Unaudited Annual Report
2023

Leading the Way
Towards a Clean Future

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Management Report

Consolidated Financial Statements

2023

REVENUE

1.9 billion EUR

ADJUSTED EBITDA

483 million EUR

INVESTMENTS

779 million EUR

AVERAGE NUMBER OF EMPLOYEES

5268

Dear reader,

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

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

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

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

Interest in storage solutions skyrocketed

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

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

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

Tripling the number of public electric car charging points

As well as providing home solar and storage solutions, we are helping our customers move towards greener transport. With record sales of electric cars in 2023, the importance of our Enefit Volt electric vehicle charging solutions has grown accordingly. To keep pace with the exploding market, we began upgrading and expanding our public charging network. In the summer, we replaced 38 Elmo chargers in the Estonian market with new fast chargers to offer faster and more modern charging options across the country. We also signed large contracts in the Baltic countries and Poland, which will allow us to multiply our public charging network and offer charging in popular and convenient locations. We have started working with well-known retail chains such as Tauron in Poland, Norfa in Lithuania, Top in Latvia and Rimi and Selver in Estonia. The work on modernising and expanding the public charging network in the Baltics and Poland will continue in 2024. We plan to triple the number of public charging points in the Baltics and Poland to 750 this year.

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

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

Almost half of the electricity produced was renewable electricity

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

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

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

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

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

Another important driver for the growth in renewable energy is the decline in non-renewable electricity generation. While the Group's renewable electricity production increased by 12%, non-renewable electricity production decreased by 59% in 2023. The decline was mainly due to the high price of CO_2 emission allowances and low market prices for electricity, which prevented oil shale power plants, which have a high product cost, from accessing the market most of the time. This, in turn, has created a situation where the older oil shale-fired generating units are unable to cover their fixed costs with the cash they generate from the market. The Group's subsidiary Enefit Power spends tens of millions of euros a year to ensure security of supply and to keep the old oil shale-fired generating units on standby.

As a result of the declining competitiveness of oil shale-fired generating units, we were forced to write down the value of these power plants. Regardless of the good business results in 2023, 628 million euro impairment losses for oil shale power plants brought the group an adjusted net loss of 422 million euros.

The market needs new dispatchable power plants and energy storage

At the end of 2023, however, we saw that we urgently need dispatchable power plants. The increase in non-dispatchable capacity, i.e. wind and solar farms, increases the volatility of electricity prices. This means that while the addition of renewables is the best way to reduce the average price of electricity, there will be more hours when the market price is either very low or very high. To counter this, we need more storage capacity and more dispatchable generation in the electricity system.

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

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

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

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

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

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

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

Andrus Durejko
Chairman of the Management Board of Eesti Energia

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Key Figures and Ratios

		2023	2022
Total electricity sales	GWh	10,236	10,537
Electricity distributed	GWh	6,475	6,708
Shale oil sales	th t	468	405
Average number of employees	No.	5,268	4,833
Electricity production	GWh	3,614	6,260
Shale oil production	th t	475	424
Heat production	GWh	1,182	1,186
Sales revenue	m€	1,905.5	2,218.2
EBITDA	m€	436.7	420.4
Adjusted* EBITDA	m€	483.1	333.0
Net profit	m€	-422.1	215.7
Adjusted* net profit	m€	-375.7	128.3
incl impairment of fixed assets**	m€	-632.3	-2.7
Investments	m€	779.3	445.2
Cash flow from operating activities	m€	16.6	508.7
Non-current assets	m€	3,681	3,970
Equity	m€	2,060	3,120
Net debt	m€	1,495	774
Net debt / EBITDA	times	3.4	1.8
EBITDA margin	%	22.9	19.0

** Adjusted profit – profit excluding the fair value adjustments of long-term PPAs*
*** The impairment of assets for oil shale power plants amounted to 628 million euros in 2023*


Enefit is the New Energy

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

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

Why change?

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

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

The guiding concepts of our green journey are:

Customer focus. We listen to and understand what people want. That way, we can be sure that we are delivering solutions that the world really needs.
Innovation. We use our intelligence, knowledge and experience to create more useful solutions and make the world of energy simpler for our customers.
Efficiency. We do things more flexibly and simply, saving money, time and sanity. We focus on results.

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

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

Clean energy for all

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

Efficient change

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

turn CO_2 into a new raw material. We are a driver of the circular economy in our region and the guarantor of Estonia's security of supply.

Smart engineering solutions

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

For people

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

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

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Operating Environment

Operating Environment

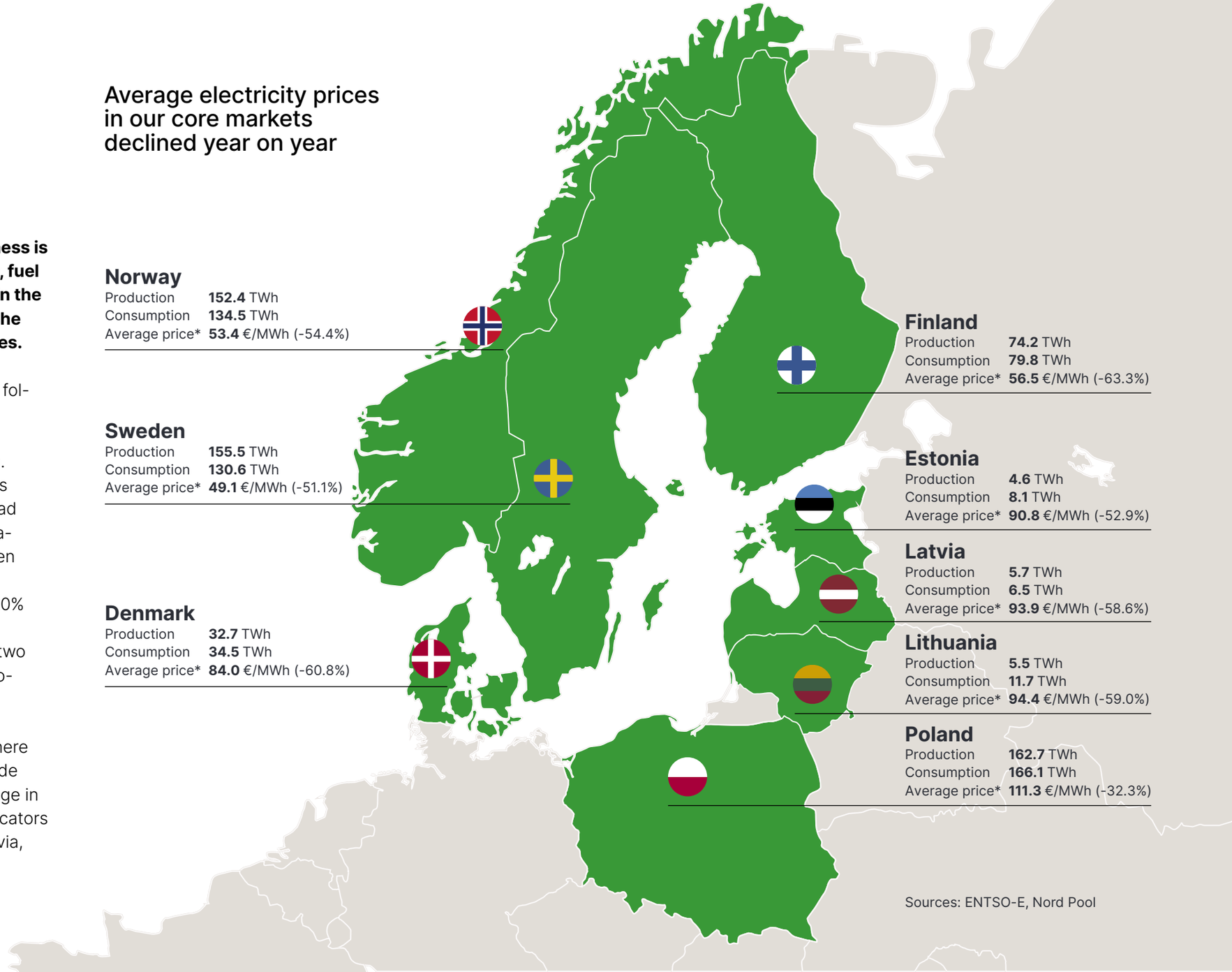
We are an international energy company and our business is therefore primarily affected by the prices of electricity, fuel oil, emission allowances and natural gas, competition in the energy and customer markets, regulations governing the energy sector and the development of new technologies.

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

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

Estonia participates in the Nord Pool power exchange where power producers that sell electricity on the exchange trade with power suppliers that buy electricity from the exchange in order to resell it to end consumers. Our performance indicators are the most sensitive to electricity prices in Estonia, Latvia,

Average electricity prices in our core markets declined year on year



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

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

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

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

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

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

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

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

Sources: ENTSO-E, Nord Pool

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

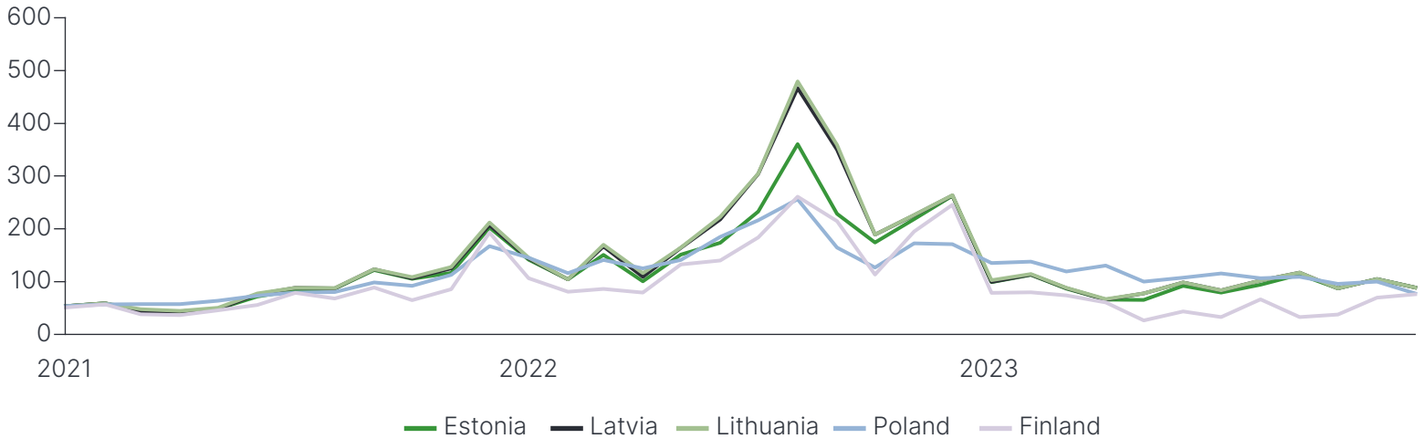
The electricity markets of Estonia and the neighbouring countries are well connected by means of interconnectors. As a result, our electricity production and prices are also affected by various factors outside our main markets, such as the level of hydro resources in the Norwegian hydropower reservoirs,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

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

In 2023, electricity prices in Estonia and the other Baltic countries were influenced by a decline in electricity demand, a low market price for natural gas, the output of the Olkiluoto 3 nuclear power plant in Finland and the weather. In the first half of the year, weather conditions favoured higher-than-usual electricity production at wind farms and hydropower plants. Consequently, the average electricity price in the Baltics was 90 €/MWh in the first half of 2023. In the second half of the year, several power plants in the region and neighbouring countries were offline for major maintenance. In Q4, the weather was colder than usual, which boosted electricity demand, while renewable power generation decreased. The combined effect of the factors pushed up the average electricity price in the Baltics to 96 €/MWh.

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

Average electricity prices in our home markets, €/MWh



Source: Nord Pool

Natural gas price, €/MWh

Source: Intercontinental Exchange

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

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

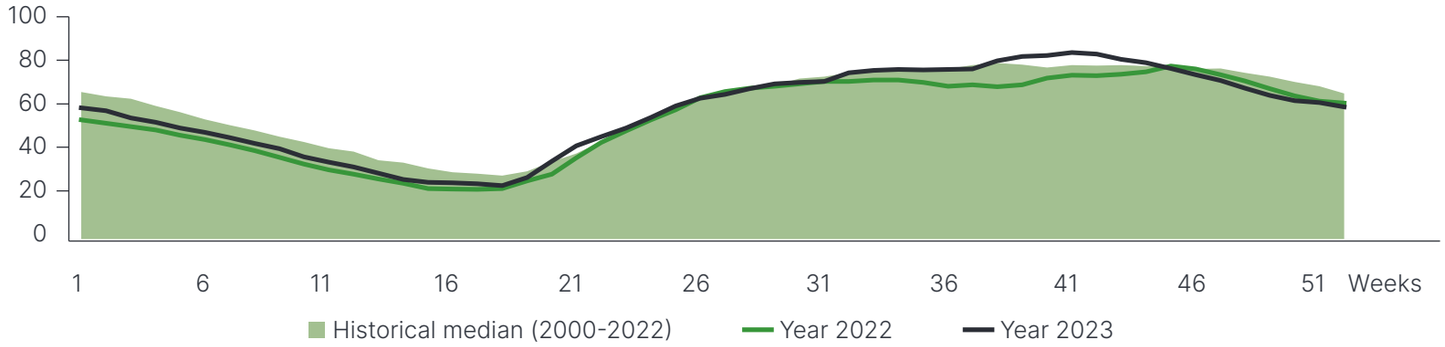
Interconnectors supply the Baltic countries with Nordic hydropower, which is cheaper than other types of electricity. The average level of hydro resources in the Nordic hydropower reservoirs in 2023 was 57.9% of the maximum, which is 3.1 percentage points higher than in 2022 and 3.9 percentage points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

CO_2 emission allowance prices remained at record highs

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

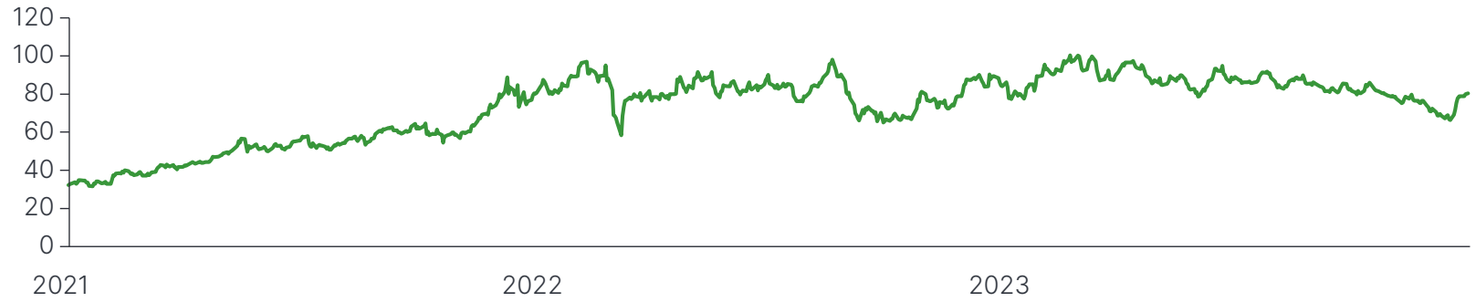
The price of CO_2 emission allowances has a strong impact on the cost of electricity produced by direct combustion of

