Enefit Green

ANNUAL REPORT 2021

Translation of the company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups.
The original document is digitally signed and submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange
(Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100137985/reports).

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MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS 2021

Legal name Enefit Green AS
Commercial Registry number 11184032
Address Lelle tn 22, 11318 Tallinn, Eesti Vabariik
Phone +372 5865 4999
E-mail info@enefitgreen.ee

Main activities Production of electricity and heat in cogeneration plants, production of electricity in wind farms, solar farms and a hydropower plant
Reporting period 1 January 2021 - 31 December 2021
Auditor AS PricewaterhouseCoopers

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Dear reader

The year 2021 confirmed people's belief in the feasibility of green transition and gave a strong signal that we quickly need to increase our carbon-neutral energy production capacity.

There is an urgent need for additional renewable energy in Estonia as well as the entire Europe and, in response, Enefit Green is increasing its production capacity in all its markets from Finland to Poland. The rise of renewable energy is driven by the climate goals which require reducing carbon emissions and the ever-growing demand for electricity.

Demand for green energy is not a passing fad because electricity is the key to green transition. In a lot of sectors, old technologies are being replaced with the support of electrification and all of those new solutions require green energy. Wind and solar are the cheapest and most sustainable energy sources and the technologies and solutions for large-scale wind and solar power production are available. Accordingly, Enefit Green's growth plan is centred around wind and solar.

Being one of the leading and most diverse renewable energy producers in the Baltic Sea region, Enefit Green is building new wind and solar farms in all the markets where it operates: Finland, Estonia, Latvia, Lithuania, and Poland.

Aavo Kärmas
Enefit Green Chairman of the Management Board

We are a growth-driven company and have put together a very clear portfolio of renewable energy projects we wish to carry out in the next few years. Our growth plan is the basis for all our activities and the benchmark for measuring our success. If we successfully implement all projects in our current portfolio, we will increase our renewable energy production capacity 2.4 times to 1,100 MW by the year 2025.

For Enefit Green, the highlight of 2021 was definitely the ringing of the stock exchange bell on 21 October. To carry out our growth plan, we have to invest nearly €600m during 2021–2023 and to that end we raised additional capital from the stock exchange. The initial public offering of Enefit Green's shares attracted 60,000 people and in terms of the number of retail investors it was the most successful IPO ever arranged in the Baltics.

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Going public provided Enefit Green not only with capital to implement its growth plan but also with an exceptionally strong mandate. A record IPO and a huge number of retail investors reflect great trust in Enefit Green as a company as well as people's belief in renewable energy and the path chosen for Estonia's green journey.

We have been preparing our growth plan for years and in 2021 we made four major investment decisions for the construction of new renewable energy production capacities. We are going to build two wind farms in Lithuania and one in Finland and a solar farm in Poland. The Akmene and Šilale II wind farms are scheduled to be completed during 2023 and the Tolpanvaara wind farm by the beginning of 2024. The new facilities will have a total capacity of almost 200 MW, which accounts for one third of the near-term growth plan.

An important key to the development of wind energy are customers willing to enter into long-term power purchase agreements which provide us with the assurance needed to make the investment. All investment decisions on the construction of new wind farms that were made in 2021 were underpinned by the interest of Eesti Energia's large customers to enter into long-term power purchase agreements. Demand for carbon-neutral electricity is exceptionally high and interest in long-term power purchase agreements keeps growing.

Besides wind energy, we also focus on solar: we build solar farms and help customers switch to green power. Implementing a solar solution is the easiest way for individuals and small companies to start producing 100% clean energy. Last year we helped our household and corporate customers in all our markets design and install nearly 300 solar power plants in total. For around ten customers we are already building a solar power plant with a storage solution, which will enable the customer to make maximum use of the self-produced green energy.

Enefit Green's key stakeholder groups in the development of renewable energy include the central and local government authorities and local communities. We do our best to create dialogue and be transparent and open in our planning and development activities. Our policy is to ensure the wellbeing of people and environmental sustainability, to contribute to the development of the community, to assess the potential environmental impacts of wind and solar farms with due care, and to use smart planning in order to achieve the outcome where the production of green electricity has the minimal possible impact on nature and people.

Enefit Green's most important asset is its highly committed and motivated team that has the ambition for growth embedded in their corporate DNA. Our team wishes to achieve and deliver and nearly 41% of our employees see themselves as drivers.

Clear goals and a strong team are the cornerstones of excellent performance. I am pleased to report that in 2021 the financial results of the Enefit Green group improved significantly compared with a year earlier. Despite slightly lower production volume, operating income grew by 13%. EBITDA, which is one of our key performance indicators, increased by around 10% to €121.5m and net profit grew by 17% to €79.7m.

We are deeply grateful to our customers and investors. Your trust is our driving force. It inspires us to think big and to take increasingly bolder steps towards a carbon-neutral future.

Aavo Kärmas
Chairman of the Management Board of Enefit Green

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Operating Environment

- Rapid economic growth, rapid price inflation
- Surging electricity prices
- Declining competitiveness of carbon intensive electricity production technologies
- European Commission unveiled its Fit for 55 package
- Several countries set the schedules for their new renewable energy reverse auctions

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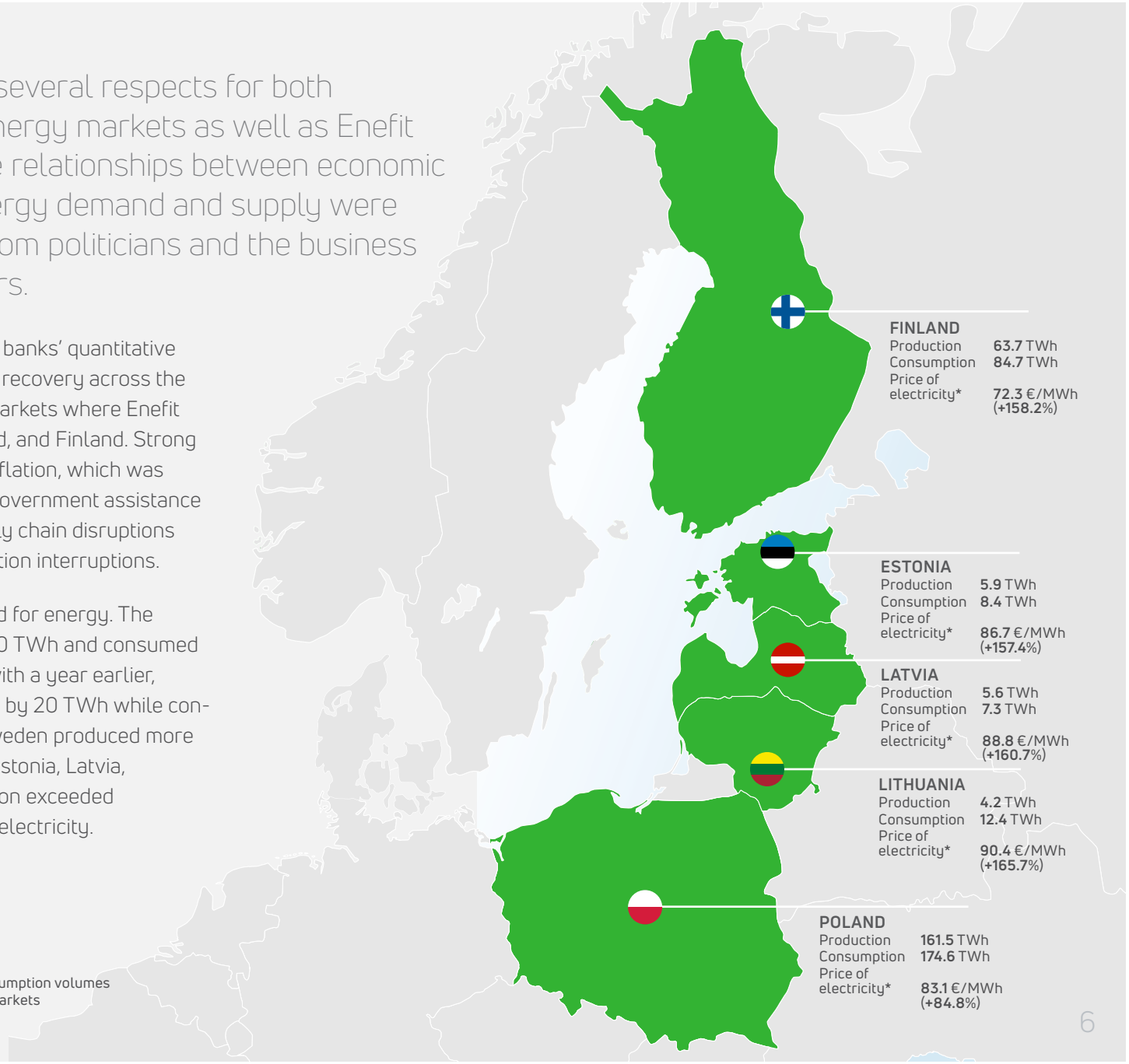
The year 2021 was pivotal in several respects for both the European and Estonian energy markets as well as Enefit Green. It was a year when the relationships between economic growth, prices levels, and energy demand and supply were brought home to everyone: from politicians and the business world to household consumers.

In the second year of the pandemic, central banks' quantitative easing programmes fuelled swift economic recovery across the world, including the euro area and all the markets where Enefit Green operates: the Baltic countries, Poland, and Finland. Strong economic growth was coupled with rapid inflation, which was attributable to a rise in money supply and government assistance that boosted total demand and global supply chain disruptions caused by earlier pandemic-related production interruptions.

Economic growth usually increases demand for energy. The Nordic and Baltic market area produced 430 TWh and consumed 427 TWh of electricity in 2021. Compared with a year earlier, electricity production in the area decreased by 20 TWh while consumption grew by 22 TWh. Norway and Sweden produced more electricity than they consumed in 2021. In Estonia, Latvia, Lithuania, Finland and Denmark, consumption exceeded production and the countries had to import electricity.



* Source: Production and Consumption data: ENTSO-E
Average prices: Nord Pool
The data on the map indicates 2021 total production and consumption volumes and annual average electricity prices on Enefit Green home markets

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High aggregate demand triggered a surge in the prices of energy carriers and electricity, particularly in the second half of the year and the fourth quarter when the heating season began. In the new situation, traditional and quickly growing but still limited renewable energy production capacities which had previously been able to meet demand, proved insufficient. In Northern Europe, the upswing in electricity prices was partly attributable to the lower than usual level of the Nordic hydro reservoirs. In the Baltics, an additional factor which drove up electricity prices was Lithuania's decision to restrict the access of electricity produced by the Astravets nuclear power plant in Belarus to the region's electricity market.

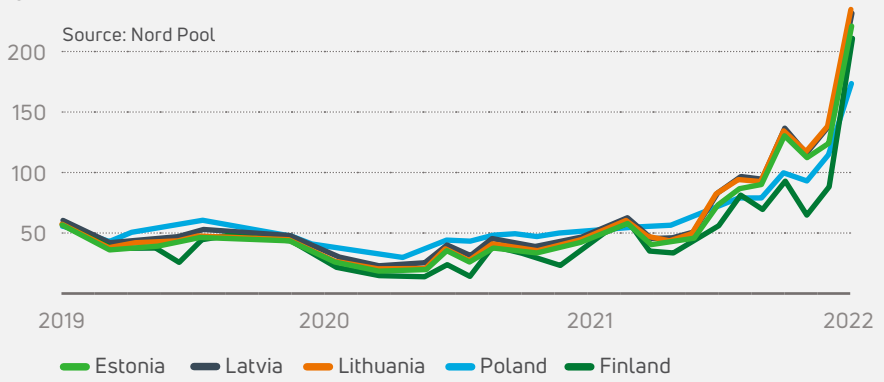
European markets, including those where Enefit Green operates, were also affected by the implications of the European Union's energy policy. The price of natural gas was relatively low until recently and at least partly held back investment in renewable energy. Due to low inventories and the geopolitical situation, however, it suddenly became a scarce and exorbitantly expensive means of meeting peak demand for electricity. The price of CO_2 emission allowances also spiked.

The above trends, i.e. growing demand for electricity and rising natural gas and carbon allowance prices, have created a highly favourable environment for the development of new renewable energy projects.

On the other hand, investments in renewable energy are influenced by the fact that the decline in the prices of relevant technologies has either decelerated or levelled off. Investment bank Lazard reports that in the past five years the prices of onshore wind turbine technologies and solar farm technologies have decreased by 4% and 8% per year on average, respectively.

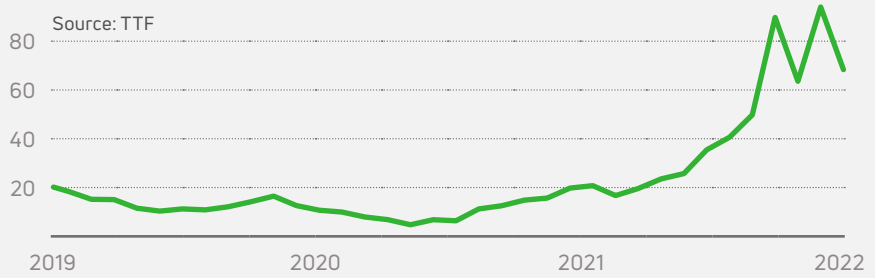
AVERAGE ELECTRICITY PRICES ON HOME MARKETS

€/MWh



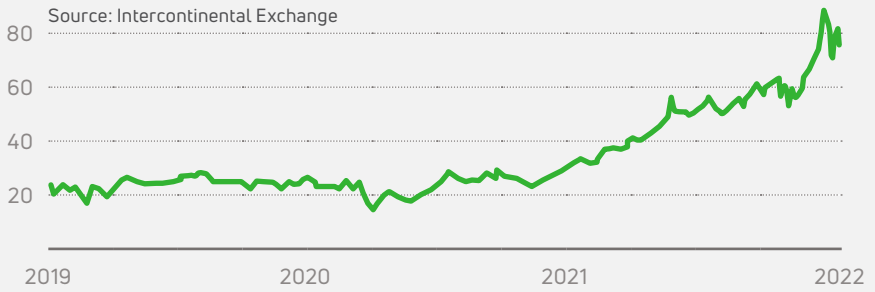
TTF NATURAL GAS PRICE

€/MWh



PRICE OF CO_2 EMISSION ALLOWANCES

€/t



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FIT FOR 55: GREEN TRANSITION CONTINUES TO GAIN MOMENTUM

In July 2021, the European Commission unveiled its Fit for 55-package: a set of proposals to revise and amend EU legislation in order to achieve the EU climate goals, which has made Europe's green transition plan more specific and predictable.

Enefit Green's operations are positively influenced by three main aims of the proposals:

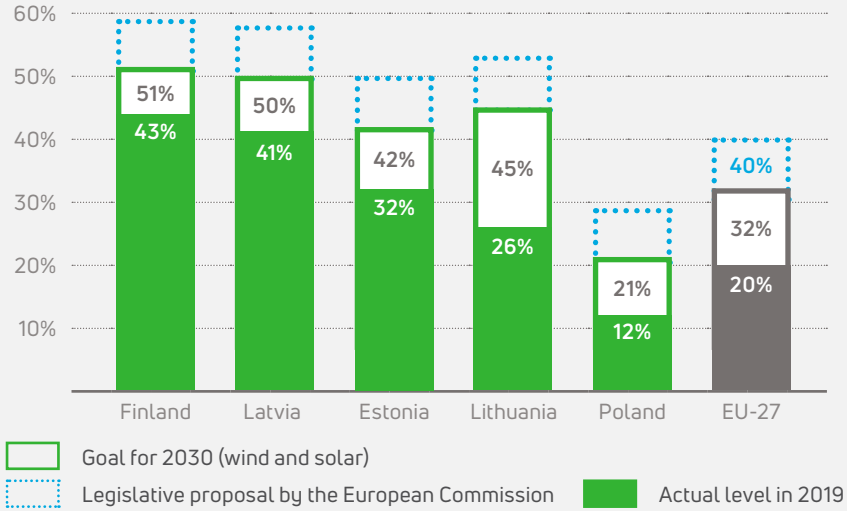
1) electrification of energy consumption (replacement of the consumption of fossil energy carriers preferably with renewable electricity or energy carriers produced from it in different economic sectors such as manufacturing, transportation and heating and cooling of buildings);

2) increasing the production of renewable energy;

3) energy saving, which involves reducing the amount of energy purchased (e.g. implementing technologies that use less energy, replacing energy purchase with locally produced renewable energy).

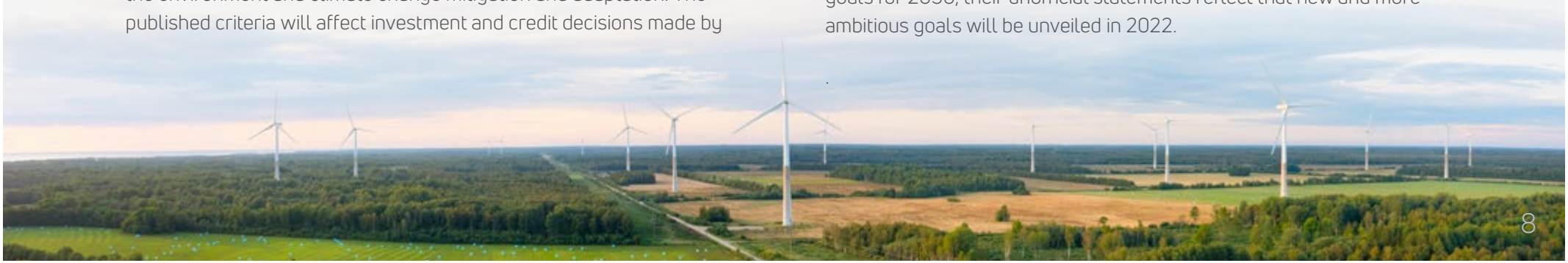
The European Commission also published a taxonomy, i.e. technical screening criteria for measuring the impacts of economic activities on the environment and climate change mitigation and adaptation. The published criteria will affect investment and credit decisions made by EU banks and other financial institutions and will create advantages for renewable energy companies whose economic activities support or at least do not harm the achievement of environmental objectives.

SHARE OF RENEWABLE SOURCES IN GROSS FINAL ENERGY CONSUMPTION, %



Source: National Climate and Energy Plans (NCEP), European Commission

Although the governments of the countries where Enefit Green operates did not change their national renewable energy production goals for 2030, their unofficial statements reflect that new and more ambitious goals will be unveiled in 2022.



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ESTONIA: NEW RENEWABLE ENERGY AUCTIONS EXPECTED

Estonia has decided to support the main principles of the package presented by the European Commission for delivering the EU Green Deal. As regards the most significant changes, Estonia supports the proposal to increase the renewable energy target for 2030 and is willing to raise its renewable energy target from 42% to 46% of total energy consumption. Estonia also supports the proposals to oblige member states to carry out a joint renewable energy project and to implement long-term power purchase agreements (PPAs) for electricity producers and customers. As regards proposals related to sustainable bioenergy, Estonia wishes to retain the option to continue using biomass as a controllable source of energy production.

Key changes in regulations:
The reverse auction provisions in the Electricity Market Act and the Reverse Auctions Regulation enacted under it were amended. The change in the methodology for determining the electricity price used in the calculation of support payable to the winner of a reverse auction, where the arithmetic mean monthly exchange price was replaced by hourly prices, lowers risks for the producer.

On 15 March 2021, a reverse auction was announced for installations with a capacity of less than 1 MW for the production of up to 4.52 GWh of renewable electricity per year starting from 1 September 2023.

On 25 November 2021 ,a reverse auction was announced for the production of up to 450 GWh of renewable electricity per year starting from 1 January 2026.

The government decided to organize the reverse auction for the production of up to 650 GWh of renewable electricity per year earlier than forseen by current national plan for energy and climate.
This reverse auction will be announced on 4 January 2023.

The Ministry of Economics and Communications and state-owned real estate company Riigi Kinnisvara started preparations for enabling the state to purchase electricity under a PPA that provides investment security on condition that the electricity is produced from renewable sources at a new power plant built specifically for the performance of obligations under the PPA. The state is planning to announce a procurement in 2022.

The government initiated legislative changes aimed at setting the limits and rules for compensation payable to communities and local authorities affected by wind farms. The amendments are expected to be enacted in 2022, which should speed up the construction of wind farms in Estonia.

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LITHUANIA: CURRENT RENEWABLE ENERGY TARGET ACHIEVED. NO NEW AUCTIONS PLANNED

The adopted development plan foresees addition of new wind farms of 1,322 MW in Lithuania by 2030. Members of the Lithuanian government have stated that in the framework of Fit for 55 the country may increase its renewable energy target for 2030 from current 45% to minimum of 50% of total electricity production.

Belarus started commercial operation of its Astravets nuclear power plant in 2021 and in November Litgrid ceased using the interconnection between Lithuania and Belarus for electricity trading consistent with Lithuanian laws. This reduced electricity imports from third countries and increased demand for electricity production in the Baltic countries.

The Lithuanian electricity market regulator announced in March 2021 that the country has achieved its national renewable energy target of 5 TWh per year and no new renewable energy reverse auctions will be arranged.

LATVIA: PREPARATIONS FOR THE CONSTRUCTION OF AN OFFSHORE WIND FARM IN THE GULF OF RIGA

Due to extensive use of hydro energy, Latvia covered over 40% of its energy needs with renewable energy already in 2020, which is why increasing renewable energy production quickly has not been a priority. However, Latvia's targets for 2030 are to produce at least 50% of energy and 60% of electricity from renewable sources. According to plan, wind farms should produce at least 800 MW of electricity in Latvia in 2030.

Latvia's government launched preparations together with Estonia for the construction of offshore wind farms and a connecting electricity network in the coastal waters between the two countries (the Gulf of Riga).

The Latvian state carries out formal reviews, which have resulted in the early termination of some fixed-price PPAs previously signed with renewable energy producers. This does not improve reliability of Latvian regulations in the eyes of investors in new renewable energy production facilities.

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POLAND: EUROPEAN COMMISSION APPROVAL FOR THE DEVELOPMENT OF OFFSHORE WIND FARMS

In recent years, Poland has been one of the most active contributors to the development of renewable energy production among countries in the Baltic Sea region.

Poland's plan is to cover at least 21% of energy consumed with renewable energy in 2030. According to the calculations of the European Commission, a reasonable target for Poland is at least 25%.

In 2021, Poland published its national plan for renewable energy reverse auctions aimed at increasing the generation of renewable electricity from wind and solar sources during 2022-2027 period. European Commission granted approval for the provision of state aid for that purpose in December 2021.

Poland adopted a law that sets out a plan to launch the construction of offshore wind farms of 10.9 GW total capacity by 2027. By a discretionary procedure, offshore wind farm developments in the most advanced stage in 2021 were guaranteed price stabilisation under the Contracts for Difference (CfD) scheme. The next CfD auctions will be held in 2025 and 2027. At the initiative of Polish government an Offshore Wind Sector Deal was signed, which is designed to increase the benefits offshore wind farms provide to the Polish economy. European Commission approved the provision of aid of €22.5bn for the development of offshore wind farms in Poland.

FINLAND: GOAL TO MORE THAN DOUBLE RENEWABLE ELECTRICITY PRODUCTION CAPACITY BY 2030

Finland's official target is to achieve the country's carbon neutrality by 2035. The plan is to meet the target by increasing carbon-neutral electricity production in Finland.

Finland continued to develop a business environment attractive for the construction of wind farms. Finland's advantages include the availability of free land in locations with good wind conditions, the possibility to connect to the grid quickly and on favourable terms, and local authorities' supportive attitude towards the construction of wind farms. Fingrid projects that Finland's renewable electricity production capacity will increase from the current 9 GW to 21 GW by 2030 and to 30 GW by 2040. Electricity consumption is expected to grow from 83 TWh in 2020 to 109 TWh by 2030 and 150 TWh by 2040, according to Fingrid.

The construction of Aurora Line, a new interconnector with a capacity of 800/900 MW between Finland and Sweden, which is to be commissioned in 2025, was approved.

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Strategy

- Wind and solar energy production enjoy high competitiveness
- We aim to increase our green energy production capacity 2.4 times by 2025
- Strong development and asset management teams

Enefit Green

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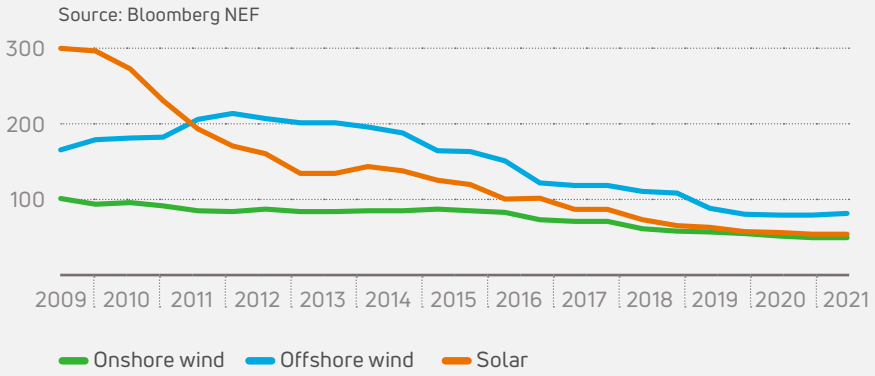
The strategy of Enefit Green is based on the global consensus that climate change is real and human-induced and all of us can contribute to mitigating the effects of climate change. We at Enefit Green can do it by producing renewable energy and sustainably developing new renewable energy production capacities. Our strategy implementation efforts are supported by a favourable political environment and growing demand for renewable energy in the European Union, including the markets where we operate.

We see the strongest potential for growth in the production of wind and solar power. Those have become the most competitive renewable energy technologies (based on the lowest levelized cost of energy, LCOE) in the past decade both globally and in the Baltic Sea region.

The following chart reflects the development of the LCOE for wind and solar power generation technologies: over the years they have become considerably cheaper and thus more competitive.

DECREASING PRODUCTION COST OF RENEWABLE ENERGY 2009-2021

L COE EUR/MWh



Enefit Green's ambition is to be a rapidly and profitably growing renewable energy company operating in the Baltic Sea region. Our strategic goal for 2025 is to increase our electricity production capacity 2.4 times to 1,100 MW.

We produce renewable energy efficiently and sustainably. To achieve that, we focus on:

- efficient operation of our existing production assets; and
- profitable development of new wind and solar projects.

Enefit Green has a vertically integrated business model, which is based on planning, developing, executing and operating renewable energy projects. We believe that in the longer-term perspective this helps us deliver the highest return on the capital employed to finance the production assets developed and operated by us.

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IN PARTICULAR, OUR STRATEGY IS BASED ON TWO PILLARS:

- **Operational excellence to drive value creation of existing assets**
  Enefit Green has an experienced production and asset management team that applies best asset management practices based on smart digital solutions. The operation of our power plants and wind and solar farms is supported by digitalisation, big data and machine learning. A smart asset management system enables us to provide predictive maintenance and thus raise the productivity of our assets.

- **Growth based on local development competencies**
  Enefit Green has an experienced in-house development team whose members are based and operate locally. Our main focus is on green-field and selected predeveloped projects. In project development, the priority of the company is to mitigate risks, select the most suitable technology for each project and sign binding procurement and construction contracts and a sufficient amount of long-term power purchase agreements with customers before an investment decision is made. Projects have to meet minimum IRR threshold set by management, which is weighted average cost of capital (WACC) plus 2%.

  For new development projects there is a growing need to find possibilities to sign new large scale power purchase agreements. In this regard we can often rely on the valuable energy trading competence of Eesti Energia.

ENEFIT GREEN'S DEVELOPMENT PRINCIPLES

The community is our partner
We create joint workgroups to carry out new developments, by engaging the communities and our key stakeholder groups

We do not inflict significant adverse environmental impacts
We carry out thorough and complete environmental impact assessments in which we involve experts that have extensive local and international experience

We use the best possible technology
We consider possible future scenarios in our planning processes so that there would be no restrictions in employing the most cutting edge and best technology

We find synergies across various areas
We help communities plan their green journeys personally and flexibly

We involve the best international expertise and practices
We lead the way and involve the best international partners

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NEAR-TERM DEVELOPMENT PORTFOLIO

Our installed capacity at the end of 2021 was 457 MW.

Our near-term development portfolio includes wind and solar farm development projects whose execution will enable us to achieve our growth target for 2025, i.e. to increase Enefit Green's installed production capacities around 2.4 times compared to the end of 2021 to 1,100 MW. Total investments required for the achievement of the growth target extend to approximately €600m.

In 2021, we made final investment decisions on the following projects in our near-term development portfolio: two wind farms in Lithuania (Šilale II of 43 MW and Akmene of 75 MW), one wind farm in Finland (Tolpanvaara of 72 MW) and one solar farm in Poland (Zambrow of 9 MW) with a combined capacity of 199 MW.

We are expecting to make final investment decisions on a roughly twice larger total capacity in 2022 – ca 400 MW of wind and solar energy projects in Estonia, Lithuania and Poland.

All the above projects should be completed in the period 2023-2024 so that by 2025 we will have met the 1,100 MW electricity production capacity target we have promised to our investors.

Besides the portfolio of projects in near-term development portfolio, we are continuously working on long-term development portfolio. We see opportunities to significantly increase our total electricity production capacity in the more distant future.

Enefit Green finances its investments at the level of the parent company (Enefit Green AS), which assures lower credit risk and financing costs.

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MEASURABLE STRATEGIC GOALS UNTIL 2025

PRODUCTION CAPACITY

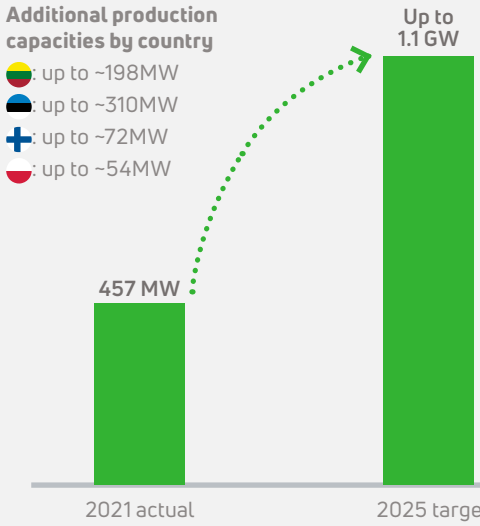
Our production capacity increases to 1,100 MW by the year 2025

Target IRR of WACC + ~200bps for new investments

Total capex of €600m for the period 2021–2023

Additional production capacities by country

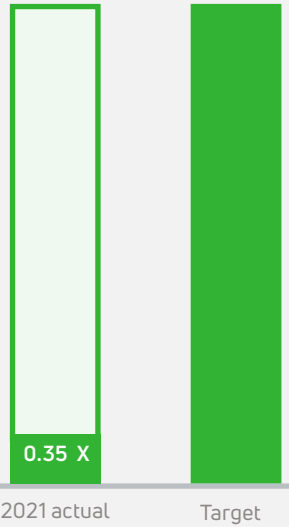
- up to ~198MW
- up to ~310MW
- up to ~72MW
- up to ~54MW



FINANCIAL LEVERAGE

supported by strong capitalization...

NET DEBT / EBITDA



May exceed targeted level during the construction phase of significant projects

DIVIDEND POLICY

... and allowing also dividend distribution

50% dividend payout ratio of normalised net earnings

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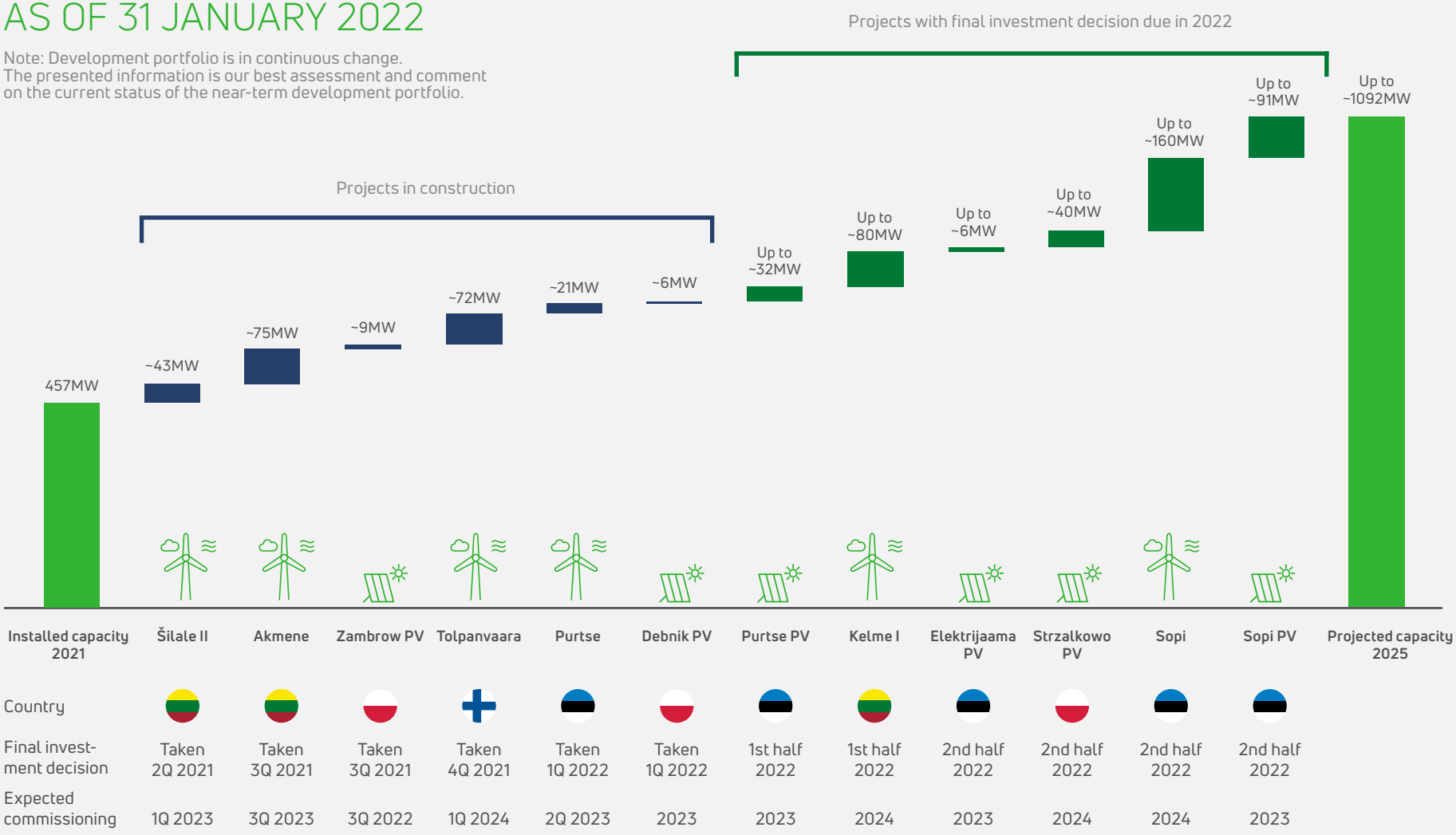
NEAR-TERM DEVELOPMENT PORTFOLIO AS OF 31 JANUARY 2022

Note: Development portfolio is in continuous change.
The presented information is our best assessment and comment on the current status of the near-term development portfolio.



