

A large white wind turbine stands prominently in a lush green field. The field is scattered with numerous round hay bales. In the background, a dense line of green trees stretches across the horizon. The sky is a vibrant blue, filled with large, fluffy white clouds. Another smaller wind turbine is visible in the distance to the left.

## **Enefit Green AS**

Group annual report  
including consolidated financial statements  
for the years ended 31 December 2018,  
31 December 2019 and 31 December 2020

<b>Business name</b>	Enefit Green AS
<b>Commercial Registry number</b>	11184032
<b>Address</b>	Lelle tn 22, 11318 Tallinn, Estonia
<b>Phone</b>	+372 5865 4999
<b>E-mail</b>	info@enefitgreen.ee
<b>Main activities</b>	Production of electricity and heat in cogeneration plants, production of electricity in wind farms, solar farms and a hydropower plant
<b>Reporting periods</b>	1 January 2018 – 31 December 2018 1 January 2019 – 31 December 2019 1 January 2020 – 31 December 2020
<b>Auditor</b>	AS PricewaterhouseCoopers

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## Management report

Enefit Green AS (Enefit Green) is a renewable energy production company wholly owned by Eesti Energia AS. The core business of Enefit Green is the production of electricity and heat in cogeneration plants and the production of electricity in wind farms, solar farms and a hydropower plant. From July 2019, Enefit Green also has solar farms in Poland.

Eesti Energia group has set itself the strategic goal that by the year 2023 the share of electricity produced from renewable and alternative sources should increase to 45% of the group's total electricity output. Enefit Green is closely involved in implementing this ambitious strategy. The plan is to grow by expanding production both in Estonia and our other home markets.

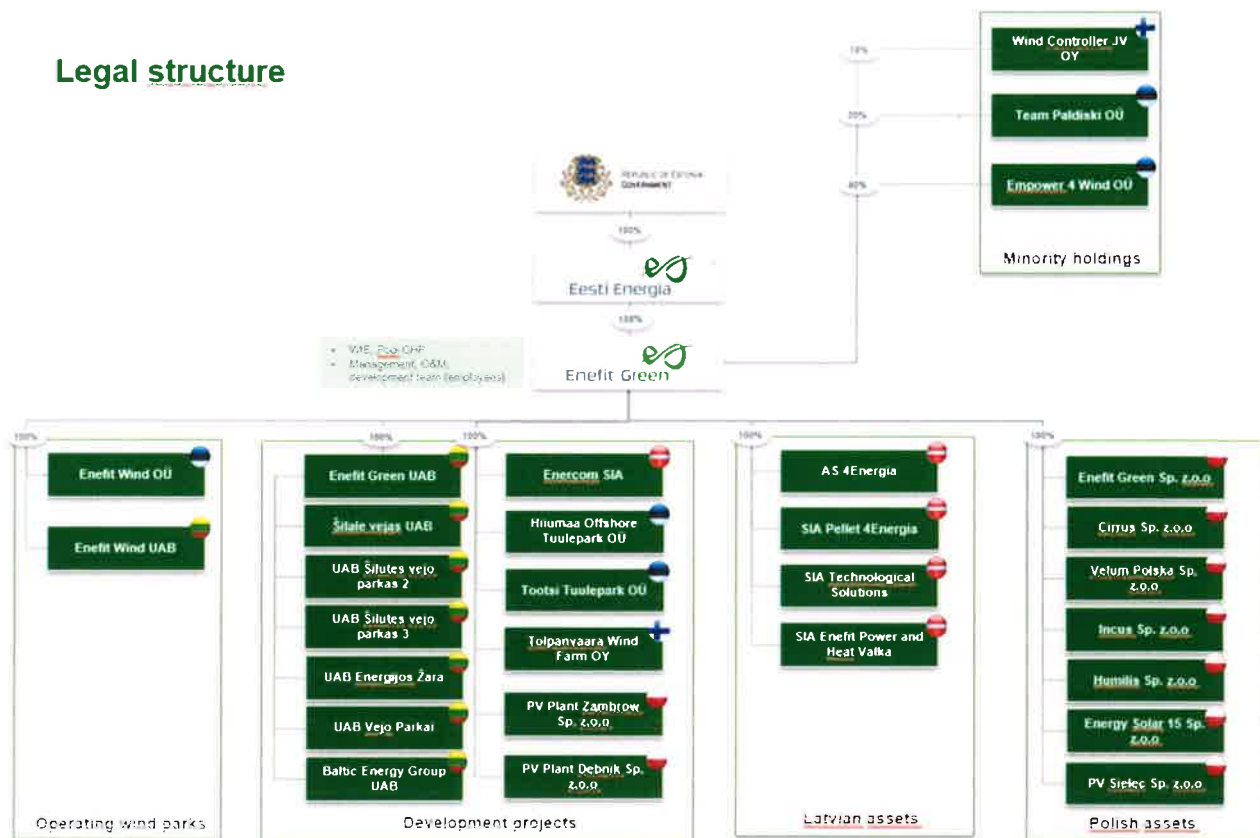
At the end of 2020, Enefit Green had the following production facilities:

- 21 wind farms in Estonia and Lithuania (in total)
- 2 cogeneration plants in Latvia
- 1 cogeneration plant in Estonia
- 1 waste-to-energy plant in Estonia
- 1 hydropower plant in Estonia
- 1 pellet factory in Latvia
- 19 solar farms in Estonia
- 19 solar farms in Poland
- 1 renewable energy solution in Ruhnu, Estonia

The management board of Enefit Green has four members: Aavo Kärmas, Innar Kaasik, Veiko Räim and Linas Sabaliauskas.

The structure of the Enefit Green AS consolidation group as at 31 December 2020 is as follows:

## Legal structure



## SIGNIFICANT EVENTS IN 2020

Increasing the production of wind energy is one of Enefit Green's main goals. We have made strong progress with projects in Finland and Lithuania. We acquired the Tolpanvaara wind farm development in Finland in 2020 and are planning to increase our production capacities in Lithuania substantially over the next few years.

In Estonia, we are exploring opportunities to build wind farms near Risti and Kilingi-Nõmme. In March 2021, we acquired the Purtse wind farm development with a capacity of 18-20 MW.

During the year, we also moved on with the vision of building at least one offshore wind farm in Estonia in the next decade. We carried out additional research to supplement the environmental impact assessment report for an offshore wind farm in North-West Estonia and to respond to the questions raised during a public discussion held in autumn 2019. We have submitted an environmental impact assessment programme for the Gulf of Riga offshore wind farm, which is awaiting the approval of the Ministry of the Environment that is expected to be granted in March 2021. After that, we can announce a tender for the preparation of the environmental impact assessment report.

We finalised the acquisition of an operating solar farm in Poland and completed Klibuloo solar farm development in Paldiski, Estonia, increasing our solar power portfolio to 30 MW in 2020. Additionally, we acquired two solar farm developments with a combined capacity of 14.4 MW and continued to develop a 40 MW solar farm, all three in Poland..

## PRODUCTION AND BUSINESS OPERATIONS

Enefit Green manages and operates the following production units:

Wind farms	Year of construction	Electrical capacity, MW	Energy source
Virtsu 1 wind farm	2002	1.2	Wind
Virtsu wind farm	2002/2008	1.4	Wind

Pakri wind farm	2004	18.4	Wind
Esivere wind farm	2005	8.0	Wind
Viru-Nigula wind farm	2007	21.0	Wind
Virtsu 2 wind farm	2008	6.9	Wind
Sudenai wind farm	2008	14.0	Wind
Virtsu 3 wind farm	2009	6.9	Wind
Tooma 1 wind farm	2009	16.0	Wind
Vanaküla wind farm	2009	9.0	Wind
Aulepa wind farm	2009/2011	48.0	Wind
Mockiai wind farm	2010	12.0	Wind
Aseri wind farm	2012	24.0	Wind
Narva wind farm	2012	39.1	Wind
Paldiski 1 wind farm	2013	22.5	Wind
Paldiski 2 wind farm	2012	22.5	Wind
Silale wind farm	2011	13.8	Wind
Ciuteliai wind farm	2012	39.1	Wind
Ojaküla wind farm	2013	6.9	Wind
Tooma 2 wind farm	2016	7.1	Wind
Silute wind farm	2016	60.0	Wind

Cogeneration plants	Year of construction	Electrical capacity, MW	Thermal capacity, MW	Energy source
Iru power plant				
Incl. waste-to-energy unit	2013	19.3	50	Waste
Incl. natural gas unit	1982	110	220	Gas/oil
Incl. water boilers	1978-1990	-	332	Gas/oil
Paide power plant				
Incl. LNG (liquefied natural gas) boiler	2018	-	8	LNG
Incl. cogeneration plant	2015	2	8	Wood chips
Incl. Wärtsila bio boiler	2003	-	8	Wood chips
Enefit Power & Heat Valka SIA				
Incl. cogeneration plant	2012	2.4	8	Wood chips
Incl. Raina 2 wood boiler	2002	-	5	Wood chips
Incl. Raina oil boiler	1997	-	1.86	Oil
Broceni cogeneration plant	2017	3.98	19.2	Wood chips

In addition to a cogeneration plant, we have a pellet factory in Broceni. The nominal capacity of the pellet plant, which was completed in 2017, is 160 thousand tonnes per year.

