries are part of the integrated electricity wholesale market of the Nordic countries, Nord Pool power exchange, to which electricity is supplied by producers of the Baltic Sea region. Estonia, Latvia and Lithuania deregulated their power markets, and joined the Nord Pool power exchange market between 2010–2013 detailed overview of Nord Pool power exchange in Section 2.4 Electricity Trading.

The power system of the Baltic region is rather small (power demand 26.8TWh and net power production 15.2TWh in 2020), thermal-based with increasing share of renewable energy sources (“RES”).^{22,23}

The Baltic countries are still synchronised to Russian electricity network; however, a common plan has been agreed to synchronise their network with Poland and Central Europe by 2025.²⁴

9.2.2. Electricity production, imports and exports

In 2019, total gross electricity production for the Baltic countries reached 18 TWh. Estonia has been for years the largest electricity producer in the Baltic region largely due to significant electricity production from oil shale in Eesti Energia's power plants. In 2019, Estonia's share of the Baltic total electricity production was 43%, compared to Latvia's 36% and Lithuania's 21%.²⁵

In Finland, total electricity production reached 68 TWh and Poland produced 164 TWh of electricity.²⁶

²¹ European Commission: European Economic Forecast Spring 2021 (Interim)

²² SKM

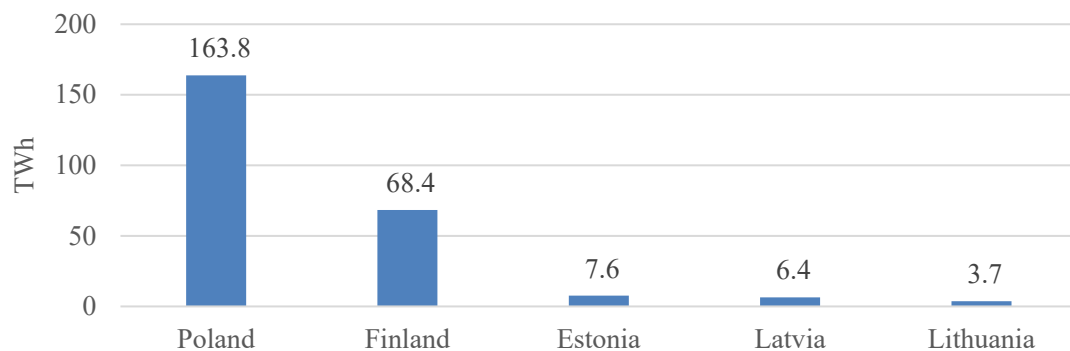
²³ Elering

²⁴ SKM

²⁵ Eurostat

²⁶ Eurostat

Graph on total gross electricity production in 2019, TWh



Source: Eurostat

In 2019, Estonia's gross production of electricity totalled 7.6 TWh, which was 38% less than in the previous year. In 2020 the decrease in production was mainly due to lowered production from non-renewable sources, thus making the renewables production share inherently higher.²⁷

Oil shale has been a major source of energy in Estonia for many decades. In 2020, oil shale contributed approximately 54% of the total electricity production. Although oil shale contributes significantly to overall energy production, it has become much less competitive due to high prices of CO₂ causing a decrease in oil shale-based power production and large quantities of Russian and Belarusian electricity entering the Baltic and Finnish energy market. These countries are not subject to European Union CO₂ emissions duties, which have doubled over the last year.²⁸

Graph on CO₂ European Emission Allowances development, EUR/tonne

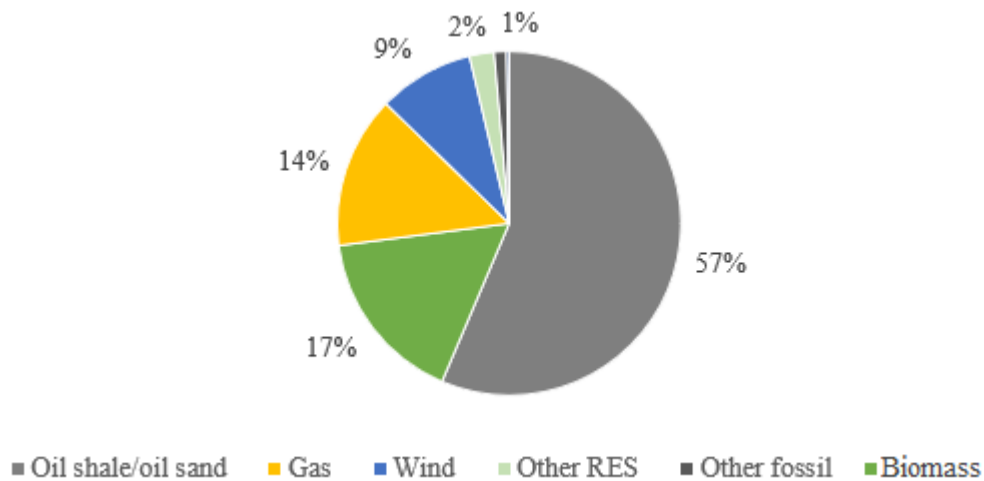


Source: Markets Insider

Graph on breakdown of Estonian gross electricity production by fuel in 2019

²⁷ Elering

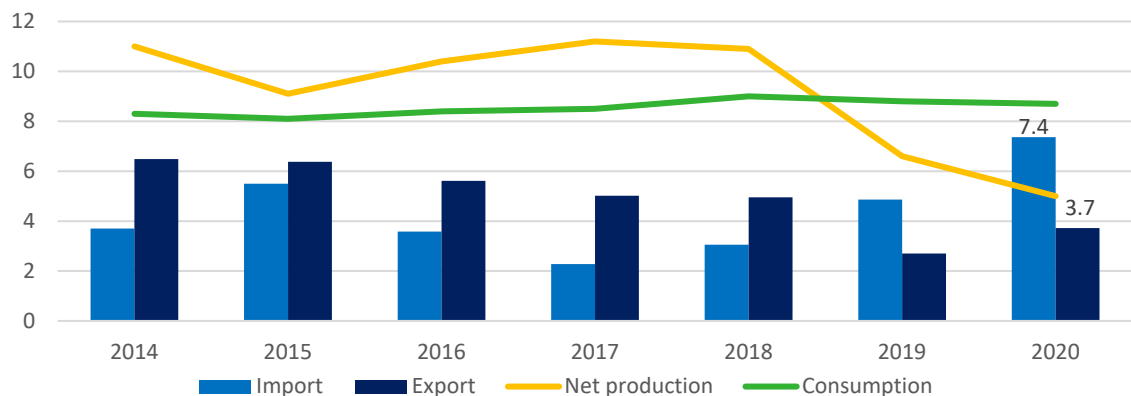
²⁸ Eesti Energia



Source: Eurostat

In 2020, Estonia imported 7.4 TWh of electricity. Electricity exports increased by 38% and amounted to 3.7 TWh. Due to the sharp decrease in electricity production, consumption exceeded production by 3.7 TWh, amounting to 8.7 TWh²⁹.

Graph on Estonia's net electricity production, net consumption, export and import from 2014–2020, TWh:



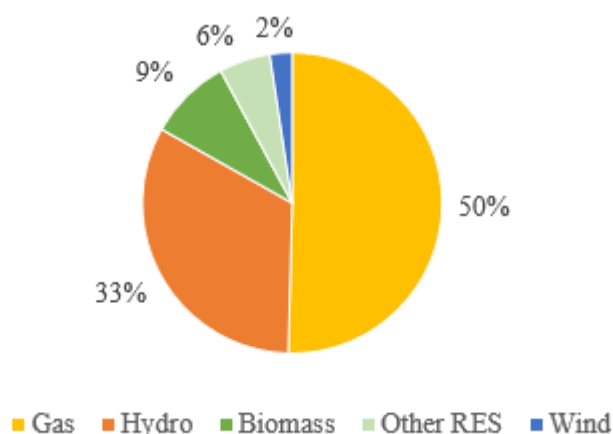
Source: Eurostat

In 2019 Latvian gross electricity production amounted to 6.4 TWh, representing a 4% decline compared to the previous year. Gas production amounted to 3.2 TWh, making up approximately 50% of the country's overall electricity production.³⁰

²⁹ Eurostat

³⁰ Eurostat

Graph on breakdown of Latvian net electricity production by fuel in 2019:

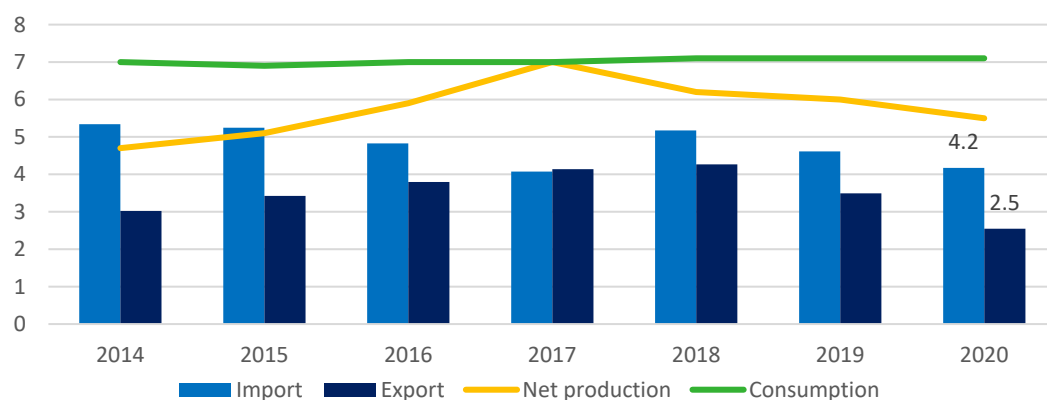


Source: Eurostat

Although Latvia has a large stock of non-fossil energy resources, the country's energy balance relies on imports. All of the country's oil, coal and gas needs are imported.³¹

In 2020, Latvia imported 4.2 TWh of electricity, a 9% decrease on a year-on-year basis. Electricity exports decreased 27%, amounting to 2.5 TWh. In 2020, net electricity consumption was 7.1 TWh while net production amounted to 5.5 TWh.³²

Graph on Latvia's net electricity production, net consumption, export and import from 2014–2020, TWh:



Source: Eurostat

In 2019, Lithuania's gross electricity production amounted to 3.7 TWh. Wind power plants produced 1.5 TWh of electricity, making up approximately 40% of the country's overall electricity generation³³. The National Energy Independence Strategy stated that, going forward,

³¹ OECD

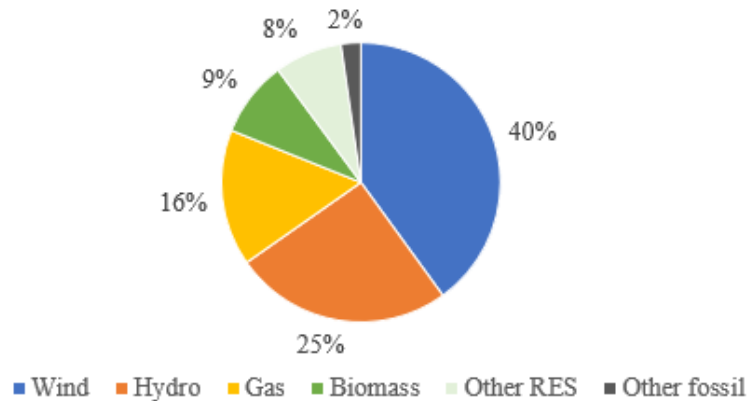
³² Eurostat

³³ Eurostat, Litgrid

energy will mainly be generated by wind, and wind parks are expected to produce approximately 4 TWh or over 30% of Lithuania's electricity demand by 2030.³⁴

The country is also interested in seeing more electricity and heat produced in biomass-fired power plants, as they will lower the heat prices and make Lithuania less dependent on natural gas. In 2019, around 331 GWh of electricity was produced from biomass, biogas or waste-fired power plants.³⁵

Graph on breakdown of Lithuanian gross renewable electricity production by fuel in 2019:



Source: Eurostat

In 2020, Lithuania imported 12.0 TWh of electricity, which marked an 9% decrease compared to the previous year. At the same time, exports increased 5% amounting to 4.1 TWh.³⁶ After Ignalia's nuclear power plant was closed in 2009 in accordance with the requirements for accession to EU2013, Lithuania became increasingly dependent on energy imports.³⁷ Prior to 2009, Ignalia's nuclear power plant met 77% of the country's electricity needs.³⁸

Lithuania has expressed its concern about the eastern imports and especially the Astravets nuclear power plant that is under construction in Belarus. Consequently, a law has been adopted by the Lithuanian parliament that allows the country to block power imports from neighbouring countries based on national security and environmental protection considerations.³⁹

³⁴ Lithuanian Wind Power Association

³⁵ SKM

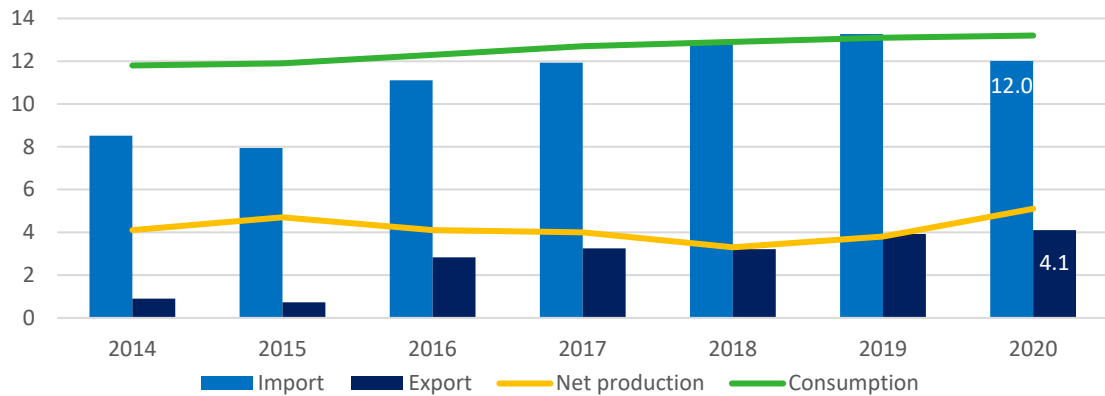
³⁶ Eurostat

³⁷ OECD

³⁸ Litgrid

³⁹ SKM

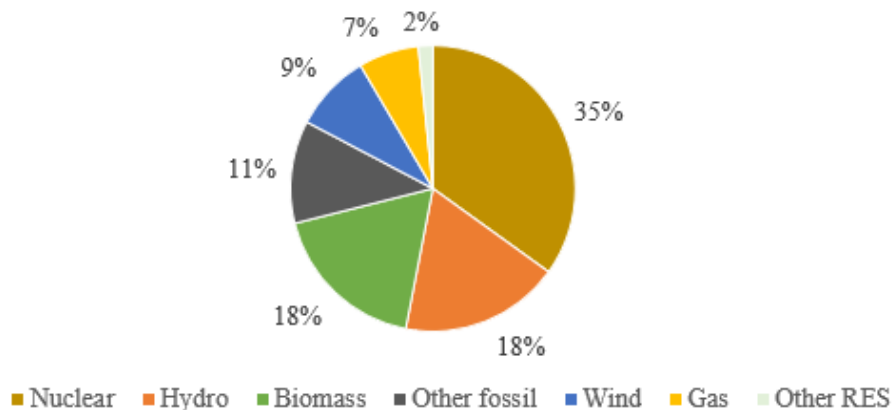
Graph on Lithuania's net electricity production, net consumption, export and import from 2014-2020, TWh:



Source: Eurostat

The gross production of electricity in Finland amounted to 68.4 TWh in 2019, decreasing 2% when compared to the year before. The largest source of electricity production was nuclear power, which produced 23.9 TWh of electricity, marking a 5% increase compared to 2018. The amount of electricity produced from wind was 6.0 TWh.⁴⁰

Graph on breakdown of Finland's gross electricity production by fuel in 2019:



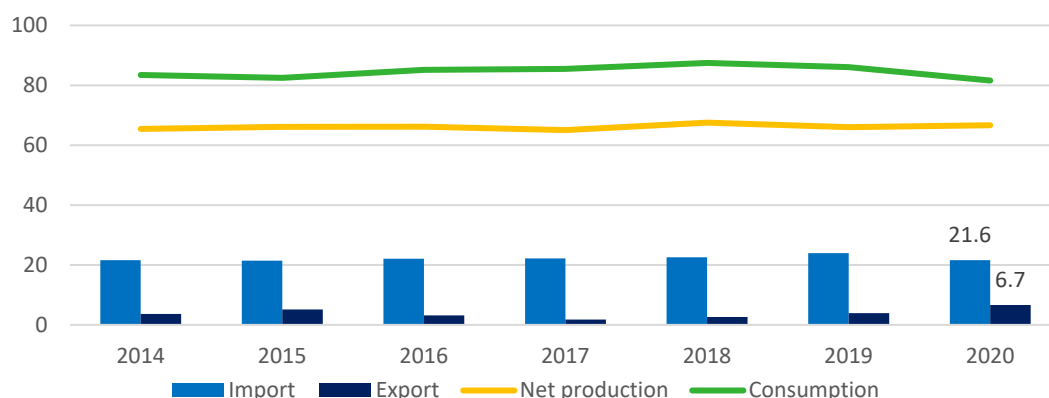
Source: Eurostat

In 2020, Finland's electricity imports amounted to 21.6 TWh, which marked a 10% decrease compared to the previous year. Electricity exports amounted to 6.7 TWh, a 71% increase on year-on-year basis. In 2020, net electricity consumption amounted to 81.6 TWh.⁴¹

⁴⁰ Eurostat

⁴¹ Eurostat

Graph on Finland's net electricity production, net consumption, export and import from 2014-2020, TWh.⁴²



Source: Eurostat

In 2019, Poland's gross electricity production amounted to 164 TWh. Poland is one of the most coal-dependent countries, and coal dominates the fuel mix in the power sector of Poland. Coal-based power production amounted to 118.1 TWh in 2019.⁴³ Although EU has tried for years to reduce the use of coal, Poland has indicated that coal will dominate the Polish power mix during the next decades. The main reason for unwillingness to reduce coal is that compared with other European Union member states, Poland has substantially larger reserves of hard coal and lignite.⁴⁴

However, in February 2021, the Polish Parliament passed a national energy policy framework for 2040 to meet Poland's increasing electricity consumption. The policy, which sets targets of having the share of RES in gross final energy consumption at least 23% by 2030. Furthermore, it sets out that by 2030 the share of coal in electricity generation will not exceed 56%. To achieve these goals there will be a significant increase of installed capacity in solar and offshore wind.⁴⁵ Further, over the past decade, there has been growth in renewable energy and the amount of electricity produced from wind reached 15.1 TWh (9% of total production) and production from other RES reached 3.8 TWh by the end of 2019.⁴⁶

Graph on breakdown of Poland's gross electricity production by fuel in 2019:

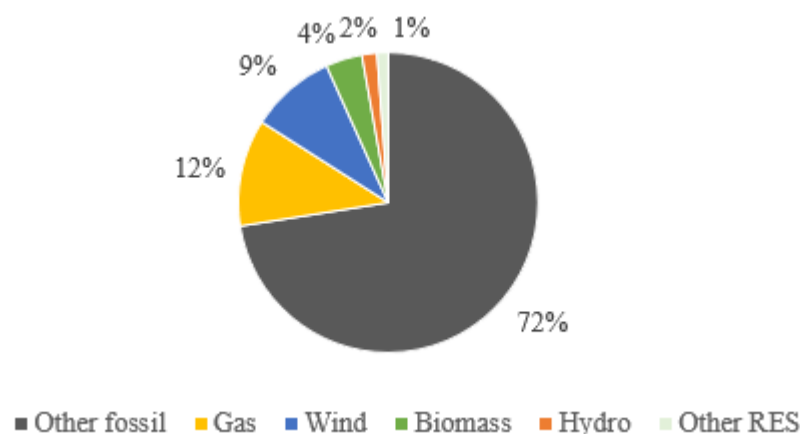
⁴² Eurostat

⁴³ ARE

⁴⁴ SKM

⁴⁵ Polish Ministry of Climate and Environment: "Energy policy of Poland until 2040"

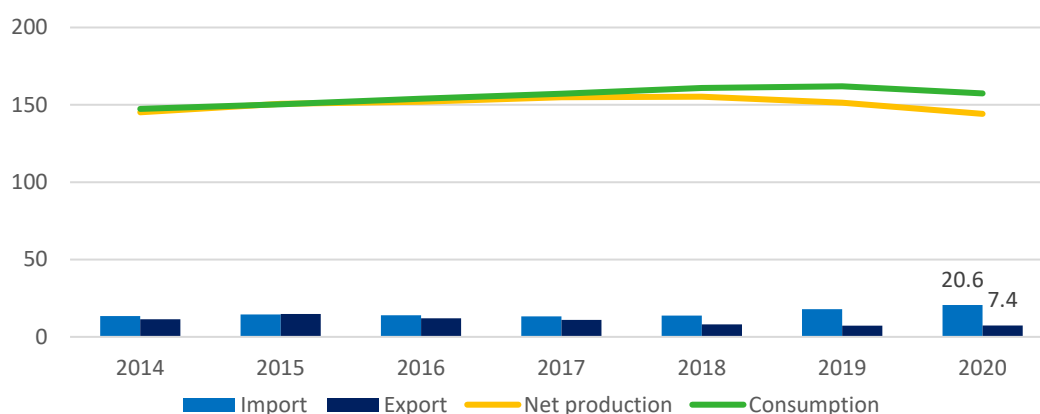
⁴⁶ ARE



Source: Eurostat

In 2020, Poland imported 20.6 TWh of electricity and exports amounted to 7.4 TWh.⁴⁷ In 2020, Poland's net production amounted to 144.2 TWh and total consumption 157.4TWh.⁴⁸

Graph on Poland's net electricity production, net consumption, export and import from 2014–2020, TWh.



Source: Eurostat

9.2.3. Interconnectors between Baltic and Nordic electricity markets

The Nordic countries deregulated their power markets in the early 1990s and combined their individual markets into a common Nordic market. Estonia, Latvia and Lithuania deregulated their power markets, and joined the Nord Pool power exchange market between 2010–2013. The term “deregulation”, in the context of this section, means that the state is no longer running the power market, and instead that free competition is introduced. Deregulation was undertaken to create a more efficient market, with exchange of power between countries and increased security of supply. Available power capacity can be used more efficiently in a large region compared to a small one, and integrated markets enhance productivity and improve efficiency.⁴⁹

⁴⁷ Eurostat

⁴⁸ Eurostat

⁴⁹ Nord Pool

In the beginning of the 2000s, the Baltic energy system was virtually isolated as there were insufficient power lines connecting the countries with the rest of Europe. The negotiations regarding the first submarine cable Estlink 1 between Estonia and Finland started in 1999, but the project was completed only in 2006. The line quickly became one of the most congested on the Nord Pool Elspot market, so another interconnector, Estlink 2, was launched in 2014.⁵⁰

The third link the Baltic States have with the Scandinavian countries is NordBalt, which connects Lithuania and Sweden. This high-voltage direct current cable with 700 MW capacity started transmitting electricity in 2016. These interconnectors allowed the Baltic countries to establish a smoothly running Nordic-Baltic power market.⁵¹

The only link the Baltic States have with continental Europe – LitPol – was also launched in 2016. The line connects Lithuania and Poland and has an electricity capacity of 500 MW. This interconnector is vital to the Baltic desynchronization plan from the Russian grid.⁵²

Pursuant to rules updated in November 2015, electricity traders in Russia and Belarus can sell electricity to the Baltic States only in the Nord Pool power exchange through Estonia-Russia, Latvia-Russia, Lithuania-Belarus, and Lithuania-Kaliningrad connections. Based on the methodology agreed upon between Baltic network operators, Nord Pool power exchange directs all electricity originating from third states to Nord Pool's Lithuania-Belarus price region for Elspot day-ahead trading. No trading capacities will be established for Estonia-Russia and Latvia-Russia border connections. Furthermore, there will be no intra-day cross-border trading on the border with third countries.⁵³ In 2018, over 13.3 TWh of electricity generated in Russia was supplied to the Nord Pool European power exchange market via Lithuania and Finland. The market share in electricity supply from Russia to the three Baltic states increased by 50%.⁵⁴

A strategic infrastructure project on a third 330 kV Estonia-Latvia electric power transmission line from Harku, Estonia, to Riga, Latvia, was completed in December 2020. The new 330 kV overhead power line removes a bottleneck at the Estonia-Latvia border, increasing transmission power by up to 600 MW. The third interconnection is important for the future of the whole Baltic region as it ensures a more secure electricity supply and more effective functioning of the electricity market between the Baltic, Nordic and other EU countries.⁵⁵

In June 2018, Estonia, Latvia, Lithuania and Poland agreed on the Political Roadmap for synchronising the Baltic States' electricity grid with the continental European network by the target date of 2025.⁵⁶

⁵⁰ European Commission

⁵¹ European Commission

⁵² European Commission

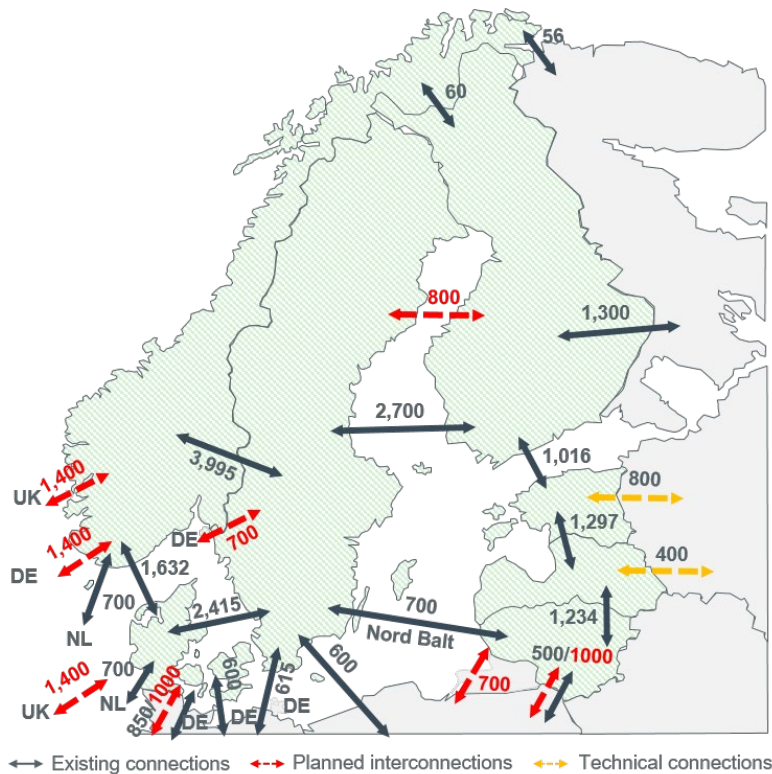
⁵³ Elering

⁵⁴ ERR

⁵⁵ Elering

⁵⁶ European Commission

Map presenting Nord Pool power exchange area (countries marked with green) and interconnections, including existing and planned connections:



Source: Nord Pool power exchange, existing capacities based on maximum net total capacities

9.2.4. Electricity trading including Nord Pool

The day-ahead market at Nord Pool power exchange is an auction-based exchange for electricity to be delivered physically.

The day-ahead market carries out the key task of balancing supply and demand in the power market with a certain scope for forward planning. In addition, there is a final balancing process for fine adjustments in the real-time balancing market. The intraday market works together with the day-ahead market to help secure the necessary balance between supply and demand, as it creates possibility to trade closer to the physical delivery within the intraday markets. Being balanced on the network closer to delivery time is beneficial for market participants and for power systems alike by, among other reasons, reducing the need for reserves and associated costs. In addition, the intraday market is an essential tool that allows market participants to take unexpected changes in consumption and outages into account.

The day-ahead market receives bids and offers from producers and consumers and calculates an hourly price. Nord Pool power exchange publishes a price for each hour of the coming day in order to balance supply and demand.

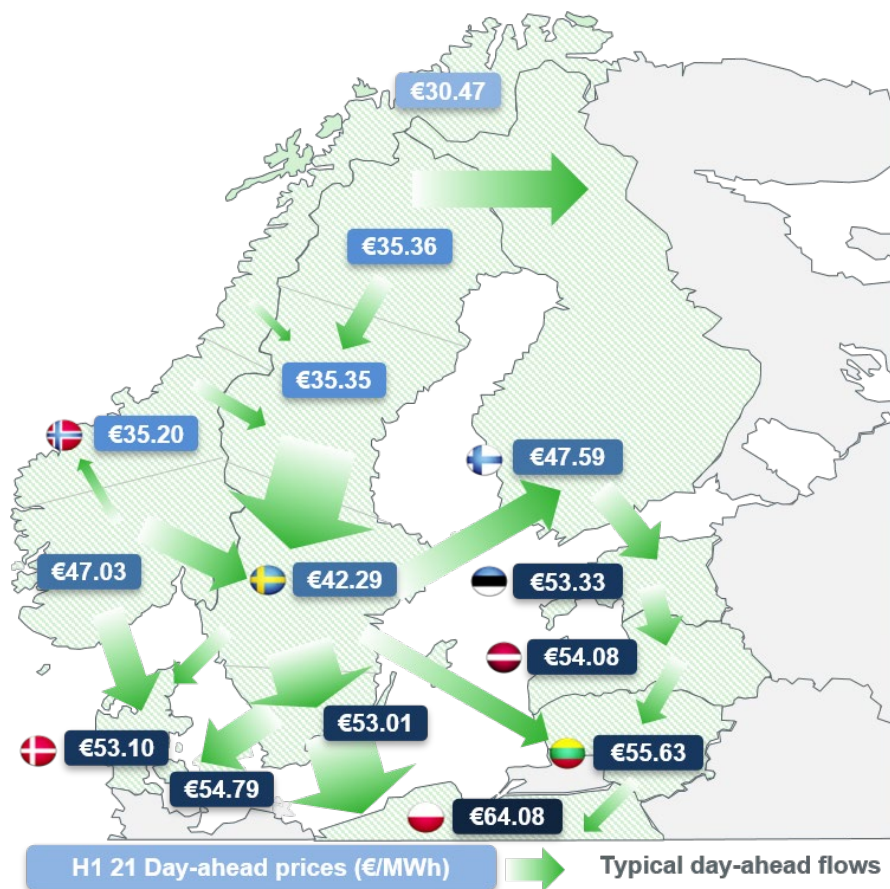
Every morning customers place their orders in the auction for the coming day. Each order specifies the volume in MWh per hour/time unit that a customer is willing to buy or sell at specific price levels (EUR/MWh) for each individual hour in the following day.

With the increasing amount of renewable intermittent production, interest in trading in the intraday markets is increasing, as it becomes ever more challenging for market participants to be in sync after the closing of the day-ahead market.

Being balanced on the network closer to delivery time is beneficial for market participants and for power systems alike by, among other reasons, reducing the need for reserves and associated costs. In addition, the intraday market allows market participants to take unexpected changes in consumption and outages into account.

With trading taking place every day around the clock until one hour before delivery, and in some cases right up until the delivery hour, prices are set based on a first-come, first-served principle, where the most optimal prices – highest bid and lowest ask – are prioritised⁵⁷.

Map presenting Nord Pool H1 2021 Day-ahead prices (EUR/MWh):



Source: Nord Pool, TGE

In order to secure revenue certainty and fund future projects, producers often sign power purchase agreements (PPA) directly with large energy consumers or electricity sellers or traders. The PPAs work as price risk management hedging instruments for the future periods. Both the volume and price for a certain period can be fixed in the PPA. The PPAs are generally based on pay-as-produced or baseload fixed monthly or yearly quantities. This means that based on the PPA volume structure type either the seller or the buyer will be bearing the volume risk as renewables assets' production depends on multiple external factors. In the case of fixed volume instead of

⁵⁷ Nord Pool

pay-as-produced the difference between the produced volume and the fixed volume foreseen in the contract has to be settled at the spot market creating a cost or gain for the seller.

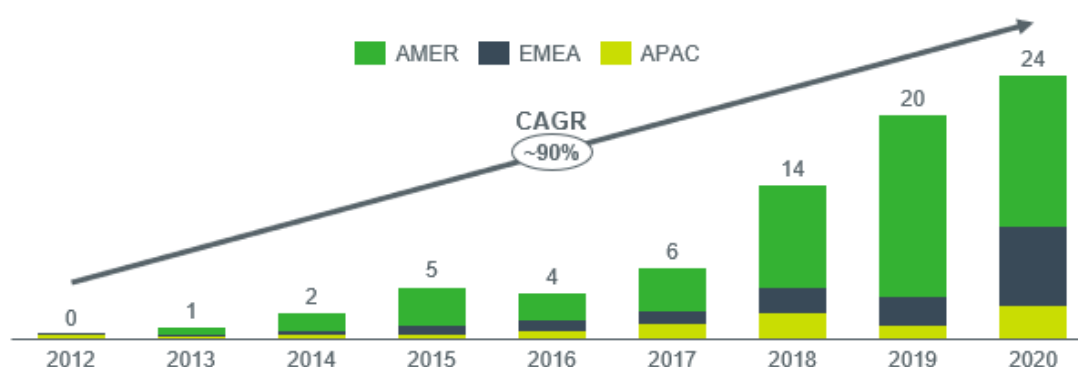
Though long-term PPA contracts are common in the Nordic countries, they are not generally prevalent in the Baltics yet because majority of the wind parks have FiT or FiP subsidies remaining for some years. As production costs and subsidies are decreasing, PPAs are becoming much more relevant for companies, because they provide commercial certainty. This means that PPAs could have an important role in the development of new wind parks in the Baltics as well as securing the revenues for older wind parks, the subsidies for which are ending.

Overall global PPA volumes have been increasing rapidly during the past years and similar strong growth can be seen in the Nordics. Main reasons for PPA increase can be explained by⁵⁸:

- Sustainability for corporate buyers – Great economic, brand reputation and sustainability image benefits for large corporations
- Predictable cash flows – Steady stream of income for suppliers. Price security and visibility for the buyer and investors
- Risk management – PPAs in place helps mitigating risks during the development phase. Long-term income streams for new projects are more predictable with PPAs
- Decreasing subsidies and feed-in-tariffs – Typically government subsidies are being removed or scaled down. PPAs will become more important as primary source of income stability for new projects
- Banks risk tolerance – Financing banks are getting more comfortable with the merchant exposure

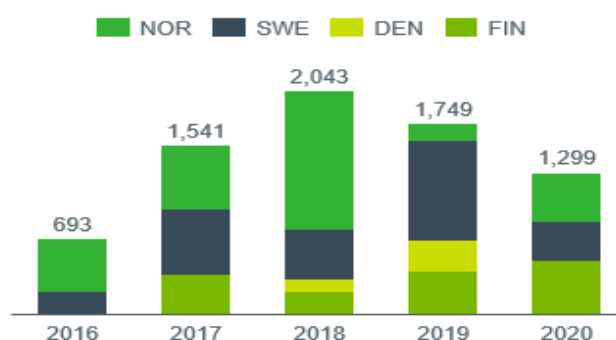
⁵⁸ Energy Post

Global corporate PPA volumes from 2012–2020, GW:



Source: Renewable Energy World

Nordic corporate PPA volumes from 2016–2020, MW:



Source: ICIS

9.2.5. The development of electricity price and forecast

Estonia and its neighbouring countries are well-connected via interconnectors, which explains why electricity prices are affected by various factors including power plants and wind conditions, maintenance of power plants, the price of CO₂ emission allowances and transmission capacity limitations between different countries⁵⁹.

The average electricity prices in Latvia and Lithuania have been higher than those in Estonia and other Nordic countries because historically Latvia and Lithuania have consumed more electricity than they have produced, and the capacity of their electricity interconnectors is limited. Interconnectors deliver to the Baltics Nordic hydro power, which is cheaper than electricity produced from other sources⁶⁰.

Energy prices in Poland are one of the highest in Europe since Poland is one of the most coal-dependent European countries. Although electricity prices in Poland have been relatively low historically, such prices are soaring mainly due to coal becoming more expensive and carbon emissions costs.

Historical average electricity prices in the Baltics, the Nordic region and Poland, EUR/MWh:

⁵⁹ Eesti Energia

⁶⁰ Eesti Energia

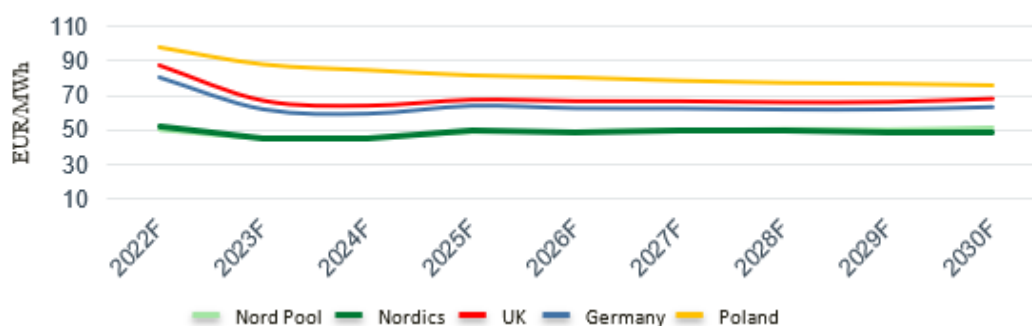
EUR/MWh	2018	2019	2020	H1 2021
Estonia	47.1	45.9	33.7	53.3
Latvia	49.9	46.3	34.0	54.1
Lithuania	50.1	46.1	34.0	55.6
Poland	52.5	55.2	46.8	68.2
Finland	46.8	44.0	28.0	47.6
Sweden	44.8	38.5	19.0	41.3
Norway	43.6	38.9	9.3	40.3
Denmark	45.1	39.2	26.7	53.9

Source: Nord Pool

Nord Pool prices are expected to increase in the future mainly due to following drivers⁶¹:

- German phase out – Future power deficit expected due to the phase out of nuclear, coal and lignite power production
- UK phase out – UK aims to phase out coal power production by 2024 leading to an increasing power deficit
- Further demand for Nordic imports – Dutch and Belgian phase out of coal and nuclear will result in additional room for imports from Nordic countries
- Polish connection and prices – Increasing carbon costs will keep Polish prices up, which will impact Baltic prices
- Lithuania to cut imports from Belarus – Requires higher imports from the Nordic countries
- Nordic power prices are expected to increase – New interconnectors and power markets development in Central Europe are expected to impact Nordic prices

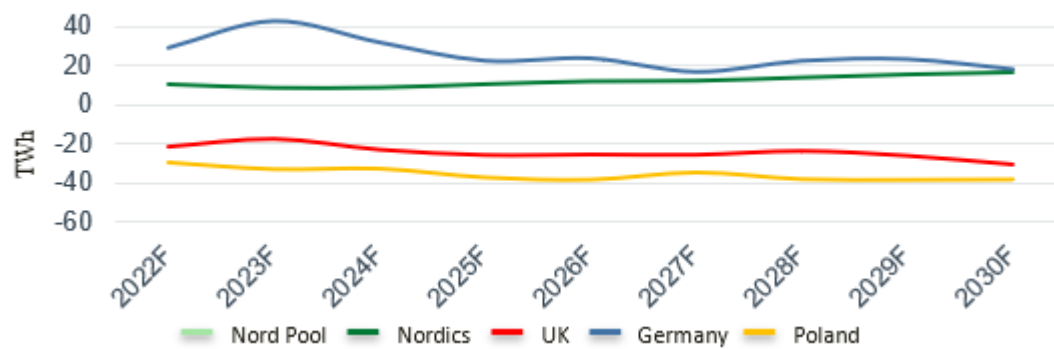
Graph on real power prices forecast 2022-2030, EUR/MWh:



Source: SKM

Graph on power balance forecast 2022-2030, TWh:

⁶¹ SKM



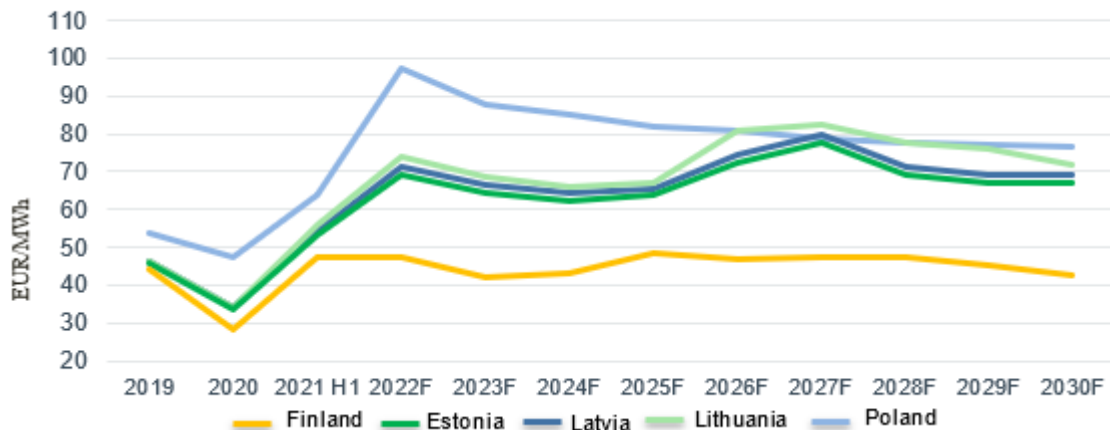
Source: SKM

Key drivers affecting the Nordic System prices⁶²:

- Improved hydro balance
- Declining oil-shale electricity production in Estonia
- German coal and lignite phase out
- Partial cut of imports from Russia
- Declining gas and carbon emissions are bringing down electricity prices in CE. Nordic system price is expected to decrease in the years leading up to 2030
- New nuclear power production entering the market in Finland
- New gas-fired generation in Poland
- New wind power capacity in Norway and Poland

⁶² SKM

Development of the Nordic System Price 2019–2030F, real term area prices:



Source: SKM Market Predictor

9.2.6. EU renewable energy targets and national energy development plan

Following the commitments made under the Kyoto Protocol, the EU adopted the 2020 Climate and Energy Package in 2009. This initiative set out the EU's energy priorities for the period of 2010 to 2020. The EU hoped to achieve the following targets by 2020⁶³:

- reduce GHG emissions by at least 20% (from 1990 level);
- increase in the share of renewable energy in the EU's energy mix to at least 20% of consumption; and
- improve energy efficiency by at least 20% (from the level in 2005).

The primary EU legislation for the support of renewable energy is the Renewable Energy Directive, which entered into force in 2009. The Renewable Energy Directive targeted having 20% of the total energy consumption across the EU come from renewables by 2020. In order to achieve the overall target, the Renewable Energy Directive also sets a mandatory national target for each Member State, stating the overall share of gross energy consumption that must come from renewable energy sources. These national targets take into account each country's state of energy production as it then was and also its future potential.⁶⁴

In 2014, the EU Member States agreed on a new 2030 policy framework for climate and energy. This new framework includes EU-wide targets and policy objectives for the period between 2020 and 2030, with the intention to support achieving a sustainable energy system and meeting its long-term 2050 target of reducing GHG emissions by 80–95% compared to the 1990 level. The targets for renewable energy and energy efficiency were revised upwards in 2018, and include⁶⁵:

- at least 40% cuts in GHG emissions (from 1990 level);
- at least 32% share of renewable energy; and

⁶³ European Commission

⁶⁴ European Commission

⁶⁵ European Commission

- at least 32.5% improvement in energy efficiency.

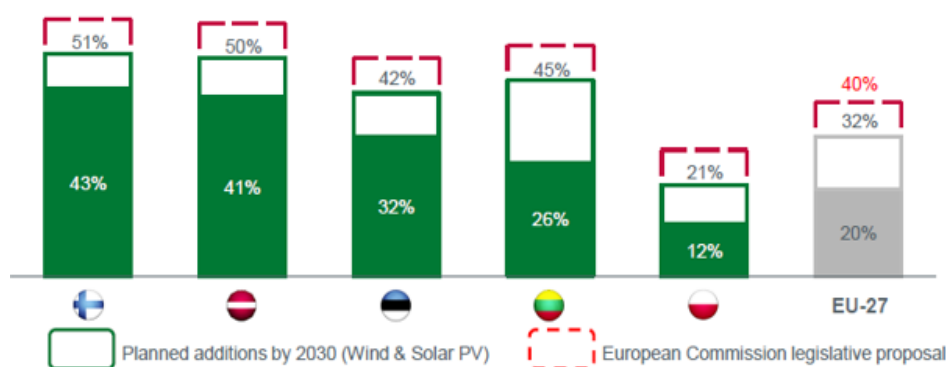
While binding on the EU, the targets are not intended to be binding on the Member States individually, but are expected to be fulfilled through clear commitments decided by the Member States themselves in view of the need to collectively deliver the EU-level target and each Member State's targets for 2020.⁶⁶

The EU's Energy Security Strategy published by the European Commission in 2014 foresees further development of renewable energy technology in the EU to increase renewable energy production in order to decrease the EU's dependency on imported energy. The Energy Security Strategy also seeks to diversify the EU's energy technologies and to make better, more efficient use of energy produced within the EU.⁶⁷

In 2016, the European Commission released a package of legislative initiatives, known as the Clean Energy Package, aimed at the decarbonisation and further integration of the European energy markets. The Clean Energy Package is focused on three key areas: energy efficiency, creating a global leadership role for the EU in relation to the development and deployment of renewable technology, and creating a fair deal for the consumers. Among others, the Clean Energy Package contains a proposal to recast the Renewable Energy Directive. The changes that are proposed allow for the developments in the renewable sector that have brought the technology cost down while also promoting investment and technology diversification in the energy mix.⁶⁸

As Europe shifts towards a low carbon economy, and renewable energy sources become more common, power transmission comes increasingly into focus. EU's single-market framework also includes a vision of a single electricity market within the EU. A single electricity market would help to utilise current capacity more efficiently, reduce the need for idle capacity and create potential savings on high-peak periods as the electricity could be bought from neighbouring Member States.⁶⁹ The below figure gives an overview of renewable energy production for the year 2019 in the Group's home and target markets, and the 2030 EU targets established by each of the respective Member States, if available, and progress in achieving the set targets.

Graph on the share of renewable sources in gross final energy consumption (2019 level vs 2030 target):



Source: National Climate and Energy Plans (NCEP), European Commission

⁶⁶ European Commission

⁶⁷ European Commission

⁶⁸ European Commission

⁶⁹ European Commission

A National Renewable Energy Action Plan (NREAP) is a detailed report submitted by Member States pursuant to their notification obligations to the European Commission, outlining commitments and initiatives to develop renewable energy. In the plan, each Member State sets out sectoral targets, the technology mix they expect to use, the trajectory they will follow, and the measures and reforms they will undertake to overcome the barriers to developing renewable energy.⁷⁰

In December 2019, The European Commission introduced another set of policy initiatives - the European Green Deal. The Green Deal sets out how to make Europe the first climate-neutral continent by 2050. The European Green Deal provides a roadmap with actions to boost the efficient use of resources, restoring biodiversity and cutting pollution. Over the period of 2021–2027, EUR 1tn is planned in sustainable investments⁷¹ Further, on 14 July 2021, the European Commission adopted a package of proposals for the EU’s climate, energy, land use, transport and taxation policies to reduce net greenhouse gas emissions by at least 55% by 2030.

9.2.7. National energy development plans

(a) Estonia

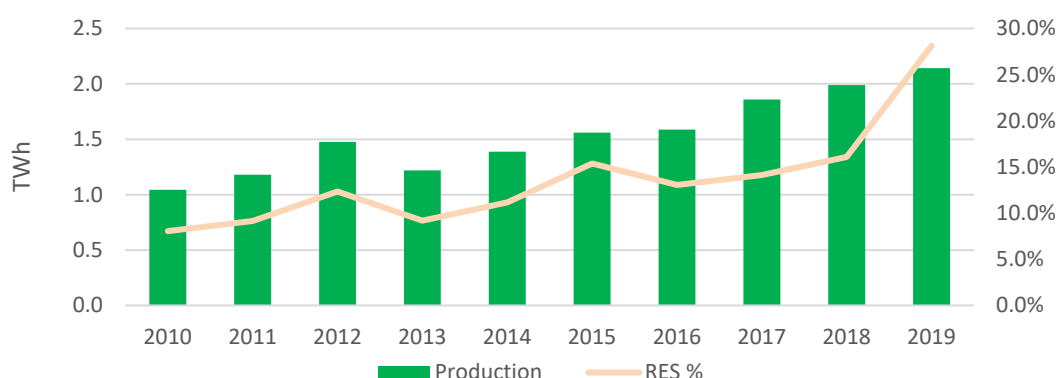
In Estonia, renewable energy sources comprise a relatively lower proportion of the country’s total electricity production compared to other Baltic and Nordic countries since oil shale has been Estonia’s main energy source for many decades. Share of renewables is expected to grow substantially as electricity generation from oil shale has already decreased in recent years.⁷²

⁷⁰ European Commission

⁷¹ European Commission

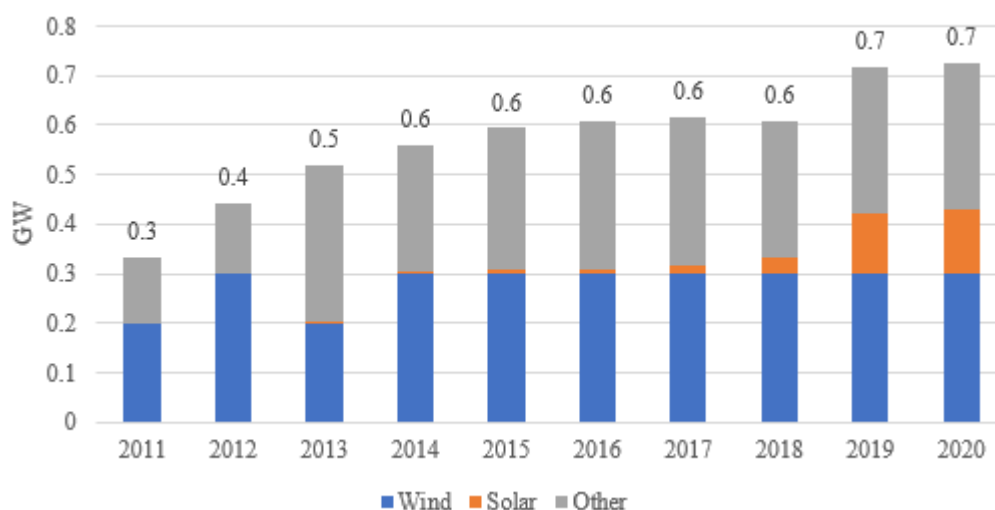
⁷² The Ministry of Economic Affairs and Communications of the Republic of Estonia – National Development Plan of the Energy Sector until 2030

Graph on produced electricity from renewables in Estonia between 2011-2020, TWh:



Source: Eurostat

Graph on electrical installed capacity of renewables in Estonia, GW:



Source: Irena

The National Development Plan of the Energy Sector until 2030, in accordance with the obligations laid down in Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action, which prescribes the submission of national energy and climate plans to the European Commission in every ten years, presents a pooled inventory of future actions in the electricity, heating and fuel sectors, as well as actions related to energy use in the transport and housing sectors. The state's principal functions in providing energy security infrastructure now and in the future include securing cross-border electricity and gas connections, ensuring the availability of required levels of liquid fuel and gas reserves in Estonia, ensuring enough heat-generation capacity to cover base and peak loads, and proposing legislation to promote distributed generation and micro generation.

Energy savings and energy efficiency are achieved through grants in the housing and heating sectors and through tax system changes in the transport sector. In Estonia, renewable energy targets for 2020 have been fulfilled largely due to biomass in district heating. Owing to the saturation in the Estonian renewable energy market, new renewable electricity generation

sources, including wind, must be tapped on to fulfil 2030 targets. The final energy consumption is expected to stabilise at the level of 32 TWh by 2030, with renewable energy accounting for 42% of that. A significant improvement of efficiency in primary energy consumption is also anticipated.⁷³

Electricity generation takes place under the conditions of an open electricity market. New electricity generation capacities are developed in line with the conditions of the electricity market, where the government intervenes only to ensure fulfilment of the generation capacity criterion or to help new technologies enter the market. Modifications of the tax system, the system of environmental charges and legislation are preconditions for the creation of new electricity generation capacities in Estonia. Increased reliability of power networks is ensured by increasing the minimum transmission tariffs. With regard to co-generation, the cost-effective co-generation potential in district heating areas will likely be realised by 2030.

Greenhouse gas emissions in the energy sector are targeted to be reduced by at least 70% by 2030 (compared to the 1990 level), and a reduction of emissions by more than 80% could be realistically achieved by 2050.

The long-term perspective on the use of biofuels envisages generation of electricity and heat in line with forest growth by 2050. The use of biomethane and other alternative motor fuels will increase. The potential of using biological resources for production of motor fuels is also being investigated.

For an overview of the applicable incentive schemes to promote generation of electricity from renewable energy sources, see “Part 6 (Regulatory Overview), Section 10.1.1 (Regulations applicable in Estonia – Renewable Energy Support Schemes)”.

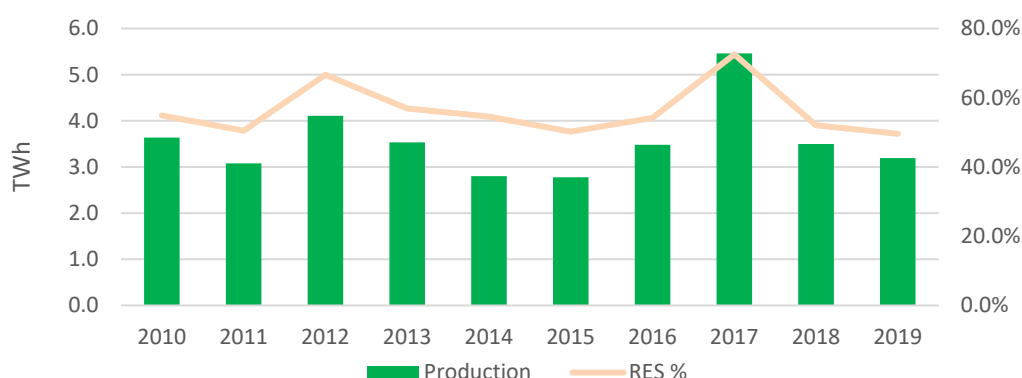
(b) Latvia

In Latvia, renewable energy sources have had a significant share of the total electricity produced, accounting for 50% in 2019. Majority of RES production comes from hydro-power plants – average annual hydro production for the period 1990-2018 has been 3 TWh and the total hydro capacity has not changed remarkably during that period.⁷⁴

⁷³ Estonian National Energy and Climate Plan 2030

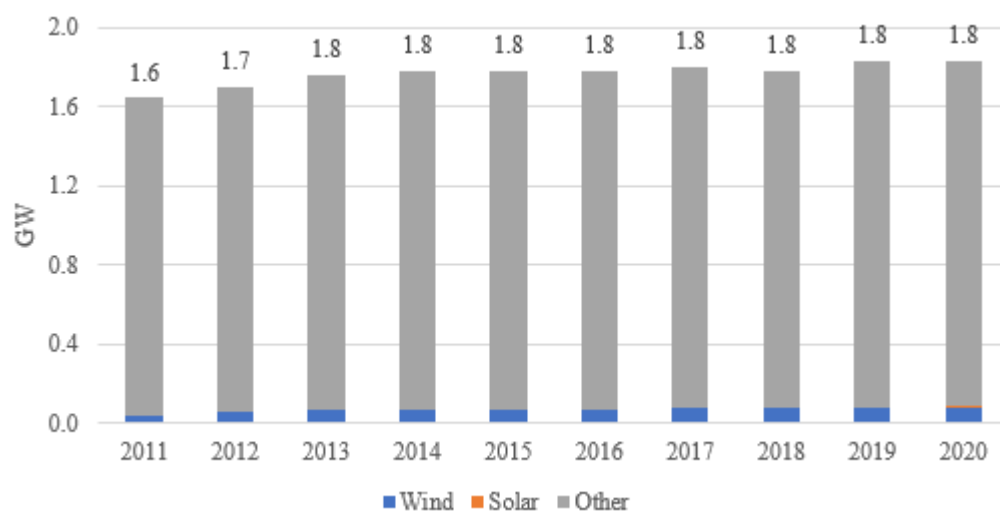
⁷⁴ SKM Long-Term Power Outlook 2021

Graph on produced electricity from renewables in Latvia from 2011-2019, TWh:



Source: Eurostat

Graph on electrical capacity from renewables in Latvia, GW:



Source: Irena

The overall objective of Latvia's plan is to ensure transition to a low-carbon economy that is competitive in the region and worldwide by developing a balanced energy policy. The key targets set in the plan are the following:⁷⁵

- the share of the RES in gross final energy consumption in 2020 – 40 %, the target is binding, laid down in the RES Directive 2009/28/EC⁷ and in the national reform programme of Latvia "EU 2020";
- the share of the RES in gross final energy consumption in the transport sector in 2020 - 10 %, the target is binding, laid down in the RES Directive 2009/28/EC and in the national reform programme of Latvia "EU 2020";

⁷⁵ Ministry of Economics of the Republic of Latvia – Energy Development Guidelines for 2016-2020

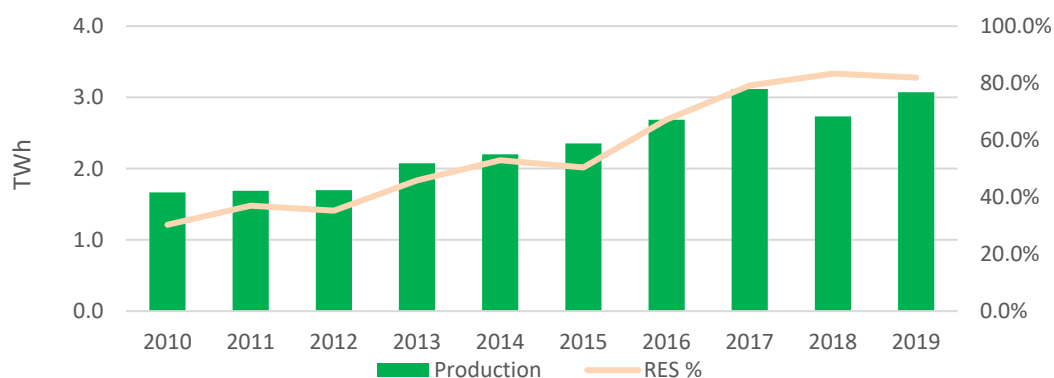
- to reduce the GHG emissions per one unit of fuel or energy supplied until 2020 by 6 %.

Latvia has offered to contribute to the common binding RES target for the EU by ensuring that, by 2030, the share of RES in relation to its final energy consumption is at least 50%. Even though 2020 targets were mainly fulfilled by hydro, other renewable energy sources like wind and solar have to be utilised in order to achieve 2030 RES targets. For an overview of the applicable incentive schemes to promote generation of electricity from renewable energy sources, see “Part 6 (Regulatory Overview), Section 10.2.1 (Regulations applicable in Latvia – Renewable Support Schemes)”.

(c) *Lithuania*

In Lithuania renewable energy sources account for 62% of the total electricity generation, satisfying 25% of the total country’s power consumption. The rapid growth of RES share in total gross electricity production is largely due to the strong support mechanisms. Another factor is that renewable sources are very crucial for Lithuania, as more than 60% of the country’s electricity is imported.⁷⁶ Renewables are vital for Lithuania as it reduces an overreliance on imported electricity.

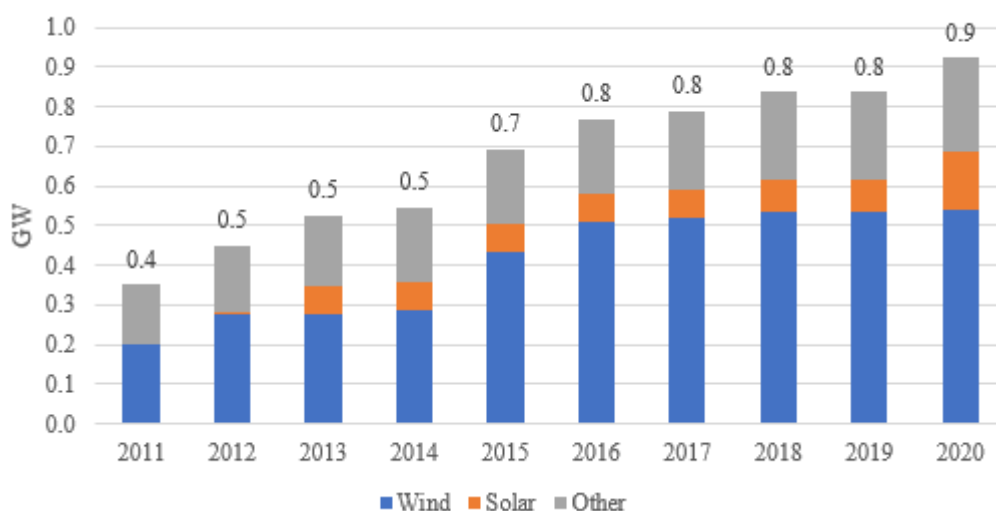
Graph on produced electricity from renewables in Lithuania from 2010–2019, TWh:



Source: Eurostat

⁷⁶ European Commission

Graph on electrical capacity from renewables in Lithuania, GW:



Source: Irena

Lithuania has undertaken the promotion of the use of energy from renewable sources to increase the renewable energy sources' (RES) share in the final national energy consumption⁷⁷:

- by 2020, the share of RES in the final electricity consumption will grow to 30% and will constitute no less than 3 TWh. It is estimated that electricity produced from wind will become the main source of RES energy;
- by 2030, no less than 45% of electricity consumed in Lithuania will be produced from RES. It is estimated that most of the electricity – no less than 53% – could come from wind power, 22% – from solar energy, 16% from biofuel energy produced in highly efficient co-generation power plants and 8% – from hydropower. Biogas could generate about 1% of electricity;
- By 2050, electricity generated from RES will constitute 80% of power consumed in Lithuania, and the amount of energy produced from RES will be no less than 18 TWh.

The main objective of the Strategy in the field of RES is to continue to increase the share of RES in domestic energy production and total final energy consumption, thus reducing the dependence on fossil fuel imports and increasing local electricity-generating capacities.

For an overview of the applicable incentive schemes to promote generation of electricity from renewable energy sources, see “Part 6 (Regulatory Overview), Section 10.3.1 (Regulations applicable in Lithuania – Renewable Energy Support Schemes)”.

(d) Other markets

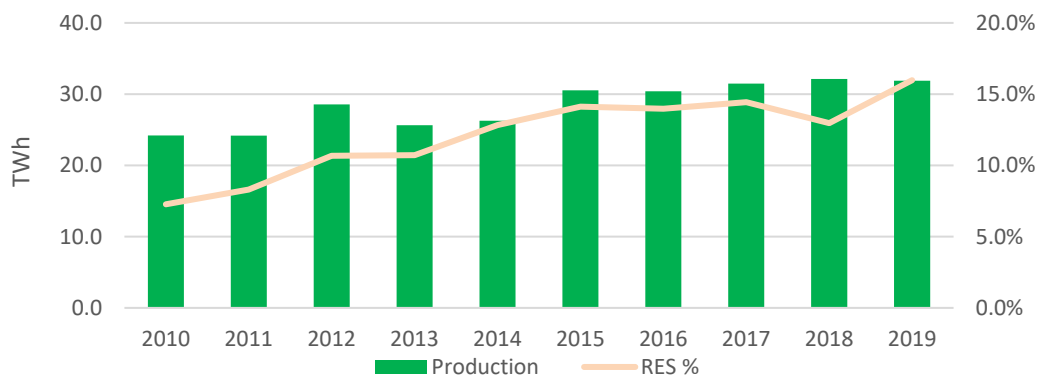
For Finland, the EU has set a 2030 national target for reducing greenhouse gas emissions in the non-emissions trading sector by 39% compared to what it was in 2005. At the same time, emissions from the land-use sector should be kept lower than the computational reduction in emissions from sinks. Finland also aims to increase the share of renewable energy to at least 51% of the final energy use and to 30% of the final energy use in road transport.

⁷⁷ Ministry of Energy of the Republic of Lithuania – National Energy Independence Strategy Report

There are many planned policies, measures and programmes in place to achieve the indicative national energy efficiency contributions for 2030. For example, 1) energy efficiency obligation schemes and alternative policy measures; 2) Long-term renovation strategy to support the renovation of the national stock of residential and non-residential buildings, both public and private; 3) Description of policy and measures to promote energy services in the public sector and measures to remove regulatory and non-regulatory barriers that impede the uptake of energy performance contracting and other energy efficiency service models; 4) Measures to utilise energy efficiency potentials of gas and electricity infrastructure; 5) Financing measures, including European Union support and the use of European Union funds.

There are also other planned measures including promoting the exemplary role of public buildings and energy-efficient public procurement and promoting energy audits and energy management systems.⁷⁸

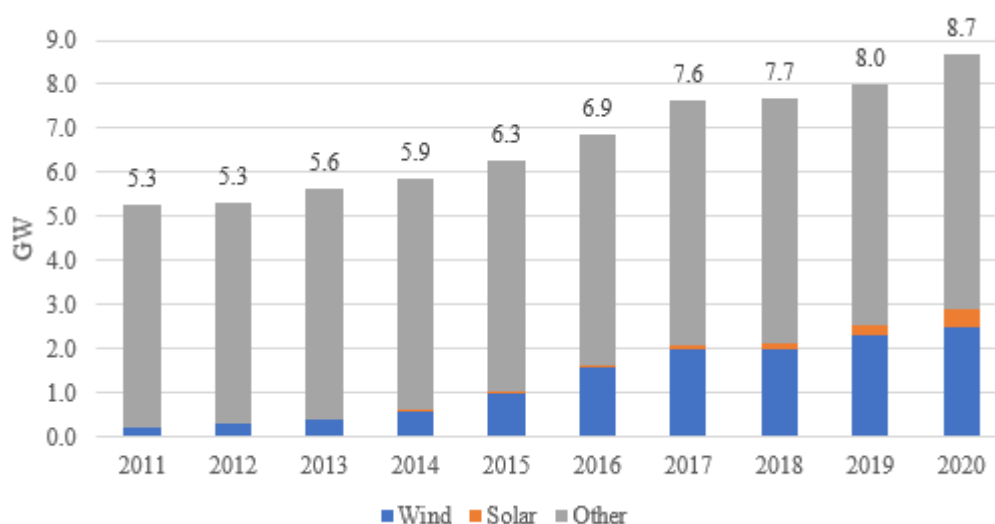
Graph on produced electricity from renewables in Finland from 2010–2019, TWh:



Source: Eurostat

⁷⁸ European Commission

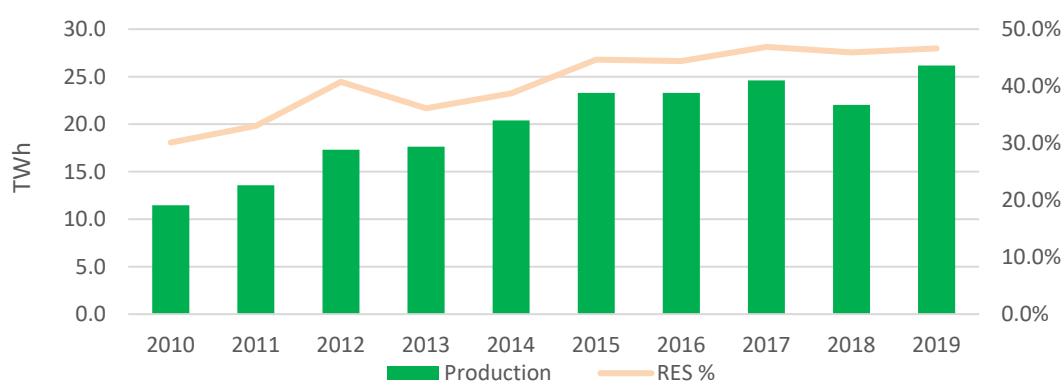
Graph on electrical capacity from renewables in Finland, GW:



Source: Irena

Poland intends to achieve 21–23% of RES share in gross final energy consumption by 2030 (total consumption in electricity, heating and cooling as well as for transport purposes). It is estimated that from 2030 onwards, the share of renewable energy sources in heating and cooling will increase by an average of 1.1 percentage point per year. In transport, a 14% share of renewable energy is expected to be achieved by 2030. The RES share in electricity production will increase to approximately 32% in 2030. To enable the achievement of the above-mentioned targets, there are plans to support renewable energy sources in the form of continuation of existing and creation of new support and promotion mechanisms. There are also plans to increase the use of advanced biofuels, introduce offshore wind energy and to increase the dynamics of development of renewable energy micro installations.⁷⁹

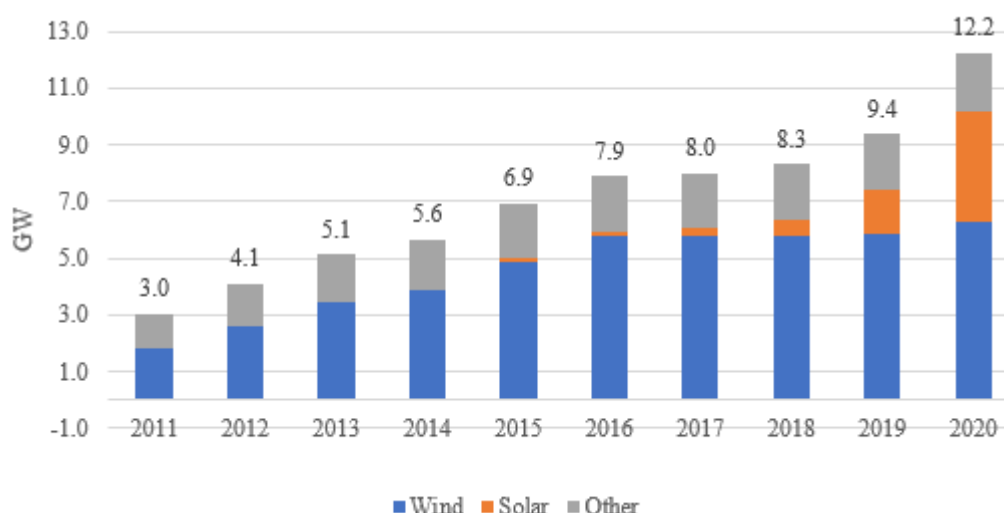
Graph on produced electricity from renewables in Poland from 2010-2019, TWh:



Source: Eurostat

⁷⁹ European Commission

Graph on electrical capacity from renewables in Poland from 2011–2020, GW:

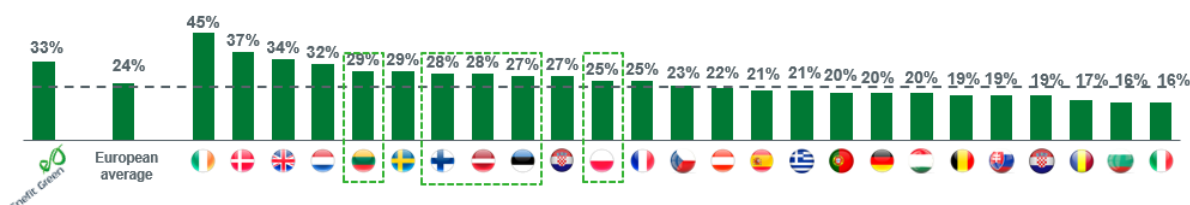


Source: Irena

9.2.8. Overview of wind energy in the Baltic Sea region

Wind energy plays an important role in the Nordic and Baltic energy systems. In the Baltic Sea region, the share of RES is increasing, and countries are focusing on wind capacity increase. Weather conditions on the Baltic coast are favourable to wind power and the competitiveness of technology is increasing.⁸⁰

Graph on European onshore wind load factors:



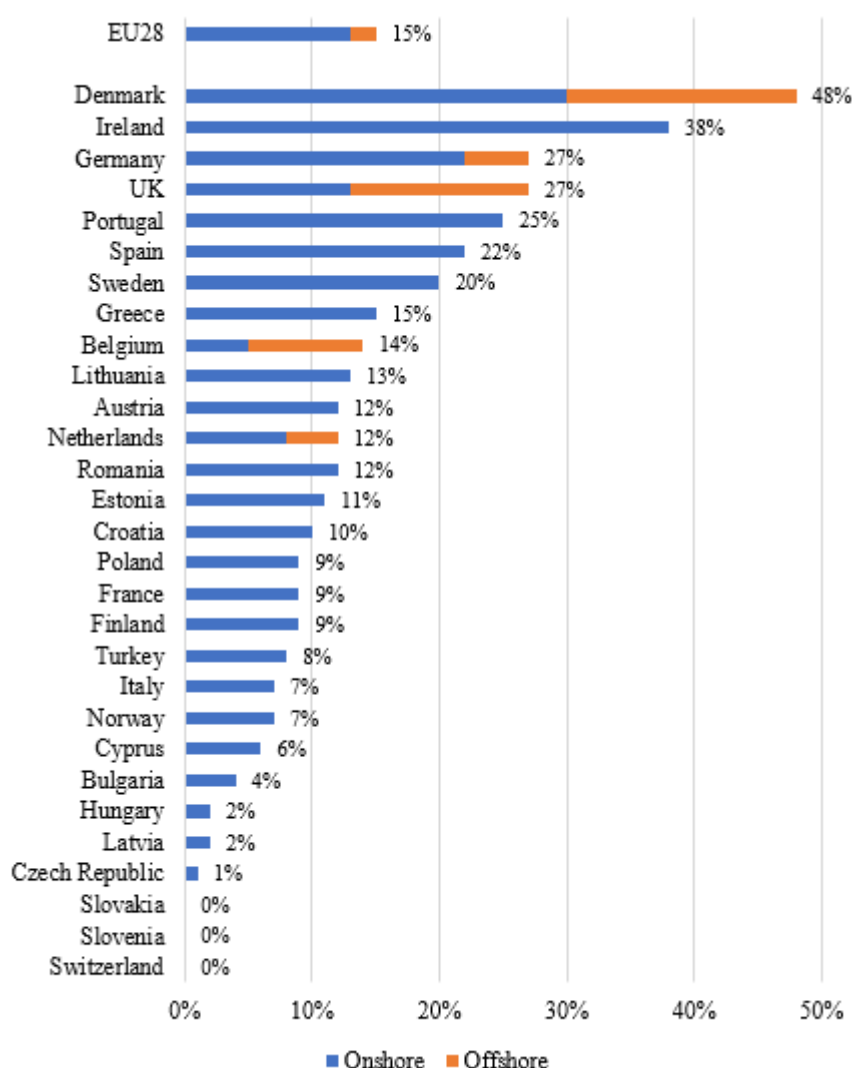
Source: European Commission: JRC Technical Reports: Wind potentials for EU and neighbouring countries (30 year average, Company information and Wind Europe)

In the longer perspective the growing share of the increase in renewable capacity is expected to come from offshore wind in the Nordics.⁸¹

⁸⁰ SKM

⁸¹ SKM

Graph on average annual electricity demand covered by wind in 2020, %:



Source: Wind Europe

(a) Estonia

Wind energy has the largest growth potential in Estonia as climate conditions for wind are remarkably good in the coastal areas of Estonia⁸². In 2020, Estonia's electricity production from wind was 824 GWh, a 20% increase when compared to 2019. This accounts for 17% of the total electricity production and 10% of the total electricity consumption. Wind energy accounted for 37% of total renewable energy production. Wind energy in Estonia has grown with a CAGR of 9% during period 2011-2020^{83 84}. At the end of 2020, Estonia had 320 MW of wind energy capacity installed⁸⁵.