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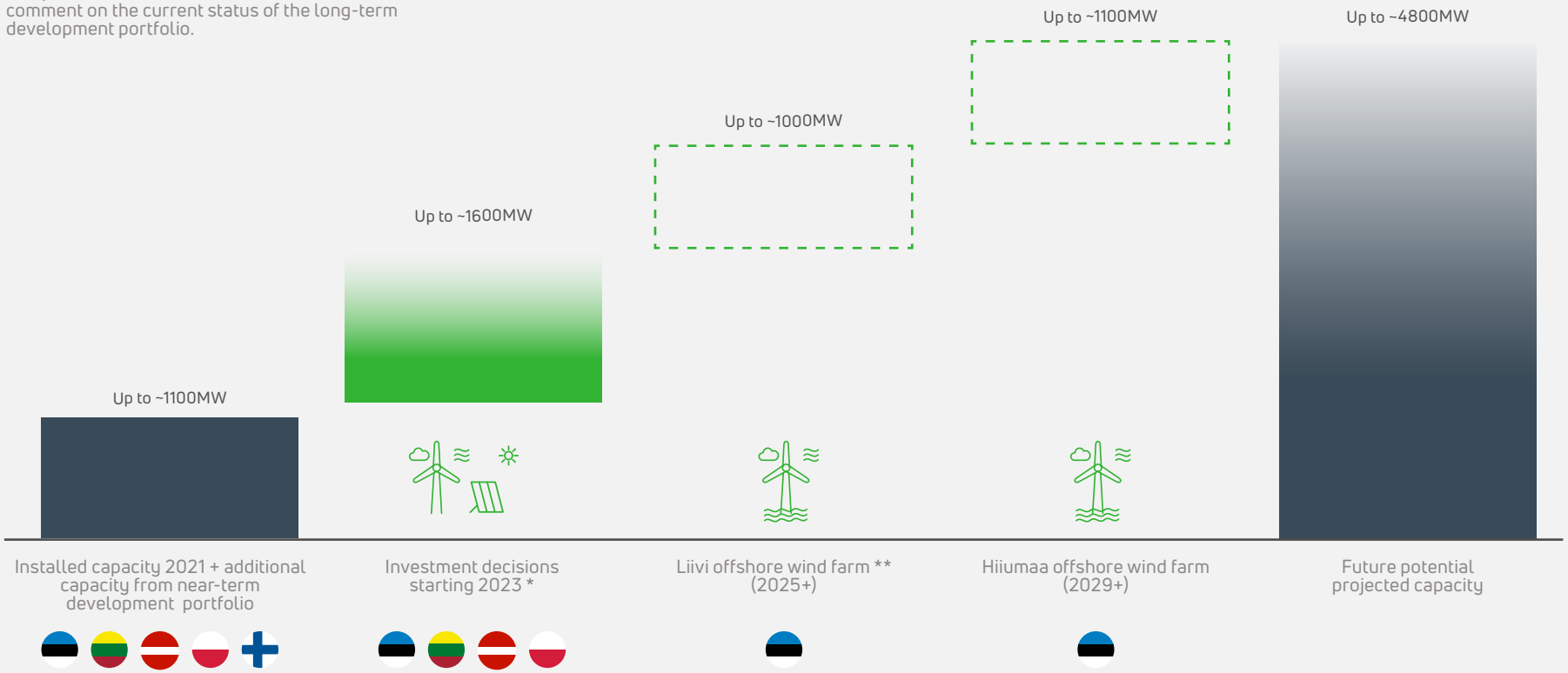
LONG-TERM DEVELOPMENT PORTFOLIO AS OF 31 JANUARY 2022

Note: Development portfolio is in continuous change. The presented information is our best assessment and comment on the current status of the long-term development portfolio.



* Onshore wind farm and solar farm development projects with expected final investment decisions not earlier than 2023.

** Liivi offshore wind farm development project is as of the end of 2021 owned by Eesti Energia. An agreement has been put in place under which Eesti Energia will offer Enefit Green the possibility to participate in and/or acquire the project on market terms.

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Our Journey in 2021

- Four important investment decisions add nearly 200MW production capacity
- Continuously high availabilities of production assets
- Digitalisation provides measurable added value

Enefit Green

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Enefit Green is one of the leading diversified renewable energy producers in the Baltic Sea region. We produce electricity and heat from wind, solar, hydro, biomass and municipal waste.

Our total renewable energy production capacity did not change in 2021 but we produced somewhat less electricity and more heat than a year earlier.

Our key electricity production assets are our wind farms in Estonia and Lithuania and we work daily to make sure that all our turbines would be operating at maximum productivity when wind conditions are good.

The year 2020 was excellent in terms of wind conditions – the beginning of the year in particular was favourable for wind power production.

The year 2021 on the other hand was relatively average in terms of wind conditions. In the first quarter of 2021, the average measured wind speed in Enefit Green's wind farms in both Estonia and Lithuania was even a fifth lower than a year earlier. Wind conditions improved during the year, but on the whole the average wind speed in our wind farms was nearly 6% lower in Estonia and 8% lower in Lithuania (compared with a year earlier).

Due to weaker wind conditions, Enefit Green's annual wind power output in 2021 was 13.7% smaller than the year before. Besides wind conditions, productivity was affected by slightly lower turbine availability. The productivity of solar farms and cogeneration plants, however, was more stable and, therefore, Enefit Green's overall electricity output declined by 11.7% compared with the record result delivered in 2020.

Heat production on the other hand grew by 13.7% in 2021 with heat produced from municipal waste and wood chips growing by a notable 18.8%. Growth was attributable to a contract amendment effective from February 2021 which permits our Iru power plant to produce heat in the cogeneration mode throughout the year, including during the summer season. We use natural gas, which is a fossil fuel, in our cogeneration plants primarily to compensate for interruptions in the operation of our main production facilities or to cover the peak load on a small number of days of the year. The quantity of heat produced from natural gas at the Iru power plant decreased by 62.6% in 2021.

ENEFIT GREEN PRODUCTION VOLUMES

	2021	2020	Change
Total electricity production, MWh	1,192,777	1,350,308	-11.7%
incl. wind	983,182	1,138,884	-13.7%
incl. cogeneration	184,575	184,849	-0.1%
incl. solar	24,299	25,485	-4.7%
incl. other	723	1,090	-33.7%
Heat, MWh	618,174	543,791	13.7%
incl. municipal waste, wood chips	605,450	509,748	18.8%
incl. natural gas (Iru power plant)	12,724	34,043	-62.6%
Pellets, thousand t	135.2	161.5	-16.3%

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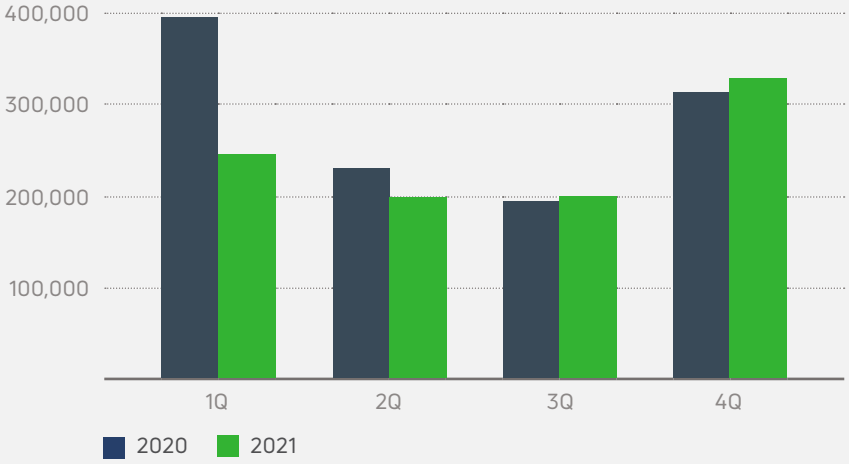
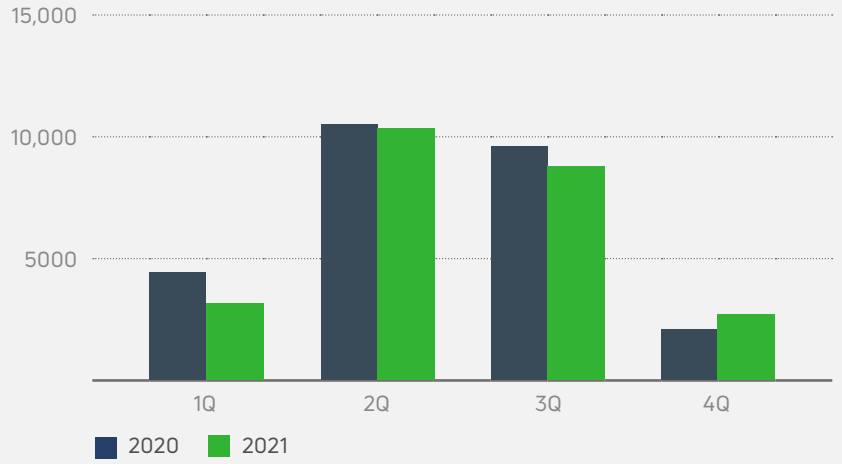
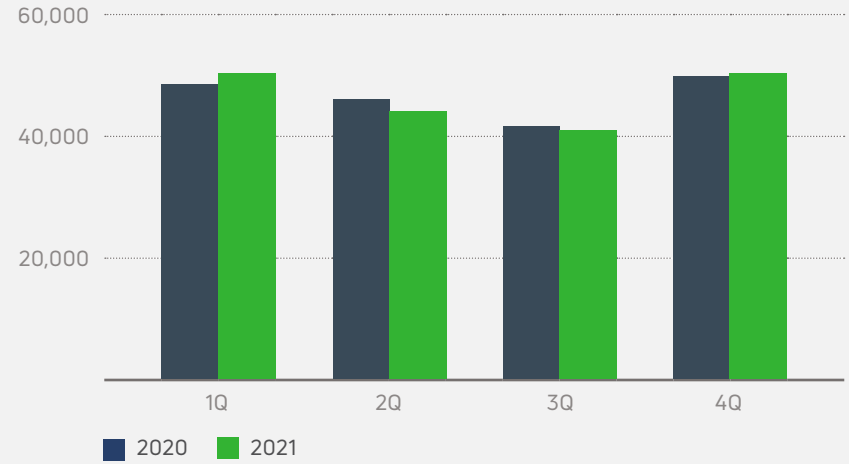
QUARTERLY ELECTRICITY PRODUCTION 2020-2021: WIND ENERGY, MWh



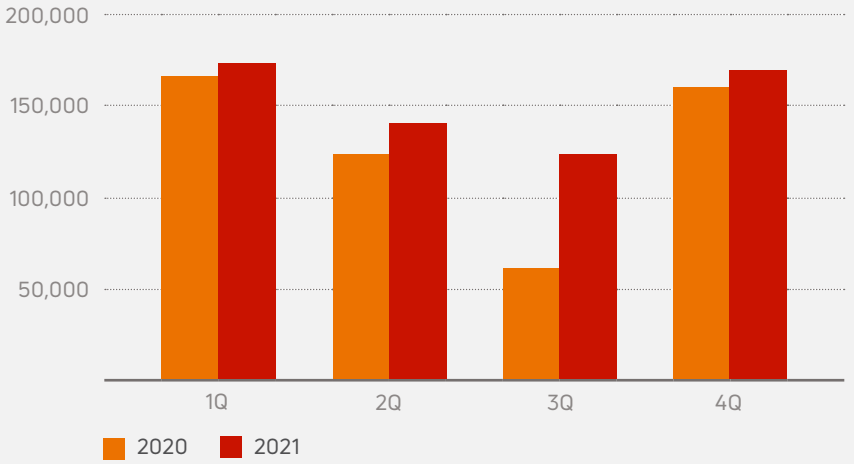
QUARTERLY ELECTRICITY PRODUCTION 2020-2021: SOLAR AND OTHER SOURCES, MWh



QUARTERLY ELECTRICITY PRODUCTION 2020-2021: COGENERATION, MWh



QUARTERLY HEAT ENERGY PRODUCTION 2020-2021: COGENERATION, MWh



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Applying predictive maintenance we ensure maximum availability in periods when the weather conditions are best for energy production.

AVAILABLITY OF PRODUCTION ASSETS

We have set ourselves very high production asset availability targets in all production segments. We make conscious efforts to make sure that our production assets would be available in periods when the weather conditions are best for energy production.

For turbines, we monitor production-based availability, i.e. we take into account any downtime, including the restrictions and impacts resulting from the weather and the environment. We are thus stricter in our calculations than turbine producers whose calculations usually do not take such impacts into account.

In the past three years, the availabilities of our wind farms have been in the range of 95.6-96.1%. Our main focus has been on improving the availabilities of our WinWind wind farms, which have been lower than average, and the work has yielded good results: last year the availability of our WinWind wind farms was 92.7%, which is their historically best result and considerably above their average level for the previous eight years.

From 2021, the only maintenance provider for our WinWind turbines is Empower 4Wind in which Enefit Green has a 40% ownership interest. The entity specialises in the servicing and repair of turbines of that type and pays specific attention to predictive maintenance, which is carried out together with our production and asset management team. Last year was successful because all faults and interruptions at all four wind farms where the WinWind technology is used were responded to quickly, the root causes were resolved, and work was efficiently and effectively organised.

The availability indicators of Enefit Green's other wind farms are higher than those achieved in WinWind wind farms, remaining in the range of 96.4-98%. In 2021, availability was slightly lower than earlier because of faults in the turbines' main components and icing of the blades.

AVAILABILITY OF ENEFIT GREEN'S PRODUCTION ASSETS IN 2019-2021

	2019	2020	2021
Total wind farms	96.0%	96.1%	95.6%
WinWind wind farms	89.5%	89.7%	92.7%
Cogeneration plants	89.6%	96.6%	96.8%
Solar farms	99.6%	99.9%	99.9%
Keila-Joa hydropower facility	97.8%	98.9%	97.8%
Ruhnu renewable energy solution	100.0%	100.0%	99.7%

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The availability of our solar farms has been above 99.6% in the past three years. Solar farms are Enefit Green´s newest production assets and we have been able to retain high availability through effective maintenance and continuous monitoring.

The availability of our cogeneration plants has also consistently improved. We are proud of our teams because in 2021 they helped us achieve recent years' highest availability: 96.8%. In terms of production assets, the availability indicators were 97% for the Iru power plant, 98.2% for the Paide power plant and 99.4% for the Valka power plant. The only incident with a major impact on the plants' availability was caused by a lightning strike at the Broceni facility.

The availability of the Keila-Joa hydropower facility is affected mainly by the inlet channel becoming blocked by ice during the winter or debris during the high-water period in spring. The operational reliability of the plant is good.

The renewable energy solution on the island of Ruhnu started to operate in autumn 2018. The availability of the solution is critically important because its operation is vital for the island's security of supply and thus the daily life of people living on the island. Last year, there was only one short-term supply interruption on Ruhnu, which was caused by a fault in the automation system of the battery bank.

WE CREATED €1.3M OF ADDED VALUE THROUGH DIGITALISATION

We strive to use the data gathered by analysts and using machine learning modules as smartly as possible. It has become an integral part of ensuring the operation of our production assets, carrying out servicing and planning predictive maintenance. Use of digital data and automated analysis enables us to improve the availability of our production assets, make more accurate projections and forecasts, increase output and implement our growth plan so that we do not need to increase our production team concurrently and proportionately to growth in the volume of assets. This helps us sustainably improve our operating efficiency.

Digital asset management provides Enefit Green with a real-time overview of the condition and operating efficiency of each production asset. Automated data processing enables us to better forecast and schedule maintenance, manage inventories, preventively replace equipment and thus avoid faults and downtime, generate reports and identify the root causes of equipment failures. It also helps us make timely management decisions and monitor the achievement of goals and targets without labour consuming and inaccurate reporting processes.

In 2021, we focused on to implement common asset management software in all home markets and to increase the benefits offered by the production monitoring software SCADA. As the last step, we are going to interface the asset management software with the financial software in 2022 in order to link technical and accounting information. The software producer is the US company Infor and the implementation partner is the Polish company Eurotronic Sp. z o.o.

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Systematic use of digital data collected from production assets in making daily production and asset management decisions yielded an estimated €1.3m of added value in 2021.

Enefit Green's target for 2025 is to increase its renewable energy production capacity more than two times compared to the current level. Our previously used production monitoring system SCADA would not have been able to meet the growing needs. We therefore analysed more than ten systems to find the best solution. Based on user friendliness, fixed costs and the total volume of data points, we chose WonderWare SCADA and signed a long-term frame agreement with Klinkmann Eesti, the official distributor of WonderWare SCADA in Estonia.

We implemented an automated notification system last year to send fault notifications and other messages. When a fault or other failure occurs in a substation, a solar or wind farm, or a cogeneration plant, production managers and key personnel will be notified by SMS and e-mail within seconds.

Improving the availability of the WinWind turbines helped us increase our electricity production in 2021 by 0.9 GWh. The year before we developed a solution for maintaining turbine availability in stormy weather in partnership with the Finnish company Wind Controller Oy, and as of today this type of turbines have less downtime.

Wind farm availability was also improved by the development of a remote restart solution at the Aulepa wind farm, which increased our annual electricity production by 0.45 GWh.

Big Data and smart solutions help us improve productivity of our wind farms

DIGITALISATION GOALS FOR 2022

Going forward in digitalisation, we are going to focus on automating our processes and increasing our analytical capabilities to obtain detailed information on a timely basis and to reduce manual work.

Main focus areas for 2022:

- Automated identification of maintenance needs and notification of the maintenance provider.
- Implementation of machine learning models for preventive maintenance of solar farms and cogeneration plants.
- Interfacing asset management software with the work orders system of the maintenance provider Empower 4Wind.
- Linking the information systems of the Broceni combined heat and power plant and pellet factory to the central information system.

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OUR GROWTH PLAN EXTENDS TO THE ENTIRE REGION

We believe that electrification is the fastest, cheapest and most sustainable way to reach a carbon-neutral way of life. Wider implementation of renewable electricity assumes that there is a sufficient supply of green electricity.

Enefit Green's goal is to quickly build new wind and solar farms in all its markets from Finland to Poland and its activities are underpinned by a clear growth plan.

We made four investment decisions in 2021: on three onshore wind farms and one solar farm. As a result of the decisions, the production capacity of the company will increase by ca 199 MW and our annual renewable electricity production will grow by around 680 GWh.

A 43 MW wind farm to be built in Šilale, Lithuania, should start operating at the beginning of 2023 and a 75 MW wind farm to be built in Akmene, Lithuania, should start producing electricity in the middle of the same year. The Tolpanvaara wind farm in Finland is scheduled for completion at the beginning of 2024.

In the development of solar energy in 2021, we were particularly active in Poland. We successfully participated in a Polish renewable energy reverse auction with the Zambrow solar farm and made an investment decision to build a solar farm with a capacity of 8.8 MW. The expected output of the Zambrow solar farm is 9.6 GWh per year and the farm should start producing energy in the second half of 2022.

To meet the target of increasing renewable energy production, we also continued work on other wind and solar farms in our development portfolio. In 2022, we want to make investment decisions on two onshore wind farms in Estonia and one in Lithuania that will have a total capacity of 260 MW. Additionally, we expect to make decisions on the construction three solar farms in Estonia and two in Poland that will have a total capacity up to 175 MW.

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OUR DEVELOPMENT PRINCIPLES

Our three key partners in developing renewable energy facilities are the state, local authorities, and the local communities. Enefit Green believes that green transition can be carried out when it becomes a matter of the heart for the entire society and people start seeing new wind and solar farms as part of the solution.

An important key to the development of renewable energy are customers that sign long-term power purchase agreements and thus provide assurance for making the investment.

All investment decisions made in 2021 for the construction of new wind farms were underpinned by the will of Eesti Energia's major customers to sign long-term power purchase agreements. Demand for carbon-neutral electricity is very high and the number of customers interested in signing long-term green power purchase agreements keeps growing.

We use the best possible technology
We consider possible future scenarios in our planning processes so that there would be no restrictions in employing the most cutting edge and best technology

We do not inflict significant adverse environmental impacts
We carry out thorough and complete environmental impact assessments in which we involve experts that have extensive local and international experience

The community is our partner
We create joint workgroups to carry out new developments, by engaging the communities and our key stakeholder groups

We find synergies across various areas
We help communities plan their green journeys personally and flexibly

We involve the best international expertise and practices
We lead the way and involve the best international partners

Market prices of electricity have been too volatile in recent years to undertake major long-term investments solely based on them. Moreover, the support measures provided for wind and solar farm developments has either decreased or disappeared completely. Therefore, in developing new projects, Enefit Green increasingly relies on long-term power purchase agreements signed with customers or participates in national renewable energy auctions in the markets where it operates.

Wind energy is suitable for large-scale production of green energy because it is cheap and its environmental impacts are small. Companies across our home markets wish to sign fixed-price power purchase agreements for terms of up to 15 years and thus to reduce their environmental footprint. For us as the developer, power purchase agreements provide assurance to make the investment because they guarantee more stable cash flow and reduce our reliance on volatile electricity prices.

Successful implementation of all development plans assumes a good working relationship with stakeholder groups. Enefit Green's team is open and solutions-oriented. We understand that the development of renewable energy gives rise to different opinions and questions. We wish to explore the possibilities of building new wind and solar farms in a constructive dialogue with local communities and thus involve them already in the early stages of our projects. In carrying out development projects, we set up taskforces to discuss topics and matters raised by stakeholders. This helps us reach the best possible result which is also beneficial for the local community.

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TOGETHER WITH THE CUSTOMERS TOWARDS A GREENER FUTURE

Solar energy is the easiest solution for those who wish to start self-producing 100% clean energy, save electricity costs and increase the value of their real estate. In recent years, solar farm technology has become more affordable and despite widespread doubts the Baltic region has proven to be an excellent place to produce solar energy.

Last year we helped Eesti Energia's household and corporate customers across all markets design and install 277 solar power plants.

We ensure a smooth process from an idea to execution within a few months and, if the customer wishes, we can also provide subsequent operation and maintenance services. The total capacity of solar solutions installed for customers has grown to 16 MW.

For nearly ten customers we are already building a solar power plant with a storage solution, which allows making maximum use of self-produced green energy, save even more on network charges and to protect oneself against interruptions in electricity supply.

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Enefit Green IPO

- Record IPO in the Baltics
- €100m in additional equity
- More than 60,000 new investors

Enefit Green

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Ringing of the opening bell 21 October 2021

We arranged the initial public offering (IPO) of the shares in Enefit Green in October 2021 to raise funds for implementing the company's growth strategy. We gave people an opportunity to invest in a greener future and participate in our growth story. The subscription period for Enefit Green shares lasted from 5 to 14 October.

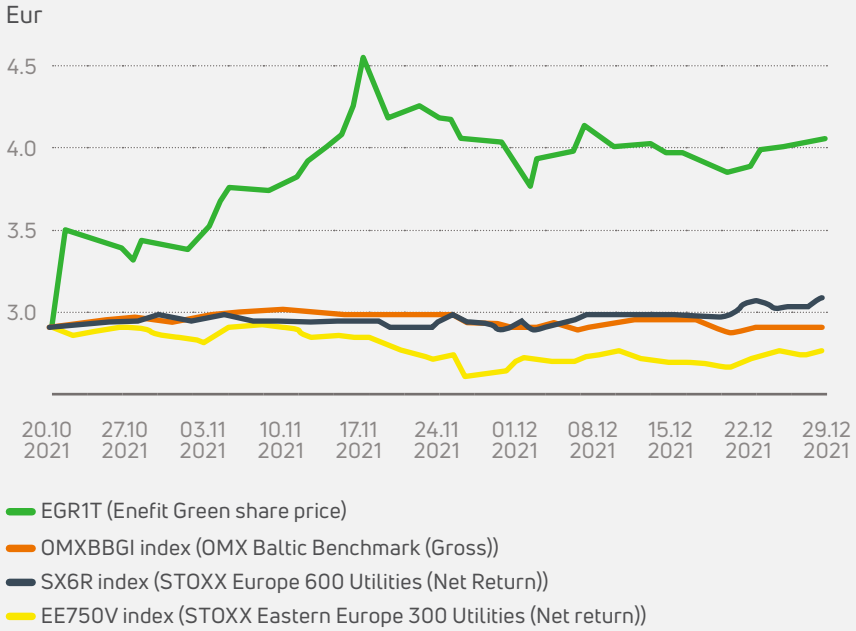
Interest in Enefit Green's IPO was exceptionally high and exceeded all expectations, making it the most successful IPO in the Baltic markets to date in terms of number of participating investors. Shares were acquired by over 60,000 investors at a price of €2.90 per share.

Gross proceeds raised through the IPO amounted to €175m of which €100m (€94.5m after expenses) was raised by selling newly issued shares.

After the IPO, the number of Enefit Green's shares is 264,276,232. In addition to 34,482,759 new shares, Enefit Green's parent Eesti Energia sold in the IPO 25,862,068 of the existing shares.

At the IPO price level of €2.90 per share, the total market value of Enefit Green's shares was €766.4m. Since listing on the Nasdaq Tallinn stock exchange on 21 October until the end of 2021, the share price grew by 39.4% to €4.044. The year-end market value of the company's shares was thus €1.069bn.

ENEFIT GREEN SHARE PRICE VS BENCHMARKS



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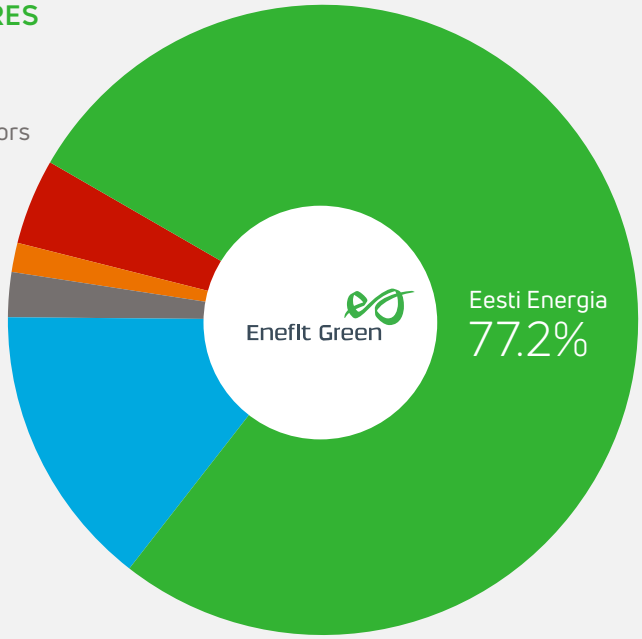
In the first months of trading, the Enefit Green share was the most active share on the Nasdaq Baltic stock exchanges both in terms of the number of trades and turnover. The rate of return on the share significantly exceeded the rates of return on the Baltic Benchmark Index as well as STOXX Europe 600 Utilities and STOXX Eastern Europe 300 Utilities indices.

Since listing on 21 October 2021 until the end of 2021, 16.74 million Enefit Green shares worth 63.8 million euros were traded on the Nasdaq Baltic Main List in 72,484 transactions. It accounted for 31% of the total Main List turnover during the period.

DISTRIBUTION OF SHARES OF ENEFIT GREEN

as of 31 December 2021



10 LARGEST SHAREHOLDERS OF ENEFIT GREEN

as of 31 December 2021

Shareholder	Shares held	Interest, %
Eesti Energia AS	203,931,405	77.17%
EBRD	4,073,277	1.54%
Nordea Bank Abp/Non-Treaty Clients	2,097,643	0.79%
SEB AB/Säästopankki Korko Plus - Sijoitusrahasto	1,862,069	0.70%
Clearstream Banking AG	1,415,464	0.54%
SEB AB/Elite Alfred Berg Eurooppa Fokus	876,896	0.33%
SEB Progressiivne Pensionifond	828,521	0.31%
Citibank (New York) / Government Of Norway	748,498	0.28%
Swedbank AB/ Swedbank Investiciju Valdymas, UAB/ Swedbank Pensija 1975-1981	683,034	0.26%
Svenska Handelsbanken Ab/Branch Operation In Finland/Clients Account	672,000	0.25%
Other (58,761 securities accounts)	47,087,425	17.82%
Total number of shares	**264,276,232**	**100.00%**

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Sustainably and Responsibly into the Future

- We value our employees
- We cooperate with and support the communities
- We consistently reduce the environmental impact of our operations

Enefit Green

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PEOPLE ARE OUR MOST VALUABLE ASSET

Enefit Green has a dedicated and talented international team. Our people's extensive renewable energy experience, professionalism and customer-centric and innovative mindset underpin the implementation of our growth strategy.

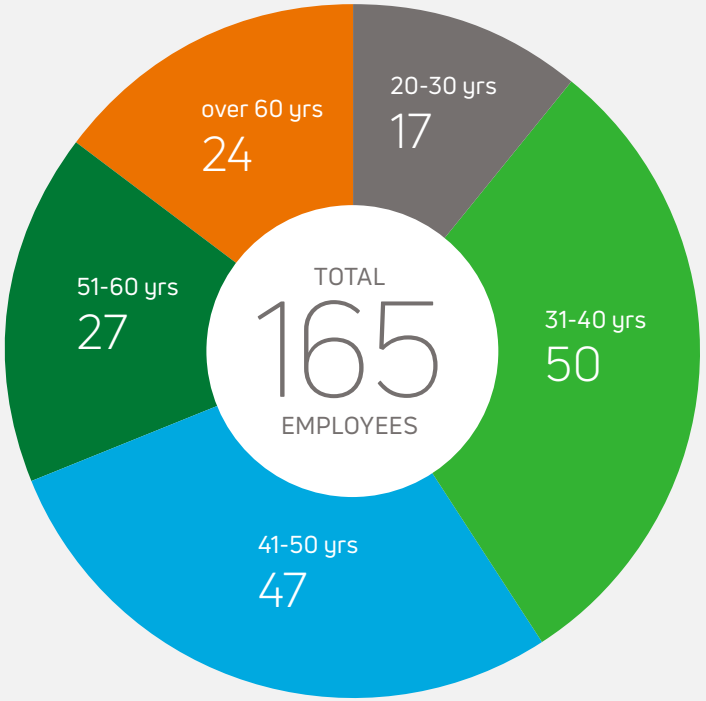
On 31 December 2021, Enefit Green had 165 employees: 139 men and 26 women. The number of executives was 27.

NUMBER OF EMPLOYEES AND PAYROLL EXPENSES

	2019	2020	2021
Number of employees	148	153	165
Payroll expenses	5,874,130	6,070,812	6,713,147

WORKFORCE BY AGE

31 Dec 2021



OUR VALUE PROPOSITION IS CENTRED ON LEARNING AND GROWTH

We invent
We are innovative, we encourage our employees to be curious and we are constantly looking for new solutions

We grow
We value our employees and inspire them to develop themselves and their careers

We initiate
Everyone has an opportunity to take responsibility and lead

We care
We help our people succeed by maintaining a supportive work environment that fosters employee wellbeing

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ENGAGED TEAM

We measure Enefit Green's employee engagement, management quality and collaboration once a year through a detailed engagement and collaboration survey. Additionally, we carry out shorter quarterly pulse surveys.

Based on the TRI*M metric, our employee engagement index for 2021 was 85, exceeding the average indicator for the global energy sector. 41% of our employees feel that they are highly engaged drivers, believe in the company's goals, and perceive the work environment as motivating and the overall satisfaction as high.

The high engagement figure is attributable to clear goals, clear growth plan, the belief that the plan can be implemented and the work that has been continuously done to develop our leaders and improve our management quality. Based on the TRI*M metric, Enefit Green's management quality index for 2021 was 84, reflecting high trust in the company's management. It also reflects that people have access to the information they require for work and they feel that their opinions count. Voluntary employee turnover was 5.8%.

Achievement of common goals is facilitated by the performance management system. It assures that the company's strategic goals are communicated to each team and employee and expected results are clearly agreed and measurable. Employees are eligible to an annual or a monthly performance pay scheme, which takes into account the achievement of agreed goals.

At the end of each financial year, we recognise our best employees based on the results achieved and values-based behaviour. We together select the nominees for the persons and the deeds of the year

Our team is strengthened by regular team events and seminars

LIFELONG LEARNING

We believe that the execution of both our daily production operations and ambitious growth plan requires a professional and committed team. According to different discussions and internal surveys, Enefit Green's employees appreciate development and career opportunities, a competitive salary and meaningful work the most.

To enable our employees to give their best on a daily basis and to unlock their full potential, we support them with diverse learning opportunities.

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We organised over 100 training sessions in 2021 to offer our employees development and career opportunities. Enefit Green values and supports in-house knowledge and experience sharing. More than ten employees regularly act as instructors and/or internal trainers.