Solar farms	Year of construction	Electrical capacity, MW	Energy source
Solar farms (Estonia)	2017-2020	12.1	Sunlight
Solar farms (Poland)	2019	18.2	Sunlight

Other	Year of construction	Electrical capacity, MW	Energy source
Keila-Joa hydropower plant	2005	0.385	Water
Ruhnu renewable energy solution	2018	0.6	Sunlight/wind/diesel

Enefit Green produced 1,350 GWh of electricity (2019: 1,197 GWh) and 544 GWh of heat in 2020 (2019: 447 GWh).

Net output of electricity, GWh	2018	2019	2020
Wind farms in Estonia and Lithuania	305.5	1,022.7	1,138.7
Keila-Joa hydropower plant	0.4	0.6	0.8
Iru power plant	139.9	115.2	133.0
Paide power plant (since 27 June 2017)	6.5	7.2	7.0
Enefit Power & Heat Valka SIA	14.3	14.3	14.5
Solar farms	0.2	8.6	25.4
Broceni cogeneration plant	5.4	27.7	30.3
Ruhnu renewable energy solution	0.1	0.6	0.6
<b>TOTAL</b>	<b>472.3</b>	<b>1,196.9</b>	<b>1,350.3</b>



Net output of heat, GWh	2018	2019	2020
Iru power plant	522	381	359
Paide power plant	46	43	40
Enefit Power & Heat Valka SIA	24	23	21
Broceni cogeneration plant	23	126	123
<b>TOTAL</b>	<b>615</b>	<b>573</b>	<b>543</b>

Enefit Green sells the electricity it produces in Estonia on the Nord Pool Spot power exchange. The output of the Lithuanian wind farms is sold to two Lithuanian companies: the distribution network operator Energijos Skirstymo Operatorius AB and the power generation company AB Ignitis Gamyba.

The electricity produced by the Latvian group entity Enefit Power & Heat Valka SIA is sold at a fixed price to AS Enerģijas publiskais tirgotājs, a public trader involved in purchasing renewable energy produced in Latvia. The price is set by Latvian regulations and the heat is sold at a fixed price to Valka city government, which organises its resale to end consumers.

The electricity produced by the Latvian group entity Technological Solutions SIA is also sold at a fixed price to AS Enerģijas publiskais tirgotājs and the heat produced by the entity is consumed by Pellet 4Energia SIA, which uses it for pellet production.

In 2020, the heat produced by the Iru power plant was sold to AS Utilitas Tallinn under two contracts. One regulated the sale of heat produced by the waste-to-energy unit and the other the sale of heat produced from natural gas. AS Utilitas Tallinn is responsible for reselling heat to end consumers in Tallinn. On 18 May 2020, the parties made an additional agreement (appendix 5 to heat sales agreement no. 6411L-1) according to which AS Utilitas Tallinn will buy, consistent with the needs and technical capabilities of the district heating network, the entire heat produced by the Iru power plant in the range of its nominal capacity (50 MW) and will prefer the installation to other heat suppliers with whom agreements may be made later. The parties have agreed that the maximum number of hours when the installation operates at nominal capacity is 8,000 and the maximum volume of heat sold is 400,000 MWh per year.

The heat produced by the Paide power plant is sold directly to end consumers in Paide. In selling heat in Estonia, Enefit Green is subject to the Estonian heat regulations and the price of heat sold is agreed with the Estonian Competition Authority (ECA). The price caps for heat sold in 2020 were based on the ECA decisions no. 7.1-3/2019-024 (for heat produced from natural gas) and no. 7-3/2019-022 (for heat produced in the waste-to-energy unit). The sales price of heat supplied to the Paide network area was changed during the year based on the ECA decision no. 7-3/2020-051. We consistently monitor our operations to make sure they comply with the requirements of the District Heating Act.

Another external factor that influences Enefit Green's performance besides electricity and heat prices is wind conditions. The key internal factors are our assets' availability, reliability and operating efficiency. The day-to-day management of our production assets has been divided between three business lines: cogeneration, wind energy and solar energy. Similarly to other entities of Eesti Energia group, we are implementing a comprehensive company-wide asset management system. This should further improve asset management and increase the reliability and efficiency of our operations.

## FINANCIAL RESULTS

Enefit Green ended 2020 with revenue of 113,994 thousand euros (2019: 119,833 thousand euros; 2018: 60,008 thousand euros). Revenue decreased compared to the previous year, mainly due to lower electricity prices in the Estonia price area of the Nord Pool power exchange. The main source of other operating income is renewable energy support for the supply of renewable energy. Non-recurring other operating income from the sale of CO<sub>2</sub> emission allowances amounted to 13,667 thousand euros in 2020 (2018 and 2019: nil euros). For further information about revenue and other operating income, see notes 24 and 25 of the financial statements.

The group's main expense item is depreciation and amortisation, which in 2020 amounted to 38,192 thousand euros (2019: 40,802 thousand euros; 2018: 19,656 thousand euros). The large share of the item in the overall cost structure results from capital-intensive operating activities. Depreciation and amortisation expense has decreased through the harmonisation of the useful lives of the wind farms acquired from Nelja Energia and Enefit Green's own wind farms as well as the harmonisation of the useful lives of solar farms located in Poland with those located in Estonia. Another major expense item is technological fuel costs, which decreased to 14,667 thousand euros in 2020 (2019: 18,664 thousand euros; 2018: 11,677 thousand euros) due to a decline in the price of biomass and marginal use of gas boilers for heat production at the Iru power plant. The third-largest expense item is maintenance and repair costs of 15,705 thousand euros (2019: 15,977 thousand euros; 2018: 6,659 thousand euros). For further information about expenses, see notes 26 to 28.

Enefit Green ended the year 2020 with EBITDA of 110,170 thousand euros (2019: 90,326 thousand euros; 2018: 40,264 thousand euros). The group's operating profit amounted to 71,979 thousand euros (2019: 49,525 thousand euros; 2018: 20,608 thousand euros) and net profit to 67,870 thousand euros (2019: 36,785 thousand euros; 2018: 9,638 thousand euros).

Enefit Green's total assets as at 31 December 2020 amounted to 739,445 thousand euros (31 December 2019: 730,197 thousand euros; 31 December 2018: 757,766 thousand euros), including property, plant and equipment of 594,871 thousand euros (31 December 2019: 627,866 thousand euros; 31 December 2018: 644,080 thousand euros).

Capital expenditures totalled 13,726 thousand euros in 2020 (2019: 8,081 thousand euros; 2018: 8,928 thousand euros). The largest outlays were investments in wind farm developments of 6,489 thousand euros, the construction of the Klibuloo solar farm of 2,572 thousand euros, wind farm improvements of 807 thousand euros, and cogeneration plant improvements of 1,891 thousand euros.

## KEY FINANCIAL RATIOS

Key ratio	Formula	2020	2019	2018
Net debt/EBITDA	Net debt at the end of the financial year divided by EBITDA	1.7	2.5	16.2
Return on invested capital (ROIC)	Operating profit divided by average invested capital	10.7%	7.2%	4.4%
Leverage	Net debt divided by invested capital	27.0%	32.8%	94.2%
EBITDA margin	EBITDA divided by the sum of revenue and other operating income	67.7%	59.6%	51.6%
Operating profit margin	Operating profit divided by the sum of revenue and other operating income	44.2%	32.7%	26.4%

## ENVIRONMENT AND OCCUPATIONAL SAFETY

Enefit Green holds all environmental permits and licences required for its operations. The group has not had any major environmental incidents resulting in liability for damages. The group monitors legal and regulatory changes and forecasts its environmental investments, current costs and the charges for environmental services accordingly.

The Iru power plant has implemented an integrated quality, environmental, and occupational health and safety management system and holds valid ISO 9001, ISO 14001 and ISO 18001 certificates and EMAS registration. The plant is regularly inspected by the Estonian Environmental Board and the Environmental Inspectorate (by the date of release of this report has been merged with the Environmental Board) that have not identified any deficiencies.

Enefit Green prioritises occupational as well as environmental safety. Safety risks are regularly assessed and relevant action plans have been drawn up for all sites. The responsibility for installations and equipment has been assigned to specific persons as required by law.

## STAFF

At 31 December 2020, Enefit Green group had 153 employees (2019: 154 employees; 2018: 147 employees).

The group invests in employee training. In 2020, the staff of Enefit Green participated in 75 unique development and training activities. The events included both in-house and outsourced training in the field of energy, production, psychology, management, information technology, environmental protection and work environment.

## FUTURE OUTLOOK

We see the strongest potential for developing renewable energy in Estonia, Lithuania, Poland and Finland. We are planning to build at least three wind farms in Finland, Lithuania and Estonia in the next few years.

To achieve our goals, we will participate in renewable energy auctions and sign electricity sale contracts with major consumers in the construction phase of wind farms. This way, we will offer an opportunity to consume local renewable energy and provide our customers with a long-term sense of security about the electricity price. We wish to triple our solar power production capacity to 74 MW in our home markets. A significant share of our solar power production capacity will be located at the customers' places of consumption.