Weekly levels of Nordic water reservoirs, % of maximum



Source: Nord Pool

Prices of CO_2 emission allowances, €/t



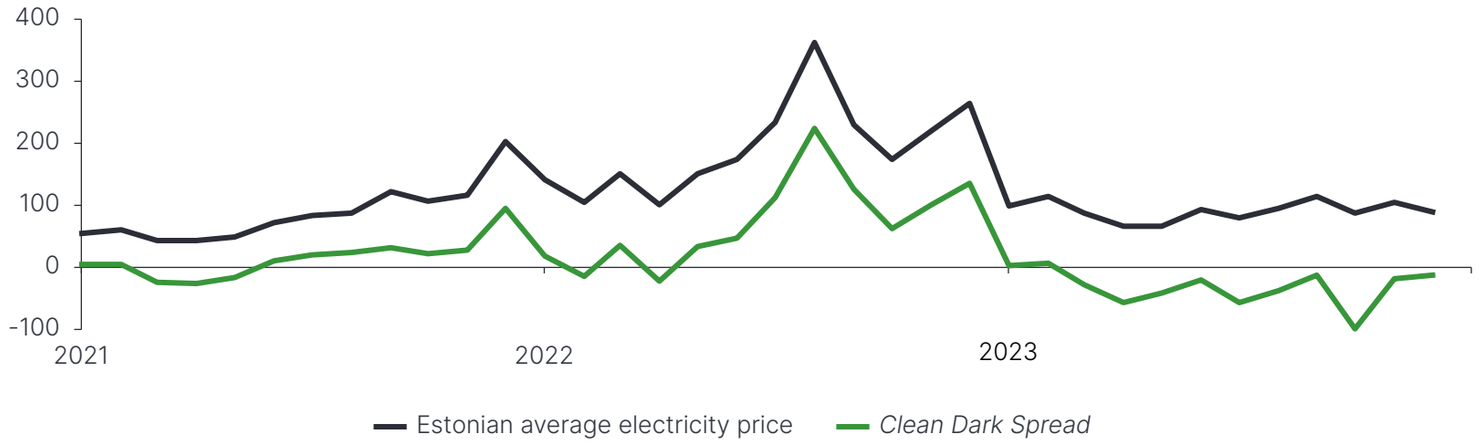
Source: Intercontinental Exchange

oil shale, particularly at our older production facilities whose carbon intensity is higher. At the same time, a higher CO_2 emission allowance price increases the competitiveness of our renewable energy production units.

The average CO_2 emission allowance price in the first half of 2023 was 89.4 €/t, which is 6.9% (+5.8 €/t) higher than in the first half of 2022. During the first half-year, the price of CO_2 emission allowances was influenced by the widespread use of coal-fired power plants. In April, the European Parliament decided to change the emission allowance policy and to update the EU's emissions reduction targets. According to the decision, free allocation of emission allowances to production facilities will end by 2034 and the target for 2030 is to reduce emissions by 55%, which is 15 percentage points higher than the previous target.

The average CO_2 emission allowance price in the second half of 2023 was 81.2 €/t, 2.8% (+2.2 €/t) higher than in the same period in 2022. In the second half of the year, the price of CO_2 emission allowances was mainly influenced by larger quantities of allowances traded, warmer than usual weather, and forecasts of growth in renewable energy production. The price of CO_2 emission allowances is also closely related to the price of natural gas. As a result, the price of emission allowances dropped to 72.4 €/t in December 2023, the lowest

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



Source: Nord Pool, Eesti Energia

level in the past 14 months. The average price of CO_2 emission allowances in 2023 was 85.3 €/t, which is 5% (+4.0 €/t) higher than in 2022.

A key indicator for power producers is the Clean Dark Spread (CDS), which reflects the profit margin of an electricity producer after the deduction of fuel and CO_2 emission allowance costs from the average market price of electricity.

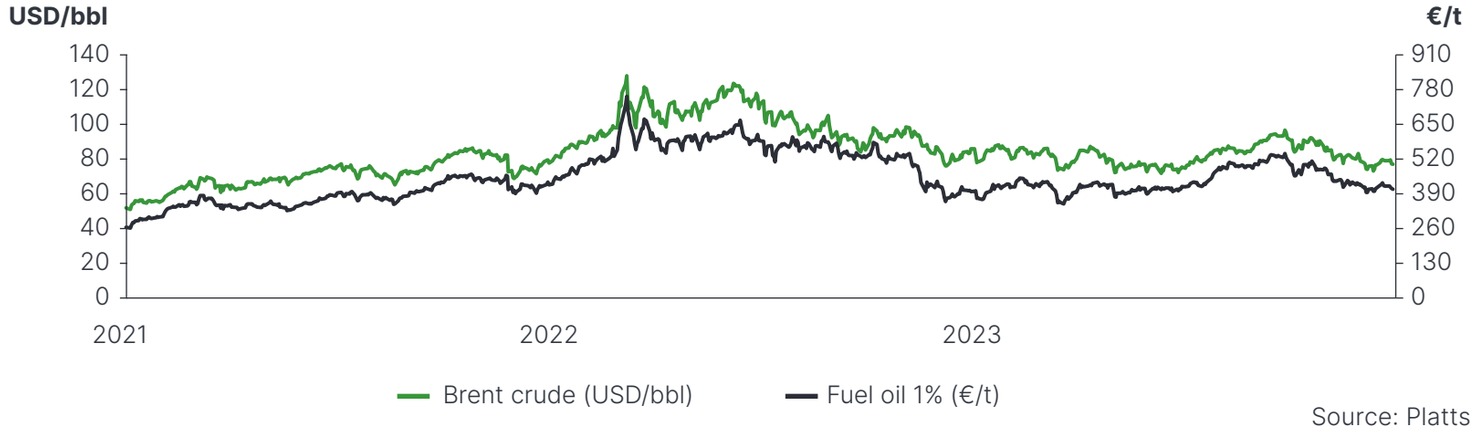
Eesti Energia's CDS in 2023 was -25.6 €/MWh (-97.8 €/MWh compared with 2022). This means that CO_2 and oil shale costs exceeded the market price of electricity, making the use of oil shale for electricity production unprofitable. The oil shale cost component in the CDS increased by 1.0 €/MWh year on year and the combined effect of movements in the CO_2 and oil shale cost components was +4.2 €/MWh.

World market prices of oil products decreased compared with 2022

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

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

Liquid fuels prices



Source: Platts

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

In the second half of the year, the average price of Brent crude oil was 84.2 USD/bbl, 9.6% (-8.9 USD/bbl) lower than in the same period in 2022. The price of liquid fuels in the second half of the year was mainly affected by the decrease in global production. Growth in liquid fuels demand outstripped growth in liquid fuels production by an estimated 0.7 million barrels in 2023.

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

Regulations affected our operations

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

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

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

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

At the end of 2023, the government adopted a plan to significantly increase the rates of environmental (pollution) charges for waste, water and ambient air. The new rates, which will take effect in the summer of 2024, will also increase the costs of the Eesti Energia group. Even at current electricity and CO_2 prices, oil shale-fired power plants are finding it relatively difficult to access the market, but the planned increase in environmental and mineral resource extraction charges will make their prospects even bleaker.

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

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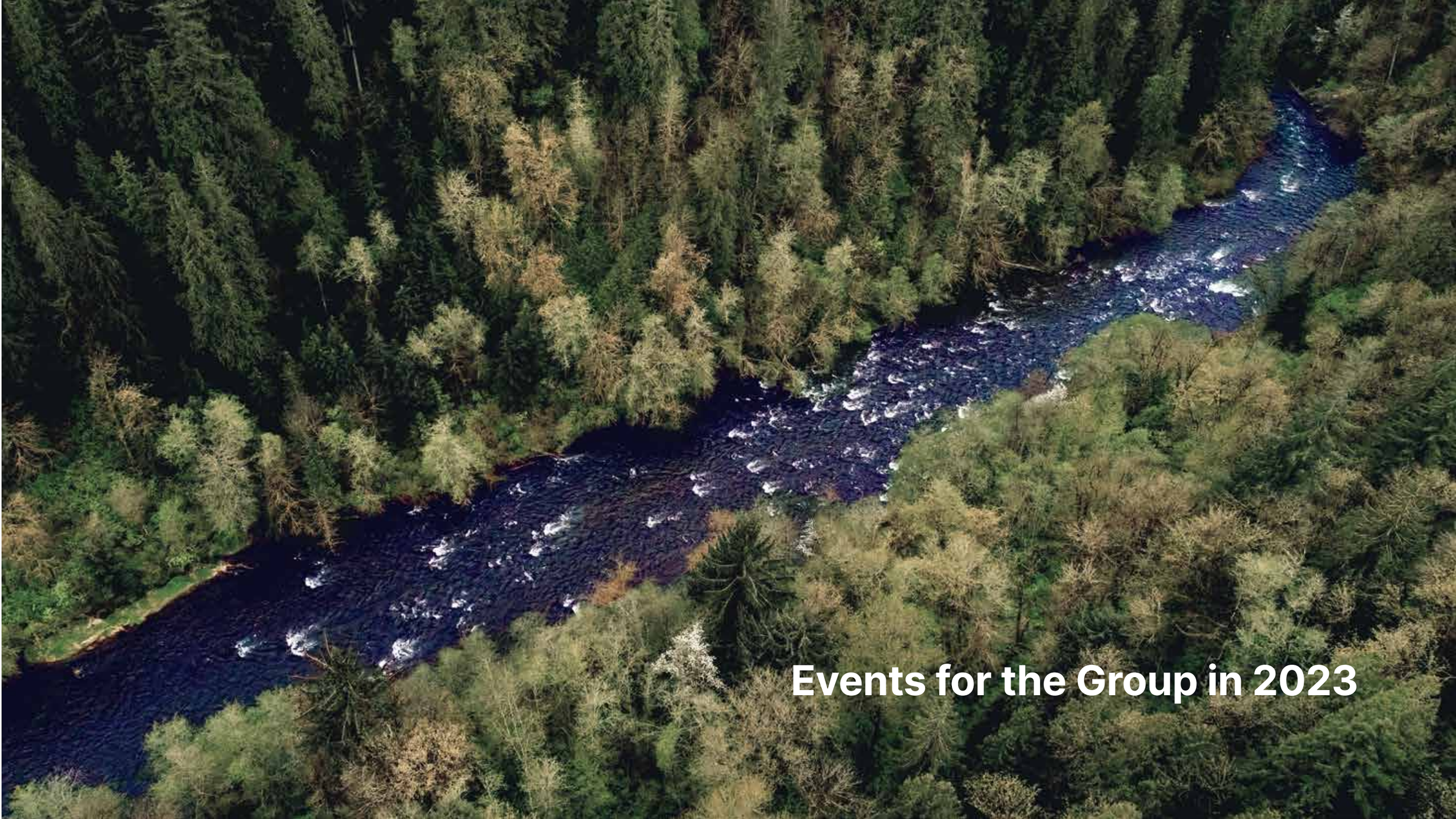


Events for the Group in 2023

Customer services

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

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

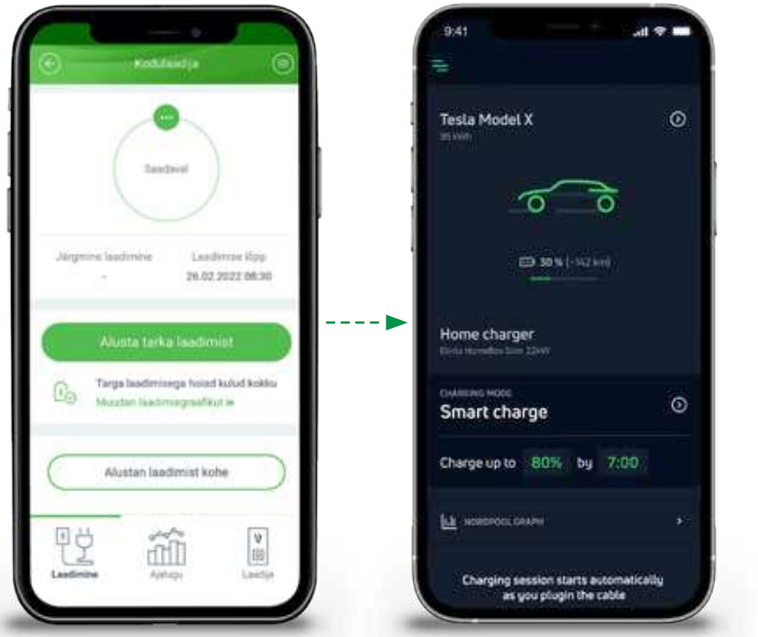
The universal service, which was created at the end of 2022 to alleviate record-high electricity prices, offered people a slightly cheaper electricity price for a few months, but in Q1 2023 market prices fell significantly, making the universal service the most expensive option on the market. The law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

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

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

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

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



Enefit Volt mobile app got a refreshed look

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

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

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

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

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

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

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

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

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

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

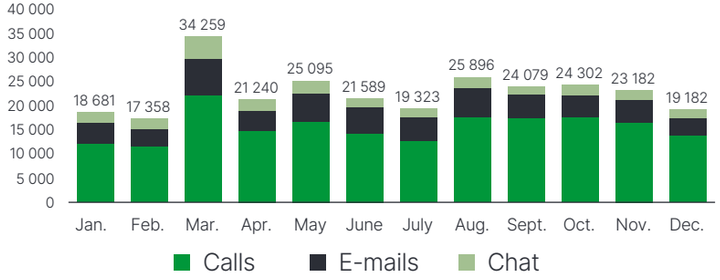
We offer solutions that save time and money