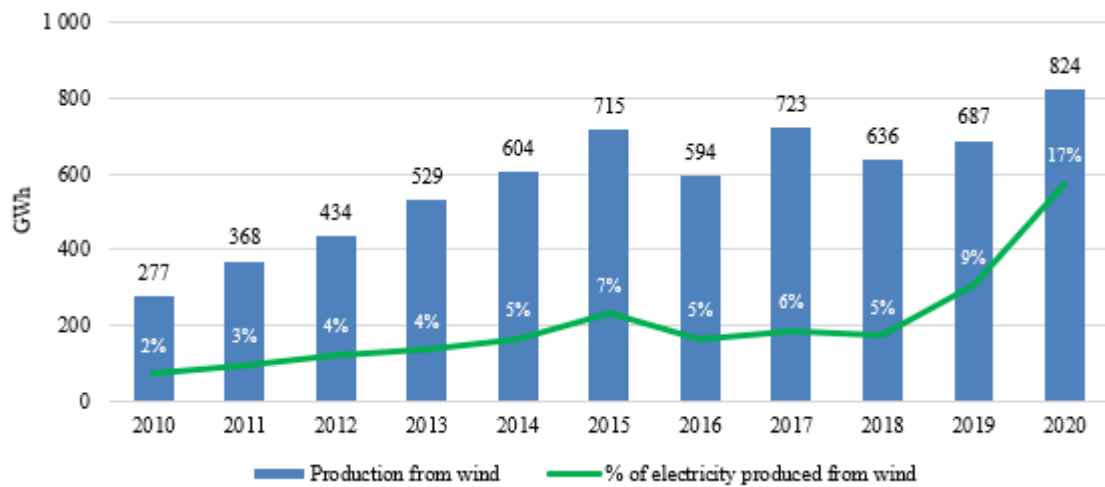
⁸² Litgrid, AST, Elering - RES Perspective in Baltic Countries till 2030

⁸³ Elering

⁸⁴ Elering

⁸⁵ WindEurope

Graph on electricity produced from wind in Estonia:



Source: Statistics Estonia, Elering

(b) Latvia

The wind energy sector in Latvia is not very developed, although it is expected to enjoy the highest increase of RES generation⁸⁶. No significant investments were realised in the past years and Latvia had only 78 MW of installed wind power capacity at the end of 2020. There have been no new installations since 2012 due to lack of governmental interest and regulatory barriers that limit the use of land for wind farm deployment.⁸⁷

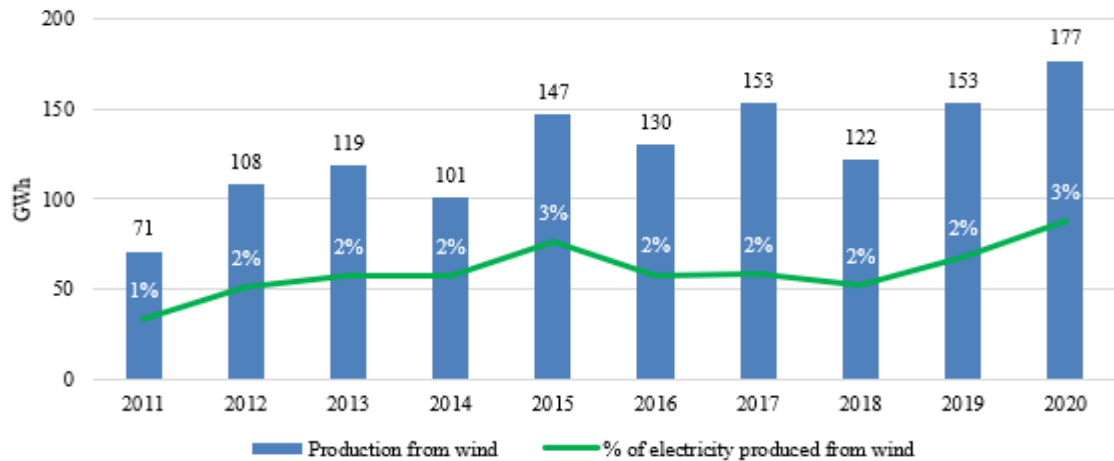
In 2020, wind parks operating in Latvia generated 173 GWh of electricity, a 16% increase when compared to 2019. This amounted to 3% of the total electricity production and consumption. The production of wind energy in Latvia has grown with a CAGR of 11% during period 2011–2020.⁸⁸

⁸⁶ Litgrid, AST, Elering - RES Perspective in Baltic Countries till 2030

⁸⁷ SKM

⁸⁸ AST

Graph on electricity produced from wind in Latvia:

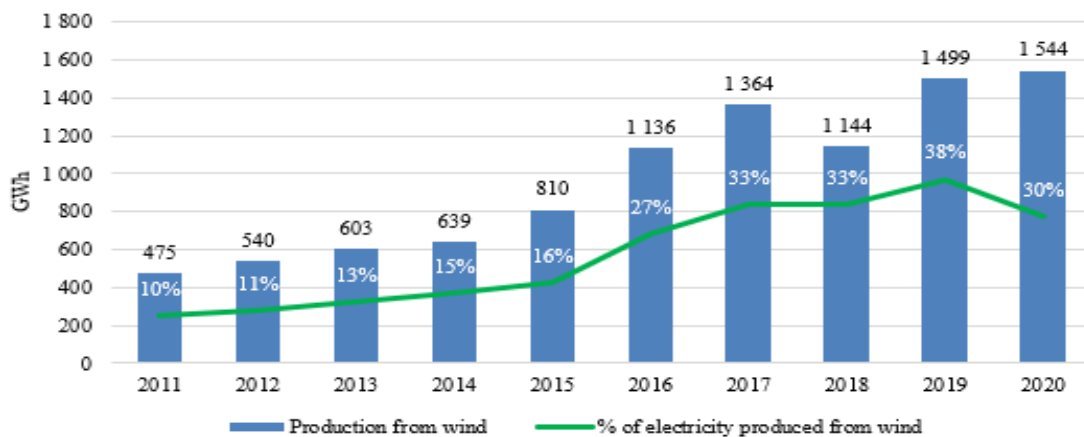


Source: Central Statistical Bureau of Latvia

(c) Lithuania

There are currently 23 wind parks operating in Lithuania, and a total of 539 MW has been installed in the country, including smaller wind power plants.⁸⁹ In 2020, wind parks operating in Lithuania generated 1,544 GWh of electricity, a 3% increase when compared to 2019. This amounted to 30% of Lithuania's total electricity production and 13% of the total electricity consumption. The production of wind energy in Lithuania has grown with a CAGR of 14% during period 2011–2020.⁹⁰ The country plans for additional 800 MW of wind capacity by 2030.⁹¹

Graph on electricity produced from wind in Lithuania:



Source: Statistics Lithuania, Litgrid

(d) Other

In Finland, wind power construction began later than in many other European countries. However, from 2012 to 2013, wind power construction gained momentum and national construction and production statistics have improved year after year⁹². To increase wind power

⁸⁹ SKM

⁹⁰ Litgrid

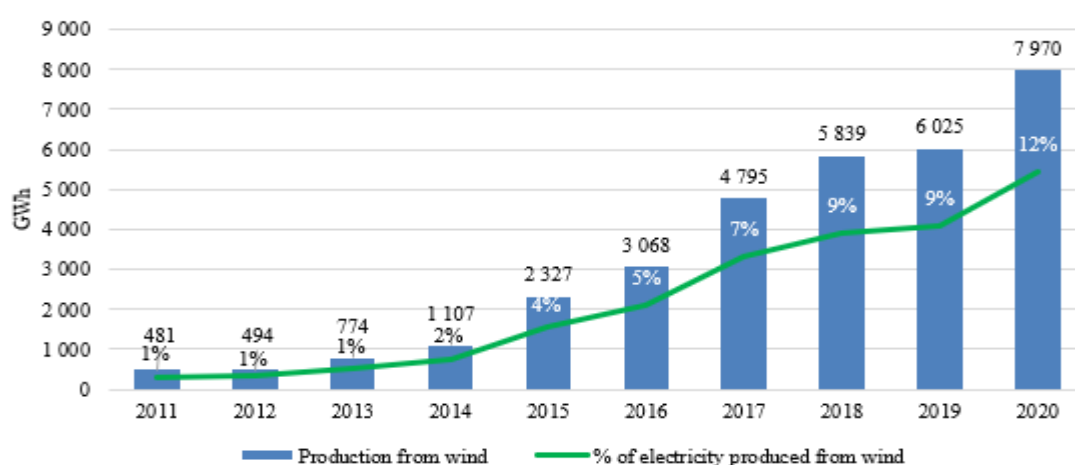
⁹¹ SKM

⁹² Finnish Wind Association

production further the government organised a technology-neutral tendering process in December 2018, but is not aiming for subsidiation after that. Wind turbine installation in Finland after 2020 is subsidy-free; however the investment interest remains high, due to ambitious climate goals. About 2GW of wind capacity is currently under construction and will become operational by the end of 2023. The main part of the capacity under construction is based on PPA agreements or bilateral agreements with industrial consumers.⁹³

In 2020, wind parks operating in Finland generated a total amount of 7,970 GWh of electricity, which is a 32% increase compared to 2019. This amounted to 12% of the total electricity production and 10% of the total electricity consumption. The production of wind energy in Finland has grown with a CAGR of 37% during the period of 2011–2020.⁹⁴ At the end of 2019, Finland had 2,401 MW of wind energy capacity installed.⁹⁵

Graph on electricity produced from wind in Finland:



Source: Statistics Finland

In Poland in 2019, energy produced from wind totalled to 15,100 GWh, indicating a 22% increase when compared to 2018. This amounted to 9% of both total electricity production and consumption. The production of wind energy in Poland has grown substantially with a CAGR of 26% during the period 2010–2019. At the end of 2019, Poland had 5,917 MW of wind energy capacity installed⁹⁶.

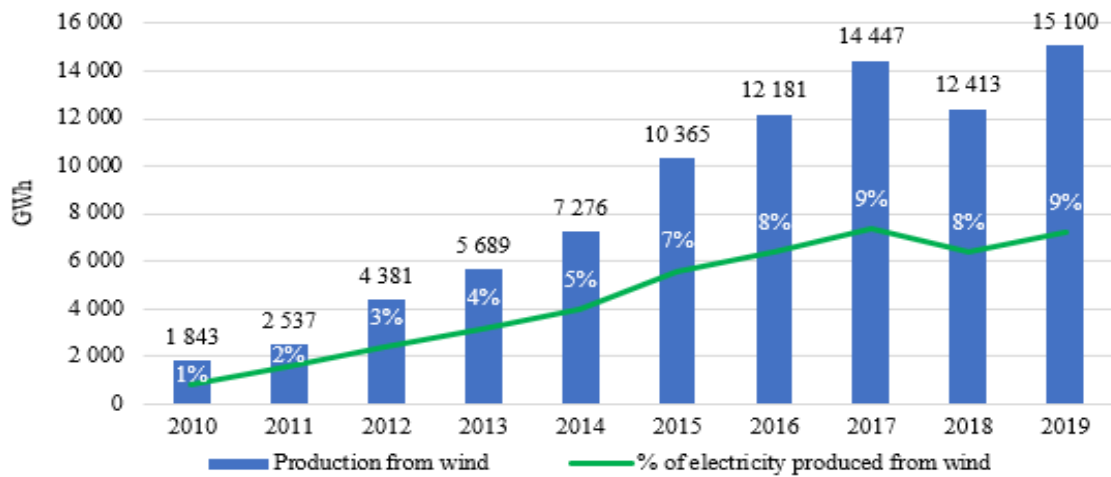
Graph on electricity produced from wind in Poland:

⁹³ SKM

⁹⁴ Statistics Finland

⁹⁵ SKM

⁹⁶ WindEurope



Source: SKM, Energy Market Agency

(e) Wind conditions

(i) Estonia

Depending on the average wind speed values and conditions, Estonia may be divided into two slightly different regions – 1) the seashore, islands, and 2) the bulk of the inland. From a wind energy production effectiveness perspective, the strongest winds in Estonia are experienced at the seashores and islands. The average wind speeds diminish rapidly from shore to inland⁹⁷.

Wind atlas of Estonia:



Wind density of Estonia:

⁹⁷ Estonian University of Life Sciences



Source: *Global Wind Atlas*

(ii) Latvia

The division of wind energy resources in Latvia is distinctly uneven. The region of Latvia that has the highest wind speed is the coast of the Baltic Sea and the western coast of the Gulf of Riga.⁹⁸ The wind potential in the inner part of the territory of Latvia ranges up to 1.5 TWh (rationally obtainable electricity per year). The forecast of transmission system operators shows that the potential of wind energy in the deep sea might reach 95 MWh.⁹⁹

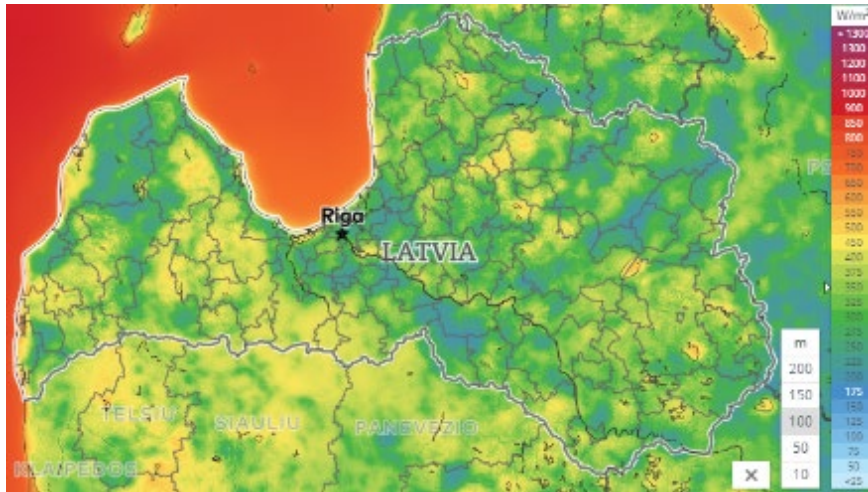
Wind atlas of Latvia:



Wind density of Latvia:

⁹⁸ Ministry of Economics of the Republic of Latvia – Energy Development Guidelines for 2016-2020

⁹⁹ Ministry of Economics of the Republic of Latvia – Energy Development Guidelines for 2016-2020

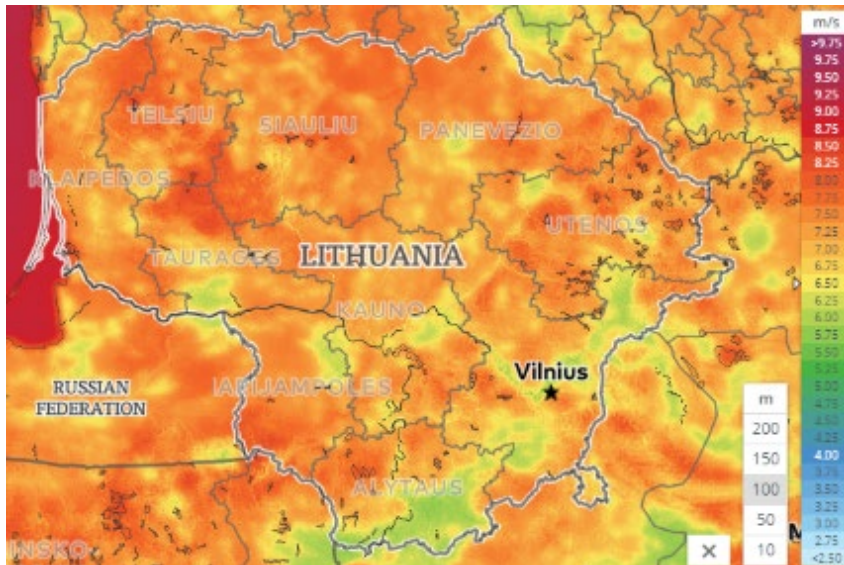


Source: Global Wind Atlas

(iii) Lithuania

The north-western and western parts of Lithuania, specifically the Baltic shore and Kursiu Nerija, have the best wind potential. Climatic conditions are the main reason why most wind energy developers submit applications for connection to the grid in the western part of Lithuania. Considering the natural conditions, free areas and topology of the transmission network, the total potential to be built is ~460 MW.¹⁰⁰

Wind atlas of Lithuania



Wind density of Lithuania

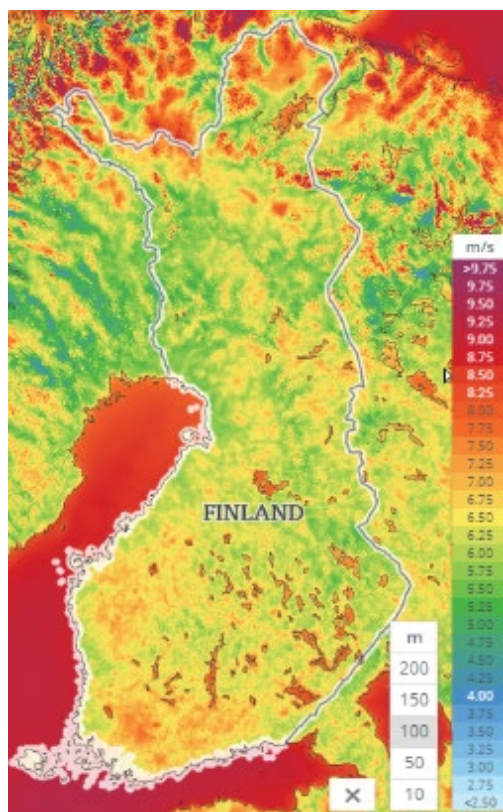
¹⁰⁰ Litgrid, AST, Elering - RES Perspective in Baltic Countries until 2030



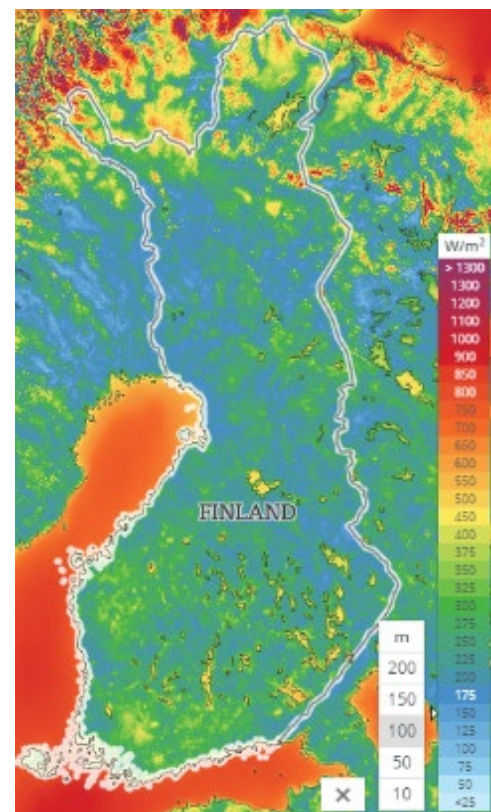
Source: Global Wind Atlas

(iv) Finland and Poland

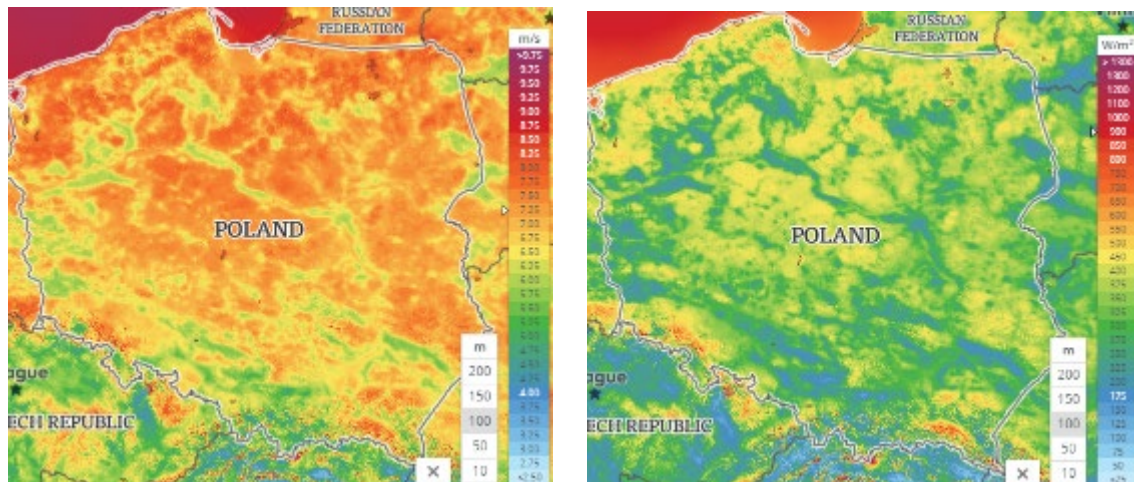
Wind atlas (left) and density (right) of Finland:



Source: Global Wind Atlas



Wind atlas (left) and density (right) of Poland:



Source: *Global Wind Atlas*

9.2.9. Baltic region's solar energy overview

(a) Estonia

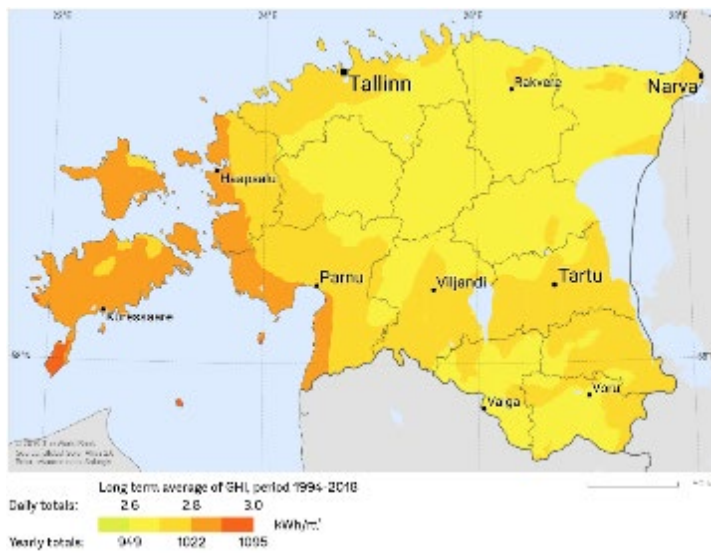
In Estonia, installation of solar panels has been popular during the past years, but most installations are less than 11 kW and thus are meant only for household use. The growth of solar energy depends largely upon whether the national and local policy support the development and production of solar energy and distributed generation overall. Only electricity produced from solar power is currently being supported, but not solar-powered heating.¹⁰¹ In 2019, a new support scheme was introduced in Estonia for small-scale PV's of capacity up to 50 kW. This scheme further supports the growth of PV capacity. In 2020, capacity of solar energy in Estonia amounted to 130 MW.¹⁰² Today, solar power can be generated at a levelised cost of energy ("LCOE") of 0.05 EUR/kWh in Northern Europe. This is expected to decrease to less than 0.02 EUR/kWh in 2050.¹⁰³

¹⁰¹ Litgrid, AST, Elering - RES Perspective in Baltic Countries till 2030

¹⁰² Irena

¹⁰³ SolarPower Europe

Horizontal irradiation map of Estonia:

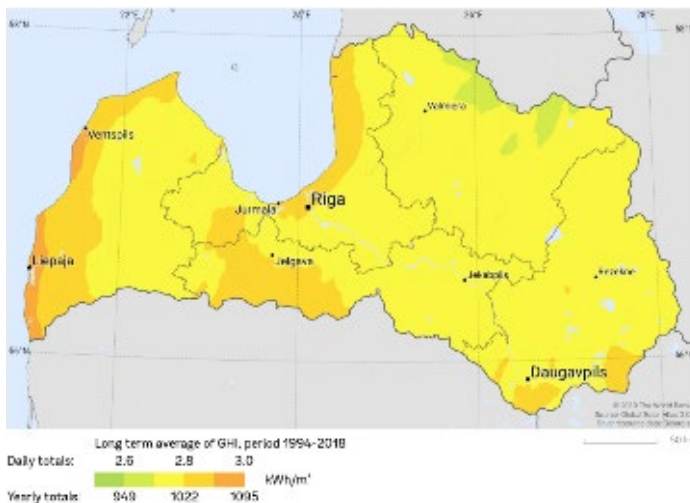


Source: Solargis

(b) Latvia

In Latvia, solar energy as a resource for the generation of electricity has been used in a limited manner because high technological costs have hindered optimal use of the existing resource.¹⁰⁴ Due to very unpredictable climate conditions, a very small increase of solar generation capacity is anticipated, which could amount to 8 MW. Currently climate conditions strongly influence the development of this generation field.¹⁰⁵ In 2020, capacity of solar energy in Latvia amounted to 7 MW.¹⁰⁶

Horizontal irradiation map of Latvia:



Source: Solargis

(c) Lithuania

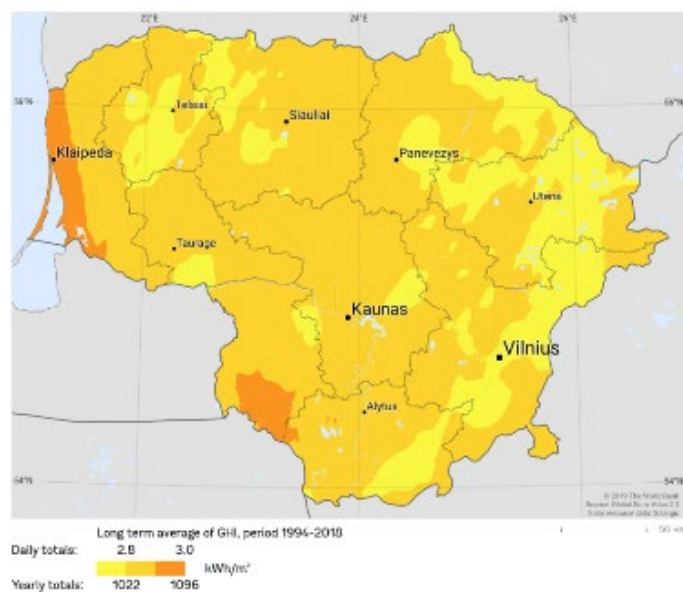
¹⁰⁴ Ministry of Economics of the Republic of Latvia – Energy Development Guidelines for 2016-2020

¹⁰⁵ Litgrid, AST, Elering - RES Perspective in Baltic Countries till 2030

¹⁰⁶ Irena

The annual solar energy potential in Lithuania is approximately 926–1042 kWh/m². The most favourable place for solar energy development is in the western part of the country, which experiences the greatest number of sunny days. It is assumed that solar energy will be used not only in collectors for preparing hot water and for heating in passive heating systems of buildings, but also for electricity production.¹⁰⁷ As of 2020, installed solar capacity for electricity generation reached 148 MW.¹⁰⁸ By 2030, the country plans for total solar power capacity of 1,500 MW.¹⁰⁹

Horizontal irradiation map of Lithuania:



Source: Solargis

(d) Finland

In 2020 solar production almost doubled compared to 2019 and total production reached to 256 GWh with the main part is being installed at homes. In 2020, capacity of solar energy in Finland amounted to 391 MW.¹¹⁰

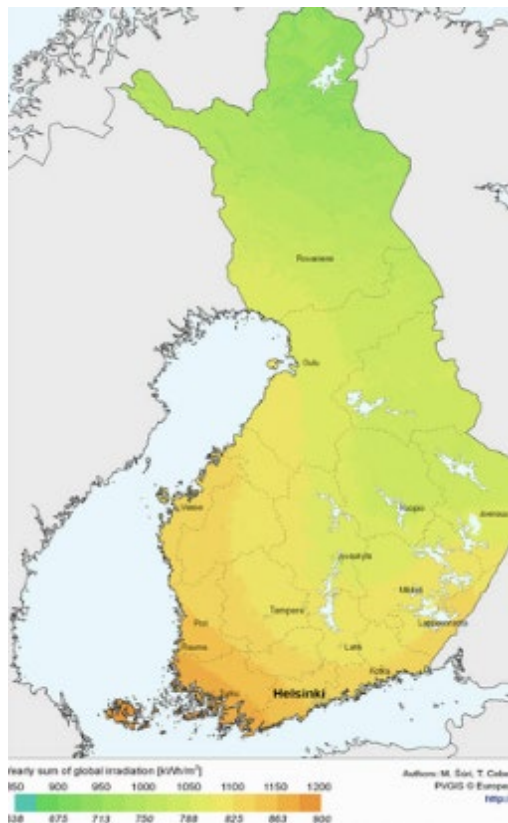
¹⁰⁷ Litgrid, AST, Elering - RES Perspective in Baltic Countries till 2030

¹⁰⁸ Irena

¹⁰⁹ SKM

¹¹⁰ Irena

Horizontal irradiation map of Finland:



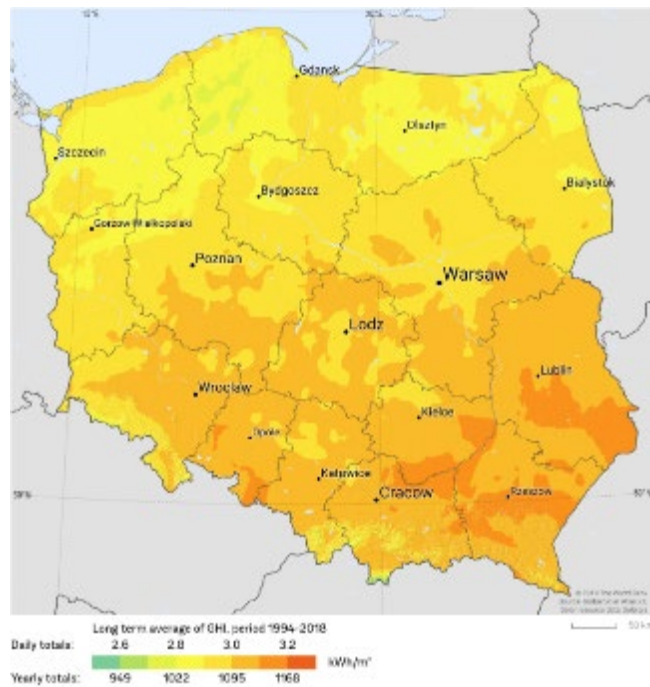
Source: Open Energy Information

(e) Poland

Solar PV can be evenly distributed throughout the country since average solar irradiation is more or less uniform across Poland.¹¹¹ In 2020, capacity of solar energy in Poland amounted to 3 936 MW.

¹¹¹ Flanders Investment & Trade

Horizontal irradiation map of Poland:



Source: Solargis

9.3 OVERVIEW OF THE DISTRICT HEATING MARKET IN ESTONIA AND LATVIA

9.3.1. Estonia

There are 230 district heating network areas in Estonia. The responsibility for the organisation of heating sectors lies with local governments that establish district heating areas and the procedure for the provision of the related services. According to the legislation regulating the district heating sector, heat distribution operators will be required to ensure effective, reliable, secure heat supply that meets the environmental requirements and needs of consumers at justified prices.¹¹²

District heating is widely spread in areas of dense population where district heating has an advantage due to its reliability and efficiency.¹¹³ On average the heating period in Estonia starts in the beginning of October and ends mid-May.

According to the District Heating Act, the district heating network operator will organise a tender for the award of contract if there is a need for new production capacities and/or several companies have expressed in writing their wish to enter into agreements for the sale of heat with the network operator. As a result of the tender, the district heating network operator will enter into a heat sales agreement with the winning bidder for a term of up to 12 years as of start of production.¹¹⁴

¹¹² Ministry of Economic Affairs and Communication

¹¹³ Renewable Energy Club

¹¹⁴ District Heating Act

The largest share of heat in Estonia is produced from wood-based boiler houses, which in 2019 comprised 51.5%, followed by gas-based boiler houses which in 2019 comprised 21.2%. The remaining heat is produced from shale oil, peat, oil shale and other sources.¹¹⁵

Heat prices are regulated by the ECA by district heating areas. The ECA approves a maximum price limit of heat (*soojuse piirhind*) for each district heating area. The price limits vary across district heating areas depending on the specifics of each area and efficiency of the available heat production facilities in the area. For example, the lowest maximum price limit (as at May 2021) approved for Narva district heating area at 39.83 EUR/MWh (excl. VAT) and the highest for Harku district heating area at 86.96 EUR/MWh (excl. VAT). The average price limit (non-weighted) as of February 2020 was 63.2 EUR/MWh.¹¹⁶

(a) *Tallinn*

For the years ended December 31, 2020, and December 31, 2019, heat sales in Tallinn and Maardu were 1,636,797 MWh and 1,718,025 MWh, respectively:

	2020	2019
Heat sales, MWh	1 636 797	1 718 025
Electricity sales, MWh	64 202	19 710
Purchased heat, MWh	1 209 396	1 225 312
Electricity production, MWh	72 260	21 524
Heat loss, MWh	269 028	284 634
Heat loss, %	14.1%	14.2%

Source: AS Utilitas Tallinn 2020 annual report.

Tallinn is the largest district heating area. Pursuant to the regulation of the Tallinn City Council adopted in May 2017 and establishing the Tallinn district heating network area, terms and conditions for connection thereto and disconnection therefrom, each person who owns or possesses a building located within the district heating network area, whether existing, under construction or under renovation, must connect with the district heating network. There are limited exceptions to the above rule, such as use of thermal energy converted from non-fuel and renewable energy sources, all of which require specific permit from a city government office.¹¹⁷

There are two main heat producers supplying the Tallinn district heating network with heat: Utilitas and the Group itself.

The Group produces heat at the Iru facility, and the heat produced is sold to Utilitas Tallinn (a subsidiary of Utilitas OÜ). Utilitas Tallinn manages a 479 km long district heating network. The company has 15 boiler houses, 1 biofuel-based combined heat and power station, 2 solar power plants¹¹⁸.

OÜ Utilitas Tallinna Elektri jaam (a subsidiary of Utilitas OÜ) is operating two biofuel-based combined heat and power stations and one solar plant. The first with installed capacity of 67 MWth and 25 MWe was commissioned in 2009, and the second with installed capacity of 76 MWth and 21 MWe was commissioned in 2016.¹¹⁹ The new station has increased the installed capacities and the planned productivity – the thermal capacity of the station including the flue gas condenser is 76.5MW and the electric power capacity 21.4MW. OÜ Utilitas Tallinna

¹¹⁵ Source Ministry of Economic Affairs and Communication

¹¹⁶ Estonian Competition Authority

¹¹⁷ Riigiteataja

¹¹⁸ Utilitas Group

¹¹⁹ Utilitas Group

Elektrijaam and the Company have both entered into long-term agreements for heat supply with Tallinn District System.

(b) Paide

The Group owns and operates a biomass fired CHP facility in Paide, gas-fired heat-only boiler and a biomass-fired heat-only boiler. The total annual consumption of heat supplied through district heating network in Paide in 2020 was 40.3 GWh (in 2019– 43.7GWh)¹²⁰

The Company is the heat network operator in Paide, through leasing the network from the Paide Water company. The Company is the only heat producer supplying heat to the Paide district heating network.

9.3.2. Latvia

(a) Valka

The Group also owns and operates a biomass-fired CHP facility in Valka, and a biomass-fired heat-only boiler. The total annual consumption of heat supplied through district heating network in Valka in 2020 was 21.2 GWh (in 2019 – 22.8 GWh). The district heating network of Valka is owned by the city of Valka. The Group sells heat to the city of Valka under a heat sales agreement entered into with the city of Valka, which is valid until 30 November 2032.

The Group's subsidiary SIA Enefit Power & Heat Valka is the main heat producer supplying heat to the Valka district heating network. Additionally, the city of Valka produces heat in boiler houses not connected to the main district heating network supplied by Enefit Power and Heat Valka SIA.

9.4 FUEL MARKET FOR CHP PLANTS

9.4.1. Estonia

(a) Waste market

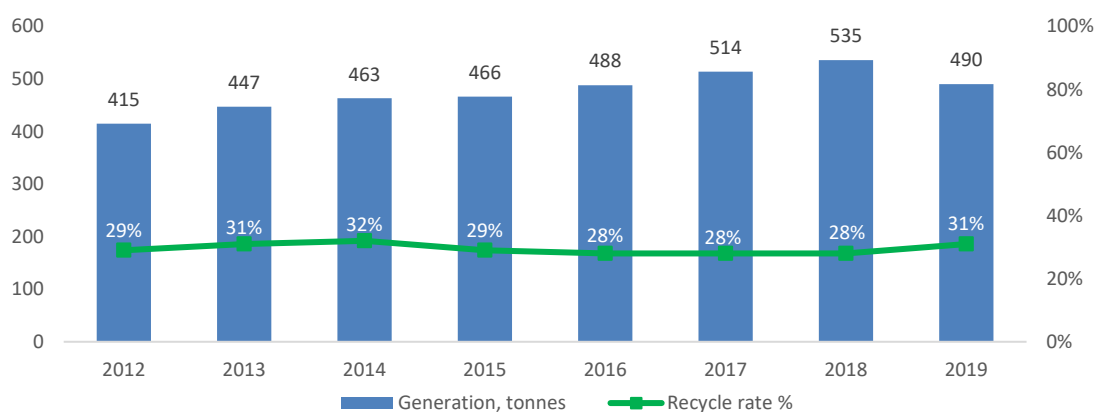
Municipal solid waste and RDF are the only fuel for the Group's waste-to-energy unit at Iru with net installed electricity capacity of 19.3 MW and 50 MW of heat capacity, which has the capacity to burn around 250,000 tonnes of waste a year, and transforms about 85% of the energy contained in waste into a combination of electricity and heat.

In 2019, 490 thousand tonnes of municipal solid waste was generated in Estonia (in 2018 – 535 thousand tonnes). and approximately 30.8% of municipal solid waste was recycled in 2019 (in 2018 – approximately 28%). In 2019 about 39,952 tonnes of RDF was generated in Estonia (in 2018 – 64,200 tonnes).¹²¹

The graph below shows generated municipal solid waste and recycle rate between years 2012–2019:

¹²⁰ Enefit Green

¹²¹ Waste Reporting System of the Estonian Environment Agency



Source: Estonian Environment Agency

The main waste treatment facilities in Estonia in addition to the Group’s waste-to-energy unit is a mechanical-biological treatment (“MBT”) unit. The MBT unit with the capacity to treat 120,000 tonnes of waste a year is owned and operated by TJT, which is fully owned by the city of Tallinn.¹²² The MBT unit produces waste fuel. There are also several landfills which, to an extent, function as sorting and RDF production facilities.

Availability and pricing of the municipal solid waste is largely driven by the applicable regulatory requirements, including the waste recovery targets that are to be achieved by 2025 and 2030, respectively.

¹²² TJT Recycling

The table below provides an overview of the currently applicable waste recovery targets:¹²³

Type of Waste	Recovery Method	2020 Target
Paper, metal, plastic and glass waste from households and other waste collected by type from households and similar waste originating from other sources, except for production waste and waste from agricultural production or forestry	Preparation for re-use or recycling	50% of the total weight of such waste per calendar year
Biodegradable waste: 1) garden and park waste; 2) food and kitchen waste from households, retail premises and caterers; 3) waste from food processing plants the composition and nature of which is similar to the waste specified in the previous clause	Recycling, including organic recycling <i>i.e.</i> , degradation of the biodegradable parts of waste	The percentage of biodegradable waste in the total amount by weight of municipal waste deposited in a landfill shall not exceed 20%

In addition to the waste recovery targets, the main factor affecting the gate fees charged upon acceptance of waste at the waste treatment facilities is the gate fee charged for landfilling. The gate fee charged for landfilling is in turn mainly affected by the environmental charges applicable upon landfilling. The environmental charges for landfilling of municipal solid waste have steadily risen over the past years and are currently set at 29.84 EUR/tonne. The total gate fees charged for landfilling are more expensive than the fees charged for waste incineration in Iru, for example. As of 23 July 2021, the total landfilling gate fee rates (excluding VAT) were as follows:

Waste Treatment Facility	EUR/tonne
TJT	70.50
Paikre landfill	77.50
Väätsa landfill	79.00
Torma landfill	95.00
Uikala landfill	95.00

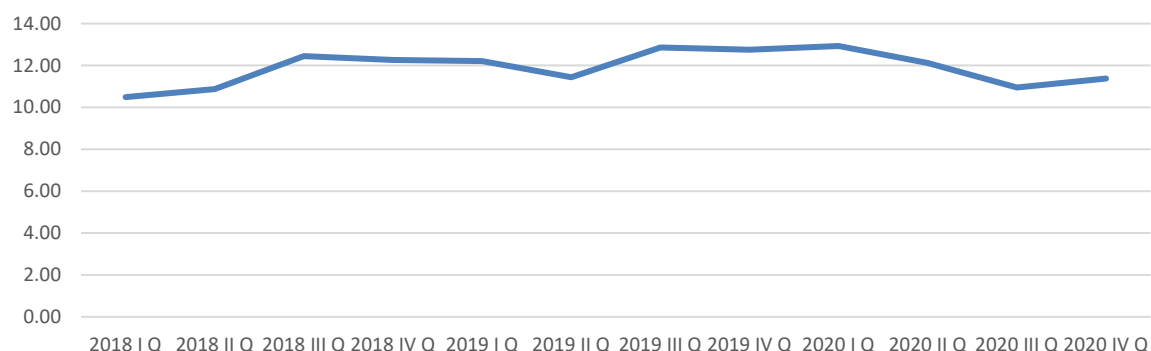
¹²³ Ministry of the Environment

(b) Biomass market

Biomass is the main fuel for the Group's biomass fired CHP in Paide, Estonia.

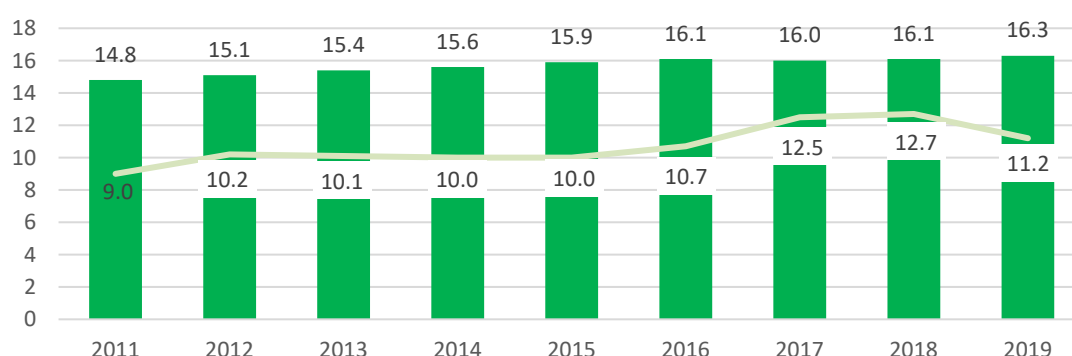
51% of total land in Estonia is forest land, out of which 53% is privately owned and 47% is state owned. 29% of all forest land in Estonia is under protection.¹²⁴

The table below provides an overview of woodchip price dynamics (EUR/m³) during the recent years, excl. VAT:



Source: Estonian Private Forest Centre

Annual felling and stands increment in Estonia, million m³



Source: Statistics of Estonia

9.4.2. Latvia

(a) Biomass and pellet markets

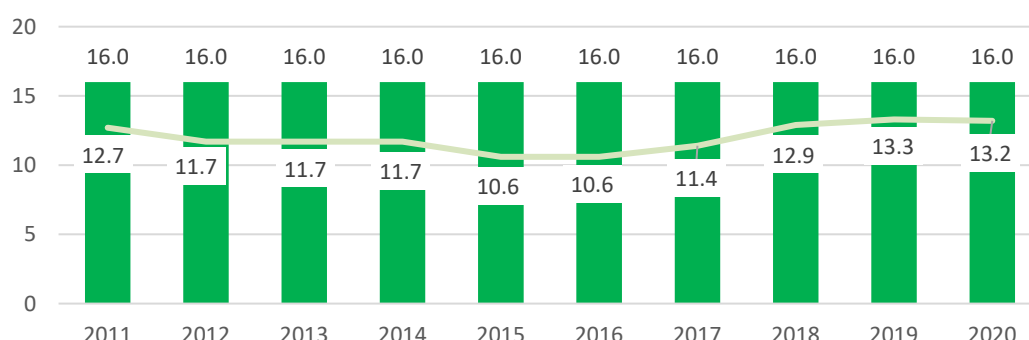
The Group has a biomass-fired CHP facility in Valka and a combined biomass-fired CHP facility and pellet factory in Broceni, which is one of the newest wood pellet producers in Latvia. The heat produced by the Broceni CHP facility is sold to the Broceni pellet factory. Biomass used in Broceni CHP facility is mainly sourced from the Broceni pellet plant.

Latvia is one of the largest wood pellet producers in Europe due to abundant wood resources and low quality wood availability and a relative proximity to seaports. Latvia is largely covered by

¹²⁴ State Forest Management Centre

forest. Forests cover around 52% of Latvia, of which approximately 49% is state-managed and 51% is privately owned.¹²⁵

Annual felling and sustainable felling level in Latvia, million m³



Source: Central Statistical Bureau of Latvia

9.5 KEY TRENDS IN THE RENEWABLES MARKET

9.5.1. Shift towards low carbon economy

During the past decade climate change has become one of the key themes driving the political decisions in most of the countries. Multinational agreements have been signed in order to control and limit the temperature increase of the climate, and reduction of emission of greenhouse gases (“GHG”), including carbon dioxide (CO₂), play a major role in all this. Developed countries are moving towards a low-carbon economy, which poses new challenges but also opportunities for several industries.

The first tangible move towards a low-carbon economy was the Kyoto Protocol, which entered into force in 2005. It included national targets to reduce GHG emissions and was signed by practically all the developed countries. The Kyoto Protocol sets binding GHG emission reduction targets for all member countries, including the EU Member States. The Kyoto Protocol was followed by the Paris Agreement, which entered into force in 2016. The Paris Agreement is more comprehensive than the Kyoto Protocol and has been ratified by almost 200 parties as of today. The main goal of the Paris Agreement is to limit world temperature increase well below two degrees Celsius between now and the year 2100, and to limit GHG emissions to a sustainable level. Again, countries have their own targets and the development will be assessed every five years. The Paris Agreement also includes a framework for technological development, capacity growth and financing. Furthermore, developing countries would receive “climate financing” from rich countries to help them reduce their GHG emissions.¹²⁶

In December 2019 the European Green Deal was introduced – the goal is for the EU countries to become climate neutral by 2050. To do this, it will carry out a series of initiatives that will protect the environment and boost the green economy.¹²⁷ On 14 July 2021, the European Commission adopted a package of proposals for the EU’s climate, energy, land use, transport and taxation policies to reduce net greenhouse gas emissions by at least 55% by 2030.

¹²⁵ Public Broadcasting of Latvia

¹²⁶ United Nation’s Climate Change

¹²⁷ European Commission

9.5.2. Anticipated renewable energy developments in the EU

(a) EU 2020 and 2030 targets

For an overview of EU 2020 and 2030 renewable energy targets, see “Part 9 (Industry Overview), Section 9.2.6 (Overview of the electricity market in the Baltics, Finland and Poland – EU renewable energy targets and national energy development plan)”.

(b) Share of renewable energy in the EU's total energy consumption

Total energy consumption in the EU has fluctuated in the recent years, but the downward trend is still evident, although the rising economy in the EU is expected to slow down the downward trend. Three main end-user categories are transport, households and industry, having shares of 30.9%, 26.3% and 25.6% of the total energy consumed, respectively. Consumption within these categories has decreased after 2008, partly due to the global financial and economic crisis but also because of technological development.¹²⁸

The share of energy from renewable sources in gross final consumption of energy in the EU reached 19.7% at the end of 2019, which is only 0.3% short of the EU's 2020 target of 20%. Twelve EU Member States, including Estonia, Latvia, and Lithuania, had already achieved their respective national targets for 2020 by the end of 2018.¹²⁹ The targets are mostly fulfilled in Estonia with biomass used in district heating, in Latvia with hydro, and in Lithuania with wind and biomass. Finland has also reached its target with biomass and wood-based fuels.

Growth of the renewable electricity production is driven by increased capacity in onshore and offshore wind power as well as solar electricity generation¹³⁰.

9.5.3. Development of wind energy

(a) Europe

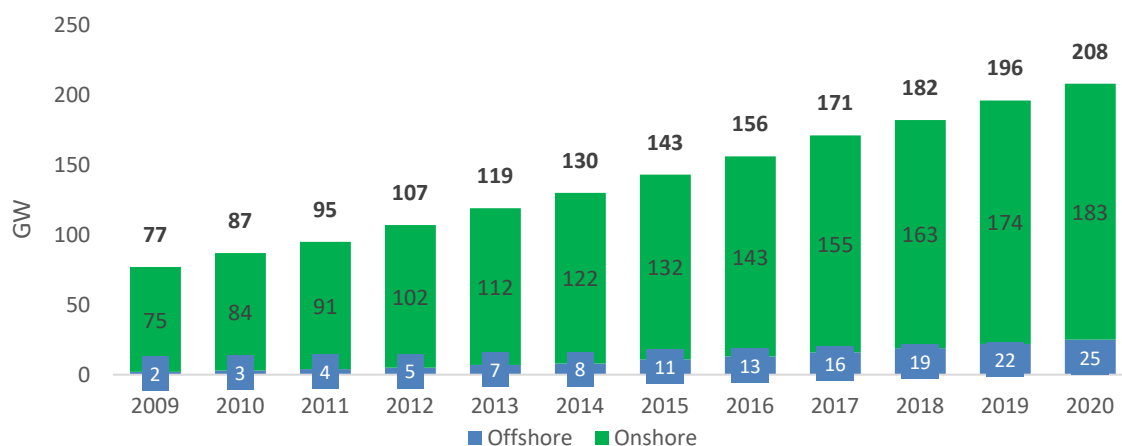
As at the end of 2020, the installed wind power capacity in Europe totalled 208 GW (with onshore wind capacity of 183 GW and offshore wind capacity of 25 GW). Total installed wind power capacity in Europe from 2009 to 2020 is shown on the below chart, which evidences a steady growth in wind power capacity throughout the years.¹³¹

¹²⁸ Eurostat

¹²⁹ Eurostat

¹³⁰ European Environment Agency

¹³¹ Irena



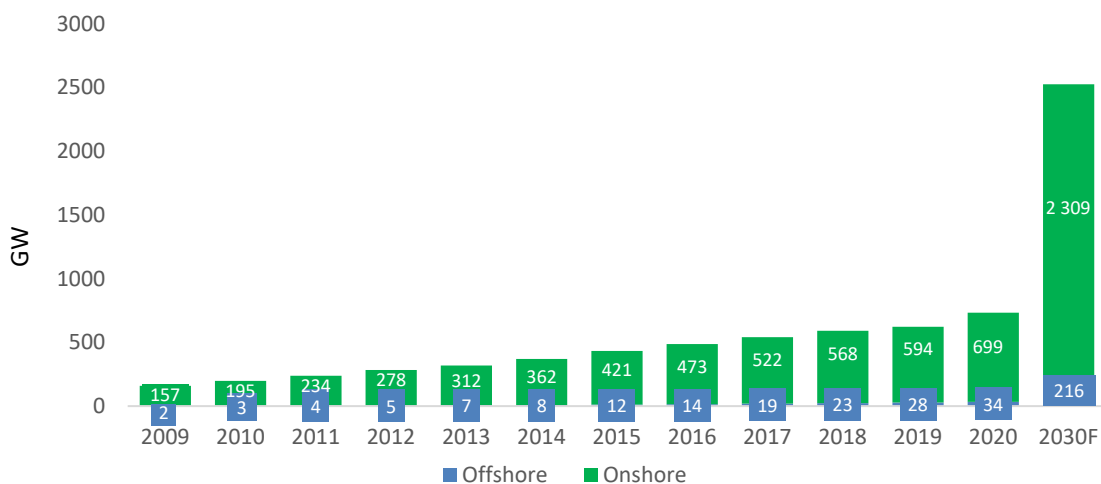
Source: Irena

With improving technology, both onshore and offshore wind energy have become significantly more affordable. On average costs of offshore and onshore wind have plummeted by over 50% in the last five years. This development is forecasted to continue.¹³²

(b) Global

2020 was a big year in the wind industry – in total around 105 GW of new onshore and 6 GW of new offshore capacity was installed – an increase of 85% compared to the previous year's capacity increase.¹³³

Development of global wind capacity, GW



Source: Irena

To meet the aims of the Paris Agreement, energy-related CO₂ emissions would need to be reduced by around 3.5% per year from now until 2050, with further reductions after that. Scaling up electricity from renewables would be crucial for the decarbonisation of the world's energy system. Onshore and

¹³² Irena

¹³³ Irena

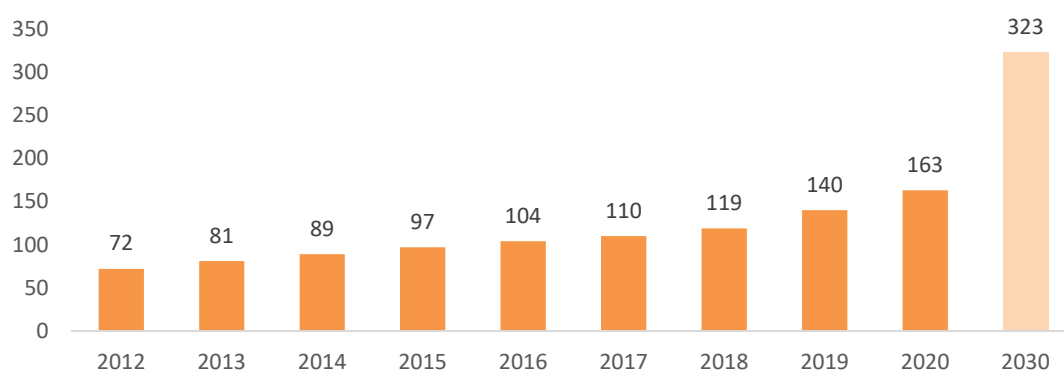
offshore wind together would generate more than one-third (35%) of total electricity needs, becoming the prominent generation source by 2050.¹³⁴

9.5.4. Development of solar energy

(a) Europe

Strong growth in solar continued in 2020, the trend of increased solar installations was noted across the entire EU.¹³⁵

The graph below outlines solar capacity (in GW) development in Europe between 2012-2020 and forecasted capacity by 2030:

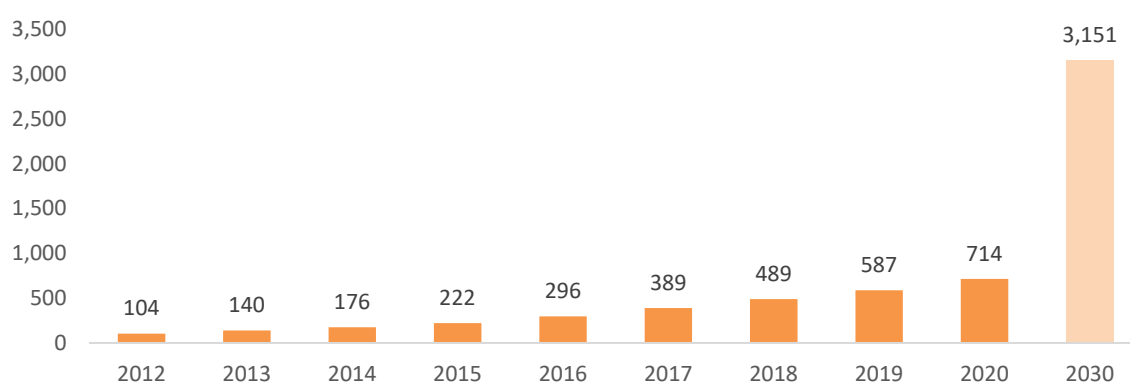


Source: Irena

(b) Global

Despite the COVID 19-induced economic slowdown, globally solar capacity grew by 22% in 2020 compared to 2019.¹³⁶

The graph below outlines solar capacity (GW) development globally between 2012-2020 and forecast capacity by 2030:



Source: Irena

¹³⁴ Irena

¹³⁵ Irena

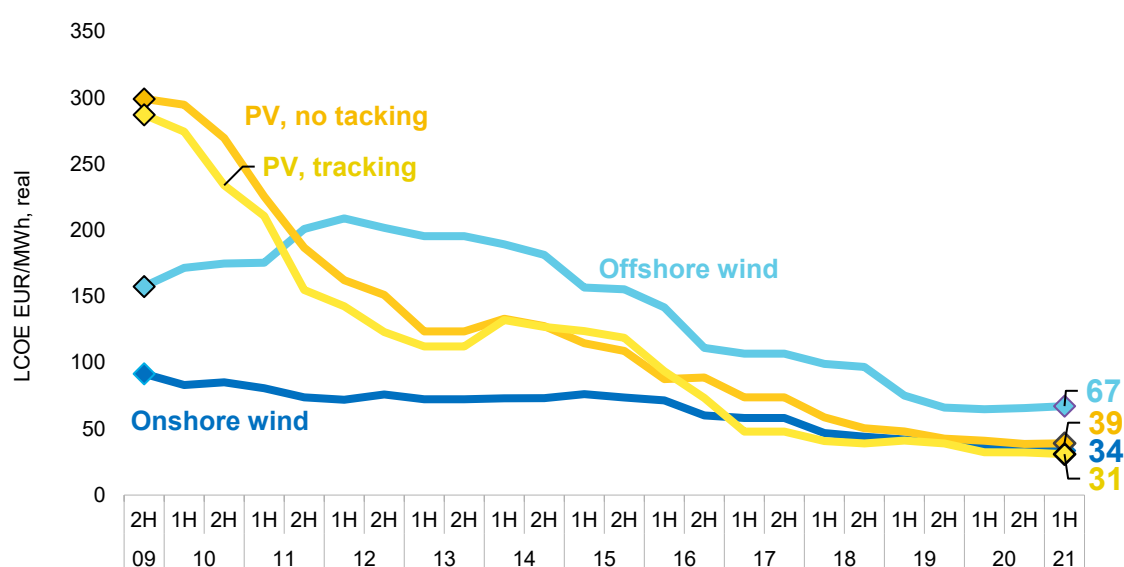
¹³⁶ Irena

9.5.5. Levelised cost of electricity

LCOE represents the average revenue per unit of electricity generated that would be required to recover the costs of building and operating a generating production unit during an assumed useful life and estimated production level. LCOE is often cited as a convenient summary measure of the overall competitiveness of different generating technologies. Key inputs to calculating LCOE include capital costs, fuel costs, fixed and variable operations and maintenance (O&M) costs, financing costs and estimated production costs.

Since 2010, both wind and solar developments have witnessed remarkable reductions in LCOE on a global scale driven by improving technologies, economies of scale, competitive supply chains and improving developer experience. The cost of electricity from wind and solar has fallen to very low levels.¹³⁷

Global LCOE development by technology between 2010-2021 H1¹³⁸:



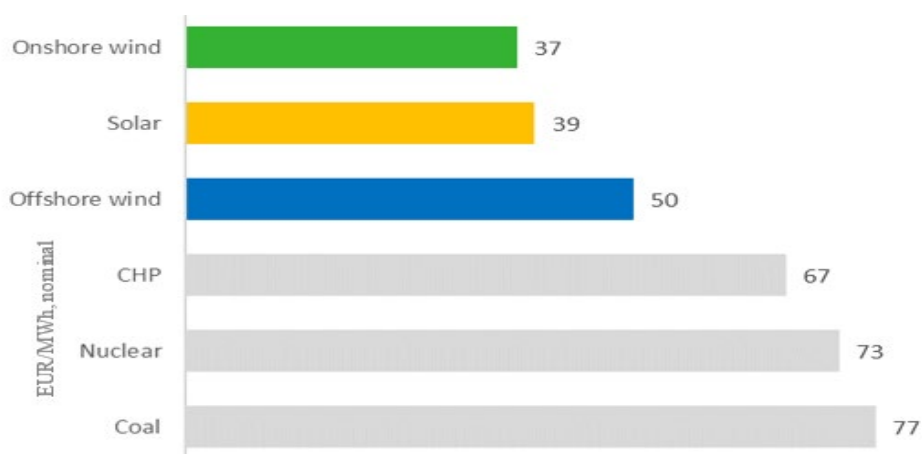
Source: BloombergNEF

Renewable electricity-generation technologies have improved significantly during the last few decades, and renewables are becoming more competitive with majority of new developments based on renewable sources.

¹³⁷ Irena: Power Generation Costs 2020

¹³⁸ EUR/USD Exchange rate 1.1225

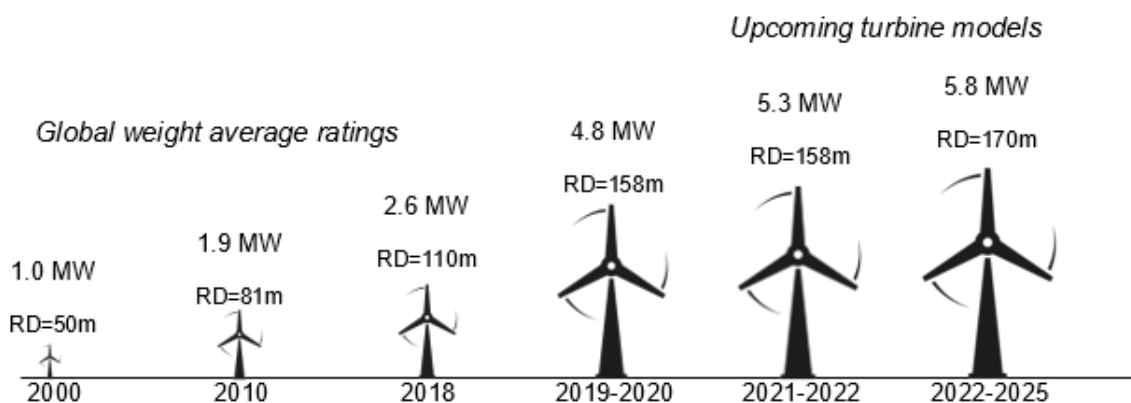
Graph on LCOE by technology in Europe¹³⁹:



Source: EDPR June 2020

Ongoing innovations and technology enhancements towards larger-capacity turbines, increased hub heights and rotor diameters would improve energy yields and reduce capital and operation costs per unit of installed capacity.

Graph on onshore wind turbine development between 2000–2025:



Source: Irena

¹³⁹ EUR/USD Exchange rate 1.1225

PART 10. REGULATORY OVERVIEW

The Group operates under a wide and complex set of regulations. A brief, non-exhaustive summary overview of the regulatory framework to which the Group is subject in Estonia, Latvia, Lithuania, Poland and Finland is set out below. The description is based on laws in effect as at the date of this Prospectus.

10.1 REGULATIONS APPLICABLE IN ESTONIA

10.1.1. Renewable Energy Support Schemes

The support scheme applicable in Estonia differentiates between so-called existing producers and new producers. The existing producers are entitled to receive a guaranteed FiP for 12 years as described below, whereas new producers can receive support only when Estonia needs additional renewable energy capacities in order to meet the target for the share of electricity generated from renewable energy sources and arranges auctions for the development of new electricity generation installations.

A producer generating electricity in a generation installation with electrical capacity of more than 1 MW who commenced work on the investment project and took irreversible commitments by 31 December 2016 is treated as an existing producer and therefore qualifies for the guaranteed FiP support scheme. For generation installations with electrical capacity of 1 MW or less, the producer is treated as an existing producer in case the generation installation was generating electricity (i) by 31 December 2018, in cases of generation installations with electrical capacity between 50 kW to 1 MW; or (ii) by 31 December 2020, in cases of generation installations with electrical capacity of less than 50 kW.

Pursuant to the Electricity Market Act, an existing producer is entitled to receive support in the form of FiP from the TSO for each kWh of electricity generated (i) from a renewable energy source (*i.e.*, water, wind, solar, wave, tidal and geothermal energy sources, landfill gas, sewage treatment plant gas, biogases and biomass) with a generation installation, the net capacity of which does not exceed 125 MW at the rate of 0.0537 euros/kWh; (ii) from biomass in a CHP facility at the rate of 0.0537 euros/kWh, except when electricity is generated in a condensation process; (iii) from waste, peat or retort gas in an efficient CHP facility at the rate of 0.032 euros/kWh, or (iv) in an efficient CHP facility the net capacity of which does not exceed 10 MW at the rate of 0.032 euros/kWh. Only electricity supplied to the network or to a customer via a direct line qualifies for the support, *i.e.*, the generation installation's own consumption is not subsidised.

The support in the form of FiP is paid by the TSO in addition to the price received by the producer upon sale of the electricity. The relevant cost of the support is passed on to the electricity consumers on top of the network charges, and thus the support is financed by all consumers in proportion to their volume of consumption of electricity from the network or via direct lines. The support is paid for a period of 12 years following the commencement of production (*i.e.*, the date on which a compliance certificate is issued by the network operator).

Certain restrictions also apply. For example, in the case of wind energy, a cap of 600 GWh per calendar year applies to wind energy producers qualified to receive the FiP. In addition, facilities using biomass will qualify for the subsidy only if they use co-generation processes and not if they use condensation processes.

In 2018, the Estonian Parliament replaced the FiP with the system of tenders. Under the new system, new generation installations can receive support only when Estonia needs additional renewable energy capacities in order to meet the target for the share of electricity generated from renewable energy sources. The target was set at 17.6% for 2020. Amendments to the Electricity

Market Act were adopted by the Estonian Parliament on 29 September 2021 which established a new target of 40% by 2030. If there is a need for additional renewable energy to meet this target, the Estonian government will authorise the responsible minister to arrange reverse auctions where the winner is the producer offering the lowest contract of difference (“CfD”). Based on the results of the auction the winning producer will have the right to cover the difference between the monthly market price and the price established at auction in the production volume offered in the auction in the form of so-called return of negative balance. The CfD as applied in Estonia means that producers are not obliged to return the surplus if the market price exceeds the auction price. No support is allocated when the electricity price on the power exchange is lower than or equal to zero. The referred amendments to the Electricity Market Act introduced the possibility of arranging separate auctions for electricity generated using new continuous dispatchable capacities; existing continuous dispatchable capacities; and new non-dispatchable capacities. The amendments also introduced revised maximum upper limits for the renewable energy support payable as a result of auctions. In the light of the amendments to the Electricity Market Act, the Ministry of Economics has initiated discussions with market participants on amendments to the conditions of and procedure for the reverse auctions. Therefore further changes in the detailed rules of reverse auctions are expected.

The European Commission has approved and granted state aid permission to the Estonian support scheme for renewable energy sources and highly efficient CHP facilities by its decision No. SA.36023 (2014/NN) from 28 October 2014, decision No. SA.47354 (2017/NN) from 6 December 2017, and decision No. SA.55453 (2020/N) from 16 December 2020.

The Estonian Supreme Court has on 28 September 2020 referred five questions on the Estonian renewable energy subsidy scheme and its compatibility with the European Union state aid rules for a preliminary ruling. The case is currently pending before the European Court of Justice. Depending on the preliminary ruling there could be a wider impact on the Estonian renewable energy subsidy scheme and recipients of such subsidies.

10.1.2. Operational Assets

(a) Activity licences

Electricity generation and sales, conveying electricity via direct lines

- (i) A licence is required for the generation of electricity and for conveying electricity via direct lines. As of January 2019, the sale of electricity no longer requires a licence, and instead, a notice of economic activities must be submitted. There are also certain exceptions to the above requirements, *e.g.*, a notice of economic activities is not required when a producer sells electricity it has generated, a licence is not required for the generation of electricity with a generating installation the net installed capacity of which is up to 200 kW or for conveying electricity via direct lines in case of generating installations the net capacity of which is up to 500 kW.

Licences are granted by the ECA and are issued without a term. The ECA may revoke licences in case of material breach by the licence holder that remains unremedied or in case the licence holder is no longer fulfilling the prerequisites and conditions set out in the Electricity Market Act.

- (ii) Heat generation, distribution and sales

Licences are required for the production of heat, provision of network services and sale of heat in case the estimated annual volume of the production, distribution or sales exceeds 50,000 MWh.

Licences are granted by the ECA and are issued without a term. The ECA may revoke a licence in a case of material breach by the licence holder that remains unremedied or in a case where the licence holder is no longer fulfilling the prerequisites and conditions set out in the District Heating Act.

In accordance with the District Heating Act, heating companies (*i.e.*, companies involved in the production, distribution and sale of heat) are under the general obligation to ensure that final customers and other heating companies are supplied with heat in compliance with the District Heating Act, the conditions of the licence and any material contracts.

(b) Balancing responsibility of electricity market participants

Each electricity market participant also has a balancing responsibility and must therefore ensure that the amount of electricity supplied to the network and/or purchased by the market participant in each trading period is equal to the amount of electricity acquired from the network and/or sold by the market participant. When there is a difference between the electricity sold to the market and the electricity produced by the producer's electricity generation installations, there is an imbalance. To correct any such imbalance, the producer needs to procure the outstanding volume of electricity, and in the event that it produces more than predicted, it needs to dispose of the excess electricity. This is done through open supply agreements with balance providers. Ultimately, if other measures fail, the TSO will sell the missing quantity of electricity to the market at a certain (higher) price, or purchase the excess quantity of electricity from the market at a certain (lower) price. Since supply and demand of electricity must be equal at all times in order to maintain stability in the grid, the imbalance is settled at imbalance prices designed to ensure that producers and suppliers have an incentive to balance their positions in the market. The imbalance prices are determined by the TSO and are designed to be unfavourable compared to the prices at which electricity is sold at the market.

(c) Heat supply price regulation

Heat prices are regulated by the ECA by district heating areas. The ECA approves a maximum price limit of heat (*soojuse piirhind*) for each district heating area. Each heating company that sells heat to the customers, sells heat to the district heating network operator for resale to the customers, or produces heat in the process of combined generation of heat and power must apply to the ECA for approval of a maximum price limit of heat. Alternatively, heating companies may apply to the ECA for approval of a price formula that will be used upon approval of maximum price limit in case of developments that are independent of the activities of the heating company and that influence the approved maximum price limit. A price formula may be approved by the ECA for a term of three years.

The maximum price limit is calculated in accordance with the pricing methodology established by the ECA. The following components form the basis of the maximum price limit: regulatory asset base ("**RAB**") which comprises the fixed assets and working capital used in the heat production or distribution and sales, as applicable; depreciation of fixed assets used in the heat production or distribution and sales, as applicable; operating costs, and allowed pre-tax rate of return. The total permitted revenue, derived from these calculations, is then divided by the volume of the heat production or sales, as applicable.

The allowed rate of return permitted by the ECA is equivalent to the estimated weighted average cost of capital ("**WACC**"). Allowed pre-tax rate of return is calculated by multiplying RAB by the allowed rate of return on invested capital permitted by the ECA, which was set at 5.76% for district heating producers starting from the beginning of 2020 and at 4.58% for district heating network companies from the beginning of 2021. The ECA updates the WACC from time to time, however, this does not trigger automatic review of the approved maximum price limits.

As a rule, the approved maximum price limit is reviewed and adjusted on the basis of an application from the respective heating company. Under the District Heating Act, heating companies must monitor market developments that are independent of their activities and that influence the heat price and must submit to the ECA a new application for approval of a maximum price limit within 30 days as of learning of any development that may decrease the then applicable

heat price by more than 5%. The ECA is also authorised to revoke the approval it has given with regards to a maximum price limit and may determine a temporary selling price in case a heating company sells heat at a price that does not comply with the requirements of the District Heating Act.

(d) Specific obligations of district heating network operators and providers of vital services

Local municipalities determine district heating areas within the boundaries of their administrative territory with a view to ensuring a secure, reliable and effective heat supply that is provided at a justified price and in compliance with environmental requirements and the needs of the customers.

A district heating network operator must organise a tender for the award of a contract if there is a need for new production capacities and/or several companies have expressed in writing their wish to enter into agreements for the sale of heat with the network operator. As a result of the tender, the district heating network operator shall enter into a heat sales agreement with the winning bidder for a term of up to 12 years as of start of production. The district heating network company must co-ordinate the terms and conditions of any such tender and heat sales agreement as well as making of investments in new heat production capacities by the network operator itself with the ECA.

A network operator is required to connect customer installations within its network area; provided that it is technically possible to do so and the other connected customers' security of supply is not endangered.

A district heating network operator may terminate its activities only if it transfers the obligations incumbent on it to another company. Furthermore, at least twelve months' prior written notice to the ECA regarding termination of its activities is required, specifying the date and schedule for termination of activities, and providing a sufficiently detailed overview of the measures that guarantee that all customers who have a network connection will continue to be supplied with heat in accordance with the District Heating Act.

Heat producers whose estimated annual production volume amounts to at least 50,000 MWh and who operate in a district heating network area where annual sales total at least 50,000 MWh, and who provide services in the territory of a local municipality that has at least 10,000 residents, qualify as providers of vital services under the District Heating Act and the Emergency Act. As a provider of vital services, the Company is, among other things, required to prepare a continuity risk assessment; implement measures that prevent interruptions of the vital service, including reducing dependency on other vital services, essential contract partners, suppliers and information systems; ensure the capability to guarantee the continuity and quick restoration of the service provided by it during an emergency; and to co-operate with different authorities.

(e) Environmental regulation

The Group's business is subject to EU and Estonian environmental regulations and is conducted in accordance with the environmental permits issued by the Environmental Board. Compliance with applicable EU and Estonian laws and permits is monitored by the Environmental Board.

The main impact on the environment from the Group's operations in Estonia arises from:

- the noise and shadows of wind turbine blades, and the impact on habitat areas and migratory paths of birds resulting from the operation of the Group's wind parks;
- the emission of greenhouse gases (CO₂) and pollutants such as CO, NO_x, VOC, SO₂ and particulate matter as a result of the operation of the Group's CHP facilities;

- fly and bottom ash resulting from the operation of the Group's waste-to-energy unit and biomass-fired CHP facilities;
- use of water resources for cooling purposes, use in district heating network and in its hydroelectric facility; and
- the electricity switchgears in the Group's electricity generation installations that use fluorinated greenhouse gas SF6.

The Group is, among others, subject to the following key Estonian environmental legislation:

- the Atmospheric Air Protection Act, which, among other things, implements the Directive (EU) 2015/2193 on the limitation of emissions of certain pollutants into the air from medium combustion plants (the Medium Combustion Plant Directive or the "MCPD"), regulates the outdoor noise and establishes limit values for noise; pollutants and permitted quantities of such pollutants a holder of an ambient air pollution permit or an integrated permit may emit;
- the Industrial Emissions Act, which implements the Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control) (the Industrial Emissions Directive or the "IED"), regulates the issuance of an integrated permit (which covers all aspects of the operations of the Group's Iru facility), and pollutants and permitted quantities of such pollutants a holder of an integrated permit may emit, and approved incineration methods of waste products;
- the Waste Act, which regulates the handling of waste;
- 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;
- the General Part of the Environmental Code Act, which, among other things, sets forth rules for the application for environmental permits and for relevant administrative procedures;
- the Environmental Charges Act, which controls the application and regulation of environmental charges that are payable by the Group; and
- the Environmental Liability Act, which implements Directive 2004/35/EC on environmental liability with regards to the prevention and remedying of environmental damages.

(i) CHP facilities

A. *Permits*

For the operation of CHP facilities either an integrated permit or an environmental permit for air pollution is required. An air pollution permit is necessary if the production in the production unit is equal to or exceeds the threshold of 1 MWth. An integrated permit is required if an energy production facility has a total thermal input of 50 MWth or more. Integrated permits have no expiry date and continue to apply until they are revoked or surrendered but are subject to annual reviews. If there are new aspects that are regulated by the integrated permit, or new legal requirements adopted, the holder of the integrated permit is required to apply for revision of the permit. An environmental permit for air pollution is also usually issued without an expiry date.

However, such a permit can be revised or revoked under specific grounds stipulated by applicable laws. The permits are issued by the Environmental Board.

B. Environmental charges

Under each permit, certain environmental charges arise in respect of the Group's activities. The Environmental Charges Act and supporting regulations control the application and regulation of environmental charges.

The Environmental Charges Act regards each environmental charge as the cost of the right to exploit the environment. Therefore, emissions within limits set by an environmental permit are subject to a charge. Emissions that exceed the limits set in a permit, or those for which no permit is in place, incur the charge at a higher, punitive rate. The Group is required to submit quarterly reports and its liability for the environmental charges is calculated on the basis of these reports.

Generally, there are two types of environmental charges: (i) the natural resource charges applicable upon use of natural resources; and (ii) the pollution charges applicable upon emission of pollutants into the ambient air, groundwater or soil, and upon waste disposal.

The minimum and maximum rates of the natural resources charges are set forth in the Environmental Charges Act. The currently applicable pollution charges have been in place since the beginning of 2015.

C. CO₂ emissions

The Group's CHP facilities based on biomass and municipal waste are not subject to EU Directive 2003/87/EC of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, which established the EU Emissions Trading Scheme (the "EU ETS"). However, the Group's generation installations, which are fuelled by gas (predominantly kept in reserve) are subject to the EU ETS which has been designed to achieve reductions in CO₂ emissions annually until 2030 and beyond. The EU ETS requires that companies that are subject to its regulatory framework obtain and surrender emission quotas according to the amount of their yearly emissions (which amount has to be verified by an independent third party).

To the extent the installations under the EU ETS are operated, the Group must procure the respective number of emissions quotas from the market in order to comply with the EU ETS requirements.

Additional measures are being implemented by the EU with the aim of curbing supply and increasing the market price of CO₂ allowances in order to achieve further reduction of the emission of greenhouse gases.

D. Other air emissions

The operation of a waste-to-energy CHP unit, an older gas-fired CHP unit and three gas-fired, heat-only boilers at the Iru facility is subject to the IED and the Industrial Emissions Act which impose (i) limitations on concentration levels of SO₂, NO_x and particulate matter in flue gases from power stations and other large industrial combustion plants, and (ii) limitations on concentration levels of certain other compounds in flue gases from waste incineration.

The gas-fired generation installations at the Iru facility benefit from certain exceptions. For example, the old gas-fired CHP unit can be operated on limited hours until the end of 2023 (for no more than a total of 17,500 hours) and the gas-fired, heat-only boilers are being operated under the exemption available to district heating plants until the end of 2022. After the derogation

periods run out the Group will have to decide whether to undertake the investments required to upgrade the older gas-fuelled units to meet all the applicable requirements.

A new updated best available techniques (“**BAT**”) conclusions for waste incineration were adopted by the EU Commission Implementing Decision (EU) 2019/2010 of 12 November 2019 establishing the best available techniques (BAT) conclusions, under Directive 2010/75/EU, for waste incineration. Each Member State will have four years after the publication of the BAT conclusions to update the permits of all relevant waste incineration plants to comply with new emission levels and other requirements set out in the BAT conclusions.

The Group’s CHP facility in Paide is subject to the MCPD which imposes new stricter limitations on concentration levels of SO₂, NO_x and particulate matter in flue gases from medium combustion plants. New limitations on concentration levels of SO₂, NO_x and particulate matter in flue gases from medium combustion plants shall apply starting from 1 January 2025, however, given that the Group’s CHP facility in Paide delivers heat to district heating networks, it benefits from derogations and the new stricter limit values shall apply to the Group’s CHP facility in Paide from 1 January 2030.

E. *Waste*

EU and Estonian waste regulations are based on a so-called waste hierarchy that lays down a priority order of what constitutes the best overall environmental option in waste legislation and policy. The waste hierarchy provides the following priority order in waste prevention and management: (i) prevention; (ii) preparing for re-use; (iii) recycling; (iv) other recovery, *e.g.*, energy recovery; and (v) disposal. Waste incineration at the Iru facility qualifies as energy recovery.

Several legislative proposals on waste have been adopted under the EU action plan for a circular economy from 2015, including long-term targets to reduce landfilling and to increase preparation for re-use and recycling of key waste streams such as municipal waste and packaging waste. The general targets are to direct recyclable materials to recycling and avoid disposal and incineration of materials that can be recycled with better environmental results.

In April 2021, the Waste Act was amended in order to implement the recent EU Directives, including new recycling targets for municipal waste and packaging waste. Further amendments in the waste sector are likely to follow in the coming years.

The import of waste from other EU countries is subject to Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste, and other EU legislation applicable to waste shipments and import. According to the referred Regulation, the shipment of waste is generally subject to notification procedures, and the written consents of competent authorities of countries of dispatch and destination must be obtained. In Estonia, the Environmental Board acts as a competent authority of destination.

Incineration of waste at the Iru waste-to-energy unit creates fly ash and bottom ash. Fly ash is considered to be hazardous waste that must be handled and disposed of in accordance with strict legal requirements.

(ii) Wind, solar and hydroelectric

The regulatory requirements for the operation of wind, solar and hydroelectric capacities are less stringent in comparison with the CHP facilities.