To carry out the planned development activities, the owner has authorised Eesti Energia to have the shares in Enefit Green listed on the stock exchange.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENTS

In thousand EUR	1 JANUARY – 31 DECEMBER			Note
	2020	2019	2018	
Revenue	113,994.3	119,833.1	60,007.6	24
Renewable energy support and other operating income	48,689.3	31,684.8	17,968.3	25
Change in inventories of finished goods and work-in-progress	4,674.2	1,192.9	316.2	12
Raw materials, consumables and services used	(43,819.9)	(46,554.7)	(26,945.0)	26
Payroll expenses	(6,070.8)	(5,874.1)	(4,535.2)	27
Depreciation, amortisation and impairment	(38,191.8)	(40,801.9)	(19,655.7)	6, 7, 9
Other operating expenses	(7,296.6)	(8,564.1)	(6,547.8)	28
Loss on disposal of a subsidiary	-	(1,391.6)	-	29
<b>OPERATING PROFIT</b>	<b>71,978.7</b>	<b>49,524.5</b>	<b>20,608.4</b>	
Finance income	202.9	37.7	7.6	30
Finance costs	(3,579.7)	(10,241.5)	(9,997.3)	30
<b>Net finance costs</b>	<b>(3,376.8)</b>	<b>(10,203.8)</b>	<b>(9,989.7)</b>	
Profit (loss) from associates under the equity method	5.2	257.6	(47.4)	
<b>PROFIT BEFORE TAX</b>	<b>68,607.1</b>	<b>39,578.3</b>	<b>10,571.2</b>	
Corporate income tax expense	(736.7)	(2,793.4)	(933.2)	31
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>	<b>67,870.4</b>	<b>36,784.9</b>	<b>9,638.0</b>	
Equity holder of the parent	67,870.4	36,701.6	9,626.9	
Non-controlling interest	-	83.3	11.1	
<i>Basic earnings per share (EUR)</i>	<i>14.2</i>	<i>7.7</i>	<i>2.0</i>	<i>19</i>
<i>Diluted earnings per share (EUR)</i>	<i>14.2</i>	<i>7.7</i>	<i>2.0</i>	<i>19</i>

The notes on pages 19-82 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousand EUR	1 JANUARY – 31 DECEMBER			Note
	2020	2019	2018	
<b>PROFIT FOR THE YEAR</b>	<b>67,870.4</b>	<b>36,784.9</b>	<b>9,638.0</b>	
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on the translation of foreign operations	(892.0)	56.2	-	
<b>Other comprehensive income/(loss) for the year</b>	<b>(892.0)</b>	<b>56.2</b>	<b>-</b>	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO</b>	<b>66,978.4</b>	<b>36,841.1</b>	<b>9,638.0</b>	
Equity holder of the parent	66,978.4	36,757.8	9,626.9	
Non-controlling interest	-	83.3	11.1	

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## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousand EUR	31 DECEMBER			Note
	2020	2019	2018	
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	594,980.0	627,866.1	644,079.6	7
Intangible assets	67,838.8	60,000.9	57,228.3	9
Right-of-use assets	2,222.3	2,725.4	-	6
Deferred tax assets	344.3	1,185.3	618.0	
Investments in associates	532.1	594.9	3,420.6	
Long-term receivables	102.9	129.1	463.3	15
<b>Total non-current assets</b>	<b>666,020.4</b>	<b>692,501.7</b>	<b>705,809.8</b>	
<b>Current assets</b>				
Inventories	11,085.2	6,723.2	5,608.2	12
Trade and other receivables and prepayments	51,565.5	19,846.1	18,346.3	13, 15
Cash and cash equivalents	10,773.7	11,126.5	28,001.6	17
<b>Total current assets</b>	<b>73,424.4</b>	<b>37,695.8</b>	<b>51,956.1</b>	
<b>Total assets</b>	<b>739,444.8</b>	<b>730,197.4</b>	<b>757,765.9</b>	
<b>EQUITY</b>				
<b>Equity and reserves attributable to equity holder of the parent</b>				
Share capital	4,793.5	4,793.5	4,793.5	19
Statutory capital reserve	479.3	479.3	479.3	19
Other reserves	400,000.0	400,000.0	-	19
Foreign currency translation reserve	(834.7)	56.2	-	
Retained earnings	105,111.4	55,656.9	33,998.4	19
<b>Total equity and reserves attributable to equity holder of the parent</b>	<b>509,549.5</b>	<b>460,985.9</b>	<b>39,271.2</b>	
Non-controlling interest	-	-	982.4	
<b>Total equity</b>	<b>509,549.5</b>	<b>460,985.9</b>	<b>40,253.6</b>	

LIABILITIES	31 DECEMBER			Note
	2020	2019	2018	
<b>Non-current liabilities</b>				
Borrowings	161,558.3	188,290.1	103,476.6	20
Government grants	8,020.1	8,575.0	5,261.2	22
Deferred tax liabilities	12,555.4	12,190.9	12,894.8	31
Derivative financial instruments	-	-	2,074.2	14
Provisions	12.7	14.4	13.7	23
<b>Total non-current liabilities</b>	<b>182,146.5</b>	<b>209,070.4</b>	<b>123,720.5</b>	
<b>Current liabilities</b>				
Borrowings	37,777.9	47,541.8	577,430.2	20
Trade and other payables	9,857.3	12,533.1	14,602.2	21
Derivative financial instruments	-	-	1,757.5	14
Provisions	113.6	66.0	1.9	23
<b>Total current liabilities</b>	<b>47,748.8</b>	<b>60,140.9</b>	<b>593,791.8</b>	
<b>Total liabilities</b>	<b>229,895.3</b>	<b>269,211.3</b>	<b>717,512.3</b>	
<b>Total equity and liabilities</b>	<b>739,444.8</b>	<b>730,197.2</b>	<b>757,765.9</b>	

The notes on pages 19-82 are an integral part of these consolidated financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousand EUR	1 JANUARY – 31 DECEMBER			Note
	2020		2019	
	2020	2019	2018	
<b>Cash flows from operating activities</b>				
Cash generated from operations	105,210.2	86,521.8	46,491.8	32
Interest and loan fees paid	(3,653.1)	(7,729.3)	(9,425.4)	30
Interest received	1.8	94.7	0.4	30
Corporate income tax paid	(304.3)	(4,260.3)	(228.2)	
<b>Net cash generated from operating activities</b>	<b>101,254.6</b>	<b>74,626.9</b>	<b>36,838.6</b>	
<b>Cash flows from investing activities</b>				
Paid on purchase of property, plant and equipment and intangible assets	(11,055.9)	(7,869.0)	(8,927.6)	7, 9
Proceeds from connection and other fees	-	-	36.0	22
Proceeds from sale of property, plant and equipment	34.0	149.0	2.3	8
Loans provided	-	-	(3.0)	
Paid on acquisition of a business (net of cash and cash equivalents acquired)	-	(13,786.5)	(249,917.4)	11, 35
Net change in term deposits with maturities of over 3 months	5.2	(5.2)	-	
Repayments of loans provided	-	237.0	-	
Dividends received from associates	-	-	-	
Payments related to government grants	67.9	96.6	-	
Proceeds from sale of a business (net of tax)	-	(81.2)	-	
<b>Net cash used in investing activities</b>	<b>(10,948.8)</b>	<b>(20,650.0)</b>	<b>(258,809.7)</b>	29
<b>Cash flows from financing activities</b>				
Change in overdraft balance	(43,415.1)	(510,421.0)	304,431.6	18, 20
Redemption of bonds	-	-	(48,500.0)	20
Bank loans received	8,976.7	260,000.0	-	20
Repayments of bank loans	(37,527.8)	(190,295.6)	(2,366.9)	20
Principal elements of lease payments (2018 - Principal elements of finance lease payments)	(292.4)	(11,241.3)	(510.7)	20
Repayments of interest rate swaps	-	(3,831.6)	-	
Contribution to voluntary reserve	-	400,000.0	-	19
Dividends paid	(18,400.0)	(15,000.0)	-	19
Acquisition of non-controlling interest in a subsidiary	-	(50.0)	(1,740.7)	11
Financing transactions with the parent	-	(12.5)	(1,340.6)	20
<b>Net cash used in financing activities</b>	<b>(90,658.6)</b>	<b>(70,852.0)</b>	<b>249,972.7</b>	
<b>Net cash flow</b>	<b>(352.8)</b>	<b>(16,875.1)</b>	<b>28,001.6</b>	
Cash and cash equivalents at the beginning of the period	11,126.5	28,001.6	-	17
Cash and cash equivalents at the end of the period	10,773.7	11,126.5	28,001.6	17
<b>Change in cash and cash equivalents</b>	<b>(352.8)</b>	<b>(16,875.1)</b>	<b>28,001.6</b>	

The notes on pages 19-82 are an integral part of these consolidated financial statements.