In 2021 we implemented Coursy – a new e-learning environment aimed at offering an even wider and more exciting range of study opportunities. The purpose of the new portal is to enable everyone to learn and gain new knowledge at the time, place and pace that suit them best.

All employees had to pass an ethics and a cyber awareness course in the new e-learning environment. The ethics course used illustrative cases to highlight ethical dilemmas that we may encounter. It also provided an opportunity to test how we would act in certain work-related situations and to gain insights into our corporate principles and values.

Awesome people is our dearest asset

The cybersecurity course reminded us of patterns of behaviour which help protect both corporate and personal property against malicious cyberattacks or damage caused by ignorance. Employees could also take e-courses on the GROW model, best meeting practices, and how to be an energy hero

BUILDING A TALENT PIPELINE

We acknowledge that the development of renewable energy creates the need for talented young people who are eager to create new solutions and not afraid to voice their opinion. Our mission is to attract, retain and develop exceptional people with the required knowledge, skills and mindset.

To attract new talent, we introduce the production and development renewable energy at secondary schools, participate in student fairs and career days, and offer internship opportunities to students. For three years already we have also been giving out scholarships to students. In 2021, one scholarship was granted to a young student.

Providing internship opportunities is a cornerstone of our strategy for attracting future talent. Every year we welcome IT, engineering, and analytics students to gain valuable experience at our company. Seven students did their internship with us in 2021.

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WE MAKE A POSITIVE IMPACT ON SOCIETY

Our responsibility extends beyond the production of renewable energy. We invest in the development of the regions where we operate or where we wish to develop renewable energy. We think and act to inspire young people to participate in building a greener future. We contribute to the development of renewable energy together with industry and professional associations.

Enefit Green is a member of the following organisations:

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

WE VALUE COMMUNITIES

The need to increase the production of renewable energy has brought to the fore the need for a local (community) benefits model, which would motivate local authorities and communities to work with wind farm developers. The Ministry of Economics and Communications has started to draft relevant regulation for Estonia.

Enefit Green believes that the local community should benefit from development projects in its area. Accordingly, we support the development of regions in the immediate vicinity of the wind farms we have built in Estonia and Lithuania.

In Estonia, we have been contributing to the wellbeing of people living near our wind farms through non-profit associations set up together with local authorities for years already. In 2021, support provided to local projects through non-profit associations in Estonia amounted to €148,656. In Lithuania, we have signed agreements with local authorities under which we supported local communities with €130,538.

People from Paikuse and Tori are visiting Paldiski Wind Farm

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We also consider the interests of local communities in the development of new wind and solar farms. We believe that a cleaner future can only be created in partnership. Therefore, we consider it important to consult local people. To resolve issues relevant to the community, in development stage we set up joint taskforces to regularly discuss topics and questions that may arise within the community during the planning process. Collaboration yields the best possible results.

We arrange wind farm tours for the people of the host communities where we introduce the turbine technology and provide an opportunity to get a wind farm experience and assess the visual impact of the turbines from various distances. In 2021, we took the people of Paikuse, Tori and Saarde communities to a tour of the Paldiski wind farm.

For years we have helped the Paldiski Association of Entrepreneurs organise the conference Another Kind of Paldiski, which is aimed at the attraction of industrial investments and the development of entrepreneurship in the city of Paldiski. Last year's conference was focused on green technologies and sought solutions that would help speed up their implementation.

Conference Another Kind of Paldiski promoted adoption of green technologies

WE INSPIRE WITH AN EXCITING WORLD OF ENERGY

The energy sector and green transition require an increasing number of new engineering talent that would take projects from an idea to execution. We need to attract young people to make sure that the development of renewable energy will continue for coming years.

We work with higher and vocational education institutions to have future employees and to help improve the study process.

Our employees act as visiting lecturers at schools and universities where they share their professional expertise and stories. We invite students to our production entities and hold doors open days to show how our processes function. Although the precautionary measures implemented due to COVID-19 limited the options for physical meetings, our people gave five lectures and organised ten study trips to our production facilities in 2021.

The construction and operation of renewable energy production capacities is going to provide permanent employment for several hundred people. We see that green transition in the energy sector requires new skills and competencies – both qualified technical experts who would develop renewable energy entities as well as graduates from vocational schools who would ensure the availability of renewable energy facilities. We are working with the Estonian Wind Power Association, education institutions and other companies to find ways to develop and finance study programmes relevant to the energy sector.

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WE LEAD BY EXAMPLE

We feel it is important to increase young people's awareness of the need to sort waste as well as the potential value of sorted waste. Schools are an ideal place to arouse interest and to provide practical instruction and experience in waste management. The insights gained at school are put to use and shared at home.

We helped set up 37 waste sorting stations for all schools on the island of Hiiumaa in a project carried out in summer 2021 in partnership with the Estonian Circular Economy Industries Association. The pupils and staff of all schools on the island can now sort municipal waste into four: packaging waste, biodegradable waste, paper and cardboard waste, and mixed municipal waste. The project included providing instruction to all involved in why and how to sort municipal waste.

Schools in Hiiumaa got 37 waste sorting stations

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TAX FOOTPRINT

Our tax footprint reflects how we contribute to society through the taxes we pay.

In our activities, we observe a tax risk management policy according to which we:

- fulfil all our obligations under tax laws and regulations;
- conduct all transactions at market prices and document them in accordance with relevant requirements;
- assess the tax consequences of new projects on Enefit Green's tax liabilities;
- maintain open and trust-based relations with the tax authorities; and
- involve external advisers in projects where we lack in-house tax-technical competencies.

OUR TAX FOOTPRINT

In disclosing our tax footprint, we present an overview of taxes paid by taxes and countries.

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

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

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

In 2021, taxes borne and collected by us totalled €3,553k and €7,754k, respectively. The group's total tax footprint was thus €11,307k.

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TAX PAYMENTS BY ENEFIT GREEN GROUP*

€ thousand

	Estonia 2021	Estonia 2020	Latvia 2021	Latvia 2020	Lithuania 2021	Lithuania 2020	Poland 2021	Poland 2020	Total 2021	Total 2020
TAXES BORNE										
Payroll taxes borne by the employer	1,091	982	279	81	8	7	0	0	1,378	1,070
Environmental charges	259	226	23	9	7	0	0	0	289	235
Corporate income tax	14	18	24	0	1,099	156	36	32	1,173	207
Customs VAT	0	0	0	0	1	0	0	0	1	0
Land tax, Real Estate Tax	61	58	3	1	608	619	40	41	713	719
Total taxes borne	**1,425**	**1,284**	**329**	**91**	**1,722**	**782**	**77**	**73**	**3,553**	**2,230**
TAXES COLLECTED										
Excise taxes	98	335	2	2	0	0	0	0	100	337
Employee's payroll taxes	759	687	337	98	196	162	7	5	1,299	952
VAT (balance i.e. Sales VAT minus VAT on purchases)	78	4,902	255	507	5,775	6,853	247	105	6,355	12,366
Total taxes collected	**935**	**5,923**	**594**	**607**	**5,971**	**7,015**	**254**	**110**	**7,754**	**13,655**
Total taxes	**2,360**	**7,207**	**922**	**698**	**7,694**	**7,797**	**331**	**183**	**11,307**	**15,885**

* reported on a cash basis

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SMALLER ENVIRONMENTAL FOOTPRINT

We are responsible for more than the production of renewable energy. We wish to build a cleaner environment and to contribute to the reduction of the carbon footprint through the way we operate.

In our operations and decision-making, we observe the European Union's environmental policy and the legislation of the host countries as well as applicable international standards. We avoid polluting the environment and strive to reduce the environmental impacts of our activities.

SYSTEMATIC AND COMPREHENSIVE APPROACH

Environmental management is part of Enefit Green's overall management – we take a comprehensive approach to environmental matters and regard adherence to environmental principles and policies as an integral element of our daily activities.

We apply a certified environmental management system that complies with ISO 14 001 in our production units across our home markets. At the Iru power plant, we have additionally implemented an environmental management system that complies with the EU Eco-Management and Audit Scheme (EMAS) and the facility has also been EMAS registered. We consistently review and improve our environmental management systems.

We are committed to continuously improving our environmental performance indicators and observe applicable environmental guidelines adopted by the Eesti Energia group:

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

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IMPORTANT ENVIRONMENTAL INDICATORS

		2019	2020	2021
RESOURCES USED	**unit**			
Biomass	thousand t	387	377	361
Incl. for pellet production	thousand t	278	267	252
Municipal waste	thousand m^3	216	242	237
Biogas	thousand m^3	0	233	0
Natural gas	thousand t	10,338	3,996	1,590
Fuel oil	thousand m^3	0.057	0	0
Groundwater	thousand m^3	130	131	112
Surface water*	thousand m^3	785	785	236

* Iru power plant produced a significant part of its energy in cogeneration mode, which reduced the use of surface water for cooling purposes. In addition, the reuse of cooling water was increased.

EMISSIONS TO AIR**	**unit**			
CO_2, fossil	thousand t	127	137	142
SO_2	thousand t	0.033	0.034	0.042
NO_x	thousand t	0.326	0.354	0.341
Particulates	thousand t	0.174	0.171	0.136
CO_2, biogenic***	thousand t	81	82	84

** Slight growth in emissions is attributable to growth in production volumes.
*** Biogenic CO_2 is related to the natural carbon cycle and is generally considered carbon-neutral from the climate point of view.

SOLID WASTE	**unit**			
Wood ash, used as fertilizer	thousand t	2.90	2.99	2.84
Bottom ash, from incineration of waste	thousand t	49.41	58.76	64.20
Fly ash, from incineration of waste	thousand t	3.60	3.72	3.69

ENVIRONMENTAL CHARGES	**unit**			
Resource charges	€ thousand	7.99	8.57	7.22
Pollution charges	€ thousand	233.06	236.30	281.88

Maintenance work in Aulepa Wind Farm

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COMPLIANCE OF ENEFIT GREEN'S ACTIVITIES WITH THE EUROPEAN UNION'S TAXONOMY SUSTAINABILITY CRITERIA

As one of the leading diversified renewable energy producers in the Baltic Sea region, we understand our role in reaching a carbon-neutral way of life.

To expand cleaner energy production, we develop onshore and offshore wind farms as well as solar farms along with storage systems in markets from Finland to Poland. We also help offer customers useful and sustainable end-to-end turnkey solutions.

At the end of 2021, most of our production units met the sustainability criteria set out in the EU taxonomy by contributing either to climate change mitigation or adaptation. Exceptions include all cogeneration plants. In 2021, the share of sustainable activities in compliance with EU taxonomy was 58.4%, 55.7% and 96.7% of Enefit Green's consolidated sales revenue, operating expenses and investments respectively

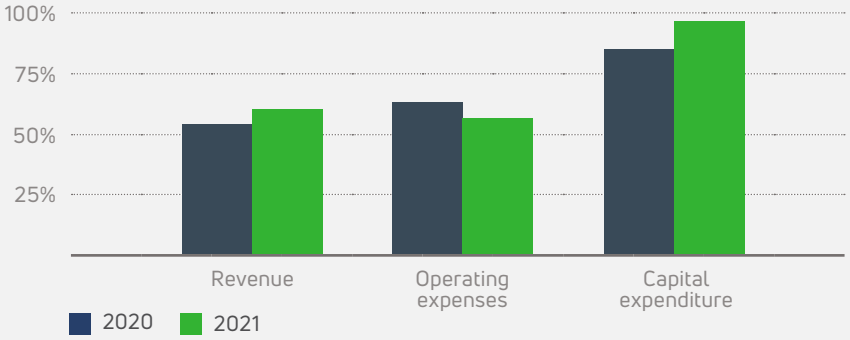
We are going to develop a methodology to account for the greenhouse gas (GHG) emissions resulting from the operations of Enefit Green in accordance with the internationally recognised GHG Protocol Corporate Accounting and Reporting Standard. The standard covers the accounting for carbon dioxide as well as other GHG emissions.

THE INDICATORS OF ENEFIT GREEN ACTIVITIES CLASSIFIED AS SUSTAINABLE UNDER EU TAXONOMY

€k

	2020	2021	Change, %
Revenue	62,623	89,422	42.8%
Operating expenses	54,084	55,907	3.4%
Capital expenditure	11,887	74,254	524.7%

SHARE OF ACTIVITIES CLASSIFIED AS SUSTAINABLE



WE CONSISTENTLY REDUCE POLLUTION

The main emissions to air that result from the activities of Enefit Green are carbon dioxide (CO_2), sulphur compounds (SO_2), nitrogen compounds (NO_x), carbon monoxide (CO), volatile organic compounds (VOCs), ammonia (NH_3) and particulate matter (PMsum), which are emitted by our fuel-burning power plants: the Iru, Paide and Valka power plants and the Broceni cogeneration facility.

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We discharge our power plants' industrial wastewater and cooling water as well as municipal wastewater and industrial effluent into the public sewerage system operated by the water undertaking providing the service.

The maximum permitted levels (limit values) for pollutants resulting from our activities are outlined in our environmental permits.
To not exceed the permitted levels, we monitor pollutant levels in surface water, groundwater and ambient air either continuously or intermittently or using calculations-based methods. Environmental monitoring results are used to prepare reports on emissions to the environment and on use of the environment, which are regularly submitted to the Environmental Board.

Environmental supervision agencies have not registered any breaches of environmental permits issued to Enefit Green. Nor have any instances of noncompliance with permits been detected during regular reviews of our activities under the environmental permits.

WE USE NATURAL RESOURCES SUSTAINABLY

We utilise natural resources sustainably. We use water and biomass in production operations efficiently and observe the limit values fixed in the environmental permits issued by the Environmental Board. We also seek technological options for reducing the use of natural resources.

At the Paide and Valka power plants and the Broceni combined heat and power plant, we use renewable fuel: wood chips and bark. The burning of the latter does not cause fossil carbon dioxide emissions, which would be more harmful to climate, because of adding carbon to the carbon cycle. Biogenic carbon dioxide emitted by combustion of biomass is already circulating in the carbon cycle and is presumably captured in the growth process of new biomass.

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The Broceni pellet factory operates in conformity with the Sustainable Biomass Partnership (SBP) certificate. The SBP certification system is designed to provide assurance that biomass is sourced from legal and sustainable sources, the wood chip and pellet supply chain is environmentally friendly and socially responsible, and pellets are produced sustainably.

We meet the industrial and cooling water needs of our burning equipment with water supplied by the public water system or, where possible, groundwater supplied by the bored wells operated by our own facilities and surface water obtained from natural water bodies. The Iru power plant uses surface water obtained from the Pirita river for industrial and cooling purposes as well as for firefighting when necessary. The Valka and Broceni power plants use groundwater for cooling purposes.

WE PROTECT THE ENVIRONMENT

Modern energy production is increasingly more decentralised, closer to people's everyday activities and inevitably more visible. Renewable energy can only be produced with the support of the local communities. We believe that by skilful planning it is possible to minimise the environmental and community impacts of new renewable energy development projects and effectively integrate new wind and solar farms into the living environment.

In planning developments, we always observe the principles of environmental sustainability. We do not plan installations in landscapes and nature protection and conservation areas, the habitats of protected species and eco-sensitive zones or ecologically fragile areas, and we avoid affecting the migration conditions and habitats of wild birds and animals.

We develop wind farms consistent with national strategic plans as well as established planning requirements and principles. In developing new solar and wind farms, we assess each project's possible environmental and human impacts. We also analyse the potential wider impact on the community. As part of the planning process, we carry out a thorough environmental impact assessment by which we identify significant environmental impacts and ways for their mitigation.

Where necessary, we apply measures that reduce the environmental impact such as changing the location of the turbines, partially restricting working time, using lighting solutions, etc. When required, we carry out monitoring of wild birds and bats to obtain data on the effects on species and we are prepared to respond to changes taking place in nature.

We systematically develop renewable energy awareness by communicating with the public. In October, we participated actively in organising Eesti Energia's Environment Day to improve public understanding of renewable energy development.

We follow the principles of nature protection and environmental sustainability in our other activities as well. For example, at the Keila-Joa hydropower facility we monitor the level and flow of surface water to maintain the ecological state of the river. Accordingly, when water flow in the river decreases below the ecological minimum, we reduce electricity production. We additionally restrict the operation of the hydropower facility to increase the attractiveness of the Keila-Joa waterfall for nature tourism purposes, when necessary. Since the Keila-Joa hydropower facility is also an architectural monument, we take particular care of the building and its surroundings.

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WE REDUCE LANDFILLING OF WASTE

We promote and support waste recovery and recycling in order to reduce the amount of municipal waste that is landfilled and stored in Estonia. We use municipal waste that cannot be recycled to produce electricity and heat by using environmentally sustainable technology at our Iru power plant. We can sell the heat generated by the plant's waste-to-energy unit to the district heating provider of the city of Tallinn at the lowest price in the market.

Iru waste-to-energy unit can produce heat and electricity from up to 260,000 tonnes of municipal waste per year. Largely due to the Iru facility, Estonia has been able to discontinue large-scale landfilling of municipal waste. The environmental impact of using municipal waste to produce heat and electricity is hundreds of times smaller than that of landfilling where waste decomposes and emits pollutants for decades.

Enefit Green is a member of the Estonian Circular Economy Industries Association where we participate in making decisions that support the development and the future of circular economy. In September, we took part in the Circular Economy Day organised by the association to discuss the topics of circular economy business models, investments, innovation, responsibility and collaboration with communities

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Corporate Governance

- We fully comply with the rules of Corporate Governance Recommendations
- Two new independent members of the supervisory board
- Establishment of the Audit Committee

Enefit Green

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GOVERNANCE PRINCIPLES

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

As a public company listed on the Nasdaq Tallinn stock exchange, Enefit Green applies the best governance practices. Besides the requirements of the Estonian Commercial Code, the company observes the guidance provided in the Corporate Governance Recommendations promulgated by the Estonian Financial Supervision and Resolution Authority and the rules set for listed companies.

Enefit Green's governance principles are aligned with its strategy and values as well as the expectation of its shareholders.

Eesti Energia whose sole shareholder is the Republic of Estonia, has a 77.2% ownership interest in Enefit Green. Accordingly, Enefit Green is also subject to certain governance-related provisions of the Estonian State Assets Act.

We set the company's strategic goals for a period of five years and update them annually. We have adopted key performance indicators (KPIs) for strategic goals, which are used to continuously assess whether we are on track towards meeting these goals. The KPIs include EBITDA, the availability of wind farms and cogeneration plants, EBITDA earned on new services, lost time injury frequency rate (LTIFR), the collaboration index and management quality.

In order to achieve the goals set, managers engage and motivate the staff consistent with our values and management principles. We keep our employees informed about the organisation's goals and their achievement. We make sure that our people have a safe work environment and high work ethic. We pay our employees a competitive salary and notice and recognise them.

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

CODE OF ETHICS

Enefit Green has adopted the Code of Ethics of the Eesti Energia group which states, among other things, that the our organisation culture is free of any discrimination, harassment, abuse or other inappropriate behaviour. All employees are treated fairly and equitably regardless of their ethnicity, age, race, gender, language, origin, skin colour, religion, disability, sexual orientation, or political or other beliefs. All staff passed an online ethics course in 2021.

Enefit Green has considered that it is not necessary to apply additional diversity policy in addition to the relevant provisions of the Code of Ethics. When selecting our employees and managers we always do that with the best interests of Enefit Green in our mind. Our personnel selection process is gender-neutral and non-discriminatory and is focused on person's education, skills and previous experience and, where applicable, compliance with legal requirements

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AVOIDING CONFLICTS OF INTEREST

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

Transactions with the members of the management board, the members of the supervisory board, and parties related to them are disclosed in the financial statements. All transactions that have been performed have been conducted in the ordinary course of business and on an arm's length basis (on terms equal to those offered to unrelated parties).

Where there has been risk of a conflict of interest, the exposed person has refrained from discussing, and adopting resolutions on, the relevant agenda item.

ORGANISATIONAL STRUCTURE AND GOVERNING BODIES

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

GENERAL MEETING

Enefit Green's highest governing body is the general meeting, which decides (among other matters):

- the establishment and acquisition of new companies;
- the liquidation of existing companies;
- the appointment and removal of members of the supervisory board;
- major investments;
- the appointment of the auditor;
- the approval of the results of the financial year;
- the approval of the bases and principles for providing, and making significant changes to, the remuneration and work-related benefits of the members of the management board, including their termination, pension and other benefits;
- whether the actual remuneration provided to the members of the management board is consistent with the adopted remuneration principles;
- the approval of significant transactions (as defined in the Rules and Regulations of the Nasdaq Tallinn stock exchange) with related parties (as defined in the Rules and Regulations of the Nasdaq Tallinn stock exchange) in the cases outlined in the Rules and Regulations of the Nasdaq Tallinn stock exchange;
- the approval of transactions which need to be submitted for approval to the general meeting in accordance with the Rules and Regulations of the Nasdaq Tallinn stock exchange;

To change the articles of association the general meeting follows the requirements of the Estonian Commercial Code. A minimum of two thirds

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of votes present on the general meeting are required to approve a change to the articles of association. The annual general meeting takes place once a year, within six months after the end of the group's financial year, at the time and in the place determined by the management board.

SUPERVISORY BOARD

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

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

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

At 1 January 2021, the members of the supervisory board of Enefit Green were Hando Sutter (chairman), Andri Avila, Raine Pajo and Margus Vals. The term of office of that composition of the supervisory board expired on 20 October 2021. The new supervisory board elected by the general meeting, which took office on 21 October 2021, comprises Hando Sutter, Andri Avila, Raine Pajo, Erkki Raasuke and Anne Sulling. The latter two are independent in the meaning of the Corporate Governance Recommendations.

The term of office of the current members of the supervisory board lasts until 21 October 2024.

The supervisory board is headed by a chairman. The current chairman of the supervisory board is Hando Sutter who was elected to office by the first meeting of the new supervisory board that convened on 22 October 2021.

Consistent with the resolution of the sole shareholder dated 14 October 2021, the remuneration of the independent members of the supervisory board is €1k per month. Other members of the supervisory board are not remunerated. The remuneration provided to the members of the supervisory board in 2021 is set out in the table below.

As a rule, the supervisory board meets once a month, except during the summer months. The supervisory board had 48 meetings in 2021: three of them after the election of a new supervisory board and the listing of Enefit Green's shares on the stock exchange.

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MANAGEMENT BOARD

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

The chairman of the management board is appointed by the supervisory board. Members of the management board are approved by the supervisory board based on the proposal made by the chairman of the management board. Supervisory board can recall any member of the management board. Member of the management board may resign from the management board (for any reason) by notifying the supervisory board. The composition of the management board of Enefit Green did not change in 2021, comprising at the year-end the chairman Aavo Kärmas and the members Veiko Räim, Innar Kaasik and Linas Sabaliauskas. The term of office of the current members of the management board lasts until 24 September 2024.

None of the members of the management board is a member of the management board or the chairman of the supervisory board of any other listed company.

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

AUDIT COMMITTEE AND INTERNAL CONTROL

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

On 22 October 2021, the supervisory board appointed Anne Sulling, Erkki Raasuke and Raine Pajo as members of the audit committee. The members of the audit committee elected Erkki Raasuke as chairman of the audit committee. Anne Sulling and Erkki Raasuke meet the independence requirement as defined in the Corporate Governance Recommendations.

The audit committee meets according to an agreed schedule at least once a quarter. In 2021, the committee had four meetings which were

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attended by all members of the committee. The audit committee submits its report to the supervisory board once a year, before the approval of the annual report by the supervisory board.

The rates of the remuneration of the independent members of the audit committee were established by the supervisory board on 22 October 2021. The rate of the remuneration of the chairman of the audit committee is €500 per meeting and the rate of the remuneration of a member of the audit committee is €250 per meeting. When a member does not attend a meeting, the member does not receive remuneration for the meeting in question. The remuneration provided to the members of the audit committee for participation in the work of the committee is disclosed on the next page.

Until the listing of Enefit Green's shares on the stock exchange, internal audits at Enefit Green were carried out by the internal audit unit of Eesti Energia based on the plans approved by the audit committee of Eesti Energia.

On 5 November 2021, the audit committee of Enefit Green decided to set up a position of an internal auditor at Enefit Green and the position was filled as of 1 January 2022.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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

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SUPERVISORY BOARD

At 31 December 2021

HANDO SUTTER

Chairman of the Supervisory Board

Commencement of term of office:
04.09.2017
Expiry of term of office:
21.10.2024

Number of Enefit Green's shares held by the member of the supervisory board:
2,440
Number of shares held by persons closely associated with the member of the supervisory board:
3,000

ANDRI AVILA

Member of the Supervisory Board

Commencement of term of office:
04.09.2017
Expiry of term of office:
21.10.2024

Number of Enefit Green's shares held by the member of the supervisory board:
2,715

RAINE PAJO

Member of the Supervisory Board

Commencement of term of office:
01.01.2021
Expiry of term of office:
21.10.2024

Number of Enefit Green's shares held by the member of the supervisory board:
2,621

ERKKI RAASUKE

Member of the Supervisory Board (independent)

Commencement of term of office:
21.10.2021
Expiry of term of office:
21.10.2024

Number of Enefit Green's shares held by the member of the supervisory board:
31,849
Number of shares held by persons closely associated with the member of the supervisory board:
9,359
Remuneration paid to the member of the supervisory board in 2021:
2,333 €

ANNE SULLING

Member of the Supervisory Board (independent)

Commencement of term of office:
21.10.2021
Expiry of term of office:
21.10.2024

Number of Enefit Green's shares held by the member of the supervisory board:
–
Number of shares held by persons closely associated with the member of the supervisory board:
1,275
Remuneration paid to the member of the supervisory board in 2021:
2,333 €

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MANAGEMENT BOARD

At 31 December 2021

AAVO KÄRMAS

Chairman of the Management Board

Commencement of term of office:
05.07.2017

Expiry of term of office:
24.09.2024

Number of Enefit Green's shares held by the member of the management board:
5,555

PREVIOUS POSITIONS HELD

- Omniva (Eesti Post), Chairman of the Management Board and CEO
- Eesti Post, Member of the Management Board
- Viljandi Aken ja Uks AS, Various executive positions

EDUCATION

- Tallinn University of Technology, Public Administration

INNAR KAASIK

Member of the Management Board

Commencement of term of office:
31.08.2012

Expiry of term of office:
24.09.2024

Number of Enefit Green's shares held by the member of the management board:
2,064

Number of shares held by persons closely associated with the member of the management board:
2,000

PREVIOUS POSITIONS HELD

- Enefit Taastuvenergia, Member of the Management Board and CEO
- Eesti Energia , CEO of Renewable Energy and Small Cogeneration Business Unit
- Elektrilevi, Member of the Management Board responsible for asset management, Head of Network Management Department
- Elering, Project Manager

EDUCATION

- Tallinn University of Technology Electrical Power Engineering
- Tallinn University of Technology Business Administration

VEIKO RÄIM

Member of the Management Board

Commencement of term of office:
23.10.2017

Expiry of term of office:
24.09.2024

Number of Enefit Green's shares held by the member of the management board:
2,064

Number of shares held by persons closely associated with the member of the management board:
1,000

PREVIOUS POSITIONS HELD

- Eesti Energia, Energy Trading Director
- Eesti Energia, Head of Financing and Investor Relations
- SEB Enskilda, Member of Corporate Finance Team
- Dresdner Kleinwort Wasserstein, Analyst

EDUCATION

- London Business School, Further studies
- Stockholm School of Economics, Finance
- Stockholm School of Economics in Riga, Economics and Business Administration

LINAS SABALIAUSKAS

Member of the Management Board

Commencement of term of office:
01.01.2019

Expiry of term of office:
24.09.2024

Number of Enefit Green's shares held by the member of the management board:
2,064

PREVIOUS POSITIONS HELD

- Koncernas Achemos Grupė, Assistant Director
- Renerga, Chairman of the Management Board
- Renerga, Assistant Director
- Renerga, Hydropower Plant Engineer
- Jonavos Hidrotechnika, Junior Construction Site Manager
- Hidroprojektas, Junior Industrial Designer

EDUCATION

- Aleksandras Stulginskis University, Construction Technology and Management
- Aleksandras Stulginskis University, Rural Civil Engineering

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AUDIT COMMITTEE

At 31 December 2021

ERKKI RAASUKE
Chairman of the
Audit Committee

Appointed:
22.10.2021
Remuneration paid to
the member of the committee
in 2021:
1,000 €

RAINE PAJO
Member of the
Audit Committee

Appointed:
22.10.2021

ANNE SULLING
Member of the
Audit Committee

Appointed:
22.10.2021
Remuneration paid to
the member of the committee
in 2021:
1,000 €

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REMUNERATION REPORT

The report on the remuneration of the management board of Enefit Green complies with The principles of remunerating members of the management board, which was approved by the supervisory board on 10 September 2021 and by the general meeting on 14 September 2021, and the provisions of the Estonian Securities Market Act.

In 2021, Linas Sabaliauskas was paid additional remuneration of €68,522 for the management of Enefit Green's subsidiaries domiciled in Lithuania. Other members of the management board did not receive remuneration from other entities of the Enefit Green group.

The remuneration provided to the members of the management board in 2021 complies with the remuneration principles, which are linked to the achievement of Enefit Green's long-term strategic goals through the retention of highly qualified and results-oriented members of the management board. The total amount of payments made is reasonable in view of the responsibilities of the members of the management board and the financial position and performance of Enefit Green.

The amount of performance-related pay depends on the achievement of the goals set for the financial year. The specific annual goals, the performance criteria (financial and non-financial criteria like EBITDA, availability of production assets, management index, implementation of development projects) and the weights reflecting Enefit Green's strategy and annual plan for the next financial year for the chairman of the management board are approved by the supervisory board and for other members of the management board are approved by the chairman of the management board. The goals, performance criteria and weights are set taking into account Enefit Green's business and risk strategy and the long-term interests of Enefit Green and its shareholders. The supervisory board assesses the meeting of the goals set after the end of the financial year. The maximum amount of performance-related remuneration for a year is fourfold one month's basic remuneration (effective at the end of the year).

The members of the management board have not been granted or offered share options. The company did not exercise the right of recovery of performance-related remuneration in 2021. No exceptions were made in the application of adopted remuneration principles in 2021.

REMUNERATION PROVIDED TO THE MEMBERS OF THE MANAGEMENT BOARD OF ENEFIT GREEN IN 2021

Name	Position	Basic remuneration (€)	Performance-related remuneration* (€)	Total remuneration (€)	Proportion of performance-related remuneration (%)
Aavo Kärmas	Chairman of the Management Board	126,000	42,000	168,000	25.0
Veiko Räim	Member of the Management Board, CFO	102,000	34,000	136,000	25.0
Innar Kaasik	Member of the Management Board, COO	102,257	34,000	136,257	25.0
Linas Sabaliauskas	Member of the Management Board, CDO	75,900	34,000**	109,900	30.9

* The performance-related remuneration according to the supervisory board decision from 25 February 2022 (based on 2021 results).
** As a result of the increase in the basic remuneration during 2021, Linas Sabaliauskas' performance-related remuneration is in accordance with the stated limit (maximum of fourfold one month's basic remuneration effective at the end of the year).

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COMPARISON OF EBITDA AS THE MAIN KPI AND THE REMUNERATION OF THE MANAGEMENT BOARD AND FULL-TIME EMPLOYEES

	2017	2018	2019	2020	2021
EBITDA (€m)	33.9	40.3	90.3	110.2	121.5
Change (%)		*18.9*	*124.1*	*22.0*	*10.3*
EBITDA per full-time employee (€k/p.a.)	389.2	441.9	626.2	717.9	750.9
Change (%)		*13.5*	*41.7*	*14.6*	*4.6*
Number of full-time employees (average)	87.1	91.2	144.2	153.5	161.8
Of which number of members of the management board (average)	2.5	3.0	4.0	4.0	4.0
Basic and additional remuneration, bonuses, vacation pay (€k/p.a.)	1,745.8	3,385.3	4,487.6	4,669.2	5,231.5
Of which remuneration of members of the management board (€k/p.a.)	156.2	291.4	388.8	390.6	550.2
Average remuneration of full-time employees (excl. management board) (€k/p.a.)	18.8	35.1	29.2	28.6	29.7
Change (%)		*86.7*	*-16.7*	*-2.1*	*3.7*
Average remuneration of members of the management board) (€k/p.a.)	62.5	97.1	97.2	97.7	137.6
Change (%)		*55.5*	*0.1*	*0.5*	*40.9*

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Risk Management

- Focus on hedging the price risk of new development projects
- ISO 45001:2018 certification
- Zero accidents with lost working time in 2021

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

Risk management is aligned with shareholder expectations and the group's strategic goals. It is underpinned by uniform principles, systematic, consistent, transparent and up-to-date. Risk management measures are preventive by nature and developed and adjusted consistent with changes in the group's strategy, operations and organisation structure.

The objectives of risk management are to support the development and implementation of the strategy, to help achieve financial and operational goals, to identify potential opportunities, and to prevent undesirable events.

The group has risk management and control systems in place, which assure that strategic goals will be achieved, the risks inherent in and affecting our operations will be identified and assessed, and losses will be prevented.

We use the information, analyses and expert opinions collected for risk management to set the group's strategic goals and to plan the activities aimed at their achievement. We perform forward-looking analyses of the planned strategy, the risks which may affect the achievement strategic goals and related risk exposures.

To make sure that our risk management activities are effective and to prevent realisation of risks, we regularly and systematically collect information about risk realisation, threats of risk realisation, and incidents. The information is used to carry out improvements and thereby lower the probability of the recurrence of similar events and their future impacts.

Internal control and risk management systems relate to financial reporting process to ensure the group's unified and reliable financial performance reporting that is consistent with applicable laws and regulations and approved accounting and reporting principles.

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MARKET AND FINANCIAL RISKS

We define market risk as the risk that the values of the group's assets or liabilities or the amount of income it earns on its assets and services will fluctuate because of market developments (changes in demand or the prices of products and services).

A significant market risk is price risk inherent in the sale of electricity. A +/- 1 €/MWh change in the average realised market price of electricity would have had a +/- €750.2k impact on the group's profit before tax for 2021 (2020: +/- €818.8k).