Wind parks are subject to the normative levels established for outdoor noise under the Atmospheric Air Protection Act. The Group must ensure that the noise from its wind parks does

not exceed the normative levels and, if needed, apply appropriate noise abatement measures. Additionally, monitoring of the impact of wind park operations may also be required (e.g., by examining the potential deaths of birds or bats). Moreover, if the results of the monitoring exercise indicate that environmental damage is being caused, the Group may need to alter the ways in which its turbines are used.

Operation of the hydroelectric facility is subject to the permit for special use of water (*vee erikasutusluba*) issued by the Environmental Board pursuant to the Water Act for an unspecified term.

(f) Decommissioning obligations

The site closure of generation installations with an integrated permit is subject to the Industrial Emissions Act. After decommissioning, the site should not have a significant adverse impact on the environment, human health, well-being, property and cultural heritage, taking into consideration the future use of the site. Competent authorities may also require the Group to apply appropriate aftercare measures with regards to other generation installations at the end of their residual lives to avoid adverse impact on the environment and human health.

The Group also has certain decommissioning obligations with regards to its generation installations located on land not owned by the Group as described in “Part 11 (Business), Section 11.11 (Property, Plant and Equipment)”.

10.1.3. Development Projects

The development projects are subject to planning and construction rules that are mainly codified in the Planning Act and the Building Code. The Electricity Market Act, the Environmental Impact Assessment and Environmental Management System Act, the Water Act and the Aviation Act also regulate the Group’s development projects in Estonia.

(a) Planning rules and authorisations

As a rule, electricity generation installations require building permits (*ehitusluba*) for construction. Such permits are issued by the local municipalities or in the case of offshore wind parks by the Consumer Protection and Technical Regulatory Authority in accordance with land use plans (*planeering*) applicable to the area where the generation installation is planned to be located.

To receive a building permit for solar and wind parks, the applicant needs to possess a relevant building right under the land use plan, the type and approval procedure of which is dependent on the specific project. The location of onshore wind parks is usually determined by local designated spatial plans (*kohaliku omavalitsuse eriplaneering*) or general plans (*üldplaneering*) of local municipalities, or, in the case of electricity generation installations the net capacity of which exceeds 150 MW, national designated spatial plan (*riigi eriplaneering*). Maritime spatial plans (*mereala planeering*) are used to determine suitable locations for offshore wind parks. If there is no maritime spatial plan, the location of the offshore wind park is determined by a national designated spatial plan.

Land use plans and building design documentation (*ehitusprojekt*) of wind parks are subject to approval from a number of governmental authorities, such as the Aviation Board, the Police and Border Guard Board and the Environmental Board. As the wind parks may have an impact on the air surveillance radars of the Defence Forces, approval from the Ministry of Defence is also required.

Screening of environmental impacts must also be conducted before adoption of land use plans and the issuance of building permits. Depending on the size, location and potential impact of the wind park, strategic environmental assessment (“SEA”) or environmental impact assessment (“EIA”) must be carried out to further evaluate environmental and social impacts. As integral part of SEA or EIA, or as a separate study, a noise assessment is usually also required for wind parks.

For the construction of offshore wind parks, an environmental permit for special use of water (*vee erikasutustluba*) must be obtained from the Environmental Board and a superficies licence (*hoonestustluba*) from the Consumer Protection and Technical Regulatory Authority. An annual superficies charge is payable to the State in the amount of 7% of the price determined on the basis of average value of production land in Estonia, calculated on the basis of the surface area of the wind park as further defined in the Electricity Market Act.

(b) Authorisations to operate an electricity generation installation

Use and occupancy permits (*kasutustluba*) for the use and operation of electricity generation installations must be obtained after completion of the construction phase. Such permits are issued by the local municipalities, or in the case of offshore wind parks, by the Consumer Protection and Technical Regulatory Authority. Additionally, electricity generation installations must conform to the technical requirements established under the Electricity Market Act. A grid compliance certificate is issued by the network operator to whose network the generation installation is connected or, in the case of generation installations the net capacity of which exceeds 5 MW, by the TSO.

In case of a generation installation with the net installed capacity of at least 200 kW, the producer must also obtain an electricity generation licence.

10.2 REGULATIONS APPLICABLE IN LATVIA

10.2.1. Renewable Energy Support Schemes

Under the support scheme, electricity producers who produced or planned to produce electricity using either renewable energy resources (*i.e.*, wind, biomass, biogas or hydro), or peat or natural gas in efficient co-generation process could participate in tenders (the “**Tender**”) organised by the Ministry of Economics (i) to acquire the right to sell electricity within the framework of mandatory procurement for FiT (*i.e.*, to become FiT permit holders for the period of time determined in the FiT permit in line with the underlying regulations) with annual production volume subject to the FiT, or (ii) to receive a fee for the installed electrical capacity of the generation installation.

The relevant cost of the support is financed by end consumers who are charged a so-called mandatory procurement component (the “**MPC**”) in the amount proportional to their electricity consumption. The state has also contributed, and may continue to contribute, from the state budget to partially finance the MPC in order to reduce the related costs of the end consumers. Due to concerns about the increased cost of MPC for the end consumers, organising of Tenders has been suspended since 2012. There is no clarity as to if and when new Tenders would be arranged for issuance of further support. Currently, no new Tenders are expected in the near future. The support granted by the time of suspension remains valid, unless the underlying regulation is amended later on. Only electricity supplied to the network qualifies for the support, *i.e.*, the generation installation’s own consumption is not subsidised.

Several regulations have been adopted by the Government of Latvia setting out detailed rules on the support schemes. Regulation No. 561, applicable since September 2021 (which replaced Regulation No. 221, which was applicable since 2009) provides rules on support payable upon

generation of electricity using renewable energy sources, peat or natural gas in efficient co-generation process. Regulation No. 560, applicable since September 2021 (which replaced Regulation No 262 which was applicable since 2010), provides rules on support payable for electricity generated from renewable energy sources. Electricity producers, therefore, had a choice between different support schemes.

The rate of FiT applicable to different electricity generation installations and the term during which the support is payable depends on the underlying regulation applicable at the time of the issuance of the decision on granting the support but also on the installed electrical capacity of the generation installation.

The European Commission has approved and granted state aid permission to the Latvian support scheme for renewable energy and CHP facilities in its decision No. SA 43140 (2015/NN) from 24 April 2017, however, subject to the condition that a mechanism is established to prevent overcompensation for owners of electrical generation installations to ensure that the internal rate of return (“IRR”) on the total capital investment would not exceed 9% for the entire support period. Respective amendments were introduced to Regulation No. 221 and Regulation No. 262, in May 2017, which provide that an electricity producer operating a CHP facility that has benefited from FiT for five years is subject to an IRR of 9% for the remaining support period. The amendments to the Electricity Market Law (*Elektroenerģijas tirgus likums*) effective as of 15 February 2020 established the principle according to which any producer benefiting from the support may not earn a higher IRR than 9% to ensure compliance with the state aid permission. The new Regulations No. 560 and No. 561 effective as of 11 September 2021 and replacing Regulations No. 262 and No 221 do not regulate the prevention of overcompensation in detail. In line with the above referred amendments to the Electricity Market Law, until adoption of the required rules on prevention of overcompensation, evaluation of IRR shall be performed in accordance with Regulations No. 262 and No. 221 (even though the referred regulations are otherwise not effective any longer). Amendments to Regulations No. 560 and 561 on, among others, the rules on prevention of overcompensation have been drafted by the Ministry of Economics and are being discussed with interested parties, following which the amendments will be submitted to the Latvian Government for review and adoption. The referred rules may have an impact on the support being received by the Group’s CHP facilities in Latvia.

The Group’s biomass CHP facility in Broceni is entitled to receive FiT under Regulation No. 221 which has been replaced by Regulation No. 561 for a period of ten years as of start of operations. The FiT is calculated on the basis of the following formula:

$$C = k_{AER} \times s,$$

where:

- C is FiT (in EUR/MWh) payable by the public trader, AS “Enerģijas publiskais tirgotājs”, upon purchase of the electricity supplied to the network (without value added tax);
- k_{AER} is the price differentiation index which is currently 143.573 for biomass CHP facilities the total electrical installed capacity of which is between 3.5 MW to 4 MW;
- s is the price differentiation index for prevention of overcompensation (between 0 and 1).

Since the overcompensation mechanism is not applied to facilities during the first five calendar years as of commencement of the respective facility’s FiT period, no overcompensation coefficient has yet been determined for the CHP facility in Broceni. The five-calendar year FiT period of the Broceni CHP facility shall expire on 31 December 2021. Thereafter the IRR for the whole support period shall be calculated by the relevant authority. In case the IRR exceeds 9%,

overcompensation coefficient will be applied. Depending on the timing of adoption of amendments to Regulations No. 560 and No. 561, the overcompensation coefficient for the Broceni CHP facility may already be determined in accordance with the new rules.

The Group's biomass fired CHP facility in Valka is entitled to receive FiT under Regulation No 198 which was initially replaced by Regulation No. 262 and now by Regulation No. 560. The FiT is payable for a period of twenty years as of start of operations and the rate of FiT is calculated on the basis of the following formula:

During the first ten years as of commencement of operations of the CHP facility:

$$C = 158,347 \times k \times s;$$

and during the subsequent ten years after expiry of the above ten-year period:

$$C = 119,640 \times k \times s;$$

where:

- C is FiT (in EUR/MWh) payable by the public trader upon purchase of the electricity supplied to the network (without value added tax);
- k is the price differentiation index which is currently 0.992 for CHP facilities the total electrical installed capacity of which is between 2 to 2.5 MW;
- s is the price differentiation index for prevention of overcompensation (between 0 and 1). The price differentiation index for prevention of overcompensation of 0.672 has been applied to Valka CHP facility as of 1 September 2019.

Amendments to the Electricity Market Law are pending before the Latvian Parliament since February 2020 which may result in termination of the whole renewable energy subsidy scheme currently in place.

Starting from 2020, the control over electricity producers that benefit from the support schemes is transferred to the State Construction Control Bureau. Also starting from 2020, payment of an annual fee in the amount of 0.40 EUR/kW per installed electrical capacity of their generation installation applies.

10.2.2. Operational Assets

(a) Activity licences

Production and sale of electricity and/or heat meeting certain criteria qualifies as a public utility regulated by the Public Utilities Commission (the "PUC") and is, therefore, subject to specific registration requirements. Among others, the following operations are treated as public utilities:

- generation of electricity with a generation installation, including a CHP facility, the total installed electrical capacity of which exceeds 1 MW;
- sale of electricity to end users;
- production of heat with a facility, including a CHP facility, the total installed thermal capacity of which exceeds 1 MW in case the annual volume supplied to the district heating network exceeds 5,000 MWh; and

- sale of heat to end users in case heat is supplied through the district heating network of the regulated district heating network operator.

Companies registered as electricity and/or heat producers must comply with the General and Registration Rules of the Energy Sector (*Vispārējās atļaujas un reģistrācijas noteikumi enerģētikas nozarē*) approved by the PUC. Such electricity and/or heat producers must also pay an annual state fee to the PUC at the rate of 0.2% of the annual turnover of the electricity and/or heat, as applicable, produced during the previous year by the respective electricity and/or heat producer.

To operate a commissioned CHP facility and receive support, the owner of the CHP facility must (i) in case of public utility operations, be registered with the Register of Electricity Producers and the Register of Heat Producers maintained by the Regulator and comply with related reporting obligations, (ii) have a valid decision from the Ministry of Economics which grants the holder the right to sell electricity within the framework of mandatory procurement (*i.e.*, the right to receive FiT or guaranteed fee for the installed electrical capacity of the generation installation), (iii) have a valid electricity sales agreement with the public trader, AS “Enerģijas publiskais tirgotājs”, (iv) comply with the requirements of applicable laws and (v) if applicable, hold an integrated environmental permit.

(b) Heat supply price regulation

District heating network companies can purchase heat energy to supply it to end users within their district heating network area from heat producers, including independent producers.

Heat producers can apply to the PUC for establishing a tariff for heat, but may also offer the district heating network company within whose network area the heat producer operates to purchase heat at an agreed price provided that more than one heat producer operates in the respective network area. Upon such an offer from a heat producer, the district heating network company must choose the heat supplier among all heat producers operating within its network area by applying the economic gradual approach, *i.e.*, evaluating the heat price offered and conditions for payment, costs of transmission, conformity of the heat generation regime to the consumption regime, and conformity of heat offered with the technical characteristics specified by the system operator.

Changes in the district heating regulation applicable in Latvia are being discussed with interested parties which if implemented would result in Valka CHP facility becoming subject to regulated tariffs with respect to the heat sold.

(c) Environmental regulation

The Group’s business is subject to EU and Latvian environmental regulation and is conducted in accordance with the environmental permits issued by the State Environmental Service, which also monitors compliance with the applicable rules and requirements of the permits.

The Group’s CHP facilities are, among others, subject to the following key Latvian environmental legislation:

- the Law on Pollution, which establishes the division of the polluting activities and sets the main principles for carrying out polluting activities;
- the Environmental Protection Law, which, among other things, implements Directive 2004/35/EC on environmental liability with regards to the prevention and remedying of environmental damages;

- the Waste Management Law, which regulates the handling of waste;
- the Natural Resources Tax Law, which regulates the environmental charges payable by the Group;
- the Regulation No. 1082 of the Cabinet of Ministers establishing the “Procedure by Which Polluting Activities of Category A, B and C Shall Be Declared and Permits for the Performance of Category A and B Polluting Activities Shall Be Issued”, which regulates the issuance and termination of the permit for polluting activities;
- the Regulation No. 736 of the Cabinet of Ministers establishing the “Procedure for Prevention, Restriction and Monitoring of Emissions of Air Pollutants from Incineration Equipment“, which, among other things, implements the MCPD and the IED; and
- the Regulation of the Cabinet of Ministers No. 597 “Procedure for Assessment and Management of Noise“, which regulates noise limits.

The applicable laws divide polluting activities into categories A, B and C polluting activities depending on the expected level of pollution and impact on the environment, with category A activities being subject to stricter regulation followed by category B and C activities, respectively.

An integrated permit is required for category A and B polluting activities. Biomass CHP facilities with nominal input thermal capacity between 5 MW (including) to 50 MW (excluding) fall within category B polluting activities and require an integrated permit that establishes comprehensive environmental protection requirements for performance of the specific polluting activities at the specific location. Integrated permits are issued for the entire period of operation of the respective facility; however, the conditions of the permits are revised in certain cases provided for by the law (e.g., if significant changes are planned in the operation of the facility). In the case of wind parks the installed capacity of which exceeds 125 kW category C confirmation is required.

Certain environmental charges may also be payable in the case of operations of CHP facilities.

(d) Decommissioning obligations

Under the Law on Pollution, as a general rule, measures have to be applied to eliminate the risk of pollution after the cessation of operations of the facilities for which an environmental permit had been obtained. Also, remedial measures may have to be applied with regards to the land where the facility is located.

10.2.3. Development Projects

The development projects are subject to planning and construction rules that are mainly codified in the Construction Law (*Būvniecības likums*), the General Construction Regulations (*Vispārīgie būvnoteikumi*), the Building Regulations for Electricity Generation, Transmission and Distribution Facilities (*Elektroenerģijas ražošanas, pārvades un sadales būvju būvnoteikumi*), the Building Regulations for Engineering Structures (*Atsevišķu inženierbūvju būvnoteikumi*) and the Electricity Market Law (*Elektroenerģijas tirgus likums*). Specific rules applicable to offshore wind park developments are provided by the Construction Regulations for Structures in the Internal Waters, Territorial Waters and Exclusive Economic Zone of the Republic of Latvia (*Latvijas Republikas iekšējo jūras ūdeņu, teritoriālās jūras un ekskluzīvās ekonomiskās zonas būvju būvnoteikumi*) as well as the Maritime Administration and Marine Safety Law (*Jūrlietu pārvaldes un jūras drošības likums*). The Law on Environmental Impact Assessment (*Par ietekmes uz vidi novērtējumu*) and the Law on Aviation (*Aviācijas likums*) also regulate the Group's development projects in Latvia.

(a) Planning rules and authorisations

As a rule, in cases of connection to the transmission system or to the distribution system with the capacity above 11.1 kW, an increase in the production capacity of existing electricity generation installations and establishment of new electricity generation installations requires a respective permit (*atļauja jaunu ražošanas iekārtu ieviešanai*) issued by the Ministry of Economics.

As a rule, electricity generation installations require building permits (*būvatļauja*) for construction. Such permits are issued by the local municipalities in accordance with territory planning documents of the municipality, or in the case of offshore wind parks, by the Ministry of Economics after research of a licence area in the sea and an environmental impact assessment.

To receive a building permit the applicant needs to possess a relevant building right, and the construction intention should correspond to the spatial plan, local plan (if established) and detailed plan (mainly required for wind park projects) of a municipality. Maritime spatial plan is used to determine suitable locations for offshore wind parks.

Developer must also obtain use rights with regards to the land where the wind turbines and the related infrastructure (electricity cables, access roads, etc.) are planned to be located (e.g. ownership, right of superficies or, in the case of electricity cables and access roads, servitude registered in the Land Register). In the case of offshore wind parks, the developer must obtain the licence for research and the licence for use of a certain area in the sea. Such licences are auctioned and can be issued based on the auction results by the Cabinet of Ministers for a period of time not more than 30 years. An annual state fee is payable for the licence for use of the licence area in the sea.

Building design documentation (*būvprojekts*) of wind parks is subject to approval from a number of governmental authorities, such as the Civil Aviation Agency and the State Environmental Service but also different utility holders (e.g., electricity network operator) and other parties like neighbours in case the planned construction affects them. In the case of offshore wind parks, building design documentation is additionally subject to the approval of the Maritime Administration of Latvia as well as the National Armed Forces. The Ministry of Economics can, when deciding issuance of a building permit for offshore wind parks, impose requirements to coordinate the building design documentation with other institutions and/or receive technical or special requirements from network operators and other institutions.

Assessment of environmental impact must also be conducted before the issuance of building permits. Depending on the size, location and potential impact of the wind park, an initial assessment of environmental impacts or a full EIA is carried out. Based on the result of the initial environmental impact assessment, the competent authority decides whether it is necessary to perform the full EIA. If the performance of a full EIA is not necessary, the competent authority issues a technical regulation that specifies detailed requirements for environmental protection upon performing the contemplated activity. If a full EIA is needed, then issues such as noise and vibration levels during construction and operation, flickering effects, electromagnetic radiation, effects on bird diversity and migratory routes and bat populations are to be assessed as part of the EIA.

(b) Authorisations to operate an electricity generation installation

Registration for use and operation of the wind park must be obtained after completion of the construction phase. The completed construction works are subject to acceptance by the issuer of the building permit, i.e., the local municipality or the Ministry of Economics.

Additionally, electricity generation installations must conform to the technical requirements established under the Electricity Market Law. A permit to connect the electricity generation

installation with the network must be obtained prior to the start of operations from the network operator to whose network the generation installation is connected.

The producer must also obtain a category C pollution confirmation and register for electricity generation.

10.3 REGULATIONS APPLICABLE IN LITHUANIA

10.3.1. Renewable Energy Support Schemes

In 2011, the Law on Renewable Energy Sources (the “**2011 RES law**”) introduced fundamentally changed framework for the promotion of energy generation from renewable energy sources which boosted renewable energy development for a number of years in order to reach the 2020 target.

The support scheme introduced by the 2011 RES law was based on a fixed price guarantee (*i.e.*, FiT) for certain quotas of specific renewable energy sources (*e.g.*, wind, solar, etc.) based electricity generation capacities to be installed, which was allocated under auction procedure. The FiT declared by the winning bidder together with other support measures (such as electricity priority dispatch, discount for grid connection costs, release from balancing responsibility, electricity off-take) was guaranteed for the period of 12 years.

In December 2018, the Lithuanian Parliament adopted amendments to the Law on Renewable Energy Sources that came into force starting from May 2019 (the “**2019 RES law**”). The 2019 RES law introduced a new revised support scheme that mainly consists of: (i) a floating premium payable on top of the electricity market price (*i.e.*, floating FiP); (ii) electricity priority dispatch; and (iii) in case of electricity generation installations with the capacity of up to 500 kW or certain pilot wind park projects, no balancing responsibility.

The premium is set and the support quota amount (*i.e.* annual electricity production volume that is supported) is allocated under technologically neutral auction procedure. The duration of the support scheme is 12 years. The National Energy Regulatory Council (the “**Council**”) is responsible for arranging the auctions and setting the maximum price and the reference price that are necessary to calculate the maximum bid for the premium.

The floating FiP support scheme provides changing FiP and the full amount of the premium is paid only if the sum of the hourly spot price and the winning premium is lower or equal to the maximum price set by the Council. A partial amount of the premium is paid at hours when the sum of the spot price and the winning premium is higher than the maximum price set by the Council. No premium is paid if the spot price is higher than the maximum price. Also, no support is given for electricity produced in the period of six or more consecutive hours when electricity prices are negative. No premium is paid for electricity generated in excess of the annual support quota amount that was assigned to the producer as a result of the auction.

Only new electricity generation installations are eligible to receive the support under the new scheme introduced by the 2019 RES law. Electricity generation installations for which construction has already started are not allowed to participate in the auctions.

Under the new support scheme producers are no longer provided the following benefits that were given under the 2011 RES law support scheme: (i) a discount for grid connection costs (*i.e.*, the producer has to cover all grid connection costs); (ii) release from balancing responsibility (*i.e.*, the producer is responsible for the balancing); (iii) guaranteed off-take (*i.e.* the producer shall have to trade the generated electricity in the market – on the Nord Pool power exchange or under OTC agreements with market participants).

Moreover, the producers to whom the new support scheme applies shall have to ensure that electricity in the amount equal to the support quota amount is supplied to the grid on a three-year average basis during the 12-year support period. Failing to deliver the full amount will result in a financial penalty, subject to an allowed 20% deviation from support quota amount.

The first auction under the new scheme ended in January 2020 where support for annual electricity production in the amount of 0.3 TWh was allocated. The Lithuanian Government planned three auctions in each of 2020, 2021 and 2022 with 0.7 TWh of annual production quota to be allocated in each auction, depending on the actual progress of reaching the renewable energy target. In March 2021, the Council announced that the target quota of 5 TWh for annual renewable energy production has already been reached (taking into account capacities installed and/or under development) meaning that no further auctions shall be organised under the currently applicable support scheme.

The European Commission has approved and granted state aid permission to the Lithuanian support scheme for renewable energy sources by its decision No. SA.45765 (2018/NN) (for the support allocated in the period starting from 12 May 2011 through to 31 July 2015, *i.e.*, provided under the 2011 RES law) and decision No. SA.50199 (2019/NN) (for the support to be allocated in the period starting from 1 May 2019 through to 1 July 2025, *i.e.*, under the 2019 RES law).

On 14 April 2021, the European Commission's decision No. SA.45765 (2018/NN) was annulled by the General Court on procedural grounds. As a result, the renewable energy support paid under the 2011 RES law currently lacks state aid approval. The European Commission will have to reopen the state aid notification procedures and will have to eliminate the procedural infringements established by the General Court's ruling.

10.3.2. Operational Assets

(a) Activity licences

As a rule, electricity producers are required to hold a permit to generate electricity (the “**Generation Permit**”). Generation Permits are issued by the Council and are without a term.

In the case of wind parks, the Generation Permit is issued when: (i) the construction or reconstruction works have been finished and comply with the applicable requirements; (ii) the generation installations have been tested and deemed suitable for operation; and (iii) the owner has undertaken in writing to demolish or deconstruct the generation installations if the Council revokes the Generation Permit.

The Generation Permit can be revoked by the Council on material grounds, for example, where the permit holder does not meet the preconditions for issuance of the Generation Permit, where there is a breach of applicable requirements by the permit holder which remains unremedied, or where there are repeated breaches by the permit holder.

(b) Environmental regulation

Wind parks are subject to the normative levels established for outdoor noise under the respective hygiene norms. The Group must ensure that the noise from its wind parks located in the vicinity of residential and public purpose buildings does not exceed the allowed normative levels and, if needed, apply appropriate noise abatement measures. Additionally, monitoring of the impact of wind park operations may also be required (*e.g.*, by examining the potential deaths of birds or bats).

(c) Decommissioning obligations

In order to acquire the Generation Permit, the producer must provide a written undertaking to demolish or deconstruct the electricity generation installation if the Council revokes the Generation Permit. Thus, where the Generation Permit is revoked, the producer has an obligation for decommissioning of the electricity generation installation. The referred undertaking also encompasses the obligation to demolish or deconstruct the electricity cables that were required to connect the electricity generation installation to the electricity grid (such decommissioning to be undertaken under the conditions determined by the network operator).

10.3.3. Development Projects

(a) Authorisation to develop an electricity generation installation

As a rule, in order to start development of electricity generation installations, the developer must apply for a permit to develop electricity generation capacities (the “**Development Permit**”).

The Development Permits are issued by the Council, provided that the applicant meets the respective prerequisites, *e.g.*, availability to connect the planned electricity generation installation to the grid (*i.e.*, signed letter of intent with the grid operator and security in the form of a bank guarantee or financial surety in the amount of EUR 15/kW), existence of land use rights, compliance with land use and construction site selection requirements, and environmental and public health requirements.

The Development Permit is valid for 36 months with possible extensions in the following circumstances: (i) in a case where the planned works are late due to the actions of the State or a third party or force majeure events for the time period of such hindrance; and (ii) in a case where the building permit has been issued (unless a building permit is not required) and at least 50% of the project development works have been completed, for an extension of six months. The Development Permit can be revoked by the Council on similar grounds as the Generation Permit.

In the case of offshore wind park development, a separate permit for offshore wind park development and operation is required, which shall be issued under auction procedure. Such a permit is valid for 35 years without any possibility to extend it. The offshore wind park must be ready for full operation and receive the Generation Permit within six years from the receipt of the permit for offshore wind park development and operation.

(b) Planning rules and authorisations

The Chief of Defence of the Republic of Lithuania has established certain areas where construction of wind turbines is prohibited due to national security issues (*i.e.*, due to impact on the air surveillance radars of the Lithuanian Armed Forces) and areas where construction of wind turbines is possible only subject to payment of compensation to the Lithuanian Armed Forces at the rate of 18 EUR/kW of the planned capacity that is indicated in the permit to develop electricity generation capacities and certain conditions such as height restrictions.

Construction of wind turbines must be allowed under the applicable territorial planning documents – general plan of municipal or local level, special plan or detailed plan. If development of a wind park is based on a general plan, no other territorial planning documents are necessary. In such a case it is necessary to prepare design proposals and carry out respective publication procedures, *i.e.*, (i) information on the design proposals is published on the municipal website, (ii) there is a term for the public concerned to submit their proposals, and (iii) a public meeting is organised. After these procedures, the director of the municipal administration approves or rejects the design proposals received. If development of a wind park is based on a special or detailed plan, preparation of design proposals and their publication is not necessary.

In certain cases (*e.g.*, the planned territory exceeds 10 km²) screening of SEA or SEA of the territorial planning documents is required in order to adopt or amend territorial planning documents.

Developer of the wind park must also obtain use rights with regards to the land where the wind turbines and the related infrastructure (electricity cables, access roads, etc.) are planned to be located (*e.g.*, ownership title, right to build (superficies) or long-term lease (as rights in rem), simple lease, easement, etc.).

Screening of EIA must also be conducted before application for a building permit. After the screening of EIA the Environmental Protection Agency determines whether full EIA is required or not. If the Environmental Protection Agency decides that full EIA is necessary for a wind park development, then at the initial stage of the EIA procedure the municipality council may decide that the wind park development is not possible. In such case full EIA cannot be conducted until such decision of the municipality is valid.

It is also necessary to prepare land plot formation and reformation projects to divide the existing land plots by forming smaller land plots intended for the construction of wind turbines and to change the intended land use purpose of such land plots.

Additionally, sanitary protection zones (“**SPZ**”) have to be established. SPZ can be established in two ways. Either (i) by applying the size set forth in the applicable legal acts (for wind turbines of 2 MW and more – 440 m), in which case there is no need to perform a health impact assessment (“**HIA**”) and SPZ can be established in either (a) land plot formation and reformation project, (b) wind turbine technical design document which shall be prepared for the building permit application, or (c) EIA report, if full EIA is performed; or (ii) by applying individual size determined on the basis of noise and flickering calculations, in which case SPZ is established by performing HIA.

Irrespective of how SPZ is established, it is necessary to obtain consents to establish SPZ from the landowners who own land plots within the territory of the SPZ. Such consents must be obtained prior to the approval of the document establishing the SPZ. The established SPZ must be registered in the Real Estate Register. The failure to establish and register the necessary SPZ may result in refusal to approve building design documentation of wind parks and refusal to issue the required building permit.

Building design documentation of wind parks is subject to approval from a number of governmental authorities, such as the Civil Aviation Administration, the Chief of Defence of the Republic of Lithuania and the State Border Guard Service.

A building permit for the construction of wind turbines is also required. Such permits are issued by the director of municipal administration if the above requirements have been complied with. When construction of wind turbines and the related infrastructure is completed, the developer must obtain a construction completion act, which is to be signed by a number of governmental authorities.

For the development of offshore wind parks, a special plan, an SEA of the special plan, an EIA and a HIA must be prepared. The new general plan of the Republic of Lithuania is in the final stage of adoption and it indicates priority areas for development of offshore wind parks. The special plan that should identify exact territories suitable for development of offshore wind parks is currently under preparation. The Lithuanian Government has determined: (i) parts of the sea where development and operation of renewable energy-based facilities is expedient and (ii) possible installed capacities of these facilities. After completion of preparatory works (territorial planning, EIA, etc.), an auction shall be arranged for the development of offshore wind parks and the capacities thereof.

(c) *Authorisations to operate an electricity generation installation*

The electricity generation installation can be operated for the production of electricity after receipt of the Generation Permit.

10.4 REGULATIONS APPLICABLE IN FINLAND

10.4.1. Renewable Energy Support Schemes

Finland has previously applied two support schemes for wind power: (i) a feed-in tariff system (which was in force between 2011 and 2017); and (ii) a premium scheme (which was in force in 2018). The support schemes have now been closed for wind power projects, but the payments for the projects accepted in the aforementioned schemes continue for a maximum of twelve years as from the tariff period following the acceptance decision or as defined in the acceptance decision regarding the premium scheme.

Construction of wind parks in Finland is currently market-based and no new renewable energy support schemes for wind power are expected.

10.4.2. Operational Assets

(a) *Electricity market regulation*

The electricity produced by a wind park may be sold to the market either directly or through a trader. Finnish law does not include any legal obligation to sell electricity to markets through a trader, but the producer may sell the electricity directly either to the Nord Pool Spot power exchange or to a third party, bilaterally (over-the-counter sales). These third parties may be traders, retailers or end consumers.

All electricity market participants have balancing responsibilities under the Electricity Market Act. These balancing responsibilities may be outsourced contractually to a third party offering such services.

Regulation (EU) 1227/2011 (the “**REMIT Regulation**”) requires market participants to report wholesale energy market contracts within the EU. In Finland, reporting is made to the Finnish Energy Authority (“**Finnish EA**”) through the Centralised European Register for Market Participants system (“**CEREMP**”). An obligation to report arises once the agreement regarding sale of electricity to the wholesale markets is made, but preferably the project company should register itself to the CEREMP system prior to entering into the agreement in order to enable timely reporting. Registration and reporting obligations under the REMIT regulation does not apply to wind park projects with nominal power output of less than 10 MW.

(b) *Environmental regulation*

The Group's business is subject to EU and Finnish environmental legislation, such as the Environmental Protection Act, the Nature Conservation Act, the Act on Compensation for Environmental Damage and the Council Directive on the conservation of natural habitats and of wild fauna and flora. However, regulatory requirements for the operation of wind parks are in general less stringent in comparison with other forms of energy production.

The main impact on the environment from a wind park typically arises from the noise and shadow flicker caused by wind turbine blades. As of 1 September 2015, the noise emitted by a wind turbine shall not exceed the levels set forth in the Government Decree on Outside Noise Limitations of Wind Turbines, based on which the noise limitations vary between 40 dBs (national parks) and 45 dBs (e.g., permanent housing) during daytime. During night-time the noise limitation is 40 dBs. As regards inside noise emissions, the applicable regulation is the

Decree on Health-related Conditions of Housing, according to which the noise limitations during daytime vary between 35 dBs (*e.g.*, residential rooms) and 45 dBs (*e.g.*, office rooms) and during night-time between 30 dBs (*e.g.*, residential rooms) and 40 dBs (*e.g.*, kitchen).

Wind park projects that have obtained a legally valid environmental permit or building permit before 1 September 2015 are governed by the Government Decision on Guideline Values for Noise Levels pursuant to which the noise limits during daytime are either 55 dBs (*e.g.*, areas used for housing) or 45 dBs (*e.g.*, areas used for holiday housing) outside and 35 dBs inside. During night-time the respective noise limits vary between 50 dBs (*e.g.*, areas used for housing) and 40 dBs (*e.g.*, areas used for holiday housing) outside and from 30 dBs (*e.g.*, patient rooms) and 45 dBs (office facilities) inside.

Furthermore, the Ministry of the Environment has issued guidelines on acceptable noise levels of wind park projects that are partially overlapping and stricter compared to the requirements set out in the previous Government Decision on Guideline Values for Noise Levels and should therefore also be considered if the wind park project has gained either a legally valid building permit or an environmental permit prior to 1 September 2015. The noise limitations in accordance with the previous Government Decision vary between 45 dBs during daytime and 40 dBs during night-time (*e.g.*, permanent housing) and 40 dBs during daytime and 35 dBs during night-time (*e.g.*, holiday housing).

With respect to shadow flicker, there are no statutory threshold limits in Finland but the generally applied guideline limit is eight hours per year, which is based on threshold values applied in Sweden and Germany.

If the aforementioned levels and guideline limits for noise and/or shadow flicker are exceeded, an environmental permit may be imposed for a wind park. Pursuant to the Environmental Protection Act, the permit may be imposed if the wind park causes unreasonable burden on the surroundings in accordance with Section 17 of the Adjoining Properties Act. In practice, such burden may result from noise levels exceeding statutory limits or shadow flickering effects exceeding guideline limits. An environmental permit may set out restrictions on the operation of the wind park.

10.4.3. Development Projects

Wind park development projects are subject to planning and construction rules mainly regulated in the Land Use and Building Act. Other regulations governing development, construction and to some extent the operation of wind parks include, *inter alia*, the EIA Act, Aviation Act, Aviation Regulation AGA M3-14, Wind Power Compensation Act, Environmental Protection Act, Adjoining Properties Act, Government Decree on Outside Noise Limitations of Wind Turbines, Highways Act, Road Traffic Act, Water Act, Electricity Market Act, Forest Act, and the Antiquities Act.

(c) Planning and Environmental Impact Assessment

As a general rule, planning of the wind park project is based on a local master plan that defines, *inter alia*, the wind park area, the locations of wind turbines, roads, cables and other construction, and usually contains specific planning ordinances for the construction pertaining to local requirements. The local master plan enables the granting of building permits for the wind turbines. A legally valid local master plan or a planning requirement decision is always required for wind park projects.

According to the Act on Environmental Impact Assessment Procedure (the “EIA Act”), an EIA is required for wind park projects where the number of wind turbines is at least ten or where the total capacity of the project is at least 45 MW (30 MW prior to the change in law on 1 February

2019), and where above-ground grid connection lines have a capacity of at least 220 kV and length more than 15 kilometres. An EIA may also be required for smaller projects, if the project is likely to have material adverse environmental impacts comparable to the type and extent to the default projects defined above, where the cumulative impacts of different projects can be taken into account.

The EIA is not a permit but rather a process which is conducted to provide information for planning and permitting of the project for the purposes of mitigating and preventing adverse environmental impacts. The results of the EIA shall be taken into account in the later decision making of the project.

(d) *Permits and statements*

As a general rule, building permits are always required for the construction of each wind turbine and for related infrastructure, such as substations and met masts. The building permits are issued by the local municipalities in accordance with the conditions of the local master plan. The building permits are valid for a limited period of three years during which the construction shall be commenced. The aforementioned period can be extended by a maximum of two years.

Further, flight obstacle statements issued by the Fintraffic Lennonvarmistus Oy are always required for any wind park and for each wind turbine, separately. Moreover, unless otherwise stated in the flight obstacle statements, flight obstacle permits issued by the Finnish Transport and Communications Agency are also required for each wind turbine separately.

As the wind parks may have an impact on the operations or radar surveillance systems of the Finnish Defence Forces, approval from the Defence Forces is also required. Currently only surroundings of Raahe municipality are exempted from the requirement to receive the Finnish Defence Forces' approval against payment of a separate compensation.

Additionally, as wind park projects may affect the progression of radio waves, the impacts of the respective project should be investigated in advance, and notifications to the relevant radio users, in accordance with the statement given by the Finnish Transport and Communications Agency, should be sent in the planning phase of the wind park project.

As transportation of wind turbines typically requires large or heavy loads exceeding the maximum size or weight permitted under law, a special transportation permit issued by the Finnish Centre for Economic Development, Transport and the Environment (“**EDTE Centre**”) is typically required for wind park projects. In connection with the permit application, the applicant must prepare a transportation plan showing that the transportation may be performed safely.

In addition, depending on, *inter alia*, the size, location and potential impact of the wind park, a development project may require:

- an environmental permit, if the contemplated project causes unreasonable burden on the surroundings, in practice by exceeding the statutory noise limits or the guideline values regarding shadow flicker effects;
- a junction permit issued by the EDTE Centre to construct a junction to or perform other alteration works pertaining to public roads;
- a placement permit issued by the EDTE Centre for construction works on public roads in order to lay cables or other equipment;

- a project permit issued by the Finnish EA for the construction of the electric cables with nominal voltage at least 110 kV;
- a water permit issued by Regional State Administrative Agency if the project may affect the water supply, use of water reserves or the groundwater;
- a deviation permit issued by the Forest Centre if construction works are planned to be carried out in especially important areas;
- a deviation permit issued by the Regional State Administrative Agency (previously the provincial government) pertaining to relics;
- a railway crossing permit issued by the local sub-office of the Finnish Transport Infrastructure Agency (in Finnish: *rataisännöitsijä*) if cables are planned to be placed under railway lines operated by the Finnish Transport Infrastructure Agency;
- a weather radar statement issued by the Finnish Meteorological Institute if the wind park project is planned to be constructed within twenty kilometres of a weather radar;
- a land extraction permit issued by the relevant municipality for land extraction works; and
- a expropriation permit and a pre-takeover permit issued by the Finnish Government or the National Land Survey of Finland if the necessary land areas required for constructing a powerline may not be obtained through land lease agreements and/or other rights of use agreements.

Necessary land areas required for constructing and operating a wind park project are typically secured through long-term leases or right of use agreements. A municipality may, in the absence of a lease or right of use agreement, grant the right to place cables and related minor equipment to landowner's property, subject to certain preconditions.

(e) Grid connection

Pursuant to the Electricity Market Act, grid operators have a legal obligation to connect to the grid any wind park or other project meeting the required technical specifications within the area of operation against reasonable compensation. The Group must ensure that the wind park meets the connection conditions and technical requirements, which, however, should be impartial and non-discriminatory. Grid connection is typically arranged through an agreement entered into between the local grid operator and the developer.

(f) Authorisations to operate an electricity generation installation

No separate authorisation or license is required to operate an electricity generation installation in Finland.

10.5 REGULATIONS APPLICABLE IN POLAND

10.5.1. Renewable Energy Support Scheme

The Act on Renewable Energy Sources of 20 February 2015¹⁴⁰ (the "**Act on RES**") constitutes a central legislative act from the perspective of development of renewable energy sources market in Poland. Together with the Act of 10 April 1997 - Energy Law¹⁴¹ (the "**Polish Energy Law**") and numerous pieces of secondary legislation, it creates a legal framework for the implementation and operation of renewable energy projects.

In order to stimulate the growth of the RES market, the Act on RES introduced fundamental modifications to the existing RES support system and created a new auction-based CfD-like scheme¹⁴² (the "**Auction Scheme**"). The Auction Scheme is the basic and target support system for RES installations with a capacity equal to or exceeding 500 kW.¹⁴³ It provides support for those projects that are successful at auction. The support takes the form of a premium on top of the market price of electricity (a quasi-contract for difference model), payable to a project owner, provided that, in the coming years, the market price of electricity is below the successful bidding price submitted in the auction (and subject to certain limitations and conditions regulating the Auction Scheme).

Under the auction-based scheme, the support is provided only for RES projects that are successful in competitive auctions, which are organised by the President of the Energy Regulatory Office (the "**ERO**") at least once a year, in an electronic form, via an Internet auction platform.

RES auctions are conducted separately for:

- (i) Installations falling within one of five "technological baskets";¹⁴⁴

¹⁴⁰ Consolidated text: Journal of Laws of 2021, item 610, as further amended.

¹⁴¹ Consolidated text: Journal of Laws of 2021, item 716, as further amended. Until 2015, when the Act on RES was adopted, there was no specific act related solely to RES. RES were regulated Polish Energy Law, which is the main legislation regulating the functioning of the entire energy sector in Poland (including, among other things, the powers of the President of the Energy Regulatory Office, the licensing and tariff requirements, the obligations of grid operators, the standards and minimum requirements concerning energy-related contracts, the liability regime for breach of energy-related obligations, the TPA rules etc.).

¹⁴² The previously existing RES support system is based on two main pillars: (i) the system of the Green Certificates issued for every MWh of energy produced from in a RES installation, ; and (ii) the mandatory purchase of energy produced in a RES installation by the suppliers of last resort (now known as obliged suppliers) at a regulated price (as of 1 January 2018, the "obliged supplier" obligation does not apply to the old RES with an installed capacity ≥ 500 kW) (the "**Old System**"). The Old System is ultimately to be replaced by the new support scheme. However, subject to certain modifications introduced by the Act on RES, the legislator has allowed the Old System to continue functioning in a limited scope and for a limited time, in relation to a limited number of installations, i.e. RES installations that began producing energy before 1 July 2016. Consequently, two RES support systems operate in Poland at the same time, independently of each other. Each RES installation is entitled to benefit from only one support system at a time. The Auction Scheme was originally meant to remain in force until 30 June 2021, but it will probably be extended until the end of 2027 (legislative work in that respect is ongoing).

¹⁴³ The Act on RES offers different types of support for RES projects with a capacity lower than 500 kW and for certain RES installations with a capacity of up to 1 MW/2.5 MW.

¹⁴⁴ Auctions are conducted separately for the following five technological baskets: (i) Basket 1: RES installations using exclusively non-agricultural biogas and biomass; (ii) Basket 2: RES installations using hydropower, bio-liquids, geothermal power and offshore wind power; (iii) Basket 3: RES installations using exclusively agricultural biogas; (iv) **Basket 4: RES installations using exclusively onshore wind energy or solar power**; and (v) Basket 5: hybrid RES installations. Maximum volumes of and budgets for energy to be sold by auction (and the so-called basket allocation) and the order in which auctions are to be held are indicated in an Ordinance of the Council of Ministers – currently in force: Ordinance of the Council of Ministers of 16 December 2020 on

- (ii) large (>1 MW of installed capacity) and small (≤ 1 MW of installed capacity) RES installations; and
- (iii) new, migrating, and modernised RES installations.¹⁴⁵

During a RES auction, a RES producer submits a bid, offering to sell electricity from the relevant RES installation at a certain price (the "**Auction Price**"). The support is granted to the lowest bidders (until the quantity or the value of the electricity set for the given auction is exhausted) and to the bidders whose bid(s) (jointly) do(es) not exceed the 80% cap (*i.e.*, 80% of the volume of the energy covered by all the bids submitted for the auction).

In its bid, each producer must state, among other things, the specific RES installation, the Auction Price, and the quantity of electricity it plans to sell under the Auction Scheme in subsequent calendar years for the period of support. The Auction Price may not exceed the technology-specific reference price, *i.e.*, the maximum price in PLN per MWh, determined annually by the Minister of Climate and Environment.¹⁴⁶

Producers of electricity from RES installations with an installed capacity of 500 kW or more that are successful at auction are free to sell the electricity on the market and, additionally, as a result of the successful auction, are entitled to cover a so-called "negative balance" in settlements with the State-owned entity responsible for carrying out settlements of negative balances, *i.e.*, the RES Settlements Operator.¹⁴⁷

A "negative balance" is calculated as the difference between: (i) the net value of the sales of electricity generated in the RES installation and sold in the relevant month, less VAT, calculated as specified in the Act on RES¹⁴⁸; and (ii) the value of that electricity determined on the basis of the indexed adjusted price, *i.e.*, the Auction Price minus the value of the investment aid received (if any). It might also be the case that the difference between those values is positive. In such cases (where the balance is positive in the relevant month), it should be offset against any future negative balance. Such settlements of the positive balance must be carried out by the end of the support period. If the positive balance is not settled by the end of the support period, it must be

the maximum quantity and value of electricity from renewable energy sources that may be sold by auction in 2021. (Journal of Laws of 2021, item 2363).

¹⁴⁵ Auctions are conducted separately for: (i) new RES installations (*i.e.* installations that will commence producing electricity for the first time following the given auction), (ii) modernised RES installations (*i.e.* installations that have been modernised and will commence producing electricity for the first time after their modernisation following the given auction), (iii) migrating old RES installations (*i.e.* installations that commenced generation of electricity before 1 July 2016 and benefit from the RES support scheme based on the green certificates system) and (iv) modernised migrating old RES installations (*i.e.* installations that commenced generation of electricity before 1 July 2016 that have been benefiting from the green certificates system and have been modernised).

¹⁴⁶ Currently in force - Ordinance of the Minister of Climate and Environment of 16 April 2021 on the reference price for electricity from renewable energy sources in 2021 and the periods applicable to energy producers that won the auctions in 2021 (Journal of Laws of 2021, item 722).

¹⁴⁷ A State-owned special purpose company called Zarządca Rozliczeń S.A.

¹⁴⁸ The value of the sales of electricity produced in a RES installation and sold in a given month is calculated as the product of: (i) the quantity of electricity produced in the RES installation and sold in a given month, and (ii) the average daily price of electricity, constituting the arithmetic mean calculated on the basis of the volume weighted average prices of electricity during all the hours of the day of supply of that electricity, based on the exchange session transactions concluded on the market on which exchange session transactions are concluded, with delivery of electricity on the following day and two days after the day on which the exchange session transactions were concluded, not including the amounts of tax on goods and services, expressed in PLN and rounded to PLN 1/100 per MWh, as calculated and published by the Polish Power Exchange, in accordance with the rules adopted by that entity.

returned to the RES Settlements Operator in six equal instalments, starting from the end of the support period.

The Act on RES does not provide for any minimum statutory period of support under the auction-based scheme. However, it provides for a maximum period of support, amounting to a period of 15 years, provided that period does not extend beyond 30 June 2039.

10.5.2. Development Projects

(a) General remarks

Under Polish law, the development, construction, and operation of a solar park requires several administrative decisions issued at different stages of the project life cycle. In principle, a typical project should obtain at least the following permits: (i) an environmental decision; (ii) a zoning permit; (iii) a building permit; and (iv) an occupancy permit. Depending on specific conditions, other project permits such as water or road permits might also be required. Additional, stringent regulations are applicable to the development of onshore wind projects.¹⁴⁹

(b) Environmental decisions

The environmental decision contains an analysis of the impact of the planned RES installation on the environment and sets out the conditions that the investor should meet in order to protect it. A decision is required for any planned: (i) investments that will have a significant impact on the environment; or (ii) investments that may potentially have a significant impact on the environment. Detailed rules on the issuance of environmental decisions are included in the Act on Providing Information on the Environment and its Protection, Public Participation in Environmental Protection and Environmental Impact Assessments,¹⁵⁰ and in the secondary legislation. A list of types of projects that may significantly affect the environment is set out in the secondary legislation adopted by the Council of Ministers.¹⁵¹

Before the issuance of an environmental decision, the body conducting the administrative proceedings may decide that an environmental impact assessment is required. In such cases, the applicant is obliged to file a report the scope of which is determined by the authority.

(c) Zoning requirements

Under Polish law, the permitted use of land allocated for any planned project is provided for in a local zoning plan (which is adopted for a given territory in the form of a resolution of local authorities). In the absence of such local zoning plan in force for the area where the planned project is to be located, the development of the project requires obtaining a location permit issued in the form of an administrative decision. There are two types of location permits: (i) a "regular"

¹⁴⁹ In particular, such regulations were introduced by the Act of 20 May 2016 on Wind Farm Investments (consolidated text: Journal of Laws of 2021, item 724, as amended).

¹⁵⁰ Act of 3 October 2008 on the Provision of Information on the Environment and its Protection, Public Participation in Environmental Protection and Environmental Impact Assessments (consolidated text: Journal of Laws of 2021, item 247, as amended).

¹⁵¹ Ordinance of the Council of Ministers of 10 September 2019 on projects that may significantly affect the environment (Journal of Laws of 2019, item 1839). According to the ordinance, a PV plant (together with associated infrastructure) is considered an investment that may potentially have a significant impact on the environment, if the built-up area designated for this project is not less than 1 hectare (0.5 hectare if the given PV plant is located in nature protection areas). The built-up area means the area of land occupied by building structures and the remaining area to be transformed as a result of implementation of the project. Consequently, if the built-up area of a given project is equal to or higher than 1 hectare, the relevant investor should apply for an environmental decision.

planning permit (*decyzja o warunkach zabudowy*), and (ii) a public purpose investment decision (*decyzja o lokalizacji inwestycji celu publicznego*), which can only be issued in the case of developments which qualify as investments for a "public purpose" (a legally defined term in Polish law). Detailed zoning regulations are included in the Act of 27 March 2003 on Planning and Spatial Development,¹⁵² as well as in relevant secondary legislation.

(d) Building permits

Under Polish construction law,¹⁵³ the construction and commissioning of a RES installation require, as a rule, a building permit. In principle, the building permit is issued for the whole construction undertaking, *i.e.*, in the case of a PV installation it covers all the PV panels as well as ancillary infrastructure (such as a transformer station, cable lines required to connect the PV plant or access roads).

(e) Connection to the grid

Under Polish Energy Law, all energy grid operators, subject to certain limitations, are obliged to connect to the grid, under equal treatment rules, any entity applying for connection that meets the statutory requirements. The energy grid operators are allowed to refuse connection only when there are no economic or technical conditions for connection to the grid or supply of energy.¹⁵⁴ The grid operators are obliged by law to interconnect RES installations with priority over other energy sources.

Connection to the grid takes place on the basis of a grid connection agreement executed between the grid operator and the entity to be connected, subject to the fulfilment of certain requirements and conditions set out in the grid connection conditions.

10.5.3. Operational assets

(a) Energy licence

As a general rule,¹⁵⁵ a RES producer that intends to produce and trade in electricity (to commence selling) from RES must apply to the President of the ERO for a production licence. Obtaining a production licence is the last stage of the development phase of a production project (in practice, it is possible to obtain a licence to carry out business activity in the form of production of electricity only after an occupancy permit or similar authorisation for the project has been issued and has become final).

(b) Environmental matters

The environmental decision issued for a RES project may, depending on specific conditions, impose certain additional requirements to be met when operating the installation. Such requirements usually aim at limiting the impact of the operation of the project on the environment. They may also specifically relate to the decommissioning of the plant. Issues related to any potential emissions or waste generation and disposal are regulated in particular in the Act on

¹⁵² Consolidated text: Journal of Laws of 2021, item 741, as amended.

¹⁵³ Act of 7 July 1994 – Construction Law (consolidated text: Journal of Laws of 2020, item 1333, as amended).

¹⁵⁴ The existence of the economic or technical conditions for interconnection to the grid or supply of energy (and the obligation of the grid operator to provide such conditions) is determined in particular with reference to the zoning plans and plans regarding the supply of utilities, adopted by local authorities. The relevant grid operator must inform the President of the ERO of each refusal issued with respect to an application for interconnection and explain the reasons therefor.

¹⁵⁵ Based on the Polish Energy Law.

Waste¹⁵⁶ and the Environmental Protection Law.¹⁵⁷ In some specific cases, construction and/or operation of a RES project may also require a water permit.¹⁵⁸

¹⁵⁶ Act of 14 December 2012 on Waste (consolidated text: Journal of Laws of 2021, item 779, as amended).

¹⁵⁷ Act of 27 April 2001 – Environmental Protection Law (consolidated text: Journal of Laws of 2020, item 1219, as amended).

¹⁵⁸ Water permits are issued in accordance with the Act of 20 July 2017 on Water (consolidated text: Journal of Laws of 2021, item 624, as amended).

PART 11. BUSINESS

11.1 OVERVIEW

The Company is one of the leading renewable energy producers in the Baltic Sea region. The Group produces electricity primarily from wind, as well as municipal waste, biomass, solar and hydroelectric sources in Estonia, Latvia, Lithuania and Poland. The Company is a subsidiary of Eesti Energia, an integrated utility company owned by the Estonian state. The Company acquired Nelja Energia, a renewable energy producer and wind park developer in the Baltic countries, in November 2018. As of 30 June 2021, the Group had 456.4 MW of total installed capacity of electricity production and additionally including 110.0 MW of reserve capacity and 81.2 MW of total installed capacity of heat production with additional including 574.9 MW of reserve and peak capacity. In the six months ended 30 June 2021, the Group produced 557.2 GWh of electricity and 321.1 GWh of heat.

As of 30 June 2021, the Group has wind assets with installed capacity of 397.8 MW in Estonia and Lithuania, and operates municipal waste and biomass CHP facilities in Estonia and Latvia with combined capacity of 27.7 MW of electrical energy and 81.2 MW of thermal energy. The Group also has a gas CHP facility in Estonia with capacity of 110 MW of electrical energy and 220.0 MW of thermal energy and heat boilers in Estonia and Latvia with total capacity of 354.9 MW to cover peak and reserve heat loads. The Group also operates solar facilities with capacity of 30.3 MW in Estonia and Poland and a wood pellet production facility in Latvia. The Group operates a small 0.365 MW hydroelectric unit in Estonia. For the year ended 31 December 2020, 74% of the Group's revenue was regulated or contracted, and as such not subject to market price risk.

The Group operates through four segments:

- **Wind.** The Group's Wind segment operates wind parks in Estonia and Lithuania. As of 30 June 2021, the Group had 22 wind parks in operation, with aggregate installed capacity of 397.8 MW. In addition, the Group anticipates making final investment decisions with respect to wind development projects with aggregate projected capacity of up to 210 MW in 2021. For the six months ended 30 June 2021, the wind segment generated revenue of EUR 27.1 million, renewable energy support and other operating income of EUR 11.6 million and EBITDA of EUR 31.4 million.
- **CHP.** The Group's CHP segment operates CHP facilities in Estonia (a waste-to-energy CHP facility at Iru and a biomass CHP facility at Paide) and Latvia (biomass CHP facilities at Valka and Broceni) and a wood pellet production facility in Latvia (annual output of approximately 160,000 metric tonnes). As of 30 June 2021, the aggregate installed capacity of these production facilities was 27.7 MW of electrical energy (and 110.0 MW of reserve capacity based on natural gas) and 81.2 MW of thermal energy (and 220.0 MW of reserve capacity based on natural gas. Boiler houses, which are used to cover peak and heat loads, have a total heat capacity of 354.9 MW of which 13.0 MW is based on woodchips and 341.9 MW is based on mainly natural gas fuels). For the six months ended 30 June 2021, the CHP segment generated revenue of EUR 33.7 million, renewable energy support and other operating income of EUR 2.9 million and EBITDA of EUR 16.4 million.
- **Solar.** The Group's Solar segment operates solar assets in Estonia and Poland. As of 30 June 2021, the Group had solar facilities in operation across 38 locations, with aggregate capacity of 30.3 MW. In addition, the Group anticipates making final investment decisions with respect to solar development projects with aggregate projected capacity of up to ~49 MW in 2021. For the six months ended 30 June 2021, the Solar segment

generated revenue of EUR 1.5 million, renewable energy support and other operating income of EUR 0.3 million and EBITDA of EUR 0.9 million.

- **Other.** The Group's Other segment includes a hydroelectric facility with aggregate capacity of 0.4 MW and Ruhnu renewable hybrid energy solution with aggregate production capacity of 0.3 MW, in addition to management and overhead costs, as of 30 June 2021. For the six months ended 30 June 2021, the Other segment generated revenue of EUR 1.2 million, renewable energy support and other operating income of EUR 0.2 million and EBITDA of EUR (2.3) million.

Through its develop-to-own strategy and as a result of certain strategic acquisitions, the Group has built a portfolio of assets that it expects will have a long residual operating lifetime. As at 30 June 2021, the Group's wind parks are on average 9.8 years old (weighted by capacity), with an average estimated lifetime of 25.7 years (weighted by capacity); the Group's CHP facilities in active use have an average age of 7.3 years (weighted by capacity), with an average estimated lifetime of 23.5 years (weighted by capacity); the Group's solar parks have an average age of 1.9 years (weighted by capacity), with an average estimated lifetime of 25 years (weighted by capacity); and the Group's hydroelectric facility is 16.4 years old, with an average estimated lifetime of 25 years.

11.2 RECENT DEVELOPMENTS

As of 1 September 2021, the following developments took place with respect to the Group's project pipeline (for further details, see "Part 11 (Business), Section 11.8 (Projects in Development)"):

(a) *Memorandum of Understanding with Eesti Energia*

The Company and its parent entity Eesti Energia enter into a Memorandum of Understanding, effective as of 1 October 2021, pursuant to which the parties have agreed that, during the term of the Memorandum of Understanding, the Company will be responsible for the development of electricity from wind and/or solar power in the Eesti Energia group. The Memorandum of Understanding shall remain valid until 31 December 2030 or until Eesti Energia holds a majority shareholding in the Company.

The parties have also agreed that two long-term wind development projects – Liivi (an early-stage offshore wind park project in the Gulf of Riga) and Tootsi (an onshore wind park project which is subject to ongoing litigation) – currently owned by Eesti Energia and Tootsi Windpark OÜ, a subsidiary of Eesti Energia, will eventually be made available for purchase by the Company. In respect of the Tootsi project, Eesti Energia has agreed to offer the project to the Company on market terms before pursuing further development works or offering the project to third parties. In the case of Liivi project, Eesti Energia has agreed to offer the Company the possibility to participate in and/or acquire the project on market terms, although it is not obliged to offer this exclusively to the Company. In respect of the potential transfer of both Tootsi and Liivi, the Company's right to acquire the projects are subject to certain conditions precedent, and there can be no assurance that these transfers will ultimately take place.

(b) *Development projects with expected investment decision by the end of 2021*

Akmene WP

The Group received the required environmental impact assessment approval on 21 September 2021 and made the final investment decision on 22 September 2021. The project is under construction, pending receipt of the required building permit.

Zambrów PV

The Group made the final investment decision for this solar park on 24 September 2021.

Debnik PV

The Group's work is ongoing in respect of this development project. The Group expects the final investment decision to be made in the fourth quarter of 2021.

Purtse PV

The Group's work is ongoing in respect of this development project. The Group expects the final investment decision to be made in the first quarter of 2022.

Loopealse PV and Elektriijaama PV

Both solar park development projects anticipate receiving the official results of the third reverse auction for renewable energy subsidy held in Estonia in the coming weeks.

The Group has been exploring alternatives should it not be successful in the auction. In the event that the Group is not successful in the auction, it may decide to postpone or terminate the Loopealse PV development and direct its focus on the development of Elektriijaama PV project with a potentially increased capacity from ~3 MW to ~ 6 MW. In such case, the Group expects the final investment decision to be made in Q1 2022.

(c) Development projects with expected investment decision by the end of 2022

Kelme I WP

The Company entered into a physical PPA under the EFET General Agreement with Eesti Energia with respect to Kelme I WP development. The agreement provides for EUR 53.19/MWh 5-year fixed price baseload delivery and acceptance of electricity as of 1 January 2024, covering approximately 18.5% of the production. The Group is exploring opportunities to enter into further PPAs in connection with Kelme I WP.

(d) Visible long-term pipeline projects

Kelme II WP and Kelme III WP

On 16 September 2021, the Company's subsidiary Enefit Green UAB entered into two Share Purchase Agreements with UAB "NEW ENERGY GROUP" under which Enefit Green UAB will acquire all shares in UAB "Vejoteka" and UAB "Kelmės vėjo energija", two developing wind parks in the Kelme region of Lithuania (with designated project names of Kelme II WP and Kelme III WP, respectively). The combined installed capacity of the wind parks will be between 120 and 180 MW. The agreements entered into force upon approval of the transactions by the sole shareholder of Eesti Energia on 29 September 2021. The Group expects to complete the share transfers under the agreements in the coming weeks. See "Part 18 (Additional Information), Section 18.1.4 (Acquisition Agreements)" for more information.

11.3 COMPETITIVE STRENGTHS

11.3.1. Attractive Baltic, Nordic and Polish renewables sector

Worldwide demand for renewable energy has grown rapidly over the last decade, driven by favourable government policies and increasing consumption targets at both the national and supranational levels. The countries in which the Group operates have set national targets for

renewable energy to constitute between 21% and 51% of total domestic energy consumption by 2030. Further, on 14 July 2021, the European Commission adopted a package of proposals for the EU's climate, energy, land use, transport and taxation policies to reduce net greenhouse gas emissions by at least 55% by 2030. In line with this, Eesti Energia has introduced a detailed action plan to achieve carbon neutrality by 2045, which includes the cessation of electricity production from oil shale by 2035 and the cessation of shale oil production as a fuel by 2040. As part of its 2021–2025 strategy period, Eesti Energia aims to achieve a 2.5x increase in the volume of renewable energy production assets to 1,100 MW. Increased investment in renewable energy will be needed to meet such targets, and the Group is well-positioned to capitalise on this trend.

In addition to the increased demand and consumption targets, investment in the renewable energy industry is attractive due to geographical and economic advantages. According to Wind Atlas, wind parks in Lithuania and Estonia have among the highest wind speeds and most favourable wind conditions in the European Union, and as such there is significant potential for future development. The Baltics have some of the highest sovereign credit ratings and lowest debt-to-GDP ratios in the European Union. In addition, Estonia, Latvia and Lithuania ranked numbers 18, 19 and 11 for ease of doing business, according to the World Bank / IBRD. The region also has unique corporate tax systems: all undistributed corporate profits are exempt from tax in Estonia and Latvia.

Following the acquisition of Nelja Energia and the continued development of the Group's pipeline in Finland, Estonia and Poland, the Group has a geographically diverse portfolio and well-established links to the Nord Pool power exchange, providing it with a significant platform on which to build. The 2019 entry into the Polish solar market through the acquisition of 18MW of solar parks also constitutes a potential growth area for the Group. Further, short-term Polish solar projects include ready-to-build plants at Debnik solar park, with an expected capacity of ~6.0 MW, and Zambrow solar park, with an expected capacity of ~8.4 MW. The Group was successful in a recent renewable energy auction in respect of the Zambrow solar park project. In respect of the Debnik solar park project, the Company is currently seeking possibilities of entering into PPAs. In addition, the development of a solar plant at Strzalkowo solar park remains ongoing, with an expected capacity of ~40 MW.

11.3.2. Largest onshore wind portfolio in the Baltics, coupled with solar and CHP as well as tailored asset management capabilities

The Group is one of the leading renewable energy producers in the Baltic Sea region. The Group produces electricity primarily from wind, biomass, as well as municipal waste, solar and hydroelectric sources in Estonia, Latvia, Lithuania and Poland. The acquisition of Nelja Energia in November 2018 significantly expanded the Group's operating capacity and broadened its geographical diversity.

The Group has extensive wind park O&M experience from its operations and a dedicated production and asset management team, which uses digitalized and automated systems for production data monitoring, preventive maintenance, machine learning, reporting as well as performance tracking and supervision for purposes of maximising production output and minimising maintenance costs. The Group has introduced machine learning technology for older turbines to prevent and reduce interruptions. The Group has also gained deep technical knowledge of WinWinD turbines through its cooperation with the independent service provider Empower 4Wind OÜ (in which the Group has a 40% equity shareholding) and its cooperation with Wind Controller JV Oy (in which the Group also has a 10% equity shareholding) and other partners.

The Group's Production and Asset Management team also has a strong track record of negotiating sizeable cost savings. For example, from August 2019 to January 2020, costs of O&M contracts for certain wind farms, including Pakri, Silale, Sudenai, Mockiai and Ciuteliai, were renegotiated, with annual savings in 2020 of EUR 600,000. Prior to the renegotiations, the O&M contract costs

for those wind parks for 2020 were projected to be EUR 2.96 million. These cost savings will not only cover 2020, but also the years ahead (ranging from 5 to 12 years), depending on the wind park.

11.3.3. Significant and sizeable near-term and long-term pipeline of renewable projects

The Group has a strong and geographically-diversified pipeline of renewable energy projects, with an interim target of up to 1.1 GW of installed capacity. The Group's near-term development project pipeline (projects with a final investment decision expected by the end of 2022) of wind and solar consists of projects of up to 600 MW capacity, of which 43.2 MW is under construction. In addition, the visible long-term pipeline consists of projects of up to 1,100 MW and long-term offshore potential of up to 2,100 MW. The Group's total long-term installed capacity could reach a total target of up to 4.3 GW. Currently, the Group has projects spanning different countries such as Estonia, Finland, Latvia, Lithuania and Poland, in various stages of development. The Group also pursues strategic acquisitions, most notably Nelja Energia in November 2018.

11.3.4. Solid and visible cash flow generation enabling strong dividend potential going forward

In 2020, the Group received 74% of revenues via regulated or contracted means. For example, the Group received 47% of revenue via regulated mechanisms (FiT, FiP and CfD incentives). 16% of revenues were received via the electricity market and 9% of total revenues were generated via fixed-price contracts for the sale of pellets. For example, the Group's onshore wind and solar assets in operation in Estonia benefit from a 12-year FiP of EUR 53.7/MWh above wholesale power prices. In Lithuania, there is a 12-year FiT in place of EUR 69.5/MWh in respect of the Šilute wind park. A 12-year FiT of EUR 86.9/MWh is in place for the additional Lithuanian operating onshore wind assets with the exception of the Sudenai wind park, where the subsidy has expired. In Poland, the Group has entered into a 15-year indexed CfD, where the electricity price is adjusted each year in accordance with the CPI. The weighted price secured by the Group for 2020 was EUR 95.11 / MWh. In addition, the Group's disciplined approach to operating expenditure supports strong cash flow generation.

For electricity generated by its wind and solar facilities, the Group benefits from attractive subsidy schemes as described above, and for electricity and heat generated by its CHP facilities, the Group benefits from subsidies, regulated sales and other reliable sources of revenue generation such as gate fees for waste delivered to the Iru waste-to-energy unit. For instance, the Group benefits from (i) a FiP of EUR 53.7/MWh for electricity generated from biomass and biodegradable waste and EUR 32.0/MWh for electricity generated from waste without biodegradable component in co-generation mode, (ii) a FiT of EUR 143.6/MWh for electricity generated by the biomass fired CHP facility in Broceni, Latvia; and (iii) a FiT of EUR 105.5/MWh for electricity generated by the biomass fired CHP facility in Valka, Latvia.

For the six months ended 30 June 2021, the Group generated revenue (together with renewable energy support and other operating income) of EUR 78.4 million. In the six months ended 30 June 2021, the Group's EBITDA and EBITDA margin were EUR 46.4 million and 59.2%, respectively. For the year ended 31 December 2020, the Group generated revenue (together with renewable energy support and other operating income) of EUR 162.7 million. In 2020, the Group's EBITDA, and EBITDA margin and net debt to EBITDA ratio were EUR 110.2 million, 67.7% and 1.7x, respectively. Dividends of EUR 18.4 million and EUR 27.1 million were paid during 2020 and the first half of 2021, respectively. As a result of its solid revenues and stable financial position, the Group has a defined dividend policy going forward.

11.3.5. Experienced management team with a proven track record and local know-how

The Group's core management team has significant experience in the industry and in the region. The team has a proven track record and a deep understanding of the challenges and opportunities in the market.

The management team has strong experience in the renewable energy industry and a background of doing business in home markets. Moreover, it has a proven track record in successful execution of large energy development projects in the Baltic region, such as the Narva and Paldiski wind parks in Estonia, the Kavarskas hydroelectric facility and the Silute wind park in Lithuania and the Valka CHP facility in Latvia. The management team has developed clear strategic priorities in the wind and solar sectors for future value creation. As well as strong organisation culture and high leadership quality.

The management team is supported by fully qualified in-house asset management and operating personnel that are highly experienced in supporting the management in operating, maintaining and developing assets across the operating segments.

11.3.6. Dedicated team with high level of commitment

The Group's employees have a high level of commitment and strong belief in the success of the Company based on regular commitment survey results. Commitment index has increased over the last three years: TRI*M index 72 in 2018, 76 in 2019 and 88 in 2020. Moreover 44% (25% 2021; 33% 2019) of the employees are classified as true drivers – they are satisfied with their jobs and believe in the success of the company and their team.

11.3.7. Strategic partnership with blue chip parent company

The Group has a strategic partnership with Eesti Energia and a governance framework whose key aims are to enable the Group to leverage Eesti Energia's reach to the retail market and enhance its long-term development. The Group is also able to leverage Eesti Energia's trading power and expertise, and has entered into physical PPAs with Eesti Energia in the form of electricity forward sale under the EFET General Agreement in order to hedge the wholesale electricity price risk of certain production assets exposed to such market risks.

11.4 STRATEGY

The Group's strategy is to produce renewable energy in an efficient and environmentally sustainable manner. The Group's ambition is to become the fastest-growing renewable energy company in the Baltic-Finnish-Polish region. Specifically, the Group's strategy is based on two pillars:

A. Operational excellence to drive further value creation

The Group has a high quality portfolio and asset management strategy. The Group has high quality operating assets, which are managed by a full in-house experienced asset management team under leading industry standards. A strong digitalization strategy is in place, as demonstrated by the machine learning capabilities for predictive maintenance that has already been implemented for wind turbines.

There is value add from the Group's develop to own strategy. The Group creates value through originating, executing and operating renewable assets, giving it a competitive advantage and increased returns. The Group continues to invest in research and development to increase its assets performance.

The Company has an arm's length relationship with its parent in respect of certain outsourced services. There are clear synergies between Eesti Energia and the Group, which the Group seeks to leverage, benefiting in particular from Eesti Energia's access to clients and energy trading expertise.

B. Deliver growth through tangible pipeline

The Group has a robust growth profile. The Group has near term projects (with a final investment decision by the end of 2022) with up to 600 MW capacity in total, whilst its long-term pipeline projects could generate up to 3.2 GW in total capacity. The Group sees the most significant growth opportunities in wind and solar energy production, as demonstrated by the recent acquisition of the Tolpanvaara development project in Finland, Purtse development project in Estonia and entry into the Polish market in 2019 by acquiring 18 MW of solar power.

The Group has a strong, highly-experienced in-house development team. The Group's management is efficient in its execution of development projects, with a particular focus on greenfield and the acquisition of pre-developed projects.

The Group's balance sheet is strong ahead of the proposed Offering, which is expected to facilitate execution of the proposed pipeline. Corporate debt financing at Enefit Green level has a decreased credit risk and lower funding costs.

C. Recent investment and actions

A number of the Group's recent transactions are expected to improve efficiency going forward. For example, as part of its asset management initiative, the Group has introduced IT systems with data analytic capability to increase production levels and maintain reductions in costs. For more information, please see "Part 11 (Business), Section 11.9 (Research and Development)".

The Group also expects increased revenues to be generated at Iru, as in addition to further heat sales, the Group expects an additional 22.5 GWh of the electricity produced during the summer months to be eligible for subsidies. The Group anticipates that this could result in an annual revenue impact of up to EUR 1.4 million.

Further, at Klibuloo, the Group's solar park development is expected to become operational in October of 2021, with a capacity of 5.6 MW and an estimated yearly run-rate of up to 5.4 GWh/year.

11.5 THE GROUP'S HISTORY

The Company was originally established in the form of a private limited company (*osajühing* or OÜ) as a special purpose vehicle for the development and operation of the Aulepa wind park. The Company was registered in the Estonian Commercial Register on 9 November 2005. Until 31 September 2016, the Company's main asset was the Aulepa wind park.

Eesti Energia has a target to produce over 50% of electricity from renewable sources by 2024. As part of Eesti Energia's strategy, it plans to achieve a 2.5x increase in the volume of renewable energy production assets to 1100 MW during the 2021-25 period. Further, Eesti Energia aims to reduce the CO₂ intensity of the Eesti Energia group's energy production by 30% from 0.37 t/MWh to 0.26 t/MWh during the same period. In order to execute the strategy and to ensure more efficient management structure, Eesti Energia decided to consolidate all renewable energy assets owned by Eesti Energia in one subsidiary, the Company.

Eesti Energia sold its renewable energy assets (namely, Iru CHP facility, Narva wind park, Paldiski wind park, Virtsu wind park and Keila-Joa hydroelectric facility), to the Company on 1

October 2016. In December 2016, Eesti Energia also sold 100% of the shares in Enefit Power & Heat Valka SIA, the owner and operator of the CHP facility at Valka, Latvia, to the Company. In June 2017, Eesti Energia sold 100% of the shares in Pogi OÜ, the owner and operator of the CHP facility at Paide, Estonia, to the Company. In August 2017, Pogi OÜ was merged with the Company and in October 2017, the Company was reorganised from a private limited company into a public limited company (*aktsiaselts* or AS).

In November 2018, the Company acquired 100% of the shares in Nelja Energia. Nelja Energia was established as a result of a structural merger in 2012 between two renewable energy companies that were both actively developing and managing wind energy assets in the Baltic region: Vardar Eurus AS, a Norwegian based Scandinavian power company which is ultimately owned and controlled by the Norwegian municipalities, and Freenergy AS. Prior to the acquisition, Nordic Power Management OÜ (the subsidiary of Nelja Energia which had historically conducted energy trading activities) was spun off from the Nelja Energia group and not acquired by the Company.

As a result of the acquisition, the Group became the largest wind energy producer in the Baltic region with the aggregate installed capacity of 398 MW and 43% of onshore wind capacity in the Baltics as at 31 January 2019.

Subsequent to the acquisition of Nelja Energia the Company undertook certain intra-Group restructurings, such as:

- In February 2019, Enefit Wind OÜ was established and certain of the Company's Estonian wind parks were transferred to Enefit Wind OÜ, including Narva, Paldiski, Virtsu, as an in-kind contribution;
- In February 2019, Enefit Green UAB was established and all shares in Nelja Energia's Lithuanian subsidiaries that own development projects were sold and transferred to Enefit Green UAB;
- In April 2019, Nelja Energia merged into the Company;
- In May 2019, certain Estonian subsidiaries of Nelja Energia – Hanila Tuulepargid OÜ, OÜ Aseriaru Tuulepark, Oceanside OÜ, VV Tuulepargid OÜ and OÜ Pakri Tuulepargid – were merged into Enefit Wind OÜ;
- In May 2019, certain Lithuanian subsidiaries of Nelja Energia – UAB “Iverneta”, UAB “Naujoji energija”, UAB “Sūdėnų vėjo Elektra” and UAB “Šilalės vėjo Elektra” – were merged into UAB “Šilutės vėjo projektai”, which was renamed Enefit Wind UAB, resulting in all operating wind parks in Lithuania being owned by Enefit Wind UAB;
- In June 2019, demerger of the Company was completed whereby Aulepa wind park was transferred to Enefit Wind OÜ, resulting in all operating wind parks in Estonia being owned by Enefit Wind OÜ.

Having first established solar power as a core technology focus in 2017, the Company signed an agreement to acquire up to 20 solar park projects in Poland from GEO Renewables, the completion of such transaction will mark the Group's entry into the Polish solar market. As of the date of this Prospectus, 19 of the solar park projects have been acquired.

In 2020, the Company acquired the Tolpanvaara wind farm development in Finland, with the goal of entering the Finnish market.

In 2020, the Company also finalised the acquisition of an operating solar farm in Poland and completed the development of the Klibuloo solar farm in Paldiski, Estonia, increasing the Company's solar power portfolio to 30 MW. Additionally, the Company acquired two solar park developments in Poland with a combined capacity of ~14.4 MW and continued to develop a ~40 MW solar park in Poland.

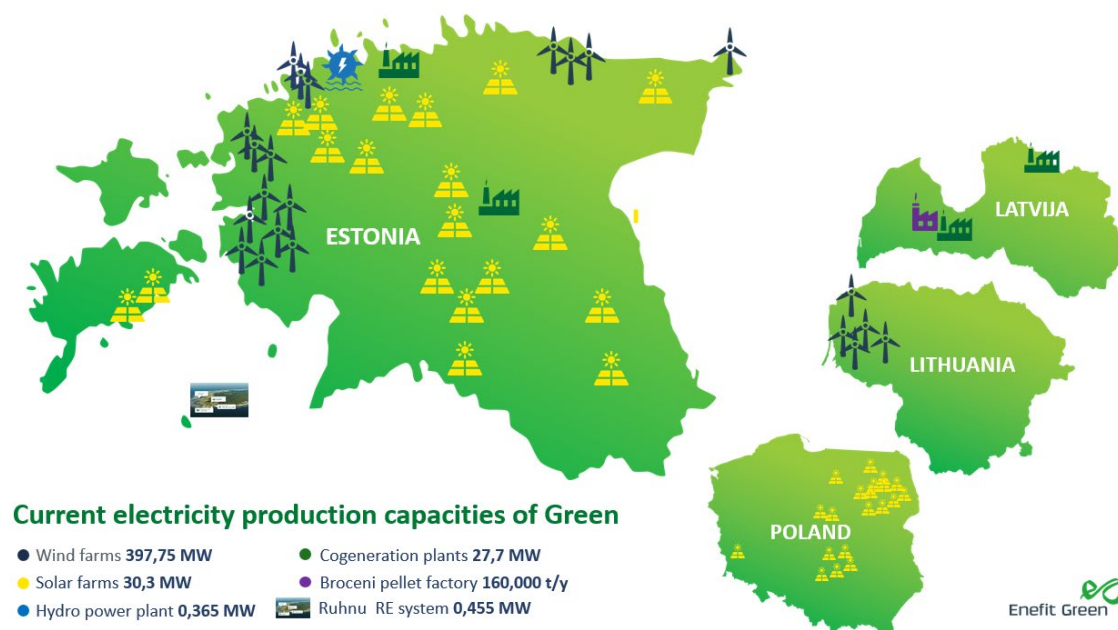
In March 2021, the Company acquired the Purtse wind farm development with a capacity of 18-20 MW.