Enfit-Green AS Group annual report including consolidated financial statements for the years ended 31 December 2018, 31 December 2019 and 31 December 2020



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

In thousand EUR	Share capital	Statutory capital reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity	Note
<b>Equity at 1 January 2018</b>	<b>4,793.5</b>	<b>479.3</b>	-	-	<b>24,371.6</b>	<b>29,644.4</b>	-	<b>29,644.4</b>	
<b>Profit for the year</b>	-	-	-	-	<b>9,628.8</b>	<b>9,628.8</b>	<b>11.1</b>	<b>9,637.9</b>	
Increase in non-controlling interests due to acquisition of a subsidiary	-	-	-	-	-	-	2,712.0	2,712.0	35
Acquisition of non-controlling interest in a subsidiary	-	-	-	-	-	-	(1,740.7)	(1,740.7)	11
<b>Total contributions by and distributions to owners of the company, recognised directly in equity</b>	-	-	-	-	-	-	<b>971.3</b>	<b>971.3</b>	
<b>Equity at 31 December 2018</b>	<b>4,793.5</b>	<b>479.3</b>	-	-	<b>33,998.5</b>	<b>39,271.3</b>	<b>982.4</b>	<b>40,253.7</b>	
<b>Profit for the year</b>	-	-	-	-	<b>36,701.6</b>	<b>36,701.6</b>	<b>83.3</b>	<b>36,784.9</b>	
<b>Other comprehensive income for the year</b>	-	-	-	<b>56.2</b>	-	<b>56.2</b>	-	<b>56.2</b>	
Decrease in non-controlling interests due to sale of a subsidiary	-	-	-	-	-	-	(1,065.7)	(1,065.7)	29
Contribution to voluntary reserve	-	-	400,000.0	-	-	400,000.0	-	400,000.0	19
Dividends paid	-	-	-	-	(15,000.0)	(15,000.0)	-	(15,000.0)	19
Other adjustments	-	-	-	(43.2)	(43.2)	(43.2)	-	(43.2)	
<b>Total contributions by and distributions to owners of the company, recognised directly in equity</b>	-	-	<b>400,000.0</b>	-	<b>(15,043.2)</b>	<b>384,956.8</b>	<b>(1,065.7)</b>	<b>383,891.1</b>	

	Share capital	Statutory capital reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity	Note
In thousand EUR									
<b>Equity at 31 December 2019</b>	<b>4,793.5</b>	<b>479.3</b>	<b>400,000.0</b>	<b>56.2</b>	<b>55,656.9</b>	<b>460,985.9</b>	-	<b>460,985.9</b>	
<b>Profit for the year</b>	-	-	-	-	<b>67,870.4</b>	<b>67,870.4</b>	-	<b>67,870.4</b>	
<b>Other comprehensive income/(loss) for the year</b>	-	-	-	<b>(892.0)</b>	-	<b>(892.0)</b>	-	<b>(892.0)</b>	
Dividends paid	-	-	-	-	<b>(18,400.0)</b>	<b>(18,400.0)</b>	-	<b>(18,400.0)</b>	19
Other adjustments	-	-	-	1.1	<b>(15.9)</b>	<b>(14.8)</b>	-	<b>(14.8)</b>	
<b>Total contributions by and distributions to owners of the company, recognised directly in equity</b>	-	-	-	<b>1.1</b>	<b>(18,415.9)</b>	<b>(18,414.8)</b>	-	<b>(18,414.8)</b>	
<b>Equity at 31 December 2020</b>	<b>4,793.5</b>	<b>479.3</b>	<b>400,000.0</b>	<b>(834.7)</b>	<b>105,111.4</b>	<b>509,549.5</b>	-	<b>509,549.5</b>	

The notes on pages 19-82 are an integral part of these consolidated financial statements.  
Further information about equity is presented in note 19.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. GENERAL INFORMATION

The consolidated financial statements of Enefit Green group for the years ended 31 December 2018, 31 December 2019 and 31 December 2020, include the financial information of Enefit Green AS (the parent, legal form: limited liability company defined as *aktsiaselts* (AS) under Estonian laws) and its subsidiaries (together referred to as the group).

Enefit Green AS operates all renewable energy production units of Eesti Energia AS and is one of the largest renewable energy producers in the Baltics. Enefit Green AS operates also in Poland. Enefit Green group produces electricity from wind, water, sunlight, municipal waste, biomass and natural gas.

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

The sole shareholder of Enefit Green AS is Eesti Energia AS, a company belonging to the Republic of Estonia.

The management board authorised these consolidated financial statements for issue on 9 June 2021.

#### 1.1 Key events in 2020

Most of the Estonian production units have open positions against electricity market prices. Electricity prices in 2020 were highly volatile. Electricity prices in Estonia and the neighbouring countries were influenced in 2020 by Nordic hydropower whose generation was record-high compared to prior years, wind power whose output was exceptionally large together with warm winter, and the COVID-19 pandemic, which reduced electricity consumption.

Cogeneration operating activities have been impacted less by the COVID-19 pandemic as the sales prices for heat are regulated and therefore not dependent on events such as the pandemic. Sale of pellets, which also falls under cogeneration operating activities, is mostly dependent on the weather conditions as the winter temperatures impact the demand of the product.

The group had created conditions for successful remote work already before the health crisis and restrictions caused by the outbreak of COVID-19 therefore daily operations of the group entities were not impacted by the pandemic. Group's operating expenses were not materially impacted by the pandemic, as one-off costs related to the pandemic were insignificant.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied to all reporting periods presented, unless otherwise stated.

#### 2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative financial instruments) that are measured at fair value through profit or loss. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires

management to exercise judgement in applying accounting policies. The areas involving a higher degree of judgement and where accounting assumptions and estimates have a significant effect on the information presented in the consolidated financial statements are disclosed in note 4.

## 2.2 Changes in accounting policies and disclosures

### (a) Adoption of New or Revised Standards and Interpretations

The following new or revised standards and interpretations became effective for the group from 1 January 2020:

**Definition of materiality – Amendments to IAS 1 and IAS 8** (*effective for annual periods beginning on or after 1 January 2020*) - The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. There is no material impact of application of the amendments to the group's consolidated financial statements.

**Amendments to the Conceptual Framework for Financial Reporting** (*effective for annual periods beginning on or after 1 January 2020*) - The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. There is no material impact of application of the amendments to the group's consolidated financial statements.

**Definition of a business – Amendments to IFRS 3** (*effective for annual periods beginning on or after 1 January 2020*) - The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). There is no material impact of application of the amendments to the group's consolidated financial statements.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2020 that would be expected to have a material impact on the group.

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

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2021, and which the Group has not early adopted:

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28** (*effective date to be determined by the IASB; not yet adopted by the EU*). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets

that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The amendments may have an impact on the recognition of the group's transactions with associates.

**Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41** (*effective for annual periods beginning on or after 1 January 2022; not yet adopted by the EU*) - The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment may have an impact on the recognition of group's future investments recognised as constructions in progress.

**Classification of liabilities as current or non-current – Amendments to IAS 1** (*effective for annual periods beginning on or after 1 January 2022; not yet adopted by the EU*) - These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The group assesses that there is no material impact of application of the amendments to its consolidated financial statements.

**Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1** (*effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU*) - The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The group assesses that there is no material impact of application of the amendments to its consolidated financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the group.

## 2.3 Changes in accounting policies

### Changes in significant accounting policies

Except as described below, the accounting policies applied in these consolidated financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended 31 December 2019.

## Company income tax and deferred income tax

Both Estonia and Latvia have replaced the traditional profit-based tax regimes with distribution-based tax regimes where corporate income tax is not payable on profit but rather on distribution of dividends. In accordance with IAS 12.52A and 57A, in distribution-based tax regimes no current or deferred tax liability is recognised in respect of undistributed profits until a liability to pay dividends is recognised. As a market practice in Estonia, this accounting policy has been applied consistently to all undistributed profits in the group, regardless of whether those profits accumulated in the parent or in the subsidiaries.

In June 2020, IFRS Interpretation Committee made an agenda decision where it concluded that the principle set out in IAS 12.52A and 57A only applies to undistributed profits accumulated in the parent company and does not apply to undistributed profits accumulated in the subsidiaries. Instead, the principles described in IAS 12.39-40 should be followed in respect of undistributed profits in subsidiaries, stipulating that a deferred tax shall be recognised in respect of such accumulated profits, unless it is probable that they will not be distributed to the parent in the foreseeable future.

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

Pursuant to the laws of the Republic of Estonia, an entity's profit of the accounting year is not taxable in Estonia. The obligation to pay company income tax arises upon distribution of profit and it is recognised as an expense (in profit or loss for the period) when dividends are declared. Due to the nature of the taxation system, no deferred income tax assets or liabilities arise in entities registered in Estonia, except for possible deferred income tax liabilities related to an entity's investments in subsidiaries, associate and joint undertaking, and branches.

Deferred income tax liability arises for the group in countries where the entity's reporting year profit is taxable. For the group, deferred income tax liability also arises in respect to investments in an Estonian and Latvian subsidiary and associate undertaking, except for if the group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future. Examples of taxable temporary reversal are the payment of dividends, the sale or liquidation of an investment, and other transactions.

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

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

In Estonia, the valid company income tax rate is 20 percent (the payable tax amount is 20/80 of the net payment). From 2019, a lower tax rate is applied to regularly payable dividends – 14% (14/86 of the net payment). The lower tax rate can be applied every calendar year on dividend payments and other profit distributions to the extent that does not exceed the average amount of taxable paid dividends and other profit distributions of the previous three calendar years.