An important factor in mitigating the price risk associated with the sale of electricity is renewable energy support, which is paid to Enefit Green in accordance with the laws and regulations of the markets where it operates and which lowers the impacts of variability in market prices. 20% of Enefit Green's expected electricity production in 2022-2025 is covered with fixed-price support measures at an average price of 81.9 €/MWh. Depending on the market, these measures take the form of Feed-in Tariff (FiT) or Contracts for Difference (CfD).

Part of the electricity produced by Enefit Green's production units in Estonia receives renewable energy support, which is paid in addition to the sales price of electricity (Feed-in-Premium, FiP). 22% of Enefit Green's expected electricity production in 2022-2025 is covered with FiP support measures at an average FiP rate of 50.2 €/MWh.

Enefit Green mitigates the electricity price risk inherent in development projects with long-term fixed-price power purchase agreements (PPAs). As a rule, the sales price of electricity is fixed for at least 60% of a development project's projected electricity production in the first five years by the date a final investment decision is made. By 28 February 2022, Enefit Green had signed PPAs for the sale of its production in 2022-2025 on 2,352 GWh, which accounts for 29% of its projected electricity production, at an average price of 45.6 €/MWh. Altogether, Enefit Green has signed PPAs on 6,128 GWh for the period 2022-2033 at an average price of 44.4 €/MWh. Eesti Energia is the counterparty for the majority of the PPA agreements (in a volume of 5,810 GWh).

During the year 2021, Enefit Green used electricity derivatives (hedging

SHARE OF PRODUCTION COVERED BY FIT/CFD

	2022	2023	2024	2025
Share of production covered with FiT/CfD measures	38%	27%	16%	12%
Quantity (GWh)	459	425	396	332
Weighted average price of FiT/CfD measures	82.8	82.0	81.7	80.9

SHARE OF PRODUCTION COVERED BY FIP

	2022	2023	2024	2025
Share of production covered with FiP support	42%	31%	20%	9%
Quantity (GWh)	502	489	500	268
Weighted average FiP price (added to market price)	50.2	50.2	50.2	50.4

SHARE OF PRODUCTION COVERED BY PPA

	2022	2023	2024	2025
Share of production covered with fixed PPAs	5%	26%	35%	36%
Quantity (GWh)	58	405	871	1,020
Blended average PPA price	77.0	45.9	44.5	44.6

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instruments) to hedge the risk of electricity price volatility. In August, however, the company changed its risk management approach and transitioned to the use of long-term physical electricity sales contracts. Since then, Enefit Green has not used financial derivatives to hedge price risk.

Enefit Green uses financial leverage to expand its business volumes through the development of new production assets and to improve return on equity. The risk associated with financial leverage is mitigated by monitoring the net debt to EBITDA ratio, which has been set a cap of 4.0. The cap may be exceeded on a short-term basis during the development of new projects.

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.

At 31 December 2021, the weighted average effective interest rate of bank loans was 1.44% (31 December 2020: 1.67%). The interest rate of Enefit Green's bank loans depends on the base interest rate (3 or 6 month Euribor for borrowings denominated in euros and 6 month WIBOR for borrowings denominated in Polish zloty). At 31 December 2021, a 0.5% rise in the average base interest rate would have had an impact of €(38.2)k on Enefit Green's profit before tax for the year (31 December 2020: an impact of €(42.5)k). At 31 December 2021, a 1.0% rise in the average base interest rate would have had an impact of €(585.8)k on Enefit Green's profit before tax for the year (31 December 2020: an impact of € (969.2)k).

OCCUPATIONAL HEALTH AND SAFETY RISKS

Our goal is to work without accidents and occupational diseases. Accordingly, we make daily efforts to create and maintain a healthy and safe work environment. We always consider the aspects of health and safety and develop our work environment consistent with the Safety First value of our strategic owner Eesti Energia.

As a renewable energy producer, we have carried out risk assessments on our premises and sites. We have informed our team members about places where working conditions are hazardous or complicated along with the resolution measures and work methods and techniques to be applied. The risk assessments are updated whenever work methods or techniques or circumstances of work change.

We have zero tolerance to accidents. We apply a carefully designed and well-planned occupational health and safety management system, monitor the observance of mandatory requirements, and improve hazard and safety awareness in the organisation.

Our key indicator for measuring the safety of our work environment is the lost time injury frequency rate (LTIFR) per million hours worked during the period under review, which reflects the working time lost due to injuries.

Our employees had no accidents at work in 2021.

LOST TIME INJURY FREQUENCY RATE

	2020	2021
Lost time injury frequency rate	3.8	0

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Enefit Green's objective is to create a safety culture that is based on personal responsibility and collaboration. The highest level of management is responsible for creating a safe and healthy work environment and embedding the safety culture into the organisational culture. Enefit Green facilitates active dialogue with employees with a view to improving employee wellbeing, supervision, safety, workplace cleanliness, and occupational health and safety. For example, we have created an opportunity and an obligation to register all near miss incidents and to notify the company of any potential threats to, or breaches of, occupational health and safety. The data are registered and analysed to identify the causes and to provide employees with feedback and information about risk mitigation measures.

In 2021, our integrated management system was certified as compliant with Occupational Health and Safety Management Systems Standard ISO 45001:2018 at all our entities, except for Enefit Green SIA. The certification of the latter is expected to be carried out in 2022. However, the entity already follows the requirements in place in the Enefit Green group.

IMPACTS OF THE COVID-19 PANDEMIC

A critical health-related challenge in 2021 was the ongoing COVID-19 pandemic. Our priorities were:

- to protect the health of our employees;
- to prevent the spread of the infection among the workforce;
- to ensure the stability of our energy production operations.

Systematic and continuous intragroup information exchange helped us assure that the COVID-19 pandemic did not have a significant impact on the operating and financial results of the Enefit Green group. Nor did the pandemic affect heat production at our Iru, Paide and Valka power plants, which are major heat suppliers in their regions.

Maintenance work in Aulepa Wind Farm

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LEGAL RISK

Enefit Green's operations are strongly influenced by the regulations adopted and the treaties and conventions signed in the markets where we operate, in the European Union and internationally. Legal risk arises from political decisions, regulators' activities in the interpretation of regulations, and similar sources and influences our day-to-day business activities. We manage legal risk by monitoring trends and developments in the legal environment, participating actively in public discussions and the development of new legislation, and making sure that our activities comply with the laws and regulations of the countries where we carry out production or development activities. Where necessary, we consult law offices with relevant country-specific expertise.

IT RISK

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

We manage IT risk, including cyber risks, by carrying out and updating the risk analyses of all business-critical activities with a particular focus on the risks associated with business continuity, data integrity and loss of confidentiality. We enhance and improve the processes used to assess, mitigate and control IT risks. We pay a lot of attention to increasing our employees' awareness of information and cyber security risks. In October 2021, we organised a special campaign to improve cyber security awareness and all staff passed relevant mandatory training.

TECHNOLOGICAL AND TECHNICAL RISK

Identification and management of the risks associated with physical assets along with the implementation of preventive measures help avert or lower the risk that technological business risks will realise and the achievement of the organisation's goals will be adversely affected.

We prepare business continuity plans based on scenario-based risk analysis in order to be able to limit the scope and mitigate the negative consequences of incidents that may occur and to have appropriate solutions for restoring our production processes and services. We have created business continuity plans for both business critical operations and units that provide an essential service.

We use criticality analyses, which are based on risk assessments for components of production assets, to achieve the expected availability of our production assets with optimal resources. We apply risk-specific preventive measures in planning maintenance and repair or, if an incident occurs, conduct previously planned activities to reduce its scope or duration in order to assure business continuity for the organisation and our production assets.

When more significant incidents occur, we analyse the root causes, draw conclusions, adopt decisions aimed at developing and implementing new or improving existing preventive measures, and communicate relevant information to employees.

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ENVIRONMENTAL RISKS

Our activities and decisions are aligned with our environmental policy, which sets a framework us. We avoid polluting the environment and minimise the environmental impacts of our operations. We feel that we are responsible for more than just the production of renewable energy. We want to contribute to creating a cleaner environment and reducing the carbon footprint in the world.

We define environmental risk as a situation where Enefit Green's activity or failure to act causes environmental damage that is not in accordance with the goals agreed, including the conditions specified in the environmental permits.

To control, manage and reduce our environmental impacts, we have implemented a certified environmental management system, which complies with ISO 14001-2015 and, at the Iru waste-to-energy facility, with the EU Eco-Management and Audit Scheme (EMAS). Our environmental risk management measures are aimed at preventing the realisation of risks and we update them to reflect changes in the group's strategy, operations and organisational structure. When starting new renewable energy development projects, we always assess their possible impacts on the environment and people as well as their potential community impacts.

FRAUD RISK

Fraud is a deliberate act or failure to act on the part of a person belonging or not belonging to the group, which involves breach of laws or rules by misleading, making false representations, abusing trust, withholding information and deceiving. The Enefit Green group has zero tolerance to fraud – we respond to all incidents of fraud based on the nature and circumstances of the case and strive to reduce the impacts on the company. Any concerns can be communicated without fear of retaliation using a special hotline and anonymously if preferred.

Fraud risk management is focused on the application of preventive measures such as regularly improving awareness through ethics and fraud risk management training (including online courses). We have made the group's Code of Ethics and related explanatory material available to all staff. Employees are also asked to provide feedback on ethics topics in the engagement survey. Responses are analysed and used to develop improvement measures. We conduct background checks for new employees as well as those changing positions and have implemented a system for regular declaration of economic interests.

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Group´s Financial Results in 2021

- Operating income grew by 13%, EBITDA by 10% in 2021 y-o-y
- Net profit grew by 17% y-o-y
- Strong operating cash flow fully covered the investment needs

Enefit Green

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The Enefit Green group ended 2021 with significantly stronger results than a year earlier: supported by 13% growth in operating income that outpaced 11% growth in operating expenses and depreciation, EBITDA improved by 10%, rising from €110.2m to €121.5m. Net profit for the year grew by €11.8m to €79.7m.
The key factors which influenced financial performance are set out below.

ENEFIT GREEN'S PRODUCTION VOLUMES

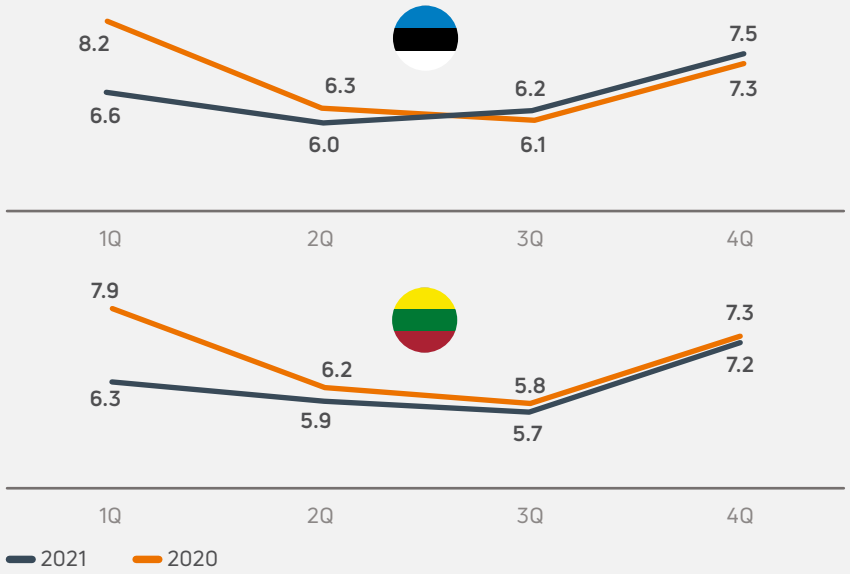
	Unit	2021	2020	Change	Change,%
Electricity production	GWh	1,193	1,350	-158	-12%
Heat production	GWh	618	544	74	14%
Pellet production	thousand t	135	162	-26	-16%
Pellet sales	thousand t	171	118	54	46%

WIND CONDITIONS

The factor which affected the production result the most was lower wind energy production in the group's wind farms in Lithuania and Estonia. The average wind speed measured in 2021 was considerably lower than in 2020 in both the Lithuanian and Estonian wind farms: 6.2 m/s and 6.6 m/s, respectively (2020: 6.8 m/s and 7.0 m/s, respectively). The difference in wind speeds is mainly attributable to exceptionally positive wind conditions in Q1 2020, which allowed Enefit Green to achieve record-high wind energy production figures in 2020. Wind conditions in 2021 as a whole were more similar to the long-term average.

AVERAGE QUARTERLY WIND SPEEDS IN ENEFIT GREEN'S ESTONIAN AND LITHUANIAN WIND FARMS

m/s



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SALES REVENUE

The group's electricity production in 2021 was 1,193 GWh (158 GWh smaller than in 2020). The group's average implied captured electricity price* for the period was €107/MWh (2020: €75/MWh).

The key revenue driver was a surge in the electricity price in the Estonia price area of the Nord Pool power exchange (NP Estonia), which increased the group's sales revenue by around €38.9m. The average market price in NP Estonia in 2021 was €86.7/MWh compared with €33.7/MWh in 2020**. The average implied sales price of the group's production units that are exposed to the NP Estonia electricity price was €82.7/MWh in 2021 and €29.2/MWh in 2020.

Another major factor that influenced the group's sales revenue was pellet sales, which grew by €6.2m. While pellet production declined by 26k tonnes, inventory sales grew by 54k tonnes year on year.

Heat production grew by 14% compared with a year earlier but average sales price dropped by 30%, because on the one hand the new contract with the district heating provider Utilitas Tallinn enabled the group to sell heat year-round but on the other the heat price cap approved by the Estonian Competition Authority was lower. The combined effect of the two factors lowered heat sales revenue by €1.3m. For further information, see the cogeneration section in segment reporting.

OTHER OPERATING INCOME

The decrease in other income for 2021 is attributable to a one-off sale of greenhouse gas emission allowances in the comparative period (€13.7m). Also, the renewable energy support received by the group decreased by €3.7m because the eligibility period of the earliest completed part of the Aulepa wind farm (39 MW) expired in July 2021, the electricity production of Estonian wind farms dropped by 13% and the market price of electricity generated by Polish solar farms was higher, which lowered the amount of support received.

CONSOLIDATED INCOME STATEMENT

m€

	2021	2020	Change	Change,%
Total operating income	**183.7**	**162.7**	**21.0**	**13%**
Sales revenue	153.0	114.0	39.0	34%
Renewable energy support and other operating income	30.7	48.7	-18.0	-37%
Total operating expenses (excl. D&A*)**	**62.2**	**52.5**	**9.7**	**18%**
Raw materials, consumables and services used	44.0	43.8	0.2	0%
Payroll expenses	6.7	6.1	0.6	11%
Other operating expenses	7.8	7.3	0.5	6%
Change in inventories	3.7	-4.7	8.4	-179%
EBITDA* **	**121.5**	**110.2**	**11.3**	**10%**
Depreciation, amortisation and impairment (D&A)	38.2	38.2	0.0	0%
Operating profit	**83.3**	**72.0**	**11.3**	**16%**
Net finance costs	2.1	3.4	-1.3	-37%
Corporate income tax expense	1.6	0.7	0.8	115%
Net profit	**79.7**	**67.9**	**11.8**	**17%**

Total operating expenses (excl. D&A)	**62.2**	**52.5**	**9.7**	**18%**
Variable expenses (incl. balancing energy purchases)	28.2	28.1	0.1	0%
Fixed costs	30.3	29.1	1.3	4%
Change in inventories	3.7	-4.7	8.4	-179%

* Implied captured electricity price = (electricity sales revenue + renewable energy support and efficient cogeneration support – balancing energy purchases) / production
** www.nordpoolgroup.com/Market-data1/Dayahead/Area-Prices/EE/Yearly/?view=table

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

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EXPENSES, EBITDA AND NET PROFIT

RAW MATERIALS, CONSUMABLES AND SERVICES USED

Expenses on raw materials, consumables and services grew by €0.2m, remaining similar to the year before. The biggest changes occurred in expenses on electricity and network charges (an increase of €4.2m), maintenance and repairs (a decrease of €0.3m) and technological fuel (a decrease of €2.3m). Underlying reasons are described in the variable and fixed costs sections below. For a detailed breakdown of expenses, see the consolidated financial statements.

PAYROLL EXPENSES

The group's payroll expenses grew by 11%, i.e. €0.6m, year on year. This was mainly due to an increase in the year-end number of full-time employees from 153 to 163 and growth in employee salaries. Most of the new employees joined the development function to support the implementation of the group's growth plan in all its markets.

OTHER OPERATING EXPENSES

Other operating expenses grew by €0.5m. Several cost groups increased slightly, including consulting services, IT costs, property related expenses, etc.

CHANGE IN INVENTORIES

Change in inventories shows the change in pellet stocks, summarising the quantities of pellets produced and sold in the period under review. In 2021 pellet sales exceeded production and inventories decreased by €3.7m whereas in 2020 pellet production exceeded sales and inventories grew by €4.8m. In 2021 pellet sales volume was 54k tonnes larger and production volume was 26k tonnes smaller than in 2020.

DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSE (D&A)

D&A expense remained similar to 2020 (€38.2m) although tangible assets grew from €594.9m to €633.1m, primarily due to increases in unfinished construction and prepayments.

VARIABLE EXPENSES

Variable expenses comprise operating expenses that depend on production operations, including purchases of balancing energy. Variable expenses grew by €0.1m. The figure includes a €3.2m rise in expenses on balancing energy purchases and €0.9m growth in expenses on electricity purchased for own use, both resulting from higher electricity prices. At the same time, a decline in the average price of biomass lowered technological fuel expenses (a decrease of €2.5m) and other direct production costs (a decrease of €1.6m), which are primarily related to lower sales of additional solar services, were also lower.

FIXED COSTS

Fixed costs comprise costs not directly dependent on production volumes. Fixed costs grew by €1.3m, i.e. 4%.

The biggest increases were recorded in payroll (an increase of €0.6m), IT (an increase of €0.3m) and research and consulting expenses (an increase of €0.3m). The biggest decreases occurred in other operating expenses (a decrease of €0.3m) and maintenance and repair expenses. Estonian wind farms' maintenance expenses declined by €0.4m, mostly because the maintenance and repair needs of WinWinD turbines decreased compared with 2020.

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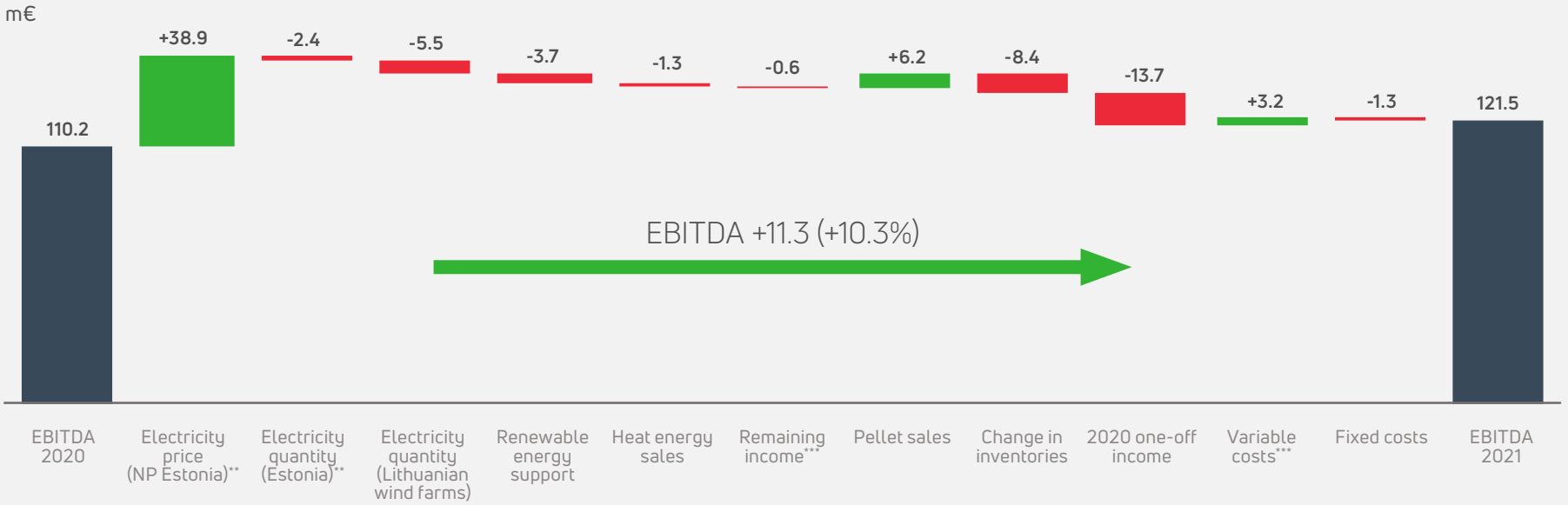
CHANGE OF EBITDA

EBITDA was positively influenced by the electricity price in the Estonian production units (effect: €38.9m), growth in pellet sales revenue (€6.2m) and a decrease in variable expenses (€3.2m*). The strongest negative impact resulted from other income because in 2020 the group earned one-off income from the sale of emission allowances (€13.7m). Additionally, pellet stocks changed (negative impact: €8.4m), Lithuanian wind farms produced less electricity (negative impact: €5.5m), renewable energy support decreased (negative impact: €3.7m), heat sales revenue declined (negative impact: €1.3m) and fixed costs grew (negative impact: €1.3m).

NET FINANCE COSTS

Net finance costs decreased by €1.3m compared with 2020. The decline is mainly attributable to a decrease in the balance of bank loans and a decline in the average interest rate resulting from agreements on the reduction of the interest margins of existing bank loans signed in the second half of the year, which partly influenced the financial results for 2021 already. Interest expense on bank loans decreased by €0.5m. Net finance costs were also influenced by movements in the exchange rate of the Polish zloty and capitalisation of loan interest.

CHANGE OF GROUP EBITDA BY DRIVERS



* In this calculation, the effect of Estonian balancing energy purchases is included in the effects of the NP Estonia electricity price and the Estonian electricity quantity and is therefore not part of the effect of variable expenses and other revenues.
** Calculated based on Estonian wind farms, Iru CHP and Paide CHP implied electricity prices in 2020 and 2021 and respective electricity quantities.
*** Impact of balancing energy purchases is included in NP Estonia price and Estonian electricity quantity. Therefore, it is not part of Variable expenses impact nor Remaining income impact.

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INCOME TAX

Income tax expense grew by €0.8m. The main growth driver was the income tax expense of Lithuanian wind farms (Enefit Wind UAB), which grew by €0.9m. Until 2021, the wind farms in Lithuania were exempt from income tax and subject to certain exceptions applying to deductions. As from 2021, a 15% income tax rate is applied on a quarterly basis. The group's effective tax rate in 2021 was 2.0% (2020: 1.1%).

NET PROFIT

The group's net profit increased by €11.8m to €79.7m. Growth was supported by high electricity prices in the second half of the year, control of growth in fixed costs and digitalised asset management which helped secure the availability of production assets and stability in production operations.

OPERATING INCOME	EBITDA	NET PROFIT
183.7 mln €	121.5 mln €	79.7 mln €
+13%	+10%	+17%

DIVIDEND PROPOSAL

In coordination with the Supervisory Board, the Management Board proposes to distribute to shareholders EUR 39.9 million in dividends (0.151 euros per share) from earnings of previous periods in 2022, which is equivalent to 50% of group´s unaudited net profit in 2021.

FINANCING

The Enefit Green group finances its operations with equity and debt capital. To raise additional equity, the group carried out an initial public offering (IPO) of its shares in 2021 in which €100m worth of new shares were issued.

The group's main sources of debt capital are investment loans and credit facilities raised from regional commercial banks and the European Bank for Reconstruction and Development (EBRD).

In 2021, Enefit Green signed new loan agreements of €130m. During the year, the group twice amended an existing loan agreement with Swedbank (in September and November). As a result, the interest rate of the loan was significantly lowered and the loan was restructured into a loan repayable with a single lump-sum payment in December 2023. In addition, in December 2021 the group repaid early €40m of a loan received from SEB and changed the limits of its revolving credit facilities with the effect of a reduction in interest rates.

At 31 December 2021, the group's undrawn credit facilities totalled €140m. Enefit Green has signed three revolving credit facility agreements of €50m in total which mature in the period 2024–2026 (all facilities were undrawn at 31 December 2021). New investment loans of €90m can be drawn down until September 2022 and 2023 and their maturity dates are in September 2028 and 2026, respectively.
11 January 2022, the group signed a new 12-year loan agreement of €80m with the Nordic Investment Bank. The loan can be drawn down until January 2023.

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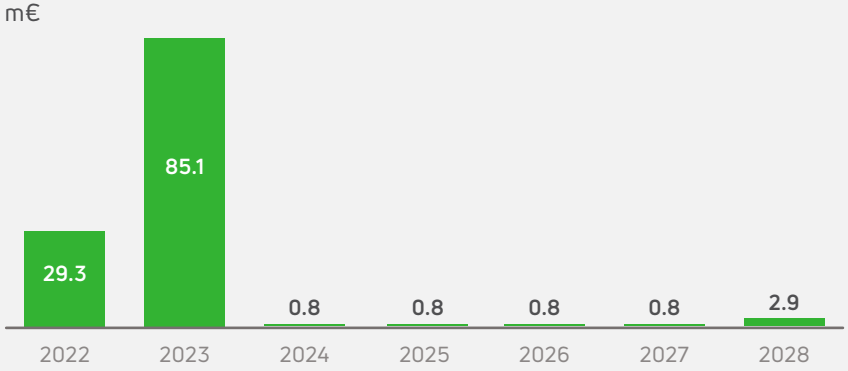
The amortised cost of the group's interest-bearing and other non-current liabilities (i.e. bank loans, leasing liabilities and other longterm liabilities) at 31 December 2021 was €123.5m (31 December 2020: €199.3m). Bank loans accounted for €120.4m of the total, including a loan of €7.5m received from EBRD in Polish zloty. In addition, the group had lease liabilities of €3.1m (31 December 2020: €2.3m). At the end of 2021 an amount of €3.0m, which at the end of 2020 was reported as a payable for the acquisition of a development project, was at the end of 2021 reclassified to other long-term liabilities.

The average effective interest rate of bank loans drawn down at 31 December 2021 was 1.44% (31 December 2020: 1.67%). The interest rate decreased mainly in connection with the amendment of a loan agreement signed with Swedbank and the investment loan repayment and agreement amendments agreed with SEB.

SPECIAL CONDITIONS OF THE LOAN AGREEMENTS

Group's loan agreements include some covenants which set certain limits to the group's consolidated financial indicators. At the end of 2020 and 2021 the group was in compliance with all contractual terms stated in the loan agreements.

LOAN REPAYMENT SCHEDULE



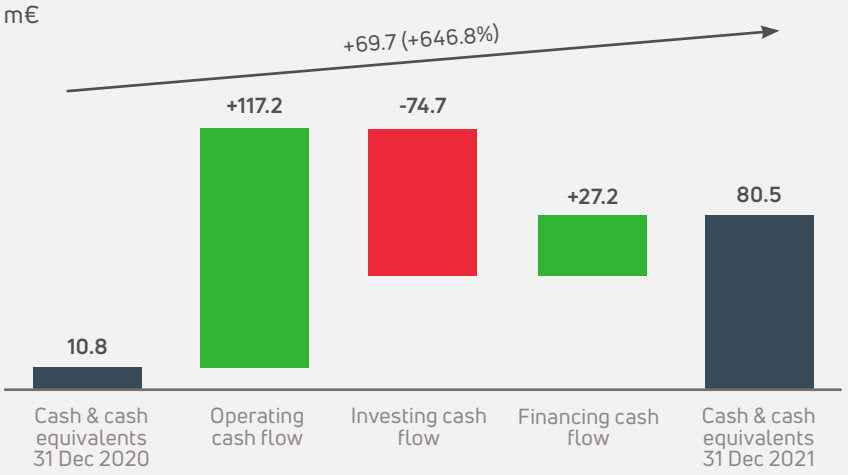
CASH FLOWS

Net operating cash flow of €117.2m includes primarily the following changes in items after EBITDA (€121.5m): net change in current assets (minus €1.5m), net change in liabilities (plus €2.3m), interest paid and received and borrowing costs (minus €3.4m) and income tax paid (minus €1.0m).

Cash flows from investing activities (€74.7m) mainly include payments made for the acquisition of non-current assets.
See detailed information in Segment Reporting.

Cash flows from financing activities include bank loan received and repayments (minus €73.6m), equity contributions by non-controlling shareholders (plus €100m), net change in the parent's debt (€33.3m), dividends paid (minus €27.1m) and other items (minus €5.4m).

CHANGE IN CASH AND CASH EQUIVALENTS IN 2021



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FINANCING AND RETURN RATIOS

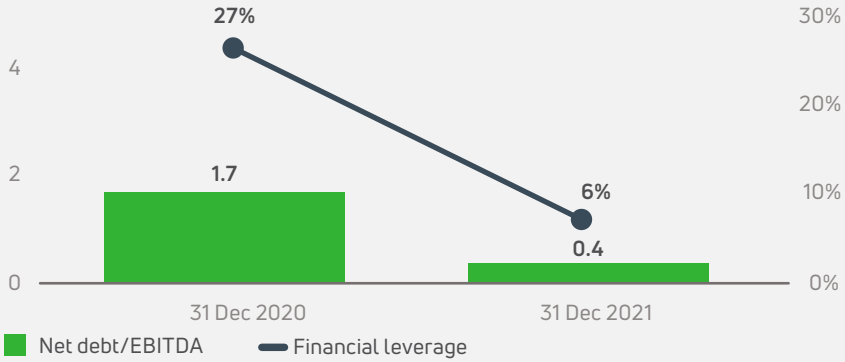
The group's management determines the maximum level of debt by reference to financial leverage and the net debt to EBITDA ratio. At the end of 2021, the level of financial leverage was unusually low due to the IPO in Q4 and the restructuring of the loan portfolio in connection with the launch of new development projects and the addition of new financing partners.

NET DEBT/EBITDA

times

FINANCIAL LEVERAGE

%



FINANCING AND RETURN INDICATORS (END OF PERIOD)

m€

	2021	2020
Borrowings	123.5	199.3
Minus cash	-80.5	-10.8
Net debt	**43.0**	**188.6**
Equity	633.6	509.6
Invested capital	**676.6**	**698.1**
EBITDA	121.5	110.2
Operating profit	83.3	72.0
Net profit	79.7	67.9

Financial leverage*	6%	27%
Net debt/EBITDA	0.35	1.71
Return on invested capital**	12.3%	10.3%
Return on equity***	12.6%	13.3%

* Financial leverage = net debt / (net debt + equity)
** Return on invested capital = last twelve months operating profit / (net debt + equity)
*** Return on equity = last twelve months net profit / equity

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EXPANSION OF ELECTRICITY PRODUCTION PORTFOLIO AND ELECTRICITY SALES TRANSACTIONS

The Enefit Green group is planning to increase the installed capacity of its electricity production portfolio from the current 457 MW to 1,092 MW by 2025, which is more than twofold, and to increase its electricity production from 1,193 GWh in 2021 to 2,861 GWh in 2025.

In 2021, the Enefit Green group made final investment decisions on the construction of three wind farms and one solar farm with a total designed capacity of 199 MW. As at 28 February 2022 the group had made additional investment decisions on the construction of one wind farm and one solar farm with a total designed capacity of 27 MW. The expected annual electricity production of existing production assets, development projects with a final investment decisions and near-term wind and solar energy development projects without a final investment decision in the period 2022–2025 is 8,124 GWh, consisting of 4,787 GWh (59%) from operating assets, 1,788 GWh (22%) from development projects with an investment decision and 1,549 GWh (19%) from development projects without an investment decision. Altogether, the group has signed fixed-price power purchase agreements (PPAs) and contracts covered by fixed-price support measures (Feed-in Tariff or Contract for Difference, FiT/CfD) or renewable energy support measures (Feed-in Premium, FiP) for the period 2022–2025 on a quantity of 5,725 GWh, which accounts for 70% of the same period's expected electricity production. The breakdown and annual prices for the PPAs and support measures are presented in the Risk management chapter.

To mitigate the risks of its operating assets and investment projects, as at 28 February 2022 the group had signed long-term PPAs for the period 2022–2033 on a quantity of 6,128 GWh at an average price of €44.4/MWh.

ELECTRICITY PRODUCTION PORTFOLIO

	unit	2021	2022	2023	2024	2025
Total production	**GWh**	**1,193**	**1,203**	**1,575**	**2,485**	**2,861**
From existing production assets (end of 2021)	GWh	1,193	1,195	1,197	1,197	1,197
	%	100.0%	99.3%	76.0%	48.2%	41.8%
From new production assets, FID taken	GWh	0	7	312	733	736
	%	0.0%	0.6%	19.8%	29.5%	25.7%
From new production assets, FID not taken	GWh	0	1	66	554	928
	%	0.0%	0.1%	4.2%	22.3%	32.4%
Quantity covered by support measures and fixed-price PPAs	**GWh**	**1,035**	**1,016**	**1,320**	**1,768**	**1,621**
	%	**86.7%**	**84.5%**	**83.8%**	**71.1%**	**56.7%**

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Segment Reporting

- Wind energy segment accounted for 59% of operating income and 74% of EBITDA
- Electricity prices were a major positive, wind conditions somewhat negative driver
- Record production volumes reached at Iru cogeneration plant

Enefit Green

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Enefit Green's management assesses the group's financial performance and makes management decisions on the basis of segment reporting where the group's reportable operating segments have been identified by reference to the main business lines of its business units.