11.6 THE GROUP'S STRUCTURE



The Group's wind parks in Estonia and Lithuania are owned and operated by Enefit Wind OÜ and Enefit Wind UAB, respectively. The Company owns and operates the remaining operational assets in Estonia (CHP facilities in Iru and Paide, solar facilities and hydroelectric unit). The Group's operational assets in Latvia are owned and operated by Enefit Green SIA (wood pellet production facility in Broceni), SIA Technological Solutions (Broceni CHP facility) and SIA Enefit Power and Heat Valka (Valka CHP facility). The Group's solar parks in Poland are owned and operated by seven Group subsidiaries, each of which is 100% owned by Enefit Green AS. Additionally, the Group has a number of subsidiaries in Estonia, Latvia, Lithuania, Finland and Poland to carry out its development projects.

11.7 THE GROUP'S BUSINESS



11.7.1. Description of Operating Assets by Segment

(a) Wind

The total installed capacity of the Group's wind parks as at 30 June 2021 was 398 MW. The net electricity production from the Group's wind parks was 1,139GWh, 1,023GWh, 305GWh (including the production from Nelja Energia parks following the acquisition), in the financial years ended 31 December 2020, 2019 and 2018, respectively, and 449.7 GWh and 627.9 GWh, in the six months ended 30 June 2021 and 30 June 2020, respectively.

The following tables set forth key data with respect to the Group's wind assets located in Estonia:

Wind Assets in Operation in Estonia as at 30 June 2021

Wind Park	Installed capacity (MW)	Net Production (GWh), 1 January to June 30 2021	Production-based Availability (%), 1 January 2018 to 30 June 2021	Residual life (years) ⁽²⁾	Current/Existing O&M contract duration (years)	Wind turbine manufacturer
Virtsu	1.4	1.9	96.4	14.3 ⁽¹⁾	1.0 ⁽¹⁾	Enercon
Paldiski I.....	22.5	24.9	98.6	16.5	1.5	GE
Narva	39.1	34.5	97.7	21.5	3.5	Enercon
Aulepa I.....	39.0	41.9 ⁽³⁾	85.8	7.7	2.5	WinWinD
Aulepa II.....	9.0	7.4	85.8	9.7	2.5	WinWinD
Ojaküla	6.9	7.4	98.4	21.8	3.8	Enercon
Aseriaru	24.0	25.0	89.1	11.2	2.5	WinWinD
Paldiski II	22.5	26.4	99.1	16.4	11.5	GE
Pakri.....	18.4	22.5	97.9	7.9	4.1	Nordex
Vanaküla.....	9.0	7.7	91.5	8.5	2.5	WinWinD
Viru-Nigula	21.0	21.7	86.6	6.0	2.5	WinWinD
Tooma I	16.0	16.3	98.0	18.4	2.0	Enercon
Tooma II.....	7.05	8.7	99.3	25.0	9.8	Enercon
Esivere.....	8.0	7.7	97.6	14.2	4.8	Enercon
Virtsu I	1.2	1.5	96.8	10.9	1.2	Enercon
Virtsu II	6.9	7.4	98.0	16.8	2.0	Enercon
Virtsu III	6.9	8.1	97.4	18.9	2.0	Enercon

Wind Assets in Operation in Estonia as at 30 June 2021						
Wind Park	Installed capacity (MW)	Net Production (GWh), 1 January to June 30 2021	Production-based Availability (%), 1 January 2018 to 30 June 2021	Residual life (years) ⁽²⁾	Current/Existing O&M contract duration (years)	Wind turbine manufacturer
Total	258.9	263.6	95.2	13.9	3.8	

(1) Virtsu wind park consists of 2 turbines which have different residual lifetimes. In the table, the figures shown are an average residual lifetime (weighted average by capacity). Virtsu WT1 has a residual life of 11.3 years and WT2 has a residual life of 16.5 years. Additionally, Virtsu wind park has an O&M agreement which automatically extends by 1 year every year.

(2) Residual life based on expected life that ranges between parks from 20 to 30 years.

(3) Please note that this figure represents the production for both Aulepa I and II.

The following tables set forth key data with respect to the Group's wind assets located in Lithuania:

Wind Assets in Operation in Lithuania as at 30 June 2021						
Wind Park	Installed capacity (MW)	Net Production (GWh), 1 January to 30 June 2021	Production-based Availability (%), 1 January 2018 to 30 June 2021	Residual life (years) ⁽¹⁾	Current/Existing Residual O&M contract duration (years)	Wind turbine manufacturer
Silute	60.0	95.2	95.1	19.8	15.1	GE
Ciuteliai	39.1	45.3	99.0	21.5	11.5	Enercon
Silale	13.8	17.7	98.2	15.3	15.3	Siemens
Mockiai	12.0	14.7	98.1	19.4	9.4	Enercon
Sudenai	14.0	13.1	97.5	17.5	7.5	Enercon
Total	138.9	186.0	96.7	19.6	12.9	

(1) Residual life based on expected life that ranges between parks from 20 to 30 years.

The average age and lifetime (in the Company's assessment) of wind turbines varies depending on the manufacturer:

Wind turbine manufacturer	Parks Using Wind Turbines	Estimated lifetime (years)	Average age (years)
Enercon	12	30	10.0
GE	3	25	6.6
Siemens	1	25	9.8
Nordex	1	25	17.1
WinWinD	5	20	11.6

The production-based availability of wind turbines employed in the Group's wind parks varies depending on the manufacturer of the wind turbines:

Production-based Availability					
Wind turbine manufacturer	30 June 2021	30 June 2020	2020	2019	2018
Enercon	96.6%	98.9%	98.8%	97.8%	98.6%
GE	93.9%	96.4%	96.9%	97.4%	95.7%
Siemens	95.9%	98.4%	98.3%	99.2%	98.0%
Nordex	97.5%	97.7%	98.1%	98.7%	97.1%
WinWinD	94.5%	91.3%	89.7%	89.5%	78.3%

The production-based availability of wind parks procured by WinWinD turbines is as follows:

WinWinD Turbines Production-based Availability					
Wind Park	30 June 2021	30 June 2020	2020	2019	2018
Aseriaru	94.8%	93.9%	93.7%	93.4%	76.1%
Aulepa I and II	94.8%	88.5%	86.8%	86.4%	79.2%

Wind Park	WinWinD Turbines Production-based Availability				
	30 June 2021	30 June 2020	2020	2019	2018
Vanaküla	93.1%	94.8%	91.7%	88.2%	94.3%
Viru-Nigula	94.3%	92.3%	90.0%	90.9%	73.7%

(i) O&M

Except with respect to turbines procured from WinWinD, the Group outsources the maintenance of its wind turbines under long-term, full-service O&M contracts. For certain wind parks, these O&M contracts include guarantees from the O&M providers with respect to availability and compensatory payments in the event availability falls below the specified minimums. These contracts cover approximately 70% of the Group's wind generation capacity. Target availability levels for full service contracts are set at 97%, except for the Pakri wind park which is set at 95%. A small number of the wind parks are covered by a long-term maintenance agreement with the original equipment manufacturer; these parks are Virtsu, Virtsu II and Esivere. Virtsu I is currently covered by a full-service contract that will be amended to a maintenance agreement with the original equipment manufacturer from 11 October 2021. Including these contracts, the Group's internal availability target will remain about 97%. In the event that availability exceeds the specified maximum, an additional fee will be paid to the full-service O&M providers. O&M contracts for Paldiski II and Silute utilise a production-based calculation to measure availability. All other wind farm O&M contracts utilise a time-based calculation to measure availability. On average, the Group's O&M contracts have a duration of 7 years. It is possible in the future that the Group will become less reliant on outsourcing and instead carry out maintenance works itself.

Due to the bankruptcy of WinWinD, the supplier of the wind turbines used at Aulepa I, Aulepa II, Aseriaru, Vanaküla and Viru-Nigula wind parks, there is no full service contract for the maintenance of the turbines at these wind parks. The Group does not enjoy the benefit of an availability guarantee for WinWinD turbines. WinWinD turbines are managed by the Group itself, which outsources various aspects of the maintenance of the turbines to third parties. Currently, the Group has two maintenance agreements with Empower 4Wind OÜ, which together provide for the maintenance of the above wind parks. Both agreements are valid until the end of 2023 and include a right to extend by a further two years. The Group has retrofitted and upgraded the WinWinD turbines and increased its stock of major components so as to minimise the loss of production in the event of breakdown. As a result, the Group has increased the average availability of the wind parks which use WinWinD turbines.

(b) CHP

The total installed capacity of the Group's CHP facilities is set out below. The Group's CHP segment consists of the Iru waste-to-energy facility, the Paide CHP facility in Estonia, and the Broceni and Valka CHP facilities in Latvia. All CHP facilities other than Valka are located on land owned by the Group.

	Total Installed Capacity of the Group's CHP facilities (MW)				
	30 June 2021	30 June 2020	2020	2019	2018
Electricity production	27.7	27.7	27.7	27.7	27.7
Fossil gas-based reserve capacity	110.0	110.0	110.0	110.0	110.0
Heat production	81.2	81.2	81.2	81.2	81.2
Heat reserve capacity	574.9	591	591	591	610

The following tables set forth key data with respect to the Group's CHP facilities:

CHP Facilities in Operation as at 30 June 2021			
Facility	Electrical capacity (MW) ⁽¹⁾	Heat capacity (MW) ⁽¹⁾	Residual life (years)
Iru (Estonia)	19.3	50	17.2
Paide (Estonia)	2.0	8	14.2
Valka (Latvia)	2.4	8	11.3
Broceni (Latvia)	3.98	15.22	15.4
Total	27.7	81.22	16.2

Notes:

(1) excluding reserve and peak capacity.

Facility	CHP Facilities in Operation					CHP Facilities in Operation				
	Net Electricity Production (GWh) in the period ended					Net Heat Production (GWh) in the period ended				
	30 June		31 December			30 June		31 December		
	2021	2020	2020	2019	2018	2021	2020	2020	2019	2018
Iru (Estonia)	69.5	67.8	133	115.2	139.9 ⁽¹⁾	226.7	213.5	359.4	380.6	522.1 ⁽¹⁾
Paide (Estonia)	4.9	3.6	7	7.2	6.5	27.1	23.1	40.3	43.7	45.8
Valka (Latvia)	6.6	7.5	14.5	14.3	14.3	13.7	12	21.2	22.8	24.1
Broceni (Latvia)	12.9	15	30.3	27.7	5.4 ⁽²⁾	53.6	65.1	122.9	125.5	23.2 ⁽²⁾
Total	93.9	93.9	184.8	164.4	166.1⁽¹⁾	321.1	313.7	543.8	572.6	615.3

Notes:

(1) 522.1 GWh is made up of Iru Wte 294.8 GWh and Iru gas 227.3 GWh.

(2) Heat production from the Broceni plant for the period between November and December 2018 only

(i) Iru

The Group owns and operates the Iru facility and the land underneath it. The Iru facility consists primarily of a waste-to-energy unit, the only waste-to-energy unit in Estonia. The waste-to-energy unit has installed capacity of 19.3 MW of electrical energy and 50 MW of thermal energy. In addition to the waste-to-energy unit, the Iru facility also includes an older gas CHP unit with installed capacity of 110.0 MW of electrical energy and 220 MW of thermal energy, and heat boilers with installed capacity of 332 MW thermal energy to cover peak and reserve heat loads. The Group expects to be able to extend the waste-to-energy unit's lifetime by another 25 years through an investment into exchanging main components, with an estimated investment of approximately EUR 110-120 million (in 2021 real prices).

The Group primarily uses the waste-to-energy unit of the Iru facility. The older gas-based CHP unit and the heat boilers are only used to cover peak demand during colder days in the winter, and kept in reserve during the rest of the year. As a result, the older gas-based CHP unit and the heat boilers have a modest impact on the Group's results. However, they enable the Group to continue heat generation in case of any planned or unplanned outages at the waste-to-energy unit.

The Group runs competitive tenders between waste collection companies and participates in municipality tenders for waste treatment, pursuant to which contracts for the supply of waste to the Iru facility are established; these contracts typically have a term of up to 3 years. In this manner, the Group obtains a level of visibility over a rolling 3-year prospective period as to the level of gate fees that it will receive (at least 100% visibility as to the first year, 50% visibility as

to the second and 25% as to the third). The majority of waste is currently sourced from Estonia (91-94% of total waste supplied), and the remainder from Finland. In 2022, the Group expects to source all waste from suppliers in Estonia and to receive 250,000 tonnes of waste. The Group has already secured contracts for the supply of 255,000 tonnes of waste for 2022.

The Iru facility primarily produces heat that is used in the district heating networks of Tallinn and Maardu, and, to a lesser degree, electricity. Pursuant to an existing contract (which terminates on 15 February 2027), AS Utilitas Tallinn is contractually obliged to purchase heat from the Iru facility as necessary for the district heating network. As of 1 February 2021 Iru waste-to-energy unit is considered first ranking, which means that AS Utilitas Tallinn will purchase from the Group all heat produced by the Iru waste-to-energy unit within the nominal capacity of the waste-to-energy unit (being 50 MW) according to the needs and technical capabilities of the district heating network (in the maximum amount of 400,000 MWh per year). Please see “Part 18 (Additional Information), Section 18.1 (Material Contracts) Sub-section (a) (Iru heat sales agreements)” for more details on this agreement.

The net heat production from the Iru facility was 359.4 GWh, 380.6 GWh, 522.1 GWh, 226.7 GWh and 213.5 GWh in the financial years ended 31 December 2020, 2019 and 2018, and the six months ended 30 June 2021 and 30 June 2020, respectively and the net electricity production was 133.0 GWh, 115.2 GWh 139.9 GWh, 69.5 GWh and 67.8 GWh in the financial years ended 31 December 2020, 2019 and 2018, and the six months ended 30 June 2021 and 30 June 2020 respectively.

(ii) Broceni CHP Facility

The Group owns and operates a biomass fired CHP facility in Broceni, with installed capacity of 15.22 MW of thermal energy and 3.98 MW of electrical energy. All heat produced at the Broceni CHP facility is sold to the adjacent Broceni pellet factory (discussed below).

The net heat production from the Broceni CHP facility was 122.9 GWh, 125.5 GWh, 23.2 GWh, 53.6 GWh and 65.1 GWh in the financial years ended 31 December 2020 2019 and 2018, and the six months ended 30 June 2021 and 30 June 2020, respectively, and the electricity production was 30.3 GWh, 27.7 GWh, 5.4 GWh, 12.9 GWh and 15 GWh in the financial years ended 31 December 2020 2019 and 2018, and the six months ended 30 June 2021 and 30 June 2020, respectively. The net electricity and heat production of Broceni CHP in 2018 show only the production for the last two months of the year, following the acquisition of Nelja Energia.

The Broceni CHP is operated and maintained by a third party under a full service agreement. The agreement provides for availability guarantee necessary in light of the production of pellets at the adjacent Broceni pellet factory.

(iii) Broceni Pellet Factory

The Broceni pellet factory was commissioned in November 2016. The annual production is typically approximately 160,000 tonnes per year. Pellets are sold to the customers registered in Denmark, Belgium, the UK and other countries under several master agreements for the sale of pellets.

The Broceni pellet factory capitalises on the synergy between CHP and pellet production and the close proximity of the Broceni CHP facility. All heat produced by the Broceni CHP facility is sold to the Broceni pellet factory and is used to dry pellets. To generate the heat, the Broceni pellet factory provides fuel supplies (biomass in the form of woodchips and bark) to the Broceni CHP facility.

(iv) Paide and Valka CHP Facilities

The Group owns and operates a biomass fired CHP facility in Paide, with installed capacity of 8 MW of thermal energy and 2MW of electrical energy and a biomass fired heat only boiler. The construction and commissioning of an additional water boiler based on liquid natural gas (LNG) with installed capacity of 8 MW was completed in March 2018. The Group's generation assets in Paide are located on land owned by the Group.

The Group also owns and operates a biomass fired CHP facility in Valka, with installed capacity of 8.0 MW of thermal energy and 2.4 MW of electrical energy and a biomass fired heat only boiler. The Group's heat production assets in Valka also include a diesel-fired water boiler with installed capacity of 1.86 MW, which is used to cover peak demand. The biomass fired heat only boiler and the oil fired water boiler are located in a boiler house building owned by the Valka local municipality which has been leased to the Group.

The net heat production from the Paide CHP facility was 40.3 GWh, 43.7 GWh, 45.8 GWh, 27.1 GWh and 23.1 GWh in the financial years ended 31 December 2020, 2019 and 2018, and the six months ended 30 June 2021 and 30 June 2020, respectively. The net heat production from the Valka CHP facility was 21.2 GWh, 22.8 GWh, 24.1 GWh, 13.7 GWh and 12 GWh, respectively, in the financial years ended 31 December 2020, 2019 and 2018 and the six months ended 30 June 2021 and 30 June 2020. The net electricity production from the Paide CHP facility was 7.0 GWh, 7.2 GWh, 6.5 GWh, 4.9 GWh and 3.6 GWh, respectively, in the financial years ended 31 December 2020, 2019 and 2018, and the six months ended 30 June 2021 and 30 June 2020. The net electricity production from the Valka CHP facility was 14.5 GWh, 14.3 GWh, 14.3 GWh, 6.6 GWh and 7.5 GWh, respectively, in the financial years ended 31 December 2020, 2019 and 2018, and the six months ended 30 June 2021 and 30 June 2020.

(v) Client solutions

The Group undertakes a small-scale client solution activity in the CHP segment. These are PPAs pursuant to which the Group sells electricity directly to consumers adjacent to the Iru facility. The Group uses different contractors for the maintenance of the low voltage electrical devices used in these client solutions.

(vi) O&M

The Group carries out the operation and maintenance of its CHP facilities itself, while outsourcing certain maintenance and repair works to third party contractors (other than the facility at Broceni). The maintenance work outsourced to third party contractors is supervised by on-site personnel with sufficient technical know-how. The respective maintenance partners are selected by way of procurement process. Framework agreements entered into as a result of the procurement have an average duration of two to three years, and contracts for one-time works are typically concluded for one year. There are no availability guarantees in place with respect to the Group's CHP facilities (other than the facility at Broceni).

The Group has an O&M contract relating to the Broceni CHP facility until 2029 which includes an availability guarantee for 8,000 hours per annum.

(c) *Solar*

(i) Facilities

The total installed capacity of the Group's solar assets as at the end of 31 December 2020, 2019 and 2018, and the six months ended 30 June 2021 and 30 June 2020, was 30.3 MW, 24.7 MW, 6.5 MW, 30.3 MW and 24.7 MW, respectively. As at 31 December 2020, 2019 and 2018, and the six months ended 30 June 2021 and 30 June 2020, the Group owned solar operations in 38, 36, 18, 38 and 36 locations, respectively.

In 2019, the Group introduced a new element into its solar segment – solar solutions in cooperation with Eesti Energia. These services currently take three forms:

- (i) a “turn-key solution”, whereby the Group builds a specific ground mount or rooftop solar park for a business or private customer, taking care of project management, procurement, installation and commissioning phases, as well as providing the customer with a construction guarantee for at least two years;
- (ii) a “turn-key with financing solution”, whereby the Group provides similar services to those described in (i) above, save that Eesti Energia provides flexible financing options for up to 10 years; and
- (iii) a “solar-as-a-service (SaaS) solution” (“**SaaS**”), whereby in addition to installation and commissioning of the solar park, business customers are provided with O&M services for the running of a solar park on customer-owned property. Such contracts are typically provided for 10 years and follow one of two revenue models:
 - a. a PPA model, whereby the Group retains ownership of the solar installation asset and electricity is sold by the Group directly Eesti Energia, which resells the electricity to the customer through a PPA;
 - b. a rent-to-own model, whereby the customer pays a fixed rental fee for the asset, the electricity produced and the O&M services provided, and the contract culminates in ownership of the asset transferring to the customer at the end of the rental period.

The Group has developed projects in Estonia pursuant to these solutions and Eesti Energia is marketing them further in Estonia, Latvia, Lithuania and Poland. The Group’s ambition is to expand the scope of contracted capacity provided under these arrangements over the next 5 years, to approximately 172MW in the case of turnkey solutions (i) and (ii) above (in aggregate) and approximately 117MW in the case of SaaS.

The table below sets forth key data for the Group’s solar segment by geography:

Solar Assets in Operation as at 30 June 2021						
Region	Number of assets in operation ⁽¹⁾	Installed capacity of assets in operation (MW)	Net Electrical Production (GWh), 1 January to 30 June 2021	Average availability of assets in operation, 1 January to 30 June 2021	Number of assets under construction	Planned additions of capacity (MW)
Estonia	19	12.1	3.1	99.3	0	0
Poland	19	18.2	10.0	100.0	0	0
Total	38	30.3	13.1	99.8	0	0

Notes:

(1) The number of assets in operation represents the number of the Group’s projects by location, rather than the number of installations.

Solar Assets in Operation 2020						
Region	Number of assets in operation as of 31 December 2020 ⁽¹⁾	Installed capacity of assets in operation (MW)	Net Electrical Production (GWh) in 2020	Average availability of assets in operation in 2020	Number of assets under construction as of 31 December 2020	Planned additions of capacity (MW)

Estonia	19	12.1	6.4	99.6	0	0
Poland	19	18.2	19.0	100.0	0	0
Total	38	30.3	25.4	99.9	0	0

Notes:

(1) The number of assets in operation represents the number of the Group's projects by location, rather than the number of installations.

Solar Assets in Operation 2019

Region	Number of assets in operation as of 31 December 2019⁽¹⁾	Installed capacity of assets in operation (MW)	Net Electrical Production (GWh) in 2019	Average availability of assets in operation in 2019	Number of assets under construction as of 31 December 2019	Planned additions of capacity (MW)
Estonia	18	6.5	4.1	99.5	0	0
Poland	18	17.6	4.5	99.7	1	0.6
Total	36	24.1	8.6	99.6	1	0.6

Notes:

(1) The number of assets in operation represents the number of the Group's projects by location, rather than the number of installations.

Solar Assets in Operation 2018

Region	Number of assets in operation as of 31 December 2018⁽¹⁾	Installed capacity of assets in operation (MW)	Net Electrical Production (GWh) in 2018	Average availability of assets in operation in 2018
Estonia	18	6.5]	0.2	n/a
Poland	0	0	0	n/a-
Total	18	6.5	0.2	n/a

Notes:

(1) The number of assets in operation represents the number of the Group's projects by location, rather than the number of installations.

(ii) Client solutions

The Group has a total of fourteen PPA client solutions in the Solar segment, which are solar parks with aggregate capacity of 4.0 MW. In such cases, the Group owns the solar parks and produces the electricity, which it sells under a PPA to Eesti Energia. Eesti Energia, in turn, sells the electricity under a PPA for a fixed price to a client on whose land or rooftop the Group has built the solar facility.

(iii) O&M

The Group carries out operation and maintenance of the solar facilities located in Estonia (which have an aggregate production capacity of 12.1 MW) itself, while outsourcing certain maintenance and repair works (such as solar facility maintenance, resolution of technical issues and land area

cleaning) to third party contractors. In the solar facilities located in Poland (which have an aggregate production capacity of 18.2 MW), a single framework contract is in place for such maintenance and area cleaning works.

(d) Other

(i) Keila-Joa Hydroelectric Facility

The Group's hydroelectric facility at Keila-Joa in Estonia has installed capacity of 0.365 MW. The electricity production of the Keila-Joa hydroelectric facility was 0.8 GWh, 0.6 GWh, 0.4 GWh, 0.2 GWh and 0.7 GWh in the financial years ended 31 December 2020, 2019 and 2018, and the six months ended 30 June 2021 and 30 June 2020, respectively. The total lifetime of Keila-Joa hydroelectric facility is 25 years, and is expected to come to an end in 2030.

O&M activities in Keila-Joa are divided into three categories: (a) turbine, (b) electrical devices and (c) land and water area cleaning. Turbine maintenance is carried out by contractors depending on the working hours of the turbine. The Group uses different contractors for the maintenance of small low voltage electrical devices in Keila-Joa. The Group has a frame contract for the land and water area cleaning.

(ii) Ruhnu Island Renewable Energy Solutions

The Group has a PPA with the Estonian distribution system operator ("DSO"), Elektrilevi, for producing hybrid electricity on Ruhnu Island, consisting of wind turbine, a battery bank, two solar facilities and two diesel generators. The Group has outsourced specific maintenance and repair works of the battery bank, solar facilities and diesel generators on Ruhnu Island to third party contractors. The Group has also entered into a full service agreement for the operation and maintenance of the wind turbine on Ruhnu Island, with an availability warranty of 97%.

11.7.2. Revenue Model

The Group generates revenue from:

- FiP incentives (applicable in Estonia);
- FiT incentives (applicable in Lithuania and Latvia);
- CfD incentives (applicable in Poland);
- sales of electricity, heat and pellets to the market or counterparties (including regulated and contracted revenue streams);
- gate fees charged upon delivery of waste to the waste-to-energy unit at Iru; and
- physical PPAs with Eesti Energia in the form of electricity forward contracts under the EFET General Agreement (entered into in respect of the Šilale II and Akmene development projects, and under consideration in respect of other facilities). The Group has also entered into other physical PPAs with Eesti Energia with respect to certain solar parks.

For the year ended 31 December 2020, the Group generated revenue (together with renewable energy support and other operating income) of EUR 162.7 million, split across FiP revenues (20%), FiT revenues (26%), CfD revenues (1%), electricity market revenues (16%), heat market revenues (5%), pellet market revenues (10%), other contracted revenues (3%), gate fees (9%) and other (10%).

In terms of geographic spread and use of technology, the Group's revenue (together with renewable energy support and other operating income) for the year ended 31 December 2020 was split across Estonia (61%), Lithuania (23%), Latvia (14%) and Poland (1%), and across the Group's wind parks (52%), CHPs (35%), solar parks (4%) and other (9%)

For a discussion of the Group's revenue streams, see "Part 8 (Operating and Financial Review)".

(a) *Wind*

(i) **Estonian Wind Parks**

Electricity generated by the Estonian wind parks is sold on the Nord Pool power exchange.

Estonian wind parks benefit from a 12-year FiP of EUR 53.7/MWh. The 12-year FiP period has expired with regards to some of the Group's Estonian wind parks as outlined in the below table. In Estonia, an FiP is available up to a cap of 600 GWh produced per calendar year, above which no further subsidies are available. The cap of 600 GWh applies to electricity generated by the wind parks which are entitled to receive the FiP, namely the existing wind parks and certain wind park developments with regards to which irreversible commitments had been taken by 31 December 2016. The production from the Estonian wind parks which receive the benefit of the FiP has not exceeded the then-applicable cap since the TSO started publishing full production information in 2016, except in 2020, in which the cap was exceeded at the end of November, with implications for affected wind parks lasting one month. If the 600 GWh cap were to be exceeded any point in a given year, none of the otherwise qualifying wind parks would benefit from the FiP for electricity generated from the point in time at which the cap is exceeded until the end of that year. The 600 GWh threshold per calendar year will not apply to new wind parks which participate in future auctions in Estonia.

The incentives applicable to the Group's Estonian wind parks are set out in the table below:

Incentives applicable to Estonian Wind Assets in Operation				
Wind Park	Incentive type	Incentive value (EUR /MWh)	Residual incentive (years) as of 30 June 2021	Residual life of wind park (years) as of 30 June 2021
Virtsu.....	12-year FiP (expired)	n/a	n/a	14.3
Paldiski.....	12-year FiP	53.7	4.0	16.5
Narva.....	12-year FiP	53.7	4.0	21.5
Aulepa I.....	12-year FiP	53.7	0.1	7.7
Aulepa II.....	12-year FiP	53.7	5.7	9.7
Ojaküla.....	n/a	n/a	n/a	21.8
Aseriaru.....	12-year FiP	53.7	3.3	11.2
Paldiski II.....	12-year FiP	53.7	4.0	16.4
Pakri.....	12-year FiP (expired)	n/a	n/a	7.9
Vanaküla.....	12-year FiP	53.7	1.2	8.5
Viru-Nigula.....	12-year FiP	53.7	3.8	6.0
Tooma I.....	12-year FiP	53.7	0.8	18.4
Tooma II.....	12-year FiP	53.7	7.8	25.0
Esivere.....	12-year FiP (expired)	n/a	n/a	14.2
Virtsu I.....	12-year FiP (expired)	n/a	n/a	10.9
Virtsu II.....	12-year FiP (expired)	n/a	n/a	16.8
Virtsu III.....	12-year FiP	53.7	1.2	18.9
Weighted average			2.9	13.9

(ii) **Lithuanian Wind Parks**

All Lithuanian wind parks benefit from a 12-year FiT of EUR 86.89/MWh, except for the Silute wind park which benefits from a 12-year FiT of EUR 69.51/MWh and the Sudenai wind park in respect of which FiT has expired. As of 6 June 2021, electricity generated by the Sudenai wind park is sold on the Nord Pool power exchange.

The incentives applicable to the Group's Lithuanian wind parks are set out in the table below:

Incentives applicable to Lithuanian Wind Assets in Operation				
Wind Park	Incentive type	Incentive value (EUR/MWh)	Residual incentive (years) as of 30 June 2021	Residual life of wind park (years) as of 30 June 2021
Silute	12-year FiT	69.51	7.1	19.8
Ciuteliai	12-year FiT	86.89	3.8	21.5
Silale	12-year FiT	86.89	3.0	15.3
Mockiai	12-year FiT	86.89	1.8	19.4
Sudenai	12-year FiT (expired)	n/a	n/a	17.5
Weighted average			5.1	19.6

(b) *CHP*

Electricity generated by the Iru and Paide CHP facilities is sold on the Nord Pool power exchange.

The incentives applicable to the Group's CHP facilities are set out in the table below:

Incentives applicable to CHP Facilities in Operation				
Facility	Incentive type	Incentive value (EUR/MWh)	Residual incentive (years) as of 30 June 2021	Residual project life (years) as of 30 June 2021
Iru	Regulated revenue ⁽¹⁾ / FiP ⁽²⁾	53.7 ⁽³⁾ / 32.0 ⁽⁴⁾	4.0	17.2
	Regulated revenue ⁽¹⁾ / FiP ⁽²⁾			
Paide	Regulated revenue ⁽¹⁾ / FiT ⁽²⁾	53.7	5.1	14.2
Valka	FiT ⁽²⁾	105.55	11.3	11.3
Broceni	FiT ⁽²⁾	143.573	5.4	15.4
Weighted average			4.9	16.2

Notes:

- (1) Regulated revenue applicable for sale of heat.
- (2) FiP and FiT applicable for sale of electricity.
- (3) FiP value for sale of electricity generated from waste with a biodegradable component.
- (4) FiP value for sale of electricity generated from waste without a biodegradable component.

(i) *Iru*

The Group has entered into an agreement with AS Utilitas Tallinn for the sale of heat generated by the Group's waste-to-energy unit at Iru during a period of twelve years from the start of production, i.e. until 15 February 2027.

Pursuant to the agreement, the Group may charge the lower of (i) the heat price calculated according to the formula set out in the relevant agreement, or (ii) the maximum heat price limit approved by the ECA. The formulas set forth in the agreements tie the heat price to the variable price of heat as would be produced by alternative gas-fired heat-only boilers. This means that the price of natural gas supplied to the district heating network operator, in addition to the price of CO₂ emission allowances, may affect the amount Group is able to charge. The maximum heat price set by the ECA is based on a number of criteria. As at 30 June 2021, the maximum heat price set by the ECA was EUR 7.98/MWh for waste-to-energy heat production.

In addition, the Iru waste-to-energy unit receives gate fees from companies providing the waste. Gate fees are driven by environmental charges and costs for alternative methods of waste treatment (such as landfill and recycling). The Group runs competitive tenders between waste collection companies and participates in waste treatment tenders which run for up to three years in advance, and so has visibility over this period as to the level of gate fees. To the extent the level of gate fees is expected to increase in the near- to medium-term, the Group has the obligation to assess these and apply for regulatory approval for a reduction in the regulated heat price, as long as such reduction is expected to be more than 5% of the final tariff, in order to avoid surpassing the permitted level of heat sale profitability and cross-subsidising energy production by the revenues derived from heat production. Similarly, if the level of gate fees were expected to reduce based on the abovementioned forward-looking visibility, the Group could apply for regulatory approval for an increase in heat price.

For the sale of electricity, the Iru CHP facility receives FiP of EUR 53.7/MWh for the electricity generated from waste which contains a biodegradable component and FiP of EUR 32.0/MWh for the electricity generated in efficient co-generation mode from waste which does not contain a biodegradable component. The Group's total subsidy as at 30 June 2021 was based on the percentage of the waste received by the Iru waste-to-energy unit having a biodegradable component, however the proportion, and therefore the proportion of electricity sold which benefits from the higher subsidy, is liable to change.

(ii) Paide CHP facility

The Paide CHP facility benefits from an FiP of EUR 53.7/MWh for electricity produced from biomass. Such benefit is for a twelve year period, which expires in July 2026. The Group leases the district heating network pursuant to a long-term arrangement, and can therefore sell heat generated by the Paide CHP facility directly to end customers. The maximum heat price for sale of heat to end customers set by the ECA is EUR 52.33/MWh as at 30 June 2021.

(iii) Valka CHP facility

The sale of electricity is based on a contract with public trader obliged to purchase all produced electricity for a 20 year period expiring in September 2032. The heat sales contract is between Enefit Power and Heat and Valka municipality, which sells the purchased heat on to the public heat supply licence holder. The heat sold to the Valka municipality is fixed at EUR 40.0 / MWh.

The Valka CHP facility benefits from an FiT in the amount of EUR 105.55/MWh, which is subject to annual revision.

FiT is revised with an intention to guarantee 9% IRR for the owner of the CHP facility and avoid overcompensation to the facility.

With respect to the Valka CHP facility current regulation foresees that 50% of the produced heat after own consumption must be utilised usefully. Regulatory authorities may issue a warning in case of non-compliance with applicable laws and in case of failure to rectify the violation, the mandatory purchase of electricity may be stopped.

(iv) Broceni CHP and pellet facility

The Broceni CHP benefits from an FiT of EUR 143.573/MWh secured for 10 years (expiring in November 2026); all heat produced by the Broceni CHP plant is sold to the Broceni pellet factory. The Broceni CHP facility must fulfil useful heat utilisation benchmark and operate at 75% efficiency level. Regulatory authorities may issue a warning in case of non-compliance with applicable laws and in case of failure to rectify the violation, the mandatory purchase of electricity may be stopped.

As of 30 June 2021, the Group had three outstanding longer-term contracts for the sale of pellets. Under the contract with Ørsted A/S, which will expire in May 2024, the Group agreed to sell 255,000 tonnes of pellets over the duration of the contract. Under the contract with Engie which will expire in September 2022, the Group agreed to sell 125,000 tonnes of pellets over the duration of the contract. The Group also has a master agreement with Drax, but does not currently have specific commitments for the sale of pellets. The Group also sells pellets pursuant to shorter-term contracts at spot prices.

The price for the heat is agreed by the parties annually. In 2021, the price for heat was agreed at EUR 15.40/MWh.

(c) Solar

The Group's Estonian solar parks benefit from a 12-year FiP of EUR 53.7/MWh.

The Group's Polish solar parks are subject to a 15-year CfD. Pursuant to CfDs, the relevant energy producer sells the electricity generated by a given solar park on the market and receives from the subsidy provider (the dedicated Polish state-owned entity, Zarządca Rozliczeń S.A.) any additional amount over the market average price (the so-called 'negative balance'), up to a price set at auction for the given project. If the market price is above the price set at auction, such surplus is first off-set against the negative balance in the following settlement periods and then the energy producer is obliged to return such unsettled part of the surplus to the state at the conclusion of the term of the CfD. The average electricity price under the Group's CfDs was EUR 95.11 / MWh in 2020. Prices are subject to annual indexation in line with the consumer price index and realised prices in EUR are subject to changes in PLN/EUR exchange rates.

Certain electricity produced by the Group's solar parks are sold under PPAs with Eesti Energia, which has entered into back-to-back PPAs with certain clients for the sale of electricity at a fixed price. Eesti Energia bears the risk of non-payment by the clients under the PPAs.

(d) Other

Keila-Joa hydroelectric facility does not benefit from a FiP as the 12-year FiP period has expired. The energy produced by it is sold on the Nord Pool power exchange.

Ruhnu I solar park (with net installed capacity of 0.15 MW) benefits from an FiP of EUR 53.7/MWh until 2030 and Ruhnu II solar park (with net installed capacity of 0.05MW) until 2033. Ruhnu wind turbine (with net installed capacity of 0.05 MW) benefits from an FiP of EUR 53.7/MWh until 2024. Other units in Ruhnu do not benefit from an FiP and electricity produced is sold under a PPA with the Estonia DSO, Elektrilevi OÜ.

11.7.3. Operating Model

The Group pursues a develop-to-own strategy under which it develops projects with the intention of continuing to own and operate the assets post-construction. For the most part, the Group develops greenfield projects in-house. The development team has extensive experience and diversified capabilities to develop projects from scratch until commissioning. For example, the development team has the capability and access to GIS programs to find the potential locations of wind parks, Lidars to measure the wind, special programs to analyse the wind resources and potential production. In certain cases, the Group acquires projects early in their development, for example, when land rights have been purchased or permits have been obtained (or, more rarely, at later stages), or enters into agreements for the development of projects with third parties, but nevertheless takes the same general approach to development, organisation of procurement and financing, construction and operation for the project as it would take for those it has developed from the outset.

Development gate	Resources required and key responsibilities					
	Business development & Project managers	Land acquisition specialist	Legal & regulatory specialist	Environmental specialist	Electrical engineer	Procurement specialist (for outsourced services)
DG1 e.g. mapping, land acquisition, EIA & grid planning	<ul style="list-style-type: none"> Site mapping Site risk evaluation and preliminary surrounding conditions Initiating spatial planning and other procedures (if necessary) Agreeing on land lease, SPZ and Servitude contracts 	<ul style="list-style-type: none"> Preparation and execution of land acquisition Preparation of land formation and restoration projects for land plots. 	<ul style="list-style-type: none"> Preparation of all necessary contracts and risk evaluation 	<ul style="list-style-type: none"> Coordination of EIA and public health process 	<ul style="list-style-type: none"> Grid connection evaluation and preliminary connection agreement with TSO or DSO 	<ul style="list-style-type: none"> Contractors for EIA, PHA and other initial procurement
DG2 e.g. wind measurements, bankability, grid connection agreement	<ul style="list-style-type: none"> Approval of spatial or detailed plan Wind modelling Micro siting Technical designs WTG 	Civil engineer & financial analyst <ul style="list-style-type: none"> Financial analysis Financial modelling 	<ul style="list-style-type: none"> Spatial and detail planning process legal analysis 	<ul style="list-style-type: none"> Finalisation of EIA 	<ul style="list-style-type: none"> Grid connection conditions evaluation and preliminary grid connection solution Technical designs substation and TSO part 	<ul style="list-style-type: none"> Tendering process for wind modelling, technical designs
DG3 e.g. building permits auctions bidding, tendering	<ul style="list-style-type: none"> Applying for development permit Building permits for WTG, substation and infrastructure Potential auctions bidding / PPAs FID readiness 	<ul style="list-style-type: none"> Final long term financial modelling Site supervision and H&S program preparation 	<ul style="list-style-type: none"> Potential auctions bidding or other subsidies EPS, FSA and BoP contract preparation Grid connection contract evaluation 	<ul style="list-style-type: none"> Preparation of environmental and construction monitoring program 	<ul style="list-style-type: none"> Grid connection agreements Substation and TSO part building permit Preparation and approval of TSO test program 	<ul style="list-style-type: none"> Tendering for technology and EPC, O&M and BoP agreements
DG4 e.g. FID, EPC execution, commissioning	Construction / Project manager <ul style="list-style-type: none"> EPC execution Lead of necessary tasks in taking over procedures Energy generation certificate 	<ul style="list-style-type: none"> EPC execution 	<ul style="list-style-type: none"> Support in preparation of Commissioning documentation Support in preparation of final building completion documentation 	Operations specialist <ul style="list-style-type: none"> EPC execution Preparation for O&M Participation in WTG taking over procedures Taking over of the project 	<ul style="list-style-type: none"> Coordination of substation and TSO part construction Coordination of TSO program implementation Taking over WTG and BoP part 	

New developments are planned based on the Group's strategy. Based on the strategic goals, the development team is setting targets for projects and technologies to be realized. Considering that development of a project takes about 2-5 years and not all developments could reach FID as expected, the Company constantly maintains a large portfolio of developments. The development pipeline is divided into short term (projects with expected COD within strategy term) and long-term development pipeline (COD falls outside strategy period and consists of greenfield developments in different stages). Each project in the portfolio of developments is evaluated based on economic KPIs.

The projects are developed to be suitable for potential auctions/tenders for renewable energy support and/or market price/PPA. When the development project reaches ready-to-build status and revenue model is in place, the project FID will be taken to construct the project.

11.7.4. Customers

The largest purchaser of electricity produced by the Group is the Nord Pool power exchange, which accounted for 20.6% of the Group's revenue in the year ended 31 December 2020. Transactions are settled on the Nord Pool exchange on a daily basis.

The largest purchaser of heat produced by CHP facilities is AS Utilitas Tallinn, which purchases heat from the Iru facility. AS Utilitas Tallinn is invoiced once a month. Waste companies pay gate fees, on a monthly basis, to the Company for processing the waste they provide to the Iru waste-to-energy unit.

The largest counterparty for pellet sales is Ørsted A/S, a Danish energy company.

11.7.5. Significant Contracts and Suppliers

The Group's most important contracts include its agreement with network operators, its O&M agreements, its fuel supply agreements and its contracts for the sale of electricity, heat and pellets. The Group has numerous such contracts and is not dependent on any particular one.

11.8 PROJECTS IN DEVELOPMENT

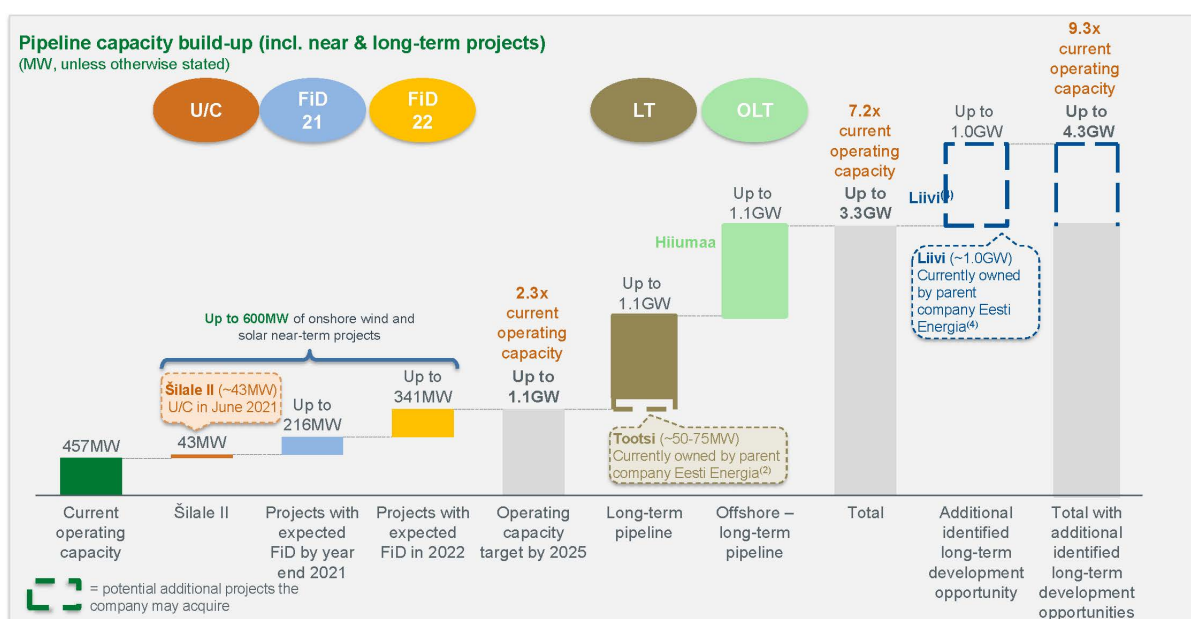
The information below regarding the Group's anticipated project development pipeline is provided as of 31 August 2021. For additional updates thereafter, please see "Part 11 (Business), Section 11.2 (Recent Developments)".

The Group's project pipeline consists of wind parks ("WPs") and solar parks ("PVs"). These are at various stages of development. The Group's near-term development project pipeline of wind and solar consists of projects up to 600 MW capacity, of which 43.2 MW is under construction. In addition, the visible long-term pipeline consists of projects of up to 1.1 GW and long-term offshore potential of up to 1.1 GW. The total installed capacity, considering the current development portfolio, could reach up to 4.3 GW and the total capital expenditure for the portfolio is estimated to be up to EUR 600 million for the period 2021-23. The target initial rate of return of WACC is + 200bps for the new investment projects.

The Group keeps its project pipeline under active review and continually works to expand this with new projects.

The near-term pipeline consists of various projects with a potential for FID by the end of 2021. Silale II WP project (43.2 MW) is currently under construction. Zambrow PV (~8.4 MW) recently secured a CfD at auction and is in preparation to start construction. Akmene WP (~75.0 MW) has conducted turbine construction procurement and is ready for commencement once its EIA receives approval. Tolpanvaara and Purtse wind parks' procurements are ongoing, with an expected FID by the end of 2021. Loopealse PV, Elektriiaama PV and Debnik PV are in a phase to secure the revenues with auctions or PPAs. Purtse PV has potential to create synergy with Purtse WP and final negotiations are currently being carried out to secure the land and then to secure the revenue streams.

Projects with a potential FID in 2022 include Sopi WP (up to 160 MW) and PV (up to 61 MW) projects, which have potential to participate in the Estonian 450 GWh renewable auction. In addition, Kelme I WP (up to 80 MW) and Strzalkowo PV (up to 40 MW) have the potential to reach ready-to-build status.



1. The Community is our partner
2. Limited environmental impact
3. Advanced technology
4. Synergies with existing projects
5. Implementation of international best practices

11.8.1. Overview

The development projects can be categorised as follows:

a) Under construction:

- Šilale II WP.
- Should this project be executed and become operational on the basis currently contemplated, it is estimated that it would provide additional capacity of approximately 43 MW.

b) Final investment decision expected by the end of 2021:

- Akmeņe WP, Tolpanvaara WP, Purtsē WP, Purtsē PV, Loopealse PV and Elektrijsaama PV, Dębnik PV and Zambrów PV.
- Should these projects be executed and become operational on the bases currently contemplated, it is estimated that they would provide additional capacity of up to approximately 216 MW.

c) Final investment decision expected by end of 2022:

- Sopi WP, Sopi PV, Kelme I WP and Strzalkowo PV.
- Should these projects be executed and become operational on the bases currently contemplated, it is estimated that they would provide additional capacity of up to approximately 341 MW.

d) Visible long-term pipeline projects:

- Various onshore WP and PV projects in early stages of planning and development, comprising Paldiski PV, Tootsi WP, Risti WP, Siiraku WP, Põlendmaa WP, Usnova PV, Poland PV new, Šilute II WP, Šilute III WP, Pakruojis, Birzai/Joniskis, Kelme II WP and Kelme III WP.
- Should these projects be executed and become operational on the bases currently contemplated, it is estimated that they would provide additional capacity of up to approximately 1,112 MW.

e) Long-term offshore pipeline projects:

- Hiiumaa (an early stage WP development project).
- Should this project be executed and become operational on the basis currently contemplated, it is estimated that it would provide additional capacity of up to approximately 1.1 GW.

f) Additional identified long-term development opportunity:

- Liivi, an off-shore wind development project currently owned by Eesti Energia. An agreement is being put in place under which Eesti Energia will offer the Group the possibility to participate in and/or acquire the project on market terms and on a non-exclusive basis, subject to certain conditions being fulfilled. There can be no assurance that such conditions will be fulfilled and that the Group will acquire the project or can participate in its development. In case of participation, the Group's share in the project will be subject to negotiations and depend on the shares of other participants.
- It is currently anticipated that the Group's share could provide additional capacity of up to 1 GW to its total portfolio.

Subject to the below, it is estimated that the Group's total capacity would reach up to 4.3 GW (including the Group's existing capacity of 457 MW), should all development projects be executed and become operational on the bases currently contemplated.

The completion of these projects is dependent on a number of contingencies, including circumstances outside of the control of the Group, and in particular:

- i. Acquisition of land rights in relation to wind turbines and/or solar installations, and the related infrastructure such as electricity cables, access roads, noise tolerance servitudes, and in the case of offshore WPs in Estonia, issuance of superficies licenses by the state, as well as specific permits for special use of water.
- ii. Completion of environmental impact assessments.
- iii. Approval of planning, development and building permits by competent authorities, whereas such permits may be subject to legal challenges from interested parties, including in particular local residents or other interest groups, in which case the rights acquired under such permits may be suspended until the respective dispute is settled.
- iv. Establishment of grid connections.
- v. Completion of tenders for engineering and design, and construction of the project.
- vi. Determination of appropriate revenue model (and, where relevant, negotiation and agreement of offtake arrangements with third parties).
- vii. Transfer of two projects (Liivi offshore WP and Toosti onshore WP) and land rights relating to certain other projects (see "Section 11.8.3 (Additional Project-Specific Information)") from Eesti Energia and/or other Parent Group entities to the Company.

In case of the near-term pipeline (projects with final investment decisions expected by end of 2021 or 2022), the capacities presented are based on the chosen wind turbine model/solar installation for each development project depending on the location, planning restrictions, available wind conditions and solar irradiance data, and other considerations.

In case of the long-term pipeline, the capacities presented are based on the general wind turbine model/solar installation anticipated for each development project depending on the location, planning restrictions, available wind conditions and solar irradiance data as well as other considerations.

For further information, see "Part 2 (Risk Factors), in particular, Section 2.2 (Risks relating to our relationship with Eesti Energia and Section 2.4.1 (The Group's development plan is capital intensive and subject to uncertainty), as well as Part 11 (Business), Section 11.8.3 (Additional Product-Specific Information)".

11.8.2. Revenue Models

As part of its development planning, the Group anticipates using the following four revenue models.

(a) Renewable energy auction

Where available, the Group aims to participate in renewable energy auctions to obtain subsidies for its development projects. See “Part 10 (Regulatory Overview).”

(b) PPAs

Where renewable energy auctions are not available, the Group plans to use revenue models centred around PPAs. These are expected to take the form of either:

- i. Physical PPAs, pursuant to which the Group enters into agreements with clients (including state actors, utilities and, in certain cases, corporate offtakers) for the sale of electricity at stated prices; or
- ii. Physical PPAs entered into with Eesti Energia in the form of electricity forward contracts under the EFET General Agreement, in order to hedge wholesale electricity price risk. For further information, please see Part 8 (Operating and Financial Review), Section 8.13 (Off-Balance Sheet Transactions)."

(c) Feed-In-Premiums (FiPs)

For the development of the Purtse WP, the Group intends to use Feed-in-Premiums; a state support scheme currently applicable to the Group's operations in Estonia, which provide for fixed premiums on wholesale market power prices for a specified period of time. For further information, please see “Part 10 (Regulatory Overview), Section 10.1.1 (Renewable Energy Support Schemes)”.

(d) Guarantees of Origin

Additionally, the Group will sell the Guarantees of Origin that its development projects are entitled to receive on their respective output.

11.8.3. Additional Project-Specific Information¹⁵⁹

(a) Under construction

(i) Šilale II WP

Šilale II WP

Current status:

Land rights	Lease agreement signed
Planning / development permits	Development permit valid until 21 August 2022 (with 6 months extension option, subject to fulfilment of applicable prerequisites)
Environmental impact assessment	Completed
Building permit	In place
Grid connection	Final connection conditions in place
TSA	Signed

¹⁵⁹ Land rights refer to wind turbines/solar installation for each development project depending on the location, planning restrictions, available wind conditions and solar irradiance data and other considerations.

Šilalė II WP

Expected key parameters:

Capacity	~43 MW
Number of turbines	12
Turbine supplier / type	General Electric GE137-3.6 MW at 131.4m hub height
Estimated asset lifetime	30 years
Expected commercial operation date	Q1 2023
Expected first full year production	159 GWh / year
Expected capital expenditure	EUR 1.35m/MW
Estimated CAPEX % per year (2021E)	32%
Estimated CAPEX % per year (2022E)	63%
Estimated CAPEX % per year (2023E)	4%
Expected operating cost (lifetime average)	EUR 29.5k/MW
Location	Lithuania
Revenue model	EUR 40/MWh 5-year fixed price baseload PPA (covering approximately 80% of production and commencing 1 January 2023)

(b) Development projects with expected investment decision by the end of 2021

(i) Akmenė WP

Akmenė WP

Current status:

Land rights	In place
Planning / development permits	In place (valid until Feb 2023, extension required)
Environmental impact assessment	Approval valid for 36MW; EIA submitted for 75MW
Radar zone	Compensational agreement prepared, but not signed
Building permit	To be applied for post-EIA
Grid connection	Final connection conditions in place, letter of intent with the TSO signed, performance guarantee paid
TSA	Signed

Expected key parameters:

Estimated capacity	~ 75MW
Number of turbines	14
Turbine supplier / type	General Electric GE158-5.5 MW, GE 158-5.3 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q3-Q4 2021
Expected commercial operation date	Q3 2023
Expected first year production range	258 GWh / year
Expected capital expenditure	EUR 1.12m/MW
Estimated CAPEX % per year (2021E)	25%
Estimated CAPEX % per year (2022E)	60%
Estimated CAPEX % per year (2023E)	15%
Expected operating cost (lifetime average)	EUR 26.6k/MW
Location	Lithuania
Revenue model	EUR 39/MWh 5-year fixed price baseload PPA (covering

Akmene WP

approximately 80% of production and commencing 1 January 2023)

(ii) Tolpanvaara WP

Tolpanvaara WP

Current status:

Land rights	In place
Planning / development permits	In place
Environmental impact assessment	Completed
Radar zone	Clearance received
Building permit	In place (valid until May 2023)
Grid connection	Built and in place (currently agreed to be valid until Dec 2023)
TSA	Tender to be renewed

Expected key parameters:

Estimated capacity	~72MW
Number of turbines	Up to 22
Turbine supplier / type	150 m; 4.2-5.0 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q4 2021
Expected commercial operation date	Q1 2024
Expected first year production range	~237-261 GWh / year
Capital expenditure	EUR 0.91-1m/MW
Estimated CAPEX % per year (2022E)	50%
Estimated CAPEX % per year (2023E)	50%
Estimated CAPEX % per year (2024E)	< 5%
Expected operating cost (lifetime average)	EUR 23-26k/MW
Location	Finland
Revenue model	Exploring PPAs

(iii) Purtse WP

Purtse WP

Current status:

Land rights	In place
Planning / development permits	Completed, Tip height 150 m
Environmental impact assessment	Completed
Building permit	In place (valid until Jan 2023), change of turbine type may require further approvals
Grid connection	45 MW secured
TSA	Procurement ongoing

Expected key parameters:

Estimated capacity	~18-20 MW
Number of turbines	5
Turbine supplier / type	130m; 3.6-4 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q4 2021
Expected commercial operation date	Q2 2023
Expected first year production range	42-47 GWh / year
Expected capital expenditure	EUR 1.21-1.33m/MW
Estimated CAPEX % per year (2021E)	15%
Estimated CAPEX % per year (2022E)	70%
Estimated CAPEX % per year (2023E)	15%

Purtse WP	
Expected operating cost (lifetime average)	EUR 28-31k/MW
Location	Estonia
Revenue model	FIP of EUR 53.7/MWh for 12 years as of commencement of production (i.e. issuance of compliance certificate by the TSO) according to TSO pre-decision

(iv) Purtse PV

Purtse PV	
<i>Current status:</i>	
Land rights	No land rights acquired
Planning / development permits	Not started
Building permit	Not started
Grid connection	To be applied for – sharing connection point with Purtse WP
<i>Expected key parameters:</i>	
Estimated capacity	~30 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q4 2021
Expected commercial operation date	Q1 2023
Expected first year production range	~31-32 GWh / year
Expected capital expenditure	EUR 0.48-0.53m/MW
Estimated CAPEX % per year (2021E)	< 5%
Estimated CAPEX % per year (2022E)	95%
Estimated CAPEX % per year (2023E)	< 5%
Expected operating cost (lifetime average)	EUR 5-6k/MW
Location	Estonia
Revenue model	Exploring PPAs

(v) Loopealse PV

Loopealse PV	
<i>Current status:</i>	
Land rights	In place
Planning / development permits	Not required
Building permit	In place
Grid connection	Grid connection agreement proposal received
<i>Expected key parameters:</i>	
Estimated capacity	~2 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q4 2021
Expected commercial operation date	Q3 2022
Expected first year production range	1.6-1.7 GWh
Expected capital expenditure	EUR 0.55-0.61m/MW
Estimated CAPEX % per year (2021E)	20%
Estimated CAPEX % per year (2022E)	80%
Expected operating cost (lifetime average)	EUR 8-9k/MW
Location	Estonia
Revenue model	Participated in July 2021 auction – results pending

(vi) Elektriijaama PV

Elektriijaama PV

Current status:

Land rights	No land rights in place. ⁽¹⁾
Planning / development permits	Not required
Building permit	In place
Grid connection	Pending

Expected key parameters:

Estimated capacity	~3 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q4 2021
Expected commercial operation date	Q3 2022
Expected first year production range	3.1-3.2 GWh
Expected capital expenditure	EUR 0.55-0.61m/MW
Estimated CAPEX % per year (2021E)	15%
Estimated CAPEX % per year (2022E)	85%
Expected operating cost (lifetime average)	EUR 8-9k/MW
Location	Estonia
Revenue model	Participated in July 2021 auction – results pending

⁽¹⁾ Land owned by Enefit Power, a subsidiary of Eesti Energia. There can be no assurance that land rights will be granted to the Company.

(vii) Dębnik PV

Dębnik PV

Current status:

Land rights	In place
Planning / development permits	Granted
Building permit	In place (valid until July 2023)
Grid connection	Grid connection signed

Expected key parameters:

Estimated capacity	~6 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q3 2021
Expected commercial operation date	Q3 2022
Expected first year production range	6.4-6.6 GWh
Expected capital expenditure	EUR 0.69-0.76m/MW
Estimated CAPEX % per year (2022E)	100%
Expected operating cost (lifetime average)	EUR 18-20k/MW
Location	Poland
Revenue model	Exploring PPAs

(viii) Zambrów PV

Zambrów PV

Current status:

Land rights	In place
Planning / development permits	Granted
Building permit	In place (valid until April 2023)
Grid connection	Grid connection signed

Expected key parameters:

Estimated capacity	~8 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q3 2021

Zambrów PV

Expected commercial operation date	Q3 2022
Expected first year production range	9.1-9.5 GWh
Expected capital expenditure	EUR 0.64-0.71m/MW
Estimated CAPEX % per year (2022E)	100%
Expected operating cost (lifetime average)	EUR 15-16k/MW
Location	Poland
Revenue model	EUR 49.25/MWh ⁽¹⁾ CfD awarded

⁽¹⁾ 224.80 Zloty

(c) Development projects with expected investment decision in 2022

(i) Sopi WP

Sopi WP

Current status:

Land rights	In place
Planning / development permits	Completed, tip height 250m
Environmental impact assessment	Completed
Radar zone	No restrictions
Building permit	To be applied for
Grid connection	To be applied for
TSA	Tenders to be renewed

Expected key parameters:

Estimated capacity	Up to ~160 MW
Number of turbines	~26 ⁽¹⁾
Turbine supplier / type	150-170 m, 4.2-6.2 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q3 2022
Expected commercial operation date	Q3 2024
Expected first year production range	461-509 GWh
Capital expenditure	EUR 1.05-1.16m/MW
Estimated CAPEX % per year (2022E)	20%
Estimated CAPEX % per year (2023E)	50%
Estimated CAPEX % per year (2024E)	30%
Expected operating cost (lifetime average)	EUR 19-21k/MW
Location	Estonia
Revenue model	Renewable auction to be announced for 450 GWh in Q4 2021

⁽¹⁾ Land plots for WTG-s, total capacity dependent on single turbine capacity.

(ii) Kelme I WP

Kelme I WP

Current status:

Land rights	In place
Planning / development permits	To be applied for
Environmental impact assessment	Approval valid for 83 MW (with WTG capacity of up to 3.6 MW); EIA submitted for 80 MW (with WTG capacity of up to 6.2 MW and tip height 230m)
Radar zone	Not in the radar zone
Building permit	To be applied for
Grid connection	To be applied for

Kelme I WP

TSA	None
<i>Expected key parameters:</i>	
Estimated capacity	~80 MW
Number of turbines	15
Turbine supplier / type	150-170m; 5-6.2 MW; under 106dB(A)
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q1 2022
Expected commercial operation date	Q1 2024
Expected first year production range	256-283 GWh
Capital expenditure	EUR 1.14-1.26m/MW
Estimated CAPEX % per year (2022E)	35%
Estimated CAPEX % per year (2023E)	55%
Estimated CAPEX % per year (2024E)	10%
Expected operating cost (lifetime average)	EUR 25-27k/MW
Location	Lithuania
Revenue model	To be confirmed

(iii) Strzalkowo PV

Strzalkowo PV

<i>Current status:</i>	
Land rights	Lease agreement signed
Planning / development permits	Granted
Building permit	To be applied for
Grid connection	To be applied for
<i>Expected key parameters:</i>	
Estimated capacity	~40 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q2 2022
Expected commercial operation date	Q2 2023
Expected first year production range	43-45 GWh
Estimated capital expenditure range	EUR 0.46-0.51m/MW
Estimated CAPEX % per year (2022E)	100%
Estimated operating cost (lifetime average)	EUR 14-16k/MW
Location	Poland
Revenue stream	Exploring PPAs

(iv) Sopi PV

Sopi PV

<i>Current status:</i>	
Land rights for solar installation	No land rights acquired
Planning / development permits	Not started
Building permit	To be applied for
Grid connection	To be applied for – might share with Sopi WP
<i>Expected key parameters:</i>	
Estimated capacity	~61 MW
Estimated asset lifetime	30 years
Expected Final Investment Decision	Q3 2022 ⁽¹⁾
Expected commercial operation date	Q3 2024
Expected first year production range	63-65 GWh
Estimated capital expenditure range	EUR 0.46-0.51m/MW
Estimated CAPEX % per year (2023E)	50%

Sopi PV	
Estimated CAPEX % per year (2024E)	50%
Estimated operating cost (lifetime average)	EUR 6-6k/MW
Location	Estonia
Revenue stream	Renewable auction to be announced for 450 GwH in Q4 2021 or PPAs

⁽¹⁾ The construction will begin later. Sopi PV will be constructed with Sopi WP.

(d) *Visible long-term pipeline projects*¹⁶⁰:

(i) Paldiski PV

Paldiski PV	
<i>Current status:</i>	
Location	Estonia
Capacity	~24 MW
Land rights	Ownership secured
Planning / development permits	Not started
Environmental impact assessment	Not started
Grid connection	To be applied for

(ii) Tootsi WP

Tootsi WP ⁽¹⁾	
<i>Current status:</i>	
Location	Estonia
Capacity	~50-75 MW
Land rights	Owned by Tootsi Windpark, a subsidiary of Eesti Energia
Planning / development permits	Completed, tip height 250 m
Environmental impact assessment	Completed, 12 WTGs, risk of black stork which inhabited area after EIA. Discussions with ornithologist ongoing.
Grid connection	Connection point built; 138 MW contracted.

⁽¹⁾ Currently owned by parent company Eesti Energia. An agreement is being put in place under which Eesti Energia will offer the project to the Company at market terms before pursuing further development works or offering the project to third parties, subject to certain conditions being fulfilled. There can be no assurance that such conditions will be fulfilled and that the Company will acquire the project.

(iii) Risti WP

Risti WP	
<i>Current status:</i>	
Location	Estonia
Capacity	~168 MW
Land rights	Ownership secured
Planning / development permits	Court case ongoing with regards to initiating planning
Environmental impact assessment	Court case ongoing with regards to initiating EIA
Grid connection	To be applied for

¹⁶⁰ In case of long-term pipeline, the capacities are based on the general wind turbine model/solar installation for each development project depending on the location, planning restrictions, available wind conditions and solar irradiance data as well as other considerations.

(iv) Siiraku WP

Siiraku WP	
<i>Current status:</i>	
Location	Estonia
Capacity	~56 MW
Land rights	Ownership partly secured
Planning / development permits	Planning initiated
Environmental impact assessment	EIA initiated (first stage initiated)
Grid connection	To be applied for

(v) Põlendmaa WP

Põlendmaa WP	
<i>Current status:</i>	
Location	Estonia
Capacity	~45 MW
Land rights	Ownership partly secured
Planning / development permits	Planning initiated
Environmental impact assessment	EIA initiated (first stage initiated)
Grid connection	To be applied for

(vi) Usnova PV

Usnova PV	
<i>Current status:</i>	
Location	Estonia
Capacity	~69 MW
Land rights	No land rights acquired ⁽¹⁾
Planning / development permits	Not started
Environmental impact assessment	Not started
Grid connection	To be applied for

⁽¹⁾ Land currently owned by Enefit Power, a subsidiary of Eesti Energia. There can be no assurance that land rights will be granted to the Company.

(vii) Poland PV new

Poland PV new	
<i>Current status:</i>	
Location	Poland
Capacity	~150 MW
Land rights	No land rights acquired
Planning / development permits	Not started
Environmental impact assessment	Not started
Grid connection	To be applied for

(viii) Dundaga WP

Dundaga WP	
<i>Current status:</i>	
Location	Latvia
Capacity	~72 MW
Land rights	No land rights acquired
Planning / development permits	Not started
Environmental impact assessment	Not started
Grid connection	To be applied for

(ix) Šilute II WP

Šilute II WP

Current status:

Location	Lithuania
Capacity	~39 MW
Land rights	Lease agreements signed
Planning / development permits	Not started
Environmental impact assessment	EIA screening for 39 MW complete and prolonged April 2022
Grid connection	To be applied for

(x) Šilute III WP

Šilute III WP

Current status:

Location	Lithuania
Capacity	~38.5 MW
Land rights	Lease agreements signed
Planning / development permits	Not started
Environmental impact assessment	EIA screening for 38.5 MW complete and prolonged Jan 2024
Grid connection	To be applied for

(xi) Pakruojis

Pakruojis

Current status:

Location	Lithuania
Capacity	~120 MW
Land rights	Lease agreements signed
Planning / development permits	Planning initiated
Environmental impact assessment	Not started
Grid connection	Preliminary connection valid for 6 months received in order to evaluate possible connection costs

(xii) Birzai/Joniskis

Birzai/Joniskis

Current status:

Location	Lithuania
Capacity	~120 MW
Land rights	Under negotiation
Planning / development permits	Not started
Environmental impact assessment	Not started
Grid connection	To be applied for

(xiii) Kelme II WP

Kelme II WP⁽¹⁾

Current status:

Location	Lithuania
Capacity	~80 MW

⁽¹⁾ Under the process of acquisition.

(xiv) Kelme III WP

Kelme III WP ⁽¹⁾	
<i>Current status:</i>	
Location	Lithuania
Capacity	~80 MW

⁽¹⁾ Under the process of acquisition.

(e) Long-term offshore pipeline projects:

(i) Hiiumaa WP (offshore)

Hiiumaa WP	
<i>Current status:</i>	
Land rights	Application for issuance of superficies license filed ⁽¹⁾
Planning / development permits.....	No maritime plan for establishment of offshore wind park
Environmental impact assessment	Ongoing (for special use of water)
Grid connection.....	To be applied for
<i>Expected key parameters:</i>	
Expected commercial operation date	2029+
Turbine supplier / type (option 1)	Height ca 185 m, rated power 7 MW, sound level under 110.0 dB(A)
Turbine supplier / type (option 2)	Height ca 245 m, rated power 12 MW, sound level under 115.0 dB(A)
Turbine supplier / type (option 3)	(option under preparation/evaluation) Height ca 250 m, rated power 15 MW, sound level not defined yet
Capacity	Up to 1,100 MW
Location	Estonia

⁽¹⁾ Proceedings for issuance of the superficies licence are on hold until approval of the EIA for special use of water permit.

(f) Additional identified long-term development opportunity:

Liivi WP is an off-shore renewable energy project that is currently owned by Eesti Energia. An agreement is being put in place under which Eesti Energia will offer the Group the possibility to participate in and/or acquire the project on market terms and on a non-exclusive basis, subject to certain conditions being fulfilled. There can be no assurance that such conditions will be fulfilled and that the Group will acquire the project or can participate in its development. In case of participation the Company's share in the project will be subject to negotiations and depend on the shares of other participants.

(i) Liivi WP (offshore)

Liivi WP	
<i>Current status:</i>	
Land rights	Exclusive rights to receive superficies license
Planning / development permits	Maritime plan for establishment of offshore wind park approved

Liivi WP	
Environmental impact assessment	EIA scoping approved, EIA ongoing
Grid connection	To be applied for
Expected commercial operation date	2027+
Capacity	Up to 1,000 MW
Location	Gulf of Riga

11.9 RESEARCH AND DEVELOPMENT

In 2019, the Group's asset management team commenced the development of a predictive maintenance platform for all production units. In 2020, the operational data of every wind park was integrated with the platform to predict faults for main components. The predictive maintenance system has been adopted to maintain high levels of production for older assets and to increase production levels where possible. As part of this system, all production and asset management tasks are carried out according to a long-term asset management strategy that is based on continually improved processes and increase efficiency. In implementing its asset management strategy, the Group uses principles from asset management standard ISO 55001 as a reference guide.

A summary of the Group's other key research and development projects is included below.

- Controller software updates for all turbines in Aulepa and Vanaküla wind parks were completed at the beginning of 2020 to lessen mechanical vibrations. The cost of such updates was approximately EUR 70,000.
- Supervisory Control and Data Acquisition software ("SCADA") comprises computers, networked data communications and graphical users' interfaces, and is used by the Group to enable high-level process supervisory management. The SCADA software development for WinWinD turbines is outsourced to WindController Oy, 10% of shares of which are owned by the Group. The SCADA system has been updated to improve the performance of WinWinD turbines. The last SCADA system updates were implemented in the beginning of 2020 to lessen the vibration of the turbines and second half of 2020 to upgrade turbine control system during stormy weather to prevent major component failures and to increase their lifetime. Mobile SCADA access to live operational data, covering all existing production assets, was completed in May 2020. The cost of the development was approximately EUR 30,000.
- EG EAM (Enefit Green Enterprise Asset Management) software implementation is scheduled to be completed by December 2021, and this software would cover all existing and future production assets and its integration with SCADA system to automate maintenance processes where possible. The cost of the development is expected to be approximately EUR 410,000 in 2020-2021. The Group's goal for 2022 is to implement the software to generate work orders automatically for WinWinD and solar parks based on operational data.
- The Group has implemented a new gearbox design to improve the availability of WinWinD turbines. To extend the lifetime of WinWinD turbines' gearboxes, the Group implemented "storm mode" and is planning "breaking programme" upgrades. The storm mode upgrade reduces the mechanical loads inside the gearbox during stormy periods and extend gearbox and main bearing lifetimes. The development cost for the storm mode upgrade was approximately EUR 70,000 and was completed in 2020. The breaking programme upgrade consists of a software upgrade to decrease mechanical loads during turbine stops. The estimated development cost of the breaking programme upgrade is EUR 100,000 and is due for completion in 2021. The Group has also planned the analyses of nacelle main frame vibrations and complete modelling of the WinWinD turbine mechanical forces in order to upgrade the controller hardware; the cost of such

development is expected to be approximately EUR 250,000 in 2019-2021. The nacelle main frame is the main component between the turbine tower and the rotor. The upgrade of the nacelle main frame is intended to prevent problems with the main frame structure, and such upgrade is due to be completed in 2021.

- Asset management analysts provide the Group with the relevant alarm statistics and reports that help to focus on problematic areas leading into root cause analyses of repeating faults. Automated analyses of alarms and their impact for production loss and availability were implemented for all wind turbines in 2020.
- All aforementioned research and development projects are designed to help achieve our asset management strategic goals, including an overall increase to our electricity production. The research and development activities as part of the wind portfolio will result in additional electricity production of 25 GWh on a yearly basis compared to the year 2019.

11.10 INTELLECTUAL PROPERTY

The “Enefit Green” and “Enefit Wind” trademarks are owned by Eesti Energia for which it charges no fee. This arrangement will remain in place following the IPO. Enefit Green has IP rights to the SCADA system used in WinWinD turbines. The company has certain IP rights in respect of WinWinD, including the rights to the turbine monitoring and controlling system software source code developed by the WinWinD company, which are intended to be used exclusively for the purposes of O&M activities in existing wind parks. Such IP rights enable Enefit Green to maintain, develop, and operate the WinWinD turbines in its portfolio.

IT services are provided to the Group by Eesti Energia AS BIT (“**EE BIT**”), which is responsible for IT software licensing and IT infrastructure. The terms of service of the IT infrastructure are set out in a service-level agreement with EE BIT. Software support is provided either by EE BIT or directly by the software supplier. Critical IT systems (production units control systems) are supported by software suppliers. Licenses for critical IT systems are timeless and are accompanied by the requisite hardware. Custom made software is developed and supported by EE BIT. All the common application software programs are provided by EE BIT.

11.11 PROPERTY, PLANT AND EQUIPMENT

The majority of the Group’s production assets are located on land which is not wholly owned by the Group. These facilities are located on land owned by third parties. Long-term lease agreements or equivalent agreements providing the Group with rights to operate production assets on the land in question for the term of such agreement have been put in place. The average terms of such agreements are 23 years in respect of Estonian assets, 83 years in respect of Lithuanian assets and 23 years in respect of Polish assets.

Key assets held on land not owned by the Group include all Lithuanian wind farms, 8 Estonian wind parks with a capacity of 116.2 MW, the Valka CHP facility, all Polish PV plants and 15 Estonian solar parks with a capacity of 4.6MW and Ruhnu renewable energy solution. The 8 Estonian wind parks are as follows: Aulepa I (12 turbines), Aulepa II (1 turbine), Pakri (4 turbines), Viru-Nigula (7 turbines), Vanaküla (3 turbines), Tooma II (3 turbines), Aseriaru (8 turbines), Ojaküla (3 turbines). The 15 Estonian solar parks are as follows: Wellspa, Laaskõrve, Puidukoda, Valmeco, Dava Foods, Valge VN, Balteco, Ösel Harvest, BM Trade, Vettel, Greif, Temper, Vana-Piibu, Krootuse Agro, Bed Factory Sweden.

All of these lease agreements provide for the possibility of extension upon mutual agreement of the parties.

Unless an extension is agreed upon, at the end of the long-term lease agreement, the decommissioning of the wind turbines and solar panels will take place. While some contracts state that the corresponding land area should be cleared at a depth of 1 meter, others state that only the turbine part which is above the ground should be decommissioned. The relevant legislation in the home country of each relevant Group entity will be observed by the Group.

11.12 ENVIRONMENT, SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY

The Group has a responsibility that is more significant than simply producing and developing renewable energy. The Company wants to ensure a cleaner environment by helping to reduce the global CO₂ footprint. The Group acts responsibly, considering the needs, well-being and interest of the environment and different stakeholders.

11.12.1. Environmental responsibility:

Environmental management is part of the Group's general management to approach environmental issues holistically and to integrate the principles of environmental policy as a natural part of the daily activities.

The Group's systematic environmental activities are underpinned by the following five key pillars:

- Environmental management system, which complies with international standards: ISO 14001. The Iru waste-to-energy unit maintains the following certificates: ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and the EU Eco-Management and Audit Scheme (EMAS).
- Observation of all Estonian, EU and international environmental regulations, conventions and agreements which apply to our operations.
- Analysis of the environmental impacts of the Group's activities and their reduction through technological solutions and innovation as well as by improving efficiency and reusing materials.
- Collaboration with both Estonian and international research institutions and consulting companies to achieve its environmental objectives.
- A thorough assessment of the potential environmental impacts is carried out for all planned developments, in accordance with EU and national law, with a view to mitigating possible negative impact on environment, such as noise, disturbance of natural habitats of flora and fauna, local communities etc., and creating positive socio-economic impacts.

The Group is also investigating how to reduce its environmental footprint on new developments. Leading examples include Narva wind park and Laaskõrve solar park, which were built on a closed ash field and a closed oil shale mining areas; not a single square meter of agriculture or forest land was used for these renewable power plants.

The Company is in the process of developing an integrated management system, with the goal to certify the Group under the following standards: ISO 14001 (Environmental), ISO 9001 (Quality) and ISO 45001 (Health and Safety).

11.12.2. Social Responsibility

The Group's focus is set on activities that contribute to the well-being of society, local communities and raise the interest of young people in the field of renewable energy.

The Group supports local communities in the areas surrounding its production units. The Group sees itself as not only as a developer but as a partner for local communities and municipalities on their path of green transformation.

The Group provides financial support (based on agreements) to local community via Non-Profit-Organisations (NPO) to promote economic, social, and cultural development in the areas surrounding the existing wind farms. The Group is a member of the following NPOs in Estonia: MTÜ Noarootsi Tuuleenergia, MTÜ Hanila Toetusgrupp, MTÜ Viru-Nigula valla Toetusgrupp, MTÜ Paldiski Toetusgrupp and cooperates with Lääne-Harju municipality. Also, a member of the Estonian and Lithuanian Wind Power Association. In Lithuania the Group provides financial support based on agreements to municipalities of Silutes, Silales, Kretinga and to Vilkyciai community center Viltis.

The Group also undertakes different promotional activities among young people to increase awareness and vocational appeal of the renewable energy sector professions. Enefit Green is giving out scholarships and renewable energy focused lectures in different educational institutions – universities and vocational schools primary.