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

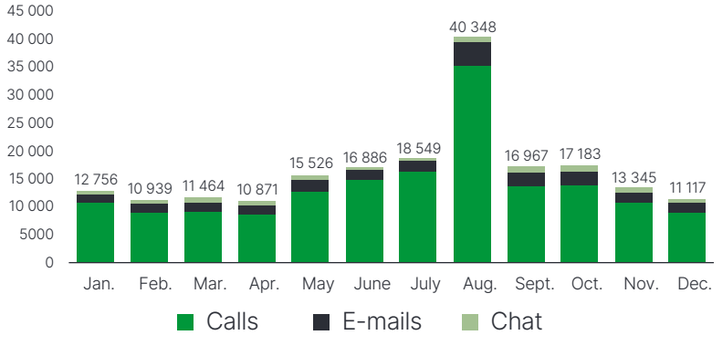
We implemented a single call centre system for all markets where we operate to make customer communications faster and smoother and our call centre operations more efficient. Customers called our call centre nearly 200,000 times. In the majority of cases, however, they did not need to call – instead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

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

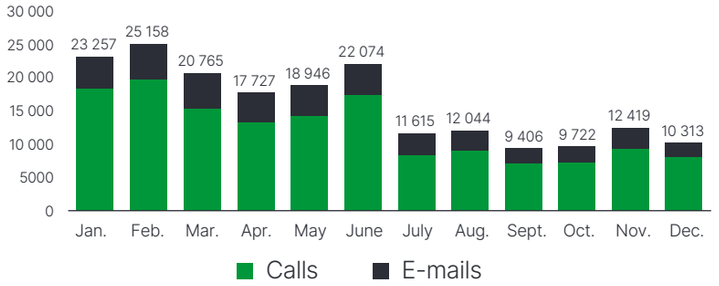
Customer inquiries in Estonia



Customer inquiries in Latvia



Customer inquiries in Lithuania



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

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

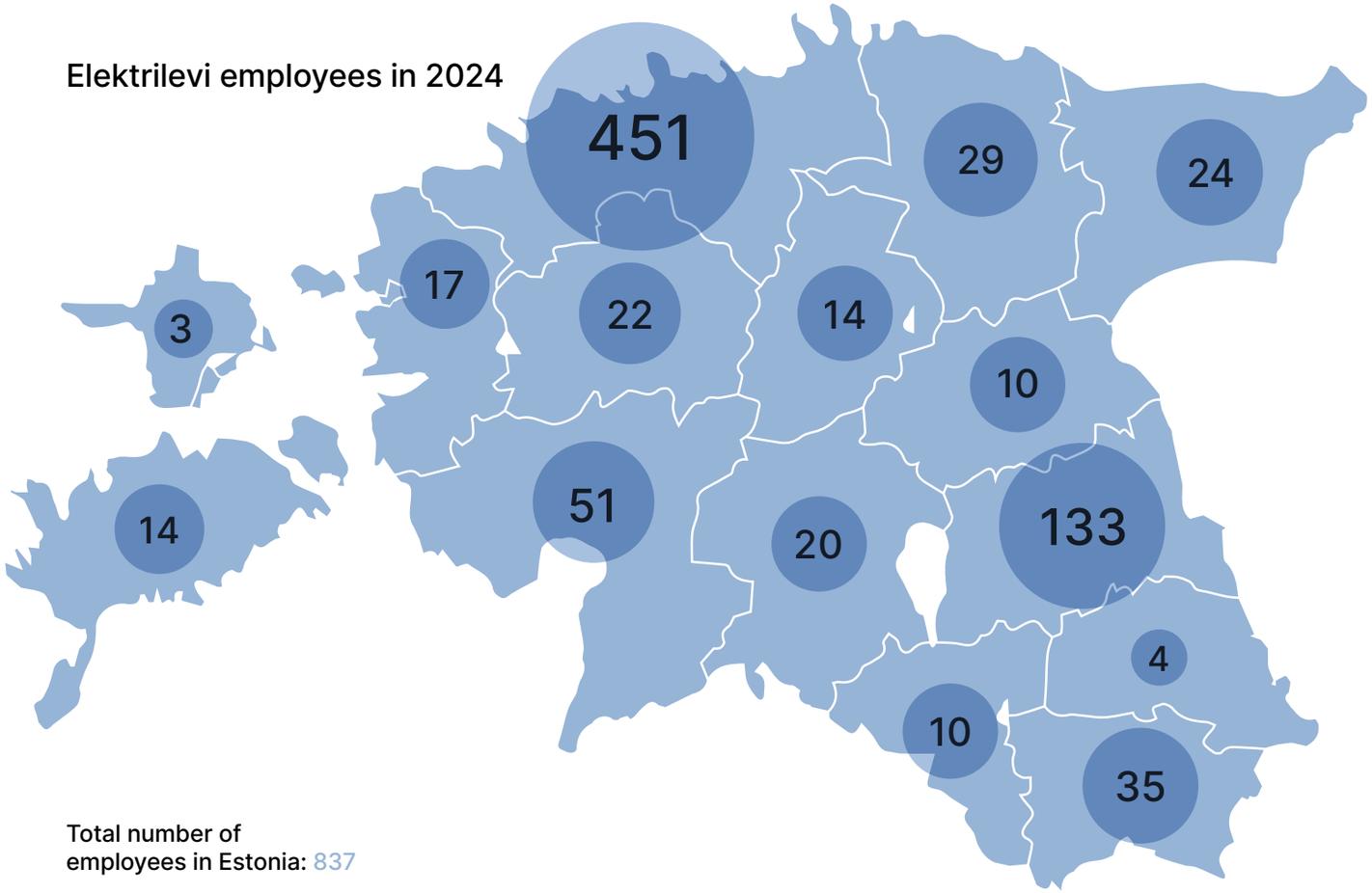
All Eesti Energia's customers became Enefit's customers from 1 January 2024. As our customers' energy partner on our common green journey, we will continue to develop energy solutions that help people use electricity in a greener and more affordable way.

Electricity distribution network

Changes at Elektrilevi

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

Elektrilevi employees in 2024



Total number of employees in Estonia: 837

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

Elektrilevi's new training centre is the first building in Estonia to be designed using the 369 Pattern Buildings design system developed by EKA PAKK. It is a modular, factory-fabricated, low-carbon timber building that follows the principles of circularity.

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

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

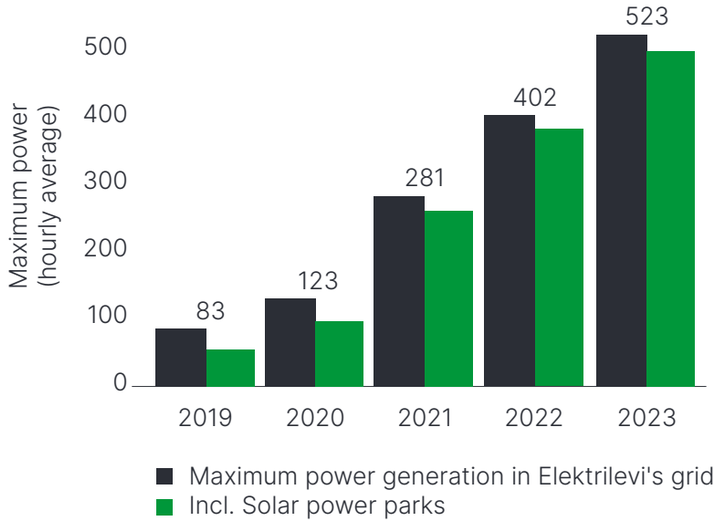
The training centre started operating in Q1 2024.

Record year for distributed generation

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

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

Maximum power generated in Elektrilevi's grid, MW



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Renewable energy production and development

Overview of development activities

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

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

New renewable power plants in Estonia and Poland

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

The Purtse hybrid farm, which came online in the summer, is the first wind-solar hybrid farm in the Baltics. In a unique solution, the wind and solar farms are connected to the same grid connection point and use the same equipment to supply electricity to the grid. As wind can produce more electricity in autumn and winter, and solar more in spring and summer, the amount of electricity delivered to the grid is more stable and the connection is better utilised. The Purtse hybrid farm's annual output of nearly 78 GWh is enough to meet the annual electricity needs of around 25,000 households.

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

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

Onshore wind farms under construction

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

6 wind farms under construction

612 MW

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

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

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

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

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

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

Solar power plants under construction

At the end of 2023, Enefit Green had four solar power plants under construction with a total capacity of 97 MW – one in Estonia,

4 solar power plants under construction

97 MW

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

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

In November, Enefit Green started building two solar power plants in the Ādaži and Carnikava regions in the western part of Latvia. These are the company's first solar farms in Latvia. The Austrumi and Dzērves solar power plants will have a combined annual output of around 18 GWh, which is expected to meet the annual electricity needs of around 8,500 households. The solar farms are scheduled to start producing electricity in summer 2024.

In Poland, the construction of the Debnik solar farm (6 MW) continued and the first electricity was produced at the end of December. The planned annual output of the farm, which has over 9,000 bifacial solar panels, is nearly 6.3 GWh. This meets the annual electricity needs of around 2,500 households. Debnik solar farm is expected to be completed in the first half of 2024.

In addition to the larger projects listed above, Enefit Green signed a lease agreement with Eesti Energia for the construction of the Kabala (0.2 MW) and Mõisavalla (0.2 MW) solar parks in Järva County, Estonia. These solar power plants will be built for Eesti Energia's customers on the basis of a long-term lease agreement.

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

Offshore wind energy

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

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

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

50 offshore wind turbines

50% Estonia's electricity consumption

The studies needed to assess the environmental impact of the project and the preliminary analysis of the technical solution for the wind farm continued through 2023. The principles for preparing national designated spatial plans for grid connections and the impact assessment programme were put in place. The document provides an overview of the general principles to be followed in the planning process and the implementation of the plan. It also summarises the main issues to be resolved, the studies to be carried out in the siting phase and the significant impacts that may result from the construction of the grid connection.

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

for the North-West Estonia offshore wind farm development project was completed and approved by the Ministry of the Environment (now Ministry of Climate). It is the most extensively studied marine area in Estonia. The environmental impact assessment report shows that the offshore wind farm can be built without causing significant negative environmental impact. The next steps in the development process include the preparation of the technical design for the building permit process and the adoption of a marine spatial plan. The design process will clarify the construction technology and will require further studies.

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

Battery storage and hydrogen

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

In 2023, Enefit Green started preparations for a battery storage pilot project in the Purtse wind and solar hybrid farm. The pilot project will provide the Estonian electricity system with quickly dispatchable reserve capacity, supporting its synchronisation with the Continental Europe Synchronous Area. It will also harmonise the production of wind and solar power on a daily basis and make it dispatchable. The plan is to install a battery storage system with a capacity of 4 MW and 8 MWh. The system is scheduled to be operational in 2025 and, following a successful pilot project, Enefit Green will implement and expand the concept in other development projects in Estonia and other markets.

In addition to the battery storage system, Enefit Green is planning to build a green hydrogen production plant with an electrolyser of at least 0.5 MW, capable of supplying at least seven city buses per year. The project will reduce annual greenhouse gas emissions from vehicles by 1,200 tonnes.

The green hydrogen will be delivered to Alexela's filling stations, and will be used by GoBus buses, Alexela trucks, and Eesti Energia and Alexela cars. If all goes according to plan, the hydrogen production unit will be completed in autumn 2025 and hydrogen consumption will start in 2026.

It is important for Enefit Green to support the use of clean fuels and the development of new, environmentally friendly energy sources in the transport sector, where CO_2 emissions are the second highest. The production of green hydrogen will open up new and wider green energy sales opportunities for Enefit Green in its renewable energy projects.

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

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Dispatchable power generation and chemical industry

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

Dispatchable capacities remain strategically important for ensuring security of supply, but in 2023 Enefit Power's dispatchable oil shale-fired power plants had significantly less access to the market. The main reasons for their significantly lower output were the fall in electricity prices in the Estonian price area and a persistently high CO_2 price. Due to the low prices, the generating units were mainly kept in reserve and on standby to ensure security of supply.

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

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

In 2023, we built an emergency pumping station on the cooling water canal, which will provide the necessary cooling water for the dispatchable generating units at Auvere even if the water level in the Narva river drops. The project, which significantly increased Estonia's energy security, was financed by Eesti Energia and completed within a very short timeframe (11 months, January to November 2023).

Selling system services and products increases value added

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

In the area of major development projects, we started to interface Enefit Power's oil shale-fired power plants with Eesti Energia's virtual power plant (VPP) portfolio. The work was successfully completed at the Auvere power plant and generating unit 11 of the Balti power plant by the end of the year. Interfacing generating unit 8 of the Eesti power plant will continue in 2024. This will allow the frequency reserve service to be provided in an asset-agnostic (black box) manner, giving the service provider flexibility to provide the service with the most optimal mix of assets at any given time. We have also started to interface the wind and solar farms in Enefit Green's generating portfolio with the VPP portfolio.

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

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

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

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

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

Preparations for the construction of a peaking power plant

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

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

Power generation of dispatchable units

2,22 TWh

31%

alternative fuels used

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

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

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

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

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

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

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

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

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

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

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

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

Transformation of the oil shale industry into a chemical industry

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

The vision for the chemical industry foresees:

- the future of carbon as a recoverable and circular raw material for the chemical sector;
- increasing the use of circular raw materials in Enefit's factories;
- minimising the carbon footprint of every investment decision;
- using new technologies to refine liquid fuels into intermediates for the plastics industry; and
- dispatchable power generation based on hydrogen and biomass and reuse of waste rock and retort gas.

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

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

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

In the field of circular economy, the Finnish materials technology company Betolar, in collaboration with Eesti Energia, has launched a by-product study to investigate the use of ash from oil shale combustion as a binder in concrete. This would allow the partial or complete replacement of cement in concrete production. Cement is one of the world's largest sources of CO_2 emissions.

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Together as a Team on the Green Journey

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

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

Our employee engagement is above the Estonian average

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

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

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

Stability is one of our main strengths in the current environment and three quarters of our employees feel that their job is secure and steady. Reliability is just one factor in our high level of commitment. To be successful on a daily basis, our employees also feel motivated by:

Our benefits package

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

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Our employees as energy ambassadors

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

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

Investing consistently in employee health

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

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

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

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

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

Supporting and building a learning culture

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

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

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

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

Developing future top managers is critical to an organisation's ability to operate sustainably. In 2023, we partnered with the University of Tartu to create the first corporate micro-credential programme in Estonia specifically for the next generation of top leaders. The aim of the Enefit micro-credential programme is to provide carefully selected participants with the opportunity to enhance their knowledge of modern management practices, strategic management, team leadership and economic theory.