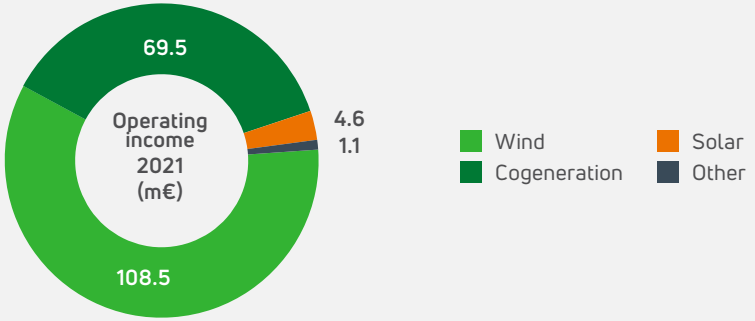
All production units operated by the group have been divided into operating segments based on the way they produce energy. Other internal structural units have been divided between operating segments based on their core activity.

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

1. Wind energy (comprises all of the group's wind farms);
2. Cogeneration (comprises all of the group's cogeneration plants and the pellet factory);
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).

Based on operating income and EBITDA for the reporting period, the group's largest segment is the Wind energy segment (with 59% of operating income and 74% of EBITDA). The Cogeneration segment contributed 38% to operating income and 29% to EBITDA. The smallest reportable segment of the reporting year was Solar energy, which accounted for 3% of the group's operating income and 1% of the group's EBITDA.

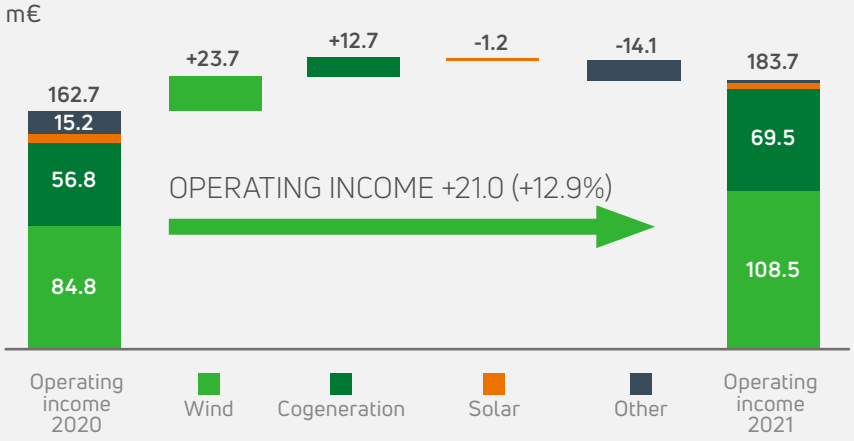
OPERATING INCOME BY SEGMENT



In 2021, the sale of balancing energy of €4.8m was reported in the Wind energy segment. In 2020, it was reported in the segment Other in an amount of €1.5m.

Among reportable segments, Wind energy and the Cogeneration delivered the strongest EBITDA growth as they benefited the most from higher electricity prices, which contributed €38.9m to total EBITDA.

OPERATING INCOME BY SEGMENT



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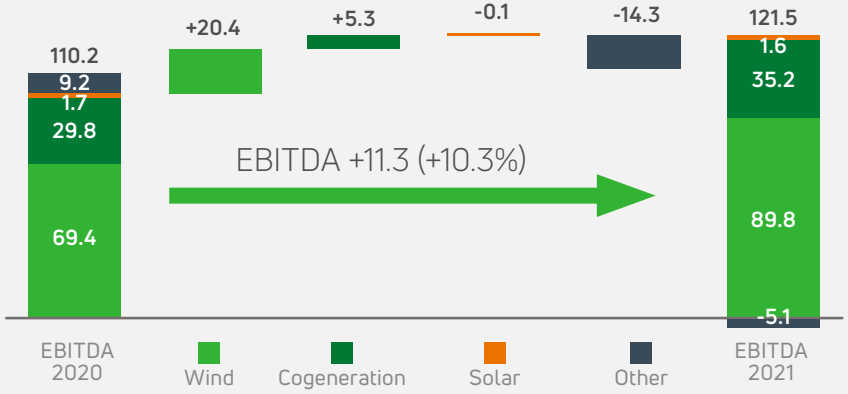
GROUP'S EBITDA BREAKDOWN AND CHANGE

m€



The EBITDA of the segment Other mainly includes general administrative expenses. The segment Other also includes the network construction services of the Paide facility, the Keila-Joa hydropower facility and the renewable energy solution on the island of Ruhnu. The negative change in the EBITDA of the segment Other is mainly due to a one-off sale of greenhouse gas emission allowances in 2020.

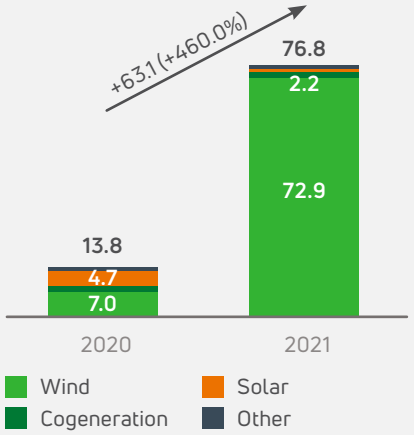
CAPITAL EXPENDITURES

The group's capital expenditures in 2021 totalled €76.8m, €63.1m up on 2020. Growth resulted from development expenditures, which amounted to €72.5m. Out of the latter, €70.0m was related to wind farm developments in the construction phase or scheduled to reach the construction phase in 2022: the group purchased from Eesti Energia's subsidiary Tootsi Windpark plots for the development of the Sopi wind farm for €29.4m and invested €19.3m in the Šilale II wind farm, €8.3m in the wind turbines of the Akmene wind farm, €7.1m in the Purtse wind farm and €6.5m in the Tolpanvaara wind farm which received an investment decision at the end of 2021. Expenditure on the base investments of existing assets was €4.3m compared with €2.9m in 2020 and was mainly related to the improvements of the Estonian wind farms (€2.0m) and cogeneration facilities.

In 2021, non-current assets of €2.6m related to the Broceni cogeneration facility were reported in the Cogeneration segment; in 2020, the assets were reported in the Wind energy segment in an amount of €2.8m. In addition, in 2021 the group reclassified non-current assets of €0.85m from the Solar energy segment to the segment Other (the balance of the assets in the Solar energy segment in 2020 was €0.9m).

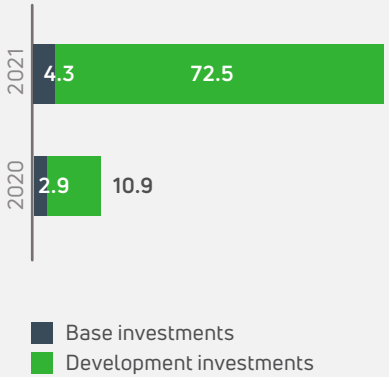
INVESTMENTS BY SEGMENT

m€



INVESTMENTS BY TYPE

m€



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WIND ENERGY SEGMENT

The Wind energy segment comprises operating wind farms, wind farm development projects and a portion of management expenses related to wind farm development and management.

PRODUCTION

Wind conditions in 2021 were less favourable for wind production and wind farm availability was somewhat lower than in 2020. Electricity production at the group's wind farms decreased by 12.7% in Estonia and 15.1% in Lithuania. Total wind energy production declined by 983 GWh, i.e.13.7% compared with 2020.

ELECTRICITY PRICES

In addition to the market price of electricity, Estonian wind farms which are eligible for support receive renewable energy support at the rate of €53.7/MWh. Lithuanian wind farms are paid a fixed price for their output, except for the 14 MW Sudenai wind farm, which has been selling its output to the market in the NP Lithuania price area since June 2021.

Our Estonian wind farms' average implied electricity price, including support, grew by 67% year on year, rising to €124/MWh in 2021. The average electricity price of our Lithuanian wind farms was €80/MWh, remaining stable compared with 2020.

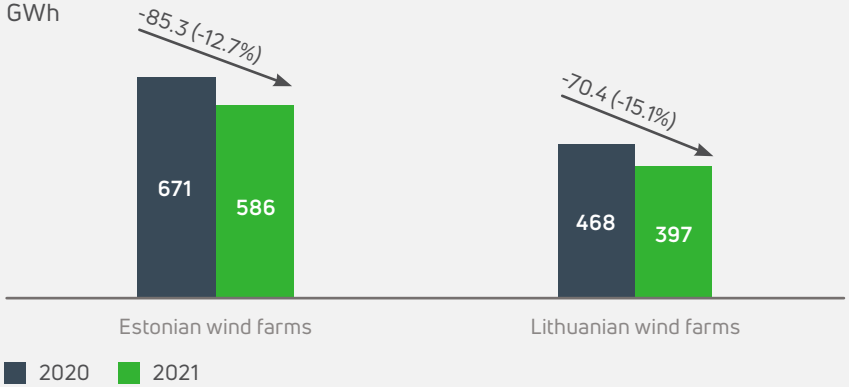
OPERATING INCOME

Due to high market prices at Estonian wind farms, the operating income of the Wind energy segment grew by 26% year on year (taking into account revenue from the sale of balancing energy of €1.5m in 2020), rising to €108.5m.

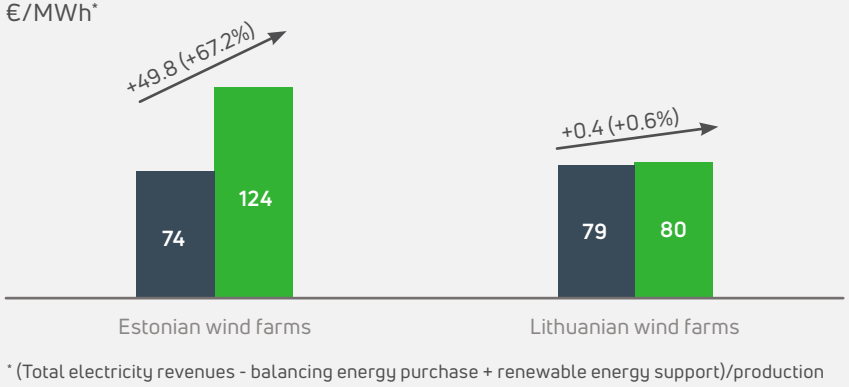
OPERATING EXPENSES

The operating expenses of the Wind energy segment (excluding depreciation and amortisation but including purchases of balancing energy) grew by €2.1m to €18.8m. The main factor was expenses on the purchase of balancing energy, which increased due to higher electricity prices, contributing €2.9m to growth in operating expenses.

ELECTRICITY PRODUCTION



AVERAGE ELECTRICTY SALES PRICE



* (Total electricity revenues - balancing energy purchase + renewable energy support)/production

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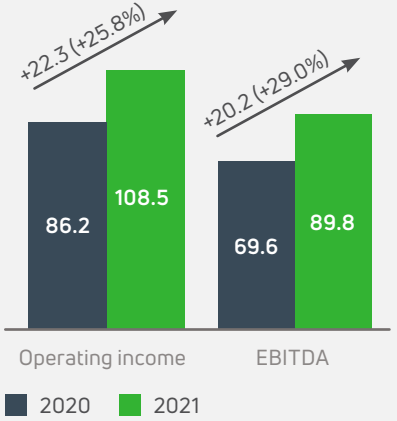
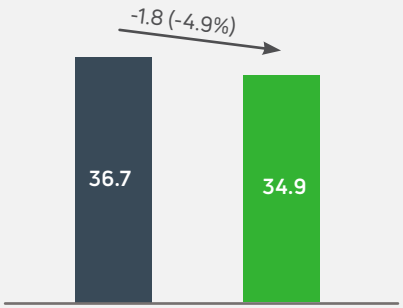
OPERATING INCOME AND EBITDA
m€



OPERATING EXPENSES PER MW
€k/MW*



* (Total operating expenses - balancing energy purchase - D&A) / operating capacity. Only operating wind assets are included: Enefit Wind OÜ and Enefit Wind UAB

Other operating expenses (excluding purchases of balancing energy and depreciation and amortisation) decreased by €0.8m compared with 2020. The sharpest decline occurred in the planned maintenance costs of Estonian wind farms (a decrease of €0.4m).

EBITDA

The EBITDA of the Wind energy segment grew by 29% in 2021, increasing from €69.6m for 2020 to €89.8m (taking into account purchases and sales of balancing energy in both years).

OPERATING EXPENSES PER UNIT OF PRODUCTION

The operating expenses (excluding depreciation and amortisation and purchases of balancing energy) per installed capacity (MW) of Enefit Wind OÜ and Enefit Wind UAB that operate the group's operational wind farms in the Wind energy segment decreased by 5% compared with 2020. This is mainly attributable to major unplanned maintenance and repair works on the WinWinD turbines, the costs of which were €0.5m higher in the comparative period, as well as digitalisation of asset management.

COGENERATION SEGMENT

The Cogeneration segment comprises the Iru, Paide, Valka and Broceni cogeneration plants and the pellet factory.

ELECTRICITY PRODUCTION AND PRICES

The Cogeneration segment's electricity production for the reporting period was around 184.6 GWh, remaining at the same level as a year earlier.

In addition to the market price, the Iru and Paide power plants receive renewable energy support of €53.7/MWh for electricity produced from renewable sources and efficient cogeneration support of €32/MWh for electricity produced from non-renewable sources in the efficient cogeneration regime. The Valka cogeneration facility has been assigned a fixed electricity price of €105.6/MWh. The Broceni cogeneration facility lost its fixed electricity price of €143.6/MWh retrospectively as from March 2021 based on the decision made by BVKB (the State Construction Control Bureau of Latvia) in October 2021. Enefit Green's subsidiary SIA Technological Solutions has contested the decision in court. From November 2021 until the litigation reaches the final outcome, the Broceni cogeneration plant will sell electricity at the price of Nord Pool Latvia price area.

Supported by high market prices in the NP Estonia price area and efficient cogeneration support received by the Iru facility, the segment's average implied electricity price grew by 41% year on year, rising to €116/MWh (2020: €82/MWh).

HEAT PRODUCTION AND PRICES

Heat output grew by 14% to 618 GWh in 2021. The rise in heat production is attributable to a contract amendment which took effect

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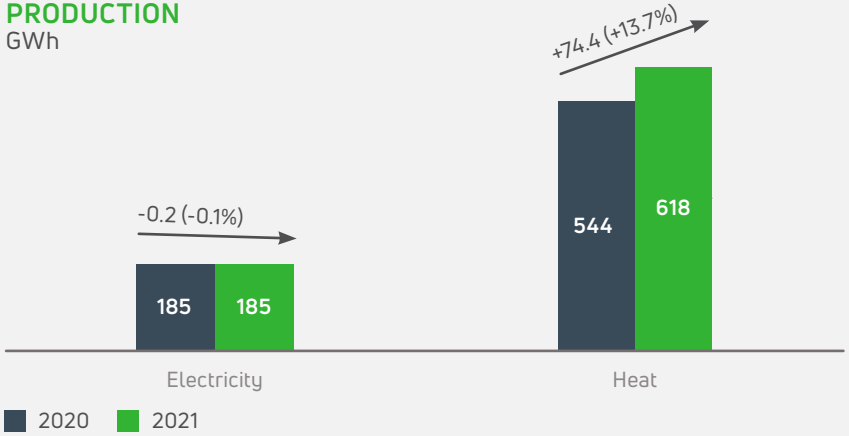
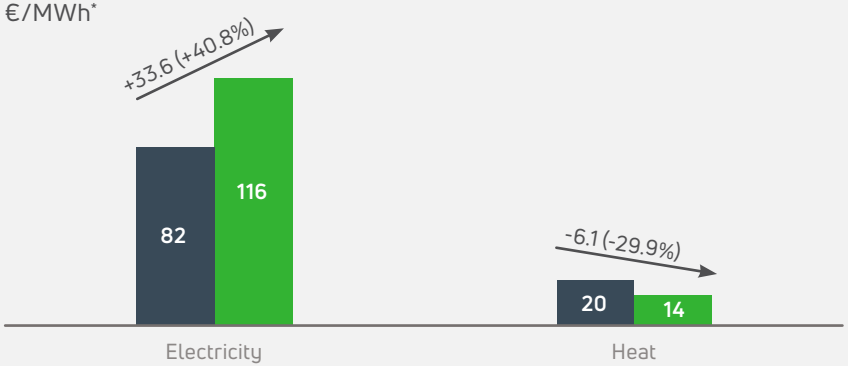
PRODUCTION
GWh



AVERAGE PRICE
€/MWh*



* (Total electricity revenues - balancing energy purchase + renewable energy support)/production

in February 2021. It enables the Iru facility to produce heat in the efficient cogeneration regime all the year round and to sell all the produced heat to the Tallinn district heating network. Colder than average weather at the end of the year also supported growth in heat production.

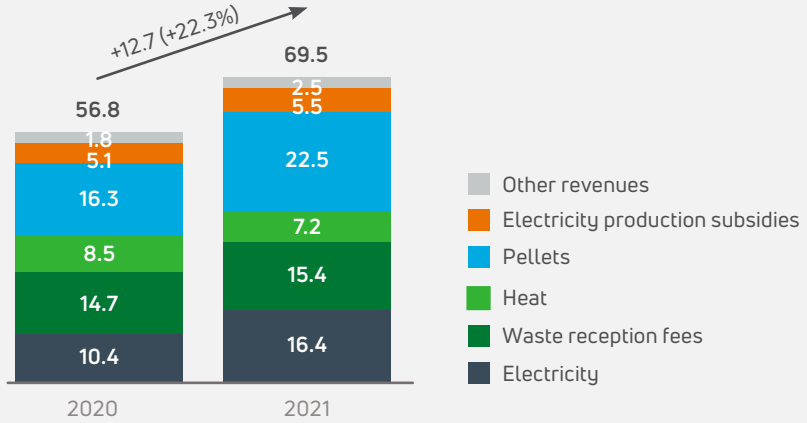
The average price of heat sold in 2021 was around €14/MWh, 30% lower than a year earlier (2020: €20/MWh). The decline is attributable to the new price cap of €7.98/MWh approved by the Estonian Competition Authority for the Iru facility in connection with growth in both heat sales volume and waste reception fees. The previous heat price cap was €13.99/MWh.

Iru facility broke the all-time record in combined annual heat and electricity production in 2021.

OPERATING INCOME

The segment's operating income grew by 22% year on year, rising from €56.8m to €69.5m. The strongest growth was in pellet sales,

OPERATING INCOME
m€



which grew by €6.2m, i.e. 38%, driven by growth in sales volume, and electricity sales, which grew by €6.0m, i.e. 58%, driven by higher market prices. Slight growth was posted in waste reception fees that grew by €0.6m, electricity production support that grew by €0.4m through a rise in the efficient cogeneration support received by the

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Iru power plant, and other income that grew by €0.7m. The only revenue stream that decreased was heat sales which declined by €1.3m due to the negative effect of a decrease in the price of heat approved for the Iru power plant.

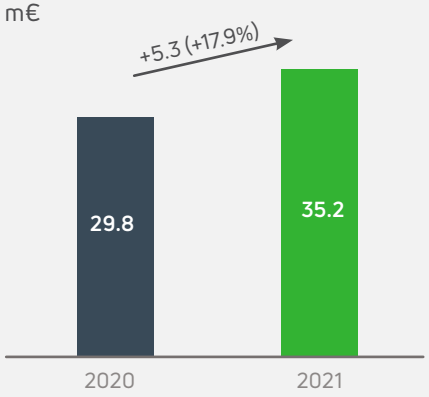
OPERATING EXPENSES

In 2021, the change in inventories was negative at €3.7m because pellet sales exceeded production whereas in 2020 the change was positive at €4.7m because pellet production exceeded sales. Variable expenses decreased by €1.5m in 2021 because pellet production volume declined. Fixed costs grew by €0.4m to €9.4m. The main sources of growth were a rise in equipment and maintenance and repair costs of €0.4m and growth in the segment's payroll expenses.

EBITDA

The segment's EBITDA improved by €5.3m, i.e. 18%, year on year, increasing to €35.2m. Growth was supported by high market prices of electricity and a rise in efficient cogeneration support.

EBITDA
m€



SOLAR ENERGY SEGMENT

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

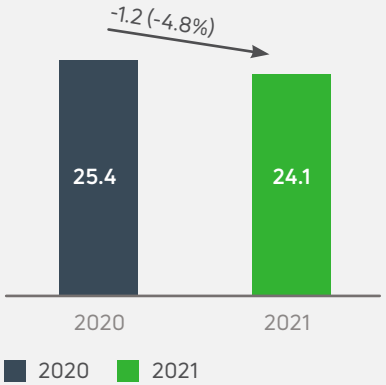
PRODUCTION

The group produced 24.1 GWh of electricity from solar energy in 2021. The segment's solar electricity production declined by 1.2 GWh year on year, i.e. by 5%. The weather was cloudier in both Estonia and Poland.

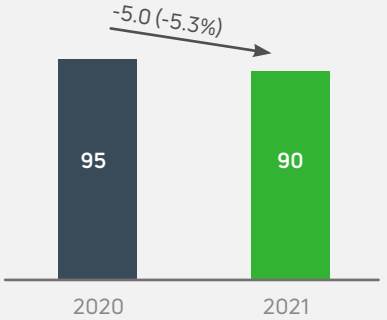
ELECTRICITY PRICES

The group's solar farms in Estonia are partly exposed to movements in the market price of electricity. The solar farms located in Poland have fixed inflation-linked prices which are adjusted on an annual basis, the price for 2021 being PLN 418–446/MWh (€92–98/MWh at

ELECTRICITY PRODUCTION
GWh



AVERAGE SALES PRICE
€/MWh*



* (Total electricity revenues - balancing energy purchase + renewable energy support)/production

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the 12 month average zloty exchange rate). The solar farms' average implied electricity price including support decreased by 5% in 2021, dropping to €90.4/MWh. The solar farms located in Estonia partly benefited from high market prices (approx. 57% of production was covered with fixed-price contracts) whereas the implied electricity price of farms located in Poland declined due to the weakening of the Polish zloty, among other reasons.

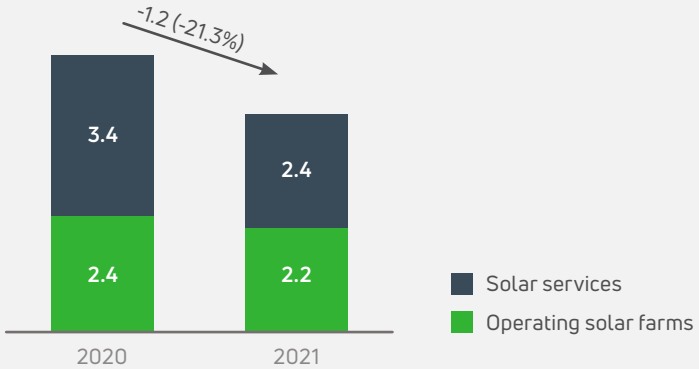
OPERATING INCOME

The operating income of operating solar farms decreased by €0.3m due to smaller output (10% decrease in Estonia and 3% decrease in Poland) and a lower average sales price. Revenue from solar services decreased by 29%, i.e. €1.0m. Renewable energy support provided in Estonia to solar farms of up to 50 kW ended in 2020, which is why in the first half of 2021 sales volumes were lower than a year earlier. Moreover, in December 2021 winter weather in Estonia and Latvia was extraordinary, which reduced implementation capability compared with 2020. Compared with 2020 when the group built solar farms of 8.3 MW across its markets, in 2021 solar farms of 3.8 MW were built. On the other hand, in the second half of 2021 customers' interest in the installation on solar panels increased due to high electricity prices.

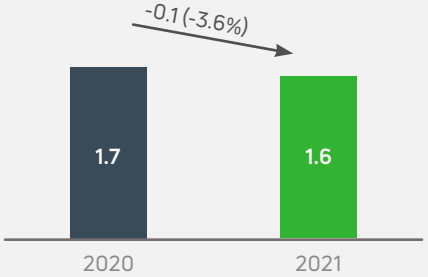
EBITDA

The Solar energy segment's EBITDA for 2021 was €1.6m, 4% lower than in 2020 when it was €1.7m. Solar services are a low-margin business and their effect on the segment's EBITDA is immaterial.

OPERATING INCOME
m€



EBITDA
m€



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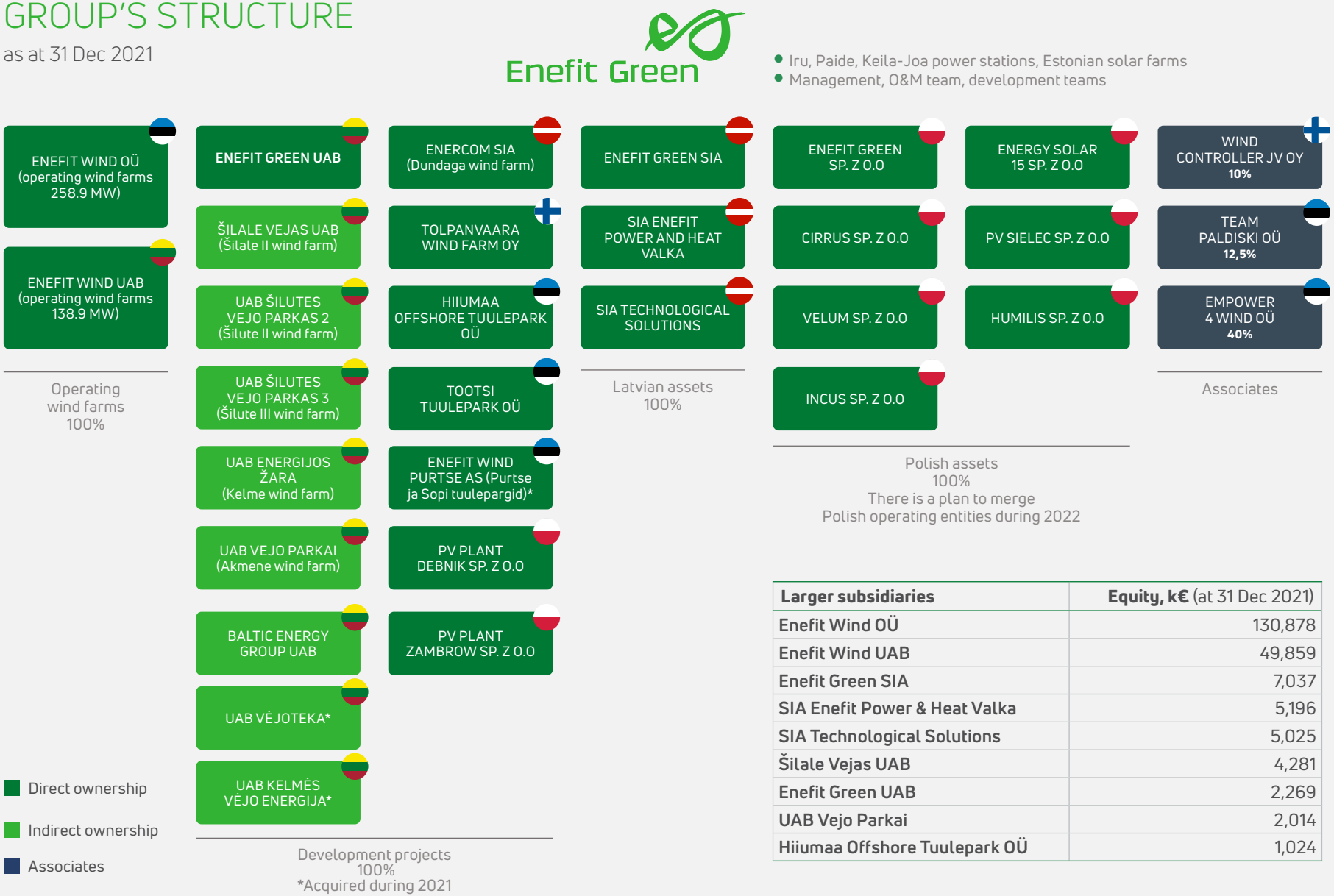
GROUP'S STRUCTURE

as at 31 Dec 2021



Larger subsidiaries	**Equity, k€** (at 31 Dec 2021)
Enefit Wind OÜ	130,878
Enefit Wind UAB	49,859
Enefit Green SIA	7,037
SIA Enefit Power & Heat Valka	5,196
SIA Technological Solutions	5,025
Šilale Vejas UAB	4,281
Enefit Green UAB	2,269
UAB Vejo Parkai	2,014
Hiiumaa Offshore Tuulepark OÜ	1,024

Translation of the company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is digitally signed and submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100137985/reports).

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Consolidated Financial Statements 2021

Enefit Green

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CONSOLIDATED INCOME STATEMENT

€ thousand

	1 JANUARY – 31 DECEMBER		
	2021	**2020**	**Note**
Revenue	153,002	113,994	23
Renewable energy support and other operating income	30,705	48,689	24
Change in inventories of finished goods and work in progress	(3,708)	4,674	12
Raw materials, consumables and services used	(44,038)	(43,820)	25
Payroll expenses	(6,713)	(6,071)	26
Depreciation, amortisation and impairment losses	(38,146)	(38,191)	6, 7, 9
Other operating expenses	(7,790)	(7,296)	27
OPERATING PROFIT	**83,312**	**71,979**	
Finance income	721	203	28
Finance costs	(2,833)	(3,580)	28
Net finance costs	**(2,112)**	**(3,377)**	
Profit from associates under the equity method	46	5	
PROFIT BEFORE TAX	**81,246**	**68,607**	
Corporate income tax expense	(1,585)	(737)	29
PROFIT FOR THE YEAR	**79,661**	**67,870**	
Attributable to the shareholders of the parent	79,661	67,870	
Basic earnings per share (EUR)	0.92	14.16	18
Diluted earnings per share (EUR)	0.92	14.16	18

The notes on pages 88-157 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand

	1 JANUARY – 31 DECEMBER		
	2021	**2020**	**Note**
PROFIT FOR THE YEAR	79,661	67,870	
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Revaluation of hedging instruments in a cash flow hedge (2021: reclassified to profit or loss: Nil EUR; 2020: reclassified to profit or loss: Nil EUR)	(12,426)	0	3.1.1
Exchange differences on the translation of foreign operations	(131)	(892)	22
Other comprehensive income/(loss) for the year	**(12,557)**	**(892)**	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	67,104	66,978	
Attributable to the shareholders of the parent	67,104	66,978	

The notes on pages 88-157 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand

	31.12.2021	31.12.2020	Note
ASSETS			
Non-current assets			
Property, plant and equipment	612,503	594,874	7
Intangible assets	68,239	67,839	9
Right-of-use assets	2,750	2,222	6
Prepayments for non-current assets	20,710	106	7
Deferred tax asset	442	344	
Investments in associates	578	532	10
Long-term receivables	78	103	13
Total non-current assets	**705,300**	**666,020**	
Current assets			
Inventories	9,529	11,085	12
Trade and other receivables and prepayments	22,373	51,566	13, 15
Cash and cash equivalents	80,454	10,774	16
Total current assets	**112,356**	**73,425**	
Total assets	**817,656**	**739,445**	

	31.12.2021	31.12.2020	Note
EQUITY			
Equity and reserves attributable to shareholders of the parent			
Share capital	264,276	4,794	18
Share premium	60,351	0	18
Statutory capital reserve	479	479	18
Other reserves	151,793	400,000	18, 22
Foreign currency translation reserve	(965)	(834)	22
Retained earnings	157,673	105,111	18
Total equity and reserves attributable to shareholders of the parent	**633,607**	**509,550**	
Total equity	**633,607**	**509,550**	
LIABILITIES			
Non-current liabilities			
Borrowings	93,884	161,558	19
Government grants	7,458	8,020	21
Deferred tax liabilities	12,568	12,555	29
Non-derivative contract liability	23,207	0	3.1.1
Other long-term liabilities	3,000	0	20
Provisions	13	13	
Total non-current liabilities	**140,130**	**182,146**	
Current liabilities			
Borrowings	29,572	37,778	19
Trade and other payables	14,291	9,857	20
Provisions	56	114	
Total current liabilities	**43,919**	**47,749**	
Total liabilities	**184,049**	**229,895**	
Total equity and liabilities	**817,656**	**739,445**	

The notes on pages 88-157 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand

	1 JANUARY – 31 DECEMBER		
	2021	**2020**	**Note**
Cash flows from operating activities			
Cash generated from operations	121,532	105,210	30
Interest and loan fees paid	(3,377)	(3,653)	28
Interest received	25	2	28
Corporate income tax paid	(970)	(305)	
Net cash generated from operating activities	**117,210**	**101,254**	
Cash flows from investing			
Paid on purchase of property, plant and equipment and intangible assets	(74,844)	(11,056)	7, 9
Proceeds from sale of property, plant and equipment	96	34	8
Net change in term deposits with maturities of over 3 months	0	5	
Dividends from associates	68	68	
Net cash used in investing activities	**(74,680)**	**(10,949)**	

	1 JANUARY – 31 DECEMBER		
	2021	**2020**	**Note**
Cash flows from financing			
Change in the overdraft balance	33,312	(43,415)	13, 32
Bank loans received	10,000	8,977	19
Repayments of bank loans	(83,634)	(37,528)	19
Repayments of lease principal	(262)	(292)	19
Dividends paid	(27,100)	(18,400)	18
Proceeds from issue of shares	100,000	0	18
Cash outflow related to issue of shares (issue costs)	(5,166)	0	18
Net cash generated from financing activities	**27,150**	**(90,658)**	
Net cash flow	**69,680**	**(353)**	
Cash and cash equivalents at the beginning of the period	10,774	11,127	16
Cash and cash equivalents at the end of the period	80,454	10,774	16
Change in cash and cash equivalents	**69,680**	**(353)**	

The notes on pages 88-157 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand

	Share capital	Statutory capital reserve	Share premium	Other reserves	Foreign currency translation reserve	Retained earnings	Total	Note
Equity at 1 January 2020	**4,794**	**479**	**0**	**400,000**	**56**	**55,657**	**460,986**	
Profit for the year	**0**	**0**	**0**	**0**	**0**	**67,870**	**67,870**	
Other comprehensive profit/(loss) for the year	**0**	**0**	**0**	**0**	**(892)**	**0**	**(892)**	
Dividends paid	0	0	0	0	0	(18,400)	(18,400)	18
Other adjustments	0	0	0	0	2	(16)	(14)	
Total contributions by and distributions to the shareholder of the company, recognised directly in equity	**0**	**0**	**0**	**0**	**2**	**(18,416)**	**(18,414)**	
Equity at 31 December 2020	**4,794**	**479**	**0**	**400,000**	**(834)**	**105,111**	**509,550**	
Profit for the year	**0**	**0**	**0**	**0**	**0**	**79,661**	**79,661**	
Other comprehensive loss for the year	**0**	**0**	**0**	**(12,426)**	**(131)**	**0**	**(12,557)**	
Bonus issue using a voluntary reserve	225,000	0	0	(225,000)	0	0	0	18
Issue of share capital (less issue costs)	34,482	0	60,351	0	0	0	94,833	18
Dividends paid	0	0	0	0	0	(27,100)	(27,100)	18
Fair value on initial recognition of derivative transactions with the parent	0	0	0	(10,781)	0	0	(10,781)	3.1.1, 22
Other adjustments	0	0	0	0	0	1	1	
Total contributions by and distributions to shareholders of the company, recognised directly in equity	**259,482**	**0**	**60,351**	**(235,781)**	**0**	**(27,099)**	**56,953**	
Equity at 31 December 2021	**264,276**	**479**	**60,351**	**151,793**	**(965)**	**157,673**	**633,607**	

The notes on pages 88-157 are an integral part of these consolidated financial statements.
See note 18 for further information about equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2021

NOTE 1. GENERAL INFORMATION

The consolidated financial statements of the Enefit Green group for the year ended 31 December 2021 comprise the financial information of Enefit Green AS (the 'parent', legal form: limited liability company defined as *aktsiaselts* (AS) under Estonian laws) and its subsidiaries (together referred to as the 'group').