11.13 LEGAL AND ARBITRATION PROCEEDINGS

The Group may be involved in legal, administrative and regulatory proceedings in the ordinary course of its business operations. The Group keeps record of where there is a sufficient probability that a dispute or other proceedings will result in losses for the Group and estimates the amounts of those losses.

There are no governmental, legal or arbitrational (including any such proceedings which are pending or threatened of which the Company is aware) which have, or have had during the 12 months preceding the date of this Prospectus, significant effects on the Company's and/or the Group's financial position or profitability, except for the proceedings set out in section 11.11.1 below.

11.13.1. Material on-going proceedings

- (a) *The Company is involved as a third-party in administrative proceedings challenging the merger clearance for the acquisition of Nelja Energia.*

On 7 December 2018, ELEON AS, Aktsiaselts Eesti Elekter, Eurowind OÜ, Vaivara Tuulepark OÜ, Roheline Elekter AS, Aidu Tuulepark OÜ, Audru Tuulepark OÜ and Estwind Energy OÜ (all part of the same group of companies) filed a complaint with the Tallinn Administrative Court (*Tallinna Halduskohus*) challenging the merger clearance issued by the ECA on 6 November 2018 which approved the Company's acquisition of 100% of the shares in Nelja Energia. The Company acquired the shares in Nelja Energia on 6 November 2018. On 21 January 2019, the Tallinn Administrative Court dismissed the claim by way of summary judgment, ruling that since the validity of the merger clearance ended on 6 November 2018 when the Company acquired the shares in Nelja Energia, the merger clearance could not be annulled. The claimants filed an appeal with the Tallinn Circuit Court (*Tallinna Ringkonnakohus*) which decided on 25 September 2019 that a hearing of the case on its merits should proceed and remanded the case back to the Tallinn Administrative Court. On 10 October 2019, the Company filed an appeal with the Supreme Court of Estonia (*Riigikohus*) which refused to accept the appeal on 18 December 2019. In its decision of 17 July 2020 on the merits of the case, the Tallinn Administrative Court found that the complaint was unfounded. The claimants filed an appeal with the Tallinn Circuit Court (*Tallinna*

Ringkonnakohus) which on 17 June 2021 also found that the complaint was unfounded. On 19 July 2021, the claimants filed an appeal in cassation with the Supreme Court of Estonia (*Riigikohus*).

As a matter of Estonian law, in assessing the lawfulness of a merger clearance, courts only have the power to rule on whether the ECA exercised its discretion correctly when issuing the merger clearance. Under existing court practice, the threshold which must be met in order for a court to annul a discretionary administrative act, such as the decision of the ECA in this case, is high. While several decisions of the ECA have been challenged in the past, to date no merger clearance has been overturned by the Estonian courts.

Should the courts find in the current case that the ECA made an error in exercising its discretion when issuing the merger clearance, the merger clearance would be annulled. The consequences of annulling a merger clearance are unclear. In the Group's assessment, it is unlikely that any such annulment would result in the unwinding of the acquisition of Nelja Energia. However, in such circumstances the ECA would be required to re-assess the competitive situation in the industry in which the Group operates and the effects the merger has had on it, the adverse consequences of which cannot be excluded. Should the ECA find as a result of such re-assessment that the merger of the Company and Nelja Energia should have been prohibited, the ECA might take steps necessary to eliminate possible distortions of competition (including, among other potential measures, requiring the Company to divest part of its business operations in Estonia), any of which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

- (b) *The Company is involved as a claimant in administrative proceedings challenging termination of preparation of designated spatial plan for the construction of Risti onshore wind park.*

On 16 April 2021, the Company filed a complaint with Tallinn Administrative Court (*Tallinna Halduskohus*) challenging (i) Lääne-Nigula Municipality Council's decision from 21 January 2021 terminating the preparation of a designated spatial plan for the construction of an onshore wind park (~168 MW Risti wind park that is part of the Group's visible long-term pipeline) and (ii) Lääne-Nigula Municipality Council's decision from 18 March 2021 dismissing the Company's challenge against the decision terminating the preparation of a designated spatial plan.

Lääne-Nigula Municipality Council initiated a designated spatial plan for the construction of a wind park in the territory of Lääne-Nigula municipality by its decision from 17 October 2019. Strategic environmental assessment was also started in line with the planning procedure. After public display and public hearings of the initial outline of the designated spatial plan, discussions for suspension or termination of the planning procedure started at the municipal level. Despite of the explanations and objections submitted by the Company, preparation of the designated spatial plan was terminated by Lääne-Nigula Municipality Council on 21 January 2021. The Company challenged the decision at the municipality level, however, the challenge was dismissed on 18 March 2021 by the Municipality Council.

In the administrative court case, the parties have filed their submissions and a court hearing was held on 6 September 2021. The Tallinn Administrative Court (*Tallinna Halduskohus*) has scheduled to make its judgement available in October 2021; the decision will remain subject to appeal by either party.

Should the courts decide in favour of the Company, the municipality must continue the process of the designated spatial plan that was initiated in 2019; however, this will not necessarily result in approval of the designated spatial plan as such decision is within the discretion of the municipality and upon re-consideration of the matter the municipality may still conclude that it is not possible to approve the specific designated spatial plan. In its submissions to the court, the

municipality argued that preparation of the specific designated spatial plan could not be continued, but planning of the wind parks is not ruled out on its territory. Should the courts find in favour of the municipality, the Company will not be able to proceed with the Risti wind park development project as planned and will need to find and secure other suitable locations for the wind park with regards to which the municipality is willing to consider issuance of planning rights.

11.14 INSURANCE AND RISK MANAGEMENT

The Company usually renews its insurance policies on an annual basis in October each year in order to cover various types of risks to which it may be exposed. Some of the risks related to the Group are covered under Eesti Energia's group corporate insurances. In addition, the Company has entered into additional separate policies. The Company assumes that it has sufficient insurance coverage at reasonable premiums. The insurance coverage is regularly reviewed and is adapted when required. However, it cannot be ruled out that the Company will incur loss or damage that is not fully covered or not covered at all or that exceeds the coverage limits.

The management of different risks the Group encounters in its everyday activities is a significant and integral part of the Group's business activities. See "Part 2 (Risk Factors)"

The Group has a defined set of risk management policies and procedures in place, relating to each of the following:

- Risk management governance
- Risk assessment
- Risk handling
- Risk management taking place through strategy, organisation, routines and responsible operations.

The Company's Management Board has the overall responsibility for ensuring that the Group has established appropriate and effective processes for risk management and internal control.

The Group has established an internal and external whistle-blower procedures. An internal reporting facility allows employees to report malpractice, unlawful or unethical behaviour through the Group's intranet. The external reporting facility (currently an arrangement established by Eesti Energia) allows reporting to independent legal counsel, Ellex Raidla Advokaadibüroo OÜ.

To manage part of the price risk, the Group currently uses fixed price contracts for a part of its production input and sales, typically with a duration of up to three years. FiPs, FiTs and CfDs for electricity sales and regulated price setting for heat sales provide improved revenue certainty. The Group may use financial hedges for managing the electricity market risk once the share of regulated/contracted revenue falls, although the Group is not currently making use of such derivative contracts. Hedging could be used both for operating assets' revenues, by entering into future contracts for power prices, and for development projects not falling under subsidy schemes, by entering into long-term PPAs. Suitable market instruments for hedging the electricity price, depending on the asset type and location, include NordPool System price futures and electricity price area differential contracts where sufficient liquidity exists.

The company is exposed to limited currency risk from existing and possible future projects in Poland, for which the revenue is denominated in Polish zloty. When operating in Poland, currency swaps or financing in the local currency might be considered to mitigate the currency risk.

The Group does not currently hedge against interest rate risk arising from its loan contracts. In the future, the Group may consider using interest rate swaps to cover part of the risk arising from possible interest rate increases for existing or future financing obligations.]

11.15 EMPLOYEES

As at 31 December 2018, 2019 and 2020, the Group employed 147, 154 and 153 people, respectively. At 30 June 2021, the Group had 158 personnel, out of which 99 of them are based in Estonia, 50 in Latvia, 8 in Lithuania and 1 in Poland. 84% of the Group's workforce is male and 16% of the workforce is female. Approximately 73% of the total workforce is aged between 30-59 years old.

PART 12. MANAGEMENT

12.1 MANAGEMENT STRUCTURE

Pursuant to the provisions of the Estonian Commercial Code and the Company's Articles of Association, the responsibility for the day-to-day management of the Company's operations lies with the Management Board. The Supervisory Council is responsible for the strategic planning of the business activities of the Company and for supervising the activities of the Management Board.

The business address of members of the Supervisory Council and the Management Board and other key executives is the registered address of the Company – Lelle tn 22, 11318 Tallinn, Estonia.

12.1.1. Management Board

The Management Board is responsible for everyday management of the Company. The key obligations of Management Board members include representing and directing the Company, adhering to the lawful instructions (resolutions) of the Supervisory Council and obtaining the consent (resolution) of the Supervisory Council for matters beyond the scope of day-to-day business activities, submitting to the Supervisory Council a review of the Company's business activities and economic situation every month as well as notifying immediately of the material deterioration of the economic situation of the Company and other similar circumstances relating to the Company (regular reporting requirements). In addition, the Management Board is responsible for organising the accounting and compiling the annual accounts of the Company and calling and preparing meetings of shareholders. The Management Board is also required to procure the enforcement of the resolutions of the higher managing bodies (the Supervisory Council and the General Meeting of Shareholders).

Upon performance of their duties, the Management Board members are required to act with due diligence, performing their duties with sufficient skill and in a manner commensurate with their knowledge and abilities. The Management Board members must act to maximise the benefits to the Company and to prevent any losses.

According to the Articles of Association of the Company, the Management Board consists of two to five members elected by the Supervisory Council. Each member of the Management Board is elected for a term of three years. According to the Articles of Association of the Company, two Management Board members acting jointly are entitled to represent the Company in transactions or other legal acts.

As at the date of this Prospectus, the Management Board consists of four members:

Name	Citizenship	Year of birth	Member since	Position	Current term expires
Aavo Kärmas	Estonian	1975	05.07.2017	Chairman, CEO	24.09.2024
Veiko Räim	Estonian	1979	23.10.2017	Member, CFO	24.09.2024
Innar Kaasik	Estonian	1979	31.08.2012	Member, COO	24.09.2024
Linās Sabaliauskas	Lithuanian	1976	02.01.2019	Member, CDO	24.09.2024

(a) Mr Aavo Kärmas (Chairman and CEO)

Mr Kärmas has been the chairman of the Management Board since 5 July 2017. He has over 20 years of experience in management roles. Between 2012 to 2017, Mr Kärmas held the position of chairman of the management board and CEO of Omniva (AS Eesti Post), a state-owned postal services company, having acted as a member of the management board of AS Eesti Post between 2006 to 2012. Between 1996 to 2006, he held various management positions at AS Viljandi Aken ja Uks. Mr Kärmas also acts as the supervisory council member of Empower 4Wind OÜ, the

chairman of the management board of MTÜ Eesti Tuuleenergia Assotsiatsioon and as the management board member of MTÜ Hanila Toetusgrupp, MTÜ Paldiski Toetusgrupp, MTÜ Noarootsi Tuuleenergia and MTÜ Viru-Nigula valla Toetusgrupp, and until 2019 acted as the management board member of AT HOME OÜ. Mr Kärmas has a diploma in Administrative Management from Tallinn University of Technology and is currently taking Executive MBA studies at Tartu University.

(b) Mr Veiko Räm (Member and CFO)

Mr Räm has been a member of the Management Board since 23 October 2017. He has 18 years of experience in energy sector, investment banking and capital market. Between 2015 and 2017 he worked as the Director of Energy Trading at Eesti Energia, and between 2009 to 2015 he worked as the Head of Treasury and Investor Relations at Eesti Energia. Between 2006 to 2009 Mr Räm was an associate at SEB Enskilda corporate finance team and between 2003 to 2006 he was an associate and analyst in EEMEA Capital Markets Origination team at Dresdner Kleinwort Wasserstein. Mr Räm also acts as the management board member of MTÜ Eesti Ringmajandusettevõtete Liit. Mr Räm has graduated with a Bachelor of Science degree in Economics and Business from Stockholm School of Economics in Riga and a Master of Science degree in Finance from Stockholm School of Economics. He has also taken part of the London Business School Accelerated Development Programme (2014-2015).

(c) Mr Innar Kaasik (Member and COO)

Mr Kaasik has been a member of the Management Board since 31 August 2012. He has almost 20 years of experience in the energy sector and management. Between 2002 to 2012, Mr Kaasik worked in various roles within Elering AS, the electricity transmission system operator, and Elektrilevi OÜ, the largest electricity distribution system operator in Estonia, including as a management board member overseeing asset management and head of the network management department. Mr Kaasik also acts as the supervisory council member of Empower 4Wind OÜ and as the management board member of MTÜ Hanila Toetusgrupp, MTÜ Paldiski Toetusgrupp, MTÜ Noarootsi Tuuleenergia and MTÜ Viru-Nigula valla Toetusgrupp. Mr Kaasik acted as the management board member of MTÜ Eesti Tuuleenergia Assotsiatsioon until 2018. Mr Kaasik has a diploma in Electrical Engineering from Tallinn University of Technology. He also has a Master's degree in Business Administration from Tallinn University of Technology.

(d) Mr Linas Sabaliauskas (Member and CDO)

Mr Sabaliauskas has been a member of the Management Board since 2 January 2019. He has 20 years of experience in engineering, management and the energy sector. Between 2016 to 2018 he worked as the deputy director and CEO of UAB koncernas Achemos Grupė and at the same time acted as a board member and chairman of the board of 31 Achema group companies. Between 2001 to 2006 he worked in various roles within UAB Renega, from 2006 to 2008 as a deputy director and from 2008 to 2016 as CEO of UAB Renega. Mr Sabaliauskas also acts as the supervisory council member of Lietuvos vėjo elektrinių asociacija, and until 2018 acted as the management board member of Lietuvos Hidroenergetikų Asociacija. Mr Sabaliauskas has diplomas in land engineering (Bachelor's degree), and in building technology and management (dipl.ing. degree), both from Aleksandras Stulginskis University.

12.1.2. Supervisory Council

The Supervisory Council is responsible for the strategic planning of the activities of the Company and supervising the activities of the Management Board. The Supervisory Council informs the General Meeting of Shareholders of the results of its supervision. In addition, the Supervisory Council grants consent to the Management Board for concluding transactions beyond day-to-day business activities, presents to the General Meeting of Shareholders written opinions on the

annual accounts prepared by the Management Board and determines the agenda of General Meetings of Shareholders.

According to the law and/or the Articles of Association, the functions of the Supervisory Council also include, *inter alia*, the following:

- the approval of the Company's business plan, the risk management principles, the strategy and annual budget, including the investment plan;
- the election and recalling of the Management Board members; the appointment of the chairman of the Management Board;
- the appointment of a procurator;
- the conclusion of transactions with the Management Board members, determination of the terms and conditions of such transactions, conduct of legal disputes with the Management Board members and appointment of the representative of the Company for the conclusion of such transactions or conduct of such legal disputes;
- the conclusion of transactions with a shareholder, determination of the terms and conditions of such transactions, conduct of legal disputes with a shareholder and appointment of the representative of the Company for the conclusion of such transactions or conduct of such legal disputes;
- the approval of procedure for transactions with related parties;
- the election and recalling of audit committee members, the approval of the procedure of the audit committee, determination of remuneration for audit committee members and approval of the respective procedure;
- the approval of the internal audit charter and plan of the internal audit;
- the approval of the remuneration principles of the Management Board and exercise of supervision thereof, including approval of the relevant procedure to perform oversight of such principles.

The consent of the Supervisory Council is required for transactions which are beyond the scope of everyday economic activities of the Company and, above all, for:

- the incorporation of a subsidiary or deciding the merger, division, transformation or dissolution thereof;
- the acquisition or transfer of an enterprise, or the termination of its activities;
- the acquisition and termination of holdings in other entities;
- the making of investments exceeding EUR 1 million;
- the acquisition, transfer and encumbrance of immovables;
- the assumption of loans or debt obligations;
- the granting of loans or the guarantee of debt obligations if this is beyond the scope of everyday economic activities;

- the foundation and termination of foreign branches.

According to the Articles of Association, the Supervisory Council consists of five to seven members elected by the General Meeting of Shareholders for a term of three years. At least half of the Supervisory Council members must be independent within the meaning of the Estonian Corporate Governance Code. Where the Supervisory Council consists of an equal number of members, there may be one independent member less than dependent members. When election of the Supervisory Council members is voted on, the candidates who will receive the most votes at the General Meeting of Shareholders are elected. In addition, upon the election of independent members of the Supervisory Council, also majority of the votes represented at the General Meeting of Shareholders held by minority shareholders (i.e., all other shareholders of the Company except for Eesti Energia) must be cast in favour of the respective decision. The recalling of the Supervisory Council members before expiry of their term of office can be resolved if at least 2/3 of the votes represented at the General Meeting of Shareholders are cast in favour of such resolutions. In addition, upon recalling of independent members of the Supervisory Council also majority of the votes represented at the General Meeting of Shareholders held by minority shareholders (i.e., all other shareholders of the Company except for Eesti Energia) must be cast in favour of the respective decision. Further, the shareholders of the Company whose shares represent at least 1/10 of the share capital of the Company may, with good reason, request recalling of a member of the Supervisory Council by court.

Members of the Supervisory Council elect a chairman among themselves. The chairman is responsible for organising the activities of the Supervisory Council.

Under the Estonian Commercial Code, meetings of the Supervisory Council are held when necessary but not less frequently than once every three months. A meeting of the Supervisory Council is also convened when so demanded by a member of the Supervisory Council, the Management Board, the auditor of the Company or the shareholders whose shares represent at least 1/10 of the share capital of the Company.

Meeting of the Supervisory Council has quorum when more than half of the members of the Supervisory Council are participating. Resolutions of the Supervisory Council adopted at the meeting require a simple majority of votes. The Supervisory Council may also adopt resolutions without convening a meeting if all members of the Supervisory Council consent to this. In order to adopt a resolution of the Supervisory Council without convening a meeting, more than half of all votes of the members of the Supervisory Council must be in favour. Pursuant to the Estonian Commercial Code and the Articles of Association, a written resolution signed by all members of the Supervisory Council is considered equal to a resolution adopted at a meeting convened and held as required under the law and the Articles of Association.

As of 21 October 2021, the Supervisory Council shall consist of five members:

Name	Citizenship	Year of birth	Member since	Position	Current term expires	Independent
Hando Sutter	Estonian	1970	17.10.2017	Chairman	21.10.2024	No
Andri Avila	Estonian	1975	17.10.2017	Member	21.10.2024	No
Raine Pajo	Estonian	1976	01.01.2021	Member	21.10.2024	No
Erkki Raasuke	Estonian	1971	21.10.2021	Member	21.10.2024	Yes
Anne Sulling	Estonian	1976	21.10.2021	Member	21.10.2024	Yes

As at the date of this Prospectus, Margus Vals, a management board member of Eesti Energia, is also a member of the Supervisory Council, however, he has been recalled from the Supervisory Council effective as of 21 October 2021.

(a) Mr Hando Sutter (Chairman)

Mr Sutter was elected as a member of the Supervisory Council with effect from 17 October 2017. Mr Sutter is Eesti Energia's representative on the Supervisory Council. Mr Sutter has been the CEO and chairman of the management board of Eesti Energia since 2014. He has over 25 years of management experience, including 10 years in the energy sector. Between 2010 and 2014 he worked as the Regional Manager (for Estonia, Latvia, Lithuania and Russia) at Nord Pool Spot AS, and between 2006 and 2009 as a Development Consultant at US Invest AS. Between 2002 and 2006 Mr Sutter was the COO of Olympic Entertainment Group AS, and between 1999 and 2002 the Commercial Director at Tolaram Investments AS. Between 1991 and 1999 Mr Sutter held various managerial positions, including member of the management board at AS Eesti Talleks (1991-1994) and AS ESS Group (1994-1999). He also serves as the management board member at MTÜ Eesti Elektritööstuse Liit and MTÜ Maailma Energeetikanõukogu Eesti Rahvuskomitee, as a chairman of the supervisory council of Elektrilevi OÜ, Enefit Outotec Technology OÜ and Enefit Power AS, and as a supervisory council member at Sihtasutus Eesti Terviserajad and Saaremaa Ökoküla Aktsiaselts. Mr Sutter holds an MBA from the Estonian Business School and a diploma in Mechanical Engineering from Tallinn University of Technology.

(b) Mr Andri Avila (Member)

Mr Avila was elected as a member of the Supervisory Council with effect from 17 October 2017. Mr Avila is Eesti Energia's representative on the Supervisory Council. Mr Avila has been the CFO and member of the management board of Eesti Energia since 2014. Mr Avila has previously held the position of member of the management board and CFO at Premia Food AS (2010), member of the management board, CFO and COO at Olympic Entertainment Group AS (2001-2009), CFO at OÜ Metro Kinnisvaragrupp (1999-2001), member of the management board at AS Kawe Haldus (1998-1999) and CFO / Head of Accounting at Kawe Group Ltd. He also serves as the chairman of the supervisory council of AS EVR Cargo, member of the supervisory council of Enefit Connect OÜ, Enefit Power AS and Enefit Solutionas AS, and member of the management board of Geoplast OÜ, Attarat Holding OÜ, MTÜ Eesti Keemiatööstuse Liit and Tootsi Windpark OÜ. Mr Avila holds a Bachelor of Science degree in International Business from Concordia International University Estonia.

(c) Mr Raine Pajo (Member)

Mr Pajo was elected as a member of the Supervisory Council with effect from 1 January 2021. Mr Pajo is Eesti Energia's representative on the Supervisory Council. Mr Pajo has been responsible for large-scale energy production and the environment as a COO and member of the management board at Eesti Energia since 2017. Between 2006 and 2017 Mr Pajo held various positions related to production, technology and environment at Eesti Energia. He has also served as the chairman of the supervisory council (2006-2009) and acted in several managerial positions, including as member of the management board at OÜ Põhivõrk (2000-2006). Between 1999 and 2000 he worked as an electrical grid designer for the Finnish transmission grid operator Fingrid OY, and between 1997 and 1998 as a product manager at AS Ecomatic. He also serves as the chairman of the supervisory council of Enefit Solutions AS and member of the supervisory council of Enefit Connect OÜ, Enefit Outotec Technology OÜ and Enefit Power AS. Mr Pajo holds an MBA from Tallinn University of Technology and a Doctor of Technical Sciences degree from Tallinn University of Technology (Faculty of Energy). He has further advanced his managerial and executive skills at various advanced training programs, including at INSEAD, IMD, London Business School and Harvard Business School.

(d) Mr Erkki Raasuke (Member)

Mr Raasuke was elected as a member of the Supervisory Council with effect from 21 October 2021. Mr Raasuke is an independent member of the Supervisory Council within the meaning of the Estonian Corporate Governance Recommendations. Mr Raasuke has been the CFO and member of the management board member of Skeleton Technologies Group OÜ since 2021. Between 2016 and 2021 he served as the CEO of Luminor Group AB. Between 2013 and 2016 Mr Raasuke served as the managing director of AS LHV Group, and between 2012 and 2013 as counsellor to the Minister of Economic Affairs and Communications of the Republic of Estonia. Between 1994 and 2011 he worked for AS Swedbank (Estonia) and AB Swedbank (Sweden) holding different positions, including chairman of the management board of AS Swedbank (2005-2009) and CFO of AB Swedbank (2009-2011). He also serves as the member of the management board of MTÜ Eesti Jalgratturite Liit. Mr Raasuke holds a degree in Economics from the Tallinn University of Technology and has participated in the Advanced Management Program at INSEAD.

(e) Ms Anne Sulling (Member)

Ms Sulling was elected as a member of the Supervisory Council with effect from 21 October 2021. Ms Sulling is an independent member of the Supervisory Council within the meaning of the Estonian Corporate Governance Recommendations. Ms Sulling has worked from 2019 as a freelance consultant to numerous Estonian companies on expansion to foreign markets. From 2021 she also serves as Member of the Expert Group on the Future of Space in Europe at the European Space Agency. Between 2019 and 2021 she served as a Member of the Mission board on Smart and Climate Neutral Cities at the European Commission. Between 2009 and 2019 Ms Sulling worked in the public sector – as member of the Parliament of the Republic of Estonia (2015-2019), as Minister of Foreign Trade and Entrepreneurship (2014-2015), as adviser to the Prime Minister (2009-2014) and as an emissions trading manager at the Ministry of Environment and Environmental Investment Center (2009-2014). Between 2005 and 2006 she also served as a Euro changeover project manager at the Ministry of Finance, and between 1998 and 1999 as a specialist at the Bank of Estonia. Her previous work in the private sector includes the position of an emissions trading manager at Nelja Energia OÜ (2009-2010), Head of Marketing and Client Relations at the Corporate Banking unit of AS Hansapank and back-office manager at Hansa Investments OÜ (1998). She is the founder and sole member of the management board of Arctic Affair OÜ and serves as a member of the management board at Idee & Arendus OÜ. Ms Sulling holds a Master of Science degree in International Economics and Finance from Université Paris IX – Dauphine and a Bachelor's degree in Economics and French Studies from Smith College. She has also completed Programme International de Sciences Politiques et Sociales at Institut d'Etudes Politiques de Paris (Sciences Po).

12.1.3. Other Key Executives

As at the date of this Prospectus, the other key executives of the Group include:

Name	Year of birth	Position
Siim Ots	1982	Head of Wind Energy
Lauri Ulm	1985	Head of Wind Development
Anatoli Petrov	1961	Head of Co-generation
Raido Hallik	1985	Head of Renewable Energy Development and Services
Donatas Celesius	1981	Deputy General Manager of Enefit Green UAB
Juris Antužs	1973	Latvian Country Manager

(a) Mr Siim Ots (Head of Wind Energy)

Mr Ots has been the Head of Wind Energy since July 2019. He has 15 years of experience in renewable energy sector, having worked in various roles in Eesti Energia group since 2012. Mr Ots also serves as a liquidator of ElektriPartner OÜ. Mr Ots has a diploma in Electrical Engineering from Tallinn University of Technology.

(b) Mr Lauri Ulm (Head of Wind Development)

Mr Ulm has been the Head of Wind Development since January 2021. He has 14 years of experience in the energy sector, having worked in various project management and analyst roles in Eesti Energia group since 2007 and specialising exclusively on wind energy development since 2012. Mr Ulm also serves as a member of the management board of Ginkgoales OÜ and as a liquidator of Talumaasikad OÜ and Talumaasikad 2 OÜ. Mr Ulm has a Master's degree in Electrical Power Engineering and in Business (MBA) from Tallinn University of Technology. He has also taken part of the exchange studies in Aalto University and participated in Future Energy Leaders program by World Energy Council.

(c) Mr Anatoli Petrov (Head of Cogeneration)

Mr Petrov has been the Head of Cogeneration since October 2017. He has almost 37 years of experience in the energy sector and management, having worked in various roles at Iru CHP facility since 1983. Mr Petrov has a diploma in Electrical Engineering from Tallinn University of Technology.

(d) Mr Raido Hallik (Head of Renewable Energy Development and Services)

Mr Hallik has been Head of Renewable Energy Development and Services since November 2020, having joined the Company in January 2020 as Senior Project Manager. He has 11 years of experience in energy sector and project management, having worked in various project management roles in Eesti Energia group since 2009. Mr Hallik also serves as a member of the management board of Maardu Varad OÜ and Hallik Investeeringud OÜ, and as a chairman of the supervisory council of Argonic East AS. Mr Hallik has a master's degree in Thermal Engineering from Tallinn University of Technology and an MBA in International Business Administration from Estonian Business School.

(e) Mr Donatas Celesius (Deputy General Manager of Enefit Green UAB)

Mr Celesius has been the Deputy General Manager of Enefit Green UAB since February 2019. He has almost 12 years of experience in renewable energy sector, having worked in various roles in Nelja Energia group since 2014. Mr Celesius has a bachelor's degree in International Business Information Management and a master's degree in Communication and Information from Vilnius University.

(f) Mr Juris Antužs (Latvian Country Manager)

Mr Antužs has been the Latvian Country Manager since August 2020. He has 22 years of experience in management, having previously worked in various manager roles in ABB SIA and as a country director of Avesco SIA. Mr Antužs also acts as a researcher at the Institute of Energy Systems and Environment of Riga Technical University. Mr Antužs has a bachelor's degree with engineer's qualification in Power and Electrical Engineering and a bachelor's degree in Engineering Economics from Riga Technical University and a master's degree in Business Management from the School of Business Administration "Turība".

12.1.4. Committees

(a) Audit Committee

In connection with preparing for the Listing, the Company has put in place a framework for the establishment of an Audit Committee. The Audit Committee is an advisory body formed by and subordinate to the Supervisory Council and acts pursuant to the rules of procedure approved by the Supervisory Council which are effective as of the Listing Date. The general duty of the Audit Committee is to review and assess the organisation of specific functions, such as external audit,

internal audit and risk management, with a view of ensuring due consideration for the best interests of the Company, including its business needs and no preferential treatment of the interests of the controlling shareholders in the decision-making at Supervisory Council and Management Board level. To the extent necessary, the Audit Committee makes proposals and advises the Supervisory Council in connection with the organisation of the above functions as well as elimination of any deficiencies, including, *inter alia*, in connection with the following:

- appointment or release from duties and terms of engagement of the external auditor;
- assessing the performance of the external audit and monitoring the external auditor's independence, including compliance with laws and professional standards;
- analysing the results of the internal and external audit and assessing the implementation of comments made during internal audit and the external audit;
- assessing operation of the internal control systems (including risk management) and internal audit activities;
- appointment or release from duties and terms of engagement of the internal auditor; and
- monitoring the process for ensuring the legality of the Company's activities.

The Audit Committee consists of three members elected by the Supervisory Council for a term of three years, whereas at least one member must be an expert in accounting or auditing and the Audit Committee as a whole must have competence in the renewable energy sector. The majority of the Audit Committee members, including the chairman of the Audit Committee, must be independent of the Company. The chairman of the Supervisory Council of the Company may not act as the chairman of the Audit Committee. The following persons may not be appointed as members of the Audit Committee: a person entitled to manage the Company's everyday business and make transactions, a procurator, an internal auditor, an external auditor and a person who does not comply with the requirements established with regards to Supervisory Council members. The Audit Committee will meet as necessary and at least once every three months.

The members of the Audit Committee will be elected by the Supervisory Council for a term of three years at the first meeting after the Listing Date.

(b) Remuneration Committee

As at the date of this Prospectus, the Company does not have a remuneration committee.

12.1.5. Internal Auditor

In connection with preparing for the Listing, the Company has put in place a framework for establishment of a separate internal audit function that will become effective from the Listing Date. The internal audit functions will be engaged in auditing of the activities of the Group and advising the managing bodies and employees on risk management. The internal auditor operates on request of the Audit Committee and pursuant to the Company's internal audit charter approved by the Supervisory Council. The internal auditor reports to the Audit Committee and the Chairman of the Management Board. Audit projects for each financial year are agreed in the annual audit plan approved by Audit Committee.

Pursuant to the Company's internal audit charter, the Company may outsource the internal audit function to a third party, provided that the contracted internal auditors comply with the requirements of the Company's internal audit charter. Following the Listing, the internal audit service will be provided to the Group by Eesti Energia under the Framework Agreement entered into between Eesti Energia and Enefit Green. However, in keeping with the Company's internal

audit charter, the internal audit service provided by Eesti Energia does not include auditing and advising on any transactions between the Group and Eesti Energia group, including any processes and control systems of the Company related thereto. For the purposes of regular auditing of transactions between the Group and Eesti Energia group, as well as all other matters related thereto, the Company contracts one of the Big Four auditing companies in accordance with the requirements of the Company's internal audit charter. Under the Framework Agreement, the naming and dismissal of employees of Eesti Energia expected to be providing internal auditing service to the Group, are subject to prior approval by the Group's Audit Committee.

In their activities, the internal auditors must abide by the Auditors Activities Act and the regulations related thereto, the mandatory and recommended guidance promulgated by the Institute of Internal Auditors and the Group policies.

The above principles are also reflected in the Company's internal audit charter.

12.1.6. Compliance with the Corporate Governance Code

In its corporate governance matters, the Company observes the provisions of the Estonian Commercial Code and other relevant laws. The Company has also adopted work procedure rules to further specify the division of assignments and resolution-making within the Management Board, the Supervisory Council and the Audit Committee. Members of managing bodies and the employees are also required to adhere to internal policy on avoiding conflicts of interests in the business dealings.

After the listing and admission to trading of the Shares, Eesti Energia, a 100% state-owned company, is expected to own at least 73.6% of the Shares of the Company (assuming sale of all New Shares, the full use of the Upsize Option and no exercise of the Put Option). As such, certain corporate governance rules set out in the State Assets Act also apply to the Company. Namely, acquisition and transfer of a material shareholding (i.e. at least 10% in the shares of, or voting rights in, another company) by the Company shall require the approval of the general meeting of shareholders of Eesti Energia, i.e. the Republic of Estonia acting through the Minister of Finance.

Further to the above, after the listing and admission to trading of the Shares, the principles of good corporate governance arising from the Estonian Corporate Governance Recommendations as adopted by EFSA shall be applicable to the Company. The Estonian Corporate Governance Code are binding on the basis of a "comply or explain principle". The requirements which are not fully followed by the Company during any financial year shall be described in its Corporate Governance Report to be made available in the audited consolidated financial statements of the Group. The Company expects to comply with all requirements of the Estonian Corporate Governance Code.

12.1.7. Management Holdings

None of the members of the Supervisory Council or the Management Board nor any of the other key executives owns any Shares or options to acquire shares in the Company as at the date of this Prospectus.

12.1.8. Management Remuneration and Benefits

For 2020, no remuneration was paid to the Supervisory Council members of the Company. No benefits are payable upon recalling of a Supervisory Council member.

For 2020, the Group paid remuneration to the Management Board members of the Company in the aggregate amount of EUR 492,958.67 (gross).

Management Board member	Remuneration paid by the Company for 2020 (gross)	Remuneration paid by other Group companies for 2020 (gross)
Aavo Kärmas	EUR 131,385	n/a
Veiko Rääm	EUR 103,500	n/a
Innar Kaasik	EUR 101,430	n/a
Linas Sabaliauskas	EUR 73,920	EUR 82,723.67 ⁽¹⁾
Aggregate amount	EUR 410,235	EUR 82,723.67

Note:

(1) This is in addition to the remuneration paid to the Management Board of the Company as reflected in note 27 of the Audited Financial Statements.

Differently from what is described in Note 34 of the Audited Financial Statements, under the agreements with the Management Board Members, in case a Management Board member is recalled prior to the expiry of his term of office, compensation in the amount of four times of the Management Board member's monthly remuneration is payable, unless the Management Board member requests recalling prior to the expiry of his term of office or the reason for the recalling is breach of obligations of a Management Board member.

For 2020, the Company and other Group companies paid remuneration to other key executives of the Group in the aggregate amount of EUR 287,556.10 (gross).

The Company and its subsidiaries have not set aside nor accrued any amounts to provide pensions, retirement or any other similar benefits, as the Company and its subsidiaries have not established (and are not obliged to establish) any programmes or plans for pensions, retirement or any other similar benefits.

12.1.9. Conflicts of Interests of Supervisory Council Members, Management Board Members and Key Executives

The Supervisory Council members that are representatives of Eesti Energia, the principal shareholder (i.e., Hando Sutter, Andri Avila and Raine Pajo) are members of the management board of Eesti Energia and hold other administrative, management or supervisory positions within the Eesti Energia group and as such may have conflicts of interests between their duties to the Company and their other duties.

Other than as set out above, the Management Board is not aware of any conflicts of interest or potential conflicts of interest between any duties of members of the Supervisory Council, the Management Board and other key executives to the Group and their private interests and other duties. Other than as set out above, the Management Board does not consider any position held by any member of the Management Board or Supervisory Council or other key executive referred to in this Part as raising any conflicts of interest or potential conflicts of interest.

12.1.10. Other Legal Issues and Declarations

The Management Board is not aware of any convictions in relation to fraudulent offences with respect to the current members of the Supervisory Council, the Management Board or other key executives of the Group. The Management Board is also not aware of any official public incrimination and/or sanctions of any of the members of the Supervisory Council, Management Board or other key executives by statutory or regulatory authorities (including designated professional bodies) and that any such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between the key executives and/or members of the Management Board and/or Supervisory Council and/or other members of administrative, management and supervisory bodies and other senior management of the Group.

Except for Mr Ulm acting as a liquidator of Talumaasikad OÜ and Talumaasikad 2 OÜ, and Mr Ots acting as a liquidator of ElektriPartner OÜ, the Management Board is not aware of any bankruptcies, receiverships or liquidations or companies put into administration, in which any of the members of the Supervisory Council, Management Board or other key executives has acted as a member of the supervisory, management or administrative body or as a senior manager at any time in the previous five years.

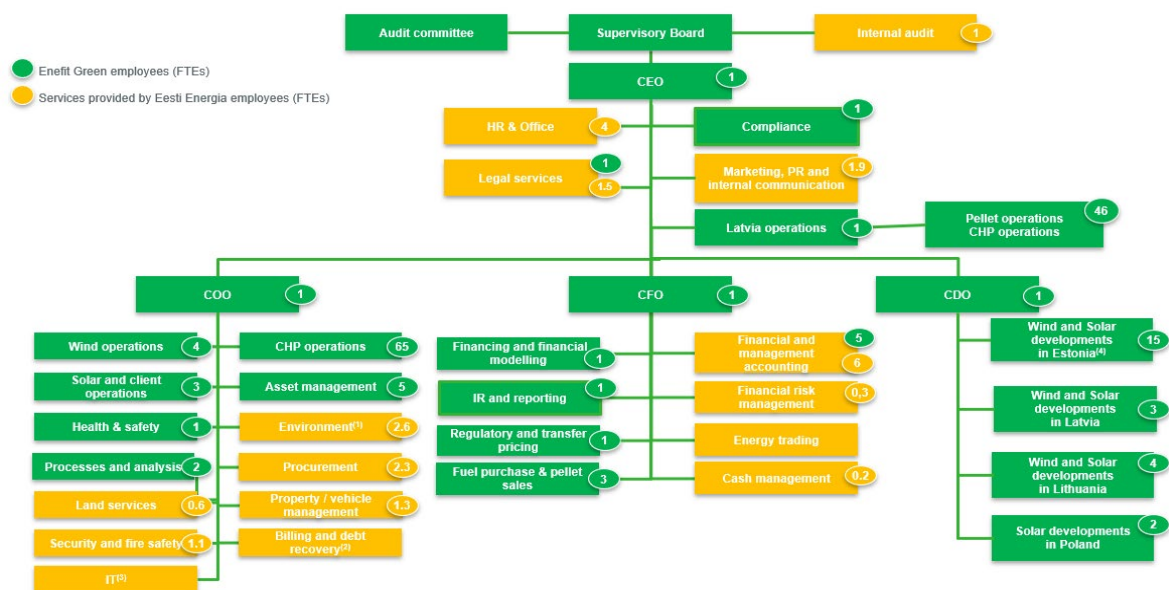
12.2 ORGANISATIONAL SET-UP OF THE GROUP AND RELATIONSHIP WITH EESTI ENERGIA

After completion of the Offering, Eesti Energia is expected to hold at least 73.6% of the Shares and voting rights in the Company (assuming the sale of all New Shares, the full use of the Upsize Option and no exercise of the Put Option). Accordingly, the Group companies remain integrated in consolidation group of Eesti Energia. In Eesti Energia consolidation group, the provision of support and other specialist functions is centralised, i.e. the parent company or member of the group is providing such services to the other companies belonging to its consolidation group.

The Group plans to continue to rely on Eesti Energia and its personnel for the provision of a number of services supporting its operations after the completion of the Offering. In particular, Eesti Energia will continue to provide (i) centralised services, such as accounting, financial controlling, legal, IT, human resources, communication, procurement and environmental services and office space lease, (ii) financial services, including cash and liquidity management and (iii) energy trading services to the Group.

The Company and certain Group companies as services receivers and Eesti Energia and certain Eesti Energia group companies as the service providers, entered into the Framework Agreement governing the provision of such services by Eesti Energia. The Framework Agreement is effective as of 1 October 2021 and replaces all previous arrangements for the same services and is entered into for the term of 3 years which may be prolonged by mutual consent of the parties. Both parties have the right to cancel the Framework Agreement in full or with respect to certain services at any time by giving the other party advance notice, whereas the advance notice period is at least three months for the Company and other service receivers, and at least six months for Eesti Energia and other services providers.

The below graph gives an overview of the organisational set-up of the Group, including the services provided to the Group by Eesti Energia and its personnel.



Notes:

- (1) Environmental service based on FTEs and ecology laboratory service based on price list.
- (2) Billing and debt recovery is based on fixed service fee.
- (3) IT development service billed based on used hours and maintenance service based on actual.
- (4) Workplaces and systems used.
- (5) Number of FTEs as of August 2021.

The price and volume of the services provided is agreed between the parties to the Framework Agreement for each service separately. Eesti Energia and its group companies as services providers are entitled to unilaterally change the prices applicable to the services but not more often than once a year for each service by notifying the receiver of the service at least 1 (one) month in advance. The services are provided based on instructions of the Group and in accordance with the internal procedures of the Group or if adopted by the Group, internal procedures of Eesti Energia group, as designated in the Framework Agreement.

Under the contract, Eesti Energia and/or the relevant Eesti Energia group company provide the following services:

- Internal audit services, including monitoring the efficiency of Group's risk management, adequacy of Group's control systems and its governance;
- Fraud risk management services, including developing fraud risk management framework and conducting fraud risk assessments;
- Office services, including document and archive management as well as secretarial and bureau services;
- Physical trading, gas administration and aFRR (automatic frequency restoration reserve) services, including acting for the Group on Nord Pool power exchange, administration of natural gas sales offers and electricity consumption and/or generation management;
- Accounting and management accounting services, including preparation of financial and management accounts, forecasts and budgets as well as strategic financial planning;

- Environmental services, including establishing and monitoring Group's environmental policies and targets in accordance with applicable rules as well as handling permitting;
- Ecology laboratory services, including Iru facility emission monitoring services;
- Real estate maintenance services, including consultancy regarding real estate maintenance and selling of properties;
- Communication services, including drafting and consulting on media communications;
- Human resources services, including implementation of personnel strategy;
- Vehicle management services;
- Security and fire safety management service;
- Procurement services, including tendering of goods, services and construction works based on Group's instructions;
- Legal and land services, including advising and acting for the Group on legal matters and advising the Group on optimal land resources;
- Financial services, including assisting and advising the Group in connection with cash flow and liquidity management, arranging guarantees, opening bank accounts; whereas the Group is obliged to inform Eesti Energia regarding all matters relating to external financing (including equity structure and debt financing) beforehand to allow Eesti Energia to comply with its statutory and contractual obligations;
- Private customer accounting and debt management services, including issuing of invoices, monitoring and collection of debts;
- Identifying, monitoring and mitigating risks with respect to the above services.

Under the Framework Agreement, Eesti Energia and its group companies as service providers are obliged to take all measures to identify and prevent conflicts of interests upon the provision of services, including obliged to notify the Group companies promptly if any such conflict arises and refrain from providing the service in a conflict-of-interest situation, unless the Group specifically agrees in writing of the occurrence of a conflict of interest or the risk thereof. Further, under the Framework Agreement, Eesti Energia is obliged to put in place necessary and sufficient physical, information technology-related firewalls, legal means and/or other barriers necessary to safeguard and maintain the confidentiality of the Client's information and provision of Services from all the other activities of the Service Provider.

Under the procedural framework for review and approval of related party transactions, including those entered into with Eesti Energia and the Parent Group companies, the Group has established a procedural framework for review and approval of related party transactions which is effective as of the Listing Date. Under the framework, the Group shall submit an overview of the related party transactions planned to be engaged in during the financial year firstly for opinion to the Audit Committee and thereafter for approval for the Supervisory Council together with the annual budgeting process. In addition, the same procedure applies to all transactions the value of which exceeds EUR 100,000 which have not been approved by the Audit the Supervisory Council during the annual budgeting process. Eesti Energia as shareholder, or its representatives at the Supervisory Council will not be able to cast a vote on such matters and their votes will not be counted towards the required approval thresholds. The Group will inform the Audit Committee

(the majority of which is made up of independent members) about all related party transactions made, except transactions made between the Group entities.

See “Part 18 (Additional information), Section 18.2 (Related Party Transactions)” for further information on the volume and fees paid for centralised services during the period covered by the Financial Statements.

As at the date of this Prospectus, the Company and its Estonian subsidiaries are part of Eesti Energia value added tax group. All companies registered as a single value added tax group are jointly and severally liable for payment of value added tax of the whole value added tax group. After completion of the Offering, it is planned to deregister the Company and its Estonian subsidiaries from Eesti Energia value added tax group. Until such deregistration the Company and its Estonian subsidiaries shall be jointly and severally liable for payment of value added tax of the whole Eesti Energia value added tax group. After deregistration, the Company and its Estonian subsidiaries shall remain liable for the value added tax arrears which arose during the period when they were registered as a part of Eesti Energia value added tax group.

PART 13. INFORMATION ON COMPANY, SHARES AND SHARE CAPITAL

13.1 GENERAL INFORMATION ON THE COMPANY

The legal (business) name of the Company is Enefit Green AS. The Company is a public limited liability company (*aktsiaselts*) incorporated and operating pursuant to the laws of the Republic of Estonia. The Company is registered with the Estonian Commercial Register under registration code 11184032. The Company's LEI code is 485100EAUB2D0VTK1R43. The Company's registered office is in Tallinn, Estonia at the address Lelle tn 22, Tallinn, 11318, Estonia, telephone (+372) 5865 4999. The Company's website can be found at the following links: English version: www.enefitgreen.ee/en/avaleht, Estonian version: www.enefitgreen.ee/et/avaleht. The information on the websites does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus.

The Company was registered in the Estonian Commercial Register on 9 November 2005. The Company has been established for an indefinite term. The financial year of the Company starts on 1 January and closes on 31 December. The Company's principal field of activity is generation of heat and electricity in CHP facilities, and generation of electricity in wind parks, solar parks and a hydroelectric facility. The Company does not intend to change its principal field of activity in 2021.

The Company is the operating parent company of the Group. See "Part 11 (Business), Section 11.6 (The Group's Structure)" for further information on the shareholdings of the Company.

13.2 INFORMATION ON SHARE CAPITAL AND SHARES

As at the date of this Prospectus, the Company's registered share capital is EUR 229,793,473 divided into 229,793,473 authorised, fully paid and issued Shares with a nominal value of EUR 1 each. The existing Shares have been issued under the laws of the Republic of Estonia. All existing Shares have been fully paid for. All existing Shares rank *pari passu* in all respects with each other. The Shares are registered in book-entry form in the Estonian Register of Securities (ERS) maintained by Nasdaq CSD SE Estonian branch, under ISIN EE3100137985.

Free transferability of the Shares has not been restricted in the Company's Articles of Association, nor are the Shares subject to any general transfer restrictions.

As at the date of this Prospectus the Shares of the Company are not listed or admitted to trading on any regulated market.

13.2.1. Shareholder of the Company

As at the date of this Prospectus, the sole shareholder of the Company is Eesti Energia. Pursuant to the list of shareholders of the Company as maintained by the ERS, as at the date of this Prospectus, all shares of the Company were held in a single securities account of Eesti Energia.

Name of the owner	Balance (No. of Shares)	Holding in the Company (%)	Type of securities' account
Eesti Energia AS	229,793,473	100%	ordinary account

The sole shareholder of Eesti Energia is the Republic of Estonia acting through the Ministry of Finance.

As at the date of this Prospectus, the Management is not aware of any arrangements the operation of which may at a subsequent date result in a change in control over the Company.

Eesti Energia does not have voting rights different from those described in "Part 13 (Information on Company, Shares and Share Capital), Section 13.3 (Shareholder Rights)".

Eesti Energia's registered office is in Tallinn, Estonia at the address Lelle tn 22, Tallinn, 11318, Estonia. Eesti Energia's LEI code is 5493005044RTLQ5RZU70.

13.2.2. Changes in the Share Capital

As at 1 January 2018 the share capital of the Company was EUR 4,793,473. During the three financial years ended 31 December 2018, 2019 and 2020 and up to the date of this Prospectus, the amount of the share capital has changed as follows:

	<u>Change in share capital</u>	<u>New share capital</u>	<u>Registered in the Commercial Register</u>
Increase of share capital	EUR 225,000,000	EUR 229,793,473	31 August 2021

According to the Company's Articles of Association, the Company's legal reserve is 1/10 of the share capital, unless otherwise prescribed by the law. In connection with the above increase of share capital, the Company's current legal reserve does not amount to 1/10 of its share capital. Consequently, during each following financial year at least 1/20 of the net profit shall be entered into the legal reserve, until the legal reserve reaches the amount established in the Articles of Association.

13.2.3. Issue of New Shares and Dilution

In the Offering, the Company offers up to 40,816,327 New Shares. The New Shares will be of the same class as all existing Shares and will also be registered in book-entry form in the ERS under ISIN code EE3100137985 after the Settlement occurs.

The New Shares will be issued and registered in the ERS pursuant to a resolution of the Management Board to be made after the end of the Offer Period in reliance on the Resolution on the conditional increase of the share capital of the Company expected to be adopted by the General Meeting of Shareholders. The Management Board will be entitled to resolve to issue the New Shares, provided that the conditional increase of the share capital of the Company has been registered with the Estonian Commercial Register and that the New Shares are fully paid for. The Company has submitted the necessary application for the registration of the conditional increase of share capital to the Commercial Register on 4 October 2021. The conditional share capital increase is expected to be registered in the Estonian Commercial Register on or about 11 October 2021.

Immediately following the completion of the Offering, assuming that all offered New Shares will be subscribed for and issued, the Upsize Option will be used in full and the Put Option is not exercised (and all Shares remain in public hands), the Offer Shares will represent up to approximately 26.4% of the Company's share capital.

The net asset value per Share as of 30 June 2021 was EUR 112.1.

13.2.4. Option Rights, Convertible Securities and Securities with Warrants

As a rule, only the General Meeting of the Shareholders has the right to decide on capital changes.

According to Estonian law, convertible bonds are the only debt instrument that provide conversion right into company's shares. The general meeting of shareholders can decide on the issue of convertible bonds, if the Articles of Association allow this. The Company's Articles of Association allow the Company to issue convertible bonds. The Company has not issued any convertible bonds or option rights, securities or warrants, capital loans or other securities or instruments convertible into Shares.

In addition to the above, share subscription rights may be granted to the employees and members of managing bodies of the company, if so decided by the general meeting of shareholders.

13.3 SHAREHOLDER RIGHTS

13.3.1. Right to participate in general meetings of shareholders

Under the Estonian Commercial Code, shareholders exercise their right to decide on corporate matters at general meetings of shareholders. The general meeting of shareholders considers, among other things, the annual report and the distribution of profits, election and recall of the Supervisory Council members, appointment of auditors and special controller. Resolutions may be adopted at either annual or extraordinary general meetings.

According to the Estonian Commercial Code, an annual general meeting of shareholders must be held within six months after the end of a financial year at the latest. An extraordinary general meeting of shareholders must be convened in cases set forth by the Estonian Commercial Code, for example, if the net assets decrease below the legally required minimum level, if the Supervisory Council, the auditor of the company or shareholders whose shares represent at least 1/20 of the share capital make such a request to the Management Board, or if this is clearly in the interests of the company. If the Management Board does not convene an extraordinary general meeting within one month following the receipt of a request of one or more shareholders, the Supervisory Council or the auditor, the person or the persons who have submitted the respective request are entitled to convene an extraordinary general meeting themselves.

Notices to convene annual and extraordinary general meetings of shareholders of listed companies must be given at least three weeks prior to the meeting. The advance notice may be shorter if shareholders whose shares represent at least 2/3 of the share capital agree thereto. Meeting notices must be sent to shareholders by registered mail to their registered addresses (entered in the share register of the company as maintained in the ERS). If the company is aware or should be aware that the address of a shareholder is different from the one entered in the share register, the notice must also be sent to such other address. Notices may also be sent by unregistered mail, fax or e-mail provided that the letter, fax or e-mail is accompanied by a notice requesting the recipient to immediately return the confirmation of receipt to the Management Board. However, if the company has more than 50 shareholders, notices need not be sent to shareholders, but must be published in at least one national daily newspaper in Estonia. A listed company must additionally publish the notice via methods that ensure fast access to the information contained therein, using media that can be assumed to effectively transmit information to the public within the entire European Union. A listed company must additionally make public the notice through the information system of the Tallinn Stock Exchange and on their homepage.

Agenda of the general meetings of shareholders is determined by the Supervisory Council. If, however, the shareholders or the auditor convene a general meeting of shareholders, they also determine the agenda of that meeting. The Management Board or one or more shareholders whose shares represent at least 1/20 of the share capital of the listed company are entitled to request that additional items be included on the agenda of an annual general meeting of shareholders, if such a request is made not later than 15 calendar days before the day of the general meeting. In addition, they can make resolution proposals on items listed in the agenda. If certain items have been requested to be added to the agenda by the shareholders, such shareholders also have to submit the drafts of the resolutions regarding each additional issue along with the request to supplement the agenda.

If, upon convening a general meeting of shareholders, the requirements of law or the articles of association have been materially breached, no decision may be adopted at the meeting unless all shareholders participate or are represented at the meeting. Resolutions adopted at such meeting

are void unless the shareholders with respect to whom the procedure for calling the meeting was breached approve the resolutions.

Shareholders may vote on items that were previously not included on the agenda at the approval of at least 9/10 of the shareholders participating in the general meeting, if their shares represent at least 2/3 of the share capital of the company. Upon adoption of such resolution, the votes given prior to the meeting shall not be taken into account as part of the quorum of the meeting.

In order to have the right to attend and vote at a general meeting of shareholders, a shareholder must be registered in the shareholders' register on the cut-off date, which is seven days before the meeting. A shareholder whose shares are registered in the name of a nominee can exercise the voting rights only if the nominee account holder has given a power of attorney to the shareholder.

A general meeting of shareholders has quorum if more than one-half of the votes represented by shares held by the shareholders are present at the meeting. If the meeting has no quorum, the Management Board must call a new general meeting of shareholders for a date not later than within three weeks but not earlier than seven calendar days after the date of the original meeting. The new meeting has quorum regardless of the number of participants.

It is also possible to participate in the general meeting of shareholders by electronic means, without being physically present at the meeting, having recourse to a two-way real-time communication or to other similar electronic means that allow the participant, while at a remote location, to follow, and speak at, the meeting and to vote in any matters that have been tabled for resolution. The shareholders are also entitled to pass resolutions of the general meeting of shareholders without convening the general meeting of shareholders, whereby the Management Board sends a draft of the resolution to the shareholders in a format reproducible in writing and the results shall be reflected in the record of voting. In such case, the resolution shall be adopted if more than half of the shareholders are in favour of the resolution, unless the law or the articles of association prescribe a greater majority requirement.

Revocation of a resolution of the general meeting may be demanded by the Management Board or Supervisory Council if, by enforcing the resolution, an offence or misdemeanour would be committed or if enforcement of the resolution would clearly result in an obligation to compensate for damage, and by a shareholder who did not participate in the general meeting. A shareholder who participated in the general meeting may demand the revocation of the resolution only if the shareholder's objection to the resolution has been entered in the minutes of the general meeting. The shareholders who gave their votes prior to the meeting may demand revocation of a resolution also without entering the objection in the minutes.

The rules described are also applicable to the General Meetings of Shareholders of the Company.

13.3.2. Voting rights

The Company has one class of Shares. Each Share entitles the holder to one vote.

Pursuant to the Estonian Commercial Code, a shareholder may attend and vote at a general meeting of shareholders in person or by proxy. At a general meeting of shareholders, resolutions generally require the approval of a majority of the votes represented at the meeting. However, certain resolutions, such as amending the articles of association, recalling a member of the Supervisory Council before expiry of his or her term of office, increasing or decreasing the share capital and, in certain cases, resolutions relating to a merger, division, reorganisation or liquidation of the company, require a majority of 2/3 of the votes represented at the general meeting of shareholders. Any issuance of new shares on terms other than in accordance with the

existing shareholders' pre-emptive subscription rights requires a majority of at least 3/4 of the votes represented at the general meeting.

The rights attaching to any class of shares may be amended only by a decision of the general meeting of shareholders which is supported by a qualified majority of 4/5 of all votes and 9/10 of the shareholders whose rights are proposed to be amended.

The rules described above are also applicable to the voting rights attached to the Shares.

13.3.3. Shareholders' right to information

Shareholders have the right to obtain information on the activities of the Company from the Management Board at the general meeting of shareholders. The Management Board may refuse to give information if there are grounds to presume that this may cause significant damage to the interests of the Company. If the Management Board refuses to give information, the shareholder may demand that the general meeting of shareholders decide on the legality of the shareholder's request or to file, within two weeks after the general meeting of shareholders, a petition to a court by way of proceedings on petition in order to oblige the Management Board to give information.

The shareholders of the Company have the right to information as described above.

13.3.4. Dividends and other distributions

Pursuant to the Estonian Commercial Code, the management board of a public limited company must present a profit distribution proposal to the general meeting of shareholders together with submitting an annual report for approval of the general meeting of shareholders. The Supervisory Council has the right to make changes to the proposal of the Management Board before submission to the general meeting. The general meeting of shareholders decides the payment of dividends, amount and procedure of payment on the basis of the approved annual report. The general meeting of shareholders may also decide on payment of the dividends in several instalments. The decision on the payment of dividends is adopted by a simple majority of votes represented at the general meeting of shareholders.

As a general rule, no interim dividends may be paid in respect of a financial period for which an annual report (together with the audited financial statements) has not yet been approved by the general meeting of shareholders. The articles of association may give the Management Board of a public limited company the right to make advance payments to the shareholders after the end of a financial year and before approval of the annual report on account of the presumed profit in the amount of up to one-half of the amount subject to distribution among the shareholders, subject to the consent of the Supervisory Council. The Articles of Association of the Company, however, do not allow advance dividend payments to the shareholders.

Dividends may only be paid out from net profit or undistributed profit from previous financial years, and from which uncovered losses from previous years have been deducted. Dividends may not be paid to the shareholders if the net assets of the company, as recorded in the approved annual report of the previous financial year, are less than or would be less than the total of share capital and reserves, which, pursuant to applicable law or the articles of association, may not be distributed to the shareholders.

In addition to cash dividends, the shareholders may consent to payment of dividends in other property forms (e.g. a bonus issue).

Dividends of listed companies are paid only to those shareholders (or their nominees) who are entered on the list of shareholders (shareholders' register) as maintained in the ERS on the respective record date. If a general meeting of shareholders adopts a resolution that relates to

rights attached to the shares (for example, the declaration of payment of dividends), the record date may not be earlier than the end of the tenth business day of the T2S settlement system used by the ERS after the date of the relevant general meeting of shareholders.

All existing Shares rank *pari passu* with regard to dividends and other distributions of the Company (including distribution of assets in the event of dissolution). The Company's Articles of Association do not provide for different rules in respect of dividend payments.

13.3.5. Pre-emptive subscription rights

According to the Estonian Commercial Code, upon issue of new shares by a public limited company, existing shareholders of the company have pre-emptive rights to subscribe for new shares in the company pro rata to their existing shareholdings. A resolution waiving pre-emptive rights must be approved by at least 3/4 of all votes represented at the general meeting of shareholders. Such pre-emptive right is also attached to the Shares.

13.3.6. Right to liquidation proceeds

According to the Estonian Commercial Code, upon liquidation of the Company, the assets remaining after satisfying or securing all the creditors' claims (and depositing the money for this purpose) are distributed among the shareholders pro rata to the nominal value or book value of their shares pursuant to the asset distribution plan prepared by the liquidators. Assets may be distributed no earlier than six months after the entry of the dissolution of the public limited company in the Commercial Register and no earlier than two months after the date on which the shareholders were informed that the final balance sheet and asset distribution plan are presented to the shareholders for examination, provided that the balance sheet or asset distribution plan have not been contested in court, the action has not been heard or has not been satisfied, or if the proceeding in the matter has been concluded. According to the Estonian Commercial Code, liquidation proceeds are distributed by way of monetary payments unless the articles of association prescribe otherwise. According to the Articles of Association of the Company, liquidation proceeds may also be distributed in other means than monetary payments.

13.3.7. Acquisition by a company of its own shares

A public limited company is entitled to acquire its own shares only if all the following conditions are met:

- the acquisition occurs within five years after the adoption of a resolution of the general meeting of shareholders which specifies the conditions and term for the acquisition and the minimum and maximum amounts to be paid for the shares;
- the sum of the nominal value of the shares held by the company does not exceed 1/10 of its share capital; and
- acquisition of the shares does not cause the net assets to become less than the total of share capital and reserves which pursuant to law or the articles of association shall not be paid out to shareholders.

Regardless of the above, a public limited company may acquire its shares by inheritance. A public limited company may also acquire its shares by a resolution of the Supervisory Council without requiring a resolution of the general meeting of shareholders if the acquisition of the shares is necessary to prevent significant damage to the company. In such case, the shareholders must be informed of the circumstances and details of the acquisition of the company's own shares at the next general meeting of shareholders.

If the shares are obtained in compliance with the law (by way of inheriting) but form more than 1/10 of the share capital, the excess shares must be disposed of within three years of their acquisition. In case the public limited company acquires its own shares in violation of the law, such shares must be disposed of or cancelled (by decreasing the share capital) within one year of acquisition.

The rules regarding the acquisition of a company's own shares are also applied to the acquisition of a parent company's shares by the subsidiaries. In the event that a subsidiary acquires the shares of its parent company, the parent company shall be regarded as the acquiring party.

The above-referred rules are also applicable to the acquisition of Shares by the Company.

13.3.8. Disclosure of shareholdings

Information concerning the shareholders is accessible to the public via ERS. In case of shares deposited in nominee accounts, only the data of the owner of the nominee account is available through ERS.

In addition to the above, if the shares are not entered in the ERS, the Management Board is, under the Estonian Commercial Code, required to submit to the Estonian Commercial Register, together with the approved annual report, a list of shareholders holding more than 10% of the votes as at the date of the approval of the annual report by the general meeting of shareholders. Through such filing, the respective information becomes publicly available in the Estonian Commercial Register.

13.3.9. Squeeze-out rules

According to the Estonian Commercial Code, a shareholder whose shares, together with the shares of its parent undertaking and its subsidiaries (provided the parent undertaking or subsidiary has granted its consent to this effect), represent at least 90% of the share capital of a public limited company is entitled to request that the general meeting of shareholders approves taking over by that shareholder of the remaining outstanding shares of the company for fair monetary compensation ("squeeze-out"). The squeeze-out must be approved at the general meeting of shareholders by at least 95% of the votes represented by the shares of the company. Squeeze-out of minority shareholders of a public limited company may also be carried out according to the Estonian Commercial Code in the course of a merger between two companies, if the surviving company owns at least 90% of the shares of the company being merged. In such a case, the squeeze-out is approved if at least 90% of the votes represented by the shares of the company are cast in favour of the relevant resolution at the general meeting of shareholders of the company being merged.

In addition to the above, a special squeeze-out regime applies to listed companies under the Estonian Securities Market Act in case a person reaches at least a 90% shareholding in a company as a result of making a voluntary or a mandatory takeover bid to the company's shareholders. In such a case, the relevant acquirer may request the general meeting of shareholders of the company to be called within three months after the expiry of the takeover term and to vote on the takeover of the remaining shares belonging to the shareholders of the company ("squeeze-out") for a fair compensation (not being less than the takeover bid price). In such a case, a resolution on the takeover of the remaining shares of the target is adopted if at least 90% of all votes represented by shares of the company (not merely those attending the meeting or voting) are cast in favour of the resolution. If a squeeze-out resolution has not been passed in the above-mentioned scenario, then the takeover bid term is to be extended for up to three months after the date of disclosure of the takeover bid results, with respect to the target persons who, within the framework of the takeover bid, did not agree to taking over their shares, provided that at least 9/10 of the share

capital of the target issuer representing the voting rights is represented by the shares of the offeror and the general meeting of the target issuer has not made the takeover decision.

13.3.10. Taxation of dividends

Please see “Part 15 (Taxation)” for the overview of the taxation of dividends.

13.3.11. Specific features relating to shares held in a nominee account

The Estonian Securities' Register Maintenance Act (the “**ESRMA**”) also recognises the nominee concept by establishing that professional participants of the Estonian securities market have the right to hold a nominee account as a special type of securities account. A nominee account may also be held by other institutions subject to financial supervision and provided that, according to the law applicable to them, they are entitled to hold securities in their own name and on behalf of another person (i.e. as a nominee).

Through a nominee account, securities are held for and on behalf of another person (client). Only the following securities may be held on a nominee account: (i) securities held for the performance of a mandate submitted for the purpose of holding securities in a nominee account or on the basis of another similar legal relationship; and (ii) securities received as income from securities held in the nominee account (including securities received as dividends or in the course of replacing or exchanging securities and other securities received on account of respective securities). The ESRMA prohibits the holding of other securities on a nominee account.

The securities held on the nominee account are, vis-à-vis the holder of the nominee account and the creditors thereof, deemed to be the securities of the client. Similarly, any money held on behalf of a client by the holder of a payment account related to the nominee account is, with regard to the holder of the nominee account and the creditors thereof, deemed to be the money of the client. By way of exception, upon the determination of public restrictions on holdings or other similar requirements (e.g. disclosure requirements under the transparency regime) and upon assessment of the prerequisites for mandatory takeover bids, securities held in a nominee account are not deemed to be owned by the holder of the nominee account but by the person on whose behalf the securities are held.

The securities and money of a client held on a nominee account cannot be subject to a claim for payment against the holder of a nominee account in an enforcement procedure and they are not part of the bankruptcy estate of the holder of the nominee account. Measures for securing an action filed against the holder of a nominee account or other restrictions on transfer of the assets of the holder of the nominee account, applied in the course of proceedings conducted with regard to the holder of the nominee account, do not extend to securities of third parties held in the nominee account. The holder of a nominee account shall, at the request of an issuer of shares admitted for trading on a regulated securities market or a third party nominated by the issuer, provide the issuer or the third party immediately with the information concerning shareholders who hold more than 0.5% of the votes determined by shares in the relevant issuer if the holder of the nominee account has acquired the shares on the basis of a mandate submitted by the relevant shareholder or its representative.

The holder of the nominee account is entitled to exercise the rights arising from securities in the nominee account and is liable for performance of the obligations arising from such securities. In the exercise of voting rights and other rights arising from a security, the nominee must follow the instructions of the client. At the request of the client, the nominee shall grant authorisation in the required format to the client in order for the client to represent the nominee in the exercise of rights arising from securities. The holder of the nominee account may grant the authorisation in the form of a joint list to the clients to represent the nominee at the general meeting of shareholders. In the exercise of voting rights arising from the securities of the same type and

representing equal rights held in a nominee account on behalf of clients, the nominee is entitled to vote according to the instructions received from the clients.

The holder of a nominee account is required to maintain records on the securities held in the nominee account which allows the holder to identify each client and determine the securities held for each client and the number of the securities. The holder of a nominee account is required to record the notations concerning pre-emption and pledges established on securities in the internal accounts of the holder of the nominee account and ensure the availability of this information to the client.

PART 14. ESTONIAN SECURITIES MARKET

There is currently no trading market for the Company's Shares. The Company filed an application with the Nasdaq Tallinn Stock Exchange for listing of the Shares on the Nasdaq Baltic Main List on 1 October 2021.

The following summary is based on the Estonian laws as in effect on the date of this Prospectus and is subject to changes as a result of any future amendments to Estonian legislation. Furthermore, the following summary is presented for general background purposes only and does not constitute an exhaustive description of legal acts and regulations governing listed companies or companies generally in Estonia or applicable to investors and/or shareholders of an Estonian company. Investors should seek qualified legal advice to gain a thorough overview of any rights and obligations they may have under Estonian law.

14.1 NASDAQ TALLINN STOCK EXCHANGE

Nasdaq Tallinn Stock Exchange is the organiser of the only regulated securities market in Estonia. The ultimate owner of the Nasdaq Tallinn Stock Exchange is Nasdaq, Inc. Nasdaq is a leading global provider of trading, clearing, exchange technology, listing, information and public company services.

Nasdaq stock exchanges in Tallinn, Riga and Vilnius form the Baltic Market, the core idea of which is to minimise to the extent possible the differences between the three Baltic markets in order to facilitate cross-border trading and attract more investments to the region. This includes sharing the same trading system and harmonizing rules and market practices, all with the aim of reducing the costs of cross-border trading in the Baltic region. Nasdaq Baltic is not a legal entity but describe the common offering from Nasdaq stock exchanges in Tallinn, Riga and Vilnius.

Nasdaq Tallinn Stock Exchange is a self-regulated organisation, issuing and enforcing its own rules and regulations consistent with standard exchange operating procedures. It is licensed and supervised by EFSA.

14.2 NASDAQ CSD AND REGISTRATION OF SHARES

The Shares are registered with the ERS, which is maintained by the Nasdaq CSD SE, the regional central securities depository in the Baltics. In Estonia, Nasdaq CSD SE is operating through its Estonian branch.

Nasdaq CSD SE is licensed under the Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (the "CSDR") and supervised by the local financial supervision authorities cooperating in accordance with the CSDR. The ultimate owner of the Nasdaq CSD SE is Nasdaq, Inc. The ERS is a database belonging to the state information system for the registration of shares and debt obligations. Nasdaq CSD SE's primary functions as operator of the ERS include clearing and settling securities transactions, maintaining records of share ownership and pledges and providing securities-related services to issuers and investors.

Every person, whether a natural or legal person, has the right to open a securities account at the Nasdaq CSD SE with an Estonian securities account operator (subject to KYC, AML and other procedures to be applied by that securities account administrator). All securities are registered at the ERS in book-entry form on the securities accounts of their owners. All transactions are recorded and can be performed only through account operators. Account operators may be either investment companies or credit institutions operating in Estonia, or other certified entities. For the shares registered in the Nasdaq CSD, no physical share certificates are issued.

In addition to the regular securities accounts, professional participants in the securities market have the right to hold a nominee account (*esindajakonto*) as a special type of securities account. This account type gives the account holder the right to hold securities in its own name but on behalf of another person (client). The client retains the right to dispose of the securities and use rights arising therefrom. The Securities Register Maintenance Act, which regulates the operation of security accounts and holding of shares in Estonia, recognises the possibility to hold shares without an Estonian securities account (either via a linked system or otherwise) on a nominee account held by a central depository of certain EU member states.

Each legal person who wishes to trade the Shares needs to have an LEI code to enable its investment services provider to fulfil applicable reporting requirements.

14.3 LISTING SHARES ON THE NASDAQ TALLINN STOCK EXCHANGE

The Baltic stock exchanges have a common presentation of all listed Baltic companies on a common list, the companies in which are grouped in the lists described below. However, in legal terms, the companies are listed on their home market, i.e. the exchange in Tallinn, Riga or Vilnius and supervised by the local financial supervision authority.

The structure of the lists of securities traded on the Nasdaq Baltic stock exchanges is as follows:

- Baltic Main List;
- Baltic Secondary List;
- Baltic Bond List;
- Baltic Fund List; and
- First North (an alternative marketplace, multilateral trading facility, not a regulated market).

The Shares will be listed on the Baltic Main List which includes the highest-quality blue-chip companies listed on the Tallinn, Riga and Vilnius stock exchanges. In order to list the shares of a company on the Main List of the Tallinn Stock Exchange, several requirements must be met. Among others, to be eligible for inclusion, a company must have, as a rule, three years of operating history (exceptions are possible), an established financial position, market capitalisation of not less than EUR 4 million, with reporting according to the International Financial Reporting Standards, and a free float of at least 25%.

14.4 TRADING ON NASDAQ TALLINN STOCK EXCHANGE

Nasdaq Tallinn Stock Exchange employs two trading systems:

- (i) INET – the electronic trading system used for trading in equity-market instruments; and
- (ii) Genium INET – the electronic trading system used for trading in fixed-income instruments as well as for the execution of auctions and special procedures.

Transactions can be effected in two ways:

- (iii) automatic matching, which means that buy and sell orders are matched by the trading system automatically according to price, displayed volume and time priorities; and

- (iv) manual trades, i.e. trades negotiated between stock exchange members outside of the trading system, with brokers entering the deal in the trading system within three minutes after its conclusion.

The trading system of the Nasdaq Tallinn Stock Exchange is open for trading to its members. Trading on the Nasdaq Tallinn Stock Exchange takes place on each business day from 10:00 a.m. to 3:55 p.m. (Estonian time). From 3:55 p.m. to 4:00 p.m. on the Nasdaq Tallinn Stock Exchange, the pre-post-market trading is carried out. From 4:00 p.m. to 4:30 p.m., the Nasdaq Tallinn Stock Exchange carries out post-market trading.

14.5 SUPERVISION

The operations of the Nasdaq Tallinn Stock Exchange are supervised by EFSA with the purpose of ensuring the compliance with the rules and requirements applicable in respect of the operations of regulated markets.

Compliance with the Nasdaq Tallinn Stock Exchange Rules by its members is monitored by the Nasdaq Tallinn Listing and Surveillance Committee.

Nasdaq Tallinn Stock Exchange exercises supervision over the exchange with respect to the prices of securities traded on the exchange and the conduct and execution of transactions for the purpose of detecting and reducing transactions conducted on the basis of inside information, market manipulation and other violations of the law. Nasdaq Tallinn Stock Exchange also supervises the disclosure of adequate information to the investors by the issuers, protection of the interests of the investors as well as their fair and equal treatment, in addition to EFSA.

14.6 DISCLOSURE OF TRANSACTIONS AND OWNERSHIP

As a general rule, if the number of votes in an issuer belonging to a person constitutes 5, 10, 15, 20, 25 or 50%, or 1/3 or 2/3 of all the votes represented by the shares issued by such issuer or exceeds any notification threshold either when increasing or decreasing, the person must notify the issuer of the shares and EFSA in respect of the number of votes held by the person. For the purposes of this requirement, shares are considered to belong to a person if the person holds or exercises the rights arising from such shares: (i) directly; (ii) together with one or several controlled companies; (iii) by one or several companies controlled by the person; or (iv) by a person or a company controlled by the person upon agreement with a third party, or if the voting rights arising therefrom are deemed to belong to a person. The Estonian Securities Market Act stipulates the requirements and exceptions to such notification obligation, as well the rules to determine under which circumstances a company is considered to be controlled by a person.

Under the Nasdaq Tallinn Stock Exchange Rules, an issuer is required to ensure that shareholders holding 5% and more of the votes represented by the shares of the issuer disclose information, through the Issuer, on all the significant provisions of all the agreements made with other shareholders or third parties which are aimed at restricting the free transferability of the shares or which may have a significant effect on the price of the shares.

The list of shareholders of all listed companies is public and can be obtained from the website of Nasdaq CSD SE (the operator of the ERS). With respect of shares held on a nominee account, only the nominee account owner is visible as the shareholder. The nominee account client agreement must ensure that the client complies with, among other, the notification obligations under Estonian law.

14.7 MARKET ABUSE AND INSIDE INFORMATION

Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European

Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the “**Market Abuse Regulation**”) establishes a common regulatory framework on insider dealing, the unlawful disclosure of inside information and market manipulation (market abuse) as well as measures to prevent market abuse. Pursuant to the Market Abuse Regulation, market abuse is the misuse of inside information, consisting of insider dealing and the unlawful disclosure of inside information, and market manipulation.

For the purposes of the Market Abuse Regulation, inside information shall comprise information of a precise nature, which has not been made public, relating, directly or indirectly, to the issuer or the financial instrument, and which, if it were made public, would be likely to have a significant effect on the price of the financial instrument or the price of related derivative financial instruments. Information shall be deemed to be of precise nature if it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonably be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the price of the financial instrument (or the related derivative financial instruments). In this respect, in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information. Information which, if it were made public, would be likely to have a significant effect on the price of the financial instrument shall mean information a reasonable investor would be likely to use as part of the basis of his or her investment decisions.

All persons possessing inside information are insiders. An insider is any person who possesses inside information as a result of being a member of the management or supervisory bodies of the issuer, having a holding in the capital of the issuer, having access to the information through the exercise of an employment, a profession or duties or being involved in criminal activities. Where the person is a legal person, insiders are also the natural persons who participate in the decision to carry out the acquisition, disposal, cancellation or amendment of an order for the account of the legal person concerned. The definition of insider applies also to any person who possesses inside information under circumstances other than those referred to above where that person knows or ought to know that it is inside information. The list of insiders has to be maintained by the issuer or any person acting on its behalf or on its account.

Insider dealing arises where a person possesses inside information and uses that information by acquiring or disposing of, for its own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates. The use of inside information by cancelling or amending an order concerning a financial instrument to which the information relates where the order was placed before the person concerned possessed the inside information, shall also be considered insider dealing. Recommending or inducing another person to engage in insider dealing may also constitute insider dealing. Unlawful disclosure of inside information arises where a person possesses inside information and discloses that information to any other person, except where the disclosure is made in normal exercise of an employment, a profession or duties.

For the purposes of the Market Abuse Regulation, market manipulation comprises the following activities:

- (i) entering into a transaction, placing an order to trade or any other behaviour which (a) gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, or (b) secures, or is likely to secure, the price of one or several financial instruments at an abnormal or artificial level;

- (ii) entering into a transaction, placing an order to trade or any other activity or behaviour which affects or is likely to affect the price of one or several financial instruments, which employs a fictitious device or any other form of deception or contrivance;
- (iii) disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, or is likely to secure, the price of one or several financial instruments at an abnormal or artificial level, including the dissemination of rumours, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading;
- (iv) transmitting false or misleading information or providing false or misleading inputs in relation to a benchmark where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading, or any other behaviour which manipulates the calculation of a benchmark.

Depending on the circumstances of the offence, breach of the requirements of the Market Abuse Regulation may be qualified as a misdemeanour or a criminal offence under the Estonian Penal Code and is punishable with fines of variable gravity or up to 4 years of imprisonment.