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

Creating a working environment that fosters innovation and collaboration

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

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

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

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

Young talent will unlock our future potential

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

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

We believe in and value the community in Ida-Viru county. Together with the local municipal government, we are a committed supporter of the Energy Fund for Young Talent. In 2023, 36 young people from Ida-Viru county received the scholarship.

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

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

New inspiring ways of learning sciences inspire lower secondary school students

We are helping to solve a major challenge in society – a lack of modern teaching tools and inspiring teachers in science classes. Today, almost half of the schools in Estonia do not have a qualified physics teacher. Young people's interest in the subject has declined, as has their desire to pursue careers that require a knowledge of physics. At the same time, such specialisations are critical for the implementation of our green transition strategy. We have joined forces with ABB, LHV, Fermi Energia, Nordecon and Metrosert to promote the Lae End (Charge Yourself) programme for physics teachers.

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

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

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

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Research and Development

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

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

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

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

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

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

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

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

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

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

Accelerating the development of the technology needed for the green journey

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

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


Transparent Management Decisions

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

Corporate governance principles

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

Code of ethics

eesti Energia has adopted the Code of Ethics, which states, among other things, that the organisation does not tolerate any discrimination, harassment, bullying, abuse or any other inappropriate behaviour. All employees are treated fairly and equitably, regardless of their ethnicity, age, race, gender, language, origin, skin colour, religion, disability, sexual orientation, or political or other beliefs.

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

Organisational structure and governing bodies

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

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

General meeting

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

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

The annual general meeting is held once a year, within six months after the end of the Group's financial year at a time and place determined by the management board.

Supervisory board

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

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

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

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

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

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

In addition to participating in the meetings of the supervisory board, the members of the supervisory board actively support the activities of Eesti Energia. They visit Eesti Energia's companies and business units to gain insights and meet the owner's representatives, business partners and stakeholder groups where this is important for Eesti Energia.

Supervisory board members' attendance at meetings and remuneration

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

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

Supervisory boards of subsidiaries and associates

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

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

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

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

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Supervisory board

as at 31 December 2023

ANNE MERE
Chairman

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

ANDRES LIINAT
Member

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

LUUKAS KRISTJAN ILVES
Member

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

EINARI KISEL
Member

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

ALLAN NIIDU
Member

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

MEELIS EINSTEIN
Member

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

KAUR KAJAK
Member

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

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Management board

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

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

The remuneration of the members of Eesti Energia's management board is regulated by the State Assets Act. The amount of the remuneration is at the discretion of the supervisory board, which takes into account the proposals of the remuneration committee set up under the supervisory board. The members of the management board are remunerated for the performance of their duties as members of the management board. Their remuneration is set out in their service contracts, which may be amended by mutual agreement. A member of the management board may receive additional remuneration. The monthly remuneration of Andres Vainola for the performance of his duties as a member of the management board is agreed in the management board member agreement between him and Enefit Power, and he does not receive any additional remuneration for the performance of his duties as a member of the management board of Eesti Energia.

Remuneration of the members of the management board

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

The total amount of additional remuneration paid in a financial year may not exceed four times the average monthly remuneration received by the member of the management board in the previous financial year. The grant of additional remuneration must be justified and consistent with the Group's performance, value added and market position. Termination benefits may only be paid when the supervisory board removes a member of the management board on its own initiative before the end of the member's term of office and the amount may not exceed the management board member's remuneration for three months. The management board normally meets once a week. If necessary, meetings are held by electronic vote without convening a meeting. In 2023, 61 meetings were held, of which 10 were held by electronic vote.

Strategic leadership team

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

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

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

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Management board

as at 31 December 2023

ANDRUS DUREJKO
Chairman

PREVIOUS CAREER

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

EDUCATION

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

MARLEN TAMM
Member, CFO

PREVIOUS CAREER

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

EDUCATION

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

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

PREVIOUS CAREER

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

EDUCATION

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

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

PREVIOUS CAREER

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

EDUCATION

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

KRISTJAN KUHI
Member, Development Manager for Energy Solutions

PREVIOUS CAREER

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

EDUCATION

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

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

PREVIOUS CAREER

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

EDUCATION

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

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

Differences applying to the management of listed company Enefit Green AS

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

In the first quarter of 2023, Eesti Energia sold the development project of the Liivi offshore wind farm Liivi Offshore OÜ to its subsidiary Enefit Green. In the fourth quarter of 2023, Enefit Green sold the biomass cogeneration plants in Brocen, Valka and Paide, and pellet production in Brocen and concentrated all of its business activities in Latvia in a subsidiary Enefit Green SIA.

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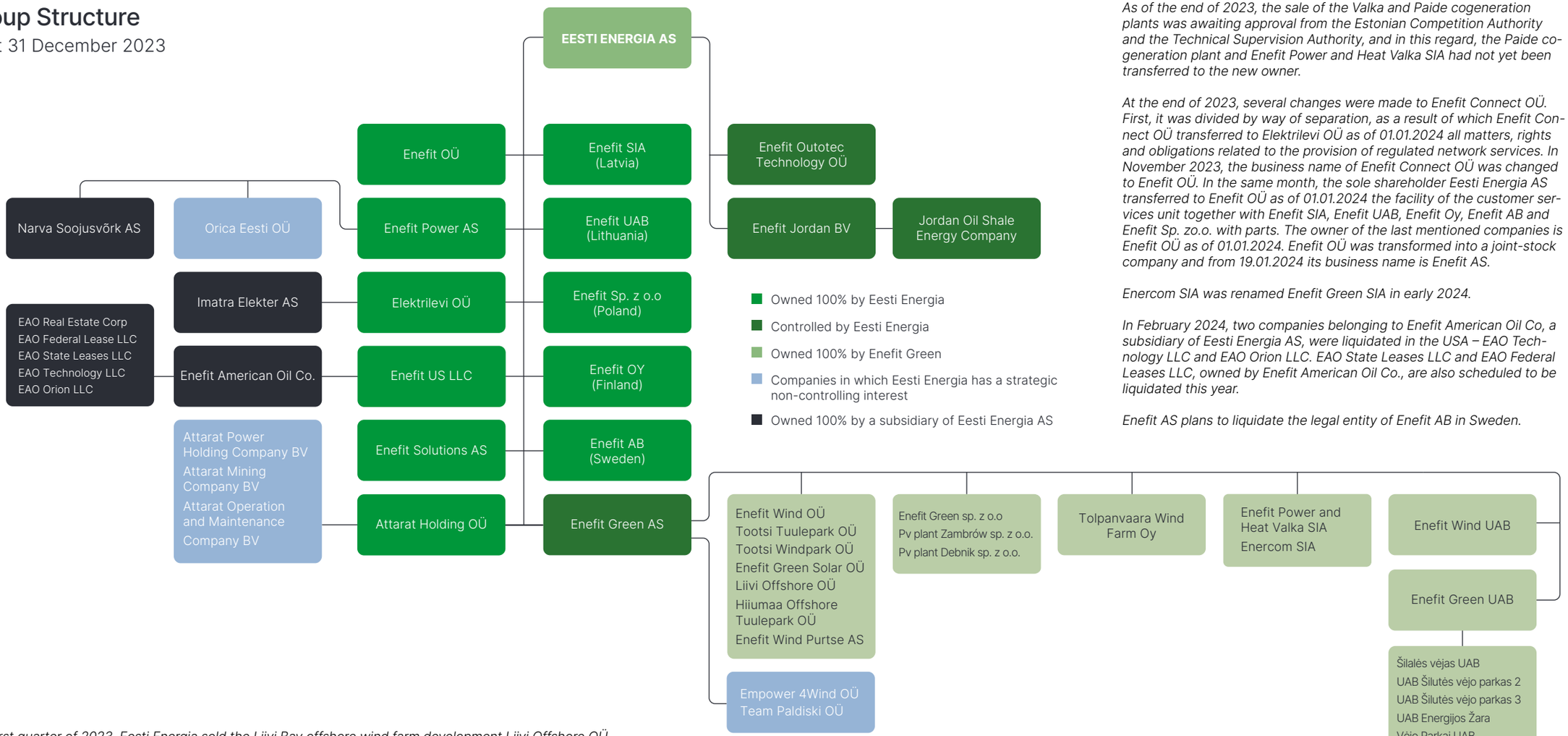
Group Structure

as at 31 December 2023



As of the end of 2023, the sale of the Valka and Paide cogeneration plants was awaiting approval from the Estonian Competition Authority and the Technical Supervision Authority, and in this regard, the Paide cogeneration plant and Enefit Power and Heat Valka SIA had not yet been transferred to the new owner.

At the end of 2023, several changes were made to Enefit Connect OÜ. First, it was divided by way of separation, as a result of which Enefit Connect OÜ transferred to Elektrilevi OÜ as of 01.01.2024 all matters, rights and obligations related to the provision of regulated network services. In November 2023, the business name of Enefit Connect OÜ was changed to Enefit OÜ. In the same month, the sole shareholder Eesti Energia AS transferred to Enefit OÜ as of 01.01.2024 the facility of the customer services unit together with Enefit SIA, Enefit UAB, Enefit Oy, Enefit AB and Enefit Sp. zo.o. with parts. The owner of the last mentioned companies is Enefit OÜ as of 01.01.2024. Enefit OÜ was transformed into a joint-stock company and from 19.01.2024 its business name is Enefit AS.

Enercom SIA was renamed Enefit Green SIA in early 2024.

In February 2024, two companies belonging to Enefit American Oil Co, a subsidiary of Eesti Energia AS, were liquidated in the USA – EAO Technology LLC and EAO Orion LLC. EAO State Leases LLC and EAO Federal Leases LLC, owned by Enefit American Oil Co., are also scheduled to be liquidated this year.

Enefit AS plans to liquidate the legal entity of Enefit AB in Sweden.

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

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The group's procurement practices and relationships with partners

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

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

Reporting principles

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

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

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

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

Audit committee and external auditor

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

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

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

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Risk Management

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

The purpose of our risk management activities is to:

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

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

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

Risk management framework and organisation

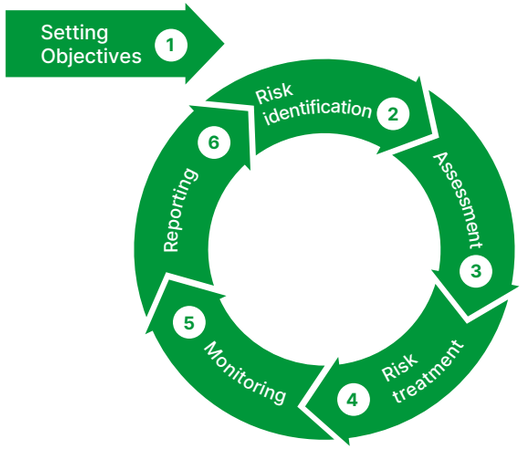
our risk management framework consists of the risk management principles and policies established by the Group's management board, which describe the risk management process, the roles and responsibilities of those involved, and the principles and policies for managing the main risks that may affect the achievement of the Group's objectives. In developing our risk management principles and policies, we are guided by international standards and best practice. We have put in place risk management measures designed to prevent risks from materialising, which are updated to reflect changes in the Group's strategy, activities and organisational structure.

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

The risk management process

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

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



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

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

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

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

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

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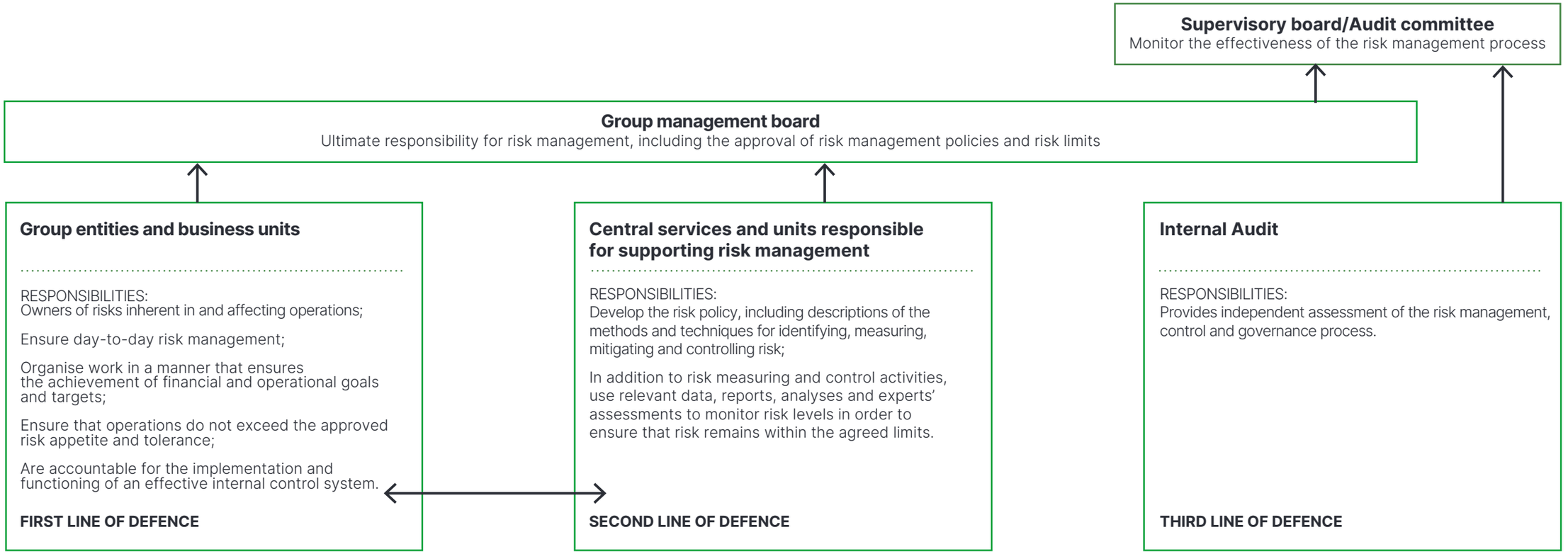
Risk management system

Arrows indicate lines of information exchange and reporting



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Risk profile

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

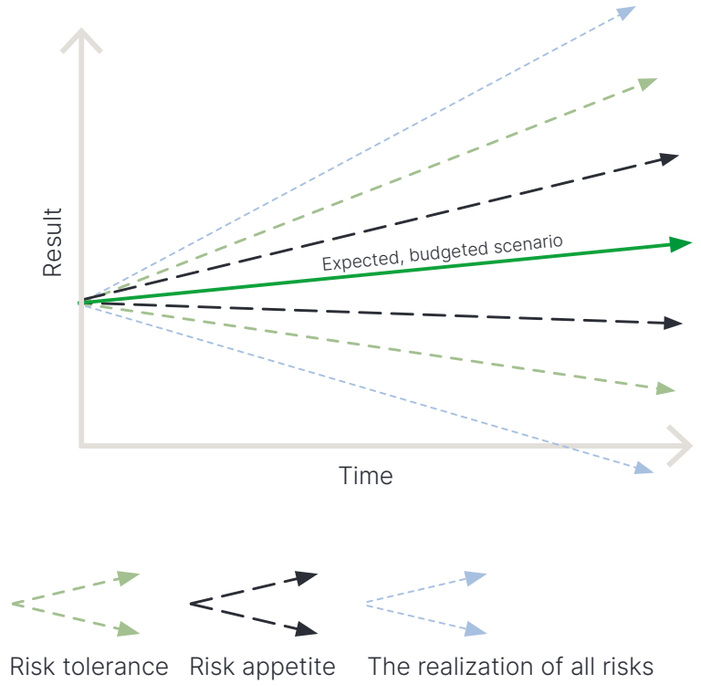
Principal risks and their mitigation

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

Financial risks

Liquidity risk refers to the possibility that the Group or a subsidiary within the Group does not have sufficient funds and other sources of liquidity to meet its obligations or to implement its strategy. In order to mitigate the liquidity risk, we maintain sufficient available funds in bank accounts and, if necessary, raise additional capital on the debt market, for which we have already loan agreements that have not been fully deployed.