Enefit Green AS 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 also operates in Poland. The Enefit Green group produces electricity from wind, hydro, solar, municipal waste, biomass and natural gas.

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

Enefit Green has been listed on the Nasdaq Tallinn stock exchange since 21 October 2021. At 31 December 2021, the controlling shareholder was Eesti Energia AS with a 77.17% interest.

The management board authorised these consolidated financial statements for issue on 24 March 2022. In accordance with the Estonian Commercial Code, the annual report must also be approved by the supervisory board of the parent and ultimately by the general meeting.

1.1 SIGNIFICANT EVENTS IN 2021

Electricity prices in the markets where Enefit Green operates increased rapidly in 2021, particularly in the second half of the year. The group's performance was affected the most by the price increase in the Nord Pool Estonia price area, where the group's sales are largely exposed to market price volatility and where the annual average electricity price rose by 157% compared with financial year 2020, surging to 86.7 €/MWh. Revenue growth in the electricity production business line was suppressed by a 12% decrease in production volume, which was mainly attributable to less favourable wind conditions, than in the comparative period that lowered wind energy output. Driven by the above factors, electricity revenue grew by 49% to €103,213k (for further information, see notes 5 and 23). The uptrend in the electricity price also affected input costs, which increased expenses on electricity to €4,806k (143%). See also note 25.

In connection with the initial public offering (IPO) of its shares, completed in October 2021, Enefit Green AS issued 34,482,759 new shares at an issue price of €2.9 per share. Proceeds raised by the sale of the shares amounted to €100,000k. The issue costs of €5,166k were capitalised (see note 18).

The group's capital expenditures on property, plant and equipment grew significantly in 2021, rising to €76,799k. Growth was fuelled

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by development investments, which extended to €72,529k. Out of the total, €70,473k was invested in wind farms in the construction phase or expected to reach the construction phase in 2022: the group purchased from Eesti Energia's subsidiary Tootsi Windpark OÜ land plots for the development of the Sopi wind farm for €29,364k and invested €19,301k in the Šilale II wind farm, €8,253k in the turbines of the Akmene wind farm, €7,064k in the Purtse wind farm, and €6,454k in the Tolpanvaara wind farm on which an investment decision was made at the end of 2021 (see note 7 for further information).

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 derivatives, the group was the payer of the floating price and the counterparty was the payer of the fixed price in the period 2023–2027. On 17 August 2021, the group and Eesti Energia AS entered into an EFET General Agreement Concerning the Delivery and Acceptance of Electricity ('EFET General Agreement'), simultaneously terminating all open derivative contracts existing between them. By signing the agreement, the parties entered into a fixed-price contract for the physical supply of electricity for the period 2023–2027. The contract was entered into for the same quantities of electricity and at the same fixed prices as had been agreed for the derivatives that were terminated on 17 August 2021. No gains or losses were recognised at the date the derivative contracts were replaced with the EFET General Agreement. On entering into the EFET General Agreement, the group reclassified the carrying amount of the derivatives as a non-derivative contract liability, which will gradually increase recognised revenue until the EFET General Agreement is fulfilled (see note 3.1.1. for further information).

The group had created conditions for successful remote work already before the outbreak of the COVID-19 pandemic and the resulting health crisis and restrictions, which why the pandemic had no impact on the day-to-day operations of group entities. The group's operating expenses were not significantly affected by COVID-19 either because one-off pandemic-related expenses 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 group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Interpretations of 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) 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

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higher degree of judgement and where accounting assumptions and estimates have a significant effect on the information presented in the consolidated financial statements are disclosed in note 4.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New standards, amendments and interpretations adopted

New financial reporting standards, amendments to existing standards and interpretations that became effective for annual reporting periods beginning on or after 1 January 2021 did not have any significant impact on the group.

(b) New standards, interpretations, and amendments

Certain new standards, amendments and interpretations have been published that are effective for annual reporting periods beginning on or after 1 January 2022 and have not been early adopted by the group:

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*). The 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 reporting periods beginning on or after 1 January 2022*). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment 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 the group's future investments recognised as assets under construction.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (*effective for annual reporting periods beginning on or after 1 January 2023; not yet adopted by the EU*). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a

right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions at the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments clarify the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. According to the group's assessment, the amendments will have no material impact on its financial statements.

Classification of Liabilities as Current or Non-current – Deferral of Effective Date – Amendments to IAS 1 (*effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU*). The amendment to IAS 1 on the classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. According to the group's assessment, the amendments will have no material impact on its financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (*effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU*). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. According to the group's assessment, the amendments will have no material impact on its financial statements.

Definition of Accounting Estimates – Amendments to IAS 8 (*effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU*). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. According to the group's assessment, the amendments will have no material impact on its financial statements.

Other new standards, amendments and interpretations not yet effective are not expected to have a material impact on the group.

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2.3 CONSOLIDATION

(a) Subsidiaries

A subsidiary is an entity controlled by the group. The group controls an entity when it has exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of those returns.

Subsidiaries are consolidated from the date the group gains control to the date the group loses control of them.

The group accounts for business combinations by applying the acquisition method. The consideration transferred at the acquisition of a subsidiary is measured at fair value, which is the sum of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are recognised as an expense as incurred.

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 measured at 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 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 profits are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries are adjusted to ensure conformity with the group's accounting policies.

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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 in retained earnings within equity.

(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 20–50% 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 significant influence is retained, the group reclassifies to the income statement only the proportion of the gain or loss that had previously been recognised in other comprehensive income and is related to that reduction in ownership interest.

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 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.

2.4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker responsible for allocating resources and assessing the performance of operating segments is the management board of the parent company.

2.5 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each group entity are recorded in the currency of the primary economic environment in which the entity operates ('the functional currency'). The group has subsidiaries in Poland whose functional currency is the Polish zloty (PLN). The consolidated financial statements are presented in euros, which is the functional currency of the parent and the presentation currency of the group. The figures in the financial statements have been rounded to the nearest thousand, unless stated otherwise.

(b) Transactions and balances

Monetary assets and liabilities denominated in a foreign currency are translated using the 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 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 financial performance and financial position of the subsidiaries whose functional currency differs from the group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rate of the European Central Bank at the reporting date;
- income and expenses are translated using the average exchange

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rates of the period (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rates at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

The closing rates used for translating assets and liabilities were EUR/PLN 4.5969 at 31 December 2021 and EUR/PLN 4.5597 at 31 December 2020. Income and expenses were translated using EUR/PLN 4.57 for 2021 and EUR/PLN 4.47 for 2020.

Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and are translated at the exchange rate at the reporting date. Exchange differences are recognised in other comprehensive income.

None of the group's subsidiaries operate in a hyperinflationary economy.

2.6 CLASSIFICATION OF ASSETS AND LIABILITIES AS CURRENT OR NON-CURRENT

The group presents assets and liabilities as current and non-current in its statement of financial position. An asset is classified as current when it is expected to be realised in the next financial year or in the group's normal operating cycle.

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.

2.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PPE) are tangible items that are used in the group's operating activities and have an expected useful life of over one year. Items of property, plant and equipment are carried in the statement of financial position at historical cost less any accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of an item. The cost of a purchased item of property, plant and equipment comprises the purchase price, transportation and installation costs, and other costs directly attributable to the acquisition and implementation of the asset. The cost of a self-constructed item of property, plant and equipment includes the costs of materials, services and labour incurred in its construction and implementation.

If an item of property, plant and equipment consists of parts with significantly different useful lives, the parts are accounted for as separate items of property, plant and equipment.

When the construction of an item of property, plant and equipment lasts for a substantial period of time and is funded with a loan or another debt instrument, related borrowing costs (interest) are capitalised as part of the cost of the item. Capitalisation of borrowing costs begins when the borrowing costs and expenditures for the asset have been incurred and the construction of the asset has commenced. Capitalisation of borrowing costs ceases when substantially all the

activities necessary to prepare the qualifying asset for its intended use or sale are complete. The group suspends capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

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.

Depreciation of an asset begins when the asset 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 or 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 (see note 2.9).

USEFUL LIVES ASSIGNED TO CLASSES OF PROPERTY, PLANT AND EQUIPMENT:

Buildings	30-40 years
Facilities and structures	10-30 years
Machinery and equipment	
Electricity transmission equipment	5-45 years
Power plant equipment	7-32 years
Other machinery and equipment	3-30 years
Other items of property, plant and equipment	3-10 years

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 profit or loss within other operating income and other operating expenses, respectively.

2.8 INTANGIBLE ASSETS

An intangible asset is recognised in the statement of financial position only if:

- the asset is controlled by the group;
- it is probable that the expected future economic benefits attributable to the asset will flow to the group;
- the cost of the asset can be measured reliably.

Intangible assets (except goodwill) are amortised over their estimated useful lives using the straight-line method.

Intangible assets (except goodwill) are tested for impairment when there is any indication of impairment, similarly to items of property, plant and equipment. 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 amortised. Instead, for the purpose of impairment testing, goodwill is allocated to cash-generating units and an impairment test is performed at the end of each reporting period (or more frequently if an event or change in circumstances indicates it is necessary). The allocation is made to those cash-generating units that are expected to benefit from the synergies of the business combination. Goodwill is allocated to a cash generating unit or a group of units that is not larger than an operating segment. Goodwill is written down to its recoverable amount when the latter is less than its carrying amount. Impairment losses on goodwill are not subsequently reversed. Goodwill is reported in the statement of financial position at the carrying amount (at cost less any impairment losses). When determining a gain or loss on the disposal of a subsidiary, the carrying amount of any goodwill related to the subsidiary is included in the carrying amount of the assets of that subsidiary.

(b) Software

The costs associated with day-to-day maintenance of computer software are recognised as an expense as incurred. Purchased computer software which is not an integral part of the related hardware is recognised as an intangible asset. 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 measured reliably.

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

Acquired contractual rights are initially recognised at fair value and subsequently carried at cost less any accumulated amortisation. A contractual right is amortised over its expected term using the straight-line method. See note 9 for further information about contractual rights.

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2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have indefinite useful lives (for example goodwill) are not amortised. Instead, they are tested for impairment annually. Assets that are amortised or depreciated and land are assessed for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised at the amount by which the asset's carrying amount exceeds its recoverable amount. 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.

2.10 FINANCIAL ASSETS

Classification

The group classifies its financial assets into the following measurement categories:

- financial assets measured at fair value (either through other comprehensive income or through profit or loss);
- financial assets measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the group commits itself to purchase or sell an asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets carried at fair value through profit or loss are recognised in 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 category.

Amortised cost
Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest on the principal amount outstanding are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in 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 unless the instruments qualify for hedge accounting. The group applies hedge accounting. Hedge accounting policies are set out in note 2.28.

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.

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

Trade receivables

Trade receivables are amounts due from customers for energy sold or services provided in the ordinary course of business. Trade receivables are initially recognised at the transaction price and subsequently measured at amortised cost using the effective interest method. Receivables are presented less an impairment (loss) allowance. A loss allowance is recognised when there is objective evidence that the group will not be able to collect all amounts due according to the original contract terms. Indications of possible impairment of receivables include the debtor's bankruptcy or significant financial difficulty as well as a default or delinquency in payments (a settlement delay of over 90 days). Material receivables are assessed for impairment individually. Other receivables are assessed for impairment collectively, based on historical experience which is adjusted for expected changes in the economic environment.

A loss allowance is the difference between the carrying amount of a receivable and the present value of its expected future cash flows, calculated using the effective interest method. The carrying amount of a receivable is reduced by the loss allowance and the amount of the impairment loss is recognised in the income statement within other operating expenses. When an item is considered to be uncollectible, both the item and its loss allowance are written off the statement of financial position. Subsequent collection of an item which has been written down is recognised by reducing other operating expenses in the income statement.

Trade receivables which are expected to be collected up to one year after the reporting period or in the normal operating cycle are classified as current. Other trade receivables are classified as non-current. Collectible non-current trade receivables are measured at their present value. The difference between the nominal and present value of a collectible receivable is recognised as interest income over the period until the maturity date of the receivable using the effective interest method.

2.11 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 were members of the cash pooling facility (group account) of Eesti Energia AS (the parent) until 30 June 2021. At the reporting date, the balance on the facility was classified as a current receivable or a borrowing from (an overdraft liability to) the parent. Free funds placed in the cash pooling facility are not classified as cash and cash equivalents as at reporting date.

According to the group's estimates, the carrying amounts of balances on the group's cash pooling facility approximate their fair values. Receivables and overdraft liabilities related to the group's cash pooling facility are measured at amortised cost.

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In the statement of cash flows, changes in the cash pooling facility balances are reported within Change in the overdraft balance in cash flows from financing activities.

The Enefit Green group's Baltic cash pooling facility was opened with SEB bank in June 2021. Since then, the parent and its Estonian, Latvian and Lithuanian subsidiaries have had access to a common cash pooling facility.

2.12 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 their 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 necessary to make the sale.

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

2.14 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.

2.15 TRADE PAYABLES

Trade payables are amounts due to suppliers for goods or services purchased in the ordinary course of business. Payables that are expected to be settled within twelve months after the reporting period or in the normal operating cycle are classified as current. Other payables are classified as non-current. Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 BORROWINGS

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

Fees paid on the origination of loans are recognised as borrowing costs to the extent that it is probable that some or all of the loan will be drawn down. Such fees are deferred and treated as borrowing costs when the draw-down occurs. When there is no evidence that the loan will be drawn down either in part or in full, the loan fee is recognised as a prepayment for liquidity services and amortised to expenses during the period in which the loan is drawn down.

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of borrowings is deducted from the amount of borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2.17 TAXATION

(a) Corporate income tax including the taxation of dividends in Estonia

Under the Estonian Income Tax Act, in Estonia corporate profit for the year is not subject to income tax. Income tax is paid on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenditures and transfer price adjustments. The tax rate for profit distributions is 20% (calculated as 20/80 of the net distribution). From 2019, regular dividend 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.

Corporate income tax payable on a dividend distribution is recognised as an income tax expense in the income statement and a liability in the statement of financial position in the amount of the planned dividend distribution.

Deferred tax is provided on the post-acquisition retained earnings and other post-acquisition movements in the reserves of subsidiaries, except to the extent that the group controls the subsidiary's dividend policy and it is probable that the temporary difference will not reverse through dividends or otherwise in the foreseeable future. As the group controls

the dividend policy of its subsidiaries, it is able to control the timing of the reversal of the temporary differences associated with its investments in subsidiaries. The group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

The maximum income tax liability which would arise if all of the retained earnings were distributed as dividends is disclosed in the notes to the consolidated financial statements.

(b) Other taxes in Estonia

The group's expenses are affected by the following taxes:

Tax	Tax rate
Social security tax	33% of payments made and fringe benefits provided to employees
Unemployment insurance contributions	0.8% of payments to employees
Income tax on fringe benefits	20%, calculated as 20/80 of fringe benefits provided to employees
Pollution charges	Paid for pollutant releases to air, water, groundwater and soil and waste storage based on relevant rates per tonne
Charge for special use of water	2021: €1.69–178.75 per 1,000 m^3 of water extracted from a surface water body or groundwater (2020: €1.63–176.99 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 per truck per quarter
Excise duty on electricity	Until 30 April 2020: 0.5–4.47 €/MWh of electricity. From 1 May 2020 to 30 April 2022: 0.5–1€/MWh of electricity
Excise duty on natural gas	Until 30 April 2020: €79.14 per 1,000 m^3 of natural gas. From 1 May 2020: €40 per 1,000 m^3 of natural gas
Corporate income tax on non-business expenses	20%, calculated as 20/80 of non-business expenses

(c) Income tax rates in other countries where the group operates

Latvia	Income earned by resident legal persons is taxed at distribution at the rate of 20%, calculated as 20/80 of the amount of the net distribution
Lithuania	Income earned by resident legal persons is taxed at the rate of 15%
Poland	Income earned by resident legal persons is taxed at the rate of 19%

(d) Deferred tax

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

Deferred tax is recognised for temporary differences arising between the carrying amounts and tax bases of the group's assets and liabilities (the tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes).

Under Estonian laws, corporate profit for the year is not subject to taxation. The obligation to pay corporate income tax arises on the distribution of profit and it is recognised as an expense (in the income

statement for the period) when the dividend is declared. Due to the nature of the taxation system, companies registered in Estonia do not have deferred tax assets and liabilities except for possible deferred tax liabilities related to their investments in subsidiaries, associates, joint ventures and branches.

The group incurs deferred tax liabilities through group entities that operate in countries where corporate profit for the year is taxable. The group also incurs deferred tax liabilities in connection with investments in Estonian and Latvian subsidiaries and associates, except to the extent that the group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Examples of the reversal of taxable temporary differences are the distribution of a dividend, the sale or liquidation of an investment, and other transactions.

As the group controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of the temporary differences associated with its investments in the subsidiaries. If the parent has decided not to distribute a subsidiary's profit in the foreseeable future, it does not recognise a deferred tax liability. If the parent assesses that a dividend will be paid in the foreseeable future, a deferred tax liability is recognised to the extent of the planned dividend distribution.

The group measures deferred tax liabilities at tax rates that are expected to apply to the taxable temporary differences in the period in which the temporary differences are expected to reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax assets are recognised for deductible temporary differences to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

2.18 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 twelve months after the end of the period in which the employee rendered the employee service, and other benefits payable within twelve 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 amounts 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 twelve 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 labour agreements and other contracts, and compensation payable for work-related injuries and damage to health.

2.19 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 in the income statement 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.

Provisions for employee benefits
Provisions for employee benefits 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.

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2.20 CONTINGENT LIABILITIES

Where it is not probable that an outflow of resources will be required to settle an obligation, or where the amount of an obligation cannot be measured with sufficient reliability, but the obligation may transform into a liability in certain circumstances, the obligation is disclosed in the notes to the financial statements as a contingent liability.

2.21 REVENUE

Revenue is income arising in the course of the group's ordinary activities. Revenue is measured in the amount of the transaction price. The transaction price is the total amount of consideration to which the group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The group recognises revenue when it transfers control of the goods or services to the customer. Revenue is recognised net of associated value added tax and excise duties payable by the group.

Sale of goods – wholesale
The group manufactures pellets and sells them in an open market. Sales are recognised when control of the products has been transferred, i.e. when the products have been delivered to the customer, the customer has full discretion over the distribution channel and price of the products, and there is no unsatisfied obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The sales transactions do not contain a financing component because sales are made with a credit term of up to 90 days, which is consistent with industry practice.

A receivable is recognised when the goods have been delivered as this is the point in time where the right to consideration becomes unconditional because only the passage of time is required before payment is due.

If the group provides any additional service to the customer after control of the goods has transferred to the customer, 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, waste treatment
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 service provided by the end of the reporting period 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 reception 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.

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If the contract includes variable consideration, it is recognised as revenue only to the extent that it is highly probable that there will be no significant reversal of such consideration.

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

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

2.22 GOVERNMENT GRANTS

A government grant is recognised at fair value, when there is reasonable assurance that the grant will be received and the group will comply with all conditions attaching to the grant. Grants related to income are recognised as income over the periods necessary to match them with the costs for which the grants are intended to compensate.

Grants related to assets are accounted for using the gross method whereby the asset acquired with a grant is recognised at cost. The amount received as a government grant is recognised as a non-current liability (deferred income). The asset acquired is depreciated and the grant liability is recognised as income over the estimated useful life of the asset.

Support for electricity produced from renewable sources
In line with section 59 of the Estonian Electricity Market Act, the group receives support of 5.37 cents per kilowatt hour of electricity produced from a renewable energy source with a generating installation whose net capacity does not exceed 125 MW. The group receives the support monthly based on the volume of electricity produced from renewable energy sources. The support is not designed to cover specific expenses. Instead, it is a government measure designed to promote and provide incentives for transition to renewable energy in Estonia. The support is recognised using the gross method within renewable energy support in other operating income.

2.23 LEASES

(a) The group as a lessee
At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease, if the group is reasonably certain to exercise that option, and periods covered by an option to terminate the lease, if the group is reasonably certain not to exercise that option. The group reassesses

whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the group and affects whether the group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The group revises the lease term if there is a change in the non-cancellable period of a lease or the exercise of an extension or termination option.

Contracts may contain both lease and non-lease components. The group's leases are mostly contracts for the creation of the right to use land and they do not contain non-lease components.

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

The group measures the right-of-use asset at cost at initial recognition. 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 of recent third-party financing received by the group as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received;
- uses a build-up approach that starts with the average interest margin of the industry, adjusted for the credit risk of the group;
- makes adjustments specific to the lease by taking into account factors such as the lease term, country, currency and security.

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;

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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 the income statement interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

If there are changes to the lease payments, it may be necessary to remeasure the lease liability. The group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the group recognises any remaining amount of the remeasurement in the income statement.

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

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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, 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 not to apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of twelve 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 payments receivable during the lease term are 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 (rights to use land belonging to another person to build and own buildings or structures on it) and servitudes (encumbrances on a person's property that grant 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.

2.24 DIVIDEND DISTRIBUTIONS

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

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2.25 EMISSION ALLOWANCES

The European Union Emissions Trading System (EU ETS) was set up in 2005 as a tool for reducing greenhouse gas, particularly carbon dioxide, emissions. In the framework of the system, countries have allocated certain installations EU allowances for emissions (EUAs, emission allowances) free of charge or at a price below fair value.

Emission allowances are purchased and sold on relevant exchanges where installations that need more allowances that have been allocated to them free of charge or at a subsidised price have to purchase additional emission allowances to meet their obligations.

During the first trading period in 2005–2007, only EUAs were traded. During the second trading period in 2008–2012, which was the first commitment period of the Kyoto Protocol, the EU ETS was opened up for trade in Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs). Since the third trading period in 2013–2020, the power generation sector is no longer allocated emission allowances free of charge and all electricity producers have to purchase all emission allowances they need. In other sectors such as heat production, there is a transition period during which producers can be allocated emission allowances free of charge but the quantity of such allowances will gradually decrease during following years.

In the reporting and the comparative period, the group was allocated the following quantities of emission allowances free of charge:

- 2020: for 3,820 tonnes of emissions at fair value* of €124k;
- 2021: for 5,094 tonnes of emissions at fair value* of €404k.

Emission allowances received from the state free of charge are recognised at zero cost. As carbon dioxide is emitted, an obligation arises to deliver the corresponding quantity of emission allowances (EUAs, CERs, ERUs) to the authorities (the state). An expense and a liability are recognised when the emission allowances received free of charge do not cover the obligation to the authorities. The liability is measured in the amount that is expected to be required to settle the obligation.

The group has not recognised a liability because the quantity of emission allowances allocated to it free of charge was sufficient to cover the obligation to the authorities.

2.26 TRANSACTIONS WITH RELATED PARTIES

For the purposes of these consolidated financial statements, related parties include:

a) the parent Eesti Energia AS and, since 100% of the shares in Eesti Energia AS are held by the Republic of Estonia, all entities under the control or significant influence of the state;

b) other companies belonging the same group;

c) associates and joint ventures;

d) members of the executive and higher management;

e) close family members of the above persons and companies under their control or significant influence.

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

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2.27 PRIMARY FINANCIAL STATEMENTS OF THE PARENT

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the separate primary financial statements of the consolidating entity (the parent). The primary financial statements of the parent, disclosed in note 33, have been prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements. In the parent's primary financial statements, investments in subsidiaries are accounted for using the cost method. Under the latter, an investment is initially recognised at cost, i.e. at the fair value of the consideration given for it, and measured thereafter at cost less any impairment losses.

2.28 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently measured at their fair value. The method for recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if it is, the nature of the item being hedged. In 2021, the group used cash flow hedging instruments in order to hedge the risk of changes in the electricity price.

The group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, and also its risk management objectives and strategy for undertaking various hedge transactions. The group also documents whether there is an economic relationship between the derivatives that are used in hedging transactions and the changes in the cash flows of the hedged items. At inception of the hedge, the group documents the sources of hedge ineffectiveness. Hedge ineffectiveness is quantified in each reporting period and recognised in the income statement.

Movements in the hedge reserve recognised in other comprehensive income are disclosed in note 22. The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedging instrument is more than twelve months and as a current asset or liability when the remaining maturity of the hedging instrument is less than twelve months.

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

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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 the Enefit Green group. Oversight of the risk mitigation measures implemented by the management board is the responsibility of the supervisory board of Enefit Green AS. The group assesses and limits risks through systematic risk management. In financial risk management, the group works with Eesti Energia's finance department and energy trading unit which support the group in the mitigation and hedging of its financial risks.

3.1.1 Market risks

Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Financial assets and liabilities denominated in euros are considered to be free of currency risk when an entity's functional currency is the euro. The group has financial assets (a PLN account with SEB bank in Poland, at 31 December 2021 the balance was €1,259k) and financial liabilities (a bank loan denominated in PLN which is disclosed in note 19, at 31 December 2021 the balance was €7,537k) which are exposed to currency risk. If the Polish zloty/euro exchange rate changed by +/- 6%, the group's net profit would change by -/+ €346k.

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. Items exposed to price risk include the group's products and services that are sold in an open market, purchases of production resources, and financial assets at fair value through profit or loss. In the reporting and the comparative period the group did not have such financial assets.

Price risk of goods and services

The most significant price risk is the price risk inherent in the sale of electricity. The group mitigates the risk by using various derivatives.

Derivatives used to hedge the risks associated with the sale of electricity

A part of the renewable electricity production assets operated

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by the group which is not subject to a subsidy scheme under a feed-in-tariff is exposed to the risk of electricity price fluctuations, as the electricity is sold on the Nord Pool power exchange. 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 derivatives, the group was the payer of the floating price and the counterparty was the payer of the fixed price.

The transactions, which were designed to hedge the risk of variability in electricity prices, were designated as hedging instruments in cash flow hedges. The underlying hedged item was the market price risk of highly probable forecast renewable electricity sales transactions that were exposed to market price fluctuations. The hedge ratio of the hedging relationships was one to one. The maturity dates of the electricity sale derivative contracts entered into for hedging purposes were in the period 2023–2027. To hedge the market price risk of electricity sold on the Nord Pool power exchange during that period, the group signed forward sales transactions on 1.63 TWh in the price range of 39–40 €/MWh. From the date of signature of the contracts to 17 August, the derivatives were accounted for as hedging instruments.

The fair values of the instruments have been measured 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 fixed-price power purchase agreements (PPAs) is the long-term electricity price. The group has determined the underlying price for the calculation of fair value based on the weighted average prices of long-term (over 5 years) customer contracts signed by the group's parent.

The Enefit Green group and its parent Eesti Energia AS entered into an EFET General Agreement Concerning the Delivery and Acceptance of Electricity (EFET General Agreement) on 17 August 2021, simultaneously terminating all open derivative contracts existing between them. By signing the agreement, the parties entered into a fixed-price contract for the physical supply of electricity for the period 2023–2027. The contract was entered into for the same quantities of electricity and based on the same fixed prices as had been agreed for the derivatives which were terminated as of 17 August 2021.

The group applied hedge accounting to the open derivatives positions from the date of signature of the original contracts to 17 August 2021, recognising the changes in the fair value of the derivatives during that period consistent with the accounting policies set out in note 2.28. At 17 August 2021, the fair value of the derivatives was negative at €(23,207) k and the items were classified as liabilities due to the change in the projected electricity price during the period from the date of signature of the original contracts to 17 August 2021. At the trade date the fair value of the derivatives was €(10,780)k, which was recognised directly in equity as it reflected a transaction with the parent, Eesti Energia AS. The change in the fair value of the derivatives from the trade date until 17 August 2021 of €(12,427)k was recognised in other comprehensive income. The negative change in fair value was recognised in other comprehensive income because no material sources of ineffectiveness were identified in the hedging relationships in the period until 17 August 2021.

The EFET General Agreement meets the own use exemption and, therefore, is not considered to be a financial instrument that is required

to be measured at fair value under IFRS 9. Rather, it is to be accounted for as an executory contract under IFRS 15 Revenue from Contracts with Customers with the revenue being recognised at a fixed per-unit value only when the delivery of electricity takes place in the years 2023–2027. No gains or losses were recognised at the date the derivative contracts were replaced with the EFET General Agreement. Upon entering into the EFET General Agreement, the carrying amount of the derivatives classified as a liability at that date, which was €(23,207)k, was reclassified as a non-derivative contract liability, which will gradually increase recognised revenue until the EFET General Agreement is fulfilled. Such an increase in revenue will be partially offset by the reclassification of the €(12,427)k accumulated in the electricity cash flow hedge reserve to the income statement due to the discontinuance of hedge accounting.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

Cash flow interest rate risk arises from the group's floating-rate borrowings and is the risk that finance costs will grow when interest rates increase.

The group's interest rate risk arises mainly from short- and long-term borrowings (note 19). The weighted average effective interest rate of the group's loans was 1.44% at 31 December 2021 (31 December 2020: 1.67%). If the base interest rate of the group's floating-rate loans at 31 December 2021 had been 0.5 percentage points (31 December 2020: 0.5 percentage points) higher, the group's net profit for the period would have been €38k (2020: €42k) smaller, assuming that all other variables remain constant. If the base interest rate of the group's floating-rate loans at 31 December 2021 had been 1 percentage point (31 December 2020: 1 percentage point) higher, the group's net profit for the period would have been €586k (2020: €969k) smaller, assuming that all other variables remain constant.

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.

See note 19 for further information on the group's borrowings and their interest rates and fair values.

3.1.2 Credit risk

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

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Available monetary funds may only be invested in financial instruments denominated in euros. The group has also established requirements for the maturities and diversification of financial instruments.

The group has outsourced the handling of past due trade receivables. Customers with past due debts are sent automated reminders and cautions. There are rules in place for taking legal action to collect a receivable and transferring a receivable to a debt collection agency. Special agreements are at the discretion of the group's management board.

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

	31 DECEMBER	
€ thousand	2021	2020
Trade and other receivables* (note 13)	10,632	9,847
Receivables from the parent, other group companies and other related parties (notes 13 and 32)	4,201	36,285
Cash and cash equivalents (note 16)	80,454	10,774
Total amount exposed to credit risk (notes 14 and 15)	**95,287**	**56,906**

* 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 2021, the group had 2 customers that each accounted for over 10% of the group's trade and other receivables. Total receivables from those customers amounted to €5,381k at 31 December 2021 (31 December 2020: 1 customer that accounted for over 10% of trade and other receivables; receivables from the customer totalled €4,596k).

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

3.1.3 Liquidity risk

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

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

At the end of the reporting period, the group had undrawn loans of €140,000k (31 December 2020: €25,000k).

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MATURITY PROFILE OF LIABILITIES AT 31 DECEMBER 2021

€ thousand	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. lease liabilities (note 19)*	30,589	88,707	3,783	123,079	120,397
Lease liabilities (note 19)	267	1,397	3,619	5,283	3,059
Trade and other payables (note 20)	8,564	3,000	0	11,564	11,564
Total	**39,420**	**93,104**	**7,402**	**139,926**	**135,020**

* Interest expense has been estimated on the basis of interest rates as at 31 December 2021.

MATURITY PROFILE OF LIABILITIES AT 31 DECEMBER 2020

€ thousand	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. lease liabilities (note 19)*	41,182	161,099	4,656	206,937	197,046
Lease liabilities (note 19)	226	1,140	2,532	3,898	2,290
Trade and other payables (note 20)	7,039	0	0	7,039	7,039
Total	**48,448**	**162,238**	**7,187**	**217,873**	**206,375**

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

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

3.2 CAPITAL MANAGEMENT

The group regards equity and borrowings (debt) as capital. To maintain or change its capital structure, the group may change the dividend policy, repay capital contributions to shareholders, 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.

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	31 DECEMBER	
€ thousand	2021	2020
Total borrowings (notes 3.1.3 and 19)	123,456	199,336
Less: Cash and cash equivalents (note 16)	(80,454)	(10,774)
Net debt	43,002	188,563
Total equity	633,607	509,550
EBITDA* (note 5)	121,457	110,171
Assets	817,656	739,445
Net debt/EBITDA	0.4	1.7
Equity/assets	77%	69%
Total capital (net debt + equity)	676,609	698,112
Net debt/capital	6%	27%

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

EBITDA and net debt are alternative performance measures (APMs), which are not defined in IFRS and may not be comparable with the APMs of other companies. The group believes that APMs provide the readers of the consolidated financial statements with additional useful information about the group's financial performance and management. The APMs are used by the group's management to analyse the group's results and in management reporting. The APMs should be viewed as supplemental to, and not as a substitute for, the measures presented in the consolidated financial statements in accordance with IFRS.