14.8 MANDATORY TAKEOVER BIDS

The legal regime applicable to takeover bids is provided in the Estonian Securities Market Act, which implements the rules stipulated in the Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (the “**Takeover Directive**”). If a person (either directly or together with any persons acting in concert) acquires dominant influence over an Estonian listed company, such person is required to make a mandatory offer to all remaining shareholders for acquisition of the shares held by them in the relevant company (i.e. mandatory takeover bid). Dominant influence over the issuer is deemed to have been gained by the person, for instance, upon acquisition by the person (alone or together with persons acting in concert) of more than 50% of the shares in the issuer. The obligation to make a mandatory takeover bid is triggered when the acquirer becomes the holder of the voting rights attached to the shares of the issuer representing the majority of all votes.

The obligation to make a mandatory takeover bid may also be triggered, regardless of the stake acquired, if:

- the person, as the issuer’s shareholder, has the right to appoint or remove the majority of the target’s supervisory council or management board members; or
- the person, as the issuer’s shareholder, alone controls the majority of votes on the basis of an agreement with other shareholders; or
- the person has dominant influence or control over the issuer and the possibility to exercise it.

The mandatory takeover bid must be published within 20 days of gaining a dominant influence over the issuer. The price offered under a mandatory takeover bid must be fair, which is determined by specific parameters stipulated in the Estonian Securities Market Act and the takeover rules enacted by the Minister of Finance.

PART 15. TAXATION

This Part is based on the tax laws as in effect in the respective jurisdictions on the date of this Prospectus and is subject to changes in such laws. The below overview is in no way exhaustive and is not meant to constitute professional advice to any person. In order to assess particular tax consequences of the Offering or the acquisition of the Shares to the investor, each individual investor is strongly encouraged to seek specialist assistance. The law of the Member State of the investor and the law of incorporation of the Issuer may have an impact on the income earned on securities.

15.1 ESTONIAN TAX CONSIDERATIONS

The following is a general overview of the Estonian tax regime applicable to corporate income received, profits distributed and capital gains realised in Estonia, as well as to acquisition and transfer of shares.

15.1.1. Corporate Income Tax

The corporate income tax (the “CIT”) regime in Estonia differs from traditional corporate tax system, in that the profits of an Estonian company are not taxed until they are distributed. Consequently, the Estonian CIT system shifts the triggering event of corporate taxation from the moment of earning the profit to the moment of distribution (deferred corporate income tax). CIT is charged on direct profit distributions, such as dividends, as well as on implicit (deemed) distributions, including fringe benefits, gifts and donations, transfer pricing adjustments, hidden profit distributions (in the form of loans) and expenses and payments not related to the business activities of the company. Although the CIT is imposed at the time of these profit distributions, the tax is generally imposed on the company distributing profits. Profit distributions are taxed at the rate of 20/80 of the net amount of the distribution (i.e. 20% of the gross amount); however, in the case of regularly distributed dividends, a lower CIT rate applies as outlined in the next section.

15.1.2. Taxation of Dividends

An Estonian resident company is taxable with CIT on profit distributed as dividends upon payment thereof in monetary or non-monetary form. Dividends are generally subject to CIT at the rate of 20/80 of the net amount of distribution, i.e. 20% on the gross amount.

As of 1 January 2018, regularly distributed dividends are subject to lower CIT at the rate of 14/86 of the net amount of distribution, i.e. 14% on the gross amount. The lower CIT rate on the regularly distributed dividends applies to dividends that are paid in the amount not exceeding the annual average amount of the taxed dividends (taxed with 20% or 14% rate) and capital distributions paid in the previous three years. 2018 was the first year which was taken into account upon the calculation of the 3-year historical average amount of the taxed dividends, meaning that the full effect of the new regime will be realised in 2021 (i.e. when companies will be able to take into account the distributions of three full years: 2018, 2019 and 2020). In the interim period (i.e. 2018–2020), the lower CIT rate applied as follows: in 2019 with regards to 1/3 of the profits distributed and taxed in 2018, and in 2020 with regards to 1/3 of the aggregate amount of profits distributed and taxed in 2018 and 2019. Tax-exempt dividends are not included in the calculation. The rest of the distributed profit subject to tax, i.e., the part which exceeds the 3-year historical average, will be taxed at the standard CIT rate of 20%.

For the corporate shareholders (including both resident and non-resident), dividends are not taxable income and additional income tax is not withheld from the amount of dividend.

For individual recipient of dividends (including both resident and non-resident), additional income tax is withheld in the amount of 7% (as of 1 January 2018) if the dividends are distributed at the lower CIT rate of 14%. If, however, the dividends are subject to standard CIT rate of 20% or are exempt from tax (e.g., redistribution of dividends), then no withholding tax applies.

Furthermore, if there is a tax treaty in place between the Republic of Estonia and the country of residence of the individual shareholder, the withholding rate may be lower than 7% (e.g. 5% or 0%) if the tax treaty provides for a more favourable withholding rate. Moreover, dividends received by a non-resident individual may be subject to taxation in the country of residence of the relevant recipient. In order to assess the applicable tax consequences more precisely, investors are advised to seek specialist assistance.

Under certain conditions, redistribution of dividends is not subject to taxation. Namely, income tax is not charged on redistributed dividends received by an Estonian company from a subsidiary domiciled in a European Economic Area (EEA) member state or Switzerland if that Estonian company holds at least 10% of the shares or votes in the relevant subsidiary. Additionally, dividends received from a subsidiary domiciled in other foreign countries (i.e., except an EEA member state or Switzerland) are exempt if the Estonian company holds at least 10% of the shares or votes in the subsidiary and income tax has been withheld or paid in the foreign country. This exemption does not apply to dividends received from companies located in a low tax rate territory.

15.1.3. Taxation of Capital Gains

Considering that all earnings of an Estonian resident company, including capital gains, are taxed only upon distribution, capital gains of the Estonian resident company are not subject to immediate taxation.

Capital gains realised by an Estonian resident individual upon the sale or exchange of securities (including the Shares) are subject to income tax at the rate of 20%. The taxable gain is the difference between the acquisition cost and the sales price of the shares or the difference between the acquisition cost of the shares subject to exchange and the market price of the shares received as a result of the exchange. The expenses directly related to the sale or exchange of the shares may be deducted from the gain. Moreover, payments received by an Estonian resident individual during the reduction of share capital or redemption of shares are also taxable as capital gains if the amount of the received payment exceeds the acquisition cost of the shareholding, except to the extent such payment has been already taxed at the level of the Estonian company making the payment.

As a general rule, capital gains received by non-residents (both individual and corporate) from the sale or exchange of securities are not taxed in Estonia. However, income tax (at the rate of 20%) could be due on capital gains derived by a non-resident (both individual and corporate) from the sale or exchange of securities in case a shareholding is transferred in a company of whose property, at the time of the transfer or during a period within two years before transfer, more than 50% was directly or indirectly made up of immovables or structures as movables located in Estonia and in which the non-resident had a holding of at least 10% at the time of transfer. Considering the Company's asset base, the capital gains received from the sale or exchange of the Shares may fall under the above described rule. Fulfilment of the said criterion may change in time and should be assessed by each non-resident upon each sale of securities.

Capital gains received from the sale or exchange of the Shares by non-resident shareholders may be taxed in their country of residence. In order to establish possible tax consequences arising in the non-resident person's country of residence, investors are advised to seek specialist advice.

If tax is due on capital gains derived by a non-resident (both individual and corporate) from the sale or exchange of securities, the non-resident is required to submit an income tax return concerning such gains derived during the calendar year to the Tax and Customs Board not later than by 30 April of the following year. Income tax must be paid into the bank account of the Tax and Customs Board by 1 October of the following year.

15.1.4. Investment Account

Resident individuals can defer their income tax liability on income earned from transactions in certain financial assets (including securities) when using a specific investment account system. An investment account is a monetary account opened with a credit institution of the EEA or the Organisation for Economic Co-operation and Development (OECD) member state through which the transactions with the financial assets (including the Shares) are executed. Therefore, the moment of taxation of the financial income held on an investment account is postponed until respective income (that is calculated as the amount by which the funds withdrawn from the account exceed the funds previously deposited into the account) is withdrawn from the investment account. Hence, such financial income held at the investment account may be reinvested on a tax-exempt basis until it is withdrawn from the investment account.

15.1.5. Pension Investment Account

Individuals who have decided to grow their Estonian mandatory funded pension (so-called II Pillar) via pension investment account (“PIA”, in Estonian: *pensioni investeerimiskonto*), can also acquire the Shares through PIA. Pension investment account is a separate bank account opened with an Estonian credit institution, which, on the one hand, is part of the mandatory funded pension system (including relevant benefits, such as additional contributions from the state), but on the other hand allows the person to make his / her own investment decisions. Like the ordinary investment account, PIA allows making of transactions with financial assets, whereas taxation of income from such assets (e.g., dividends or capital gains from the Shares) is deferred until income is withdrawn from PIA. Monetary means withdrawn from PIA are, generally, taxed at a 20% income tax rate, unless withdrawn after reaching the retirement age, in which case a 10% or 0% income tax rate applies (depending on the method of payment).

15.1.6. Stamp Duty and Other Transfer Taxes

There are no stamp duties or other transfer taxes payable on the transfer of shares in Estonia.

15.2 LATVIAN TAX CONSIDERATIONS

The following is a summary of Latvian CIT considerations that are relevant to taxation of profits earned by the Group’s Latvian subsidiaries.

15.2.1. Corporate Income Tax

Latvia has a similar CIT system as Estonia, where corporate profits are not taxed until they are distributed. Consequently, reinvested profits are not subject to CIT (deferred corporate income tax). CIT is charged on direct profit distributions, such as dividends, as well as on implicit (hidden) distributions, including non-business expenses, interest payments made in excess of defined thresholds, loans made to related parties (subject to specific criteria), transfer pricing adjustments and other hidden distributions. CIT is imposed at the level of the company making the distributions at the time when such profit distributions are made. Profit distributions are taxed at the rate of 20% of the gross amount of the distribution (tax base is divided by 0.8 and then tax applied at the rate of 20% resulting in the effective rate of 25%).

Redistribution of inbound dividends is not taxable with CIT in Latvia if (i) the payer is a corporate income tax payer in its country of residence; or (ii) the underlying dividends were taxed with CIT or were subject to withholding tax in the distributing jurisdiction. Both exemptions apply provided that the payer is not from a low tax rate territory, and dividends are not treated as tax-deductible expenses in the payer’s country of residence.

Latvia does not levy any withholding tax on dividends, interest or royalties, except where payable to persons resident in a low tax rate territory.

Based on the above, no Latvian withholding tax will be applied on dividends distributed to the Company by its Latvian subsidiaries. Redistribution of said dividends by the Company will be tax exempt also in Estonia under the Estonian participation exemption as the underlying dividends are received from a subsidiary domiciled in an EEA member state and the Company holds at least 10% shareholding.

15.3 LITHUANIAN TAX CONSIDERATIONS

The following is a summary of Lithuanian CIT considerations that are relevant to taxation of profits earned by the Group's Lithuanian subsidiaries.

15.3.1. Corporate Income Tax

Profits of the Group's Lithuanian subsidiaries are taxed with CIT at the rate of 15%. Taxable profit of a Lithuanian company is calculated by way of subtracting non-taxable income and tax deductible expenses from the Lithuanian company's overall income (including business income, passive income, capital gains, etc.). Losses from the ordinary business activities can be carried forward for an unlimited period of time, but such carry forward shall be discontinued if the Lithuanian company ceases to carry out the activity that caused the losses to emerge. Only up to 70% of the taxable profits of the current year can be offset against tax losses carried forward. Losses from disposal of securities or financial derivatives can be carried forward for five years and can be used to offset only gains from disposal of securities or financial derivatives. Under certain conditions the operating losses of the current year can be transferred to another legal entity within the same group. CIT is declared on an annual basis with quarterly advance payments (if applicable) being made during the tax period.

Distribution of dividends by a Lithuanian company to a non-resident shareholder is exempt from withholding tax in case the non-resident shareholder holds at least 10% of the Lithuanian company's share capital for at least 12 months (participation exemption). Such participation exemption may also apply in case at the moment of dividend distribution the owner of the shares has held the shares for less than 12 months but intends to hold the shares for at least 12 months and later in fact fulfils this requirement.

Interest payments by a Lithuanian company to entities (actual beneficial owners of interest) residing in an EEA member state or in countries which benefit from a double taxation treaty with Lithuania are not subject to taxation in Lithuania. Otherwise, interest payments are subject to Lithuanian withholding tax at the rate of 10%.

Based on the above, no Lithuanian withholding tax will be applied on the dividends distributed to the Company by its Lithuanian subsidiaries. Redistribution of the said dividends by the Company will be tax exempt also in Estonia under the Estonian participation exemption as the underlying dividends are received from a subsidiary domiciled in an EEA member state and the Company holds at least 10% shareholding.

15.4 CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations that are likely to be relevant to the purchase, ownership and disposition of Offer Shares by a U.S. Holder (as defined below).

This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), and regulations, rulings and judicial interpretations thereof, in force as of the date hereof, and the Convention Between the United States of America and the Republic of Estonia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income dated 15 January 1998 (as amended by any subsequent protocols) (the "**Treaty**").

Those authorities may be changed at any time, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarised below.

This summary is not a comprehensive discussion of all of the tax considerations that may be relevant to a particular investor's decision to purchase, hold or dispose of Offer Shares. In particular, this summary is directed only to U.S. Holders that hold Offer Shares as capital assets and does not address particular tax consequences that may be applicable to U.S. Holders who may be subject to special tax rules, such as banks, brokers or dealers in securities or currencies, traders in securities electing to mark to market, financial institutions, life insurance companies, tax-exempt entities, regulated investment companies, entities or arrangements that are treated as partnerships for U.S. federal income tax purposes (or partners therein), holders that own or are treated as owning 10% or more of our stock by vote or value, persons holding Offer Shares as part of a hedging or conversion transaction or a straddle, or persons whose functional currency is not the U.S. dollar. Moreover, this summary does not address state, local or foreign taxes, the U.S. federal estate and gift taxes, or the Medicare contribution tax applicable to net investment income of certain non-corporate U.S. Holders, or alternative minimum tax consequences of acquiring, holding or disposing of Offer Shares.

15.4.1. U.S. Holders

For purposes of this summary, a **“U.S. Holder”** is a beneficial owner of Offer Shares that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of such Offer Shares and that is fully eligible for benefits under the Treaty.

Prospective investors should consult their own tax advisors about the consequences of the acquisition, ownership, and disposition of Offer Shares, including the relevance to their particular situation of the considerations discussed below and any consequences arising under foreign, state, local or other tax laws.

15.4.2. Taxation of Dividends

Subject to the discussion below under “—Passive Foreign Investment Company,” the gross amount of any distribution of cash or property with respect to Offer Shares (including any amount withheld in respect of Estonian taxes) that is paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be includible in the U.S. Holder's taxable income as ordinary dividend income on the day on which such U.S. Holder receives the dividend and will not be eligible for the dividends-received deduction allowed to corporations under the Code.

The Company does not expect to maintain calculations of its earnings and profits in accordance with U.S. federal income tax principles. U.S. Holders therefore should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes.

Dividends paid in a currency other than U.S. dollars to a U.S. Holder generally will be includible in the U.S. Holder's income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day such U.S. Holder receives the dividends. Any gain or loss on a subsequent sale, conversion or other disposition of such non-U.S. currency by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States.

Subject to certain exceptions for short-term positions, the U.S. dollar amount of dividends received by an individual with respect to Offer Shares will be subject to taxation at a preferential rate if the dividends are “qualified dividends.” Dividends paid on Offer Shares will be treated as

qualified dividends if (i) the Company is eligible for the benefits of a comprehensive tax treaty with the United States that the U.S. Treasury determines is satisfactory for purposes of this provision and that includes an exchange of information program, and (ii) the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company (a “PFIC”).

The U.S. Treasury has determined that the Treaty meets the requirements for reduced rates of taxation and the Company believes that it is eligible for the benefits of the Treaty. In addition, based on our financial statements, the manner in which the Company conducts its business and our current expectations regarding the value and nature of our assets and the sources and nature of its income, the Company does not anticipate becoming a PFIC for the current taxable year or in the foreseeable future. Holders should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

Dividend distributions with respect to Offer Shares generally will be treated as “passive category” income from sources outside the United States for purposes of determining a U.S. Holder’s U.S. foreign tax credit limitation. Subject to the limitations and conditions provided in the Code and the applicable U.S. Treasury Regulations, a U.S. Holder may be able to claim a foreign tax credit against its U.S. federal income tax liability in respect of any Estonian income taxes withheld at the appropriate rate applicable to the U.S. Holder from a dividend paid to such U.S. Holder. Alternatively, the U.S. Holder may deduct such Estonian income taxes from its U.S. federal taxable income, provided that the U.S. Holder elects to deduct rather than credit all foreign income taxes for the relevant taxable year. The rules with respect to foreign tax credits are complex and involve the application of rules that depend on a U.S. Holder’s particular circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

U.S. Holders that receive distributions of additional shares or rights to subscribe for shares as part of a pro rata distribution to all of the Company’s shareholders generally will not be subject to U.S. federal income tax in respect of the distributions, unless the U.S. Holder has the right to receive cash or property, in which case the U.S. Holder will be treated as if it received cash equal to the fair market value of the distribution.

15.4.3. Taxation of Dispositions of Offer Shares

Subject to the discussion below under “—Passive Foreign Investment Company,” upon a sale, exchange or other taxable disposition of Offer Shares, U.S. Holders will realise gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realised on the disposition and the U.S. Holder’s adjusted tax basis in the shares, as determined in U.S. dollars as discussed below. Such gain or loss will be capital gain or loss, and will generally be long-term capital gain or loss if the shares have been held for more than one year. Long-term capital gain realised by a U.S. Holder that is an individual generally is subject to taxation at a preferential rate. The deductibility of capital losses is subject to limitations.

Gain, if any, realised by a U.S. Holder on the sale or other disposition of Offer Shares generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if an Estonian tax is imposed on the sale or disposition of Offer Shares, a U.S. Holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of such Estonian taxes. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, Offer Shares.

If a U.S. Holder sells or otherwise disposes of Offer Shares in exchange for currency other than U.S. dollars, the amount realised generally will be the U.S. dollar value of the currency received at the spot rate in effect on the date of sale or other disposition (or, if Offer Shares are traded on

an established securities market at such time, in the case of cash basis and electing accrual basis U.S. Holders, the settlement date). An accrual basis U.S. Holder that does not elect to determine the amount realised using the spot exchange rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the U.S. dollar value of the amount received based on the spot exchange rates in effect on the date of the sale or other disposition and the settlement date. A U.S. Holder generally will have a tax basis in the currency received equal to the U.S. dollar value of the currency received at the spot rate in effect on the settlement date. Any currency gain or loss realised on the settlement date or the subsequent sale, conversion or other disposition of the non-U.S. currency received for a different U.S. dollar amount generally will be U.S.-source ordinary income or loss, and will not be eligible for the reduced tax rate applicable to long-term capital gains. If an accrual basis U.S. Holder makes the election described in the first sentence of this paragraph, it must be applied consistently from year to year and cannot be revoked without the consent of the U.S. Internal Revenue Service ("IRS"). A U.S. Holder should consult its own tax advisors regarding the treatment of any foreign currency gain or loss realised with respect to any currency received in a sale or other disposition of Offer Shares.

15.4.4. Passive Foreign Investment Company Status

Special U.S. tax rules apply to companies that are considered to be PFICs. The Company will be classified as a PFIC in a particular taxable year if either:

- 75% or more of the Company's gross income for the taxable year is passive income; or
- the average percentage of the value of the Company's assets that produce or are held for the production of passive income is at least 50%.

For this purpose, passive income generally includes dividends, interest, gains from certain commodities transactions, rents, royalties and the excess of gains over losses from the disposition of assets that produce passive income.

Based on our financial statements, the manner in which the Company conducts its business and its current expectations regarding the value and nature of its assets and the sources and nature of its income, the Company does not believe that it was a PFIC in its taxable year ending December 31, 2020, and the Company does not expect to become a PFIC in its current taxable year or in the foreseeable future. Whether the Company is a PFIC is a factual determination made annually, and its status could change depending, among other things, upon changes in the composition of our gross income and the relative quarterly average value of its assets. In particular, income from commodities transactions (including sales of energy) is generally considered passive unless such income is derived in the active conduct of a commodities business. For this purpose, we believe that the income we earn from our energy sales should generally be treated as derived in the active conduct of a commodities business, and thus should not be treated as passive income. However, the rules in this regard are not entirely clear. For instance, the applicable Treasury regulations generally provide that energy sales will qualify as derived in the active conduct of a commodities business only if the energy is produced directly, and not through an agent or independent contractor. It is not entirely clear that this requirement would be deemed satisfied with respect to certain aspects of our energy production. In the event that, contrary to the Company's expectation, the Company is classified as a PFIC in any taxable year in which a U.S. Holder holds shares, such U.S. Holder generally would be subject to additional taxes on certain distributions and any gain realized from the sale or other taxable disposition of the shares regardless of whether the Company continued to be a PFIC in any subsequent year. Prospective investors are encouraged to consult their own tax advisor as to the Company's status as a PFIC, the tax consequences to them of such status.

15.4.5. Backup Withholding and Information Reporting

Dividends paid on, and proceeds from the sale or other disposition of, Offer Shares to a U.S. Holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. Holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

15.4.6. Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of U.S.\$50,000 on the last day of the taxable year or more than U.S.\$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on IRS Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. The understatement of income attributable to "specified foreign financial assets" in excess of U.S.\$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. Holders who fail to report the required information could be subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

PART 16. LEGAL MATTERS

In respect of Estonian law, certain legal matters will be passed upon for the Company by Ellex Raidla Advokaadibüroo OÜ, Estonian counsel to the Company, address Roosikrantsi 2, EE-10119 Tallinn, Estonia.

In respect of English and U.S. law, certain legal matters will be passed upon for the Company by Cleary Gottlieb Steen & Hamilton LLP, address 2 London Wall Place, London EC2Y 5AU, United Kingdom.

In respect of Estonian law, certain legal matters will be passed upon for the Underwriters by Advokaadibüroo SORAINEN AS, Estonian counsel to the Underwriters, address Rotermanni tn 6, 10111 Tallinn, Estonia.

In respect of English and U.S. law, certain legal matters will be passed upon for the Underwriters by Shearman & Sterling (London) LLP, address 9 Appold Street, London, EC2A 2AP, United Kingdom.

The legal counsels referred to in this Part are not liable for the information contained in the Prospectus. In respect of the persons responsible for the information contained in this Prospectus, please read “Responsibility” under “Notices to Investors” on page 294 hereof.

PART 17. INDEPENDENT AUDITORS

In accordance with the Estonian Commercial Code, the general meeting of shareholders elects the auditor of the Company. Pursuant to a resolution dated 4 July 2017, the general meeting of shareholders of the Company appointed AS PricewaterhouseCoopers (“**PwC**”) (address: Pärnu mnt 15, 10141 Tallinn) as auditor of the Company. PwC is a member of the Estonian Board of Auditors (*Audiitorkogu*).

The consolidated financial statements of the Group as of and for the years ended 31 December 2020, 2019 and 2018 have been audited by PwC, independent auditors, as stated in their auditor’s report dated 9 June 2021. The interim financial statements of the Group as of and for the six months ended 30 June 2021 have been reviewed by PwC in accordance with professional standards for review of such information. Its report dated 25 August 2021 appearing herein states that it did not audit and does not express an opinion on the Unaudited Interim Financial Statements. Accordingly, the degree or reliance on its review report should be restricted in light of the limited nature of the review procedures applied.

PART 18. ADDITIONAL INFORMATION

18.1 MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Group, and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Prospectus:

18.1.1. Underwriting Agreement

See “Part 3 (The Offering), Section 3.2 (Underwriting)” for details of the underwriting agreement, which the Company expects to enter into on or about 5 October 2021.

18.1.2. Financing Agreements

(a) Loan Agreements with AS SEB Pank and Swedbank AS

On 21 December 2018, the Company entered into a EUR 200,000,000 term loan facility agreement with AS SEB Pank and a EUR 60,000,000 term facility agreement with Swedbank AS for the purposes of refinancing the loan obligations of the acquired Nelja Energia group companies and general corporate purposes. The repayments under both loan agreements are made by way of consecutive quarterly payments with the final repayment date of the last instalment being 21 December 2023. Each quarterly repayment under the agreement with AS SEB Pank corresponds to 3.571% of the outstanding loan amount while the last instalment is in the amount of EUR 64.30 million (32.15% of the original loan amount) and the final repayment is a larger amount compared to previous quarterly installments as the loan agreement has a term of five years and the repayment schedule is based on a period of seven years. Each quarterly repayment under agreement with Swedbank AS corresponds to 3.571% of the outstanding loan amount while the remainder of the loan is paid at maturity. In connection with its development plans, the Company is currently in negotiations with Swedbank AS to amend the re-payment schedule to one bullet payment in lieu of the remaining quarterly payments contemplated by the original agreement.

As of 30 June 2021, the outstanding principal amount of the loan under the agreement with AS SEB Pank was EUR 128,571,429.60 and under the agreement with Swedbank was EUR 38,574,000.

The above loans are provided on an unsecured basis. Both loan agreements include certain financial covenants, namely the leverage ratio and interest cover ratio, stipulating that (i) the ratio of group’s consolidated net debt to adjusted EBITDA (both terms as defined in the agreements) shall not be more than 6:1 and (ii) the ratio of adjusted EBITDA (both terms as defined in the agreements) to consolidated interest expense for any relevant period shall not be less than 5:1. The agreements also include terms and conditions largely customary for such financing arrangements, including other customary covenants and undertakings (such as negative pledge).

(b) Revolving Credit Facility with AS SEB Pank

On 18 May 2020, the Company entered into a EUR 25,000,000 unsecured revolving credit facility with AS SEB Pank for general corporate and working capital purposes of the Group. The revolving credit facility is available for 5 years from the date of the Agreement. The agreement stipulates the same financial covenants as described in Section 18.1.2(a) (Loan Agreements with AS SEB Pank and Swedbank AS) above and includes other terms and conditions largely customary for such financing arrangements, including other customary covenants and

undertakings (such as negative pledge). As of 30 June 2021, the amount in use under the revolving credit facility was EUR 10,000,000.

(c) Facilities Agreement with EBRD

On 9 April 2020, the Company entered into a PLN 40,000,000 unsecured Facilities Agreement with the European Bank for Reconstruction and Development (the “**EBRD**”). Under the agreement, the EBRD has made available to the Company a term loan for the purposes of financing the acquisition of certain small-scale photovoltaic plants located in Poland. The repayments are made by way of semi-annual payments with the final instalment due on 30 April 2028. Each semi-annual instalment corresponds to 4.46% of the original loan amount while the last instalment is in the amount of PLN 13.24 million (33.1% of the original loan amount). The loan is provided on an unsecured basis. The agreement includes terms and conditions largely customary for such financing arrangements, including customary covenants and undertakings (such as negative pledge). It also includes several financial covenants, namely (i) an interest coverage ratio, providing that the Group shall, at all times, maintain a ratio of adjusted EBITDA to consolidated net interest expense (each as defined in the relevant agreement) of not less than 5:1; and (ii) a consolidated net debt to adjusted EBITDA ratio, stipulating that the Group shall maintain a ratio of consolidated net debt to adjusted EBITDA of not more than 6:1. As of 30 June 2021, the outstanding principal amount of the loan under the agreement was PLN 36,432,000.

(d) Term Loan Facility and Revolving Credit Facilities with SEB Bankas AB

On 27 September 2021, the Company entered into a EUR 40,000,000 term loan facility agreement for the purposes of financing renewable development projects and two EUR 20,000,000 unsecured revolving credit facilities for general corporate and working capital purposes of the Group with SEB Bankas AB. The final maturity date of the term loan facility is 7 years from the date of the agreement and the revolving credit facilities are available for 3 years and 5 years respectively. The term loan will be repaid in quarterly instalments, each representing 2.083% of the outstanding loan amount. The remaining outstanding amount under the loan is to be repaid at the maturity date at the latest. All three agreements stipulate the same financial covenants as described in Section 18.1.2(a) (Loan Agreements with AS SEB Pank and Swedbank AS) above and include other terms and conditions largely customary for such financing arrangements, including other customary covenants and undertakings (such as negative pledge).

(e) Term Loan Facility with OP Corporate Bank plc Estonian branch

On 24 September 2021, the Company entered into a EUR 50,000,000 term loan facility agreement with OP Corporate Bank plc Estonian branch for general corporate purposes. The final maturity date of the loan is 5 years from the date of the agreement. The repayments under the investment loan are made as equal quarterly payments of principal starting from Q4 2023 based on a 12-year amortisation schedule with a bullet payment of the final maturity date. Each quarterly repayment under the agreement corresponds to 2.083% of the outstanding loan amount, while the last instalment is in the amount of EUR 38.54 million (77.083% of the original loan amount). The loan is provided on an unsecured basis. The agreement stipulates the same financial covenants as described in Part 18 (Additional Information) Section 18.1.2(a) (Loan Agreements with AS SEB Pank and Swedbank AS) above and includes terms and conditions largely customary for such financing arrangements, including customary covenants and undertakings (such as negative pledge).

18.1.3. Commercial Agreements

(a) Iru heat sales agreements

On 15 March 2012 the Company entered into an agreement with AS Utilitas Tallinn for the sale of heat generated by the Group’s waste-to-energy unit at Iru during a period of 12 years from the

start of production, i.e. until 15 February 2027. Pursuant to this agreement, AS Utilitas Tallinn agreed to purchase the heat as necessary for the district heating network within the nominal capacity of Iru waste-to-energy unit offered by the Company. Heat is purchased by AS Utilitas Tallinn under this agreement to the extent the needs of the district heating network exceed the maximum capacity of other earlier ranked supply agreements (being 67 MW). Pursuant to an amendment entered into on 18 May 2020 between the parties, Iru waste-to-energy unit will be first ranking as of 1 February 2021, meaning that all heat produced by Iru waste-to-energy unit within its nominal capacity (being 50 MW) is purchased by AS Utilitas Tallinn to the extent of the needs and technical capabilities of the district heating network (in the maximum amount of 400,000 MWh per year).

18.1.4. Acquisition Agreements

On 29 May 2018, the Company entered into a share purchase agreement to acquire all the shares in Nelja Energia from Vardar Euruse AS and certain minority shareholders. The transaction closed on 6 November 2018. The agreement involved a “locked box” structure, with the locked box balance sheet dated as of 31 December 2017. The agreement included customary warranties of buyer and sellers. Eesti Energia provided a parent company guarantee in respect of the obligations of the Company. The agreement was governed by Norwegian law.

On 18 June 2019, the Company entered into an agreement with Solaque Holding Ltd to acquire certain solar parks in Poland. The consideration for the acquisition was based on completion accounts. The agreement included customary representations, warranties and indemnities of buyer and seller. The agreement was governed by Polish law.

On 26 June 2018, the Company entered into an asset sale and purchase agreement with Metsähallitus in respect of certain assets, rights and liabilities concerning Project Tolpanvaara, a wind farm project in Finland. Eesti Energia provided a parent company guarantee in respect of the obligations of the Company. The agreement was governed by the laws of Finland.

On 20 July 2020, the Company entered into a share purchase agreement to acquire all the shares in PV Sielec Sp. z o.o. from Solaque Holding Ltd. The business of PV Sielec Sp. z o.o. was the development of a solar park in Poland. The agreement was governed by the laws of Poland.

Kelme II and Kelme III

On 16 September 2021 the Company’s subsidiary Enefit Green UAB entered into two Share Purchase Agreements with UAB “NEW ENERGY GROUP” under which Enefit Green UAB will acquire all shares in UAB “Vejojėta” and UAB “Kelmės vėjo energija”. Agreements will enter into force and share transfers thereunder will be completed upon approval of the transactions by the sole shareholder of Eesti Energia.

UAB “Vejojėta” and UAB “Kelmės vėjo energija” are developing wind parks in Kelme region in Lithuania (such developments are designated as Kelme II WP and Kelme III WP). The wind parks are developed simultaneously as one combined development and will consist of 27-39 turbines (with projected installed capacity of 5.7 MW per turbine). The combined installed capacity of the wind parks will be between 120 and 180 MW. The joint development of the wind parks and the requirements for the joint wind park are set out in the Framework Agreement entered into simultaneously with the Share Purchase Agreements between the same parties.

At the moment of signing both UAB “Vejojėta” and UAB “Kelmės vėjo energija” have acquired land rights (in the form of the lease agreements) for the turbines and such land rights are valid for at least 49 years as of the date of entry into respective lease agreements.

Under the Share Purchase Agreements, the sellers, as developers, have undertaken (as a post-closing obligation) to complete the first phase of development of the wind parks, including acquisition of land rights and permitting required for commencement of construction by the agreed date (being 1 October 2022). Thereafter it will be for Enefit Green UAB as the purchaser and the companies being acquired to continue and complete the necessary development works. Development risks related to the first phase of development (until commencement of construction works) will be borne by the sellers whereas the risks related to the construction phase thereafter will be borne by Enefit Green UAB as the purchaser (except for the construction and turbine supply costs that will be deducted from the purchase price). Purchase price payable for the shares of each company will be calculated based on an agreed price per each installed MW of the wind parks less the development and construction costs of the combined wind park. Purchase price will be paid out in instalments, whereas the first instalment will be paid out upon closing and other instalments are tied to completion of the first development phase (until construction works can be commenced) and final completion of the combined wind park.

18.1.5. EBRD Framework Agreement

On 1 October 2021, the Company and European Bank for Reconstruction and Development (the “**EBRD**”) entered into a framework agreement (the “**Framework Agreement**”) pursuant to which the Company has undertaken to comply with certain environment and social compliance and corporate governance policies and requirements of the EBRD if EBRD elects to subscribe for Offer Shares in the Offering. Notwithstanding the Company and EBRD having entered into the Framework Agreement, EBRD is under no obligation to acquire any of the Offer Shares in the Offering and the Company is under no obligation to complete the Offering.

18.2 RELATED PARTY TRANSACTIONS

18.2.1. Introduction

As of the date of this Prospectus, the Company’s sole shareholder is Eesti Energia. After completion of the Offering, Eesti Energia is expected to hold at least 73.6% of the Shares and voting rights in the Company (assuming the sale of all New Shares, the full use of the Upsize Option and no exercise of the Put Option). Accordingly, the Group companies remain part of the consolidation group of Eesti Energia and all entities controlled or under the significant influence by Eesti Energia are considered related parties to the Group for the purposes of the IFRS. The sole shareholder of Eesti Energia is the Republic of Estonia. Thus, related parties of the Group also include entities under the control or significant influence of the Republic of Estonia.

During the period covered by the Audited Financial Statements and Unaudited Interim Financial Statements, the Group companies have engaged in a number of transactions with Eesti Energia and other related parties. The transactions relate to the sale and purchase of goods and services. The transactions have been mainly made with market price determined in accordance with Eesti Energia’s internal transfer pricing procedures but also with the price determined by the Estonian Competition Authority (electricity network fees). Except as otherwise indicated, the Group expects to continue transacting for the similar sale and purchase of goods and services with Eesti Energia group also after completion of the Offering and may engage in further transactions in the future. The nature and volume of such transactions is described in more detail below.

The Group’s transactions with its related parties are regulated among others by the laws of jurisdiction of each Group company (including transfer pricing rules) as well as the Articles of Association of the Company, the IFRS and the Group’s internal procedures.

For further information (including for a full list of related parties of the Group identified in accordance with IAS 24), please refer to Note 34 of the Audited Financial Statements and Note 14 of the Unaudited Interim Financial Statements.

18.2.2. Related party transactions with Eesti Energia and related companies

(a) *Transactions during the period covered by the Audited Financial Statements and Unaudited Interim Financial Statements*

During the period covered by the Audited Financial Statements and Unaudited Interim Financial Statements the Group companies are mainly the receivers of services from Eesti Energia and Eesti Energia group companies. The main services received from Eesti Energia group include (i) centralised services, such as accounting, financial controlling, legal, IT, human resources, communication, procurement and environmental services and office space lease, (ii) wind project development services, (iii) financial services, including arrangement of financing and cash and liquidity management, and (iv) energy trading services. In addition, the Group has in place arrangements with Eesti Energia to ensure the balance of its electricity trading portfolio.

The following table shows the volume of transactions with Eesti Energia during the periods indicated:

		1 January – 31 December		
	For the six-month period ended 30 June 2021 (unaudited)	2020	2019 (audited) (EUR '000)	2018
Transactions conducted with the parent				
Purchase of services.....	2,952.5	4,124.9	4,884.4	10,492.8
Sale of goods.....	3.3	15,642.9	-	8.7
Sale of services	1.689.9	3,503.9	2,541.0	6,977.1

The purchase of services from Eesti Energia includes:

- Fees paid for centralised services, including energy trading services, which in the six months ended 30 June 2021 amounted to EUR 1.6 million and in 2020 amounted to EUR 2.6 million (2019: EUR 2.1 million, 2018: EUR 8.0 million), whereas in 2018 the referred amount also included purchase of services from third parties that were procured by Eesti Energia for the Group (in the amount of EUR 6.1 million) which as of 1 January 2019 are no longer recorded under purchase of services from Eesti Energia;
- Purchase of balancing energy in connection with the sale of electricity generated by the Group's generation assets in Estonia, which in the six months ended 30 June 2021 amounted to EUR 1.3 million and in 2020 amounted to EUR 1.5 million (2019: EUR 2.8 million, 2018: EUR 1.8 million).

The sale of goods and services to Eesti Energia includes:

- Sale of greenhouse gas emission allowances, which in 2020 amounted to EUR 13.7 million and is a one-off gain (2019: EUR nil, 2018: EUR nil);
- Sale of balancing energy in connection with the sale of electricity generated by the Group's generation assets in Estonia, which in the six months ended 30 June 2021 amounted to EUR 0.9 million and in 2020 amounted to EUR 1.6 million (2019: EUR 1.9 million, 2018: EUR 1.1 million), whereas sale of balancing energy is recorded under sale of services, except for 2020 when it was recorded under sale of goods;
- Solar turn-key solutions related services provided to Eesti Energia, which in the six months ended 30 June 2021 amounted to EUR 0.7 million and in 2020 amounted to EUR 3.4 million (2019: EUR nil, 2018: EUR nil);

- In the six months ended 30 June 2018 the Group sold electricity generated by the Group's production assets located in Estonia to Eesti Energia, resulting in higher volume of sale of services in 2018 as compared to 2019 and 2020 (2020: EUR 0.4 million, 2019: EUR 0.6 million, 2018: EUR 6.2 million). After becoming a member of Nord Pool power exchange, electricity generated by the Group's production assets located in Estonia is sold directly by the Company on the Nord Pool power exchange. As of 1 January 2020 sale of electricity is recorded under sale of goods, having been recorded under sale of services in 2019 and 2018.

The Group companies were also part of Eesti Energia's cash pooling arrangement. Interest rate expense incurred by the Group in connection with using the cash pool arrangement of Eesti Energia group amounted to EUR nil in the six months ended 30 June 2021, EUR 0.0 in 2020, EUR 2.8 million in 2019, and EUR 6.1 million in 2018. In 2018 the Group used the cash pool arrangement for the purposes of financing the acquisition of Nelja Energia and related costs (including redemption of bonds issued by Nelja Energia in the end of 2018) which resulted in higher interest rate expense. The interest rate applied under the cash pool arrangement was 2.06% for the six-months period ended 30 June 2021, 2.10% in 2020, 2.46% in 2019 and 2.42% in 2018.

All of the above are ongoing transactions likely to continue after the Offering, except wind project development and interest rate expenses related to cash pool arrangement. As of 1 January 2021, the wind project development team has been transferred from Eesti Energia to the Company. As of 30 June 2021, the Group companies are no longer part of Eesti Energia's cash pooling arrangement and all monies owed under the arrangement have been repaid.

Please refer to Sections (c) and (d) below for further information about the centralised services being purchased from Eesti Energia, and the arrangements related to the balancing of the Group's electricity trading portfolio.

The following table shows the receivables from and liabilities to Eesti Energia during the periods indicated:

	As at 30 June	As at 31 December		
	2021	2020	2019	2018
	(unaudited)		(audited)	
			(EUR '000)	
Receivables and liabilities to the parent				
Receivables	346.2	36,198.8	187.4	182.2
<i>incl. cash pooling receivable against the parent</i>	-	33,312.3	-	-
Liabilities	453.1	535.3	10,901.7	523,781.9
<i>Incl. overdraft liability to the parent</i>	-	-	10,115.6	520,536.3
Derivative financial liability	13,760.7	-	-	-

During the period covered by the Audited Financial Statements and the Unaudited Interim Financial Statements, the Company and its subsidiaries were part of the cash pooling arrangement of Eesti Energia group. See note 34 to the Audited Financial Statements for further information on the Company's subsidiaries. As discussed above, the Group used the financing available under the cash pooling arrangement of Eesti Energia group for the purposes of financing the acquisition of Nelja Energia in 2018. In 2020 and the comparative periods, the Group did not earn interest income from the cash pool.

For more information on the derivative financial liability, see "Part 8 (Operating and Financial Review), Section 8.13 (Off-balance sheet transactions)".

The following table shows the volume of transactions with other Eesti Energia group companies during the periods indicated:

For the six-month period ended 30 June	1 January - 31 December		
2021	2020	2019	2018

	(unaudited)		(audited) (EUR '000)	
Transactions conducted with other Eesti Energia group companies				
Purchase of services	702.3	1,111.8	1,429.7	116.0
Purchase of goods.....	9.9	7.3	-	-
Purchase of property, plant and equipment.....	29,364.0	-	-	-
Sale of goods	51.1	39.6	-	-
Sale of services.....	969.0	1,336.3	450.4	510.9

The main counterparties for transactions recorded in the above table are Eesti Energia group companies Tootsi Windpark OÜ, Enefit SIA, Enefit UAB, Elektrilevi OÜ, Enefit Sp. z o.o., Enefit Power AS and Enefit Solutions AS. In the six months ended 30 June 2021 the Group purchased land plots from Tootsi Windpark OÜ for the development of Sopi wind park in the amount of EUR 29.4 million. The Group purchased electricity from Enefit SIA in the amount of EUR 0.6 million in the six months ended 30 June 2021 and in the amount of EUR 0.9 million in 2020 (in 2019: EUR 1.2 million). In the six months ended 30 June 2021, the Group sold electricity to Enefit Sp. z o.o. in the amount of EUR 0.7 million and in 2020, in the amount of EUR 0.9 million.

The above transactions are likely to continue after the Offering, except for the purchase of land from Tootsi Windpark OÜ for the development of Sopi wind park which was a one-off cost.

The following table shows the volume of transactions with other related parties (including associates):

	For the six-month period ended 30 June	1 January - 31 December		
	2021	2020	2019	2018
	(unaudited)		(audited)	
			(EUR '000)	
Transactions and balances with other related parties (including associates)				
Purchase of services	1,072.8	2,088.0	995.4	126.5
Sale of services.....	44.4	16.6	51.8	-

The main counterparties for transactions recorded in the table above are non-profit organisations such as Eesti Ringmajandusettevõtete MTÜ, Eesti Tuuleenergia Assotsiatsioon that are considered to be related parties to the Group as a result of the Company's Management Board members acting as management board members of those non-profit organisations, and Empower 4Wind OÜ, an independent WinWinD turbines service provider in which the Company has a 40% equity shareholding. The Group purchased services in the amount of EUR 1.0 million from Empower 4Wind OÜ in the six months period ended 30 June 2021 and in the amount of EUR 1.6 million in 2020 (2019: EUR 0.8 million). Empower 4Wind OÜ became an associate of the Group as a result of the acquisition of Nelja Energia by the Company in November 2018 and as a result the volume of services purchased from other related parties (including associates) in 2018 does not include purchase of services from Empower 4Wind OÜ.

The above transactions are likely to continue after the Offering.

(b) Transactions since 30 June 2021

During the period since 30 June 2021 the Group has continued to transact with Eesti Energia and Eesti Energia group companies in line with past practices. The below information has been extracted without material adjustment from the Group's unaudited accounting records and management information as of 31 August 2021, and has not been audited or reviewed by the Group's independent auditors.

The following table shows the volume of transactions with Eesti Energia during the period indicated:

For the two-month period ended

	31 August 2021
	(EUR'000)
Transactions conducted with the parent	
Purchase of services	1.532.2
Sale of services	870.3

The purchase of services from Eesti Energia includes:

- Fees paid for centralised services, including energy trading services, which amounted to EUR 0.5 million during the period indicated;
- Purchase of balancing energy in connection with the sale of electricity generated by the Group's generation assets in Estonia and Lithuania, which amounted to EUR 1.0 million during the period indicated.

The sale of services to Eesti Energia includes:

- Sale of balancing energy in connection with the sale of electricity generated by the Group's generation assets in Estonia and Lithuania, which amounted to EUR 0.5 million during the period indicated;
- Solar turn-key solutions related services provided to Eesti Energia, which amounted to EUR 0.3 million during the period indicated.

The following table shows the receivables from and liabilities to Eesti Energia as at 31 August 2021:

	As at 31 August 2021
	(EUR'000)
Receivables and liabilities to the parent	
Receivables	451.8
Liabilities	942.3
Derivative financial liability	23,206.7

For more information on the derivative financial liability, see "Part 8 (Operating and Financial Review), Section 8.13 (Off-balance sheet transactions)".

The following table shows the volume of transactions with other Eesti Energia group companies during the period indicated:

	For the two-month period ended
	31 August 2021
	(EUR '000)
Transactions conducted with other Eesti Energia group companies	
Purchase of services	453.4
Purchase of goods.....	2.7
Sale of goods	6.8
Sale of services.....	530.7

The main counterparty for the purchase of services is Enefit SIA from whom the Group purchased electricity in the amount of EUR 0.4 million during the period indicated.

The main counterparty for the sale of services is Enefit Sp. z o.o.to whom the Group sold electricity in the amount of EUR 0.4 million during the period indicated.

The following table shows the volume of transactions with other related parties (including associates) during the period indicated:

	For the two-month period ended 31 August 2021
	(EUR '000)
Transactions and balances with other related parties (including associates)	
Purchase of services	263.5
Sale of services.....	-

The main counterparties for purchase of services is Empower 4Wind OÜ, an independent WinWinD turbines service provider in which the Company has a 40% equity shareholding, from whom the Group purchased services in the amount of EUR 0.2 million during the period indicated.

(c) Agreement for the provision of centralised services

The Company and certain Group companies as services receivers and Eesti Energia and certain Eesti Energia group companies as the service providers, entered into a Framework Agreement, effective as of 1 October 2021, that is governing the provision centralised services going forward. The scope and terms of provision of services by Eesti Energia and its group companies remains largely the same as under prior arrangements in effect during the period covered by the Audited Financial Statements. As wind project development team was transferred to the Group as of 1 January 2021, such services are no longer procured from Eesti Energia and its group companies.

See “Part 12 (Management), Section 12.2 (Organisational set-up of the Group and relationship with Eesti Energia)” for further information on the Framework Agreement.

(d) Arrangements for the sale of electricity

The electricity generated by the Group’s production assets located in Estonia is sold on the Nord Pool power exchange at the applicable hourly Estonian bidding area prices. As of 6 June 2021, the electricity generated by the Sudenai wind park located in Lithuania, with regards to which the 12-year FiT period expired on 5 June 2021, is also sold on the Nord Pool power exchange at the applicable hourly Lithuanian bidding area prices.

The Company is part of Eesti Energia group for the purposes of the agreements entered into with Nord Pool AS for the sale of electricity on the Nord Pool power exchange day-ahead and intra-day markets. Under the Gross Bidding Agreement entered into between Eesti Energia, certain of its subsidiaries, the Company and Nord Pool AS on 23 December 2020 the Company is jointly and severally liable with other Eesti Energia group companies that are parties to the Gross Bidding Agreement for all fees owed to Nord Pool AS under the referred agreement. Under the Netting of Collateral Call Agreement entered into between Eesti Energia, certain of its subsidiaries, the Company and Nord Pool AS on 28 October 2020, Nord Pool AS carries out netting of transactions so that the transactions of individual Eesti Energia group members that are parties to the agreement are set off against each other for the purposes of stipulating the collateral requirements. Under the agreement Eesti Energia shall post collateral for the netted collateral call for Eesti Energia group. In case Eesti Energia fails to comply with the obligation to post collateral required by Nord Pool AS, Nord Pool AS can require fulfilment of the referred obligation of Eesti Energia from any of the Eesti Energia group members, including the Company; and in the event of default of the obligation to provide collateral by Eesti Energia or any of its group members, Nord Pool AS has the right to withhold settlement to any and all Eesti Energia group members, including the Company, and to set off payments to one Eesti Energia group member against a claim against another Eesti Energia group member regardless of which of the Eesti Energia group members is in default. The Group expects to continue with the arrangements in place also going forward.

Forecasting the amount of electricity to be sold on the Nord Pool power exchange and making offers in the day-ahead and intra-day markets on the Nord Pool power exchange is performed by

Eesti Energia on behalf of the Group as part of the energy trading services under the Framework Agreement.

Should there be a difference between the volume of electricity sold to the market based on the forecast and the volume of electricity actually produced by the Group's respective production assets, an imbalance would arise. For the purposes of correcting any such imbalance, the Company has entered into open supply and balancing agreements with Eesti Energia under which the Company procures the outstanding volume of electricity, and in the event that it produces more than the predicted requirement, disposes of the excess electricity. Under the referred agreements Eesti Energia will either (i) supply missing electricity to the Group at a certain price (plus an administration fee) or (ii) buy excess electricity from the Group at a certain price (less an administration fee). In both cases the price and the administration fee are established by the respective transmission system operator (Elering AS in Estonia and Litgrid AB in Lithuania).

The open supply and balancing agreement with regards to the Group's production assets located in Estonia was entered into for a term of one year expiring 31 December 2019 with automatic annual renewals unless either party notifies the other about its wish to terminate the agreement one month before the end of term. No such notification has been given by either party and the agreement is currently valid until 31 December 2021. A separate open supply and balancing agreement has been entered with regards to Sudenai wind park in Lithuania. The agreement became effective as of 6 June 2021 and has also been entered into for a term of one year expiring 6 June 2022 with automatic annual renewals unless either party notifies the other about its wish to terminate the agreement one month before the end of term. The Group expects to continue with the arrangements in place also going forward.

The Company and its subsidiary Enefit Wind have each entered into an EECS Certificates Master Agreement with Eesti Energia for the sale of EECS certificates with regards to the electricity generated by the Group's production assets.

The Company also entered into base load swap derivative contracts under the ISDA 2002 Master Agreement with Eesti Energia in order to manage the price risk of wholesale electricity prices with regard to the Group's production assets exposed to such market price risks. Such financial electricity derivative transactions were recently replaced by the physical power sale agreement under the EFET General Agreement. For more information, see "Part 8 (Operating and Financial Review), Section 8.13 (Off-balance sheet transactions)".

18.3 APPLICABILITY OF THE GUIDELINES FOR FINANCIAL ACCOUNTING AND REPORTING FOR PUBLIC SECTOR

As Eesti Energia, a 100% state-owned company, owns and controls 100% of the Shares outstanding prior to the Offering and will own and control at least 73.6% of all the Shares outstanding (assuming sale of all New Shares, the full use of the Upsize Option and no exercise of the Put Option) or at least 77.0% of all the Shares outstanding (assuming sale of all New Shares, the full use of the Upsize Option and if the Put Option is exercised in full) immediately following the Offering, the Group is and will after the Offering remain subject to certain requirements arising from the Guidelines for Financial Accounting and Reporting for the Public Sector, which includes the obligation to maintain and carry out its accounting in compliance with the Guidelines for Financial Accounting and Reporting for the Public Sector. In accordance with the Guidelines, the Group must also submit its annual report to Eesti Energia within seven business days from its approval.

18.4 AUDITING BY THE ESTONIAN NATIONAL AUDIT OFFICE

As Eesti Energia, a 100% state-owned company, owns and controls 100% of the Shares outstanding prior to the Offering and will own and control at least 73.6% of all the Shares

outstanding (assuming sale of all New Shares, the full use of the Upsize Option and no exercise of the Put Option) or at least 77.0% of all the Shares outstanding (assuming sale of all New Shares, the full use of the Upsize Option and if the Put Option is exercised in full) immediately following the Offering, the Group is and will after the Offering remain subject to the auditing by the Estonian National Audit Office. The auditing of the Group by the Estonian National Audit Office includes the assessment of:

- The Group's internal control, financial management, financial accounting and financial statements;
- The legality of the Group's economic activities, including economic transactions;
- The performance of the Group's management, organisation and activities; and
- The reliability of the Group's information technology systems.

18.5 CERTAIN INFORMATION ON THE PROSPECTUS

This Prospectus has been prepared by the Company in connection with the Offering and the Listing in accordance with the Prospectus Regulation and in accordance with Commission Delegated Regulation No 2019/980/EU of 14 March 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation No 809/2004/EC, in particular the Annexes 1 and 11 thereof. The Prospectus has been filed with, and approved by, the EFSA as competent authority under the Prospectus Regulation. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is, or the quality of the securities that are, the subject of this Prospectus.

Prospective investors should rely only on the information contained in this Prospectus. No person has been authorised to give any information or to make any representation in connection with the Offering or Listing other than as contained in this Prospectus. If given or made, such information or representation must not be relied upon as having been authorised by the Company or the Joint Global Coordinators.

Neither the delivery of this Prospectus nor any sale or assignment based thereon shall, under any circumstances, create any implication that the information contained in the Prospectus is correct as of any time subsequent to the date hereof or that the operations of the Company have not since changed.

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18.6 NOTICES TO INVESTORS

18.6.1. Responsibility

This Prospectus has been prepared by the Company in connection with the Offering and the Listing and solely to enable potential investors to consider purchasing the Offer Shares.

The information contained in this Prospectus has been provided by the Company and other sources identified herein. It is prohibited to copy or distribute the Prospectus or to reveal or use the information contained herein for any other purpose than considering the purchase of Offer Shares.

In accordance with the Prospectus Regulation, Enefit Green AS, with its registered office at Lelle tn 22, Tallinn, 11318, Estonia, company registration code 11184032, states that it is responsible for the information in this Prospectus. To the best knowledge of the Company, the information contained in this Prospectus is in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely based on the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Tallinn, 4 October 2021

On behalf of Enefit Green AS

Aavo Kärmas
Chief Executive Officer

Veiko Räim
Chief Financial Officer

Innar Kaasik
Chief Operating Officer

Linus Sabaliauskas
Chief Development Officer

18.6.2. Restrictions on Distribution of Prospectus and Offer and Subscription

No person has been authorised to give any information or to make any representation in connection with the Offering other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, or by any of the Underwriters. This Prospectus does not constitute an offer to sell or issue or a solicitation of an offer to buy or subscribe for any of the Offer Shares or other Shares in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Prospectus and the Offering for subscription or sale of the Offer Shares in certain jurisdictions is restricted by law. No action has been taken to register or qualify the Offer Shares to be offered in the Offering or otherwise permit a public offering of the Offer Shares in any jurisdiction outside of Estonia, Latvia and Lithuania. Accordingly, any person who resides in any country other than Estonia, Latvia or Lithuania may not be permitted to receive this Prospectus and no Offer Shares are offered to any such person in the course of the Retail Offering. Persons into whose possession this Prospectus may come are required by the Company and the Underwriters to inform themselves of and observe all such restrictions. Neither the delivery of this Prospectus nor any offer for subscription or sale made in connection with the

Offering shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the affairs of the Company have not since changed. This Prospectus may not be distributed or published in connection with the Offering in such countries or otherwise in such circumstances in which the Offering, such distribution or publication would be unlawful or require measures other than those required under Estonian laws and taken by the Company. Further information with regard to restrictions on offering and sale of the Offer Shares and the distribution and publication of this Prospectus is set out in “Part 3 (The Offering), Section 3.13 (Selling and Transfer Restrictions)”.

18.6.3. Notice to Investors

Each prospective investor subscribing for the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, subscribes for, offers or sells the Offer Shares or possesses or distributes this Prospectus and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Offer Shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales, and none of the Company and the Underwriters shall have any responsibility for these obligations.

The Underwriters are acting exclusively for the Company in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing any advice in relation to the Offering. Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by Estonian law or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters accepts any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Offer Shares or the Offering. Each of the Underwriters accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult with its own legal adviser, business adviser or tax adviser as to legal, business and tax advice.

18.6.4. Notice to U.S. Investors

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered or sold within the United States, except in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the U.S. Securities Act, and in compliance with any applicable state securities laws.

The Offer Shares are being offered and sold: (i) in the United States only to QIBs as defined in, and in reliance on, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and (ii) outside the United States in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that any seller of the Offer Shares may be relying on the exemption from the registration provisions of the U.S. Securities Act provided by Rule 144A. The Offer Shares are not transferable except in accordance with the restrictions described in “Part 3 (The Offering), Section 3.13 (Selling and Transfer Restrictions)”.

THE OFFER SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES

COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE OFFER SHARES OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

18.6.5. Available Information

The Company has agreed that, so long as any Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owner of any such “restricted security”, or to any prospective purchaser of such restricted security designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the request of such holder or beneficial owner.

This Prospectus is being furnished by the Company in connection with an offering exempt from the registration requirements of the U.S. Securities Act solely for the purpose of enabling a prospective investor to consider the acquisition of Offer Shares described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. This Prospectus is being furnished on a confidential basis to QIBs in the United States. Any reproduction or distribution of this Prospectus, in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than considering an investment by the recipient in the Offer Shares offered hereby, is prohibited. Each potential investor in the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

18.6.6. Notice to Investors in the European Economic Area

In relation to each Member State (other than Estonia, Lithuania and Latvia) no offer to the public of Shares which are the subject of the Offering contemplated by this Prospectus has been, or will be, made in that Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than Qualified Investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall require the Company or any Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Shares to the public” in relation to any Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

18.6.7. Notice to Investors in the UK

In relation to the United Kingdom no offer to the public of Shares which are the subject of the Offering contemplated by this Prospectus has been, or will be, made in the United Kingdom other than:

- to any legal entity which is a qualified investor as defined in the UK Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Section 86 of FSMA,

provided that no such offer of Shares shall require the Company or any Underwriters to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Shares to the public” in relation to any Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares.

18.6.8. Notice to Investors in Australia

This document:

- does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (“**Corporations Act**”);
- does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act;
- has not been, nor will it be, lodged as a disclosure document with the ASIC, the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and
- may not be provided in Australia other than to Exempt Investors who are able to demonstrate that they: (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act; and (ii) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Shares, each subscriber or purchaser of Shares represents and warrants to the Company, Eesti Energia, the Underwriters and their affiliates that such subscriber or purchaser is an Exempt Investor.

As any offer of Shares under this Prospectus or any other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Shares, each subscriber or purchaser of Shares undertakes to the Company, Eesti Energia and the Underwriters that such subscriber or purchaser will not, for a period of 12 months from the date of issue or purchase of the Shares, offer, transfer, assign or otherwise alienate those Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

18.6.9. Notice to Investors in South Africa

Due to restrictions under the securities laws of South Africa, the Shares are not offered, transferred, sold, made, renounced or delivered in South Africa or to a person with an address in South Africa and the Offering is not made, offered, transfer, sold, renounced or delivered in South Africa or to a person with an address in South Africa, unless such person falls within one or more of the exemptions to the securities laws relating to offers to the public set out in Section 96 of the Companies Act No. 71 of 2008 (as amended). The exemptions include:

- Offers made only to the following persons, namely (i) persons whose ordinary business, or part of whose ordinary business, is to deal in securities, whether as principals or agents; (ii) the Public Investment Corporation as defined in the Public Investment Corporation Act, No. 23 of 2004 (as amended); (iii) persons regulated by the Reserve Bank of South Africa; (iv) authorised financial services providers as defined in the Financial Advisory and Intermediary Services Act, No. 37 of 2002 (as amended); (v) financial institutions as defined in the Financial Services Board Act, No. 97 of 1990; (vi) wholly owned subsidiaries of the persons contemplated in (iii), (iv) and (v) acting as agent in the capacity of authorised portfolio manager for a pension fund registered in terms of the Pension Funds Act, No. 24 of 1956 or as a manager for a collective investment scheme registered in terms of the Collective Investment Schemes Control Act, No. 45 of 2002; (vii) any combination of the persons contemplated in (i) to (vi); and
- Offers made to a single address acting as principal where the contemplated acquisition cost of Shares is equal to or greater than R1,000,000.

The Offering does not constitute an offer for the sale or subscription for, or solicitation of an offer to buy and subscribe for, Shares to the public as defined in the Companies Act, No. 71 of 2008 (as amended) and will not be distributed to any person in South Africa in any manner which could be construed as an offer to the public in terms of the Companies Act, No. 71 of 2008 (as amended) and should any person who does not fall into any of the above exemptions receive this Prospectus they should not and will not be entitled to acquire any Shares or otherwise act thereon. This Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act, No. 71 of 2008 (as amended).

18.6.10. Notice to Investors in Canada

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of NI 33-105, the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

18.6.11.Information for Distributors

Solely for the purposes of the product governance requirements contained within: (a) MiFID II; and (b) the MiFID II Product Governance Requirements, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the securities that are the subject of the Offering have been subject to the Target Market Assessment which has determined that the Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II. Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties (except for a public offering to investors in Estonia, Lithuania and Latvia).

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

18.6.12.Availability of the Prospectus

This Prospectus is available as of 5 October 2021 in an electronic form and, together with the Estonian, Latvian, Lithuanian and Russian language summaries on the website of the Company (English version: www.enefitgreen.ee/en/ipo, Estonian language summary: www.enefitgreen.ee/ipo, Latvian language summary: www.enefitgreen.ee/lv/ipo, Lithuanian language summary: www.enefitgreen.ee/lt/ipo and Russian language summary: www.enefitgreen.ee/ru/ipo).

Any interested party may request delivery of an electronic copy of the Prospectus or the translation of its summary into Estonian, Latvian, Lithuanian and Russian language, from the Company and the Underwriters without charge.

18.7 PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

18.7.1. Approximation of Numbers

Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values etc.) are presented with such precision, which is considered by the Group to be sufficient in order to convey adequate and appropriate information on the relevant matter. Certain figures (including data expressed in thousands or millions) and percentages presented in this Prospectus have been rounded. Where applicable, totals presented in this Prospectus may differ slightly from those obtained by adding up the exact values (not rounded) of these figures.

18.7.2. Capacity and Production Figures

In this Prospectus, the capacity of a wind, CHP or solar facility is expressed in Kilowatts (“kW”) Megawatts (“MW”) or Gigawatts (“GW”). Usable electricity and heat are expressed in Kilowatt hours (“kWh”), Megawatt hours (“MWh”) or Gigawatt hours (“GWh”).

18.7.3. Currencies

Unless otherwise indicated in this Prospectus, all references to “EUR”, “€” or “euro” are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community. All references to “USD”, “\$” or “dollar” refer to the lawful currency of the United States of America.

In this Prospectus, financial information is presented in EUR.

For reference, please see the table below with information about EUR/USD currency exchange rates:

	EUR per US \$1.00			
	High	Low	Average	Period end
For the Year ended				
31 December				
2020	0.9340	0.8143	0.8769	0.8149
2019	0.9184	0.8669	0.8934	0.8902
2018	0.8880	0.8004	0.8476	0.8734

Source: *The European Central Bank*

	EUR per US \$1.00			
	High	Low	Average	Period end
January 2021	0.8289	0.8105	0.8217	0.8257
February 2021	0.8345	0.8180	0.8266	0.8250
March 2021	0.8529	0.8297	0.8405	0.8529
April 2021	0.8514	0.8245	0.8349	0.8277
May 2021	0.8330	0.8154	0.8234	0.8196
June 2021	0.8415	0.8180	0.8302	0.8415
July 2022	0.8499	0.8410	0.8459	0.8410
August 2021	0.8568	0.8413	0.8495	0.8450

Source: *The European Central Bank*

18.7.4. Documents on Display

For the period of validity of this Prospectus, the Company’s Articles of Association will be available for inspection on the website of the Company (English version: www.enefitgreen.ee/en/ipo, Estonian version: www.enefitgreen.ee/ipo).

The Company is not required to file periodic reports under Sections 13 or 15(d) of the U.S. Exchange Act. In the event the Company is neither subject to Section 13 or 15(d) of the U.S.

Exchange Act nor exempt from reporting under the U.S. Exchange Act pursuant to Rule 12g3-2(b) thereunder, in order to preserve the exemption for resales and transfers under Rule 144A, the Company will provide upon request to the holder of any Share, and to each prospective purchaser designated by any such holder, the information specified in, and meeting the requirements of Rule 144A(d)(4).

18.7.5. Third Party Information

Where certain information contained in this Prospectus has been derived from third party sources, such sources have been identified herein. The Company confirms that it has received necessary consents for inclusions of such information in this Prospectus, that such third party information has been accurately reproduced herein and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted, which would render the reproduced information inaccurate or misleading.

18.7.6. Market and Industry Data

This Prospectus, particularly in the section entitled “Part 9 (Industry Overview)”, contains information relating to the size and growth prospects of the Group’s markets, the Group’s market positions and other market data relating to the Group’s business and industry, as well as third-party historical market analyses and electricity price forecasts for the renewable energy sector. This information is based on information from multiple third-party sources, including a report published by SKM Market Predictor AS (“SKM”; <https://www.skmenergy.com/>). This information has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by the relevant third-party source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Although the Group believes that these market data and analyses are helpful in understanding industry trends, and has taken reasonable measures to ensure that they have been accurately reproduced from the relevant third-party analyses, neither the Group nor any outside expert has independently verified such information. There can be no assurance that anticipated outcomes will be achieved, and investors should not place undue reliance on statistical data and third-party forecasts contained in this Prospectus. Estimates or judgments, particularly as they relate to expectations about the Group’s market and industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed in “Part 18 (Additional Information), Section 18.8 (Forward-Looking Statements)” below and “Part 2 (Risk Factors)”. Targets, forecasts, objectives, projections and other forward-looking statements in this Prospectus are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See “Part 2 (Risk Factors)” for a discussion of such factors.

18.7.7. Updates

The Company will update the information contained in this Prospectus only to such extent, at such intervals and by such means as required by applicable law or considered necessary and appropriate by the Company at its absolute discretion. The Company is under no obligation to update or modify forward-looking statements included herein.

18.8 FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are not historical facts and are “forward-looking”. Forward-looking statements appear in various locations, including in “Part 1 (Summary)”, “Part 2 (Risk Factors)”, “Part 4 (Background, Reasons for Offering and Use of Proceeds)”, “Part 6 (Dividends and Dividend Policy)”, “Part 8 (Operating and Financial Review)” and “Part 11 (Business)”, and located elsewhere in this Prospectus regarding the prospects of the Group’s industry and the

Group's prospects, plans, financial position and business strategy, and the impact of the COVID-19 pandemic thereon. Forward-looking statements can often be identified by the use of terms such as "estimates", "projects", "anticipates", "expects", "intends", "believes", "will", "may", "should" or the negative of these terms. All forward-looking statements, including discussions of strategy, plans, objectives, goals and future events or performance, involve risks and uncertainties.

While these statements are based on sources believed to be reliable and on the current knowledge and best belief of the Management Board, they are merely estimates or predictions and cannot be relied upon. They are subject to certain risks, uncertainties and assumptions. These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements.

The list of important factors in "Part 2 (Risk Factors)" is not exhaustive. When relying on forward-looking statements, prospective investors should carefully consider those factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, except to the extent required by applicable law. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely scenario. These cautionary statements qualify all forward-looking statements attributable to the Company or persons acting on the Company's behalf.

The Company does not intend, and does not assume any obligation, to update the forward-looking statements included in this Prospectus as at the date set forth on the cover.

The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regards thereto or any change in events, conditions or circumstances on which any such statement is based.

18.9 GOVERNING LAW AND JURISDICTION

This Prospectus and the Retail Offering shall be governed by the law of Estonia, except to the extent the rules of private international law applied by the competent court provide for the mandatory application of the laws of any other jurisdiction. Any disputes arising in connection with the Retail Offering shall be settled by Harju County Court (*Harju maakohus*) in Estonia unless the exclusive jurisdiction of any other court is provided for by the provisions of law, which cannot be derogated from by an agreement of the parties.

18.10 ENFORCEABILITY OF JUDGMENTS

The Company is a public limited company incorporated under the laws of Estonia. All of the directors and executive officers of the Company are citizens or residents of countries other than the United States. All or a substantial portion of the assets of such persons and substantially all the assets of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company, or to enforce or collect judgments of U.S. courts against them, including judgments

predicated upon civil liabilities under the securities laws of the United States or any State or territory of the United States.

PART 19. DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document unless the context requires otherwise:

Term	Definition
“Application”	An application for Institutional Offer Shares in the Institutional Offering made during the Book-Building Period
“Articles of Association”	The Company’s articles of association
“Audit Committee”	The audit committee of the Company
“Audited Financial Statements”	The audited consolidated financial statements as of and for the years ended 31 December 2018, 2019 and 2020
“BAT”	Best available techniques
“Book Building Period”	The book-building period for the Institutional Offering
“CfD”	Contract for Difference
“CEO”	Chief Executive Officer
“CFO”	Chief Financial Officer
“CHP”	Combined heat and power
“CIT”	Corporate Income Tax
“COD”	Commercial operations date
“Code”	The U.S. Internal Revenue Code of 1986, as amended
“Commercial Register”	Estonian Commercial Register
“Company”	Enefit Green AS (registration code 11184032)
“CSDR”	Regulation (EU) No 909/2014, as amended
“ECA”	Estonian Competition Authority
“Eesti Energia”	Eesti Energia Aktsiaselts (registration code 10421629)
“EFSA”	Estonian Financial Supervision and Resolution Authority
“EIA”	Environmental impact assessment
“ERS”	Estonian Register of Securities
“ESRMA”	Estonian Securities Register Maintenance Act
“EU ETS”	EU Emissions Trading Scheme
“EUR”, “€” or “euro”	Euro, the official currency of the Eurozone

“European Union” or “EU”	The economic and political union established in 1993 by the Maastricht Treaty, with the aim of achieving closer economic and political union between member states that are primarily located in Europe
“Framework Agreement”	The agreement entered into by the Company and certain Group companies as services receivers and Eesti Energia and certain Eesti Energia group companies as the service providers for the provision of support and other centralised services, effective as of 1 October 2021
FID	Final investment decision
“FiP”	Feed-in-Premium
“FiT”	Feed-in-Tariff
“Financial Statements”	Audited Financial Statements and Interim Financial Statements
“FSMA”	Financial Services and Markets Act 2000, as amended
“Full-service O&M contract”	O&M contract that covers both planned and unplanned maintenance including all the minor and major component exchange in case of failure by the provider. These contracts also provide the warranted availability and in case the actual availability is below the guaranteed value in the contract, provider pays penalties.
“General Meeting of Shareholders”	The Company’s general meeting of shareholders
“Group”	The Company together with its consolidated subsidiaries
“GW”	Gigawatt
“GWh”	Gigawatt hours
“IED”	Industrial Emissions Directive (Directive 2010/75/EU)
“IFRIC”	International Financial Reporting Interpretations Committee
“IFRS”	International Financial Reporting Standards
“Institutional Offering”	The offering of the Offer Shares to certain institutional and other investors, including QIBs in the United States, as described in “Part 3 (The Offering)”
“Institutional Offer Shares”	Primary and Secondary shares jointly offered as part of the Institutional Offering
“Joint Global Coordinators”	Citigroup Global Markets Europe AG, Swedbank AS and Nordea Bank Abp
“KPI”	Key performance indicator
“kW”	Kilowatt
“kWh”	Kilowatt-hour
“LCOE”	Levelised cost of electricity
“Listing”	The listing of the Offer Shares on the Nasdaq Baltic Main List of the Tallinn Stock Exchange
"Listing Date"	On or about 21 October 2021

“Maintenance contract”	O&M contract that covers yearly planned maintenance and does not include availability warranty by provider. Unplanned maintenance is provided by additional fee on the case-by-case principle. This means every unplanned action is charged separately and is not included in the contract scope as the responsibility of the minor and major component exchange lay on the Group.
“Management Board”	The management board of the Company
“Market Abuse Regulation”	Regulation (EU) No 596/2014, as amended
“MCPD”	Medium Combustion Plant Directive (Directive (EU) 2015/2193)
“MW”	Megawatt
“MWh”	Megawatt hours
“Nasdaq Tallinn”	Nasdaq Tallinn AS (registration code 10359206)
“Nelja Energia”	Nelja Energia AS (registration code 11183009), merged into the Company as of 2 April 2019
“New Shares”	Up to 40,816,327 newly issued ordinary Shares of the Company
“O&M”	Operation and maintenance
“Offer Period”	The period during which the Offer Shares are available for subscription in the Offering
“Offer Price”	The price at which each Offer Share is to be issued or sold under the Offering
“Offer Price Range”	The range within which the Offer Price is currently expected to be set, being between EUR 2.45 to EUR 3.15
“Offer Shares”	The newly issued Shares in the capital of Company to be offered and issued by the Company as part of the Institutional Offering and the Secondary Shares to be offered by Eesti Energia as part of the Institutional Offering
“Offering”	The Retail Offering and the Institutional Offering jointly
“Order”	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
“PFIC”	Passive foreign investment company
“PPA”	Power purchase agreement
“Pricing Agreement”	An agreement between the parties to the Underwriting Agreement setting forth the final Offer Price and number of Offer Shares and the purchase commitments of each Underwriter
“Primary Shares”	The New Shares offered to institutional investors in the Institutional Offering
“Prospectus”	This document
“Prospectus Regulation”	Regulation (EU) 2017/1129, as amended
“qualified institutional buyers” or “QIBs”	Has the meaning given by Rule 144A under the U.S. Securities Act
“Put Option”	An option granted by Eesti Energia to the Stabilising Manager or its agent, on behalf of the Underwriters, to sell Offer Shares to Eesti Energia at such prices at which the Stabilising Manager or its agent may acquire them in the open market in connection with the stabilisation transactions

“RAB”	Regulatory asset base
“RDF”	Refuse-derived fuel
“Regulation S”	Regulation S under the U.S. Securities Act
“Resolution”	The resolution on the conditional increase of the Company’s share capital that is expected to be adopted at a General Meeting of Shareholders on 3 October 2021
“Retail Offering”	The offering of the Offer Shares to the public in Estonia, as more particularly described in “Part 3 (The Offering)”
“Retail Offer Period”	The subscription period for the Retail Offer Shares
“Retail Offer Shares”	New shares offered as part of the Retail Offering
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SEA”	Strategic environmental assessment
“Secondary Shares”	Shares offered by Eesti Energia as part of the Institutional Offering
“Settlement”	Settlement of the Offering
“Settlement Agent”	Swedbank AS
“Shares”	Ordinary shares with a nominal value of EUR 1 each in the capital of the Company
“Stabilisation Period”	Any time on or before the 30th calendar day after the commencement of trading of the Shares on the Tallinn Stock Exchange
“Stabilising Manager”	Swedbank AS
“Subscription Price”	The upper limit of the Offer Price Range, i.e. EUR 3.15 per Offer Share
“Subscription Undertaking”	A subscription undertaking to be submitted by an investor in the Retail Offering via the relevant custodian
“Supervisory Council”	The supervisory board of the Company
“Tallinn Stock Exchange”	The Baltic Main List of Nasdaq Tallinn
“Time of Sale”	The date and time at which pricing and allocation of the Offer Shares occur
“Treaty”	The Convention Between the United States of America and the Republic of Estonia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income dated 15 January 1998 (as amended by any subsequent protocols)
“TSO”	Elering AS (registration code 11022625), the transmission system operator in Estonia
“UK Prospectus Regulation”	Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended
“Unaudited Interim Financial Statements”	The unaudited consolidated condensed interim report of the Group as of and for the six months ended 30 June 2020 and 2021

“Underwriting Agreement”	The underwriting agreement entered into between the Company, Eesti Energia, and the Underwriters described in “Part 3 (The Offering), Section 3.2 (Underwriting)”.
“United States” or “US”	The United States of America, its territories and possessions, any State of the United States of America, and District of Columbia
“USD”, “\$” or “dollar”	United States Dollars, the lawful currency of the United States of America
“U.S. Exchange Act”	United States Securities Exchange Act of 1934, as amended
“U.S. GAAP”	Accounting principles generally accepted in the U.S.
“U.S. GAAS”	Auditing standards generally accepted in the U.S.
“U.S. Holder”	A beneficial owner of an Offer Share that is, for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation created or organised in or under the laws of the United States or any political subdivision thereof, including the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or a trust if (A) a court within the United States is able to exercise primary supervision over its administration, and one or more U.S. persons have the authority to control all of the substantial decisions of such trust, or (B) such trust has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes
“U.S. Securities Act”	The United States Securities Act of 1933, as amended
“VAT”	Value added taxes
“WACC”	Weighted average cost of capital

PART 20. FINANCIAL INFORMATION

Enefit Green AS

Audited Financial Statements for the years ended 31 December 2018, 2019 and 2020	F-1
Independent Auditors' Report	F-72
Unaudited Interim Condensed Consolidated Report for the six months ended 30 June 2021	F-75
Independent Auditors' Review Report	F-93

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS

In thousand EUR	1 JANUARY – 31 DECEMBER			Note
	2020	2019	2018	
Revenue	113,994.3	119,833.1	60,007.6	24
Renewable energy support and other operating income	48,689.3	31,684.8	17,968.3	25
Change in inventories of finished goods and work-in-progress	4,674.2	1,192.9	316.2	12
Raw materials, consumables and services used	(43,819.9)	(46,554.7)	(26,945.0)	26
Payroll expenses	(6,070.8)	(5,874.1)	(4,535.2)	27
Depreciation, amortisation and impairment	(38,191.8)	(40,801.9)	(19,655.7)	6, 7, 9
Other operating expenses	(7,296.6)	(8,564.1)	(6,547.8)	28
Loss on disposal of a subsidiary	-	(1,391.6)	-	29
OPERATING PROFIT	71,978.7	49,524.5	20,608.4	
Finance income	202.9	37.7	7.6	30
Finance costs	(3,579.7)	(10,241.5)	(9,997.3)	30
Net finance costs	(3,376.8)	(10,203.8)	(9,989.7)	
Profit (loss) from associates under the equity method	5.2	257.6	(47.4)	
PROFIT BEFORE TAX	68,607.1	39,578.3	10,571.2	
Corporate income tax expense	(736.7)	(2,793.4)	(933.2)	31
PROFIT FOR THE YEAR ATTRIBUTABLE TO:	67,870.4	36,784.9	9,638.0	
Equity holder of the parent	67,870.4	36,701.6	9,626.9	
Non-controlling interest	-	83.3	11.1	
<i>Basic earnings per share (EUR)</i>	<i>14.2</i>	<i>7.7</i>	<i>2.0</i>	19
<i>Diluted earnings per share (EUR)</i>	<i>14.2</i>	<i>7.7</i>	<i>2.0</i>	19

The notes on pages 19-82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousand EUR	1 JANUARY – 31 DECEMBER			Note
	2020	2019	2018	
PROFIT FOR THE YEAR	67,870.4	36,784.9	9,638.0	
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of foreign operations	(892.0)	56.2	-	
Other comprehensive income/(loss) for the year	(892.0)	56.2	-	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO	66,978.4	36,841.1	9,638.0	
Equity holder of the parent	66,978.4	36,757.8	9,626.9	
Non-controlling interest	-	83.3	11.1	

The notes on pages 19-82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousand EUR	31 DECEMBER			Note
	2020	2019	2018	
ASSETS				
Non-current assets				
Property, plant and equipment	594,980.0	627,866.1	644,079.6	7
Intangible assets	67,838.8	60,000.9	57,228.3	9
Right-of-use assets	2,222.3	2,725.4	-	6
Deferred tax assets	344.3	1,185.3	618.0	
Investments in associates	532.1	594.9	3,420.6	
Long-term receivables	102.9	129.1	463.3	15
Total non-current assets	666,020.4	692,501.7	705,809.8	
Current assets				
Inventories	11,085.2	6,723.2	5,608.2	12
Trade and other receivables and prepayments	51,565.5	19,846.1	18,346.3	13, 15
Cash and cash equivalents	10,773.7	11,126.5	28,001.6	17
Total current assets	73,424.4	37,695.8	51,956.1	
Total assets	739,444.8	730,197.4	757,765.9	
EQUITY				
Equity and reserves attributable to equity holder of the parent				
Share capital	4,793.5	4,793.5	4,793.5	19
Statutory capital reserve	479.3	479.3	479.3	19
Other reserves	400,000.0	400,000.0	-	19
Foreign currency translation reserve	(834.7)	56.2	-	
Retained earnings	105,111.4	55,656.9	33,998.4	19
Total equity and reserves attributable to equity holder of the parent	509,549.5	460,985.9	39,271.2	
Non-controlling interest	-	-	982.4	
Total equity	509,549.5	460,985.9	40,253.6	

LIABILITIES	31 DECEMBER			Note
	2020	2019	2018	
Non-current liabilities				
Borrowings	161,558.3	188,290.1	103,476.6	20
Government grants	8,020.1	8,575.0	5,261.2	22
Deferred tax liabilities	12,555.4	12,190.9	12,894.8	31
Derivative financial instruments	-	-	2,074.2	14
Provisions	12.7	14.4	13.7	23
Total non-current liabilities	182,146.5	209,070.4	123,720.5	
Current liabilities				
Borrowings	37,777.9	47,541.8	577,430.2	20
Trade and other payables	9,857.3	12,533.1	14,602.2	21
Derivative financial instruments	-	-	1,757.5	14
Provisions	113.6	66.0	1.9	23
Total current liabilities	47,748.8	60,140.9	593,791.8	
Total liabilities	229,895.3	269,211.3	717,512.3	
Total equity and liabilities	739,444.8	730,197.2	757,765.9	

The notes on pages 19-82 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousand EUR	1 JANUARY – 31 DECEMBER			Note
	2020	2019	2018	
Cash flows from operating activities				
Cash generated from operations	105,210.2	86,521.8	46,491.8	32
Interest and loan fees paid	(3,653.1)	(7,729.3)	(9,425.4)	30
Interest received	1.8	94.7	0.4	30
Corporate income tax paid	(304.3)	(4,260.3)	(228.2)	
Net cash generated from operating activities	101,254.6	74,626.9	36,838.6	
Cash flows from investing activities				
Paid on purchase of property, plant and equipment and intangible assets	(11,055.9)	(7,869.0)	(8,927.6)	7, 9
Proceeds from connection and other fees	-	-	36.0	22
Proceeds from sale of property, plant and equipment	34.0	149.0	2.3	8
Loans provided	-)	-	(3.0)	
Paid on acquisition of a business (net of cash and cash equivalents acquired)	-	(13,786.5)	(249,917.4)	11, 35
Net change in term deposits with maturities of over 3 months	5.2	(5.2)	-	
Repayments of loans provided	-	237.0	-	
Dividends received from associates	-	96.6	-	
Payments related to government grants	67.9	(81.2)	-	
Proceeds from sale of a business (net of tax)	-	609.3	-	29
Net cash used in investing activities	(10,948.8)	(20,650.0)	(258,809.7)	
Cash flows from financing activities				
Change in overdraft balance	(43,415.1)	(510,421.0)	304,431.6	18, 20
Redemption of bonds	-	-	(48,500.0)	20
Bank loans received	8,976.7	260,000.0	-	20
Repayments of bank loans	(37,527.8)	(190,295.6)	(2,366.9)	20
Principal elements of lease payments (2018 - Principal elements of finance lease payments)	(292.4)	(11,241.3)	(510.7)	20
Repayments of interest rate swaps	-	(3,831.6)	-	
Contribution to voluntary reserve	-	400,000.0	-	19
Dividends paid	(18,400.0)	(15,000.0)	-	19
Acquisition of non-controlling interest in a subsidiary	-	(50.0)	(1,740.7)	11
Financing transactions with the parent	-	(12.5)	(1,340.6)	20
Net cash used in financing activities	(90,658.6)	(70,852.0)	249,972.7	
Net cash flow	(352.8)	(16,875.1)	28,001.6	
Cash and cash equivalents at the beginning of the period	11,126.5	28,001.6	-	17
Cash and cash equivalents at the end of the period	10,773.7	11,126.5	28,001.6	17
Change in cash and cash equivalents	(352.8)	(16,875.1)	28,001.6	

The notes on pages 19-82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

In thousand EUR	Share capital	Statutory capital reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity	Note
Equity at 1 January 2018	4,793.5	479.3	-	-	24,371.6	29,644.4	-	29,644.4	
Profit for the year	-	-	-	-	9,628.8	9,628.8	11.1	9,637.9	
Increase in non-controlling interests due to acquisition of a subsidiary	-	-	-	-	-	-	2,712.0	2,712.0	35
Acquisition of non-controlling interest in a subsidiary	-	-	-	-	-	-	(1,740.7)	(1,740.7)	11
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	-	-	-	-	971.3	971.3	
Equity at 31 December 2018	4,793.5	479.3	-	-	33,998.5	39,271.3	982.4	40,253.7	
Profit for the year	-	-	-	-	36,701.6	36,701.6	83.3	36,784.9	
Other comprehensive income for the year	-	-	-	56.2	-	56.2	-	56.2	
Decrease in non-controlling interests due to sale of a subsidiary	-	-	-	-	-	-	(1,065.7)	(1,065.7)	29
Contribution to voluntary reserve	-	-	400,000.0	-	-	400,000.0	-	400,000.0	19
Dividends paid	-	-	-	-	(15,000.0)	(15,000.0)	-	(15,000.0)	19
Other adjustments	-	-	-	(43.2)	(43.2)	(43.2)	-	(43.2)	
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	400,000.0	-	(15,043.2)	384,956.8	(1,065.7)	383,891.1	

	Share capital	Statutory capital reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity	Note
In thousand EUR									
Equity at 31 December 2019	4,793.5	479.3	400,000.0	56.2	55,656.9	460,985.9	-	460,985.9	
Profit for the year	-	-	-	-	67,870.4	67,870.4	-	67,870.4	
Other comprehensive income/(loss) for the year	-	-	-	(892.0)	-	(892.0)	-	(892.0)	
Dividends paid	-	-	-	-	(18,400.0)	(18,400.0)	-	(18,400)	19
Other adjustments	-	-	-	1.1	(15.9)	(14.8)	-	(14.8)	
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	-	1.1	(18,415.9)	(18,414.8)	-	(18,414.8)	
Equity at 31 December 2020	4,793.5	479.3	400,000.0	(834.7)	105,111.4	509,549.5	-	509,549.5	

The notes on pages 19-82 are an integral part of these consolidated financial statements.