Risk appetite



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

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

Legal risk

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

Environmental risk

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

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

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

IT risk

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

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

Technological and technical risk

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

To manage the risk, we work with research institutions and technology developers, have implemented the ISO 55001 standard for asset management, have deployed additional cybersecurity solutions and, following any significant event, conduct a root cause analysis and develop measures to reduce the likelihood of similar events occurring. We regularly analyse business continuity risks to ensure the continuity of our services.

Operational risks

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

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

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

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

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

Risk reporting

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

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

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Financial Results

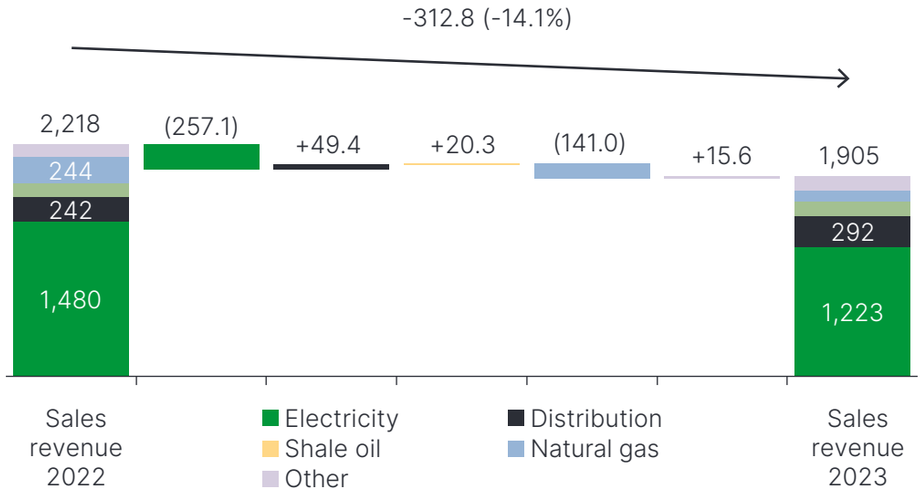
Revenue and EBITDA

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

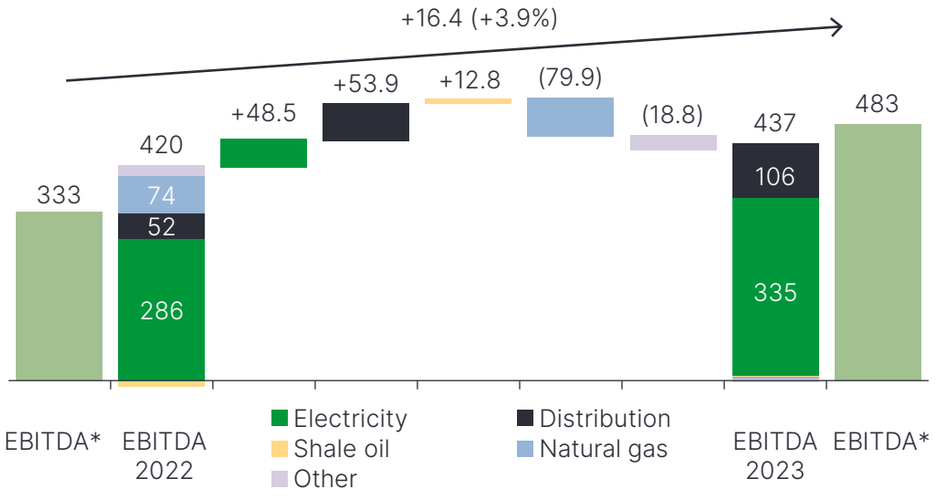
EBITDA for 2023 amounted to 436.7 million euros, an increase of 4% (+16.4 million euros) compared to 2022. EBITDA includes the effect of changes in the value of long-term power purchase agreements (PPAs) of -46.3 million euros (2022: +87.4 million euros). Adjusted EBITDA (excl. the effect of PPAs) for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

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

Group's sales revenue breakdown and change, m€



Group's EBITDA breakdown and change, m€



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

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Electricity

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

Electricity revenue

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

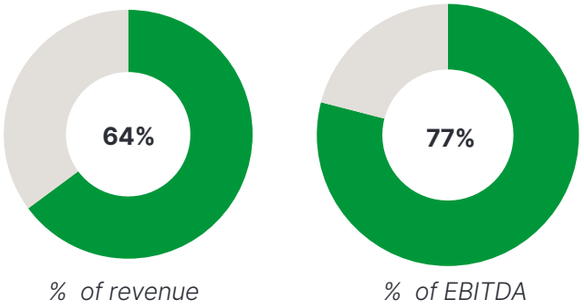
Average sales price of electricity

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

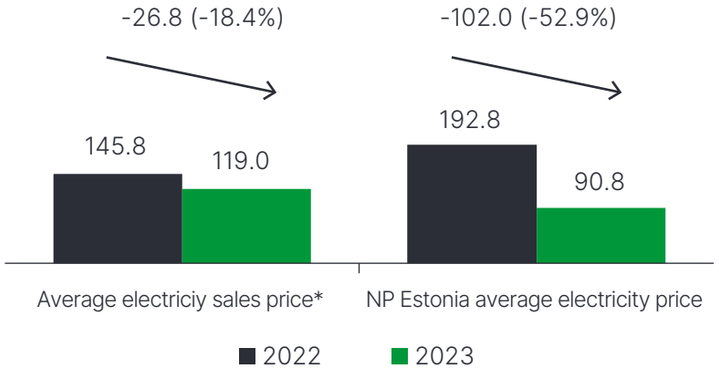
The average sales price excludes the impact of derivative transactions. The average sales price for 2023 including the impact of derivatives was 119.1 €/MWh, which is 15% (-21.0 €/MWh) lower than the year before.

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

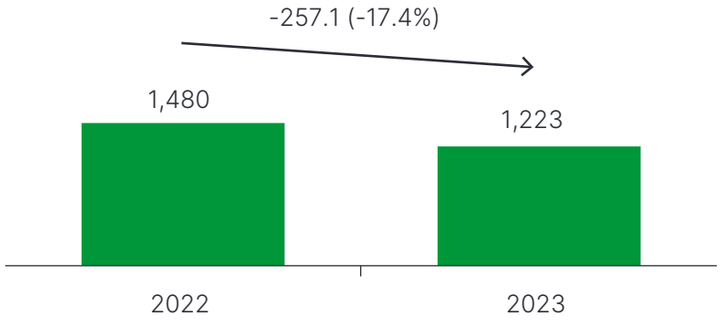
Share of electricity product in Group's sales revenue and EBITDA



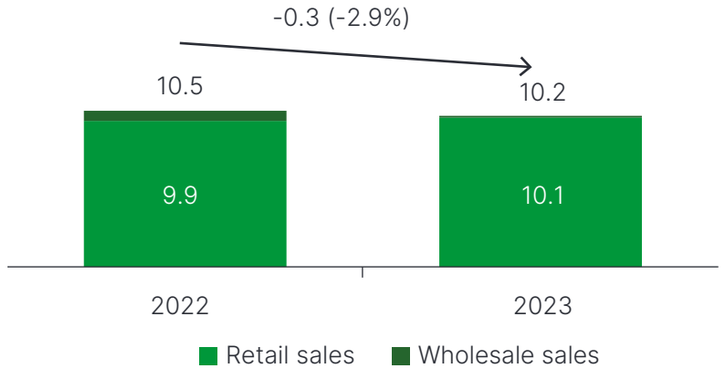
Average sales price, €/MWh



Electricity sales revenue, m€



Electricity sales volume, TWh



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

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Electricity sales volume and Eesti Energia's market share

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

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

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

Electricity production volume

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

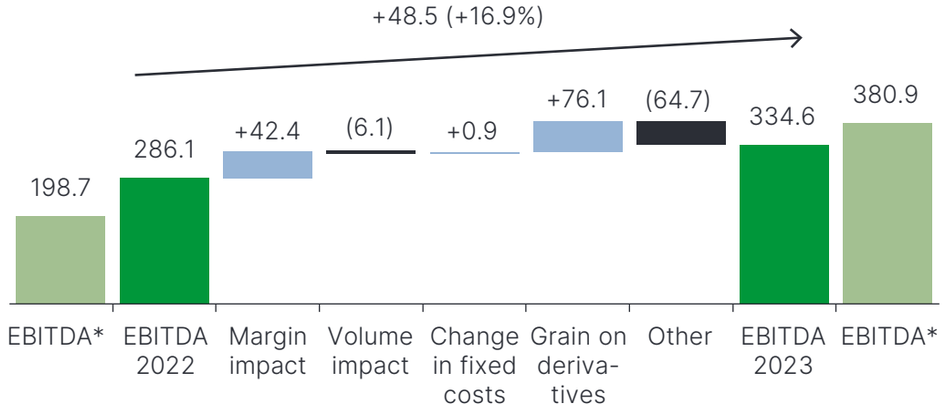
nearly doubled and wind power nearly tripled, significantly reducing the need for electricity from fossil power plants.

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

Key figures of the electricity product

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

Electricity EBITDA development, m€



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

Electricity EBITDA

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

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

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

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

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Distribution

Distribution revenue, sales volume and price

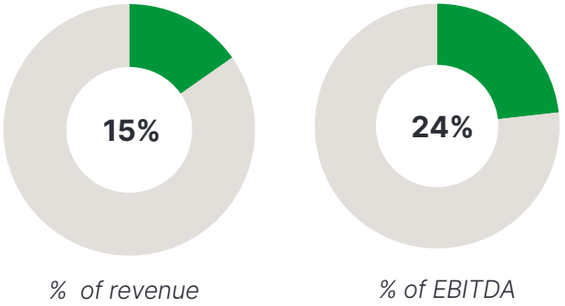
In 2023, electricity distribution revenue grew by 20.4% to 291.6 million euros (+49,4 million euros), while sales volume declined by 3.5% to 6,475 GWh (233 GWh). The decline in sales volume was attributable to the economic environment: due to the economic downturn, consumption by corporate customers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

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

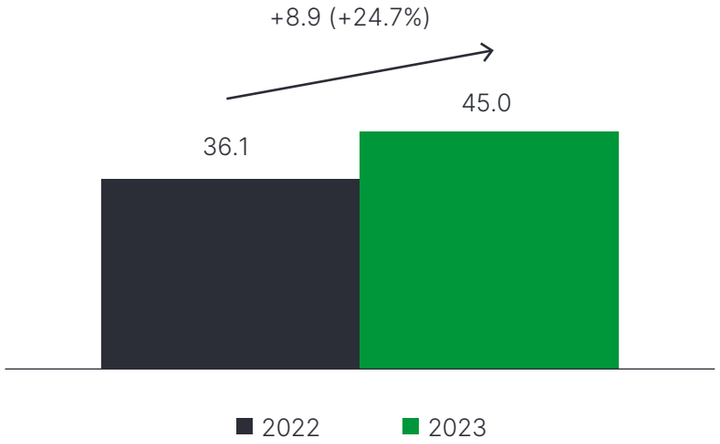
Distribution losses

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

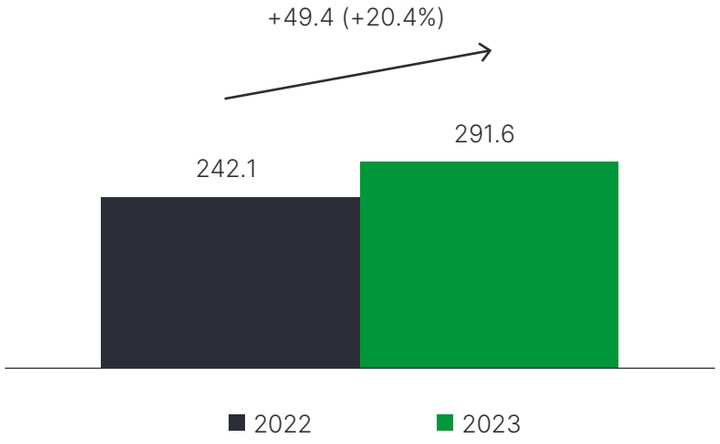
Share of distribution product in Group's sales revenue and EBITDA