3.3 FAIR VALUE

According to the group's assessment, at 31 December 2021 and 31 December 2020 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 19.

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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 are based on historical experience and other factors including forecasts of future events that are believed to be reasonable in the circumstances. Management also makes judgements (apart from those involving estimation) in the process of applying accounting policies. Although the estimates are based on management's best knowledge, they may differ from actual results. Changes in management's estimates are recognised in income statement in the period of the change.

Estimates that have the most significant effect on the information reported in the financial statements are set out below.

(a) Determining the useful lives of items of property, plant and equipment

The useful lives of items of property, plant and equipment are determined based on management's estimates of the economic lives over which the assets can be used. Historical experience reflects that the actual economic lives of assets are sometimes somewhat longer than their estimated useful lives. At 31 December 2021, the total carrying amount of the group's property, plant and equipment was €612,503k (31 December 2020: €594,874k) and depreciation expense for the reporting period amounted to €37,867k (2020: €37,832k) (note 7). At the year-end, the average remaining useful life of items of property, plant and equipment was 11.3 years (31 December 2020: 12.2 years). If the average remaining useful life were one year longer, depreciation expense would decrease by €2,525k (2020: €1,986k) and if the average remaining useful life were one year shorter, depreciation expense would increase by €3,262k (2020: €2,659k). The effect on depreciation has been calculated based on the individual remaining useful lives of asset classes.

(b) Estimating the recoverable amounts of property, plant and equipment and 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.

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

At 31 December 2021, the group had not recognised deferred tax liabilities for taxable temporary differences related to the retained earnings of its Estonian and Latvian subsidiaries of €84,877k (31 December 2020: €96,043 million). The group has adopted a dividend policy which has been approved by the supervisory board and foresees distributing at least 50% of the normalised net profit as

dividends. Based on the dividend policy, the group has assessed that no dividends will be distributed from the retained earnings of the group's Estonian and Latvian subsidiaries in the foreseeable future (the next five years). The group is able to control the timing and the amount of dividend distributions of its subsidiaries.

NOTE 5. SEGMENT REPORTING

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

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.

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 the activities exceeds the quantitative thresholds for separate disclosure.

Segment revenues comprise revenues from external customers, generated by the sale of relevant products or services. As the segments are based on externally sold products and services, there are no inter-segment transactions to be eliminated.

Management assesses segment results mainly on the basis of EBITDA but also monitors operating profit. Finance income and costs and income tax expense are not allocated to operating segments. The group's non-current assets are allocated to segments based on their purpose of use. Liabilities and current assets are not allocated to segments.

Under the Estonian District Heating Act, the maximum price of heat, which may be charged by a heating undertaking which sells heat to customers or to a network operator that sells heat to customers, or which produces heat in a combined heat and power generation process, must be approved by the Competition Authority.

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Revenue		
Wind energy	84,409	56,463
Cogeneration	63,579	51,372
Solar energy	4,149	4,624
Total reportable segments	**152,138**	**112,459**
Other	864	1,536
Total (note 23)	**153,002**	**113,994**

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In 2021, the group had 2 customers in the Wind energy segment that each accounted for over 10% of the group's revenue for the period. Total sales to those customers amounted to €87,556k (2020: 2 customers, total sales amounted to €52,238k).

In 2021, the group had 1 customer in the Cogeneration segment that accounted for over 10% of the group's revenue for the period. Total sales to the customer amounted to €17,397k (2020: 1 customer, total sales amounted to €11,612k).

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Renewable energy support and other operating income		
Wind energy	24,114	28,344
Cogeneration	5,906	5,439
Solar energy	465	1,239
Total reportable segments	**30,485**	**35,022**
Other	220	13,668
Total (note 24)	**30,705**	**48,689**

A substantial decrease in the other operating income of the segment Other is attributable to the fact that in 2020 there was a one-off sale of greenhouse gas emission allowances. See note 24 for further information.

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 profit from associates under the equity method are not allocated to segments and relevant information is not reported to the management of the parent.

The following tables provide information about the results of each reportable segment. Performance is measured on the basis of EBITDA, which is defined as profit before finance costs, profit from associates under the equity method, tax, depreciation, amortisation and impairment losses.

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Profit for the year	79,661	67,870
Income tax expense (note 29)	1,585	737
Net finance costs (note 28)	2,112	3,377
Profit from associates under the equity method	(46)	(5)
Depreciation, amortisation and impairment losses (notes 6, 7 and 9)	38,146	38,191
EBITDA	**121,457**	**110,171**

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	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
EBITDA*		
Wind energy	89,741	69,398
Cogeneration	35,181	29,850
Solar energy	1,613	1,674
Total reportable segments	**126,534**	**100,922**
Other	(5,077)	9,249
Total EBITDA	**121,457**	**110,171**
Depreciation, amortisation and impairment losses (notes 6, 7 and 9)	(38,146)	(38,191)
Net finance costs (note 28)	(2,112)	(3,377)
Profit from associates under the equity method	46	5
Profit before tax	**81,246**	**68,607**

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

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Operating profit		
Wind energy	62,609	41,804
Cogeneration	24,998	20,190
Solar energy	896	886
Total reportable segments	**88,504**	**62,880**
Other	(5,192)	9,099
Total	**83,312**	**71,979**

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Investments in non-current assets		
Wind energy	73,194	7,041
Cogeneration	2,217	1,891
Solar energy	953	4,697
Total reportable segments	**76,036**	**13,629**
Other	435	97
Total	**76,799**	**13,726**

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

	31 DECEMBER	
€ thousand	2021	2020
Non-current assets		
Wind energy	535,001	490,929
Cogeneration	141,264	146,438
Solar energy	25,610	23,274
Total reportable segments	**701,874**	**660,641**
Other	3,425	5,379
Total	**705,300**	**666,020**

At 31 December 2021, the assets of the group's Wind energy segment included goodwill of €23,695k (2020: €23,695k), the assets of the Cogeneration segment included goodwill of €32,712k (2020: €32,712k) and the assets of the Solar energy segment included goodwill of €2,816k (2020: €2,816k).

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Revenue by the location of customers

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Estonia	92,070	50,173
Lithuania	31,691	37,193
Denmark	17,413	7,106
Latvia	5,955	16,084
Belgium	3,080	0
Poland	1,767	917
Finland	970	2,521
Other countries	56	0
Total revenue (note 23)	**153,002**	**113,994**

Non-current assets by location*

	31 DECEMBER	
€ thousand	2021	2020
Estonia	390,080	371,887
Lithuania	249,056	231,369
Latvia	32,836	35,959
Poland	15,026	15,604
Finland	14,454	8,000
Right-of-use assets, Estonia (note 6)	1,835	1,259
Right-of-use assets, Lithuania (note 6)	915	963
Total non-current assets (notes 6, 7 and 9)	**704,202**	**665,041**

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

NOTE 6. RIGHT-OF-USE ASSETS

€ thousand	Rights to use land (rights of superficies)
At 1 January 2020	
Cost	2,895
Accumulated amortisation	(169)
Carrying amount	**2,725**
2020	
Additions	(353)
Amortisation for the period	(150)
Total carrying amount	**2,222**
At 31 December 2020	
Cost	2,541
Accumulated amortisation	(319)
Carrying amount	**2,222**
2021	
Additions	450
Amortisation for the period	(181)
Other changes	259
Total carrying amount	**2,750**
At 31 December 2021	
Cost	3,250
Accumulated amortisation	(500)
Carrying amount	**2,750**

The group's consoldiated income statement includes the following amounts relating to lease contracts:

€ thousand	2021	2020
Interest expense	**153**	**28**
Lease expenses (note 27)	**1,251**	**1,376**

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NOTE 7. PROPERTY, PLANT AND EQUIPMENT

€ thousand	Land	Buildings	Facilities and structures	Machinery and equipment	Other items of PPE	Assets under construction	Pre-payments	Total
Carrying amount at 1 January 2020	**9,916**	**16,516**	**20,422**	**569,355**	**8**	**9,527**	**2,122**	**627,866**
Movements in 2020								
Additions (note 5)	30	15	371	222	0	1,410	5,678	7,726
Depreciation for the period (notes 4, 5 and 30)	0	(621)	(1,262)	(35,935)	(13)	0	0	(37,832)
Impairment (note 30)	(35)	0	0	(14)	0	0	0	(49)
Sales (at carrying amount)	(33)	0	0	0	0	0	0	(33)
Effect of movements in foreign exchange rates	0	(13)	(11)	(763)	0	(6)	0	(794)
Other changes	0	0	0	95	0	0	0	95
Transfers	585	205	13	1,950	5	2,936	(7,695)	(2,000)
Property, plant and equipment at 31 December 2020								
Cost	10,463	25,218	42,030	738,549	180	13,867	106	830,413
Accumulated depreciation	0	(9,117)	(22,497)	(203,639)	(180)	0	0	(235,433)
Carrying amount at 31 December 2020	**10,463**	**16,101**	**19,533**	**534,910**	**0**	**13,867**	**106**	**594,980**
Movements in 2021								
Additions (note 5)	29,424	0	40	0	0	26,312	20,604	76,381
Depreciation for the period (notes 4, 5 and 30)	0	(628)	(1,249)	(35,972)	0	(18)	0	(37,867)
Sales (at carrying amount)	(115)	0	0	0	0	0	0	(115)
Effect of movements in foreign exchange rates	0	(1)	(1)	(82)	0	(2)	0	(86)
Transfers	172	198	(2)	5,846	0	(6,295)	0	(80)
Property, plant and equipment at 31 December 2021								
Cost	**39,944**	**25,415**	**42,067**	**744,314**	**180**	**33,883**	**20,710**	**906,513**
Accumulated depreciation	**0**	**(9,745)**	**(23,746)**	**(239,611)**	**(180)**	**(18)**	**0**	**(273,300)**
Carrying amount at 31 December 2021	**39,944**	**15,670**	**18,321**	**504,703**	**0**	**33,865**	**20,710**	**633,213**

Enefit Green AS acquired a 100% interest in Raunistal AS in March 2021 for €6,500k. The transaction was analysed in accordance with the requirements of IFRS 3 and it was accounted for as an asset acquisition, not as a business combination. The assets acquired include various building permits, approvals from the Civil Aviation Administration, approvals of the use of roads, a network connection contract, agreements on the use of land, property rights and technical wind measurement data, which allow building a wind farm in the designated area. After the acquisition, the acquired entity was renamed Enefit Wind Purtse AS. The group is planning to develop and build an 18-20 MW wind farm in Purtse in Ida-Virumaa County, Estonia. Enefit Wind Purtse AS is entitled to receive support under the old renewable energy support scheme at the rate of 53.7 €/MWh. The Purtse wind farm is expected to become operational in 2023. See also note 11.

In June 2021, the group acquired land for Enefit Wind Purtse AS. The land was acquired from a fellow subsidiary belonging to the Eesti Energia group for €29,383k (note 32).

Major investments in assets under construction and prepayments are described in notes 1.1, 5, 11 and 32.

The group's wind farms were tested for impairment in 2021 by estimating the recoverable amounts of the assets based on the discounted future cash flows of each cash-generating unit. The cash flows of each cash-generating unit were projected until the end of the useful life of the underlying wind farm. Every wind farm was treated as a separate cash-generating unit.

At 31 December 2021, the total carrying amount of the group's wind farm assets was €424,177k (31 December 2020: €449,651k) and the carrying amount of goodwill allocated to the cash-generating units was €23,695k (31 December 2020: €23,695k) (note 9).

The impairment tests conducted in 2021 did not indicate a need for recognising an impairment loss (2020: no need for impairment was identified).

The recoverable amounts of the wind farm assets were estimated based on their value in use. The expected future cash flows were discounted by applying a discount rate of 5.7% for wind farms located in Lithuania and 4.7% for wind farms located in Estonia (2020: a discount rate of 5.7% for wind farms located in Lithuania and 4.7% for wind farms located in Estonia). The electricity price was forecast in 2021 by reference to the estimates of third party experts and forward prices. In conducting the impairment tests for 2020, it was assumed that the Estonian and Lithuanian electricity prices will gradually equalise with those of the neighbouring countries. The recoverable amount of wind farm assets is most sensitive to changes in the electricity price. If the assumption regarding the equalisation of price levels did not apply, the group's wind farms in Estonia and Lithuania would not have to be written down but their recoverable amounts would decrease by €62,000k and €53,000k, respectively (2020: would have decreased by €21,000k and €29,000k, respectively). The recoverable amounts of the wind farms were estimated taking into account the goodwill allocated to them.

The sensitivity analysis also took into account the goodwill allocated to the cash-generating units (note 9).

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NOTE 8. OPERATING LEASES

Assets leased out under operating leases

	31 DECEMBER	
€ thousand	2021	2020
Cost	3,927	3,900
Accumulated depreciation at the beginning of the year	(2,740)	(2,674)
Depreciation for the period	(66)	(66)
Carrying amount	**1,122**	**1,160**

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 part of assets that have been leased out.

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NOTE 9. INTANGIBLE ASSETS

€ thousand	Goodwill	Software	Other intangible assets	Total
Carrying amount at 1 January 2020	**59,223**	**409**	**368**	**60,001**
Movements in 2020				
Additions (note 5)	0	0	6,000	6,000
Amortisation for the period (notes 5 and 30)	0	(69)	(46)	(114)
Impairment (note 30)	0	0	(48)	(48)
Transfers	0	0	2,000	2,000
Intangible assets at 31 December 2020				
Cost	59,223	614	8,547	68,384
Accumulated amortisation	0	(274)	(272)	(545)
Carrying amount at 31 December 2020	**59,223**	**341**	**8,275**	**67,839**
Movements in 2021				
Additions (note 5)	0	0	418	418
Amortisation for the period (notes 5 and 30)	0	(68)	(30)	(98)
Transfers	0	80	0	80
Intangible assets at 31 December 2021				
Cost	59,223	694	8,965	68,882
Accumulated amortisation	0	(341)	(302)	(643)
Carrying amount at 31 December 2021	**59,223**	**353**	**8,663**	**68,239**

In 2020, the group acquired contractual rights to the development of the Tolpanvaara wind farm in Finland. The consideration paid was €6,000k. Together with a prepayment of €2,000k made in 2018 the total investment was €8,000k. The contractual rights include various building permits, approvals from the Civil Aviation Authority, permits for the construction of road connections, network connection contracts and technical wind measurement data, which allow building a wind farm on the designated plot. The expected useful life of the future wind farm is 30 years and the asset is not yet amortised. The Tolpanvaara wind farm is expected to be completed at the beginning of 2024.

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Allocation of goodwill to cash-generating units

	31 DECEMBER	
€ thousand	2021	2020
Goodwill acquired on the acquisition of Nelja Energia	19,931	19,931
Goodwill acquired on the acquisition of solar farms in Poland	2,816	2,816
Goodwill acquired on the acquisition of the Iru power plant	32,412	32,412
Goodwill acquired on the acquisition of the Paldiski and Narva wind farms	3,764	3,764
Goodwill acquired on the acquisition of Pogi OÜ	300	300
Total goodwill	**59,223**	**59,223**

Goodwill was tested for impairment as at the reporting date by estimating the recoverable amounts of goodwill acquired in business combinations. The group did not identify a need for recognising an impairment loss. The recoverable amounts of the underlying cash-generating units were estimated based on their value in use. The cash flows of each cash-generating unit included in the test were projected until the end of its useful life. The selection of a longer period was justified because all cash-generating units receive renewable energy support consistent with the laws of their domiciles over a specified period. The addition of the support to the terminal year cash flows of each cash-generating unit would thus not have yielded an objective outcome.

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 5.7% discount rate for wind farms located in Lithuania and a 4.7% discount rate for wind farms located in Estonia (2020: a 5.7% discount rate for wind farms located in Lithuania and a 4.7% discount rate for wind farms located in Estonia).

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% (2020: 5.9–7.0%).

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 by applying a 4.7% discount rate (2020: 4.7%). 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 output of the cash-generating unit to which the goodwill of the Iru power plant has been allocated was 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

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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 €19,931k (31 December 2020: €19,931k) 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. See note 7 for further information about significant inputs and their sensitivity.

Goodwill acquired on the acquisition of solar farms in Poland of €2,816k (31 December 2020: €2,816k) has been allocated to relevant solar farms and their development projects. The impairment test conducted as at 31 December 2021 and 31 December 2020 did not indicate a need for recognising an impairment loss for goodwill.

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NOTE 10. INVESTMENTS IN ASSOCIATES

The group's investments in associates at 31 December 2021 and 31 December 2020

Name of associate	Domicile	Ownership at 31 Dec 2021	Ownership at 31 Dec 2020	Nature of relationship	Accounting method	Carrying amount	
						31 Dec 2021	31 Dec 2020
Empower 4Wind OÜ	Estonia	40.0%	40.0%	Explanation 1	Equity method	525	433
Team Paldiski OÜ	Estonia	12.5%	12.5%	Explanation 2	Equity method	4	6
Wind Controller JV Oy	Finland	10.0%	10.0%	Explanation 3	Equity method	49	93
Total						**578**	**532**

Explanation 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.
Explanation 2: Team Paldiski OÜ is a company involved in the development of renewable energy technologies.
Explanation 3: Wind Controller JV Oy is a company involved in the maintenance of wind farms in Finland.

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NOTE 11. SUBSIDIARIES

The group's subsidiaries at 31 December 2021 and 31 December 2020:

Name of subsidiary	Domicile	Nature of business	Ordinary shares held by the group (%)		Ordinary shares held by non-controlling interests (%)	
			31 DECEMBER		31 DECEMBER	
			2021	2020	2021	2020
Hiiumaa Offshore Tuulepark OÜ	Estonia	Wind farm development	100.0	100.0	0	0
Tootsi Tuulepark OÜ	Estonia	Wind farm development	100.0	100.0	0	0
Enefit Wind OÜ	Estonia	Production of wind power	100.0	100.0	0	0
Enefit Wind Purtse AS	Estonia	Wind farm development	100.0	0	0	0
Enefit Power & Heat Valka SIA	Latvia	Production and sale of heat and electricity	100.0	100.0	0	0
Enercom SIA	Latvia	Wind farm development	100.0	100.0	0	0
Technological Solutions SIA	Latvia	Cogeneration plant	100.0	100.0	0	0
Enefit Green SIA (until 8 February 2021 Pellet 4Energia SIA)	Latvia	Pellet production	100.0	100.0	0	0
4ENERGIA SIA	Latvia	Management services	0	100.0	0	0
Šilalės vėjas UAB	Lithuania	Wind farm development	100.0	100.0	0	0
Šilutės vėjo parkas 2	Lithuania	Wind farm development	100.0	100.0	0	0
Šilutės vėjo parkas 3	Lithuania	Wind farm development	100.0	100.0	0	0
Energijos Žara	Lithuania	Wind farm development	100.0	100.0	0	0
Vėjo Parkai UAB	Lithuania	Wind farm development	100.0	100.0	0	0
Enefit Wind UAB	Lithuania	Electricity production	100.0	100.0	0	0
Enefit Green UAB	Lithuania	Wind farm construction and operation	100.0	100.0	0	0
Baltic Energy Group UAB	Lithuania	Research for the development of an offshore wind farm	100.0	100.0	0	0
UAB Vejoteka	Lithuania	Wind farm development	100.0	0	0	0
UAB Kelmes vejo energija	Lithuania	Wind farm development	100.0	0	0	0
Enefit Green sp. z.o.o	Poland	Solar energy production	100.0	100.0	0	0
Cirrus sp. z o.o	Poland	Solar energy production	100.0	100.0	0	0
Velum sp. z o.o.	Poland	Solar energy production	100.0	100.0	0	0

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Name of subsidiary	Domicile	Nature of business	Ordinary shares held by the group (%)		Ordinary shares held by non-controlling interests (%)	
			31 DECEMBER		31 DECEMBER	
			2021	2020	2021	2020
Incus sp. z o.o.	Poland	Solar energy production	100.0	100.0	0	0
Humilis sp. z o.o.	Poland	Solar energy production	100.0	100.0	0	0
Energy Solar 15 Sp. z o.o.	Poland	Solar energy production	100.0	100.0	0	0
PV Sielec Sp. z o.o.	Poland	Solar energy production	100.0	100.0	0	0
PV Plant Zambrow Sp. z o.o.	Poland	Solar farm development	100.0	100.0	0	0
PV Plant Debnik Sp. z o.o.	Poland	Solar farm development	100.0	100.0	0	0
Tolpanvaara Wind Farm OY	Finland	Wind farm development	100.0	100.0	0	0

Changes in 2021

Enefit Green AS acquired a 100% interest in Raunistal AS in March 2021 for €6,500k. The transaction was analysed in accordance with the requirements of IFRS 3 and it was accounted for as an asset acquisition, not as a business combination. See note 7 for further information.

The group acquired the assets of the Lithuanian companies UAB Vejoteka and UAB Kelmes vejo energija in October 2021 for €348k. The transaction was an asset acquisition, not a business combination under IFRS 3. The entities held two wind farms under development in the Kelme district in Lithuania (project names Kelme II wind farm and Kelme III wind farm). The wind farms are being developed simultaneously as a single combined project. They will have 27–39 turbines and their planned total capacity is 120–180 MW.

Changes in 2020

Enefit Green AS acquired the rights to realise the Tolpanvaara wind farm project from the Finnish state forest management company Metsähallitus in 2020. See note 9 for further information.

The group acquired three solar farms for €1,939k in 2020: PV Sielec Sp. z o.o., PV Plant Zambrow Sp. Z.o.o and PV Plant Debnik Sp Z.o.o. The transactions did not meet the criteria for business combinations and were thus accounted for as asset acquisitions.

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 any of the subsidiaries.

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NOTE 12. INVENTORIES

€ thousand	31 DECEMBER 2021	2020
Raw materials and consumables		
Technological wood	1,625	1,432
Wood chips	492	524
Fuel	88	93
Total raw materials and consumables	**2,205**	**2,048**
Finished goods		
Pellets	2,821	6,477
Total finished goods	**2,821**	**6,477**
Spare parts	2,533	1,739
Solar panels	1,969	821
Other	1	0
Total inventories	**9,529**	**11,085**

The group did not recognise any significant inventory write-downs in 2021 and 2020.

In 2020, the pellet market was affected by a warm winter, which increased inventories and lowered market prices across the region. Market activity and prices increased in 2021. As a result, pellet sales in 2021 were 54k tonnes higher than a year earlier although pellet output was 26k tonnes lower.

NOTE 13. TRADE AND OTHER RECEIVABLES

€ thousand	31 DECEMBER 2021	2020
Receivables		
Trade receivables	9,801	9,097
Allowance for expected credit losses	(2)	(10)
Total trade receivables	**9,799**	**9,087**
Receivables from related parties (note 32)	4,201	36,285
Other receivables	755	657
Prepayments	7,618	5,536
Total current receivables	**22,373**	**51,565**
Non-current receivables		
Other long-term receivables	78	103
Total non-current receivables	**78**	**103**

Prepayments as at 31 December 2021 and 31 December 2020 comprise prepaid taxes and prepaid expenses. Prepayments do not qualify as 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 15.

Receivables from related parties at 31 December 2021 are significantly smaller than a year earlier because the group exited from the cash pooling facility administered by the parent, Eesti Energia AS.
See note 17 for further information.

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Analysis of trade receivables

	31 DECEMBER	
€ thousand	2021	2020
Trade receivables		
Trade receivables	9,801	9,097
Expected credit losses	(2)	(10)
Total trade receivables	**9,799**	**9,087**

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 2021 and 31 December 2020 and the historical credit losses experienced during those periods. The historical loss rates are adjusted to reflect current and forward-looking information about macroeconomic factors and the customers' ability to settle the receivables. The group has identified GDP and the unemployment rate in the countries where it sells its goods and services as the most relevant factors and accordingly adjusts the historical loss rates based on the expected changes in those factors.

The expected credit loss allowances as at 31 December 2021 and 31 December 2020 have been estimated using the above principles. The group has assessed the expected credit loss rates for items not past due and items up to 90 days past due and has concluded that their effect is immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2021 and 31 December 2020.

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

Changes in the expected credit losses on trade receivables

	31 DECEMBER	
€ thousand	2021	2020
Expected credit losses at the beginning of the period	**(10)**	**(2)**
Items considered doubtful and doubtful items collected during the period	(5)	(15)
Items written off as uncollectible	13	7
Expected credit losses at the end of the period	**(2)**	**(10)**

Other classes of receivables do not include items that have been written down.

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NOTE 14. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets in the statement of financial position:

€ thousand	Financial assets measured at amortised cost	Total
At 31 December 2021		
Line items of financial assets in the statement of financial position		
Trade and other receivables excluding prepayments (notes 3.1.2 and 13)	10,632	10,632
Receivables from related parties (notes 3.1.2, 13, and 32)	4,201	4,201
Cash and cash equivalents (notes 3.1.2, 3.2, 16 and 17)	80,454	80,454
Total line items of financial assets in the statement of financial position	**95,287**	**95,287**
At 31 December 2020		
Line items of financial assets in the statement of financial position		
Trade and other receivables excluding prepayments (notes 3.1.2 and 13)	9,847	9,847
Receivables from related parties (notes 3.1.2, 13, and 32)	36,285	36,285
Cash and cash equivalents (notes 3.1.2, 3.2, 16 and 17)	10,774	10,774
Total line items of financial assets in the statement of financial position	**56,906**	**56,906**

Financial liabilities in the statement of financial position:

€ thousand	Financial liabilities measured at amortised cost	Total
At 31 December 2021		
Line items of financial liabilities in the statement of financial position		
Borrowings (notes 3.1.3, 3.2 and 19)	123,456	123,456
Trade and other payables (notes 3.1.3 and 20)	10,016	10,016
Payables to the parent (notes 3.1.3, 20 and 32)	1,548	1,548
Total line items of financial liabilities in the statement of financial position	**135,020**	**135,020**
At 31 December 2020		
Line items of financial liabilities in the statement of financial position		
Borrowings (notes 3.1.3, 3.2 and 19)	199,336	199,336
Trade and other payables (notes 3.1.3 and 20)	6,504	6,504
Payables to the parent (notes 3.1.3, 20 and 32)	535	535
Total line items of financial liabilities in the statement of financial position	**206,375**	**206,375**

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NOTE 15. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality assessment of financial assets not past due and not written down is based on the credit ratings published by rating agencies or, if those are not available, the past credit behaviour of the customers or other counterparties.

	31 DECEMBER	
€ thousand	2021	2020
Trade receivables		
Receivables from new customers (customer relationship shorter than 6 months)	3	5
Receivables from existing customers (customer relationship 6 months or longer) that have not exceeded the due date in the past 6 months	5,997	6,828
Receivables from customers that have exceeded the due date in the past 6 months	2,169	1,381
Receivables from existing customers (customer relationship 6 months or longer) that have not made any payments in the past 6 months	39	21
Other receivables from existing customers	1,592	852
Total trade receivables (note 13)	**9,799**	**9,087**

	31 DECEMBER	
€ thousand	2021	2020
Current accounts and short-term term deposits at banks		
At banks with Moody's credit rating Aa2	0	8,989
At banks with Moody's credit rating Aa3	80,454	680
At banks with Moody's credit rating A3	0	1,104
Total current accounts and short-term term deposits at banks (note 16)	**80,454**	**10,774**

At 31 December 2021, the group had current account balances with SEB, Swedbank and OP bank in Estonia. The current account balance with SEB and Swedbank exceeded 10% of the group's total current accounts at banks (31 December 2020: current accounts were with SEB, Swedbank and OP bank in Estonia and with mBank in Poland and the account balance with SEB bank in Estonia and mBank in Poland exceeded 10% of the group's total current accounts and short-term deposits at banks).

According to management's assessment, other receivables and accrued income 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. The assessment is based on the facts that the group's business operations have not changed significantly in the past twelve months, the credit quality of business partners is stable and there have not been any events or circumstances that could result in the impairment of relevant receivables.

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NOTE 16. CASH AND CASH EQUIVALENTS

	31 DECEMBER	
€ thousand	2021	2020
Current accounts	80,454	10,774
Total cash and cash equivalents (notes 2.11 and 3.1.3)	**80,454**	**10,774**

Cash and cash equivalents by currency

	31 DECEMBER	
€ thousand	2021	2020
EUR	78,627	9,524
PLN	1,828	1,250
Total cash and cash equivalents (notes 2.12, 3.1.3)	**80,454**	**10, 774**

NOTE 17. 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 its subsidiary Enefit Wind OÜ with Swedbank and SEB were part of the cash pooling facility (group account) of the Eesti Energia AS group until 30 June 2021.

The Enefit Green group's Baltic cash pooling facility was opened with SEB bank in June 2021. Since then, the parent and its Estonian, Latvian and Lithuanian subsidiaries have had access to a common cash pooling facility. The base currency of the overdraft facility is the euro.

NOTE 18. EQUITY

Enefit Green AS had 264,276,232 registered shares at 31 December 2021 (31 December 2020: 4,793,473 registered shares). The par value of each share is 1 euro.

Since 21 October 2021, Enefit Green has been listed on the Nasdaq Tallinn stock exchange. At 31 December 2021, 77.17% of the shares were held by the controlling shareholder Eesti Energia AS. At 31 December 2021, the statutory capital reserve of Enefit Green AS amounted to €479k (31 December 2020: €479k) and the group's retained earnings amounted to €157,673k (31 December 2020: €105,111k).

On 31 August 2021, the share capital of Enefit Green AS was increased by €225,000k, i.e. from €4,793k to €229,793k using a bonus issue. The bonus issue was conducted using a voluntary reserve in equity. The company issued 225,000,000 new ordinary shares with a par value of €1 each. Share capital was increased without share premium.

In connection with the initial public offering (IPO) of the company's shares, which was carried out in October, Enefit Green AS issued 34,482,759 new shares with a par value of €1 each. The issue price was €2.9 per share. Proceeds from the sale of the shares amounted to €100,000k and the transaction gave rise to share premium of €65,517k.

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The IPO costs (including financial advisory fees, legal due diligence and advisory fees, marketing expenses, etc.) of €5,166k were capitalised because according to the group's assessment they were essential (unavoidable) for the IPO.

On making a dividend distribution, the group will have to pay income tax of 14% (calculated as 14/86 of the net distribution) on the portion which extends up to the three preceding years' average dividend distribution and income tax of 20% (calculated as 20/80 of the net distribution) on the rest of the distribution. See note 29 for further information about income tax on dividends.

In 2021, the group distributed a dividend of €27,100k, €5.65 per share (2020: €18,400k, €3.84 per share).

Unrestricted (distributable) equity, the maximum possible net dividend and the maximum possible income tax on dividends:

	31 DECEMBER	
€ thousand	2021	2020
Retained earnings	157,673	105,111
Income tax payable on the distribution of the entire retained earnings	(30,967)	(20,403)
Maximum possible net dividend	**126,706**	**84,708**

Basic earnings per share have been calculated by dividing profit for the period attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding during the period. Since the group has no potential ordinary shares, diluted earnings per share equal basic earnings per share.

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Profit attributable to shareholders of the parent (€ thousand)	79,661	67,870
Weighted average number of ordinary shares outstanding (thousand)	86,707	4,794
Basic earnings per share (€)	0.92	14.16
Diluted earnings per share (€)	0.92	14.16

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NOTE 19. BORROWINGS

Borrowings measured at amortised cost

	Short-term borrowings			Long-term borrowings			
€ thousand	Overdraft (note 17)	Bank loans	Lease liabilities	Bank loans	Lease liabilities	Other	Total
Borrowings at amortised cost at 1 January 2020	10,116	37,142	284	185,639	2,651	0	235,832
Movements in 2020							
Cash movements							
Addition of borrowings	0	391	0	8,585	0	0	8,977
Repayments of borrowings	0	(37,528)	(292)	0	0	0	(37,820)
Non-cash movements							
Change in borrowings from the parent	(10,116)	0	0	0	0	0	(10,116)
Transfers	0	37,533	253	(37,533)	(253)	0	0
Amortisation of borrowing costs	0	0	0	26	0	0	26
Adjustments	0	0	0	0	(353)	0	(353)
Effect of movements in foreign exchange rates	0	(5)	0	(204)	0	0	(209)
Other movements	0	0	0	0	0	3,000	3,000
Total movements in 2020	(10,116)	391	(39)	(29,120)	(606)	3,000	(36,496)
Borrowings at 31 December 2020	0	37,533	245	156,513	2,045	3,000	199,336

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	Short-term borrowings			Long-term borrowings			
€ thousand	Overdraft (note 17)	Bank loans	Lease liabilities	Bank loans	Lease liabilities	Other	Total
Borrowings at amortised cost at December 2020 (notes 3.1.3, 3.2 and 14)	**0**	**37,533**	**245**	**156,513**	**2,045**	**3,000**	**199,336**
Movements in 2021							
Cash movements							
Addition of borrowings	0	10,000	0	0	0	0	10,000
Repayments of borrowings	0	(43,634)	(262)	(40,000)	0	0	(83,896)
Non-cash movements							
Addition of lease liability	0	0	0	0	709	0	709
Transfers	0	25,455	267	(25,455)	(267)	0	0
Amortisation of borrowing costs	0	0	0	51	0	0	51
Effect of movements in foreign exchange rates	0	(7)	0	(60)	0	0	(67)
Other movements	0	0	(26)	0	348	(3,000)	(2,678)
Total movements in 2021	**0**	**(8,186)**	**(21)**	**(65,464)**	**790**	**(3,000)**	**(75,880)**
Borrowings at 31 December 2021	**0**	**29,348**	**224**	**91,049**	**2,835**	**0**	**123,456**
Borrowings at amortised cost at 31 December 2021 (notes 3.1.3, 3.2 and 14)	**0**	**29,348**	**224**	**91,049**	**2,835**	**0**	**123,456**

Enefit Green AS made regular loan repayments of €43,634k and an early loan repayment of €40,000k in 2021 (2020: regular loan repayments of €37,528k).