The Group has recognised the change in the accounting policy retrospectively, however no corrections to the consolidated financial statements have been made as the dividends paid in 2019 were derived from the parent entity of the group and therefore the transaction does not fall under the scope previously described. The dividends paid to the sole shareholder in 2020 were taken from a Lithuanian subsidiary of the group and are therefore previously taxed.

## 2.4 Consolidation

### (a) Subsidiaries

A subsidiary is any entity of which the group has control. The group controls an entity when it has exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of those returns. Subsidiaries are fully consolidated from the date the group gains control to the date the group loses control of them.

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

Acquisition-related costs are expensed as incurred.

If a business combination is achieved in stages, the acquisition-date carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gain or loss arising from such remeasurement is recognised in the income statement.

Any contingent consideration to be transferred by the group is measured at fair value at the date of acquisition. Contingent consideration is classified as equity or a financial liability. The amounts classified as financial liabilities are subsequently remeasured to fair value with changes in fair value recognised in the income statement. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, fair value of any previously held interest and the amount of any non-controlling interests over the net fair value of the identifiable assets acquired and liabilities assumed. If the consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Business combinations of entities under common control are accounted for using the accounting policies described above. In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are consolidated on a line-by-line basis. In the preparation of consolidated financial statements, intragroup transactions, balances and unrealised gains are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries are adjusted to ensure conformity with the group's accounting policies.

In the parent's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

### (b) Changes in interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in a loss of control of a subsidiary are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received or receivable is recognised directly in retained earnings.

### (c) Disposal of subsidiaries

When the group loses control of a subsidiary, any investment retained in the entity is remeasured to its fair value at the date when control is lost and the change in the carrying amount is recognised in the income statement. The fair value is the initial

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

#### (d) Associates

Associates are all entities over which the group has significant influence but not control. This generally means holding 20% to 50% of the voting power. Investments in associates are accounted for using the equity method and are initially recognised at cost. The carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in an associate includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but the investment continues to be classified as an associate, the group shall reclassify to the income statement the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to the income statement on the disposal of the related assets or liabilities.

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

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

Profits and losses resulting from upstream and downstream transactions between the group and its associates are recognised in the group's consolidated financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless they result from impairment. Where necessary, the accounting policies of associates are adjusted to ensure consistency with the policies adopted by the group.

## 2.5 Segment reporting

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

## 2.6 Foreign currency translation

### (a) Functional and presentation currency

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

### (b) Transactions and balances

Monetary assets and liabilities denominated in a foreign currency are translated using the closing official exchange rate of the European Central Bank or, if the European Central Bank does not quote the particular currency, the official exchange rate of the central bank of the country issuing the foreign currency. Foreign exchange gains and losses arising on translation are recognised in the income statement. Exchange gains and losses on borrowings and cash and cash equivalents are



presented as finance income and costs; other exchange gains and losses are presented as other operating income and expenses.

### (c) Group companies

The results and financial position of the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate of the European Central Bank at the date of the balance sheet;
- income and expenses are translated using the average exchange rates of the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

The closing rates used for translating assets and liabilities were as follows: 31 December 2020: EUR/PLN 4.5597; 31 December 2019: EUR/PLN 4.2568; 31 December 2018: no group companies with functional currency other than euros. Income and expenses were translated as follows: 2020: EUR/PLN 4.47; 2019: EUR/PLN 4.299; 2018: no group companies with functional currency other than euros.

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

None of the subsidiaries of the Group operate in a hyper-inflationary economy.

## 2.7 Classification of assets and liabilities as current or non-current

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

## 2.8 Property, plant and equipment

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

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

When the construction of an item of property, plant and equipment lasts for a substantial period of time and is funded with a loan or another debt instrument, related borrowing costs (interest) are capitalised as part of the cost of the item. Capitalisation of borrowing costs begins when the borrowing costs and expenditures for the asset have been incurred and the construction of the asset has commenced. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The group shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Subsequent expenditure on an item of property, plant and equipment is included in the carrying amount of the item or recognised as a separate asset only when it is probable that future economic benefits associated with the asset will flow to the group and the cost of the asset can be measured reliably. A replaced part or a proportionate share of a replaced asset is derecognised. Current maintenance and repair costs are charged to expenses as incurred.

Land is not depreciated. Other items of property, plant and equipment are depreciated using the straight-line method to allocate their depreciable amounts (cost less residual value) over their estimated useful lives as follows.

Items of property, plant and equipment have been assigned the following useful lives:

- |  |             |
|--|-------------|
| ▪ Buildings                                    | 30-40 years |
| ▪ Facilities and structures                    | 10-60 years |
| ▪ Machinery and equipment                      |             |
| - Electricity transmission equipment           | 5-45 years  |
| - Power plant equipment                        | 7-32 years  |
| - Other plant and equipment                    | 3-30 years  |
| ▪ Other items of property, plant and equipment | 3-10 years  |

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when its residual value increases to an amount greater than its carrying amount, it is permanently withdrawn from use or classified as held for sale. The depreciation rate, depreciation method and residual value of an asset are reviewed at each reporting date.

When the recoverable amount of an item of property, plant and equipment (i.e. the higher of its fair value less costs of disposal and its value in use) decreases below its carrying amount, the item is written down to its recoverable amount (note 2.10).

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses arising from the derecognition of items of property, plant and equipment are recognised in the income statement within other operating income and other operating expenses, respectively.

## 2.9 Intangible assets

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

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

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

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

### (a) Goodwill

Goodwill acquired in a business combination is not subject to amortisation. Instead, for the purpose of impairment testing, goodwill is allocated to cash-generating units and an impairment test is performed at the end of each reporting period (or more frequently if an event or change in circumstances indicates it is necessary). The allocation is made to those cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Goodwill is allocated to a cash generating unit or a group of units that is not larger than an operating segment. Goodwill is written down to its recoverable amount when the latter is less than its carrying amount. Impairment losses on goodwill are not subsequently reversed. Goodwill is reported in the statement of financial position at the carrying amount (at cost less any

impairment losses). When determining a gain or loss on the disposal of a subsidiary, the carrying amount of any goodwill related to the subsidiary is included in the carrying amount of that subsidiary.

#### (b) Software

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

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- the group is able to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and use the software are available;
- the expenditure attributable to the software during its development can be reliably measured.

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

#### (c) Contractual rights

Contractual rights acquired are recognised at fair value on acquisition and are subsequently carried at cost less any accumulated amortisation. Contractual rights are amortised over the expected duration of the contractual right using the straight-line method.

Further details on contractual rights is disclosed in Note 9.

### 2.10 Impairment of non-financial assets

Assets that have indefinite useful lives (for example goodwill) are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation or depreciation and land are assessed for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's:

- fair value less costs of disposal; and
- value in use, which is found by discounting the expected future cash flows generated by the asset to their present value.

Assets are tested for impairment if any of the following indications of impairment exist:

- the market value of similar assets has decreased;
- the general economic environment and market situation have deteriorated, which is why it is likely that the cash flows generated by the assets will decrease;
- market interest rates have increased;
- the physical condition of the assets has deteriorated considerably;
- revenue generated by the assets is less than expected;
- the results of some operating segments are worse than expected;
- the activities of a certain cash-generating unit are expected to be terminated.

An impairment test is also performed when the group identifies any other evidence of impairment.

An impairment test is performed either for an individual asset or a group of assets (a cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows generated by other assets or groups of assets. An impairment loss is recognised immediately as an expense in the income statement.

At the end of each reporting period, the group assesses whether there is any indication that an impairment loss recognised in a prior period for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. Based on the results of the estimation, the impairment loss may be reversed in part or in full. An impairment loss recognised for goodwill is not reversed in a subsequent period.

## 2.11 Financial assets

### Classification

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

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

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

### Recognition and derecognition

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

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

### Measurement

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

### Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. All of the group's debt instruments have been classified into the amortised cost measurement category.

### Amortised cost

Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in other operating income or expenses. Foreign exchange gains and losses and credit losses are presented within separate line items in the income statement.

### Equity instruments

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

### Derivative financial instruments

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative financial instruments

are recognised in profit or loss for the period. The group does not use derivatives for hedging purposes and thus does not apply hedge accounting.

### **Impairment**

The group assesses on a forward-looking basis the expected credit losses (ECL) associated with debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) the time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

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

### **Trade receivables**

Trade receivables are amounts due from customers for energy sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is an objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Material receivables are assessed individually. The rest of the receivables are collectively assessed for impairment, using previous years' experience of impairment which is adjusted to take account of forward-looking information. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a receivable is classified as uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement against other operating expenses.

If collection is expected within one year or less or within the normal operating cycle, the receivables are classified as current assets. If not, they are presented as non-current assets. Long-term receivables from customers are recognised at the present value of estimated future cash flows, discounted at the original effective interest rate. The difference between the nominal value and the present value of the collectible receivable is recognised as interest income during the period remaining until the maturity date using the effective interest rate.