Further information about equity is presented in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

The consolidated financial statements of Enefit Green group for the years ended 31 December 2018, 31 December 2019 and 31 December 2020, include the financial information of Enefit Green AS (the parent, legal form: limited liability company defined as *aktsiaselts* (AS) under Estonian laws) and its subsidiaries (together referred to as the group).

Enefit Green AS operates all renewable energy production units of Eesti Energia AS and is one of the largest renewable energy producers in the Baltics. Enefit Green AS operates also in Poland. Enefit Green group produces electricity from wind, water, sunlight, municipal waste, biomass and natural gas.

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

The sole shareholder of Enefit Green AS is Eesti Energia AS, a company belonging to the Republic of Estonia.

The management board authorised these consolidated financial statements for issue on 9 June 2021.

1.1 Key events in 2020

Most of the Estonian production units have open positions against electricity market prices. Electricity prices in 2020 were highly volatile. Electricity prices in Estonia and the neighbouring countries were influenced in 2020 by Nordic hydropower whose generation was record-high compared to prior years, wind power whose output was exceptionally large together with warm winter, and the COVID-19 pandemic, which reduced electricity consumption.

Cogeneration operating activities have been impacted less by the COVID-19 pandemic as the sales prices for heat are regulated and therefore not dependent on events such as the pandemic. Sale of pellets, which also falls under cogeneration operating activities, is mostly dependent on the weather conditions as the winter temperatures impact the demand of the product.

The group had created conditions for successful remote work already before the health crisis and restrictions caused by the outbreak of COVID-19 therefore daily operations of the group entities were not impacted by the pandemic. Group's operating expenses were not materially impacted by the pandemic, as one-off costs related to the pandemic were insignificant.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative financial instruments) that are measured at fair value through profit or loss. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires

management to exercise judgement in applying accounting policies. The areas involving a higher degree of judgement and where accounting assumptions and estimates have a significant effect on the information presented in the consolidated financial statements are disclosed in note 4.

2.2 Changes in accounting policies and disclosures

(a) Adoption of New or Revised Standards and Interpretations

The following new or revised standards and interpretations became effective for the group from 1 January 2020:

Definition of materiality – Amendments to IAS 1 and IAS 8 (*effective for annual periods beginning on or after 1 January 2020*) - The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. There is no material impact of application of the amendments to the group's consolidated financial statements.

Amendments to the Conceptual Framework for Financial Reporting (*effective for annual periods beginning on or after 1 January 2020*) - The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. There is no material impact of application of the amendments to the group's consolidated financial statements.

Definition of a business – Amendments to IFRS 3 (*effective for annual periods beginning on or after 1 January 2020*) - The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). There is no material impact of application of the amendments to the group's consolidated financial statements.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2020 that would be expected to have a material impact on the group.

(b) New standards and interpretations not yet adopted

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2021, and which the Group has not early adopted:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (*effective date to be determined by the IASB; not yet adopted by the EU*). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets

that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The amendments may have an impact on the recognition of the group's transactions with associates.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (*effective for annual periods beginning on or after 1 January 2022; not yet adopted by the EU*) - The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment may have an impact on the recognition of group's future investments recognised as constructions in progress.

Classification of liabilities as current or non-current – Amendments to IAS 1 (*effective for annual periods beginning on or after 1 January 2022; not yet adopted by the EU*) - These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The group assesses that there is no material impact of application of the amendments to its consolidated financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (*effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU*) - The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The group assesses that there is no material impact of application of the amendments to its consolidated financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the group.

2.3 Changes in accounting policies

Changes in significant accounting policies

Except as described below, the accounting policies applied in these consolidated financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended 31 December 2019.

Company income tax and deferred income tax

Both Estonia and Latvia have replaced the traditional profit-based tax regimes with distribution-based tax regimes where corporate income tax is not payable on profit but rather on distribution of dividends. In accordance with IAS 12.52A and 57A, in distribution-based tax regimes no current or deferred tax liability is recognised in respect of undistributed profits until a liability to pay dividends is recognised. As a market practice in Estonia, this accounting policy has been applied consistently to all undistributed profits in the group, regardless of whether those profits accumulated in the parent or in the subsidiaries.

In June 2020, IFRS Interpretation Committee made an agenda decision where it concluded that the principle set out in IAS 12.52A and 57A only applies to undistributed profits accumulated in the parent company and does not apply to undistributed profits accumulated in the subsidiaries. Instead, the principles described in IAS 12.39-40 should be followed in respect of undistributed profits in subsidiaries, stipulating that a deferred tax shall be recognised in respect of such accumulated profits, unless it is probable that they will not be distributed to the parent in the foreseeable future.

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

Pursuant to the laws of the Republic of Estonia, an entity's profit of the accounting year is not taxable in Estonia. The obligation to pay company income tax arises upon distribution of profit and it is recognised as an expense (in profit or loss for the period) when dividends are declared. Due to the nature of the taxation system, no deferred income tax assets or liabilities arise in entities registered in Estonia, except for possible deferred income tax liabilities related to an entity's investments in subsidiaries, associate and joint undertaking, and branches.

Deferred income tax liability arises for the group in countries where the entity's reporting year profit is taxable. For the group, deferred income tax liability also arises in respect to investments in an Estonian and Latvian subsidiary and associate undertaking, except for if the group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future. Examples of taxable temporary reversal are the payment of dividends, the sale or liquidation of an investment, and other transactions.

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

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

In Estonia, the valid company income tax rate is 20 percent (the payable tax amount is 20/80 of the net payment). From 2019, a lower tax rate is applied to regularly payable dividends – 14% (14/86 of the net payment). The lower tax rate can be applied every calendar year on dividend payments and other profit distributions to the extent that does not exceed the average amount of taxable paid dividends and other profit distributions of the previous three calendar years.

The Group has recognised the change in the accounting policy retrospectively, however no corrections to the consolidated financial statements have been made as the dividends paid in 2019 were derived from the parent entity of the group and therefore the transaction does not fall under the scope previously described. The dividends paid to the sole shareholder in 2020 were taken from a Lithuanian subsidiary of the group and are therefore previously taxed.

2.4 Consolidation

(a) Subsidiaries

A subsidiary is any entity of which the group has control. The group controls an entity when it has exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of those returns. Subsidiaries are fully consolidated from the date the group gains control to the date the group loses control of them.

The group accounts for business combinations by applying the acquisition method. The consideration transferred at the acquisition of a subsidiary is measured at fair value, which is the sum of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

(c) Disposal of subsidiaries

When the group loses control of a subsidiary, any investment retained in the entity is remeasured to its fair value at the date when control is lost and the change in the carrying amount is recognised in the income statement. The fair value is the initial

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

(d) Associates

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

If the ownership interest in an associate is reduced but the investment continues to be classified as an associate, the group shall reclassify to the income statement the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to the income statement on the disposal of the related assets or liabilities.

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

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

Profits and losses resulting from upstream and downstream transactions between the group and its associates are recognised in the group's consolidated financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless they result from impairment. Where necessary, the accounting policies of associates are adjusted to ensure consistency with the policies adopted by the group.

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each group entity are recorded in the currency of the primary economic environment in which the entity operates ('the functional currency'). The group has subsidiaries in Poland whose functional currency is the Polish zloty (PLN). The consolidated financial statements are presented in euros, which is the functional currency of the parent and the presentation currency of the group. The figures in the consolidated financial statements have been rounded to the nearest thousand, unless stated otherwise.

(b) Transactions and balances

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

presented as finance income and costs; other exchange gains and losses are presented as other operating income and expenses.

(c) Group companies

The results and financial position of the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

The closing rates used for translating assets and liabilities were as follows: 31 December 2020: EUR/PLN 4.5597; 31 December 2019: EUR/PLN 4.2568; 31 December 2018: no group companies with functional currency other than euros. Income and expenses were translated as follows: 2020: EUR/PLN 4.47; 2019: EUR/PLN 4.299; 2018: no group companies with functional currency other than euros.

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

None of the subsidiaries of the Group operate in a hyper-inflationary economy.

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

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

2.8 Property, plant and equipment

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

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

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

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

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

Items of property, plant and equipment have been assigned the following useful lives:

▪ Buildings	30-40 years
▪ Facilities and structures	10-60 years
▪ Machinery and equipment	
- Electricity transmission equipment	5-45 years
- Power plant equipment	7-32 years
- Other plant and equipment	3-30 years
▪ Other items of property, plant and equipment	3-10 years

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

When the recoverable amount of an item of property, plant and equipment (i.e. the higher of its fair value less costs of disposal and its value in use) decreases below its carrying amount, the item is written down to its recoverable amount (note 2.10).

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

2.9 Intangible assets

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

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

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

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

(a) Goodwill

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

impairment losses). When determining a gain or loss on the disposal of a subsidiary, the carrying amount of any goodwill related to the subsidiary is included in the carrying amount of that subsidiary.

(b) Software

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

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- the group is able to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and use the software are available;
- the expenditure attributable to the software during its development can be reliably measured.

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

(c) Contractual rights

Contractual rights acquired are recognised at fair value on acquisition and are subsequently carried at cost less any accumulated amortisation. Contractual rights are amortised over the expected duration of the contractual right using the straight-line method.

Further details on contractual rights is disclosed in Note 9.

2.10 Impairment of non-financial assets

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

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

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

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

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

An impairment test is performed either for an individual asset or a group of assets (a cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows generated by other assets or groups of assets. An impairment loss is recognised immediately as an expense in the income statement.

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

2.11 Financial assets

Classification

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

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

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

Recognition and derecognition

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

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

Measurement

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

Debt instruments

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

Amortised cost

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

Equity instruments

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

Derivative financial instruments

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative financial instruments

are recognised in profit or loss for the period. The group does not use derivatives for hedging purposes and thus does not apply hedge accounting.

Impairment

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

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

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

Trade receivables

Trade receivables are amounts due from customers for energy sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is an objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Material receivables are assessed individually. The rest of the receivables are collectively assessed for impairment, using previous years' experience of impairment which is adjusted to take account of forward-looking information. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a receivable is classified as uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement against other operating expenses.

If collection is expected within one year or less or within the normal operating cycle, the receivables are classified as current assets. If not, they are presented as non-current assets. Long-term receivables from customers are recognised at the present value of estimated future cash flows, discounted at the original effective interest rate. The difference between the nominal value and the present value of the collectible receivable is recognised as interest income during the period remaining until the maturity date using the effective interest rate.

2.12 Cash and cash equivalents

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

Enefit Green AS and its subsidiary Enefit Wind OÜ are part of Eesti Energia AS (parent entity) group cash pooling system. The cash pool balances at the balance sheet date are shown as current receivables against the parent entity or borrowings (overdraft) from parent entity. The group's available funds in this cash pooling system are not defined as cash at the balance sheet date.

Fair values of the balances are considered to approximately match the carrying amounts. Cash pool receivables or overdraft liabilities to parent entity are carried at amortised cost.

Changes in the cash pool balance are recognised in the statement of cash flow under financing activities on the row "change in overdraft balance".

2.13 Inventories

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

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

2.14 Share capital

Ordinary shares are classified as equity. No preference shares have been issued. Unavoidable costs directly attributable to the issue of new ordinary shares are recognised in equity as a deduction from the proceeds. Shares approved by the general meeting but not yet registered at the Commercial Registry are recognised in equity as unregistered share capital.

2.15 Statutory capital reserve

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

2.16 Trade payables

Trade payables are amounts due to suppliers for goods or services acquired in the ordinary course of business. A payable is classified as current if payment is due within one year or less or within the normal operating cycle. Other payables are presented as non-current liabilities. Trade payables are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method.

2.17 Borrowings

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

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

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

Borrowing costs

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

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

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

2.18 Taxation

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

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

Deferred income tax is provided on post-acquisition retained earnings and other post-acquisition movements in reserves of subsidiaries, except where the group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future. The group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

The maximum income tax liability which would accompany the distribution of Company's retained earnings is disclosed in the notes to the consolidated financial statements.

(b) Other taxes in Estonia

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

Tax	Tax rate
Social security tax	33% of payments made and fringe benefits provided to employees
Unemployment insurance contributions	0.8% of payments to employees
Income tax on fringe benefits	20%, calculated as 20/80 of fringe benefits provided to employees
Pollution charges	Paid for pollutant releases to air, water, groundwater and soil and waste storage based on relevant rates per tonne
Charge for special use of water	1.63–176.99 euros per 1,000 m ³ of water extracted from a surface water body or groundwater (2019: 1.65–175.24 euros per 1,000 m ³ of water extracted from a surface water body or groundwater; 2018: 1.64–173.5 euros per 1,000 m ³ of water extracted from a surface water body or groundwater)
Land tax	0.1–2.5% of the taxable value of land per year
Heavy goods vehicle tax	3.50–232.60 euros per truck per quarter
Excise duty on electricity	0.5–4.47 (until 30.04.2020) euros per MWh of electricity; 0.5–1.0 (since 01.05.2020 and until 31.12.2020) euros per MWh of electricity
Excise duty on natural gas	Until 30 April 2020: 79.14 euros per 1,000 m ³ of natural gas. From 1 May 2020: 40 euros per 1,000 m ³ of natural gas (2019: 63.31 euros per 1,000 m ³ of natural gas; 2018: 50.65 euros per 1,000 m ³ natural gas)
Corporate income tax on non-business expenses	20%, calculated as 20/80 of non-business expenses

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

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

(d) Deferred income tax

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

Deferred income tax assets are recognised for all deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2.19 Employee benefits

Short-term employee benefits

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

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

Termination benefits

Termination benefits are payable when the group terminates employment before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value. Redundancy provisions are set up for redundancies occurring in the course of restructuring.

Other employee benefits

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

2.20 Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. A provision is measured at the present value of the expenditures expected to be required to settle the

obligation using an interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect current best estimates. The costs related to setting up provisions are charged to operating expenses or included in the cost of an item of property, plant and equipment when the provision is related to the dismantlement, removal or restoration or other obligation, incurred either when the item is acquired or as a consequence of having used the item during a particular period.

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

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

Employee-related provisions

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

2.21 Contingent liabilities

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

2.22 Revenue

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

Sale of goods – wholesale

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

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

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

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

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

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

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

Interest income

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

Financing component

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

2.23 Government grants

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

Grants related to assets are accounted for using the gross method whereby the asset acquired with a grant is recognised at cost. The amount received as a government grant is recognised as a liability in the statement of financial position. Related assets are depreciated, and the grant liability is recognised as income over the estimated useful life of the asset.

Support for electricity produced from renewable sources

In line with section 59 of the Estonian Electricity Market Act, the group receives support of 5.37 cents per kilowatt hour of electricity produced from renewable energy sources with a generating installation whose net capacity does not exceed 125 MW. The Group receives the grant monthly in accordance with the volume of electricity produced from a renewable energy source. There are no specific costs that the grant is intended to compensate, the grant is a result of a government measure to support and increase the transition to renewable energy in Estonia. The grant is recognised as other operating income under line "Renewable energy support" using the gross method.

2.24 Leases

Accounting policies until 31 December 2018

Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(a) The group as a lessor

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

(b) The group as a lessee

Leases of property, plant and equipment which transfer all significant risks and rewards of ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges (interest expense). Finance costs are allocated to rental period so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The property, plant and equipment acquired under finance leases is depreciated similarly to acquired assets over the shorter of the useful life of the asset and the lease term. Initial direct costs directly attributable to concluding finance lease agreements and incurred by the lessee are added to the cost of the leased asset.

Operating lease payments are reported in the income statement as expenses on a straight-line basis over the lease term.

Accounting policies from 1 January 2019

(a) The group as a lessee

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

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

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

Initial measurement

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

At the commencement date, the group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the group;

- an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

To determine the incremental borrowing rate, the group:

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

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

- a) fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index or a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates. Some of the group's leases contain variable lease payments;
- c) amounts expected to be payable by the group under residual value guarantees;
- d) the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- e) payments of penalties for terminating the lease, if the lease term reflects the group exercising an option to terminate the lease.

Subsequent measurement

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

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

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, the group recognises in profit or loss

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

If there are changes to the lease payments, it may be necessary to remeasure the lease liability. The group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset with an exception when the group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the group recognises any remaining amount of the remeasurement in profit or loss.

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

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

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

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

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

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The group has elected to apply the optional exemption provided by IFRS16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(b) The group as a lessor

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

(c) Rights to use land

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

2.25 Dividend distributions

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

2.26 Emission allowances

Since 2005, a trading system applies in the EU (the Emission Trading Scheme – ETS) with the purpose of reducing emissions of the greenhouse gas carbon dioxide. Within the framework of this system, some concerned plants have received, without payment or for prices below fair value, so-called emission allowances (European Union Allowances – EUAs) from the authorities in each country. Sales and purchases of emission allowances are conducted on designated exchanges, where plants that have a greater need for emission allowances than their free-of-charge or subsidised allocation are required to purchase allowances to cover their remaining need and thereby settle their obligations.

During the first trading period, 2005–2007, trading was conducted only in EUAs. During the second trading period, 2008–2012, trading was conducted in parallel with the first commitment period in the Kyoto Protocol, and the EU's Emission Trading Scheme was opened up to international trading in Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs).

Starting with the third trading period (2013–2020) there is no free-of-charge or subsidised allocation of emission allowances for the power generation sector, meaning that all power generators must purchase all of their emission allowances. In sectors other than power generation, e.g., heat generation, free-of-charge allocations will be available during a transition period, however with decreasing levels in the coming years during the transition period. As heat generation is also performed by the installations belonging to Enefit Green group an estimated amount of 5,094 tonnes of free allowances will be allocated to installations belonging to the group in 2021. Precise amount of free allowances to be allocated for 2021, will be fixed by end of June 2021 at the latest.

In the reporting and comparative periods, the following amounts of greenhouse gas emission allowances have been allocated to the group free of charge:

- in 2018, 31,704 tonnes of free allowances were allocated to the group;
- in 2019, 26,129 tonnes of free allowances were allocated to the group;
- in 2020, 3,820 tonnes of free allowances were allocated to the group.

Emission allowances that have been received free of charge from the respective countries' authorities are stated at a value of EUR nil. As carbon dioxide is emitted, an obligation arises to deliver emission allowances (EUAs, CERs, ERUs) to the authorities in the respective countries. An expense and a liability are recognised in cases where the emission allowances that were received free of charge do not cover this obligation. This liability is valued in the amount at which it is expected to be settled.

For Enefit Green group, the emission allowances received free of charge cover the obligation to deliver emission allowances to the authorities and therefore a liability is not recognised by the group.

2.27 Related party transactions

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

- a) the owner and, since 100% of the shares in Eesti Energia AS are held by the Republic of Estonia, all entities under the control or significant influence of the state;
- b) other companies belonging the same group;
- c) associates and joint ventures;
- d) members of the executive and higher management;
- e) close family members of the above persons and companies under their control or significant influence.

The Group has applied the exemption from disclosure of individually insignificant transactions and balances with the state and parties that are related to the entity because the state has control, joint control or significant influence over a such party.

2.28 Primary financial statements of the parent

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the separate primary financial statements of the consolidating entity (the parent). The primary financial statements of the parent, disclosed in note 37, have been prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements. In the parent's primary financial statements, investments in subsidiaries are accounted for using the cost method. Under the latter, an investment is initially recognised at cost, i.e. at the fair value of the consideration given for it, and measured thereafter at cost less any impairment losses.

NOTE 3. FINANCIAL RISK MANAGEMENT

3.1 Financial risks

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

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

Primary responsibility for risk management rests with the management board of Enefit Green group. Oversight of the risk mitigation measures implemented by the management board is the responsibility of the supervisory board of Enefit Green AS. The group assesses and limits risks through systematic risk management. Financial risk management has also been assigned to the finance department, which deals with the financing of the parent and its subsidiaries and, thus, with managing liquidity risk and interest rate risk.

3.1.1 Market risks

Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Financial assets and liabilities denominated in euros are considered to be free of currency risk, when the entity has euro as the functional currency. The group does not have any material financial assets or financial liabilities that are exposed to currency risk.

Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those resulting from interest rate risk or currency risk. The group's financial assets are not exposed to price risk.

The group does not use derivative financial instruments to hedge its price risk.

Cash flow and fair value interest rate risk

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

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

The group's interest rate risk arises mainly from short- and long-term borrowings (note 20). The weighted average interest rate of the group's loans was 1.66% at 31 December 2020 (31 December 2019: 1.65%; 31 December 2018: 1.90%). A 0.5 percentage point change in the weighted average interest rate of loans would have had an effect of 970.2 thousand euros on the group's net profit for 2020 (2019: 1,113.9 thousand euros; 2018: 116.0 thousand euros).

The weighted average interest rate of the group's overdraft was 2.19% at 31 December 2020 (31 December 2019: 2.46%; 31 December 2018: 2.42%). The overdraft liability recognised in the statement of financial position as at 31 December 2019 was repaid in full on January 1, 2020 and therefore no interest expense has occurred in 2020. Taking this into account, sensitivity analysis has not been calculated for the overdraft liability interest rate risk for 2020. A 0.5 percentage point change

in the weighted average interest rate of the overdraft would have had an effect of 50.5 thousand euros on the group's net profit for 2019 (2018: 2,602.7 thousand euros).

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

Additional information on the group's borrowings and their interest rates and fair values is provided in note 20.

In 2018, the group used interest rate swaps to hedge interest rate risk (note 14).

3.1.2 Credit risk

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

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

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

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

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

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Trade and other receivables* (note 13)	9,847.2	16,515.2	15,580.0
Receivables from the parent, other group companies and related parties (notes 13, 18 and 34)	36,284.9	187.4	651.7
Cash and cash equivalents (note 17)	10,773.7	11,126.5	28,001.6
Total amount exposed to credit risk (note 15 and 16)	56,905.8	27,829.1	44,233.3

* Total trade and other receivables less prepayments

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

At 31 December 2020, the group had 1 customer that accounted for over 10% of the group's trade and other receivables. Total receivables from these customers amounted to 4,595.6 thousand euros at 31 December 2020 (31 December 2019: the group had 2 customers that accounted for over 10% of the group's trade and other receivables, receivables from those customers totalled 9,391.9 thousand euros; 31 December 2018: 2 customers that each accounted for over 10% of the group's total trade and other receivables and receivables from them totalled 3,938.2 thousand euros).

Further information on credit risk is provided in notes 15 and 16.

3.1.3 Liquidity risk

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

The following liquidity analysis reflects the maturity profile of the group's current and non-current liabilities. All amounts presented in the table are contractual undiscounted cash flows. The amounts of liabilities falling due within 12 months after the end of the reporting period, except for borrowings, are equal to their carrying amounts.

At the end of the reporting period, the group had undrawn loans of 25,000.0 thousand euros (31 December 2019: 0 euros; 31 December 2018: 261,500 thousand euros).

Maturity profile of liabilities at 31 December 2020

In thousand EUR	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. lease liabilities (notes 20 and 34)*	41,182.4	161,098.7	4,655.8	206,936.9	197,046.4
Lease liabilities (note 20)	226.3	1,139.7	2,531.5	3,897.5	2,289.8
Trade and other payables (note 21)	7,039.0	-	-	7,039.0	7,039.0
Total	48,447.7	162,238.4	7,187.3	217,873.4	206,375.2

* Interest expense has been estimated on the basis of interest rates as at 31 December 2020.

Maturity profile of liabilities at 31 December 2019

In thousand EUR	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. lease liabilities (notes 20 and 34)*	50,708.2	192,369.3	-	243,077.5	232,896.4
Lease liabilities (note 20)	307.0	1,064.6	2,942.2	4,313.8	2,935.5
Trade and other payables (note 21)	8,153.0	-	-	8,153.0	8,153.0
Total	59,168.2	193,433.9	2,942.2	255,544.3	243,984.9

* Interest expense has been estimated on the basis of interest rates as at 31 December 2019.

Maturity profile of liabilities at 31 December 2018

In thousand EUR	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. finance lease liabilities (notes 20, 34)*	568,118.9	63,030.7	49,286.3	680,435.9	669,624.6
Finance lease liabilities (note 20)	11,042.0	240.2	-	11,282.2	11,282.2
Derivative financial instruments (note 14)	1,757.5	2,074.2	-	3,831.7	3,831.7
Trade and other payables (note 21)	10,334.5	-	-	10,334.5	10,334.5
Total	591,252.9	65,345.0	49,286.3	705,884.3	695,073.0

* Interest expense has been estimated on the basis of interest rates as at 31 December 2018.

In addition to the liabilities disclosed in the tables above, the group has future period commitments arising from variable lease payments. Please see note 33 for further information.

3.2 Capital management

The group regards equity and borrowings (debt) as capital. To maintain or change its capital structure, the group may change the dividend distribution rate, repay capital contributions to owners, issue new shares or sell assets to reduce its financial liabilities, and raise debt capital in the form of loans. On raising loans, management assesses the group's ability to service the principal and interest payments with operating cash flow and, where necessary, starts timely negotiations to refinance existing loans before maturity. In setting the cap for borrowings, management monitors the net debt to capital ratio and the net debt to EBITDA ratio and takes into account the restrictions imposed by the terms and conditions of loan agreements.

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Total borrowings (notes 3.1.3, 20)	199,336.2	235,831.9	680,906.8
Less: Cash and cash equivalents (note 17)	(10,773.7)	(11,126.5)	(28,001.6)
Net debt	188,562.5	224,705.4	652,905.2
Total equity	509,549.5	460,985.9	40,253.6
EBITDA*(note 5)	110,170.5	90,326.4	40,264.0
Assets	739,444.8	730,197.4	757,765.9
Net debt/EBITDA	1.7	2.5	16.2
Equity/assets	69%	63%	5%
Total capital (net debt + equity)	698,112.0	685,691.3	693,158.8
Net debt/capital	27%	33%	94%

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

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

3.3 Fair value

According to the group's assessment, at 31 December 2020, 31 December 2019 and 31 December 2018 the fair values of assets and liabilities measured at amortised cost did not differ materially from their carrying amounts. The carrying amounts of current trade receivables and payables, and loans provided, less impairments, are estimated to be equal to their fair values (level 3). For disclosure purposes, the fair value of financial liabilities is determined by discounting the future contractual cash flows at the market interest rate which is available for similar financial instruments of the group.

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

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

Since the interest rates of overdraft and loan liabilities change in line with changes in money market interest rates, their fair values do not differ from their carrying amounts (level 2). Further information about the group's borrowings and their interest rates and fair values is provided in note 20.

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The estimates presented below have the most significant impact on the financial information disclosed in the consolidated financial statements.

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

The useful lives of items of property, plant and equipment are determined based on management's estimates of the economic lives over which the assets can be used. Past experience reflects that the actual economic lives of assets are sometimes somewhat longer than their estimated useful lives. At 31 December 2020, the total carrying amount of the group's property, plant and equipment was 594,980.0 thousand euros (31 December 2019: 627,866.1 thousand euros; 31 December 2018: 644,079.6 thousand euros) and depreciation expense for the period amounted to 37,831.5 thousand euros (2019: 39,233.5 thousand euros; 2018: 18,955.6 thousand euros) (note 7). The average residual useful life of property, plant and equipment is 15.5 (31 December 2019: 16.6; 31 December 2018: 16.4) years. If the average residual useful life would increase / decrease by 1 year, the depreciation expense would decrease by 2,972.6 thousand euros (2019: 2,410.9 thousand euros; 2018: 2,580.9 thousand euros) / increase 4,676.6 thousand euros (2019: 5,025.9 thousand euros; 2018: 1,373.6 thousand euros).

Management of Enefit Green group has analysed the operating results of the group's wind farms and taking into account the specific technological aspects used for specific farms decided to increase the useful lifetime of Enefit Green wind farms. The impact of the reassessment to the yearly depreciation expense is 1,510.1 thousand euros, which is approximately 5% of the previous yearly depreciation charge. Management of Enefit Green group has analysed the operating results of the group's solar parks and taking into account the specific technological aspects used for specific parks decided to increase the useful lifetime of the Polish solar parks from 15 years to 25 years to bring them into line with actual life expectancy. The impact of the reassessment to the yearly depreciation expense is 522 thousand euros, which is approximately 46% of the previous yearly depreciation charge. All the aforementioned adjustments were done as at 1 January 2020.

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

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

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

Based on impairment tests carried out in 2019, the group wrote down the assets of the Aulepa wind farm by 502.9 thousand euros and the assets of the Silale wind farm by 584.7 thousand euros (note 7).

Based on an impairment test carried out in 2018, the group wrote down the assets of the Aulepa wind farm by 635.1 thousand euros (note 7).

(c) Deferred tax recognition of undistributed earnings of Group's Estonian and Latvian subsidiaries

As at 31 December 2020 the group has not accounted for deferred tax liabilities associated with temporary taxable differences related to the undistributed retained earnings of the Estonian and Latvian subsidiaries in the amount of 96,042.7 thousand euros. The group has implemented a written dividend policy that is based on the dividend expectations of its sole shareholder, Eesti Energia AS. Based on the implemented dividend policy the group has assessed that no dividends will be distributed from the retained earnings of the Group's Estonian and Latvian subsidiaries in the foreseeable future (upcoming five year timespan). The Group is able to control the timing and the amount of dividend distributions of its subsidiaries to implement the dividend policy.

NOTE 5. SEGMENT REPORTING

The management board uses segment-based reporting to assess the group's financial results and make management decisions. The segments of Enefit Green AS have been identified by reference to the main business lines of its business units. All production units operated by the group have been allocated to operating segments based on the way they produce energy. Other internal structural units have been allocated to operating segments based on their primary field of activity.

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

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

The segment "Other" comprises activities whose individual contribution to both the group's revenue and EBITDA is insignificant. None of these activities exceeds the quantitative thresholds in the case of which separate reporting of information would be required.

Segment revenues include revenues from external customers only, generated by the sale of respective products or services. As the segments are based on externally sellable products and services (as opposed to legal entities), there are no transactions between segments to be eliminated.

Management assesses segment results mainly on the basis of EBITDA, but also monitors operating profit. Finance income and costs and income tax expense are not allocated to operating segments. The group's non-current assets are allocated to segments based on their purpose of use. Liabilities and current assets are not allocated to segments.

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

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Revenue			
Wind energy	56,463.1	62,909.8	16,677.9
Cogeneration	51,371.8	56,326.1	42,881.7
Solar energy	4,623.8	476.6	111.8
Total reportable segments	112,458.7	119,712.5	59,671.4
Other	1,535.6	120.6	336.1
Total (note 24)	113,994.3	119,833.1	60,007.5

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In 2020, the group had two clients in wind energy segment, whose turnover exceeded 10% of group's total revenues. In 2020, sales to such clients totalled 52,238.0 thousand euros (in 2019: 57,068.6 thousand euros; in 2018: there were no such clients).

In 2020, the group had one client in cogeneration segment, whose turnover exceeded 10% of group's total revenues. In 2020, sales to such clients totalled 11,612.0 thousand euros (in 2019: there were no such clients; in 2018: 21,887.0 thousand euros).

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Renewable energy support and other operating income			
Wind energy	28,344.2	25,920.1	12,835.4
Cogeneration	5,438.6	5,061.0	5,105.5
Solar energy	1,238.7	385.0	13.0
Total reportable segments	35,021.5	31,366.1	17,953.9
Other	13,667.8	318.7	14.3
Total	48,689.3	31,684.8	17,968.2

The other operating income of the "Other" segment has increased significantly due to a one-off transaction – sale of CO2 quotas. See details from note 25.

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

Interest income and expenses, corporate income tax expense and share of profit (loss) of equity-accounted associates are not allocated to segments and relevant information is not reported to the management board.

The following tables provide information about the results of each reportable segment. Performance is measured mainly by reference to EBITDA, which is defined as profit before finance costs, profit (loss) from associates under the equity method, tax, depreciation, amortisation and impairment.

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Profit for the year	67,870.4	36,784.9	9,638.0
Income tax expense (note 31)	736.7	2,793.4	933.2
Net finance costs (note 30)	3,376.8	10,203.8	9,989.7
Profit/(loss) from associates under the equity method	(5.2)	(257.6)	47.4
Depreciation, amortisation and impairment (notes 6, 7 and 9)	38,191.8	40,801.9	19,655.7
EBITDA	110,170.5	90,326.4	40,263.9

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
EBITDA			
Wind energy	69,397.8	69,682.6	21,882.1
Cogeneration	29,849.8	24,704.0	22,520.8
Solar energy	1,673.9	458.1	(166.6)
Total reportable segments	100,921.5	94,844.7	44,236.3
Other	9,249.0	(4,518.3)	(3,972.4)
Total	110,170.5	90,326.4	40,263.9
Depreciation, amortisation and impairment (notes 6, 7 and 9)	(38,191.8)	(40,801.9)	(19,655.7)
Net finance costs (note 30)	(3,376.8)	(10,203.8)	(9,989.7)
Profit/(loss) from associates under the equity method	5.2	257.6	(47.4)
Profit before tax	68,607.1	39,578.3	10 571.1

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

The 2020 result of the wind energy segment does not include any write-down of non-current assets (2019: 1,175.0 thousand euros; 2018: 708 thousand euros). The 2019 result of the segment "Other" includes a loss from the sale of subsidiary of 1,394.0 thousand euros.

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Operating profit			
Wind energy	41,804.4	37,633.3	9,165.7
Cogeneration	20,189.9	16,433.6	15,827.6
Solar energy	885.6	138.2	(170.6)
Total reportable segments	62,879.9	54,205.0	24,822.7
Other	9,098.8	(4,680.5)	(4,214.4)
Total	71,978.7	49,524.5	20,608.3

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Investments in non-current assets			
Wind energy	7,040.9	5,280.6	3,272.3
Cogeneration	1,891.1	2,210.5	1,157.2
Solar energy	4,696.8	448.3	3,936.0
Total reportable segments	13,628.8	7,939.4	8,365.5
Other	97.2	173.0	562.1
Total	13,726.0	8,112.4	8,927.6

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Non-current assets			
Wind energy	490,928.7	513,904.4	533,540.9
Cogeneration	146,438.4	157,220.6	163,333.8
Solar energy	23,274.3	18,588.0	3,985.3
Total reportable segments	660,641.4	689,713.1	700,860.0
Other	5,379.0	2,788.6	4,949.7
Total	666,020.4	692,501.7	705,809.7

At 31 December 2020, the assets of the group's wind energy segment included goodwill of 23,695.0 thousand euros (2019:23,695.0), cogeneration segment included goodwill of 32,712.3 thousand euros (2019: 32,712.3) and solar energy segment included goodwill of 2,816.0 thousand euros (2019: 2,816.0 thousand euros). At 31 December 2018, the assets of the group's wind energy segment included goodwill of 23,695.0 thousand euros and cogeneration segment included goodwill of 32,712.3 thousand euros.

Revenue by the location of customers

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Estonia	50,173.3	57,132.2	48,319.1
Lithuania	37,193.3	35,815.4	4,667.1
Latvia	23,189.9	26,613.7	4,259.8
Finland	2,520.6	-	-
Poland	917.2	271.8	-
Denmark	-	-	2,761.7
Total revenue (note 24)	113,994.3	119,833.1	60,007.7

Allocation of non-current assets by location *

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Estonia	371,887.1	395,770.1	406,370.7
Lithuania	231,369.3	241,339.1	254,050.5
Latvia	35,958.6	38,588.6	40,880.6
Poland	15,603.8	12,169.2	-
Finland	8,000.0	-	-
Right-of-use assets, Estonia (note 6)	1,259.0	1,376.2	-
Right-of-use assets, Lithuania (note 6)	963.3	1,349.2	-
Total non-current assets (notes 6, 7 and 9)	665,041.1	690,592.4	701,307.8

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

NOTE 6. RIGHT-OF-USE ASSETS

In thousand EUR	Rights to use land
As at 1 January 2019	
Initial recognition on the adoption of IFRS 16	2,894.6
Carrying amount	2,894.6
2019	
Additions	-
Depreciation charge	(169.2)
Total carrying amount	2,725.3
At 31 December 2019	
Cost	2,894.6
Accumulated depreciation	(169.2)
Carrying amount	2,725.3
2020	
Adjustments	(353.3)
Depreciation charge	(149.8)
Total carrying amount	2,222.3
At 31 December 2020	
Cost	2,541.3
Accumulated depreciation	(319.0)
Carrying amount	2,222.3

The group has recognised the following amounts in profit or loss in respect of lease contracts: depreciation of right-of-use assets in the amount of 149.8 thousand euros (2019: 169.2 thousand euros) and interest expense with adjustments on lease payments for right-of-use-assets of -28.0 thousand euros (interest expenses 2019: 144.7 thousand euros).

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

In thousand EUR	Land	Buildings	Facilities and structures	Machinery and equipment	Other property, plant and equipment	Construction in progress and prepayments	Total
Carrying amount as at 1 January 2018	8,194.1	17,140.3	22,556.8	163,227.9	-	530.6	211,649.7
Movements in 2018							
Additions (note 5)	88.9	62.1	33.2	821.9	1.9	7,919.6	8,927.6
Depreciation (notes 4, 5, and 32)	-	(577.6)	(1,209.8)	(17,162.4)	(5.8)	-	(18,955.6)
Impairment (note 32)	-	-	-	(635.1)	-	-	(635.1)
Acquisition of a subsidiary (note 35)	1.4	-	-	435,882.1	39.6	7,313.8	443,236.9
Transfers	-	253.2	-	1,860.2	-	(2,257.3)	(143.9)
Property, plant and equipment as at 31 December 2018							
Cost	8,284.4	24,761.9	41,370.0	713,029.1	177.0	13,506.7	801,129.1
Accumulated depreciation	-	(7,883.9)	(19,989.8)	(129,034.5)	(141.3)	-	(157,049.5)
Carrying amount as at 31 December 2018	8,284.4	16,878.0	21,380.2	583,994.6	35.7	13,506.7	644,079.6
Movements in 2019							
Additions (note 5)	1,295.2	26.3	49.5	281.5	4.6	6,423.3	8,080.6
Depreciation (notes 4, 5 and 32)	-	(595.8)	(1,194.5)	(37,439.2)	(4.0)	-	(39,233.5)
Impairment (note 32)	-	-	-	(1,226.7)	(26.9)	-	(1,253.6)
Disposals (at carrying amount)	(46.5)	-	-	-	(1.3)	-	(47.8)
Effects on movements in foreign exchange rates	-	1.3	0.1	44.9	-	-	46.3
Acquisition of a subsidiary (note 35)	-	196.7	182.0	11,959.4	-	-	12,338.1
Other changes	-	-	-	3,926.4	-	-	3,926.4
Transfers	382.7	9.0	4.7	7,813.8	-	(8,280.2)	(70.0)

In thousand EUR	Land	Buildings	Facilities and structures	Machinery and equipment	Other property, plant and equipment	Construction in progress and prepayments	Total
Property, plant and equipment as at 31 December 2019							
Cost	9,915.8	24,995.4	41,606.6	738,168.3	180.0	11,649.8	826,516.0
Accumulated depreciation	-	(8,479.8)	(21,184.4)	(168,813.7)	(172.0)	-	(198,649.9)
Carrying amount as at 31 December 2019	9,915.8	16,515.6	20,422.2	569,354.6	8.0	11,649.8	627,866.1
Movements in 2020							
Additions (note 5)	30.4	14.6	371.2	222.2	-	7,087.6	7,726.0
Depreciation (note 4, 5 and 32)	-	(621.4)	(1,261.6)	(35,935.1)	(13.4)	-	(37,831.5)
Impairment (note 32)	(34.5)	-	-	(14.0)	-	-	(48.5)
Disposals (at carrying amount)	(33.2)	-	-	-	-	-	(33.2)
Effects on movements in foreign exchange rates	-	(12.9)	(11.3)	(763.3)	-	(6.1)	(793.6)
Other changes	-	-	-	94.9	-	-	94.9
Transfers	584.5	205.1	12.9	1,950.4	5.4	(4,758.4)	(2,000.1)
Property, plant and equipment as at 31 December 2020							
Cost	10,463.0	25,218.1	42,029.8	738,549.1	180.3	13,973.0	830,413.3
Accumulated depreciation	-	(9,117.2)	(22,496.6)	(203,639.2)	(180.3)	-	(235,433.3)
Carrying amount as at 31 December 2020	10,463.0	16,100.9	19,533.2	534,909.9	0.0	13,973.0	594,980.0

Additions to property, plant and equipment are related to the development of new renewable energy projects and making significant improvements to existing wind farms and heat and power cogeneration plants.

Enefit Green's wind farms were tested for impairment in 2020 by estimating the recoverable amounts of the assets based on the discounted future cash flows of each cash-generating unit. Cash flows for each unit have been projected until the end of the useful life of a respective wind farm. Every wind farm was treated as a separate cash-generating unit.

The total carrying amount of wind farm tangible non-current assets as at 31 December 2020 is 449,651.3 thousand euros (31 December 2019: 472,981.0 thousand euros; 31 December 2018: 501,759.0 thousand euros) and goodwill as at 31 December 2020 is 23,695.0 thousand euros (31 December 2019: 23,695.0 thousand euros; 31 December 2018: 23,695.0 thousand euros) (note 9).

The impairment tests conducted in 2020 did not indicate a need for writing wind farms down (2019: the Aulepa wind farm was written down by 502.9 thousand euros and the Silale wind farm was written down by 584.7 thousand euros; 2018: the Aulepa wind farm was written down by 635.1 thousand euros). In 2020 the previous years' write-down were not cancelled as the group decided to keep a conservative approach. The write-down reflects solely the impairment of property, plant and equipment because the group has not allocated any goodwill to those cash-generating units.

The recoverable amount of the assets of the wind farms was estimated based on their value in use. The expected future cash flows were discounted using a discount rate of 5.7% for wind farms in Lithuania and 4.7% for wind farms in Estonia (2019: 6.0% for wind farms in both countries; 2018: 6.0% for wind farms in both countries). Electricity price forecast is based on third party estimations and forward prices. It has been assumed that Estonian and Lithuanian electricity prices will gradually converge with neighbouring region's electricity prices. The recoverable amount of the assets of wind farms is most sensitive to changes in the electricity price. If the assumption that the price levels in the Estonian and the neighbouring electricity markets would gradually equalise did not apply and the market price of electricity was forecast relying on current forward prices, the impairment losses on wind farms in Estonia and Lithuania would amount to 21,000.0 thousand euros and 29,000.0 thousand euros, respectively (2019: Estonian wind farms 7,000.0 thousand euros and 17,000.0 thousand euros for Lithuanian wind farms; 2018: 8,000.0 thousand euros for Estonian wind farms). The recoverable amounts of wind farms were estimated taking into account the goodwill allocated to them.

The sensitivity analysis also takes into account the goodwill related to the cash-generating units (note 9).

NOTE 8. OPERATING LEASES

Assets leased out under operating leases

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Cost	3,899.9	4,934.6	4,702.6
Accumulated depreciation at the beginning of the financial year	(2,673.9)	(3,166.5)	(3,083.9)
Depreciation charge for the period	(65.7)	(81.1)	(82.6)
Carrying amount	1,160.3	1,687.0	1,536.1

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

NOTE 9. INTANGIBLE ASSETS

In thousand EUR	Goodwill	Software	Other intangible assets	Total
Carrying amount as at 1 January 2018	36,475.9	209.0	284.0	36,968.9
Movements in 2018				
Amortisation	-	(39.3)	(25.7)	(65.0)
Acquisition of a subsidiary (note 35)	19,931.4	-	300.0	20,231.4
Transfers	-	93.0	-	93.0
Intangible assets as at 31 December 2018				
Cost	56,407.3	366.9	711.7	57,485.9
Accumulated amortisation	-	(104.2)	(153.4)	(257.6)
Carrying amount as at 31 December 2018	56,407.3	262.7	558.3	57,228.3
Movements in 2019				
Additions (note 5)	-	29.2	2.8	32.0
Amortisation (note 5 and 32)	-	(52.0)	(93.5)	(145.5)
Acquisition of a subsidiary (note 35)	2,816.0	-	-	2,816.0
Transfers	-	169.7	(99.0)	70.7
Intangible assets as at 31 December 2019				
Cost	59,223.2	614.2	546.7	60,384.1
Accumulated amortisation	-	(204.9)	(178.4)	(383.3)
Carrying amount as at 31 December 2019	59,223.2	409.3	368.3	60,000.8
Movements in 2020				
Additions (note 5)	-	-	6,000.0	6,000.0
Amortisation (note 5 and 32)	-	(68.7)	(45.7)	(114.4)
Impairment (note 32)	-	-	(47.7)	(47.7)
Transfers	-	0.1	2,000.0	2,000.1
Intangible assets as at 31 December 2020				
Cost	59,223.2	614.3	8,546.7	68,384.2
Accumulated amortisation	-	(273.6)	(271.8)	(545.4)
Carrying amount as at 31 December 2020	59,223.2	340.7	8,274.9	67,838.8

In 2020, the company acquired contractual rights for the development of the Tolpanvaara wind farm for 6,000.0 thousand euros, prepayment from 2018 was 2,000.0 thousand euros and total investment is 8,000.0 thousand euros. The contractual rights include various construction permits, aviation permits, road connection permits, grid connection agreements and wind measurement technical documents which allow the construction of a wind park on the designated land area. The expected useful life of the wind farm is 30 years and currently the asset is not yet amortised. The construction of the wind park is set to begin in the upcoming years.

Allocation of goodwill to cash-generating units

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Goodwill acquired on the acquisition of Nelja Energia	19,931.4	19,931.4	19,931.4
Goodwill acquired on the acquisition of solar farms in Poland	2,816.0	2,816.0	-
Goodwill acquired on the acquisition of Iru power plant	32,412.3	32,412.3	32,412.3
Goodwill acquired on the acquisition of Paldiski and Narva wind farms	3,763.6	3,763.6	3,763.6
Goodwill acquired on the acquisition of Pogi OÜ	300.0	300.0	300.0
Total goodwill	59,223.3	59,223.3	56,407.3

Goodwill was tested for impairment as at the reporting date by estimating the recoverable amount of goodwill acquired in business combinations. The group did not identify a need for recognising an impairment loss. The recoverable amounts of cash generating units were estimated based on value in use. Cash flows for all the tested units have been projected until the end of the useful life of a respective cash generating unit. The longer period is justified as all cash-generating units receive renewable energy subsidies for a certain period of time arising from the respective local laws. Incorporating these subsidies into the terminal year cash flows of each cash-generating unit would therefore not give an objective result.

The expected future cash flows of the cash-generating units to which the goodwill acquired on the acquisition of the Nelja Energia, Paldiski and Narva wind farms has been allocated were discounted by applying a discount rate of 5.7% for wind farms in Lithuania and 4.7% for wind farms in Estonia (2019: 6.0% for wind farms in both countries; 2018: 6.0% for wind farms in both countries).

The expected future cash flows of other cash-generating units to which goodwill has been allocated were discounted by applying a discount rate of 5.9%-7.0% (2019: 7.0%; 2018: 7.0%).

The expected future cash flows of the cash-generating unit to which the goodwill recognised on the acquisition of the Iru power plant has been allocated were discounted at the rate of 4.7% (2019: 7.0%; 2018: 7.0%). At a 1 percentage point higher discount rate, the carrying amount of goodwill would not exceed its recoverable amount. The cash flows of the cash-generating unit to which the goodwill of the Iru power plant has been allocated are sensitive to changes in the price of heat and the waste reception fee. The price of heat was forecast based on the maximum heat price approval principles of the Competition Authority and the heat price stated in the current sales agreement (the agreement is valid until 15 February 2027). The waste reception fee was forecast based on current agreements and indexed to inflation. The outputs of the cash-generating unit to which the goodwill of the Iru power plant has been allocated were forecast taking into account the base quantity fixed in the current heat sales agreement. If both the price of heat and the waste reception fee decreased by 10%, the carrying amount of goodwill would not exceed its recoverable amount, because according to section 8 (3) of the District Heating Act, the price of heat must be cost based.

Goodwill of 19,931.4 thousand euros (31 December 2019: 19,931.4 thousand euros; 31 December 2018: 19,931.4 thousand euros) has been allocated to the wind farms acquired on the acquisition of Nelja Energia AS. The expected future cash flows of the cash-generating unit are sensitive to changes in the forecasts of the market price of electricity and the discount rate. The impairment tests on goodwill were carried out together with the impairment tests on the property, plant and equipment of the underlying units. Further information about significant inputs and their sensitivity is provided in note 7.

Goodwill arose on the acquisition of solar farms in Poland that amounted to 2,816.0 thousand euros (31 December 2019: 2,816.0 thousand euros) and was allocated to the solar farms and their development projects (note 35). The impairment test conducted as at 31 December 2020 and 31 December 2019 did not indicate a need for writing goodwill down.

NOTE 10. INVESTMENTS IN ASSOCIATES

The group's investments in associates as at 31 December 2020, 31 December 2019 and 31 December 2018

Name of the company	Country of incorporation	Interest as at 31 December 2020	Interest as at 31 December 2019	Interest as at 31 December 2018	Nature of relationship	Measurement method
Empower 4Wind OÜ*	Estonia	40.0%	40.0%	40.0%	¹	Equity method
Team Paldiski OÜ*	Estonia	20.0%	20.0%	20.0%	²	Equity method
Wind Controller JV Oy*	Finland	10.0%	10.0%	10.0%	³	Equity method
Oisu Biogaas OÜ*	Estonia	0%	0%	28.0%	⁴	Equity method
Vinni Biogaas OÜ*	Estonia	0%	0%	32.5%	⁴	Equity method

* Associates acquired on 6 November 2018 in connection with the acquisition of Nelja Energia AS.

¹ Empower 4Wind OÜ is a company involved in wind farm maintenance. The company maintains and services wind farms in Estonia and offers them construction, installation, fault detection and associated services.

² Team Paldiski OÜ is a company involved in the development of renewable energy technologies.

³ Wind Controller JV Oy is a company involved in the maintenance of wind farms in Finland.

⁴ Oisu Biogaas OÜ and Vinni Biogaas OÜ are the two largest biogas plants in Estonia that produce both electricity and heat.

Further information about the disposal of Oisu Biogaas OÜ and Vinni Biogaas OÜ is provided in note 11.

NOTE 11. SUBSIDIARIES

The group's subsidiaries as at 31 December 2020, 31 December 2019 and 31 December 2018

Name of subsidiary	Country of incorporation	Nature of business	Ordinary shares held by the group (%)			Ordinary shares held by non-controlling interests (%)		
			31 DECEMBER			31 DECEMBER		
			2020	2019	2018	2020	2019	2018
Enefit Power & Heat Valka SIA	Latvia	Electricity and heat production and sales	100.0	100.0	100.0	-	-	-
Nelja Energia AS	Estonia	Management services	-	-	100.0	-	-	-
Hanila Tuulepargid OÜ	Estonia	Electricity production	-	-	100.0	-	-	-
Oceanside OÜ	Estonia	Electricity production	-	-	100.0	-	-	-
Pakri Tuulepargid OÜ	Estonia	Electricity production	-	-	100.0	-	-	-
Aseriaru Tuulepark OÜ	Estonia	Electricity production	-	-	100.0	-	-	-
Hiiumaa Offshore Tuulepark OÜ	Estonia	Wind farm development	100.0	100.0	100.0	-	-	-
VV Tuulepargid OÜ	Estonia	Electricity production	-	-	100.0	-	-	-
Tootsi Tuulepark OÜ	Estonia	Wind farm development	100.0	100.0	100.0	-	-	-
4E Biofond OÜ	Estonia	Management services/biogas plants	-	-	69.9	-	-	30.1
Enefit Wind OÜ	Estonia	Production of wind power	100.0	100.0	100.0	-	-	-
Enercom SIA	Latvia	Wind farm development	100.0	100.0	100.0	-	-	-
Technological Solutions SIA	Latvia	Cogeneration plant	100.0	100.0	100.0	-	-	-
Pellet 4Energia SIA	Latvia	Pellet production	100.0	100.0	100.0	-	-	-
4ENERGIA SIA	Latvia	Management services	100.0	100.0	95.0	-	-	5.0
Iverneta UAB	Lithuania	Electricity production	-	-	100.0	-	-	-
Naujoji Energija UAB	Lithuania	Electricity production	-	-	100.0	-	-	-
Šilalės vėjas UAB	Lithuania	Wind farm development	100.0	100.0	100.0	-	-	-
Sūdėnų vėjo elektra UAB	Lithuania	Electricity production	-	-	100.0	-	-	-
Šilalės vėjo elektra UAB	Lithuania	Electricity production	-	-	100.0	-	-	-
Šilutės vėjo parkas 2	Lithuania	Wind farm development	100.0	100.0	100.0	-	-	-
Šilutės vėjo parkas 3	Lithuania	Wind farm development	100.0	100.0	100.0	-	-	-
Energijos Žara	Lithuania	Wind farm development	100.0	100.0	100.0	-	-	-
Vėjo Parkai UAB	Lithuania	Wind farm development	100.0	100.0	100.0	-	-	-
4Energia UAB	Lithuania	Management services	-	-	100.0	-	-	-
Enefit Wind UAB (until 31 May 2019 Šilutės Vėjo Projektai UAB)	Lithuania	Electricity production	100.0	100.0	100.0	-	-	-
Enefit Green UAB	Lithuania	Establishment and operation of wind farms	100.0	100.0	-	-	-	-
Baltic Energy Group UAB	Lithuania	Research related to the development of an offshore wind farm	100.0	100.0	100.0	-	-	-
Enefit Green sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
Cirrus sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
Velum sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
Incus sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
Humilis sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
Energy Solar 15 Sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
PV Sielec Sp. z o.o.	Poland	Production of electrical energy from sun	100.0	-	-	-	-	-
PV Plant Zambrow Sp. z o.o.	Poland	Solar farm development	100.0	-	-	-	-	-
PV Plant Debnik Sp. z o.o.	Poland	Solar farm development	100.0	-	-	-	-	-
Tolpanvaara Wind Farm OY	Finland	Wind farm development	100.0	-	-	-	-	-

Changes in 2020

In 2020, Enefit Green acquired the rights to realise the Tolpanvaara wind farm project from the Finnish state forest management company Metsähallitus. See also Note 9 for detailed information.

In 2020, Enefit Green has acquired three solar parks in the sum of EUR 1.9 million: PV Sielec Sp. z o.o., PV Plant Zambrow Sp. Z.o.o and PV Plant Debnik Sp Z.o.o. These transactions were accounted as acquisitions of assets as the definition of a business combination was not met.

Changes in 2019

Enefit Wind OÜ was established on 19 February 2019 as a subsidiary of Enefit Green AS. The entity was established with a contribution in kind: Enefit Green AS transferred its Narva, Paldiski and Virtsu wind farms to Enefit Wind OÜ. In addition, on 6 May 2019 wind farm operating companies Hanila Tuulepargid OÜ, Oceanside OÜ, Pakri Tuulepargid OÜ, Aseriaru Tuulepargid OÜ and VV Tuulepargid OÜ were merged with Enefit Wind OÜ. After that, following a demerger of Enefit Green AS, the Aulepa wind farm was transferred to Enefit Wind OÜ.

Enefit Green UAB was established on 22 February 2019 as a subsidiary of Enefit Green AS. In July 2019, Enefit Green AS sold its interests in Lithuanian wind farm development companies to Enefit Green UAB.

In March 2019, Enefit Green AS acquired the 5% non-controlling interest in 4Energia SIA.

Nelja Energia AS was merged with Enefit Green AS on 2 April 2019.

On 31 May 2019, a restructuring was finalised by which the business name of Šilutės Vėjo Projektai UAB was changed to Enefit Wind UAB and the Lithuanian wind farm operating companies Iverenta UAB, Naujoji Energija UAB, Sūdėnų vėjo elektra UAB and Šilalės vėjo elektra UAB were merged with Enefit Wind UAB.

On 18 June 2019, Enefit Green AS signed an agreement for the acquisition of 20 solar farms projects in Poland. By the reporting date of 31 December 2019, the group had acquired 18 of the solar farms, which are managed by nine companies: Enefit Green Sp. z o.o., Cirrus Sp. z o.o., Velum Sp. z o.o., Incus Sp. z o.o., Humilis Sp. z o.o., Energy Solar 15 Sp. z o.o., PV Sielec Sp. z o.o., PV Debnik Sp. z o.o. and PV Plant Zambrow Sp. z o.o. (note 35). In 2020, of the two remaining solar farms, one was purchased, and the other purchase was cancelled.

On 18 October 2019, Enefit Green AS sold its 69.88% interest in 4E Biofond OÜ. 4E Biofond OÜ is the non-controlling shareholder of Vinni Biogaas OÜ and Oisu Biogaas OÜ, which operate and own the Vinni and Oisu biogas-fired heat and power cogeneration plants, respectively. The controlling shareholders of both entities are local agricultural companies (note 29).

Changes in 2018

On 6 November 2018, after the approval of the transaction by the competition authorities of Latvia, Lithuania and Estonia, Enefit Green AS acquired 100% of the shares in Nelja Energia AS for 281,329.0 thousand euros. Before the transaction, 77% of the shares in Nelja Energia were held by Vardar Eurus, an entity owned by Norwegian local authorities (90%) and NEFCO (10%), and 23% of the shares in Nelja Energia were held by Estonian investors. The identifiable assets and liabilities of the interest acquired in Nelja Energia AS are disclosed in note 35.

Immediately after finalising the acquisition of Nelja Energia AS, the group acquired the non-controlling interests in Hiiumaa Offshore Tuulepark OÜ and 4Energia UAB, in which non-controlling shareholders had stakes of 5.03% and 20%, respectively. The group paid for the transactions 1,740.7 thousand euros in total.

As at 31 December 2018, a 30.12% non-controlling interest in 4E Biofond OÜ was held by Nordic Environment Finance Corporation and a 5% interest in 4Energia SIA was held by Toms Naburgs, a member of the entity's management board.

All subsidiaries are consolidated. The parent's voting power in the subsidiaries does not differ from its share of ordinary shares held. The parent does not hold any preference shares in the subsidiaries. None of the carrying amounts of the non-controlling interests as at 31 December 2018 was significant.

NOTE 12. INVENTORIES

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Raw materials and consumables at warehouses			
Technological wood	1,431.5	2,469.0	1,348.5
Wood chips	523.9	670.7	256.1
Fuel	93.1	93.4	127.4
Total raw materials and consumables at warehouses	2,048.4	3,233.1	1,732.0
Finished goods			
Pellets	6,476.5	1,802.7	680.0
Total finished goods	6,476.5	1,802.7	680.0
Spare parts	1,739.5	1,687.4	3,195.9
Solar panels	820.8	-	-
Other	-	-	0.2
Total inventories	11,085.2	6,723.2	5,608.1

The group did not recognise any significant inventory write-downs in 2020, 2019 or 2018.

In 2020, the market for wood pellets was affected by a warm winter. This resulted in increased inventory balances all over the region and lower market prices. The market activity and prices have improved in 2021. By the end of April, the inventory quantities balance has decreased by 38%, followed by even higher sales in May. The market is expected to recover by winter.

NOTE 13. TRADE AND OTHER RECEIVABLES

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Receivables			
Trade receivables	9,096.9	14,628.3	13,483.4
Allowance for expected credit losses	(9.6)	(1.6)	(17.6)
Total trade receivables	9,087.3	14,626.7	13,465.8
Receivables from related parties (note 34)	36,284.9	187.4	341.7
Other receivables	657.0	1,759.4	1,960.9
Prepayments	5,536.2	3,272.7	2,577.9
Total current receivables	51,565.5	19,846.2	18,346.3
Non-current receivables			
Loans provided to associates	-	-	310.0
Other non-current receivables	102.9	129.1	153.3
Total non-current receivables	102.9	129.1	463.3

Prepayments as at 31 December 2020, 31 December 2019, and 31 December 2018 comprise prepaid taxes and prepaid expenses. Other receivables as at 31 December 2019 and 31 December 2018 include mainly insurance compensation receivable of 1,252.0 thousand euros. Prepayments are not included in financial assets.

The group's receivables and prepayments are predominantly denominated in euros and measured at amortised cost. Information about the credit quality of receivables is provided in note 16.

The receivables against related parties has increased significantly as at 31 December 2020 due to the addition of a receivable against the parent entity that is arising from monetary resources held at parent entity cash pooling facility. See additional details in note 18.

ANALYSIS OF TRADE RECEIVABLES

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Trade receivables			
Trade receivables	9,096.9	14,628.3	13,483.4
Allowance for expected credit losses	(9.6)	(1.6)	(17.6)
Total trade receivables	9,087.3	14,626.7	13,465.8

To measure expected credit losses, trade receivables are grouped based on their days past due. The expected loss rates are based on the customers' settlement behaviour during the 36 month-period before 31 December 2020, 31 December 2019 and 31 December 2018 and the historical credit losses experienced during those periods. The historical loss rates are adjusted to reflect current and forward-looking information about macroeconomic factors affecting the customers' ability to settle the receivables. The group has identified GDP and the unemployment rate in the countries where it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The allowance for expected credit losses as at 31 December 2020, 31 December 2019 and 31 December 2018 was recognised on the basis as described above. The group has identified the expected credit losses of trade receivables not yet past due and up to 90 days past due and has determined that their effect is immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2020, 31 December 2019 and 31 December 2018.

Under the group's accounting policies, receivables over 90 days past due are usually written down in full. The total amount of the loss allowance for receivables over 90 days past due is adjusted based on historical experience of how many receivables classified as doubtful are subsequently collected and how many receivables not over 90 days past due at the reporting date are subsequently not collected. Also, other individual and exceptional impacts such as deterioration in the global economic situation are taken into account during the evaluation. Receivables from associates are assessed and analysed separately from other receivables based on their collectability.

Changes in the allowance for expected credit losses on trade receivables

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Allowance for expected credit losses at the beginning of the period	(1.6)	(17.6)	-
Items considered doubtful and doubtful items collected during the period	(15.0)	(25.9)	(17.6)
Items written off as uncollectible	7.0	42.0	-
Allowance for expected credit losses at the end of the period	(9.6)	(1.6)	(17.6)

Other classes of receivables do not include items that have been written down.

NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Interest rate swaps	-	-	3,831.7
Total derivative financial instruments (note 15)	-	-	3,831.7
Total non-current portion	-	-	2,074.2
Total current portion	-	-	1,757.5

In 2018, interest rate swaps were used to hedge the interest rate risks of loans with floating interest rates.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2);
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the group's assets and liabilities that are measured at fair value by the level in the fair value hierarchy as at 31 December 2018. Fair value was determined based on the confirmation obtained from a third party and supported by the group's own computations.

In thousand EUR	31 DECEMBER 2018			
	Level 1	Level 2	Level 3	Total
Liabilities				
Interest rate swaps (note 15)	-	3,831.7	-	3,831.7
Total financial liabilities	-	3,831.7	-	3,831.7

NOTE 15. DIVISION OF FINANCIAL INSTRUMENTS BY CATEGORY

Line items of financial assets in the statement of financial position:

	Assets measured at amortised cost	Total
in thousand EUR		
As at 31 December 2020		
Financial asset items in the statement of financial position		
Trade and other receivables excluding prepayments (notes 3.1.2 and 13)	9,847.2	9,847.2
Receivables from related parties (notes 3.1.2, 13, 18 and 34)	36,284.9	36,284.9
Cash and cash equivalents (notes 3.1.2, 3.2, 16 and 17)	10,773.7	10,773.7
Total financial asset items in the statement of financial position	56,905.8	56,905.8
As at 31 December 2019		
Financial asset items in the statement of financial position		
Trade and other receivables excluding prepayments (notes 3.1.2 and 13)	16,515.2	16,515.2
Receivables from related parties (notes 3.1.2, 13 and 34)	187.4	187.4
Cash and cash equivalents (notes 3.1.2, 3.2, 16 and 17)	11,126.5	11,126.5
Total financial asset items in the statement of financial position	27,829.1	27,829.1
As at 31 December 2018		
Financial asset items in the statement of financial position		
Trade and other receivables excluding prepayments (notes 3.1.2 and 13)	15,580.0	15,580.0
Receivables from related parties (notes 3.1.2, 13 and 34)	651.7	651.7
Cash and cash equivalents (notes 3.1.2, 3.2, 16 and 17)	28,001.6	28,001.6
Total financial asset items in the statement of financial position	44,233.3	44,233.3

Line items of financial liabilities in the statement of financial position:

	Liabilities measured at amortised cost	Liabilities at fair value through profit or loss	Total
in thousand EUR			
As at 31 December 2020			
Financial liability items in the statement of financial position			
Borrowings (notes 3.1.3, 3.2 and 20)	199,336.2	-	199,336.2
Trade and other payables (notes 3.1.3 and 21)	6,503.7	-	6,503.7
Payables to the parent (notes 3.1.3, 21 and 34)	535.3	-	535.3
Total financial liability items in the statement of financial position	206,375.2	-	206,375.2
As at 31 December 2019			
Financial liability items in the statement of financial position			
Borrowings (notes 3.1.3, 3.2 and 20)	225,716.3	-	225,716.3
Trade and other payables (notes 3.1.3 and 21)	7,367.2	-	7,367.2
Payables to the parent (notes 3.1.3, 21 and 34)	786.1	-	786.1
Overdraft liability to the parent (notes 3.1.1, 20 and 34)	10,115.6	-	10,115.6
Total financial liability items in the statement of financial position	243,985.2	-	243,985.2
As at 31 December 2018			
Financial liability items in the statement of financial position			
Borrowings (notes 3.1.3, 3.2 and 20)	160,370.5	-	160,370.5
Trade and other payables (notes 3.1.3 and 21)	7,088.9	-	7,088.9
Payables to the parent (notes 3.1.3, 21 and 34)	3,245.6	-	3,245.6
Overdraft liability to the parent (notes 3.1.3, 20 and 34)	520,536.3	-	520,536.3
Derivative financial instruments (notes 3.1.3 and 14)	-	3,831.7	3,831.7
Total financial liability items in the statement of financial position	691,241.3	3,831.7	695,073.0

NOTE 16. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality assessment of financial assets not past due and not written down is based on the credit ratings published by rating agencies or, if those are not available, the past credit behaviour of the customers or other counterparties.

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Trade receivables			
Receivables from new clients (client relationship shorter than 6 months)	4.7	0.8	129.2
Receivables from existing clients (client relationship 6 months or longer) that have not exceeded the due date in the past 6 months	6,828.3	7,587.1	10,305.2
Receivables from existing clients that have exceeded the due date in the past 6 months	1,381.2	5,446.4	2,800.2
Receivables from existing clients (client relationship 6 months or longer) that have not made any payments in the past 6 months	21.5	12.9	16.6
Other receivables from existing clients	851.6	1,579.4	214.6
Total trade receivables (note 13)	9,087.3	14,626.7	13,465.8

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Current accounts and short-term term deposits at banks			
At banks with Moody's credit rating of Aa2	8,989.3	9,883.5	28,001.6
At banks with Moody's credit rating of Aa3	680.2	-	-
At banks with Moody's credit rating of A3	1,104.2	1,243.0	-
Total current accounts and short-term term deposits at banks (note 17)	10,773.7	11,126.5	28,001.6

The group's current account balances as at 31 December 2020 were deposited with SEB bank, Swedbank and OP bank in Estonia and mBank in Poland. The account balances with SEB bank in Estonia and with mBank in Poland exceeded 10% of the group's total current accounts at banks (31 December 2019: current accounts with SEB bank and Swedbank in Estonia and with mBank in Poland each exceeded 10% of the group's total current accounts and short-term term deposits at banks; 31 December 2018: current accounts were with SEB bank and Swedbank in Estonia and the account balance with either bank exceeded 10% of the group's total current accounts and short-term term deposits at banks).

According to management's assessment, other receivables due from counterparties without a credit rating issued by an independent rating agency do not involve material credit risk because there is no evidence of circumstances that would indicate impairment.

NOTE 17. CASH AND CASH EQUIVALENTS

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Current accounts	10,773.7	11,126.5	18,778.7
Short-term term deposits	-	-	9,222.9
Total cash and cash equivalents (notes 2.12, 3.1.3 and 16)	10,773.7	11,126.5	28,001.6

Cash and cash equivalents by currency

In thousand EUR	31 DECEMBER		
	2020	2019	2018
EUR	9,524.2	9,935.7	28,000.1
PLN	1,249.5	1,190.8	-
USD	-	-	0.3
GBP	-	-	1.2
Total cash and cash equivalents (notes 2.12, 3.1, 3.2 and 16)	10,773.7	11,126.5	28,001.6

NOTE 18. OVERDRAFTS

Cash and cash equivalents in the statement of cash flows comprise cash on hand, demand deposits with financing institutions and other short-term, highly liquid investments with an original maturity of up to three months which are readily convertible to cash and subject to an insignificant risk of changes in value. Overdrafts are presented as current liabilities (loans) in the statement of financial position.

The current accounts of Enefit Green AS and Enefit Green AS subsidiary Enefit Wind OÜ at Swedbank AS and SEB AS are part of the cash pooling facility of Eesti Energia AS group. In addition to Enefit Green AS, the cash pooling facility of Eesti Energia group comprises the current accounts of all other subsidiaries of Eesti Energia AS. The facility is administered by Eesti Energia AS. The base currency of the overdraft facility is the euro.

At 31 December 2020, Enefit Green group had an intercompany receivable of 33,312.3 thousand euros against the parent entity related to the cash balances held at bank accounts included in the cash pooling facility of the parent entity (31 December 2019: Enefit Green AS's overdraft liability to the parent amounted to 10,102.8 thousand euros; 31 December 2018: Enefit Green AS's overdraft liability to the parent amounted to 520,536.3 thousand euros).

In 2020 the average interest rate for overdraft was 2.19%. In 2019, the average interest rate of the overdraft provided by Eesti Energia AS was 2.46% of the outstanding amount per year (2018: 2.42% of the outstanding amount per year). Further information about transactions with related parties is provided in note 34.