During the period, Enefit Green AS drew down a revolving credit facility of €10,000, which was repaid in full in 2021. In 2020, Enefit Green AS signed a long-term loan agreement of 40m Polish zloty (€9,000k) with the European Bank for Reconstruction and Development (EBRD), which was paid out in full.

At the reporting date, a liability related to the acquisition of the Tolpanvaara project, which consistent with the agreement between Metsähallitus and Enefit Green AS is to be settled in 2024, was reported under other long term liabilities. At the end of 2020, it was presented in other long-term borrowings in an amount of €3,000k. See notes 9 and 20 for further information about the transaction.

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Fair values of overdraft, bank loans and lease liabilities

	31 DECEMBER	
€ thousand	2021	2020
Nominal value of floating-rate bank loans and lease liabilities (note 3.1)	123,456	196,336
Fair value of floating-rate bank loans and lease liabilities (note 3.3)	123,456	196,336

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

	31 DECEMBER	
€ thousand	2021	2020
< 1 year	29,348	37,924
1–5 years	87,393	151,653
> 5 years	3,656	4,469
Total	**120,397**	**194,046**

The loans are denominated in euros and in Polish zloty (one loan from EBRD, which is mentioned above). The balance of the loan denominated in zloty was €7,537k (34,648k Polish zloty) at 31 December 2021 and €8,381k (38,216k Polish zloty) at 31 December 2020.

At 31 December 2021, the group had undrawn loans of €140,000k (31 December 2020: €25,000k).

Weighted average effective interest rates of borrowings

	31 DECEMBER	
	2021	2020
Overdraft	-	2.2%
Bank loans	1.4%	1.7%
Lease liabilities	5.0%	4.7%

Net debt*

	31 DECEMBER	
€ thousand	2021	2020
Cash and cash equivalents (note 16)	80,454	10,774
Short-term borrowings	(29,571)	(37,778)
Long-term borrowings	(93,884)	(161,559)
Net debt	**(43,002)**	**(188,563)**
Cash and cash equivalents (note 16)	80,454	10,774
Floating-rate liabilities	(123,456)	(199,337)
Net debt	**(43,002)**	**(188,563)**

*Net debt – borrowings less cash and cash equivalents, see also note 3.2

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NOTE 20. TRADE AND OTHER PAYABLES

€ thousand	31 DECEMBER 2021	2020
Financial liabilities within trade and other payables		
Trade payables	4,289	4,904
Accrued expenses	379	445
Payables to the parent (note 32)	1,548	535
Interest payable	93	170
Other payables	5,255	985
Total financial liabilities within trade and other payables (notes 3.1 and 14)	**11,564**	**7,039**
Payables to employees	1,110	988
Tax liabilities	4,618	1,830
Total trade and other payables	**17,291**	**9,857**
of which current portion	14,291	9,857
of which non-current portion (note 19)	3,000	0

NOTE 21. GOVERNMENT GRANTS

€ thousand	31 DECEMBER 2021	2020
Government grants at the beginning of the period	**8,020**	**8,575**
Recognised as other operating income (notes 24, 30)	(588)	(541)
Other	26	(14)
Government grants at the end of the period	**7,458**	**8,020**

The group's government grant liability comprises foreign aid received in 2017 for the Narva wind farm, the Paide power plant, and the construction of a biomass cogeneration plant in Latvia.

To avoid the recovery of the grants, the group must comply with certain conditions: maintain project documentation, submit project reports when requested and, in the case of some projects, meet certain technical requirements.

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NOTE 22. OTHER RESERVES

€ thousand	31 DECEMBER 2021	31 DECEMBER 2020	Note
Other reserves at the beginning of the period	**399,165**	**400,056**	
of which foreign currency translation reserve	(835)	56	
of which other reserves	400,000	400,000	
Bonus issue using a voluntary reserve	(225,000)	0	18
Change in fair value of cash flow hedges	(12,426)	0	2.28, 3.1.1
of which electricity cash flow hedge reserve	(12,426)	0	
Fair value on initial recognition of derivative transactions with the parent	(10,781)	0	2.28, 3.1.1
Exchange differences on the translation of foreign operations	(130)	(892)	
Other reserves at the end of the period	**150,828**	**399,166**	
of which foreign currency translation reserve	(965)	(834)	
of which electricity cash flow hedge reserve	(12,426)	0	2.28, 3.1.1
of which fair value on initial recognition of derivative transactions with the parent	(10,781)	0	2.28, 3.1.1
of which other reserves	175,000	400,000	

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NOTE 23. REVENUE

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Revenue by activity		
Sale of goods		
Pellets	22,507	16,315
Scrap metal	1,090	675
Other goods	243	51
Total sale of goods	**23,840**	**17,041**
Sale of services		
Electricity	103,213	69,324
Waste reception and resale	15,371	14,756
Heat	7,187	8,523
Asset rental and maintenance (note 8)	835	703
Other services	2,556	3,647
Total sale of services	**129,162**	**96,953**
Total revenue (note 5)	**153,002**	**113,994**

Pellet sale revenue grew at the expense of accumulated inventories. During the period, pellet sales increased by 46% to 171k tonnes (2020: 118k tonnes).

Growth in electricity revenue is explained in note 1.1.

NOTE 24. RENEWABLE ENERGY SUPPORT AND OTHER OPERATING INCOME

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Renewable energy support (note 32)	29,546	33,279
Government grants (notes 21 and 30)	588	541
Other income	571	1,202
Income from the sale of greenhouse gas emission allowances	0	13,668
Total renewable energy support and other operating income (note 5)	**30,705**	**48,689**

Enefit Green AS sold 550,000 tonnes of CO2 emission allowances allocated to the Iru power plant for the period 2013–2020 in June 2020 because the group did not need them as the use of fossil fuels in heat production has decreased. The transaction increased the group's other operating income by €13,668k. See also notes 5 and 32.

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NOTE 25. RAW MATERIALS, CONSUMABLES AND SERVICES USED

€ thousand	1 JANUARY – 31 DECEMBER 2021	2020
Technological fuel	12,381	14,667
Maintenance and repairs	15,354	15,705
Electricity	8,169	3,363
Services related to ash treatment	2,812	3,661
Materials and spare parts for production operations	2,303	2,884
Transport services for the sale of finished goods	1,769	1,654
Other raw materials, consumables and services used	617	639
Transmission services	344	999
Environmental pollution charges	282	242
Resource charges for natural resources	7	7
Total raw materials, consumables and services used	**44,038**	**43,820**

See note 1.1. for further information about growth in electricity expenses.

NOTE 26. PAYROLL EXPENSES

€ thousand	1 JANUARY – 31 DECEMBER 2021	2020
Wages, salaries, additional remuneration, bonuses and vacation pay	5,232	4,669
Other payments and benefits to employees	65	102
Payroll taxes	1,416	1,299
Total payroll expenses	**6,713**	**6,071**
of which remuneration of the management board of Enefit Green group (note 32)	437	410
of which remuneration	406	335
of which bonuses	31	51
of which additional remuneration	0	24
Average number of employees during the period	**158**	**153**

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NOTE 27. OTHER OPERATING EXPENSES

€ thousand	1 JANUARY – 31 DECEMBER 2021	2020
Lease and maintenance of real estate	2,061	1,961
Security and general insurance services	1,295	1,302
Business consulting services	1,159	947
Other expenses	1,046	686
Information technology services	1,024	890
Financial and accounting services	355	299
Support and donations	278	420
Office expenses	220	206
Employee-related expenses	165	186
Legal services	103	75
Excise duties	84	324
Total other operating expenses	**7,790**	**7,296**

Lease and maintenance of real estate includes lease expenses of €1,251k (2020: €1,376k) (see note 6). The expenses include variable lease payments of €811k (2020: €1,376k) which have not been included in the measurement of lease liabilities and expenses on leases of low value of €440k (2020: €nil).

NOTE 28. NET FINANCE COSTS

€ thousand	1 JANUARY – 31 DECEMBER 2021	2020
Finance income		
Interest income	2	2
Foreign exchange gain	620	201
Other finance income from associates	76	0
Other income on short-term investments	23	0
Total finance income (note 30)	**721**	**203**
Finance costs		
Interest expense on borrowings	(3,251)	(3,635)
Capitalised borrowing costs	435	133
Total interest expense	**(2,816)**	**(3,502)**
Other finance costs	(17)	(42)
Foreign exchange loss	0	(36)
Total finance costs	**(2,833)**	**(3,580)**
Net finance costs	**(2,112)**	**(3,377)**

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NOTE 29. INCOME TAX EXPENSE

Under the Estonian Income Tax Act, corporate profit is taxed when it is distributed. From 2019, regular dividend distributions are subject to a lower, 14% income tax rate (calculated as 14/86 of the net distribution). Thus, in calculating the income tax payable on dividends, a resident company can apply a lower tax rate of 14% and the standard tax rate of 20% (calculated as 20/80 of the net distribution). The more favourable tax rate may be applied to a dividend distribution that amounts to up to three preceding financial years' average distribution of retained earnings on which the company has paid income tax. 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 income tax, provided that the recipient of the dividends had at least a 10% interest in the entity at the time the dividend was distributed.

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Income tax expense (income)	1,669	(469)
Change in deferred income tax assets and liabilities	(84)	1,206
Total corporate income tax expense (income)	**1,585**	**737**

Average effective tax rate

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
ESTONIA		
Net amount of dividends	27,100	18,400
of which dividends taxed at 14% (14/86 of net distribution)	0	0
of which dividends taxed at 20% (20/80 of net distribution)	0	0
Tax exempt dividends	27,100	18,400
Theoretical tax expense	0	0
Effect of dividends received from associates	0	0
Actual income tax on dividends	**0**	**0**
Average effective tax rate		
Income tax expense (income) of subsidiaries	1,669	(469)
Income tax expense (income)	**1,669**	**(469)**
Deferred income tax expense (income)	(84)	1,205
of which deferred income tax income	(720)	(712)
of which deferred income tax expense	636	1,917
Total corporate income tax expense (income)	**1,585**	**737**

Dividends paid to the sole owner in 2020 and 2021 were distributed from the retained earnings of the Lithuanian subsidiary on which income tax had already been paid.

At 31 December 2021, the group had deferred tax liabilities of €12,568k (31 December 2020: €12,555k), of which €10,946k (31 December 2020: €11,568k) related to the difference between the fair values and carrying amounts of wind farms located in Lithuania that was recognised in the purchase price analysis of Nelja Energia AS.

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NOTE 30. CASH GENERATED FROM OPERATIONS

€ thousand	1 JANUARY – 31 DECEMBER 2021	2020
Profit before tax	**81,246**	**68,607**
Adjustments		
Depreciation and impairment of property, plant and equipment (note 7)	38,028	38,077
Amortisation and impairment of intangible assets (note 9)	118	114
Amortisation of government grants related to assets (note 21)	(554)	(541)
Interest and other finance costs (note 28)	2,816	3,580
Profit from associates under the equity method	(115)	(5)
Loss (gain) on disposal of property, plant and equipment	19	(1)
Interest and other finance income (note 28)	(26)	(2)
Amortisation of connection fees and other service charges	(8)	(14)
(Gain) loss on other non-cash transactions	(691)	0
Foreign exchange (gain) loss on loans provided and received in foreign currency	(67)	0
Adjusted profit before tax	**120,766**	**109,815**
Net change in current assets related to operating activities		
Change in trade receivables (note 13)	(712)	5,541
Change in inventories (note 12)	1,556	(4,362)
Change in other receivables related to operating activities (note 13)	(2,361)	(4,015)
Total net change in current assets related to operating activities	**(1,517)**	**(2,836)**
Net change in current liabilities related to operating activities		
Change in provisions (note 22)	(57)	46
Change in trade payables (note 20)	(2,062)	504
Net change in other payables related to operating activities	4,402	(2,319)
Total net change in liabilities related to operating activities	**2,283**	**(1,769)**
Cash generated from operations	**121,532**	**105,210**

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NOTE 31. CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES ARISING FROM POTENTIAL TAX AUDITS

Estonia

The tax administrator has neither initiated nor conducted any tax audits or single case audits at any group entity. The tax administrator may audit a company's tax accounting within five years after the submission of a tax return. If misstatements are detected, the tax administrator may charge additional tax, late payment interest and penalties. According to management's assessment, there are no circumstances that would cause the tax administrator to assess a significant amount of additional tax to be paid by the group.

Foreign jurisdictions

The tax administrator has neither initiated nor conducted any tax audits or single case audits at any foreign group entity. In Latvia, Lithuania, Poland and Finland the tax administrator may audit a company's tax accounting within up to five years after the submission of a tax return. According to management's assessment, there are no circumstances that would cause the tax administrator to assess a significant amount of additional tax to be paid by the group.

Contingent liabilities related to pending legal disputes

At the reporting date, the group did not have any pending legal disputes that could have a negative effect on the group's financial statements.

Loan covenants

The group's loan agreements contain some covenants, which set certain limits to the group's consolidated financial indicators. The group did not breach any of the covenants in 2021 or 2020 (note 19).

Commitments under the construction contracts of new wind and solar farms

At 31 December 2021, the group had committed to capital expenditures of €194,691k (2020: €7,297k) under construction contracts relating to the Šilale II wind farm, the Akmene wind farm, the Tolpanvaara wind farm and the Zambrow solar farm.

Commitments under contracts for the acquisition of development projects

At 31 December 2021, the group had committed to capital expenditures of €14,400k (2020: €5,000k) under contracts signed for the acquisition of the Tolpanvaara wind farm and the Kelme II/III wind farm development projects.

Variable lease payments

Where the right to use land (the right of superficies) is based on variable lease payments which do not depend on an index or a rate (e.g. the payments are based on a percentage of the sale of the assets located on the land or the value of the cadastral unit), the lease is not accounted for by recognising a right-of-use asset and a lease liability in accordance with the requirements of IFRS 16 but it is accounted for by recognising the payments as operating expenses. According to the group's assessment, at 31 December 2021 the discounted future payments over the remaining terms of such leases amounted to €7,916k (2020: €7,873k). Actual lease payments are affected by changes in the values of cadastral units, electricity prices and production volumes.

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NOTE 32. RELATED PARTY TRANSACTIONS

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

For the purposes of these consolidated financial statements, related parties include owners that have control of significant influence, other companies belonging to the same group (group companies), associates and joint ventures, members of the executive and higher management as well as close family members of the above persons and companies under their control or significant influence. Related parties also include entities under the control or significant influence of the state.

The group has applied the exemption from the disclosure of insignificant transactions and balances with the government and other related parties because the state has control or common control of, or significant influence over, those parties.

Transactions and balances with the parent

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Purchases of services	8,664	4,125
Sales of goods*	6,211	15,643
Sales of services	1,883	3,504

* Sales of goods in 2020 includes income from the sale of greenhouse gas emission allowances of €13,668k (note 24)

Enefit Green AS and its subsidiaries produce renewable energy that is sold directly to third parties (including the Nord Pool power exchange). The parent Eesti Energia AS provides Enefit Green AS with some administration services required for energy sales. The services include settlement and payment management, communication with Nord Pool and regulators, and preparation of regulatory reporting for electricity production and sales transactions. The costs of those services along with the costs of other centrally arranged services provided by Eesti Energia AS are presented within purchase of services in the table above.

	31 DECEMBER	
€ thousand	2021	2020
Receivables (note 13)	3,293	36,199
of which cash pooling facility receivable from the parent (note 17)	0	33,312
Payables (note 20)	1,548	535
Non-derivative contract liability (note 3.1.1)	23,207	0

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Transactions and balances with other group companies

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Purchases of property, plant and equipment (note 7)	29,364	0
Purchases of services	2,387	1,112
Purchases of goods	304	7
Sales of goods	106	40
Sales of services	3,222	1,336

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Receivables (note 13)	908	84
Payables (note 20)	941	58

Transactions and balances with other related parties (including associates)

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Purchases of services	1,833	2,088
Sales of services	16	17

	31 DECEMBER	
€ thousand	2021	2020
Receivables (note 13)	0	2
Payables (note 20)	454	469

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 its subsidiary Enefit Wind OÜ with Swedbank and SEB were part of the cash pooling facility of the Eesti Energia AS group until 30 June 2021. In 2020 and in the first half of 2021, Enefit Green AS did not earn interest income on the cash pooling facility.

The remuneration of the members of the management and supervisory boards is disclosed in note 26. Members of the management board are entitled to four months' remuneration on the termination of their service contracts.

TRANSACTIONS WITH COMPANIES UNDER THE CONTROL OR SIGNIFICANT INFLUENCE OF THE REPUBLIC OF ESTONIA

The group discloses transactions with companies under the control or significant influence of the state. In the reporting and the comparative periods, the group conducted significant purchase and sales transactions with the Estonian transmission system operator Elering AS, which is wholly owned by the state.

Transactions with Elering AS

	1 JANUARY – 31 DECEMBER	
€ thousand	2021	2020
Purchases of services	330	454
Sales of services incl. renewable energy suport (note 24)	29,441	32,337

Receivables from and payables to Elering AS

	31 DECEMBER	
€ thousand	2021	2020
Receivables	2,718	504
Payables	43	269

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As at 31 December 2021, Enefit Green AS had signed long-term contracts for the physical supply of electricity with the related party Eesti Energia AS on 5,775 GWh of electricity to be supplied in the period 2023–2033 to the Lithuanian, Estonian and Finnish electricity networks. The contracts have been signed for the supply of both annual and monthly base load energy. The weighted average price of electricity to be supplied under the long-term contracts for the physical supply of electricity is 42.3 €/MWh.

NOTE 33. SUPPLEMENTARY INFORMATION ABOUT THE PARENT

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the separate primary financial statements of the consolidating entity (the parent). The primary financial statements of the parent have been prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements. In the parent's primary financial statements disclosed in the notes to the consolidated financial statements, investments in subsidiaries are accounted for as required by IAS 27 Separate Financial Statements.

In the parent's primary financial statements disclosed in this note (Supplementary information about the parent) investments in subsidiaries are measured at cost less any impairment losses.

INCOME STATEMENT

	1 JANUARY – 31 DECEMBER	
€ thousand	**2021**	**2020**
Revenue	42,337	35,188
Renewable energy support and other operating income	6,296	19,245
Raw materials, consumables and services used	(10,601)	(11,349)
Change in inventories of finished goods and work in progress	7	0
Payroll expenses	(4,561)	(4,079)
Depreciation, amortisation and impairment losses	(6,398)	(6,357)
Other operating expenses	(4,065)	(3,088)
OPERATING PROFIT	**23,014**	**29,561**
Finance income	35,618	25,121
Finance costs	(3,091)	(3,835)
Net finance income (costs)	**32,527**	**21,286**
Profit from associates under the equity method	46	5
PROFIT BEFORE TAX	**55,586**	**50,852**
Corporate income tax expense	0	0
PROFIT FOR THE YEAR	**55,586**	**50,852**

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STATEMENT OF COMPREHENSIVE INCOME

€ thousand	1 JANUARY – 31 DECEMBER 2021	2020	Note
PROFIT FOR THE YEAR	55,586	50,852	
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Revaluation of hedging instruments in a cash flow hedge			
(2021: reclassified to income statement: Nil EUR; 2020: reclassified to profit or loss: Nil EUR)	(12,426)	0	3.1.1
Other comprehensive income/(loss) for the year	(12,426)	0	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	43,160	50,852	

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STATEMENT OF FINANCIAL POSITION

€ thousand	31.12.2021	31.12.2020
ASSETS		
Non-current assets		
Property, plant and equipment	90,755	95,041
Intangible assets	36,488	36,506
Investments in subsidiaries	256,551	383,069
Investments in associates	578	532
Loan receivables from subsidiaries	38,072	36,991
Total non-current assets	**422,443**	**552,138**
Current assets		
Inventories	1,470	877
Trade and other receivables and prepayments	308,193	120,173
Cash and cash equivalents	2,072	3
Total current assets	**311,734**	**121,053**
Total assets	**734,177**	**673,191**

€ thousand	31.12.2021	31.12.2020
EQUITY		
Share capital	264,276	4,794
Share premium	60,351	0
Statutory capital reserve	479	479
Other reserves	151,793	400,000
Retained earnings	89,717	61,231
Total equity	**566,618**	**466,504**
LIABILITIES		
Non-current liabilities		
Borrowings	91,049	156,513
Government grants	2,037	2,205
Provisions	13	13
Non-derivative contract liability	23,207	0
Total non-current liabilities	**116,306**	**158,731**
Current liabilities		
Borrowings	29,348	37,533
Provisions	2	22
Trade and other payables	21,904	10,401
Total current liabilities	**51,253**	**47,956**
Total liabilities	**167,559**	**206,687**
Total liabilities and equity	**734,177**	**673,191**

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STATEMENT OF CASH FLOWS

€ thousand	2021	2020
Cash flows from operating activities		
Profit before tax	**55,586**	**50,852**
Adjustments		
Depreciation, amortisation and impairment losses	6,398	6,357
Amortisation of government grants related to assets	(160)	(160)
Loss (gain) on sale of non-current assets	19	0
Loss (profit) on an investment in a subsidiary	395	(2)
Impact of the application of the equity method	(115)	(5)
Foreign exchange gain on loans denominated in foreign currency	(67)	(209)
Interest expense on borrowings	3,145	3,835
Interest and other finance income	(8,469)	(6,721)
Amortisation of connection fees and other service charges	(8)	(14)
Elimination of dividend income	(27,100)	(18,400)
Adjusted profit before tax	**29,624**	**35,533**
Net change in current assets related to operating activities		
Change in receivables related to operating activities	(415)	1 334
Change in inventories	(593)	(587)
Net change in other current assets related to operating activities	(1,343)	(6,205)
Total net change in current assets related to operating activities	**(2,351)**	**(5,458)**
Net change in liabilities related to operating activities		
Change in provisions	(20)	18
Change in trade payables	(1,264)	970
Net change in other liabilities related to operating activities	12,435	(1,687)
Total net change in liabilities related to operating activities	**11,151**	**(699)**

€ thousand	2021	2020
Interest and loan fees paid	(3,161)	(3,675)
Interest received	4,407	1,899
Net cash generated from operating activities	**39,670**	**27,600**
Cash flows from investing		
Proceeds from sale of property, plant and equipment	96	34
Paid on purchase of property, plant and equipment and intangible assets	(1,911)	(5,172)
Contribution to the share capital of a subsidiary	(5,873)	0
Loans provided (incl. increase in group cash pooling facility)	10,671	(10,671)
Dividends received on other investments	68	68
Dividends received from subsidiaries	27,100	18,400
Proceeds from liquidation of a business	297	1,507
Net cash generated from investing	**30,448**	**4,166**
Cash flows from financing		
Net change in an intragroup liability	(62,148)	25,227
Change in overdraft balance	0	(10,042)
Bank loans received	10,000	8,977
Repayments of bank loans	(83,634)	(37,528)
Proceeds from issue of shares	100,000	0
Cash outflow related to issue of shares (issue costs)	(5,166)	0
Dividends paid	(27,100)	(18,400)
Net cash used in financing	**(68,048)**	**(31,766)**
Net cash flow	**2,069**	**(1)**
Cash and cash equivalents at the beginning of the period	3	4
Cash and cash equivalents at the end of the period	2,072	3
Change in cash and cash equivalents	**2,069**	**(1)**

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STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Statutory capital reserve	Share premium	Other reserves	Retained earnings	Total
Equity at 1 January 2020	4,794	479	0	400,000	28,780	**434,053**
Profit for the year	0	0	0	0	50,852	**50,852**
Dividends paid (note 18)	0	0	0	0	(18,400)	**(18,400)**
Total contributions by and distributions to the shareholder of the company, recognised directly in equity	0	0	0	0	(18,400)	**(18,400)**
Equity at 31 December 2020	4,794	479	0	400,000	61,231	**466,504**
Profit for the year	0	0	0	0	55,586	**55,586**
Other comprehensive loss for the year	0	0	0	(12,426)	0	**(12,426)**
Dividends paid (note 18)	0	0	0	0	(27,100)	**(27,100)**
Bonus issue using a voluntary reserve (note 18)	225,000	0	0	(225,000)	0	**0**
Issue of share capital (less issue costs) (note 18)	34,483	0	60,351	0	0	**94,834**
Fair value on initial recognition of derivative transactions with the parent (notes 3.1.1 and 22)	0	0	0	(10,781)	0	**(10,781)**
Total contributions by and distributions to shareholders of the company, recognised directly in equity	259,483	0	60,351	(235,781)	(27,100)	**56,953**
Equity at 31 December 2021	264,276	479	60,351	151,793	89,717	**566,618**

In accordance with the Estonian Accounting Act, adjusted unconsolidated retained earnings are the amount that a company may use to make distributions to shareholders. A reconciliation of the parent company's equity with its adjusted unconsolidated equity is presented in the table on the right.

	31 DECEMBER	
€ thousand	2021	2020
Equity of the parent company	**566,618**	**466,504**
Carrying amount of interests under control and significant influence	(257,129)	(383,601)
Value of interests under control and significant influence under the equity method	324,119	426,647
Adjusted unconsolidated equity	**633,607**	**509,550**

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NOTE 34. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2022, Enefit Green AS signed a fixed-term loan agreement of €80m with the Nordic Investment Bank. The term of the agreement is 12 years and the purpose of the loan is to support Enefit Green's development of new wind farms in the Baltics.

On 27 January 2022, Enefit Green made final investment decisions on the construction of the 21 MW Purtse wind farm in Estonia and the 6 MW Debnik solar farm in Poland. The Purtse wind farm is scheduled to be completed in 2023 and its expected production capacity is around 46 GWh per year. Enefit Green will invest around €28m in the Purtse wind farm. The Debnik solar farm is scheduled to be completed in 2023 and its expected production capacity is around 6.3 GWh per year. Enefit Green will invest around €4m in the Debnik solar farm.

On 24 February 2022, Russia launched a war against Ukraine. The group does not have any direct suppliers or customers in the countries at war but the war may have material indirect impacts on the group's cogeneration plants and pellet production. This is attributable to a steep increase in the prices of all energy carriers, including biomass, triggered indirectly by a decline in wood imports from Russia and Belarus and the consequent decrease in the total biomass supply in the Baltic countries.

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SIGNATURES

The correctness of the group annual report of Enefit Green AS (Commercial Registry number: 11184032) including the consolidated financial statements for the year ended 31 December 2021 is hereby confirmed by:

Signatory	Position of signatory	Date and signature
Aavo Kärmas	Chairman of the Management Board	24 March 2022 / signed digitally /
Innar Kaasik	Member of the Management Board	24 March 2022 / signed digitally /
Veiko Räim	Member of the Management Board	24 March 2022 / signed digitally /
Linas Sabaliauskas	Member of the Management Board	24 March 2022 / signed digitally /

Independent auditor's report

To the Shareholders of Enefit Green AS

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Enefit Green AS (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2021, and the Group´s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Our opinion is consistent with our additional report to the Audit Committee dated 18 March 2022.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2021;
- the consolidated statement of comprehensive income for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, 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

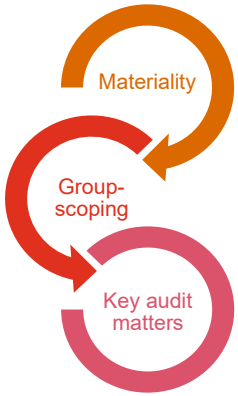
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its parent and subsidiaries are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59[1] of the Auditors Activities Act of the Republic of Estonia.

During the period from 1 January 2021 to 31 December 2021 we have provided to the Company and its parent and subsidiaries tax and some other advisory services permitted by the Estonian Auditors Activities Act.

Our audit approach

Overview



- Overall group audit materiality is EUR 3 million, which represents approximately 2,5% of underlying earnings before interest, tax, depreciation, amortisation and impairment, foreign exchange gains or losses and share of results of associates ("EBITDA").
- We tailored our audit scope based on the risk and size of entities within the Group and performed either a full scope audit or specific audit procedures over material income statement or balance sheet line items. At the Group level we tested the consolidation process and performed separate analytical procedures over the components not covered by the above procedures to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements.
- Accounting for derivative transactions

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group audit materiality	EUR 3 million
How we determined it	We used our professional judgement to determine overall Group materiality. As a basis for our judgment we used 2.5% of EBITDA. EBITDA is defined by the Group as earnings before interest, tax, depreciation, amortisation and impairment, foreign exchange gains or losses and share of results of associates. EBITDA is a non-IFRS performance measure as disclosed in Note 5 of the consolidated financial statements. Management is responsible for defining and establishing this measure, and the method of its calculation may vary from other entities' calculation of similar measures or the Group's use of the terms that comprise this measure may vary from similarly titled terms used by others.
Rationale for the materiality benchmark applied	We have applied EBITDA as the benchmark because, as described in Note 5 of the consolidated financial statements, it is one of the key measures the management uses to assess the Company's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accounting for derivative transactions A part of the renewable electricity production assets operated by the Group is open to the risk of electricity price fluctuations. To hedge the risk of electricity price volatility the Group entered into base load swap derivative contracts. The transactions were designed to hedge the risk of	We began our procedures by performing inquiries with management and key employees to gain an understanding of the transactions and their impact on the Group. We assessed the information received in light of our knowledge of the Group and its business activities as well as the signed contracts underlying the transactions.

variability in electricity prices and were designated as hedging instruments. The financial derivative transactions were subsequently amended to physical electricity sales contracts. These contracts were concluded with the related party being the parent of the Company.

The details of the transactions and their impact on the consolidated financial statements is disclosed in Note 3 of the consolidated financial statements. As a result of the given transactions the Group has accounted for a non-derivative contract liabilities in the total amount of EUR 23 207 thousand, an electricity cash flow hedge reserve in the amount of EUR 12 426 thousand and a reserve related to the initial recognition of derivative financial instrument transactions conducted with the parent of the Company in the amount of EUR 10 781 thousand as at 31 December 2021.

Due to the complex nature of the transactions and their accounting treatment as well as their significant impact on the consolidated financial statements of the Group we considered them to be a key audit matter.

We evaluated management's key assumptions and estimates used in the calculation of the fair value of the financial derivative instruments as well as in the preparation of the underlying hedge accounting documentation. We challenged management's assumptions by corroborating the underlying information with the information received from operational level employees and by referencing it to the historical and forecast performance of the Group, based on the internal documents of the Group, such as budget forecasts, minutes of meetings of governing bodies and the technical capabilities of the specific production assets. Where management had used market and market derived inputs, such as electricity prices, we reconciled them to available third-party information sources and internal projections of the Group.

After gaining a detailed overview of the facts and circumstances we involved PwC accounting specialists to help us with assessing the reasonableness of the accounting treatment prepared by the management. We also assessed the adequacy of the disclosures related to the transactions and balances in the consolidated financial statements.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Accordingly, based on the size and risk characteristics, we performed a full scope audit of the financial information for the following subsidiaries within the Group: Enefit Green (the Group's parent entity), Enefit Wind OÜ, Enefit Wind UAB, Enefit Green SIA, Technological Solutions SIA.

In addition, specific audit procedures over significant balances and transactions were performed for subsidiaries: Enefit Wind Purtse AS, Šilalės vėjas UAB, Tolpanvaara Wind Farm Oy.

At the Group level we tested the consolidation process and performed separate analytical procedures over the components not covered by the above procedures to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements. Information describing the structure of the Group is included in Note 11 of the consolidated financial statements.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report, the Profit Allocation proposal, the revenue allocation report according to the Estonian classification of economic activities (EMTAK) and the Remuneration Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

In accordance with the Securities Market Act with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135^3 of the Securities Market Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the consolidated financial statements;
- the Management report has been prepared in accordance with the requirements of the Accounting Act; and
- the Remuneration Report has been prepared in accordance with Article 135^3 of the Securities Market Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based on our agreement by the Management Board of the Parent Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of Enefit Green AS for the year ended 31 December 2021 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Parent Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regards to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and those charged with governance

The Management Board of the Parent Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

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We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (R) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000(R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000(R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Control (Estonia) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

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Appointment and period of our audit engagement

We were first appointed as auditors of Enefit Green AS, as a public interest entity for financial year ended 31 December 2021, representing the total period of our uninterrupted engagement appointment for Enefit Green AS, as a public interest entity, of 1 year. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of Enefit Green AS can be extended for up to the financial year ending 31 December 2040.

AS PricewaterhouseCoopers

/signed/

Lauri Past
Certified auditor in charge, auditor's certificate no.567

24 March 2022
Tallinn, Estonia

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PROFIT ALLOCATION PROPOSAL

Total consolidated retained earnings of Enefit Green at 31 December 2021 was 157,673 thousand euros, including net profit for 2021 of 79,661 thousand euros.

The management board of Enefit Green proposes profit allocation as follows:

Dividends	**39,906 thousand euros** (0.151 EUR per share)
Statutory capital reserve	**2,779 thousand euros**
Retained earnings	**36,976 thousand euros**

Aavo Kärmas	Chairman of the Management Board	24 March 2022	/	signed digitally	/
Innar Kaasik	Member of the Management Board	24 March 2022	/	signed digitally	/
Veiko Räim	Member of the Management Board	24 March 2022	/	signed digitally	/
Linas Sabaliauskas	Member of the Management Board	24 March 2022	/	signed digitally	/

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REVENUE ALLOCATION REPORT ACCORDING TO THE ESTONIAN CLASSIFICATION OF ECONOMIC ACTIVITIES (EMTAK)

As required under the Commercial Code §4 p.6 the revenue of the Enefit Green Group's parent company Enefit Green AS is allocated according to the Estonian Classification of Economic Activities EMTAK codes as follows:

Activity	EMTAK Code	2021	2020
Collection of non-hazardous waste	38111	15,364	14,712
Sale of electricity	35141	13,181	5,048
Steam and air conditioning supply	35301	6,197	7,663
Activities of head offices	70101	3,819	2,557
Repair of machinery	33121	1,677	3,481
Sale of other particular products	46181	1,265	789
Other real estate management or related activities	68329	622	693
Construction of utility projects for electricity and telecommunications	42221	146	68
Other business support service activities	82991	48	120
Distribution of electricity	35131	10	12
Treatment and disposal of non-hazardous waste	38211	7	43
Total revenue		**42,337**	**35,188**