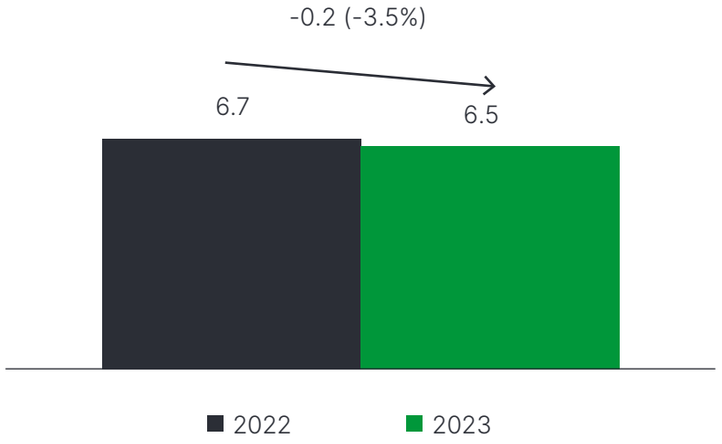
Average sales price, €/MWh



Distribution sales revenue, m€



Distribution volume, TWh



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Supply interruptions

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

Key figures of the distribution product

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

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

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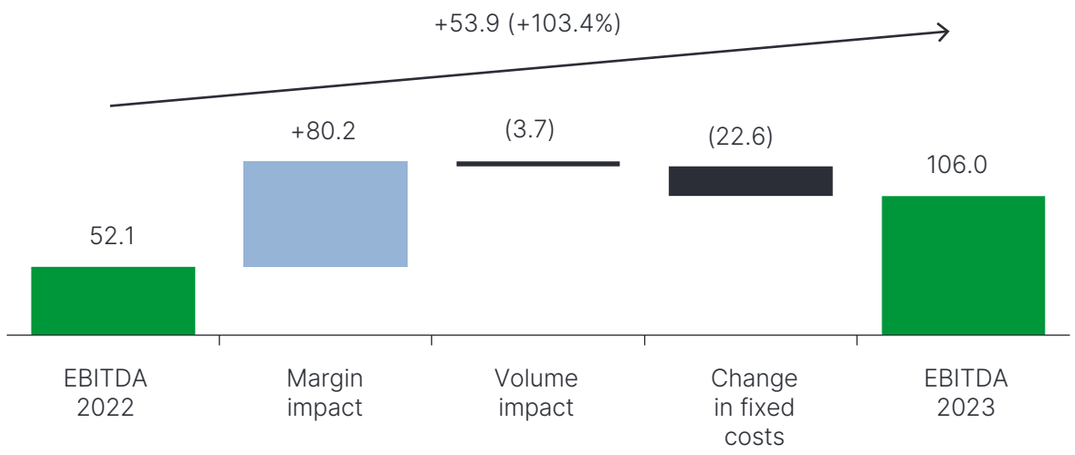
Distribution EBITDA

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

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

Distribution EBITDA development, m€



Shale oil

Shale oil revenue and sales volume

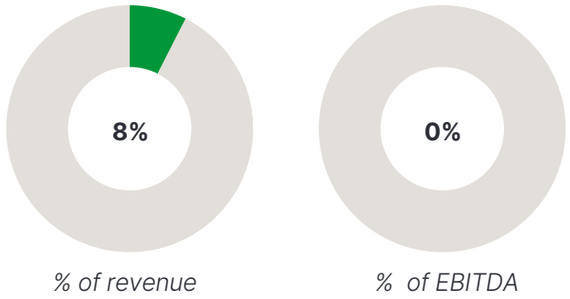
We sold 468 thousand tonnes of shale oil in 2023, generating revenue of 153.6 million euros. Shale oil revenue grew by 15.3% (+20.3 million euros) year on year. Sales volume increased by 15.4% (+62.6 thousand tonnes) due to higher production, which allowed us to sell shale oil on the spot market and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

Shale oil price

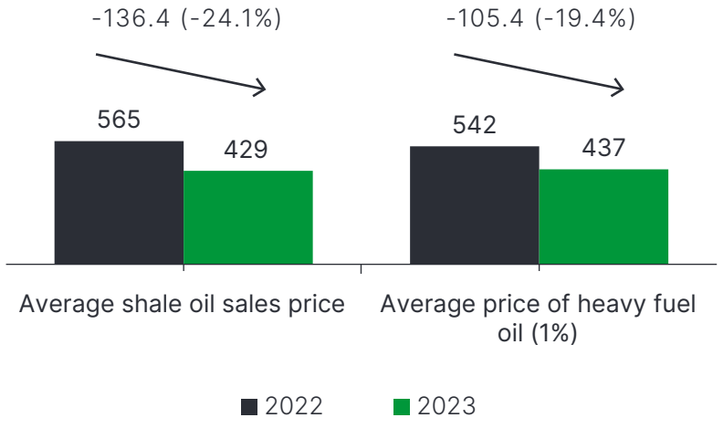
The average sales price of shale oil (excl. the impact of derivative transactions) decreased by 24.1% to 428.8 €/t (-136.4 €/t) in 2023.

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

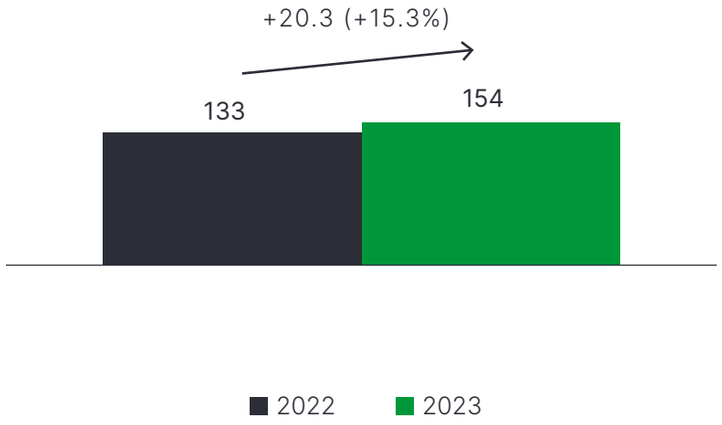
Share of shale product in Group's sales revenue and EBITDA



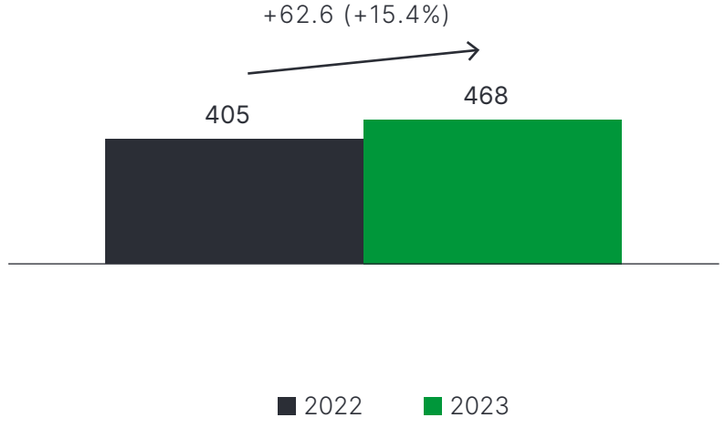
Average shale oil sales price, €/t



Shale oil sales revenue, m€



Shale oil sales volume, '000 tonnes



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Shale oil production volume

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

Key figures of the shale oil product

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

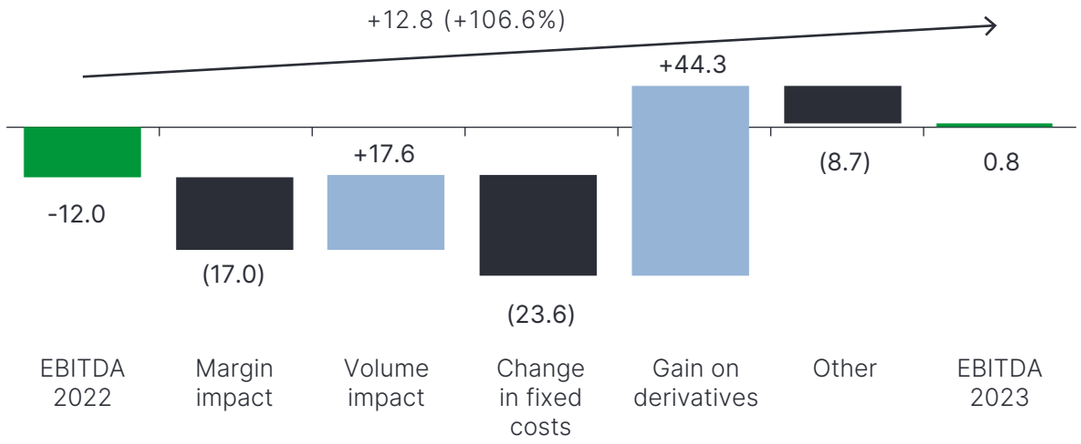
Shale oil EBITDA

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

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

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

Shale Oil EBITDA development, m€



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Natural gas

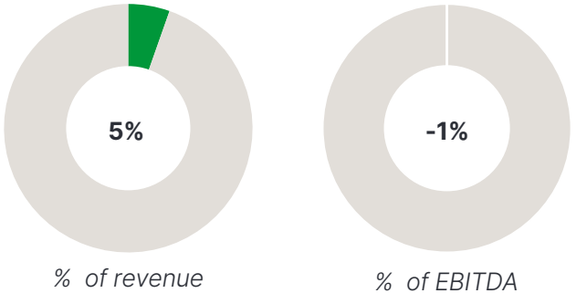
Natural gas revenue and sales volume

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

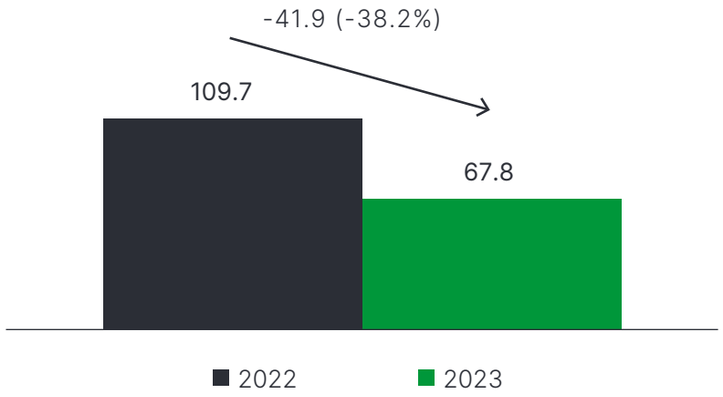
Natural gas price

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

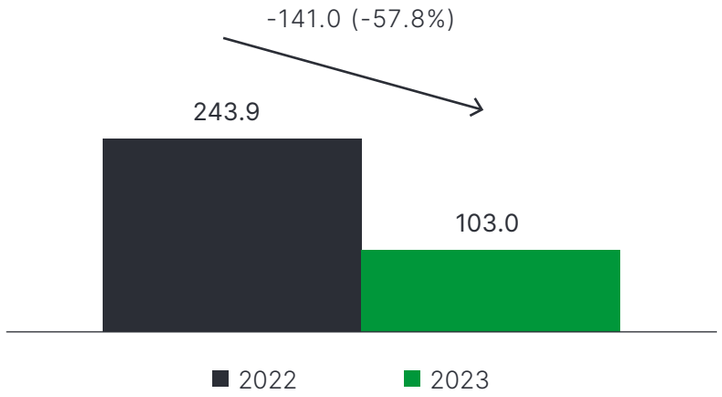
Share on natural gas product in Group's sales revenue and EBITDA



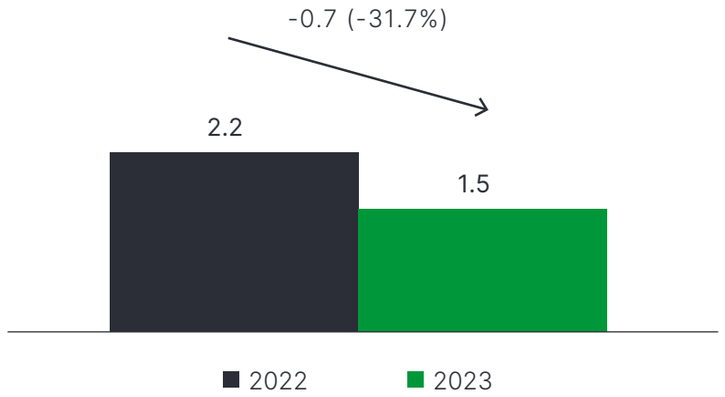
Average sales price, €/MWh



Natural gas sales revenue, m€



Natural gas volume, TWh



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Key figures of the natural gas product

		2023	2022
Natural gas EBITDA	€/MWh	-4.2	33.1

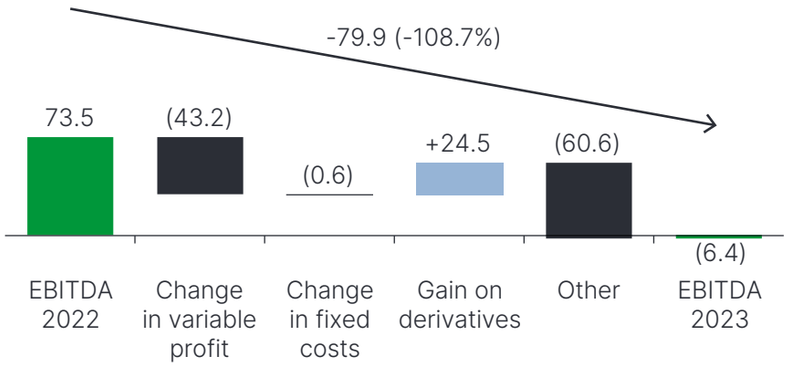
Natural gas EBITDA

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

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

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

Natural gas EBITDA development, m€



Other products and services

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

Revenue from other products and services

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

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

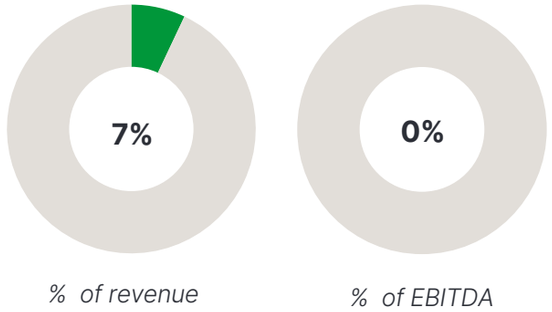
EBITDA on other products and services

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

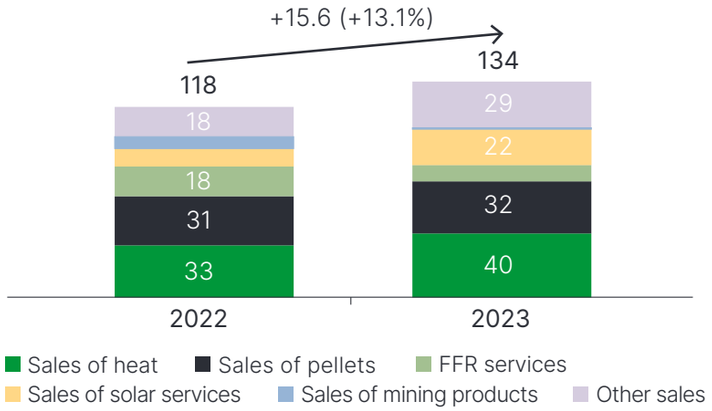
Heat EBITDA decreased by 1.9 million euros and EBITDA on frequency restoration reserve (FRR) services declined by 8.0 million euros compared to 2022, due to decrease in market prices.