## **2.12 Cash and cash equivalents**

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

Enefit Green AS and its subsidiary Enefit Wind OÜ are part of Eesti Energia AS (parent entity) group cash pooling system. The cash pool balances at the balance sheet date are shown as current receivables against the parent entity or borrowings (overdraft) from parent entity. The group's available funds in this cash pooling system are not defined as cash at the balance sheet date.

Fair values of the balances are considered to approximately match the carrying amounts. Cash pool receivables or overdraft liabilities to parent entity are carried at amortised cost.

Changes in the cash pool balance are recognised in the statement of cash flow under financing activities on the row "change in overdraft balance".

### 2.13 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, and other direct and indirect costs (based on the normal operating capacity of the production facilities). Borrowing costs are not included in the cost of inventories. The cost of raw materials and consumables consists of the purchase price, transport costs and other costs directly attributable to their acquisition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and also costs necessary to make the sale.

### 2.14 Share capital

Ordinary shares are classified as equity. No preference shares have been issued. Unavoidable costs directly attributable to the issue of new ordinary shares are recognised in equity as a deduction from the proceeds. Shares approved by the general meeting but not yet registered at the Commercial Registry are recognised in equity as unregistered share capital.

### 2.15 Statutory capital reserve

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

### 2.16 Trade payables

Trade payables are amounts due to suppliers for goods or services acquired in the ordinary course of business. A payable is classified as current if payment is due within one year or less or within the normal operating cycle. Other payables are presented as non-current liabilities. Trade payables are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method.

### 2.17 Borrowings

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

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

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

### Borrowing costs

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

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

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

## 2.18 Taxation

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

Under the Estonian Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenditures and transfer price adjustments. The tax rate for profit distributions is 20% (calculated as 20/80 of the net distribution). From 2019, regular dividend distributions are subject to a lower, 14% income tax rate (calculated as 14/86 of the net distribution). Thus, in calculating the income tax payable on dividends, a resident company can apply a lower tax rate of 14% and the standard tax rate of 20%. The more favourable tax rate may be applied to a dividend distribution that amounts to up to three preceding financial years' average distribution of retained earnings on which the company has paid income tax. In calculating the average dividend distribution of the three preceding financial years, 2018 is the first year that is taken into account. In certain circumstances, dividends received can be redistributed without additional income tax expense.

Deferred income tax is provided on post-acquisition retained earnings and other post-acquisition movements in reserves of subsidiaries, except where the group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future. The group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

The maximum income tax liability which would accompany the distribution of Company's retained earnings is disclosed in the notes to the consolidated financial statements.

### (b) Other taxes in Estonia

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

Tax	Tax rate
Social security tax	33% of payments made and fringe benefits provided to employees
Unemployment insurance contributions	0.8% of payments to employees
Income tax on fringe benefits	20%, calculated as 20/80 of fringe benefits provided to employees
Pollution charges	Paid for pollutant releases to air, water, groundwater and soil and waste storage based on relevant rates per tonne
Charge for special use of water	1.63–176.99 euros per 1,000 m <sup>3</sup> of water extracted from a surface water body or groundwater (2019: 1.65–175.24 euros per 1,000 m <sup>3</sup> of water extracted from a surface water body or groundwater; 2018: 1.64–173.5 euros per 1,000 m <sup>3</sup> of water extracted from a surface water body or groundwater)
Land tax	0.1–2.5% of the taxable value of land per year
Heavy goods vehicle tax	3.50–232.60 euros per truck per quarter
Excise duty on electricity	0.5–4.47 (until 30.04.2020) euros per MWh of electricity; 0.5–1.0 (since 01.05.2020 and until 31.12.2020) euros per MWh of electricity
Excise duty on natural gas	Until 30 April 2020: 79.14 euros per 1,000 m <sup>3</sup> of natural gas. From 1 May 2020: 40 euros per 1,000 m <sup>3</sup> of natural gas (2019: 63.31 euros per 1,000 m <sup>3</sup> of natural gas; 2018: 50.65 euros per 1,000 m <sup>3</sup> natural gas)
Corporate income tax on non-business expenses	20%, calculated as 20/80 of non-business expenses

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

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

### (d) Deferred income tax

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

Deferred income tax assets are recognised for all deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

## 2.19 Employee benefits

### Short-term employee benefits

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

If an employee has provided services in the reporting period in return for which benefits are expected to be paid, the group recognises a liability (accrued expense) for the expected amount of the benefit after deducting any amount already paid.

### Termination benefits

Termination benefits are payable when the group terminates employment before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value. Redundancy provisions are set up for redundancies occurring in the course of restructuring.

### Other employee benefits

Provisions have been recognised for benefits arising from collective agreements and other contracts, and compensation payable for work-related injuries and damage to health.

## 2.20 Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. A provision is measured at the present value of the expenditures expected to be required to settle the



obligation using an interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of an outflow of resources may be small for any individual item, it may be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised (if other recognition criteria are met).

Provisions are reviewed at the end of each reporting period and adjusted to reflect current best estimates. The costs related to setting up provisions are charged to operating expenses or included in the cost of an item of property, plant and equipment when the provision is related to the dismantlement, removal or restoration or other obligation, incurred either when the item is acquired or as a consequence of having used the item during a particular period.

Provisions are used only for expenditures for which they were originally recognised.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that the reimbursement will be received if the group settles the obligation. The reimbursement is recognised as a separate asset. The amount of the reimbursement may not exceed the amount of the provision.

#### Employee-related provisions

Employee-related provisions have been recognised for benefits payable for work-related injuries and damage to health. Long-term employee-related provisions are used over the remaining lifetimes of the entitled employees, which are determined based on the life expectancy forecasts published by Statistics Estonia and the age of the employees.

### 2.21 Contingent liabilities

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

### 2.22 Revenue

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

#### Sale of goods – wholesale

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

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

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

If the group provides any additional service to the customer after control of the goods has transferred to the customer, provision of the service is treated as a separate performance obligation and relevant revenue is recognised over the period in which the service is provided.

#### **Sale of services – electricity, gas, heat and waste treatment services**

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

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

#### **Interest income**

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

#### **Financing component**

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

### **2.23 Government grants**

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

Grants related to assets are accounted for using the gross method whereby the asset acquired with a grant is recognised at cost. The amount received as a government grant is recognised as a liability in the statement of financial position. Related assets are depreciated, and the grant liability is recognised as income over the estimated useful life of the asset.

#### **Support for electricity produced from renewable sources**

In line with section 59 of the Estonian Electricity Market Act, the group receives support of 5.37 cents per kilowatt hour of electricity produced from renewable energy sources with a generating installation whose net capacity does not exceed 125 MW. The Group receives the grant monthly in accordance with the volume of electricity produced from a renewable energy source. There are no specific costs that the grant is intended to compensate, the grant is a result of a government measure to support and increase the transition to renewable energy in Estonia. The grant is recognised as other operating income under line "Renewable energy support" using the gross method.

## 2.24 Leases

### Accounting policies until 31 December 2018

Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

#### (a) The group as a lessor

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

#### (b) The group as a lessee

Leases of property, plant and equipment which transfer all significant risks and rewards of ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges (interest expense). Finance costs are allocated to rental period so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The property, plant and equipment acquired under finance leases is depreciated similarly to acquired assets over the shorter of the useful life of the asset and the lease term. Initial direct costs directly attributable to concluding finance lease agreements and incurred by the lessee are added to the cost of the leased asset.

Operating lease payments are reported in the income statement as expenses on a straight-line basis over the lease term.

### Accounting policies from 1 January 2019

#### (a) The group as a lessee

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

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

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

#### Initial measurement

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

At the commencement date, the group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the group;

- an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are presented on a separate line in the statement of financial position.

At the commencement date, the group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the group uses its incremental borrowing rate, being the rate that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

To determine the incremental borrowing rate, the group:

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

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index or a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates. Some of the group's leases contain variable lease payments;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising an option to terminate the lease.

### Subsequent measurement

After the commencement date, the group measures the right-of-use asset by applying the cost model. To apply the cost model, the group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. If the lease transfers ownership of the underlying asset to the group by the end of the lease term or if the cost of the right-of-use asset reflects that the group will exercise a purchase option, the group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term.

After the commencement date, the group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, the group recognises in profit or loss

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

If there are changes to the lease payments, it may be necessary to remeasure the lease liability. The group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset with an exception when the group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the group recognises any remaining amount of the remeasurement in profit or loss.

The group remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- a) there is a change in the lease term. The group determines the revised lease payments on the basis of the revised lease term; or
- b) there is a change in the assessment of the option to purchase the underlying asset. The group determines the revised lease payments to reflect the change in amounts payable under the purchase option.

The group remeasures the lease liability by discounting the revised lease payments using unchanged discount rate, if either:

- a) there is a change in the amounts expected to be payable under a residual value guarantee. The group determines the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments (for example, a change to reflect changes in market rental rates following a market rent review). The group remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). The group determines the revised lease payments for the remainder of the lease term based on the revised contractual payments. The group uses an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

The group accounts for a lease modification as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The group has elected to apply the optional exemption provided by IFRS16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### (b) The group as a lessor

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

#### (c) Rights to use land

Payments made for the variable portion of the charges related to the rights of superficies (the right to use land belonging to another person to build and own buildings or structures on it) and servitudes (an encumbrance on a person's property that grants another person the right to conduct certain activities on it) created for the benefit of the group that meet the criteria for recognition as intangible assets are recognised as intangible assets. The costs related to the rights to use land are amortised over the contract term, which may extend to 99 years, on a straight-line basis.