NOTE 19. EQUITY

At 31 December 2020, Enefit Green AS had 4,793.5 thousand registered shares (2019: 4,793.5 thousand registered shares; 31 December 2018: 4,793.5 thousand registered shares). The par value of each share is 1 euro. All of the company's shares are held by Eesti Energia AS.

At 31 December 2020, the statutory capital reserve of Enefit Green AS amounted to 479.3 thousand euros (31 December 2019 and 31 December 2018: 479.3 thousand euros) and the group's unrestricted equity amounted to 105,111.4 thousand euros (31 December 2019: 55,656.9 thousand euros; 31 December 2018: 33,998.4 thousand euros).

On the distribution of dividends, the group will have to pay income tax of 14% (calculated as 14/86 of the net distribution) on the portion which extends up to the three preceding years' average dividend distribution and income tax of 20% (calculated as 20/80 of the net distribution) on the rest of the dividends. See note 31 for information regarding income tax expense arising from dividends paid.

In 2020, the group paid the owner a dividend of 18,400 thousand euros, i.e. 3.84 euros per share (2019: 15,000 thousand euros, i.e. 3.13 euros per share).

On 29 March 2019, the parent of Enefit Green AS, Eesti Energia AS, made a monetary contribution of 400,000 thousand euros in the equity to strengthen Enefit Green AS capital base, which was recognised as a contribution to a voluntary reserve. According to the parent entity's Article of Association dividends can be paid from the voluntary reserve. Any dividend pay-out from the voluntary reserve would not result in income tax.

Unrestricted (distributable) equity, the maximum possible net dividend and related income tax expense:

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Retained earnings	105,111.4	55,656.9	33,998.4
Unrestricted (distributable) equity	105,111.4	55,656.9	33,998.4
Income tax payable on the distribution of the entire unrestricted equity	(20,403.1)	(10,343.3)	(6,799.7)
Maximum possible net dividend	84,708.3	45,313.6	27,198.7

Basic earnings per share have been calculated by dividing profit for the period attributable to equity holder of the parent by the weighted average number of ordinary shares outstanding during the period. Since the group has no potential ordinary shares, diluted earnings per share equal basic earnings per share. There were no changes in share capital in 2020, 2019 and 2018.

	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Profit attributable to equity holder of the parent (in thousand EUR)	67,870.4	36,701.6	9,626.9
Weighted average number of ordinary shares (in thousand)	4,793.5	4,793.5	4,793.5
Basic earnings per share (EUR)	14.2	7.7	2.0
Diluted earnings per share (EUR)	14.2	7.7	2.0

NOTE 20. BORROWINGS

Borrowings measured at amortised cost

In thousand EUR	Short-term borrowings			Long-term borrowings			Total
	Overdraft (note 34)	Bank loans	Bonds issued	Lease liabilities	Bank loans	Lease liabilities	Other liabilities
Borrowings at amortised cost as at 1 January 2018	216,104.7	-	-	-	-	-	-
Movements in 2018							
Monetary movements							
Repayments of borrowings	-	(2,366.9)	-	(510.7)	-	-	(2,877.6)
Redemption of bonds	-	-	(48,500.0)	-	-	-	(48,500.0)
Non-monetary movements							
Change in borrowings from the parent	304,431.6	-	-	-	-	-	304,431.6
Increase in borrowings	-	-	-	52.4	-	178.2	230.6
Amortisation of borrowing costs	-	-	295.5	-	129.5	-	425.0
Acquisition of a subsidiary (note 35)	-	13,061.2	48,204.5	11,454.4	138,264.5	107.9	211,092.5
Transfers	-	35,157.6	-	45.9	(35,157.6)	(45.9)	-
Total movements in 2018	304,431.6	45,851.9	-	11,042.0	103,236.4	240.2	464,802.1
Borrowings as at 31 December 2018	520,536.3	45,851.9	-	11,042.0	103,236.4	240.2	680,906.8
Borrowings at amortised cost as at 31 December 2018 (notes 3.1.3, 3.2 and 15)	520,536.3	45,851.9	-	11,042.0	103,236.4	240.2	680,906.8
Adoption of IFRS 16	-	-	-	338.6	-	2,556.0	2,894.6
Borrowings at amortised cost as at 1 January 2019	520,536.3	45,851.9	-	11,380.6	103,236.4	2,796.2	683,801.4
Movements in 2019							
Monetary movements							
Increase in borrowings	-	37,141.8	-	-	222,858.2	-	260,000.0
Repayments of borrowings	-	(82,993.7)	-	(11,034.2)	(107,301.8)	-	(201,329.7)
Non-monetary movements							
Change in borrowings from the parent	(510,420.7)	-	-	-	-	-	(510,420.7)
Amortisation of borrowing costs	-	-	-	-	3,988.0	-	3,988.0
Adjustments	-	-	-	(139.8)	-	(67.3)	(207.1)
Transfers	-	37,141.8	-	77.7	(37,141.8)	(77.7)	-
Total movements in 2019	(510,420.7)	(8,710.1)	-	(11,096.3)	82,402.5	(145.0)	(447,969.5)
Borrowings as at 31 December 2019	10,115.6	37,141.8	-	284.3	185,638.9	2,651.2	235,831.8

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In thousand EUR	Short-term borrowings			Long-term borrowings			Total
	Overdraft (note 34)	Bank loans	Bonds issued	Lease liabilities	Bank loans	Lease liabilities	
Borrowings at amortised cost as at 31 December 2019 (notes 3.1.3, 3.2 and 15)	10,115.6	37,141.8	-	284.3	185,638.9	2,651.2	235,831.8
Movements in 2020							
Monetary movements							
Increase in borrowings	-	391.3	-	-	8,585.4	-	8,976.7
Repayments of borrowings	-	(37,527.8)	-	(292.4)	-	-	(37,820.2)
Non-monetary movements							
Change in borrowings from the parent	(10,115.6)	-	-	-	-	-	(10,115.6)
Transfers	-	37,533.1	-	253.0	(37,533.1)	(253.0)	(0.0)
Amortisation of borrowing costs	-	-	-	-	26.2	-	26.2
Adjustments	-	-	-	-	-	(353.2)	(353.2)
Revaluation	-	(5.3)	-	-	(204.2)	-	(209.5)
Other movements	-	-	-	-	-	3,000.0	3,000.0
Total movements in 2020	(10,115.6)	391.3	-	(39.4)	(29,125.7)	(606.2)	(36,495.6)
Borrowings as at 31 December 2020	-	37,533.1	-	244.9	156,513.3	2,045.0	199,336.3
Borrowings at amortised cost as at 31 December 2020 (notes 3.1.3, 3.2 and 15)	-	37,533.1	-	244.9	156,513.3	2,045.0	199,336.3

In 2018, the group recognised in the statement of financial position lease liabilities only for those leases that were classified as 'finance leases' under IAS 17 *Leases*.

Lease liabilities as at 31 December 2018 comprise finance lease liabilities taken over on the acquisition of Nelja Energia AS. The finance leases were related to wind farms in Lithuania and purchases of machinery and equipment. All leases were classified as finance leases because they transferred ownership of the leased assets to the lessee at the end of lease term.

In the first quarter of 2019, the group completed the refinancing of the bank loans and finance lease liabilities taken over on the acquisition of Nelja Energia AS. This was done using loan agreements of 260,000.0 thousand euros signed with SEB bank (200,000.0 thousand euros) and Swedbank (60,000.0 thousand euros) in December 2018. The refinancing involved settling Nelja Energia's loans of 153,153.7 thousand euros and finance lease liabilities of 11,034.2 thousand euros and raising new loans of 260,000.0 thousand euros for Enefit Green. See also Note 30 for finance costs related to the early repayment of the loans. Out of the new loans, 37,141.8 thousand euros was repaid within 2019 in line with the contractual settlement schedules.

In 2020, Enefit Green AS made scheduled loan repayments in the amount of 37,527.8 thousand euros.

In 2020, Enefit Green AS signed a long-term loan agreement with the European Bank for Reconstruction and Development (EBRD) in the amount of PLN 40 million (EUR 9,000.0 thousand euros) which was also disbursed in full amount.

The payable associated to the acquisition of the Tolpanvaara project according to the agreement between Metsähallitus and Enefit Green AS is payable in 2024 and is reported under Other loans in the amount of 3,000.0 thousand euros. See also note 9 for additional information related to this transaction.

Fair values of overdraft, bank loans and lease liabilities

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Nominal value of overdraft	-	10,102.8	520,536.3
Fair value of overdraft	-	10,102.8	520,536.3
Nominal value of floating rate bank loans and lease liabilities (note 3.1)	196,336.3	225,716.2	164,436.0
Fair value of floating rate bank loans and lease liabilities (note 3.3)	196,336.3	225,716.2	164,436.0

According to management's assessment, the fair values of loans with floating interest rates as at the end of the reporting period do not differ from their carrying amounts as the risk margins have not changed.

Long-term bank loans at nominal value by maturity

In thousand EUR	31 DECEMBER		
	2020	2019	2018
< 1 year	37,924.3	37,141.8	45,836.1
1–5 years	151,653.3	185,638.9	59,174.6
> 5 years	4,468.7	-	48,143.0
Total	194,046.4	222,780.7	153,153.7

Loans are denominated in euros and in Polish zloty (one loan from EBRD mentioned above). The balance of this loan as at 31 December 2020 is 8,381 thousand euros (38,216.0 Polish zloty). As at 31 December 2019 and 31 December 2018, all loans are nominated in euros.

At 31 December 2020, the group had undrawn loans of 25,000.0 thousand euros (31 December 2019: 0 euros; 31 December 2018: 261,500.0 thousand euros).

Borrowings by periods for which interest rates have been set

In thousand EUR	31 DECEMBER		
	2020	2019	2018
< 1 year	191,737.5	235,831.8	680,906.6
1–5 years	3,130.0	-	-
> 5 years	4,468.7	-	-
Total (notes 3.1 and 3.2)	199,336.2	235,831.8	680,906.6

The periods are until the earlier of next interest rate repricing date and maturity date.

Weighted average effective interest rates of borrowings

	31 DECEMBER		
	2020	2019	2018
Overdraft	2.2%	2.5%	2.4%
Bank loans	1.7%	1.7%	1.9%
Lease liabilities	4.7%	4.8%	2.4%

Net debt*

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Cash and cash equivalents (note 17)	10,773.7	11,126.5	28,001.6
Short-term borrowings	(37,777.9)	(47,541.8)	(577,430.2)
Long-term borrowings	(161,558.3)	(188,290.1)	(103,476.6)
Net debt	(188,562.5)	(224,705.4)	(652,905.2)
Cash and cash equivalents (note 17)	10,773.7	11,126.5	28,001.6
Overdraft (notes 18 and 34)	-	(10,115.6)	(520,536.3)
Borrowings with floating interest rates	(196,336.3)	(225,716.3)	(160,370.5)
Net debt	(188,562.5)	(224,705.4)	(652,905.2)

*Net debt – total borrowings less cash and cash equivalents, see also note 3.2

NOTE 21. TRADE AND OTHER PAYABLES

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Financial liabilities within trade and other payables			
Trade payables	4,903.6	4,768.5	6,151.8
Accrued expenses	444.9	735.2	410.7
Payables to the parent (note 34)	535.3	786.1	3,245.6
Interest payable	170.3	190.1	470.9
Other payables	985.1	1,673.4	55.5
Total financial liabilities within trade and other payables (notes 3.1 and 15)	7,039.0	8,153.3	10,334.5
Payables to employees (note 3.1)	987.7	942.1	880.2
Tax liabilities (note 3.1)	1,830.4	3,438.0	3,387.6
Total trade and other payables	9,857.1	12,533.4	14,602.2

NOTE 22. GOVERNMENT GRANTS

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Government grants at the beginning of the period	8,575.0	5,261.1	5,526.4
Recognised as other income (notes 25, 32)	(540.9)	(517.2)	(301.3)
Other	(14.0)	3,831.1	36.0
Government grants at the end of the period	8,020.1	8,575.0	5,261.1

Government grants include grants (foreign aid) received in 2017 for the Narva wind farm, the Paide power plant, and the construction of a biomass cogeneration plant in Latvia. Government grants for 2018 also include connection fees of 36 thousand euros.

There are certain obligations that the group has to fulfil to make sure that the grants are not recalled: safekeeping of project related documents, issuance of project related reporting upon demand, as well as for some project's certain technical aspects.

NOTE 23. PROVISIONS

Changes in provisions in 2020

In thousand EUR	Opening balance 1 January 2020	Recognition and reversal	Interest charge (note 30)	Use	Closing balance 31 December 2020	
					Short-term provisions	Long-term provisions
Employee-related provisions	16.3	1.9	0.2	(3.8)	1.9	12.7
Other provisions	64.1	51.5	-	(4.0)	111.7	-
Total provisions	80.4	53.4	0.2	(7.8)	113.6	12.7

Changes in provisions in 2019

In thousand EUR	Opening balance 1 January 2019	Recognition and reversal	Interest charge (note 30)	Use	Closing balance 31 December 2019	
					Short-term provisions	Long-term provisions
Employee-related provisions	15.6	2.5	0.2	(1.9)	1.9	14.4
Other provisions	-	79.8	-	(15.7)	64.1	-
Total provisions	15.6	82.3	0.2	(17.6)	66.0	14.4

Changes in provisions in 2018

In thousand EUR	Opening balance 1 January 2018	Recognition and reversal of provisions	Interest charge (note 30)	Use	Closing balance 31 December 2018	
					Short-term provisions	Long-term provisions
Employee-related provisions	17.9	(2.3)	0.2	-	1.9	13.7
Total provisions	17.9	(2.3)	0.2	-	1.9	13.7

Provisions have been discounted at the rate of 0,24%-2,92% (2019: 0.09%–3.46%); (2018: 0.15%–4.05%). Provisions are discounted using a discount curve, which allows estimating provisions in different time horizons more accurately.

NOTE 24. REVENUE

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Revenue by activity			
Sale of goods			
Pellets (in time)	16,315.0	19,545.0	3,032.0
Scrap metal (in time)	675.2	714.3	477.9
Other goods (in time)	2,026.4	38.3	120.6
Total sale of goods	19,016.6	20,297.6	3,630.5
Sale of services			
Electricity (over time)	69,323.8	73,999.9	27,043.7
Waste treatment and resale (in time)	14,755.6	12,472.7	9,856.4
Heat (over time)	8,523.1	11,423.1	18,653.9
Rental and maintenance of assets (note 8) (over time)	703.3	683.6	683.4
Other services (over time)	1,671.9	956.2	139.6
Total sale of services	94,977.7	99,535.5	56,377.1
Total revenue (note 5)	113,994.3	119,833.1	60,007.7

In 2020, sale of other goods includes sale of solar panels to parent entity in the amount of 1,975.4 thousand euros (see also note 34).

NOTE 25. RENEWABLE ENERGY SUPPORT AND OTHER OPERATING INCOME

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Renewable energy support (note 34)	33,279.0	30,620.1	17,158.7
Government grants (note 22, 32)	540.9	517.2	301.3
Gain on greenhouse gas emission allowance sold (notes 5 and 34)	13,667.5	-	-
Other income	1,201.9	547.5	508.3
Total renewable energy support and other operating income (note 5)	48,689.3	31,684.8	17,968.3

In June 2020 Enefit Green AS sold CO2 quotas in the amount of 550 000 tonnes that had been allocated to Iru power plant for the period 2013-2020 and were expected to remain unused due to smaller share of fossil fuels in the heat production. Due to this, the group's other income has increased by 13,667.5 thousand euros. See also note 5 and 34.

NOTE 26. RAW MATERIALS, CONSUMABLES AND SERVICES USED

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Technological fuel	14,667.1	18,664.2	11,676.9
Maintenance and repairs	15,704.6	15,976.6	6,659.4
Electricity	3,363.0	5,472.4	2,751.7
Services related to ash treatment	3,660.9	2,700.0	2,923.4
Materials and spare parts for production	2,884.2	1,041.4	1,609.3
Transmission services	999.0	712.6	381.2
Environmental pollution charges	241.6	225.7	381.8
Resource charges for natural resources	6.6	7.5	4.1
Other raw materials, consumables and services used	2,292.9	1,754.5	557.2
Total raw materials, consumables and services used	43,819.9	46,554.7	26,945.1

Other raw materials, consumables and services used for 2020 includes costs of 1,653.8 thousand euros incurred in transporting pellets and related raw material to the harbour (2019: 1,441.0 thousand euros; 2018: 262.7 thousand euros).

NOTE 27. PAYROLL EXPENSES

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Wages, salaries, additional remuneration, bonuses and vacation pay	4,669.2	4,487.6	3,385.3
Other payments and benefits to employees	102.3	134.4	89.8
Payroll taxes	1,299.2	1,252.1	1,060.1
Total calculated payroll expenses	6,070.8	5,874.1	4,535.2
Of which remuneration of management and supervisory boards (note 34)	410.2	396.3	410.0
Of which salaries	335.4	309.2	341.6
Of which bonuses	50.6	58.1	54.5
Of which additional remuneration	24.2	29.0	13.9
Average number of employees	153	148	94

NOTE 28. OTHER OPERATING EXPENSES

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Business consulting services	946.7	1,759.2	2,582.0
Excise duties	324.5	727.0	1,394.5
Lease and maintenance of real estate	1,960.6	1,976.1	1,110.5
Information technology services	890.2	837.0	338.9
Employee-related expenses	185.7	293.5	125.1
Grants and donations	419.8	246.1	183.6
Electricity excise duty	-	-	13.1
Office expenses	206.5	228.8	305.3
Security and general insurance services	1,302.2	1,631.9	169.4
Financial and accounting services	299.4	243.9	163.6
Legal services	74.9	73.2	75.5
Other expenses	686.0	547.4	86.6
Total other operating expenses	7,296.6	8,564.1	6,547.8

The row "Lease and maintenance of real estate" include rental expenses in the amount of 1,375.8 thousand euros (2019: 1,472.6 thousand euros). These expense comprise of variable lease payments that are not included in the measurement of the lease liabilities in the amount of 1,375.8 thousand euros (2019: 1,472.6 thousand euros), low value leases in the amount of 0 euros (2019: 0 euros) and short-term leases in the amount of 0 euros (2019: 0 euros).

NOTE 29. LOSS ON DISPOSAL OF A SUBSIDIARY

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Loss on disposal of a subsidiary	-	1,391.6	-
Total other expenses	-	1,391.6	-

On 18 October 2019, Enefit Green AS concluded a transaction by which it sold 69.88% of the shares in 4E Biofond OÜ. Enefit Green AS acquired a 69.88% interest in 4E Biofond OÜ in November 2018 when it acquired the renewable energy company Nelja Energia AS. 4E Biofond OÜ is the non-controlling shareholder of Vinni Biogaas OÜ and Oisu Biogaas OÜ, which operate and own the Vinni and Oisu biogas-fired heat and power cogeneration plants, respectively. The controlling shareholders of both entities are local agricultural companies.

Net assets of subsidiary disposed of

In thousand EUR	
	18 October 2019
ASSETS	
Property, plant and equipment	3,059.8
Cash and cash equivalents	452.7
Total net assets of the subsidiary disposed of	3,512.5
Non-controlling interests in net assets	(1,058.8)
Sales price	1,062.1
Loss on disposal (note 32)	(1,391.6)
Cash inflow from disposal of interest	
Proceeds from disposal	1,062.1
Subsidiary's cash at bank	(452.7)
Net cash inflow from disposal of interest	609.3

NOTE 30. NET FINANCE COSTS

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Finance income			
Interest income	1.8	37.4	7.4
Foreign exchange gain	201.1	0.3	0.2
Total finance income (note 32)	202.9	37.7	7.6
Finance costs			
Interest expense on borrowings			
Interest expense on borrowings	(3,634.9)	(7,133.4)	(9,428.6)
Capitalised borrowing costs	132.8	175.5	-
Total interest expense on borrowings	(3,502.1)	(6,957.7)	(9,428.6)
Interest expense on provisions (note 23)	(0.2)	(0.2)	(0.2)
Total interest expense	(3,502.3)	(6,957.9)	(9,428.8)
Other finance costs	(41.7)	(3,283.6)	(568.6)
<i>Incl. charges for early repayment of a loan (note 20)</i>	-	(2,823.3)	-
Foreign exchange loss	(35.7)		
Total finance costs	(3,579.7)	(10,241.5)	(9,997.3)
Net finance costs	(3,376.8)	(10,203.8)	(9,989.7)

NOTE 31. INCOME TAX EXPENSE

Under the Estonian Income Tax Act, corporate profit is taxed when it is distributed. From 2019, regular dividend distributions are subject to a lower, 14% income tax rate (calculated as 14/86 of the net distribution). Thus, in calculating the income tax payable on dividends, a resident company can apply a lower tax rate of 14% and the standard tax rate of 20% (calculated as 20/80 of the net distribution). The more favourable tax rate may be applied to a dividend distribution that amounts to up to three preceding financial years' average distribution of retained earnings on which the company has paid income tax. In calculating the average dividend distribution of the three preceding financial years, 2018 is the first year that is taken into account. Dividends distributed from dividends received from another entity are not subject to taxation, provided that the recipient of the dividends had at least a 10% interest in the entity at the time the dividend was distributed.

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Income tax expense/(benefit)	(468.8)	4,064.7	57.7
Change in deferred income tax assets (liabilities)	1,205.5	(1,271.3)	875.5
Total corporate income tax expense (income)	736.7	2,793.4	933.2

Average effective tax rate

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Estonia			
Net amount of dividends	18,400.0	15,000.0	-
Of which dividends taxed at 14% (14/86 of net distribution)	-	733.3	-
Of which dividends taxed at 20% (20/80 of net distribution)	-	10,202.2	-
Tax exempt dividends	18,400.0	4,064.6	-
Theoretical tax expense	-	2,669.9	-
Effect of dividends received from associates	-	(30.1)	-
Actual income tax on dividends	-	2,639.8	-
Average effective tax rate		14.9%	
Income tax expense of subsidiaries	(468.8)	1,425.0	57.7
Income tax expense	(468.8)	4,064.8	57.7
Deferred income tax expense (income)	1,205.5	(1,271.3)	875.5
Of which deferred income tax income	(711.9)	(1,271.3)	-
Of which deferred income tax expense	1,917.4	-	875.5
Total income tax expense (income)	736.7	2,793.4	933.2

The dividends paid to the sole shareholder in 2020 were taken from a Lithuanian subsidiary of the group and are therefore previously taxed.

At 31 December 2020, the group had a deferred tax liability of 12,555.4 thousand euros (31 December 2019: 12,190.9 thousand euros; 31 December 2018: 12,894.8 thousand euros) relating to the difference between the fair values and the carrying amounts of the Lithuanian wind farms identified in the purchase price allocation conducted on the acquisition of Nelja Energia AS.

NOTE 32. CASH GENERATED FROM OPERATIONS

in thousand EUR	1 JANUARY - 31 DECEMBER		
	2020	2019	2018
Profit before income tax	68,607.1	39,578.3	10,571.2
Adjustments			
Depreciation and impairment of property, plant and equipment (note 7)	38,077.4	40,656.6	19,590.7
Amortisation and impairment of intangible assets (note 9)	114.4	145.3	65.0
Amortisation of government grants related to assets (note 22)	(540.9)	(517.2)	(301.3)
Interest and other finance expense (note 30)	3,579.7	10,241.3	9,428.6
Share of (profit) loss of equity-accounted associates	(5.2)	(257.6)	55.5
Gain on disposal of property, plant and equipment	(0.8)	(101.4)	(2.3)
Interest and other finance income (note 30)	(1.8)	(44.1)	(7.4)
Amortisation of connection fees and other service charges	(13.9)	(13.9)	-
Loss on sale of a business (note 29)	-	1,394.0	-
Unsettled loss on derivative financial instruments	-	-	700.0
Adjusted profit before tax	109,816.0	91,081.3	40,100.0
Net change in current assets related to operating activities			
Change in receivables related to operating activities (note 13)	5,541.0	237.0	906.0
Change in inventories (note 12)	(4,362.0)	(1,099.5)	232.7
Change in trade receivables (note 13)	(4,014.5)	(963.3)	2,667.4
Total net change in current assets related to operating activities	(2,835.5)	(1,825.9)	3,806.1
Net change in current liabilities related to operating activities			
Change in provisions (note 23)	45.8	0.9	(2.3)
Change in trade payables (note 21)	503.5	(1,286.8)	130.9
Net change in liabilities related to other operating activities	(2,319.6)	(1,447.7)	2,457.2
Total net change in liabilities related to operating activities	(1,770.3)	(2,733.6)	2,585.8
Cash generated from operations	105,210.2	87,621.3	46,491.9

NOTE 33. CONTINGENCIES AND COMMITMENTS

Contingent liabilities arising from potential tax audits

Estonia

The tax administrator has neither started nor conducted any tax audits or single case audits at any group entity. The tax administrator may audit a company's tax accounting within 5 years after the submission of a tax return. If misstatements are detected, the tax administrator may charge additional tax, late payment interest and penalties. In management's opinion, there are no circumstances that would cause the tax administrator to assess a significant amount of additional tax to be paid by the group.

Foreign jurisdictions

The tax administrator has neither started nor conducted any tax audits or single case audits at any foreign group entity. In Latvia, Lithuania and Poland the tax administrator may audit a company's tax accounting within up to 5 years after the submission of a tax return. In management's opinion, there are no circumstances that would cause the tax administrator to assess a significant amount of additional tax to be paid by the group.

Contingent liabilities related to pending legal disputes

As at 31 December 2020 the group was involved in a legal dispute with a third party, the potential negative outcome of which could have extend to 1,980.8 thousand euros. The group believed that the probability of a negative outcome was less than 50%. According to the decision of The Supreme Court reached on 8 February 2021 the appeal was overturned and all related claims of the third party were dismissed.

Loan covenants

The group's loan agreements contain some covenants, which set certain limits to the group's consolidated financial indicators. The group did not breach any of the covenants in 2020 nor in 2019 (note 20).

Variable lease payments

Where the right to use land (the right of superficies) are based on variable lease payments which do not depend on an index or a rate (e.g. the payments are based on a percentage of the sale of the assets located on the land or the value of the cadastral unit), the lease is not accounted for by recognising a right-of-use asset and a lease liability in accordance with the requirements of IFRS 16 but it is accounted for by recognising the payments as operating expenses. The group estimates that as at 31 December 2020 discounted future period payments over the lifetime of these lease contracts amount to 7,872.6 thousand euros (31 December 2019: 9,103.4 thousand euros). Changes in underlying cadastral values, electricity prices or production volume will impact the actual payments the lease contracts.

NOTE 34. RELATED PARTY TRANSACTIONS

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

For the purposes of these consolidated financial statements, related parties include the owners, other companies belonging to the same group (group companies), associates and joint ventures, members of the executive and higher management as well as close family members of the above persons and companies under their control or significant influence. Related parties also include entities under the control or significant influence of the state.

The group has applied the exemption from the disclosure of insignificant transactions and balances with the government and other related parties because the state has control or common control of, or significant influence over, those parties.

Transactions and balances with the parent

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Purchase of services	4,124.9	4,884.4	10,492.8
Sale of goods*	15,642.9	-	8.7
Sale of services	3,503.9	2,541.0	6,977.1

*Sale of goods includes gain on sold greenhouse gas emission allowances in the amount of 13,667.5 thousand euros (note 25)

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Receivables (note 13)	36,198.8	187.4	182.2
<i>Incl. cash pooling receivable against the parent (note 18)</i>	33,312.3	-	-
Liabilities (notes 20 and 21)	535.3	10,901.7	523,781.9
<i>Incl. overdraft liability to the parent (notes 18 and 20)</i>	-	10,115.6	520,536.3

Transactions and balances with other group companies

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Purchase of services	1,111.8	1,429.7	116.0
Purchase of goods	7.3	-	-
Sale of goods	39.6	-	-
Sale of services	1,336.3	450.4	510.9

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Receivables (note 13)	83.8	-	469.5
Liabilities (note 21)	57.8	-	168.3

Transactions and balances with other related parties (including associates):

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Purchase of services	2,088.0	995.4	126.5
Sale of services	16.6	51.8	-

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Receivables (note 13)	2.2	-	-
Liabilities (note 21)	459.9	-	0.4

Purchase and sales transactions with related parties have been conducted at prices approved by the Competition Authority or at market prices.

The current accounts of Enefit Green AS and Enefit Green AS subsidiary Enefit Wind OÜ at Swedbank AS and SEB AS are part of the cash pooling facility of Eesti Energia AS group. In 2020 and the comparative periods, Enefit Green AS did not earn interest income from the cash pool. In the reporting period 2019, Enefit Green AS incurred interest expense of 2,832.5 thousand euros for using the cash pool (2018: 6,122.3 thousand euros). The interest rate was 2.46% in 2019 (2018: 2.42%).

The remuneration of the members of the management and supervisory boards is disclosed in note 27. Members of the management board are not entitled to compensation in the event of early termination of their service contracts.

Transactions with entities under common control of the state

The group also discloses transactions with companies under the control or significant influence of the state. In the reporting period and the comparative periods, the group conducted significant purchase and sales transactions with the Estonian transmission system operator Elering AS, which is wholly owned by the state.

Transactions with Elering AS

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Purchases of services	453.7	656.3	968.5
Sales of services (note 25)	32,336.9	30,510.0	17,158.8

Receivables from and liabilities to Elering AS

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Receivables	503.6	4,823.8	2,769.2
Liabilities	268.7	57.2	156.5

Transaction with Elering results from regular business activities (e.g. the purchase and sale of electricity and associated network grid services) that take place on market conditions and are not secured.

NOTE 35. ACQUISITION OF A SUBSIDIARY

On 18 June 2019, Enefit Green AS signed an agreement for the acquisition of 20 solar farm projects in Poland with a total capacity of 19.15 MW. Out of the 20 projects, nine were complete and the rest were in the final stage of construction.

Goodwill acquired in the business combination, which represented the benefits that could not be individually identified and separately recognised, amounted to 2,816.0 thousand euros and was related to solar farms and their development projects where the group expects to achieve synergies by applying its management expertise (notes 9 and 11).

The following table summarises the information about the cost of the interest acquired and the fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition.

Recognised amounts of identifiable assets acquired and liabilities assumed (2019)

In thousand EUR	
	Fair value
ASSETS	
Property, plant and equipment	12,338.1
Inventories	15.5
Trade and other receivables	419.1
Cash and cash equivalents	579.5
Total assets	13,352.2
LIABILITIES	
Borrowings	-
Derivative financial instruments	84.6
Warranty provision	64.0
Tax liabilities	61.5
Total liabilities	210.1
Total identifiable net assets acquired	13,142.1
Cost of interest acquired	15,958.0
Goodwill	2,816.0
Purchase consideration less cash acquired	(13,799.5)
Financial liability (was due to be settled in 2020) (note 21)	(1,579.1)

On 6 November 2018, after the approval of the transaction by the competition authorities of Latvia, Lithuania and Estonia, Enefit Green AS acquired 100% of the shares in Nelja Energia AS.

Recognised amounts of identifiable assets acquired and liabilities assumed (2018)

In thousand EUR	
	Fair value
ASSETS	
Property, plant and equipment	443,236.9
Intangible assets	300.0
Deferred tax assets	1,690.4
Other long-term investments	3,476.1
Other long-term receivables	307.0
Inventories	5,637.8
Trade and other receivables	13,879.0
Cash and cash equivalents	31,411.6
Total assets	499,938.8
LIABILITIES	
Borrowings	211,092.6
Derivative financial instruments	3,620.6
Trade and other payables	8,139.3
Deferred tax liabilities	12,976.7
Total liabilities	235,829.2
Non-controlling interests	2,712.0
Total identifiable net assets acquired	261,397.6
Cost of interest acquired	281,329.0
Goodwill	19,931.4
Purchase consideration less cash acquired	249,917.4

Goodwill on the transaction that represented the benefits that could not be individually identified and separately recognised amounted to 19,931.4 thousand euros and was attributable to wind farms and their development projects.

NOTE 36. SUPPLEMENTARY INFORMATION ABOUT THE PARENT

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the separate primary financial statements of the consolidating entity (the parent). The primary financial statements of the parent, have been prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements. In the parent's primary financial statements disclosed in the notes to the consolidated financial statements, investments in subsidiaries are accounted for as required by IAS 27 *Separate Financial Statements*.

In the parent's primary financial statements disclosed in this note to the consolidated financial statements (Supplementary information about the parent), investments in subsidiaries are measured at cost less any impairment losses.

Income statements

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Revenue	35,188.1	31,421.5	45,988.5
Renewable energy support and other operating income	19,245.0	5,256.3	15,267.6
Raw materials, consumables and services used	(11,348.8)	(11,108.9)	(20,173.0)
Payroll expenses	(4,078.7)	(3,967.3)	(3,100.9)
Depreciation, amortisation and impairment	(6,356.8)	(6,277.4)	(15,059.5)
Other operating expenses	(3,088.0)	(3,810.1)	(5,521.1)
Loss on disposal of a subsidiary	-	(1,382.7)	(118.8)
OPERATING PROFIT	29,560.8	10,131.4	17,282.8
Finance income	25,120.5	9,144.7	88.2
Finance costs	(3,835.0)	(6,937.1)	(6,092.0)
Net finance income/(costs)	21,285.5	2,207.6	(6,003.8)
Profit from associates under the equity method	5.2	95.9	-
PROFIT BEFORE TAX	50,851.5	12,434.9	11,279.0
Corporate income tax expense	-	(2,669.9)	-
PROFIT FOR THE YEAR	50,851.5	9,765.0	11,279.0

Statements of financial position

In thousand EUR	31 DECEMBER		
	2020	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	95,040.8	96,276.2	196,985.5
Intangible assets	36,505.8	36,584.0	37,009.0
Investments in subsidiaries	383,068.8	378,885.2	284,077.8
Investments in associates	532.1	594.9	-
Loan receivables from subsidiaries	36,990.5	149,819.9	46,153.3
Total non-current assets	552,138.0	662,160.2	564,225.6
Current assets			
Inventories	877.0	290.2	347.3
Trade and other receivables and prepayments	120,173.0	18,023.1	5,657.6
Cash and cash equivalents	2.6	3.8	260.5
Total current assets	121,052.6	18,317.1	6,265.4
Total assets	673,190.6	680,477.3	570,491.0
EQUITY			
Share capital	4,793.5	4,793.5	4,793.5
Statutory capital reserve	479.3	479.3	479.3
Other reserves	400,000.0	400,000.0	-
Retained earnings	61,231.2	28,779.7	34,809.8
Total equity	466,504.0	434,052.5	40,082.6
LIABILITIES			
Non-current liabilities			
Borrowings	156,513.3	185,638.9	-
Government grants	2,204.8	2,424.3	2,640.5
Provisions	12.7	14.4	13.7
Total non-current liabilities	158,730.8	188,077.6	2,654.2
Current liabilities			
Borrowings	37,533.1	47,184.0	524,627.8
Provisions	21.8	1.9	1.9
Trade and other payables	10,400.9	11,161.3	3,124.5
Total current liabilities	47,955.9	58,347.2	527,754.2
Total liabilities	206,686.7	246,424.8	530,408.4
Total liabilities and equity	673,190.6	680,477.3	570,491.0

Statements of cash flows

In thousand EUR	2020	2019	2018
Cash flows from operating activities			
Profit before tax	50,851.5	12,434.9	11,279.0
Adjustments for			
Depreciation, amortisation and impairment losses	6,356.8	6,277.9	15,059.5
Amortisation of government grant related to assets	(159.8)	(159.8)	(166.3)
Loss (profit) on an investment in a subsidiary	(1.5)	-	(88.2)
Impact of the application of the equity method	(5.2)	(95.9)	-
Gains and losses on foreign currency loans	(209.4)	-	-
Interest expense on borrowings	3,835.0	6,933.6	6,082.2
Interest and other finance income	(25,120.5)	(9,144.7)	-
Amortisation of connection fees and other service charges	(13.9)	(13.9)	-
Loss (gain) on an investment	-	1,370.1	(2.1)
Adjusted profit before tax	35,533.0	17,602.3	32,164.1
Net change in current assets related to operating activities			
Change in receivables related to operating activities	1,333.8	487.1	926.4
Change in inventories	(586.8)	2,229.4	(164.9)
Net change in other current assets related to operating activities	(6,204.5)	4,975.5	1,069.8
Total net change in current assets related to operating activities	(5,457.5)	7,692.0	1,831.4
Net change in liabilities related to operating activities			
Change in provisions	18.2	-	-
Change in trade payables	970.0	(1,407.7)	(977.2)
Net change in other liabilities related to operating activities	(1,687.0)	988.0	1,029.0
Total net change in liabilities related to operating activities	(698.8)	(419.7)	2,006.2
Interest and borrowing costs paid	(3,675.1)	(7,641.0)	(5,247.8)
Interest received	1,899.2	4,903.1	-
Income tax paid	-	(2,669.9)	-
Net cash generated from operating activities	27,600.8	19,466.7	30,753.9
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	34.0	0.5	2.1
Proceeds from connection fees	-	-	36.0
Paid on purchase of property, plant and equipment and intangible assets	(5,172.0)	(1,450.1)	(8,581.3)
Paid on acquisition of a business	-	(14,374.6)	(281,329.0)
Contribution to capital reserve	-	(2.5)	-
Loans given (incl. cash pooling)	(10,671.1)	-	-
Dividends received from financial investments	67.9	96.6	-
Dividends received from subsidiary	18,400.0	-	-
Proceeds from sale of a business	-	1,062.1	-
Proceeds from liquidation of a business	1,507.0	-	-
Net cash used in investing activities	4,165.8	(14,668.0)	(289,872.2)
Cash flows from financing activities			
Net change in an intragroup liability	25,225.6	(103,089.6)	(46,006.3)
Change in overdraft balance	(10,042.2)	(509,774.1)	305,385.3
Bank loans received	8,976.7	260,000.0	-
Repayments of bank loans	(37,527.8)	(37,141.8)	-
Contribution to voluntary reserve	-	400,000.0	-
Dividends paid	(18,400.0)	(15,000.0)	-
Paid on acquisition of non-controlling interest in a subsidiary	-	(50.0)	-
Net cash used in financing activities	(31,767.7)	(5,055.4)	259,379.0
Net cash flow	(1.2)	(256.7)	260.5
Cash and cash equivalents at the beginning of the period	3.8	260.5	-
Cash and cash equivalents at the end of the period	2.6	3.8	260.5
Change in cash and cash equivalents	(1.2)	(256.7)	260.5

Statements of changes in equity

In thousand EUR	Share capital	Statutory reserve capital	Other reserves	Retained earnings	Total
Equity at 1 January 2018	4,793.5	479.3	-	23,530.8	28,803.6
Profit for the year	-	-	-	11,279.0	11,279.0
Equity at 31 December 2018	4,793.5	479.3	-	34,809.8	40,082.6
Profit for the year	-	-	-	9,765.0	9,765.0
Contribution to voluntary reserve	-	-	400,000.0	-	400,000.0
Dividend distribution	-	-	-	(15,000.0)	(15,000.0)
Other adjustments	-	-	-	(795.1)	(795.1)
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	400,000.0	(15,795.1)	384,204.9
Equity at 31 December 2019	4,793.5	479.3	400,000.0	28,779.7	434,052.5
Profit for the year	-	-	-	50,851.5	50,851.5
Dividend distribution	-	-	-	(18,400.0)	(18,400.0)
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	-	(18,400.0)	(18,400.0)
Equity at 31 December 2020	4,793.5	479.3	400,000.0	61,231.2	466,504.0

Under the Accounting Act of Estonia, adjusted unconsolidated retained earnings are the amount from which a public limited company can make payments to its shareholders. See reconciliation of parent entity equity to the adjusted unconsolidated equity from the table below.

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Equity capital of the parent entity	466,504.0	434,052.5	40,082.6
Carrying amount of holdings under controlling and significant influence	(383,600.9)	(379,480.7)	(284,077.8)
Carrying amount of holdings under controlling and significant influence using equity method	426,642.8	406,414.1	283,266.4
Adjusted unconsolidated equity	509,545.9	460,985.9	39,271.2

NOTE 37. EVENTS AFTER THE REPORTING PERIOD

According to our current projections, in 2021 economic growth will gradually revive and impacts of COVID-19 to electricity prices of energy will also recover. During post balance sheet date COVID-19 has impacted waste supply and the concern has rearranged some of its waste contracts. There are no other significant subsequent COVID-19 impacts.

Independent Auditor's Report

To the Shareholder of Enefit Green AS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Enefit Green AS ("the Company") and its subsidiaries (together "the Group") as at 31 December 2018, 31 December 2019 and 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statements for the years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- the consolidated statements of comprehensive income for the years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- the consolidated statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statement of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Management Board is responsible for the other information. The other information comprises the Management report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AS PricewaterhouseCoopers



Tiit Raimla
Auditor's certificate no. 287

9 June 2021
Tallinn, Estonia

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

in thousand EUR	Note	First half 2021	First half 2020
Revenue	10	63,522.4	56,558.8
Renewable energy support and other income	11	14,885.8	34,541.0
Change in inventories of finished goods and work-in-progress		(5,942.2)	2,551.2
Raw materials, consumables and services used	12	(19,086.9)	(19,972.2)
Payroll expenses		(3,306.5)	(3,013.4)
Depreciation, amortisation and impairment		(19,125.6)	(18,337.1)
Other operating expenses		(3,687.5)	(3,819.6)
OPERATING PROFIT		27,259.5	48,508.7
Finance income		144.5	38.5
Finance costs		(1,575.6)	(1,855.8)
Net finance costs		(1,431.1)	(1,817.3)
Loss from associates under the equity method		(36.1)	(51.1)
PROFIT BEFORE TAX		25,792.4	46,640.3
Corporate Income Tax Expense		(760.0)	834.2
PROFIT FOR THE PERIOD		25,032.3	47,474.5
Basic earnings per share (euros)		5.22	9.90
Diluted earnings per share (euros)		5.22	9.90

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

in thousand EUR	Note	First half 2021	First half 2020
PROFIT FOR THE PERIOD		25,032.3	47,474.5
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Revaluation of hedging instruments in a cash flow hedge net of reclassification to profit or loss of EUR nil thousand (six month ended 30 June 2020, net of EUR nil thousand)	8	(2,980.6)	-
Exchange differences on the translation of foreign operations	8	93.6	(613.9)
Other comprehensive loss for the period		(2,887.0)	(613.9)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		22,145.3	46,860.6

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

in thousand EUR	Note	30.06.2021	31.12.2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	615,405.8	594,980.0
Intangible assets		68,306.0	67,838.8
Right-of-use assets		2,139.6	2,222.3
Prepayments	3	4,108.3	-
Deferred tax assets		382.0	344.3
Investments in associates		496.1	532.1
Long-term receivables		78.0	102.9
Total non-current assets		690,915.8	666,020.4
Current assets			
Inventories		6,382.4	11,085.2
Trade and other receivables and prepayments		19,197.8	51,565.5
Cash and cash equivalents		11,139.9	10,773.7
Total current assets		36,720.1	73,424.4
Total assets		727,635.9	739,444.8
EQUITY			
Share capital		4,793.5	4,793.5
Statutory reserve capital		479.3	479.3
Other reserves	8	385,498.2	399,165.3
Retained earnings		103,043.7	105,111.4
Total equity		493,814.7	509,549.5
LIABILITIES			
Non-current liabilities			
Borrowings	9	142,713.4	161,558.3
Government grants		7,742.7	8,020.1
Derivative financial instruments	7	13,760.7	-
Deferred tax liabilities		12,480.4	12,555.4
Provisions		11.8	12.7
Total non-current liabilities		176,709.0	182,146.5
Current liabilities			
Borrowings	9	47,672.4	37,777.9
Trade and other payables		9,333.1	9,857.3
Provisions		106.7	113.6
Total current liabilities		57,112.2	47,748.8
Total liabilities		233,821.2	229,895.3
Total equity and liabilities		727,635.9	739,444.8

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

in thousand EUR	Note	6m 2021	6m 2020
Cash flows from operating activities			
Cash generated from operations	13	43,897.4	67,555.4
Interest and loan fees paid		(1,577.4)	(1,861.1)
Interest received		23.3	1.6
Corporate income tax paid		(394.1)	(205.3)
Net cash generated from operating activities		41,949.2	65,490.6
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	6	(38,746.6)	(1,253.8)
Proceeds from sale of property, plant and equipment		22.5	34.0
Net change in deposits with maturities exceeding 3 months		-	5.2
Dividends received from financial investments		-	67.9
Net cash used in investing activities		(38,724.1)	(1,146.7)
Cash flows from financing activities			
Change in overdraft (net)		33,312.3	(38,241.1)
Received bank loans	9	10,000.0	8,976.7
Repayments of bank loans	9	(18,961.8)	(18,570.9)
Repayments of leases	9	(109.4)	(118.3)
Dividends paid	3	(27,100.0)	(18,400.0)
Net cash used in financing activities		(2,858.9)	(66,353.6)
Net cash flows		366.2	(2,009.7)
Cash and cash equivalents at the beginning of the period		10,773.7	11,126.5
Cash and cash equivalents at the end of the period		11,139.9	9,116.7
Net increase in cash and cash equivalents		366.2	(2,009.8)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

In thousand EUR	Share capital	Statutory capital reserve	Other reserves	Retained earnings	Total equity
Equity as at 1 January 2020	4,793.5	479.3	400,056.2	55,656.9	460,985.9
Profit for the period	-	-	-	47,474.5	47,474.5
Other comprehensive loss for the period	-	-	(613.9)	-	(613.9)
Total comprehensive income/(loss) for the period	-	-	(613.9)	47,474.5	46,860.6
Dividends paid	-	-	-	(18,400.0)	(18,400.0)
Total transactions with owners of the company, recognised directly in equity	-	-	-	(18,400.0)	(18,400.0)
Equity as at 30 June 2020	4,793.5	479.3	399,442.3	84,731.4	489,446.5
Equity as at 1 January 2021	4,793.5	479.3	399,165.3	105,111.4	509,549.5
Profit for the period	-	-	-	25,032.3	25,032.3
Other comprehensive loss for the period	-	-	(2,887.0)	-	(2,887.0)
Total comprehensive income/(loss) for the period	-	-	(2,887.0)	25,032.3	22,145.3
Dividends paid (Note 3)	-	-	-	(27,100.0)	(27,100.0)
Fair value on initial recognition of derivative financial instrument transactions conducted with the parent entity (Notes 3, 7, 8 and 14)	-	-	(10,780.1)	-	(10,780.1)
Total transactions with owners of the company, recognised directly in equity	-	-	(10,780.1)	(27,100.0)	(37,880.1)
Equity as at 30 June 2021	4,793.5	479.3	385,498.2	103,043.7	493,814.7

Notes to the condensed consolidated interim financial statements

1. General information

The condensed consolidated interim financial statements of Enefit Green group as at and for the six months ended 30 June 2021 include the financial information of Enefit Green AS (the parent, legal form: limited liability company defined as *aktsiaselts* (AS) under Estonian laws) and its subsidiaries (together referred to as the group), and the group's interests in associates.

Enefit Green AS operates all renewable energy production units of Eesti Energia AS and is one of the largest renewable energy producers in the Baltics. Enefit Green group produces electricity from wind, water, sunlight, municipal waste, biomass and natural gas.

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

The sole shareholder of Enefit Green AS is Eesti Energia AS, a company belonging to the Republic of Estonia.

2. Summary of significant accounting policies

These condensed consolidated interim financial statements (interim financial statements) have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and as they do not include all the notes of the type normally included in an annual financial report they should be read in conjunction with the group's annual financial statements as at and for the year ended 31 December 2020, which have been prepared in accordance with IFRS as adopted by the European Union.

These interim financial statements have been prepared and presented using the same accounting policies as those applied in the preparation of the group's annual financial statements as at and for the year ended 31 December 2020.

New International Financial Reporting Standards, amendments to issued standards and IFRIC Interpretations which became effective for the group from 1 January 2021 did not give rise to any changes in the group's accounting policies or financial reporting.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. Actual results may differ from those estimates. Significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were mainly the same as those described in the group's annual financial statements as at and for the year ended 31 December 2020.

Derivative financial instruments and hedging activities

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

The Group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, and also its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents whether there is economic relationship between the derivatives that are used in hedging transactions and the changes in the cash flows of the hedged items. At inception of the hedge, the Group documents sources of hedge ineffectiveness. Hedge ineffectiveness is quantified in each reporting period and recognised in profit or loss.

The fair values of derivative financial instruments used for hedging purposes are disclosed in Note 7. Movements on the hedge reserve in other comprehensive income are disclosed in Note 8. The full fair value of hedging

derivatives is classified as a non-current asset or liability when the remaining maturity of the hedging instrument is more than 12 months and as a current asset or liability when the remaining maturity of the hedging instrument is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as a net amount within other operating income or operating expenses. The day one fair value of derivative instruments entered into with the parent entity is accounted for directly through equity when its economic substance is a distribution to the parent of resources embodying economic benefits.

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

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

3. Significant changes in the current reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during the six months ended 30 June 2021:

- One-off transactions

In March 2021 Enefit Green AS acquired 100% shares of AS Raunistal for 6,500 thousand euros. Acquisition was analyzed in accordance with IFRS 3 requirements and acquisition was accounted for as an asset acquisition, not a business combination. The assets purchased include various construction permits, aviation permits, road connection permits, grid connection agreements, land usage contract, land ownerships and wind measurement technical documents which allow the construction of a wind park on the designated land area. After the purchase, the target company has been renamed to Enefit Wind Purtse AS. The group is planning to develop and construct a 18-20 MW wind farm in Purtse town in Ida-Virumaa district region. Enefit Wind Purtse AS is eligible for old renewable energy subsidy scheme of 53.7 €/MWh of sold renewable electricity. Purtse wind park is planned to start operating in 2023 (see also Note 6).

In addition, Enefit Wind Purtse AS acquired land plots from Eesti Energia AS subsidiary Tootsi Windpark OÜ for 29,364 thousand euros in June 2021. These land plots are planned to be used for the development of the Sopi wind park (see also Note 6, 14).

In June, the group announced an investment decision for the construction of the Silale II wind park for 43 MW in Lithuania. The park is planned to start production in 2023. The group has already made a prepayment in the amount of 4,049 thousand euros to the turbine supplier in June. Total value of the contracts concluded in relation to the construction of wind park is approximately 55,000 thousand euros. This includes approximately 40,000 thousand euros of turbines contracts and 15,000 thousand euros for infrastructure and construction of plant.

A part of the renewable electricity production assets operated by the Group, that is not subject to a subsidy scheme under a feed-in-tariff, is open to the risk of electricity price fluctuations, as the electricity is sold on the Nord Pool open market. To hedge the risk of electricity price volatility, the Group entered into base load swap derivative contracts with Eesti Energia AS in the first half of 2021. Under the given derivatives the Group is the payer of the floating price and the counterparty the payer of the fixed price. The given derivatives have been accounted for as hedging instruments.

Total fair value of derivatives designated as hedge instruments as at 30 June 2021 amounted to a negative 13,760.7 thousand euros which is accounted for as a long-term liability. At the trade date the fair value of the derivatives amounted to a negative 10,780.1 thousand euros which is accounted for directly through equity, as it reflects a transaction with Eesti Energia AS acting in the capacity of the parent company of the Group. The change in the fair value of the derivatives from the trade date until 30 June 2021, in the amount of 2,980.6 thousand euros, is accounted for through other comprehensive income. No material sources of ineffectiveness have been identified in the hedging relationships in the period ended 30 June 2021.

For additional information refer to Note 7, Note 8 and Note 14.

In June 2021, Enefit Green group paid dividends to the shareholder amounted to 27,100.0 thousand euros, i.e. 5.66 euros per share. The decision on the distribution of dividends was announced in June 2021.

- Seasonality or cyclicalities of interim operations

Group's revenue in the first half of 2021 (63,522.4 thousand euros) has increased compared to the first half of 2020 (56,558.8 thousand euros). The increase is mainly attributable to pellet sales (pellets from inventory balance as well as pellets produced during the current period) in first half of 2021, which was 6,626 thousand euros higher than in first half of 2020. Further information is provided in Note 10. The pellet market has been considerably more active mainly due to weather conditions.

The renewable energy subsidy has decreased by 6,119.2 thousand euros compared to the first half of 2020 mainly due to lower production quantities, which has mainly come from the difference in the wind. The first half of 2020 was much windier than the first half of 2021 (see Note 11).

Group's expenses for raw materials and consumables used have also decreased when compared the first half of 2021 (-19,086.9 thousand euros) to the first half of 2020 (-19,972.2 thousand euros). The decrease of expenses has resulted mainly from the decrease of biomass prices (see Note 12). Electricity costs have increased when comparing the first half of 2021 (-2,557.7 thousand euros) to the first half of 2020 (-1,567.8 thousand euros) due to the higher price of Nord Pool power exchange that is calculated on the basis of all purchase and sale bids without taking into account transmission capacity limitations.

Technological fuel expense (first half 2021 -5,464.2 thousand euros, Note 12) has decreased compared to the first half of 2020 (first half 2020 -7,980.2 thousand euros). Most of this decrease is related to the lower pellet production quantities in the first half of 2021 (first half 2021 60,257 tonnes vs first half 2020 82,074 tonnes). Other significant change in technological fuel expenses is related to Iru (-311.9 thousand euros). In 2020, during peak production additional heat was produced with gas, which could be sold with gas heat tariff. In 2021, all heat contracts are agreed on waste heat production and gas is only used as a back-up, when there are stoppages. Therefore, gas purchases in the first half of 2020 were 474 thousand euros higher than in the first half of 2021. Technological fuel prices in the first half of 2021 have been slightly lower than in the first half of 2020, which has had a minor positive impact on the expense side. Further information on raw materials and consumables used is provided in Note 12.

Balance of trade and other receivables and prepayments as at 30 June 2021 is 19,197.8 thousand euros (31 December 2020 is 51,565.5 thousand euros). The significant decrease is mostly due to the termination of the cash pool agreement between Enefit Green Group and Eesti Energia Group (as at 31 December 2020 Enefit Green Group had an intercompany receivables of 33,312.3 thousand euros against the parent entity related to the cash balances held at bank accounts included in the cash pooling facility of the parent entity). It should be also noted that the trade and other receivables of the Group are dependent on seasonality and changing prices on electricity market. Seasonality means that more heat is sold in winter periods, so sales revenue in the summer is lower and thus the balance of receivables is lower. Despite seasonality having an effect to the balance of trade receivables, revenue and operating expenses are relatively the same on the first and second half of the year. In electricity generation, seasonality exists mainly due to weather conditions in wind farms and solar power plants. As the windier months on average are evenly distributed between the first and second half of the year, the same is true for the intensity of solar radiation, no significant differences are expected in the comparison of the half-years. Electricity prices are usually higher in the colder months, but depending on the events in the electricity system, this relationship may not always be true. Based on the current market movement, there is no clearly identifiable difference between the average electricity prices in the first and second half of the year. There is also no significant seasonal effect on the Group's operating expenses.

The change in the *Inventories* balance (30.06.2021: 6,382.4 thousand euros; 31.12.2020: 11,085.2 thousand euros) is mainly related to a significantly higher pellet sales in first half of 2021.

- Other significant changes

The group had created conditions for successful remote work already before the health crisis and restrictions caused by the outbreak of COVID-19 therefore daily operations of the group entities were not impacted by the pandemic. Group's operating expenses were not materially impacted by the pandemic, as one-off costs related to the pandemic were insignificant. 2021 first half year the electricity prices have recovered to the pre-pandemic levels and there was no significant impact to the revenue.

4. Financial risk management

Through its activities, the group is exposed to various financial risks: market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. Condensed interim financial statements do not contain all the information about the group's financial risk management which is required to be disclosed in the annual financial statements. Therefore, these interim financial statements should be read in conjunction with group's annual financial statements as at and for the year ended 31 December 2020.

The group regards equity and borrowings (debt) as capital. In order to maintain or change its capital structure, the group may change the dividend distribution rate, repay capital contributions to owners, issue new shares or sell assets to reduce its financial liabilities, and raise debt capital in the form of loans. On raising loans, management assesses the group's ability to service the principal and interest payments with operating cash flow and, where necessary, starts timely negotiations to refinance existing loans before their maturity. In setting the ceiling for borrowings, management monitors the net debt to capital ratio and the net debt to EBITDA ratio.

in thousand EUR	30 June 2021	30 June 2020	31 December 2020
Total borrowings	190,385.8	216,017.3	199,336.2
Less: Cash and cash equivalents	(11,139.9)	(9,116.7)	(10,773.7)
Net debt	179,245.9	206,900.6	188,562.5
Total equity	493,813.7	489,446.5	509,549.5
EBITDA*	46,385.2	66,845.8	110,170.5
Assets	727,635.9	733,582.7	739,444.8
Equity/assets	68%	67%	69%
Total capital (net debt + equity)	673,059.6	696,347.1	698,112.0
Net debt to capital ratio	27%	30%	27%

* EBITDA - profit before net finance costs, profit (loss) from associates under the equity method, tax, depreciation, amortisation and impairment

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

5. Segment reporting

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

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

1. Wind energy (comprises all of the group's wind farms),
2. Cogeneration (comprises all of the group's cogeneration plants and the production of pellets),
3. Solar energy (comprises all of the group's solar farms),

4. Other (including hydropower, hybrid renewable energy solutions, and central development and management units).

The segment Other comprises activities whose individual contribution to the group's revenue and EBITDA is insignificant. None of those activities exceeds the quantitative thresholds for separate disclosure.

Segment revenues include revenues from external customers only, generated by the sale of respective products or services. As the segments are based on externally sellable products and services (as opposed to legal entities), there are no transactions between segments to be eliminated.

Management assesses segment results mainly on the basis of EBITDA, but also monitors operating profit. Finance income and costs and income tax expense are not allocated to operating segments. The group's non-current assets are allocated to segments based on their purpose of use. Liabilities and current assets are not allocated to segments.

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

in thousand EUR	First half 2021	First half 2020
Revenue		
Wind energy	27,118.3	29,167.5
Cogeneration	33,747.8	26,126.5
Solar energy	1,500.3	562.0
Total reportable segments	62,366.4	55,856.0
Other	1,156.0	702.8
Total	63,522.4	56,558.8

in thousand EUR	First half 2021	First half 2020
Renewable energy support and other income		
Wind energy	11,586.6	17,196.7
Cogeneration	2,853.6	3,224.2
Solar energy	279.9	444.0
Total reportable segments	14,720.1	20,864.8
Other	165.7	13,676.2
Total	14,885.8	34,541.0

The other operating income of the "Other" segment has increased significantly in first half of 2020 due to a one-off transaction – sale of CO2 quotas.

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

Interest income and expenses, corporate income tax expense and share of profit (loss) of equity-accounted associates are not allocated to segments and relevant information is not reported to the management board.

The following tables provide information about the results of each reportable segment. Performance is measured mainly by reference to EBITDA, which is defined as profit before net finance costs, profit (loss) from associates under the equity method, tax, depreciation, amortisation and impairment.

In thousand EUR	First half 2021	First half 2020	Full year 2020
EBITDA			
Wind energy	31,392.9	39,152.5	69,397.8
Cogeneration	16,438.8	15,435.8	29,849.8
Solar energy	867.1	534.4	1,673.9
Total reportable segments	48,698.8	55,122.7	100,921.5
Other	(2,313.6)	11,723.2	9,249.0
Total	46,385.2	66,845.8	110,170.5
Depreciation, amortisation and impairment losses	(19,125.6)	(18,337.1)	(38,191.8)
Finance costs	(1,431.1)	(1,817.3)	(3,376.8)
Profit (loss) from associates under the equity method	(36.1)	(51.1)	5.2
Profit before tax	25,792.4	46,640.3	68,607.1

In thousand EUR	First half 2021	First half 2020
Operating profit		
Wind energy	17,756.5	26,124.4
Cogeneration	11,367.9	10,848.4
Solar energy	515.3	(135.2)
Total reportable segments	29,639.7	36,837.6
Other	(2,380.1)	11,671.1
Total	27,259.6	48,508.7

in thousand EUR	First half 2021	Full year 2020
Investments in non-current assets		
Wind energy	41,643.0	7,040.9
Cogeneration	1,608.6	1,891.1
Solar energy	637.1	4,696.8
Total reportable segments	43,888.7	13,628.8
Other	85.8	97.2
Total	43,974.5	13,726.0

in thousand EUR	30 June 2021	31 December 2020
Non-current assets		
Wind energy	519,431.7	490,928.7
Cogeneration	143,045.5	146,438.4
Solar energy	23,655.8	23,274.3
Total reportable segments	686,133.9	660,641.4
Other	4,782.8	5,379.0
Total	690,915.8	666,020.4

6. Property, plant and equipment

in thousand EUR	Land	Buildings	Construction	Plant and equipment	Other	Construction in progress	Total
Property, plant and equipment as at 31 December 2020							
Cost	10,463.0	25,218.1	42,029.8	738,549.1	180.3	13,973.0	830,413.3
Accumulated depreciation	-	(9,117.2)	(22,496.6)	(203,639.2)	(180.3)	-	(235,433.3)
Total property, plant and equipment as at 31 December 2020	10,463.0	16,100.9	19,533.2	534,909.9	-	13,973.0	594,980.0
Movements in the reporting period							
Purchases of property, plant and equipment	29,424.1	-	-	7.3	2.9	9,918.3	39,352.6
Disposals	(24.6)	-	-	-	-	-	-24.6
Exchange differences	-	1.5	1.3	89.9	-	1.5	94.2
Transfers	172.1	1.3	0.7	132.2	1.3	(307.6)	-
Depreciation charge and write-downs	-	(308.5)	(630.2)	(18,035.4)	(4.2)	(18.1)	(18,996.4)
Total movements in 6m 2021 period	29,571.6	(305.7)	(628.2)	(17,806.0)	-	9,594.1	20,425.8
Property, plant and equipment as at 30 June 2021	40,034.6	15,795.2	18,905.0	517,103.9	-	23,567.1	615,405.8
Cost	40,034.6	25,220.9	42,031.8	738,778.5	184.5	23,585.2	869,835.5
Accumulated depreciation	-	(9,425.7)	(23,126.8)	(221,674.6)	(184.5)	(18.1)	(254,429.7)
Total property, plant and equipment as at 30 June 2021	40,034.6	15,795.2	18,905.0	517,103.9	-	23,567.1	615,405.8

The group assesses whether impairment indicators exist at each balance sheet date. No impairment indicators identified as at 30 June 2021 on 31 December 2020.

7. Derivative financial instruments

A part of the renewable electricity production assets operated by the Group, that is not subject to a subsidy scheme under a feed-in-tariff, is open to the risk of electricity price fluctuations, as the electricity is sold on the Nord Pool open market. To hedge the risk of electricity price volatility, the Group uses base load swap derivative contracts. Under the given derivatives the Group is the payer of the floating price and the counterparty the payer of the fixed price. The counterparty to all derivative contracts open as at 30 June 2021 is the parent company of the Group.

Transactions designed to hedge the risk of variability in electricity prices are designated as hedging instruments under cash flow hedges. The underlying hedged item is the market price risk of highly probable forecast renewable electricity sales transactions that are open to market price fluctuations. The hedge ratio of the hedging relationships is one to one.

The derivatives entered into to hedge the risks associated with the sale of electricity will be settled in 2023–2027. For the given period the Group has entered into derivative contracts on 1.63 TWh to hedge exposure to the Nord Pool electricity market risk at a level of 39 - 40 euros per MWh.

The different levels for the determination of the fair value of the financial instruments have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2);
- inputs for the asset or liability that are not based on observable market data (Level 3).

The fair value of the financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. An instrument is included in level 3 if one or more significant inputs are not based on observable market data. All derivative instruments held by the Group at fair value as at 30 June 2021 are valued based on Level 3 inputs. It is concluded that the agreements are in scope of IFRS 9 Financial instruments as the contract can be net settled and it does not involve physical delivery of electricity.

The fair values of the level 3 instruments have been estimated using a combination of market prices, mathematical models, and assumptions based on historical and forward-looking market and other relevant data. The most significant input of the fair value of the derivatives is the long-term electricity price. The Group has determined the underlying price for the calculation of fair value based on a long-term price curve for the Lithuanian and Estonian electricity markets to between 34 EUR/MWh and 59 EUR/MWh. If the estimated prices change +/- 10% the impact to the Group's total comprehensive income would amount to +/- EUR 7,798.0 thousand.

Total fair value of derivatives designated as hedge instruments as at 30 June 2021 amounted to a negative 13,760.7 thousand euros and which is accounted for as a long-term liability. At the trade date the fair value of the derivatives amounted to a negative 10,780.1 thousand euros which is accounted for directly through equity, as it reflects a transaction with Eesti Energia AS acting in the capacity of the parent company of the Group. The change in the fair value of the derivatives from the trade date until 30 June 2021 in the amount of 2,980.6 thousand euros is accounted for through other comprehensive income. No material sources of ineffectiveness have been identified in the hedging relationships in the period ended 30 June 2021.

For additional information refer to Note 3, Note 8 and Note 14.

8. Other reserves

in thousand EUR	30.06.2021	31.12.2020
Other reserves at the beginning of the period	399,165.3	400,056.2
<i>of which currency translation reserve at the beginning of the period</i>	(834.7)	56.2
<i>of which other reserves</i>	400,000.0	400,000.0
Change in fair value of cash flow hedges	(2,980.6)	-
<i>of which electricity cash flow hedges</i>	(2,980.6)	-
Fair value on initial recognition of derivative financial instruments transaction conducted with the parent entity	(10,780.1)	-
Currency translation differences attributable to foreign subsidiaries	93.6	(890.9)
Other reserves at the end of the period	385,498.2	399,165.3
<i>of which currency translation reserve at the end of the period</i>	(741.1)	(834.7)
<i>of which electricity cash flow hedge reserve</i>	(2,980.6)	-
<i>of which reserve related to on initial recognition of derivative financial instruments transaction conducted with the parent entity</i>	(10,780.1)	-
<i>of which other reserves</i>	400,000.0	400,000.0

Other reserves include the monetary contribution of 400,000 thousand euros that the parent of Enefit Green AS, Eesti Energia AS, has made in 2019 to strengthen Enefit Green capital base. Currency translation differences reserve attributable to foreign subsidiaries may be subsequently reclassified to profit or loss.

For additional information refer to Note 3, Note 7 and Note 14.

9. Borrowings at amortised cost

in thousand EUR	Short-term borrowings		Long-term borrowings			
	Bank loans	Lease liabilities	Bank loans	Lease liabilities	Other liabilities	Total
Borrowings at amortised cost 31 December 2020	37,533.1	244.9	156,513.3	2,045.0	3,000.0	199,336.3
Movements in the reporting period						
Monetary movements						
Borrowings received	10,000.0	-	-	-	-	10,000.0
Repayments of borrowings	(18,961.9)	(109.4)	-	-	-	(19,071.3)
Non-monetary movements						
Transfers	18,965.6	0.5	(18,965.6)	(0.5)	-	-
Revaluation	(0.3)	-	70.0	-	-	69.7
Amortization of borrowing expenses	-	-	51.2	-	-	51.2
Total movements in 6m 2021 period	10,003.4	(109.0)	(18,844.4)	(0.5)	-	(8,950.5)
Borrowings at amortised cost 30 June 2021	47,536.5	135.9	137,668.9	2,044.5	3,000.0	190,385.8

In June 2020 Enefit Green AS signed a 5 year revolving credit facility agreement with floating interest rate with SEB Pank AS for the amount of 25,000.0 thousand euros, of which 10,000.0 thousand euros has been received in 2021 and would be used to cover short-term liquidity needs. This means that as at 30 June 2021 the Group had undrawn loan facilities of EUR 15,000.0 thousand euros (31 December 2020: 25,000.0 thousand euros).

Loan covenants

The group's loan agreements contain some covenants, which set certain limits to the group's consolidated financial indicators. The group did not breach any of the covenants in 2021 nor in 2020.

10. Revenue

in thousand EUR	First half 2021	First half 2020
Revenue by activity		
Sale of goods		
Pellets (in time)	14,496.5	7,870.1
Scrap metal (in time)	532.1	313.9
Other goods (in time)	117.4	2.2
Total sale of goods	15,146.0	8,186.2
Sale of services		
Heat (over time)	4,027.9	5,155.4
Electricity (over time)	35,227.5	35,192.6
Waste treatment and resale (in time)	8,054.6	7,443.8
Rental and maintenance of assets (over time)	959.3	333.3
Other services (over time)	107.1	247.5
Total sale of services	48,376.4	48,372.6
Total revenue	63,522.4	56,558.7

11. Renewable energy support and other income

in thousand EUR	First half 2021	First half 2020
Renewable energy support	14,451.1	20,570.3
Sale of CO2 quotas	-	13,667.5
Government grants	270.5	270.5
Other income	164.2	32.8
Total Renewable energy support and other income	14,885.8	34,541.0

12. Raw materials and consumables used

in thousand EUR	First half 2021	First half 2020
Maintenance and repairs	7,238.6	7,136.8
Technological fuel	5,464.2	7,980.2
Electricity	2,557.7	1,567.8
Services related to ash treatment	1,363.4	1,264.9
Transport services for sale of finished products	1,001.4	784.3
Materials and spare parts for production	856.6	498.0
Transmission services	189.1	421.1
Waste handling	183.7	47.9
Resource charges for natural resources	147.4	5.8
Other raw materials and consumables used	81.6	131.9
Environmental pollution charges	3.2	133.5
Total raw materials and consumables used	19,086.9	19,972.2

13. Cash generated from operations

in thousand EUR	First half 2021	First half 2020
Profit before tax	25,792.3	46,640.3
Adjustments		
Depreciation and impairment of property, plant and equipment	19,079.2	18,280.7
Amortisation and impairment of intangible assets	46.4	56.4
Deferred income from connection and other fees	(7.0)	(7.0)
Gain/loss on disposal of property, plant and equipment	2.1	(0.8)
Amortisation of government grant received to purchase non-current assets	(270.5)	(270.5)
Loss from associates using equity method	36.1	51.1
Foreign exchange gain/loss loans granted and taken out	69.7	-
Interest expense on borrowings	1,493.8	1,783.5
Interest and other financial income	(23.3)	(1.6)
Adjusted profit before tax	46,218.8	66,532.1
Net change in current assets relating to operating activities		
Change in receivables related to operating activities	(535.0)	8,510.2
Change in inventories	4,702.8	(2,498.8)
Net change in other current assets relating to operating activities	(4,534.3)	(1,002.4)
Total net change in current assets relating to operating activities	(366.5)	5,009.0
Net change in current liabilities relating to operating activities		
Change in provisions	(7.8)	27.7
Change in trade payables	(1,449.3)	(1,063.3)
Net change in liabilities relating to other operating activities	(497.8)	(2,950.1)
Total net change in liabilities relating to operating activities	(1,954.9)	(3,985.7)
Cash generated from operations	43,897.4	67,555.4

14. Related party transactions

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

For the purposes of these consolidated financial statements, related parties include the owners, other companies belonging to the same group (group companies), members of the executive and higher management, and close family members of the above persons and companies under their control or significant influence. Related parties also include entities under the control or significant influence of the state.

The Group has applied the exemption from disclosure of individually insignificant transactions and balances with the government and parties that are related to the entity because the state has control, joint control or significant influence over such party.

TRANSACTIONS CONDUCTED WITH THE PARENT

in thousand EUR	First half 2021	First half 2020
Purchase of services	2,952.5	1,884.4
Proceeds from sale of goods	3.3	13,667.5
Proceeds from sale of services	1,689.9	1,073.4

Proceeds from sale of goods in amount of 13,667.5 thousand euros in first half 2020 are related to the one-one transaction with the parent entity (sale of CO2 quotes).

Enefit Green AS and its subsidiaries produce renewable electricity that is sold directly to third parties (incl. the electricity exchange Nord Pool). The parent entity, Eesti Energia AS, provides Enefit Green AS with back-office services to assist in the sales procedures. These services include handling the invoicing and payment procedures, communication with Nord Pool and regulators and preparation of regulatory reporting related to electricity production and sales transactions. The costs related to this service are recognised in the table above in the line "purchase of services".

BALANCES WITH PARENT

in thousand EUR	30 June 2021	31 December 2020
Receivables	346.2	36,198.8
<i>incl. Cash pooling receivable against the parent</i>	-	33,312.3
Payables	453.1	535.3
Derivative financial liability (Notes 3, 7 and 8)	13,760.7	-

The initial fair value of the derivative financial liability in the negative amount of 10 780.1 thousand euros has been accounted for directly in equity. The subsequent cumulative change in the fair value of the derivative financial liability in the negative amount of 2 980.6 thousand euros has been accounted through other comprehensive income and the cash flow hedge reserve in equity (see also Note 7 and Note 8).

All other purchase and sales transactions with related parties have been conducted at prices approved by the Competition Authority or at market price.

TRANSACTIONS WITH OTHER GROUP COMPANIES

in thousand EUR	First half 2021	First half 2020
Purchases of property, plant and equipment	29,364.0	-
Purchase of goods	9.9	-
Purchase of services	702.3	460.7
Proceeds from sale of goods	51.1	1.7
Proceeds from sale of services	969.0	565.0

Enefit Wind Purtse AS acquired land plots from Eesti Energia AS subsidiary Tootsi Windpark OÜ for 29,364.0 thousand euros in June 2021 (see also Note 3).

BALANCES WITH OTHER GROUP COMPANIES

in thousand EUR	30 June 2021	31 December 2020
Receivables	438.7	83.8
Payables	669.1	57.8

TRANSACTIONS WITH OTHER RELATED PARTIES (INCLUDING ASSOCIATES)

in thousand EUR	First half 2021	First half 2020
Purchase of services	1,072.8	803.0
Proceeds from sale of services	44.4	-

BALANCES WITH OTHER RELATED PARTIES (INCLUDING ASSOCIATES)

in thousand EUR	30 June 2021	31 December 2020
Receivables	0.9	2.2
Payables	247.1	459.9

Enefit Green AS's current accounts at Swedbank AS were part of the cash pooling facility of Eesti Energia AS as at 31 December 2020. In the reporting period, Enefit Green AS incurred interest expense of 0 thousand euros for using the cash pool (First half year 2020: 9.6 thousand euros). The reporting period interest rate was 2.06% (2020 first half: 2.19%). By 30 June 2021 cash pool facility with Eesti Energia was terminated.

The group also discloses transactions with companies under the control or significant influence of the state. In the reporting period and the comparative period, the group conducted significant purchase and sales transactions with the Estonian transmission system operator Elering AS, which is 100% owned by the stated.

TRANSACTIONS WITH ELERING AS

in thousand EUR	First half 2021	First half 2020
Purchase of services	532.5	244.8
Sale of services	14,695.2	20,270.1

RECEIVABLES FROM ELERING AS AND PAYABLES TO ELERING AS

in thousand EUR	30 June 2021	31 December 2020
Receivables	1,441.1	503.6
Payables	32.4	268.7

15. Events after the reporting period

According to our current projections, in 2021 economic growth will continue to gradually revive and impacts of COVID-19 to electricity prices of energy will also recover. There are no other significant subsequent COVID-19 impacts.

Enefit Green AS and its parent entity Eesti Energia AS entered into an EFET General Agreement concerning the delivery and acceptance of electricity on 17 August 2021, simultaneously terminating all open derivative contracts between the Group and Eesti Energia AS. By signing the agreement, the parties entered into a physical electricity sales contract at a fixed price for the period 2023 – 2027. The given contract was entered into for the same volumes of electricity and based on the same fixed prices as the derivatives open as at 30 June 2021.

The Group continued to apply hedge accounting to the open derivatives position up until 17 August 2021, accounting for the change in the fair value of the derivatives between 30 June 2021 and up to the date of the signing of the EFET General Agreement in accordance with its policies described in Notes 2 and 7. The value of the derivative liability increased from a negative 13,760.7 thousand euros to a negative 23,206.7 thousand euros due to the change in the forecasted electricity prices between 1 July 2021 and 17 August 2021. The negative 9,446.0 thousand euro change in fair value will be reflected in other comprehensive income as no material sources of ineffectiveness have been identified in the hedging relationships in the period between 1 July 2021 and 17 August 2021.

The EFET General Agreement meets the own use exemption and therefore is not considered a financial instrument that is required to be fair valued under IFRS 9. Rather, it will be accounted for as an executory contract under IFRS 15, *Revenue from contracts with customers*, with the revenue being recognised at fixed per unit value only when the delivery of electricity will take place in the years 2023-2027. No gains or losses will be recognised at the moment of the replacement of the derivative contracts with the EFET General Agreement. Upon entering the EFET General Agreement the carrying amount of derivative liability at that date (a negative of 23,206.7 thousand euros) will be reclassified as a non-derivative contract liability and will gradually increase recognised revenue as the EFET General Agreement is fulfilled. Such an increase in revenue will be partially offset by the reclassification of amounts accumulated in the electricity cash flow hedge reserve under discontinued hedge accounting in the negative amount of 12,426.6 thousand euros, which is the difference between the total fair value of the derivative financial liability at 17 August 2021, in the amount of a negative 23,206.7 thousand euros, and the trade date fair value of the derivatives, in the amount of a negative 10,780.1 thousand euros, accounted for directly through equity. See Note 7 and Note 8 for details.

16. Going concern

As of 30 June 2021, the current liabilities exceed the current assets of the Enefit Green AS Group by 20,392.1 thousand euros. This is caused primarily by investments into new business opportunities in the first half of 2021, as well as by the structure of existing loan obligations. To eliminate the current situation, Enefit Green AS Group plans to raise additional long-term loan facilities by the end of 2021 to finance its investments and to partially refinance existing short-term liabilities, in addition to the positive cash flows from operations.

Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholder of Enefit Green AS

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Enefit Green AS (the Company) and its subsidiaries (together – the Group) comprising of the condensed consolidated interim statement of financial position as at 30 June 2021 and the related condensed consolidated interim income statements and statements of other comprehensive income, statements of cash flows and statements of changes in equity for the periods from 1 January to 30 June 2021 and from 1 January to 30 June 2020, and the related explanatory notes. Management Board is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) (Estonia) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union.

AS PricewaterhouseCoopers



Lauri Past
Auditor's certificate no.567

25 August 2021
Tallinn, Estonia