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

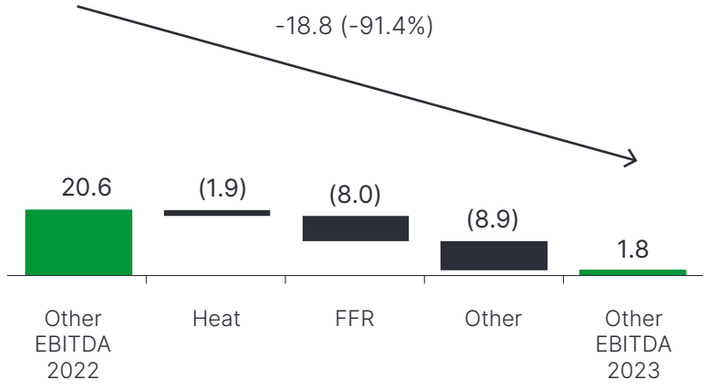
Share of other products and services in Group's sales revenue and EBITDA



Sales revenue from other products and services, m€



Other EBITDA development, m€



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Cash Flows

Net operating cash flow for 2023 was 16.6 million euros, 420.1 million euros (96.2%) smaller than EBITDA, which amounted to 436.7 million euros.

Changes in working capital increased net operating cash flow by 80.5 million euros compared to EBITDA. Working capital was mainly influenced by an increase in current liabilities of 48.5 million euros, a decrease current receivables of 65.5 million euros and a decrease in inventories of 17.9 million euros. Other changes in working capital had an impact of -51.5 million euros on operating cash flow.

Settlements related to CO_2 emission allowances increased operating cash flow by 4.5 million euros compared to EBITDA.

The impact of derivative financial instruments (excl. CO_2 instruments) was -407.9 million euros. The figure includes the impacts of electricity derivatives of -375.5 million euros, shale oil derivatives of -35.0 million euros, and gas and other derivatives of +2.6 million euros. The outcome of derivative transactions was mainly influenced by an increase in collateral fee liabilities due to the decrease in the electricity price.

Interest paid on borrowings reduced operating cash flow by 57.1 million euros. Income tax paid in 2023 amounted to 24.7 million euros.

Other impacts totalled -15.5 million euros, including the impacts of the amortisation of connection fees and government grants of 13.5 million euros and -1.5 million euros, respectively.

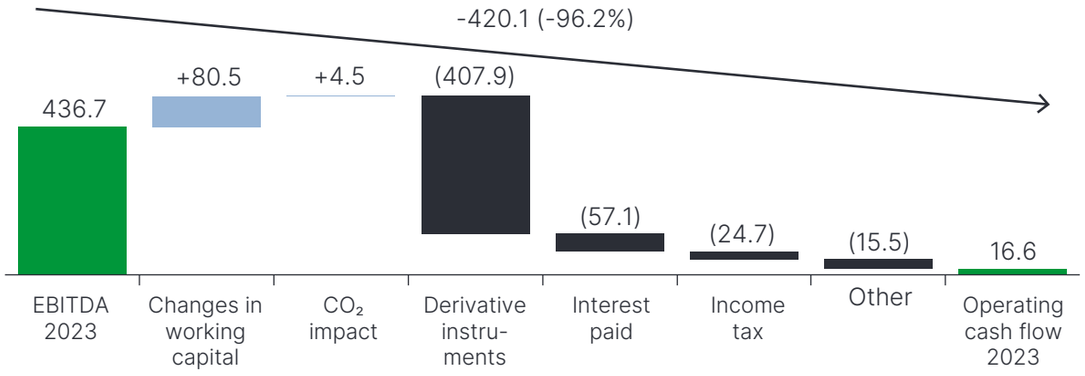
Net operating cash flow decreased by 96.7% (-492.1 million euros) compared to 2022.

Changes in working capital increased net operating cash flow by 80.0 million euros compared to 2022. The figure includes the impacts of a change in current receivables of +124.3 million euros, a change in current liabilities of -105.2 million euros and a change in inventories of +80.1 million euros. The impact of other changes in working capital was -19.2 million euros.

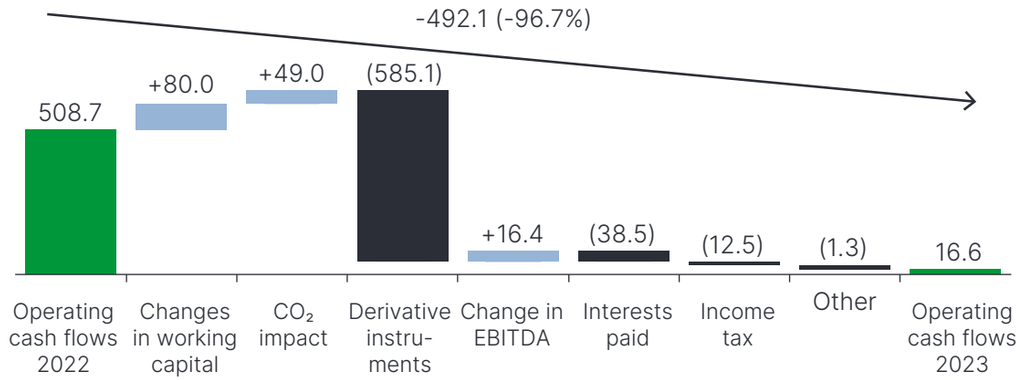
The effect of settlements related to CO_2 emission allowances was +49.0 million euros. The impact of derivative financial instruments (excl. CO_2 instruments) was -585.1 million euros. The figure includes the impacts of electricity derivatives of -541.5 million euros and shale oil derivatives of -49.8 million euros. The impact of other derivatives was +6.2 million euros.

Income tax paid in 2023 was 12.5 million euros larger than in 2022. Interest paid on borrowings grew by 38.5 million euros compared to the previous year. The total impact of other changes was -1.3 million euros.

EBITDA to operating cash flows development, m€



Operating cash flow changes, m€



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Investment

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

Renewable energy

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

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

Network services

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

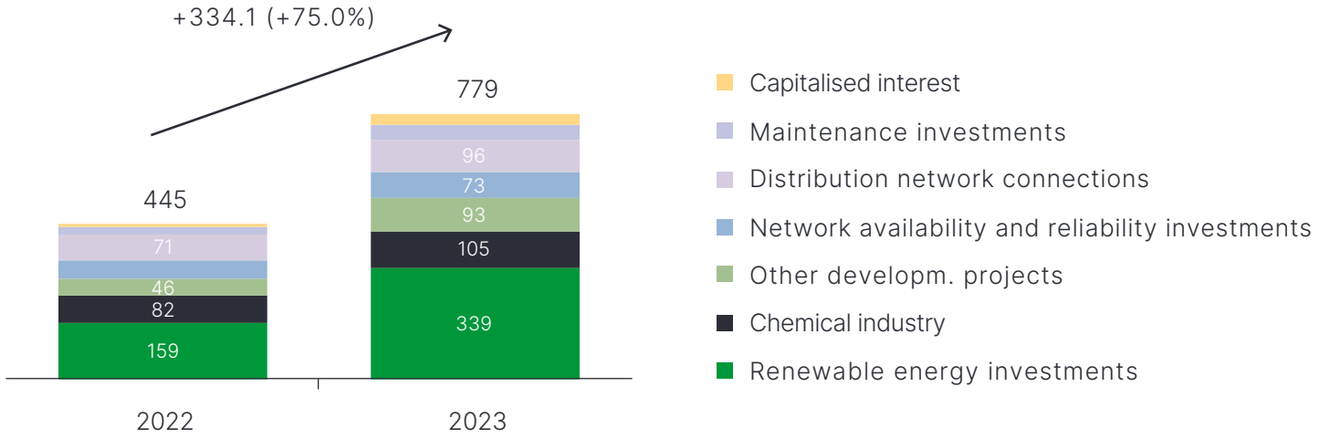
Elektrilevi built 422 new substations and 1,343 km of network in 2023 (2022: 352 new substations and 1,299 km of network). At the end of 2023, 95.7% of Elektrilevi's low voltage distribution network was weatherproof (end of 2022: 94.7%). During the year, the weatherproof network increased by 1,044 km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

Large-scale energy production

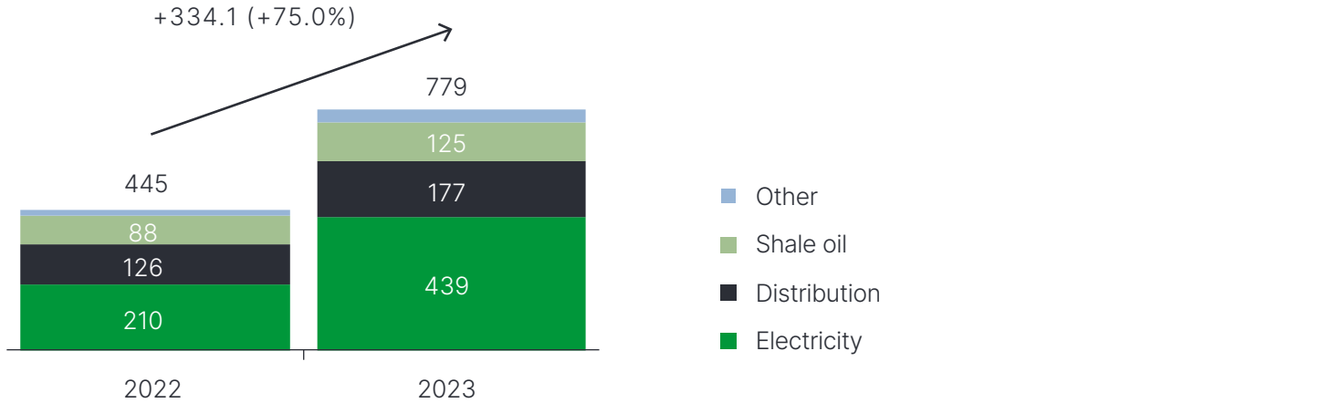
We invested 105.0 million euros in the development of the chemical industry, which is scheduled for completion in 2024 and will increase our annual output of liquid fuels to 700,000 tonnes.

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

Capex breakdown by projects, m€



Investment breakdown by products, m€



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Financing

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

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

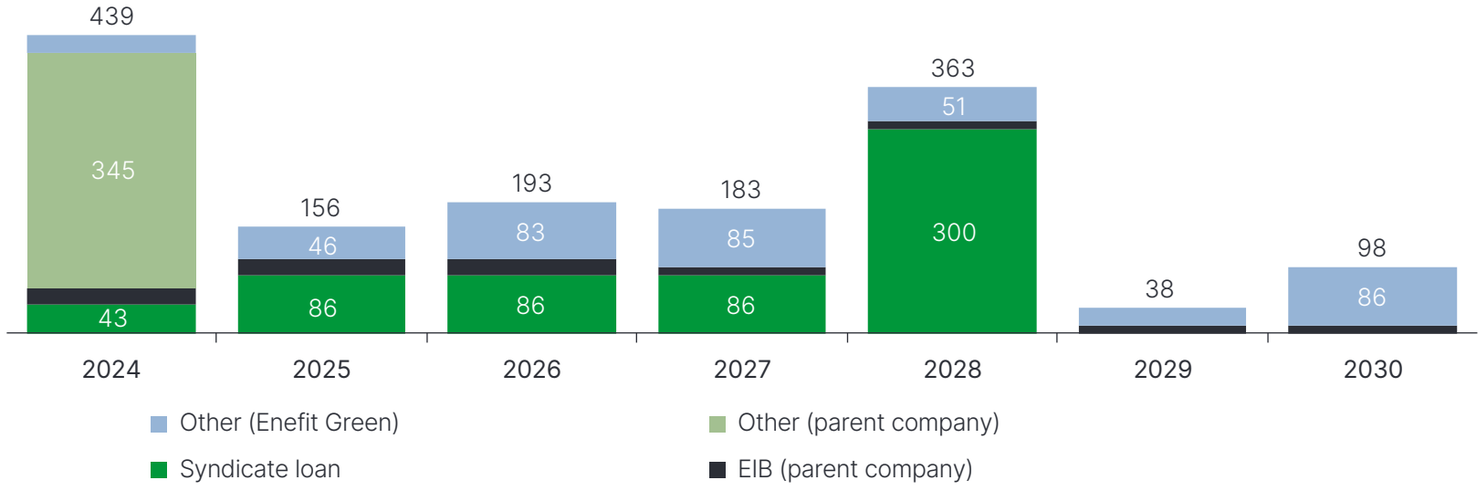
Our main sources of debt capital are investment loans from the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the Nordic Investment Bank (NIB) and commercial banks. We also use revolving credit and guarantee facilities obtained from regional banks.

Borrowings and credit ratings

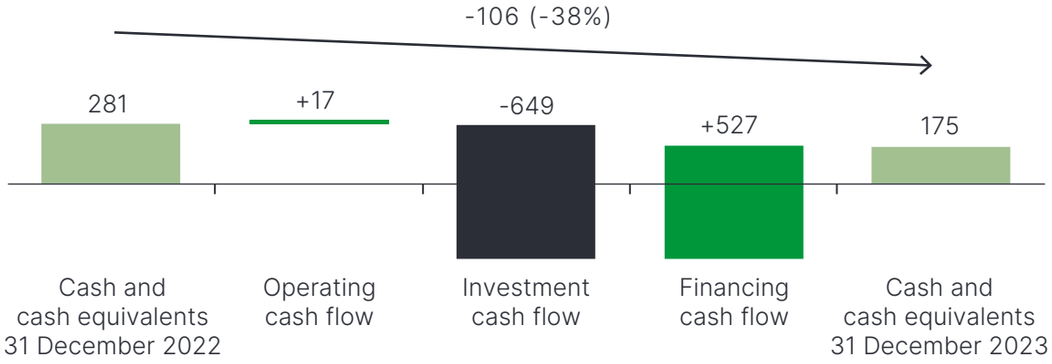
The Group's borrowings as at the end of 2023 amounted to 1.7 billion euros (end of 2022: 1.0 billion euros).