## 2.25 Dividend distributions

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

## 2.26 Emission allowances

Since 2005, a trading system applies in the EU (the Emission Trading Scheme – ETS) with the purpose of reducing emissions of the greenhouse gas carbon dioxide. Within the framework of this system, some concerned plants have received, without payment or for prices below fair value, so-called emission allowances (European Union Allowances – EUAs) from the authorities in each country. Sales and purchases of emission allowances are conducted on designated exchanges, where plants that have a greater need for emission allowances than their free-of-charge or subsidised allocation are required to purchase allowances to cover their remaining need and thereby settle their obligations.

During the first trading period, 2005–2007, trading was conducted only in EUAs. During the second trading period, 2008–2012, trading was conducted in parallel with the first commitment period in the Kyoto Protocol, and the EU's Emission Trading Scheme was opened up to international trading in Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs).

Starting with the third trading period (2013–2020) there is no free-of-charge or subsidised allocation of emission allowances for the power generation sector, meaning that all power generators must purchase all of their emission allowances. In sectors other than power generation, e.g., heat generation, free-of-charge allocations will be available during a transition period, however with decreasing levels in the coming years during the transition period. As heat generation is also performed by the installations belonging to Enefit Green group an estimated amount of 5,094 tonnes of free allowances will be allocated to installations belonging to the group in 2021. Precise amount of free allowances to be allocated for 2021, will be fixed by end of June 2021 at the latest.

In the reporting and comparative periods, the following amounts of greenhouse gas emission allowances have been allocated to the group free of charge:

- in 2018, 31,704 tonnes of free allowances were allocated to the group;
- in 2019, 26,129 tonnes of free allowances were allocated to the group;
- in 2020, 3,820 tonnes of free allowances were allocated to the group.

Emission allowances that have been received free of charge from the respective countries' authorities are stated at a value of EUR nil. As carbon dioxide is emitted, an obligation arises to deliver emission allowances (EUAs, CERs, ERUs) to the authorities in the respective countries. An expense and a liability are recognised in cases where the emission allowances that were received free of charge do not cover this obligation. This liability is valued in the amount at which it is expected to be settled.

For Enefit Green group, the emission allowances received free of charge cover the obligation to deliver emission allowances to the authorities and therefore a liability is not recognised by the group.

## 2.27 Related party transactions

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

- a) the owner and, since 100% of the shares in Eesti Energia AS are held by the Republic of Estonia, all entities under the control or significant influence of the state;
- b) other companies belonging the same group;
- c) associates and joint ventures;
- d) members of the executive and higher management;
- e) close family members of the above persons and companies under their control or significant influence.

The Group has applied the exemption from disclosure of individually insignificant transactions and balances with the state and parties that are related to the entity because the state has control, joint control or significant influence over a such party.

## 2.28 Primary financial statements of the parent

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the separate primary financial statements of the consolidating entity (the parent). The primary financial statements of the parent, disclosed in note 37, have been prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements. In the parent's primary financial statements, investments in subsidiaries are accounted for using the cost method. Under the latter, an investment is initially recognised at cost, i.e. at the fair value of the consideration given for it, and measured thereafter at cost less any impairment losses.

## NOTE 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial risks

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

The group's risk management policy is based on the requirements set by regulatory authorities, generally accepted practice and the group's internal rules. The underlying principle is to manage risk-taking in a manner that ensures an optimal risk-benefit ratio. The group's risk management process involves identifying and defining all potential risks, assessing and controlling risks, and preparing action plans to mitigate risks while ensuring the achievement of the group's financial and other strategic goals and targets.

Primary responsibility for risk management rests with the management board of Enefit Green group. Oversight of the risk mitigation measures implemented by the management board is the responsibility of the supervisory board of Enefit Green AS. The group assesses and limits risks through systematic risk management. Financial risk management has also been assigned to the finance department, which deals with the financing of the parent and its subsidiaries and, thus, with managing liquidity risk and interest rate risk.

#### 3.1.1 Market risks

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Financial assets and liabilities denominated in euros are considered to be free of currency risk, when the entity has euro as the functional currency. The group does not have any material financial assets or financial liabilities that are exposed to currency risk.

##### Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those resulting from interest rate risk or currency risk. The group's financial assets are not exposed to price risk.

The group does not use derivative financial instruments to hedge its price risk.

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

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

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

The group's interest rate risk arises mainly from short- and long-term borrowings (note 20). The weighted average interest rate of the group's loans was 1.66% at 31 December 2020 (31 December 2019: 1.65%; 31 December 2018: 1.90%). A 0.5 percentage point change in the weighted average interest rate of loans would have had an effect of 970.2 thousand euros on the group's net profit for 2020 (2019: 1,113.9 thousand euros; 2018: 116.0 thousand euros).

The weighted average interest rate of the group's overdraft was 2.19% at 31 December 2020 (31 December 2019: 2.46%; 31 December 2018: 2.42%). The overdraft liability recognised in the statement of financial position as at 31 December 2019 was repaid in full on January 1, 2020 and therefore no interest expense has occurred in 2020. Taking this into account, sensitivity analysis has not been calculated for the overdraft liability interest rate risk for 2020. A 0.5 percentage point change



in the weighted average interest rate of the overdraft would have had an effect of 50.5 thousand euros on the group's net profit for 2019 (2018: 2,602.7 thousand euros).

The fair values of short- and long-term borrowings do not differ significantly from their carrying amounts because borrowings bear interest at floating rates that change in line with fluctuations in market interest rates, so the effectiveness of the group's activities is reflected in the risk margin (level 2). Based on the above, the management board estimates that the fair values of borrowings do not differ significantly from their carrying amounts.

Additional information on the group's borrowings and their interest rates and fair values is provided in note 20.

In 2018, the group used interest rate swaps to hedge interest rate risk (note 14).

### 3.1.2 Credit risk

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

Requirements for the credit risk levels of issuers of financial instruments and counterparties, and the maximum exposure to each individual counterparty are approved by the group's financial risk committee.

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

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

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

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Trade and other receivables* (note 13)	9,847.2	16,515.2	15,580.0
Receivables from the parent, other group companies and related parties (notes 13, 18 and 34)	36,284.9	187.4	651.7
Cash and cash equivalents (note 17)	10,773.7	11,126.5	28,001.6
<b>Total amount exposed to credit risk (note 15 and 16)</b>	<b>56,905.8</b>	<b>27,829.1</b>	<b>44,233.3</b>

\* Total trade and other receivables less prepayments

Trade receivables are presented net of the allowance for expected credit losses. Although the collection of receivables may be affected by economic factors, management believes that there is no significant risk of loss beyond the allowances already recognised. Other classes of receivables do not include items that have been written down.

At 31 December 2020, the group had 1 customer that accounted for over 10% of the group's trade and other receivables. Total receivables from these customers amounted to 4,595.6 thousand euros at 31 December 2020 (31 December 2019: the group had 2 customers that accounted for over 10% of the group's trade and other receivables, receivables from those customers totalled 9,391.9 thousand euros; 31 December 2018: 2 customers that each accounted for over 10% of the group's total trade and other receivables and receivables from them totalled 3,938.2 thousand euros).

Further information on credit risk is provided in notes 15 and 16.

### 3.1.3 Liquidity risk

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

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

At the end of the reporting period, the group had undrawn loans of 25,000.0 thousand euros (31 December 2019: 0 euros; 31 December 2018: 261,500 thousand euros).

#### Maturity profile of liabilities at 31 December 2020

In thousand EUR	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. lease liabilities (notes 20 and 34)*	41,182.4	161,098.7	4,655.8	206,936.9	197,046.4
Lease liabilities (note 20)	226.3	1,139.7	2,531.5	3,897.5	2,289.8
Trade and other payables (note 21)	7,039.0	-	-	7,039.0	7,039.0
<b>Total</b>	<b>48,447.7</b>	<b>162,238.4</b>	<b>7,187.3</b>	<b>217,873.4</b>	<b>206,375.2</b>

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

#### Maturity profile of liabilities at 31 December 2019

In thousand EUR	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. lease liabilities (notes 20 and 34)*	50,708.2	192,369.3	-	243,077.5	232,896.4
Lease liabilities (note 20)	307.0	1,064.6	2,942.2	4,313.8	2,935.5
Trade and other payables (note 21)	8,153.0	-	-	8,153.0	8,153.0
<b>Total</b>	<b>59,168.2</b>	<b>193,433.9</b>	<b>2,942.2</b>	<b>255,544.3</b>	<b>243,984.9</b>

\* Interest expense has been estimated on the basis of interest rates as at 31 December 2019.