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

Debt maturity, m€



Liquidity development in 2023, m€



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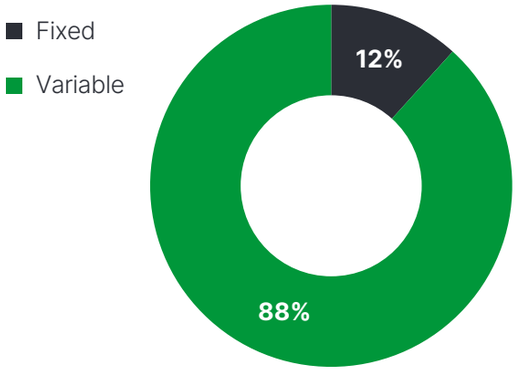
included loans of 472 million euros taken by the subsidiary Enefit Green (incl. the 6 million euro loan from the EBRD). The loans taken by the Group's parent company from commercial banks amounted to 945 million euros, consisting of the syndicated loan of 600 million euros, a loan of 150 million euros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

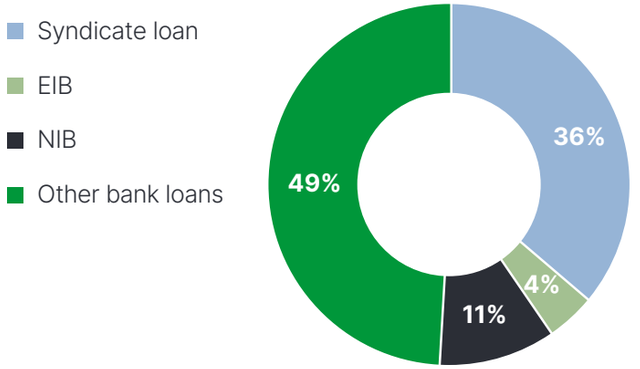
During the year, Enefit Green made regular loan repayments of 23.5 million euros in total to the local commercial bank SEB, the NIB, OP Corporate Bank and the EBRD. The parent company made regular loan repayments of 17.9 million euros to the EIB.

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

Loans by interest rates



Debt capital provider



The Group's revolving credit facilities at the end of 2023 amounted to 320 million euros (150 million euros from OP Corporate Bank, 100 million euros from SEB and 70 million euros from Swedbank), of which the 70 million euros from Swedbank and 125 million euros from OP Corporate Bank was drawn down. The revolving credit lines comprise loans raised by the parent company of 270 million euros and loans raised by the subsidiary Enefit Green of 50 million euros.

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

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

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

At the reporting date, the Group had borrowings of 194 million euros with fixed interest rates and borrowings of 1.5 billion eu-

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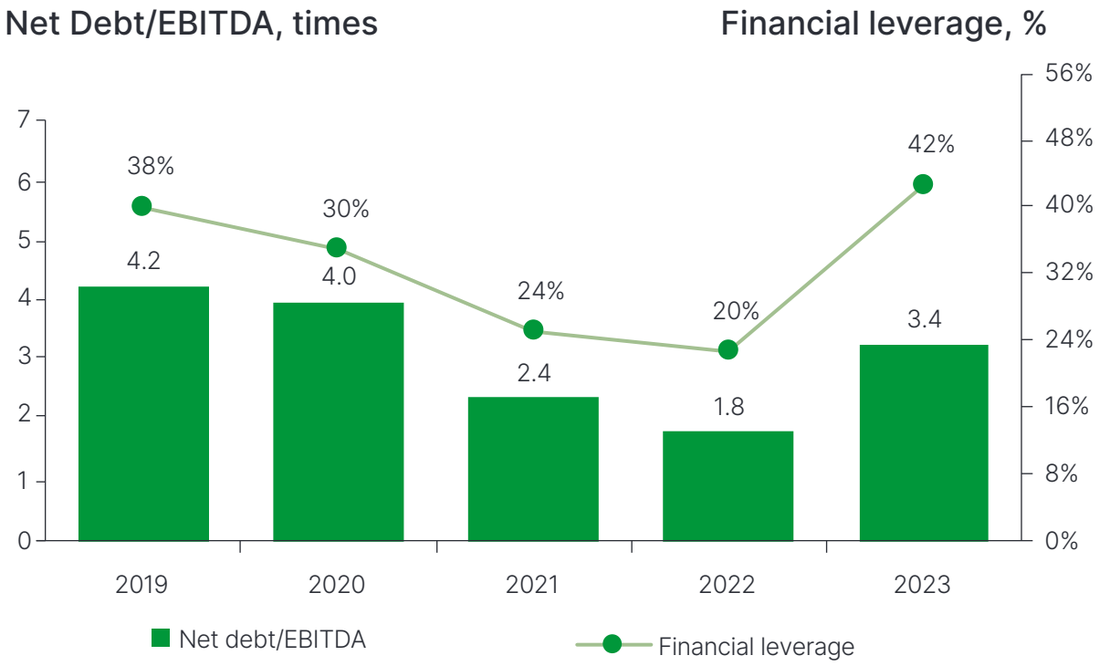
ros with floating interest rates (end of 2022: borrowings of 723 million euros with fixed interest rates and borrowings of 0.3 billion euros with floating interest rates). Out of total borrowings, 99.6% were denominated in euros. One loan liability of 6 million euros (to the EBRD) was denominated in Polish zloty.

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

Equity and financial ratios

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



Consolidated Financial Statements

Consolidated Income Statement

in million EUR	1 January - 31 December	
	2023	**2022**
Revenue	1,905.5	2,218.2
Other operating income	259.9	458.7
Change in inventories of finished goods and work-in-progress	31.8	5.3
Raw materials and consumables used	(1,275.3)	(1,687.8)
Payroll expenses	(202.5)	(167.6)
Depreciation,amortisation and impairment	(818.2)	(177.2)
Other operating expenses	(282.7)	(406.4)
OPERATING PROFIT/(LOSS)	**(381.5)**	243.2
Finance income	15.4	3.0
Finance costs	(45.0)	(23.0)
Net finance costs	(29.6)	(20.0)
Profit from associates under the equity method	0.2	2.5
PROFIT BEFORE TAX	**(410.9)**	225.7
Corporate income tax expense	(11.2)	(10.0)
PROFIT FOR THE YEAR	**(422.1)**	215.7
Equity holder of the Parent Company	(435.3)	189.8
Non-controlling interest	13.2	25.9
Basic earnings per share (euros)	(0.58)	0.25
Diluted earnings per share (euros)	(0.58)	0.25

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Consolidated Statement of Comprehensive Income

in million EUR	1 January - 31 December	
	2023	**2022**
PROFIT/(LOSS) FOR THE YEAR	(422.1)	215.7
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Revaluation of hedging instruments net of reclassifications to profit or loss	(556.9)	490.2
of which share of non-controlling interest	(0.6)	3.3
Impact of comprehensive income of associates	(0.4)	7.6
Currency translation differences on the translation of foreign operations	1.3	(3.3)
of which share of non-controlling interest	0.3	-
Other comprehensive income for the year	(556.0)	494.5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR PROFIT ATTRIBUTABLE TO:	**(978.1)**	**710.2**
Equity holder of the Parent Company	(991.0)	681.0
Non-controlling interest	12.9	29.2

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Consolidated Statement of Financial Position

in million EUR	31 December	
	2023	2022
ASSETS		
Non-current assets		
Property, plant and equipment	3,152.0	3,253.6
Right-of-use assets	17.0	11.2
Intangible assets	82.8	81.9
Prepayments for non-current assets	84.5	44.9
Deferred tax assets	4.5	3.8
Derivative financial instruments	257.8	496.5
Investments in associates	78.3	76.9
Non-current receivables	3.6	1.0
Total non-current assets	**3,680.5**	**3,969.8**
Current assets		
Inventories	158.7	176.8
Assets classified as held for sale	16.1	-
Greenhouse gas allowances and certificates of origin	216.5	444.1
Trade and other receivables	516.9	430.8
Derivative financial instruments	59.7	204.2
Cash and cash equivalents	174.5	280.5
Total current assets	**1,142.4**	**1,536.4**
Total assets	**4,822.9**	**5,506.2**

in million EUR	31 December	
	2023	2022
EQUITY		
Total equity and reserves attributable to equity holder of the Parent Company		
Share capital	746.6	746.6
Share premium	259.8	259.8
Statutory reserve capital	75.0	75.0
Other reserves	155.0	711.0
Retained earnings	656.5	1,160.7
Total equity and reserves attributable to equity holder of the Parent Company	**1,892.9**	**2,953.1**
Non-controlling interest	167.2	166.9
Total equity	**2,060.1**	**3,120.0**
LIABILITIES		
Non-current liabilities		
Borrowings	1,226.1	449.0
Deferred tax liabilities	13.7	22.1
Other payables	5.3	4.8
Derivative financial instruments	16.6	32.1
Contract liabilities and government grants	396.7	351.1
Provisions	30.5	22.7
Total non-current liabilities	**1,688.9**	**881.8**
Current liabilities		
Borrowings	443.9	605.6
Trade and other payables	344.0	293.2
Liabilities directly associated with assets classified as held for sale	5.0	-
Derivative financial instruments	67.8	169.1
Contract liabilities and government grants	2.1	0.5
Provisions	211.1	436.0
Total current liabilities	**1,073.9**	**1,504.4**
Total liabilities	**2,762.8**	**2,386.2**
Total liabilities and equity	**4,822.9**	**5,506.2**

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Consolidated Statement of Cash Flows

in million EUR	1 January - 31 December	
	2023	**2022**
Cash flows from operating activities		
Cash generated from operations	87.5	538.6
Interest and loan fees paid	(57.1)	(18.5)
Interest received	10.9	0.8
Corporate income tax paid	(24.7)	(12.1)
Net cash generated from operating activities	**16.6**	**508.8**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(690.6)	(453.6)
Proceeds from grants of property, plant and equipment	12.0	6.5
Proceeds from sale of property, plant and equipment	0.6	2.9
Dividends received from associates	1.6	1.6
Contribution to the share capital of associates	(3.3)	(14.1)
Loans granted	(0.1)	(0.1)
Repayments of loans granted	0.1	-
Proceeds from sale of shares of subsidiary, net of cash disposed	30.5	-
Proceeds from sale of shares of associates	-	0.7
Net cash used in investing activities	**(649.2)**	**(456.1)**

in million EUR	1 January - 31 December	
	2023	**2022**
Cash flows from financing activities		
Loans received	1,423.0	340.0
Redemption of bonds	(500.0)	-
Repayments of bank loans	(313.5)	(253.2)
Principal elements of lease payments	(1.4)	(1.2)
Dividends paid	(81.5)	(55.8)
Net cash used in / generated from financing activities	**526.6**	**29.8**
Net cash flows	**(106.0)**	**82.5**
Cash and cash equivalents at the beginning of the period	280.5	198.0
Cash and cash equivalents at the end of the period	174.5	280.5
Net change in cash and cash equivalents	**(106.0)**	**82.5**

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Consolidated Statement of Changes In Equity

	ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY							
in million EUR	**Share capital**	**Share premium**	**Statutory reserve capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-control-ling interest**	**Total equity**
Equity as at 31 December 2021	746.6	259.8	75.0	219.8	1,017.6	2,318.8	146.8	2,465.6
Profit for the year	-	-	-	-	189.8	189.8	25.9	215.7
Other comprehensive income for the year	-	-	-	491.2	-	491.2	3.3	494.5
Total comprehensive income for the year	-	-	-	491.2	189.8	681.0	29.2	710.2
Dividends paid	-	-	-	-	(46.7)	(46.7)	(9.1)	(55.8)
	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	-	-	(46.7)	**(46.7)**	**(9.1)**	**(55.8)**
	-							
Equity as at 31 December 2022	746.6	259.8	75.0	711.0	1,160.7	2,953.1	166.9	3,120.0
Profit/loss for the year	-	-	-	-	(435.3)	(435.3)	13.2	(422.1)
Other comprehensive income for the year	-	-	-	(556.0)	-	(556.0)	(0.3)	(556.3)
Total comprehensive income for the year	-	-	-	(556.0)	(435.3)	(991.3)	12.9	(978.4)
Dividends paid	-	-	-	-	(68.9)	(68.9)	(12.6)	(81.5)
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	-	-	(68.9)	(68.9)	(12.6)	(81.5)
Equity as at 31 December 2023	746.6	259.8	75.0	155.0	656.5	1,892.9	167.2	2,060.1

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Glossary

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

Circulating fluidised bed (CFB) technology – Circulating fluidised bed combustion technology whereby larger (unburnt) particles are returned to the furnace

Clean Dark Spread (CDS) – Eesti Energia's margin between the price of electricity (in NP Estonia) and oil shale costs and CO_2 costs (taking into account the price of CO_2 allowance futures maturing in December and the amount of CO_2 emitted in the generation of a MWh of electricity)

CO_2 emission allowance – According to the European Union Emissions Trading System (ETS), one emission allowance gives the holder the right to emit one tonne of carbon dioxide (CO_2). The limit on the total number of emission allowances available gives them a monetary value

Controllable production assets – Production assets which operate on energy sources such as oil shale, oil shale gas, wood chips, peat and tyre chips

EBITDA – profit before finance income and costs, profit (loss) from associates under the equity method, tax-, depreciation-, amortisation, impairment losses

EBITDA margin – profit before finance income and costs, profit (loss) from associates under the equity method, tax-, depreciation-, amortisation, impairment losses divided by revenue

FFO – Funds from operations. Cash flow from operations, excluding changes in working capital

Level of water reservoirs – The level of water in the reservoirs of hydro power plants as a percentage of the maximum possible level. Most of the Nordic countries' electricity production is based on hydro power whose output depends on the level of water reservoirs

Liquidity – Amount of liquid assets. Sum of cash and cash equivalents, short-term financial investments and deposits with a maturity of more than 3 months

Maintenance and repair expenditures – Expenditures incurred to maintain the existing production capacities

MWh – megawatt hour. 1 MWh is the unit of energy generated (or consumed) in one hour by a device operating at a constant power of 1 MW (megawatt)

1,000,000 MWh = 1,000 GWh = 1 TWh

Net debt – Debt obligations (amortised) less cash and cash equivalents (incl. bank deposits with maturities exceeding 3 months), units in money market funds and investments in fixed income bonds

Network losses – The amount of electricity delivered to customers is somewhat smaller than the amount supplied from power plants to the network because during transfer a part of electricity in the power lines and transformers converts into heat. To a lesser extent, network losses are caused by power theft and incorrect measuring.

NP system price – The price on the Nord Pool power exchange that is calculated on the basis of all purchase and sale bids without taking into account transmission capacity limitations

RAB – Regulated Asset Base, which represents the value of assets used to provide regulated services

ROIC – Return on Invested Capital, calculated by dividing operating profit by average invested capital

SAIDI – System Average Interruption Duration Index. The sum of all customer interruption durations in minutes divided by the total number of customers served

SAIFI – System Average Interruption Frequency Index. The total number of customer interruptions divided by the total number of customers served

Tax footprint – An indicator which reflects the contribution made to society through taxes

Variable profit – Profit after deducting variable costs from sales revenue

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