#### Maturity profile of liabilities at 31 December 2018

In thousand EUR	Less than 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flow	Carrying amount
Borrowings excl. finance lease liabilities (notes 20, 34)*	568,118.9	63,030.7	49,286.3	680,435.9	669,624.6
Finance lease liabilities (note 20)	11,042.0	240.2	-	11,282.2	11,282.2
Derivative financial instruments (note 14)	1,757.5	2,074.2	-	3,831.7	3,831.7
Trade and other payables (note 21)	10,334.5	-	-	10,334.5	10,334.5
<b>Total</b>	<b>591,252.9</b>	<b>65,345.0</b>	<b>49,286.3</b>	<b>705,884.3</b>	<b>695,073.0</b>

\* Interest expense has been estimated on the basis of interest rates as at 31 December 2018.

In addition to the liabilities disclosed in the tables above, the group has future period commitments arising from variable lease payments. Please see note 33 for further information.

### 3.2 Capital management

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

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Total borrowings (notes 3.1.3, 20)	199,336.2	235,831.9	680,906.8
Less: Cash and cash equivalents (note 17)	(10,773.7)	(11,126.5)	(28,001.6)
Net debt	188,562.5	224,705.4	652,905.2
Total equity	509,549.5	460,985.9	40,253.6
EBITDA*(note 5)	110,170.5	90,326.4	40,264.0
Assets	739,444.8	730,197.4	757,765.9
Net debt/EBITDA	1.7	2.5	16.2
Equity/assets	69%	63%	5%
Total capital (net debt + equity)	698,112.0	685,691.3	693,158.8
Net debt/capital	27%	33%	94%

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

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

### 3.3 Fair value

According to the group's assessment, at 31 December 2020, 31 December 2019 and 31 December 2018 the fair values of assets and liabilities measured at amortised cost did not differ materially from their carrying amounts. The carrying amounts of current trade receivables and payables, and loans provided, less impairments, are estimated to be equal to their fair values (level 3). For disclosure purposes, the fair value of financial liabilities is determined by discounting the future contractual cash flows at the market interest rate which is available for similar financial instruments of the group.

The following reflects the categorisation of financial instruments measured at fair value based on inputs to valuation techniques. The different levels are defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2);
- unobservable inputs for the asset or liability (level 3).

Since the interest rates of overdraft and loan liabilities change in line with changes in money market interest rates, their fair values do not differ from their carrying amounts (level 2). Further information about the group's borrowings and their interest rates and fair values is provided in note 20.

#### NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The estimates presented below have the most significant impact on the financial information disclosed in the consolidated financial statements.

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

The useful lives of items of property, plant and equipment are determined based on management's estimates of the economic lives over which the assets can be used. Past experience reflects that the actual economic lives of assets are sometimes somewhat longer than their estimated useful lives. At 31 December 2020, the total carrying amount of the group's property, plant and equipment was 594,980.0 thousand euros (31 December 2019: 627,866.1 thousand euros; 31 December 2018: 644,079.6 thousand euros) and depreciation expense for the period amounted to 37,831.5 thousand euros (2019: 39,233.5 thousand euros; 2018: 18,955.6 thousand euros) (note 7). The average residual useful life of property, plant and equipment is 15.5 (31 December 2019: 16.6; 31 December 2018: 16.4) years. If the average residual useful life would increase / decrease by 1 year, the depreciation expense would decrease by 2,972.6 thousand euros (2019: 2,410.9 thousand euros; 2018: 2,580.9 thousand euros) / increase 4,676.6 thousand euros (2019: 5,025.9 thousand euros; 2018: 1,373.6 thousand euros).

Management of Enefit Green group has analysed the operating results of the group's wind farms and taking into account the specific technological aspects used for specific farms decided to increase the useful lifetime of Enefit Green wind farms. The impact of the reassessment to the yearly depreciation expense is 1,510.1 thousand euros, which is approximately 5% of the previous yearly depreciation charge. Management of Enefit Green group has analysed the operating results of the group's solar parks and taking into account the specific technological aspects used for specific parks decided to increase the useful lifetime of the Polish solar parks from 15 years to 25 years to bring them into line with actual life expectancy. The impact of the reassessment to the yearly depreciation expense is 522 thousand euros, which is approximately 46% of the previous yearly depreciation charge. All the aforementioned adjustments were done as at 1 January 2020.

##### (b) Estimating the recoverable amounts of property, plant and equipment and intangible assets

The group performs impairment tests and estimates the recoverable amounts of its property, plant and equipment and intangible assets when and as required. In carrying out impairment tests, management uses various estimates of cash inflows from the use and sale of assets and cash outflows from the maintenance and repair of assets, as well as estimates of inflation and growth rates. The estimates are based on forecasts of developments in the general economic environment, and the consumption and sales price of electricity.

Where necessary, the fair value of assets is determined using the assistance of experts. When circumstances change, the group may have to recognise additional impairment losses or reverse previously recognised impairment losses either in part or in full.

Based on impairment tests carried out in 2019, the group wrote down the assets of the Aulepa wind farm by 502.9 thousand euros and the assets of the Silale wind farm by 584.7 thousand euros (note 7).

Based on an impairment test carried out in 2018, the group wrote down the assets of the Aulepa wind farm by 635.1 thousand euros (note 7).

### (c) Deferred tax recognition of undistributed earnings of Group's Estonian and Latvian subsidiaries

As at 31 December 2020 the group has not accounted for deferred tax liabilities associated with temporary taxable differences related to the undistributed retained earnings of the Estonian and Latvian subsidiaries in the amount of 96,042.7 thousand euros. The group has implemented a written dividend policy that is based on the dividend expectations of its sole shareholder, Eesti Energia AS. Based on the implemented dividend policy the group has assessed that no dividends will be distributed from the retained earnings of the Group's Estonian and Latvian subsidiaries in the foreseeable future (upcoming five year timespan). The Group is able to control the timing and the amount of dividend distributions of its subsidiaries to implement the dividend policy.

## NOTE 5. SEGMENT REPORTING

The management board uses segment-based reporting to assess the group's financial results and make management decisions. The segments of Enefit Green AS have been identified by reference to the main business lines of its business units. All production units operated by the group have been allocated to operating segments based on the way they produce energy. Other internal structural units have been allocated to operating segments based on their primary field of activity.

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

1. Wind energy (comprises all of the group's wind farms);
2. Cogeneration (comprises all of the group's cogeneration plants and the pellet production plant);
3. Solar energy (comprises all of the group's solar farms);
4. Other (comprises hydropower, hybrid renewable energy solutions, and central development and management units).

The segment "Other" comprises activities whose individual contribution to both the group's revenue and EBITDA is insignificant. None of these activities exceeds the quantitative thresholds in the case of which separate reporting of information would be required.

Segment revenues include revenues from external customers only, generated by the sale of respective products or services. As the segments are based on externally sellable products and services (as opposed to legal entities), there are no transactions between segments to be eliminated.

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

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

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
<b>Revenue</b>			
Wind energy	56,463.1	62,909.8	16,677.9
Cogeneration	51,371.8	56,326.1	42,881.7
Solar energy	4,623.8	476.6	111.8
<b>Total reportable segments</b>	<b>112,458.7</b>	<b>119,712.5</b>	<b>59,671.4</b>
Other	1,535.6	120.6	336.1
<b>Total (note 24)</b>	<b>113,994.3</b>	<b>119,833.1</b>	<b>60,007.5</b>

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In 2020, the group had two clients in wind energy segment, whose turnover exceeded 10% of group's total revenues. In 2020, sales to such clients totalled 52,238.0 thousand euros (in 2019: 57,068.6 thousand euros; in 2018: there were no such clients).

In 2020, the group had one client in cogeneration segment, whose turnover exceeded 10% of group's total revenues. In 2020, sales to such clients totalled 11,612.0 thousand euros (in 2019: there were no such clients; in 2018: 21,887.0 thousand euros).

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
<b>Renewable energy support and other operating income</b>			
Wind energy	28,344.2	25,920.1	12,835.4
Cogeneration	5,438.6	5,061.0	5,105.5
Solar energy	1,238.7	385.0	13.0
<b>Total reportable segments</b>	<b>35,021.5</b>	<b>31,366.1</b>	<b>17,953.9</b>
Other	13,667.8	318.7	14.3
<b>Total</b>	<b>48,689.3</b>	<b>31,684.8</b>	<b>17,968.2</b>

The other operating income of the "Other" segment has increased significantly due to a one-off transaction – sale of CO2 quotas. See details from note 25.

The group monitors EBITDA as a performance measure at a consolidated level and believes that this measure is relevant to understanding the group's financial performance. EBITDA is not a performance measure defined in IFRS. The group's definition of EBITDA may not be comparable to similarly titled performance measures and disclosures by other entities.

Interest income and expenses, corporate income tax expense and share of profit (loss) of equity-accounted associates are not allocated to segments and relevant information is not reported to the management board.

The following tables provide information about the results of each reportable segment. Performance is measured mainly by reference to EBITDA, which is defined as profit before finance costs, profit (loss) from associates under the equity method, tax, depreciation, amortisation and impairment.

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
<b>Profit for the year</b>	<b>67,870.4</b>	<b>36,784.9</b>	<b>9,638.0</b>
Income tax expense (note 31)	736.7	2,793.4	933.2
Net finance costs (note 30)	3,376.8	10,203.8	9,989.7
<b>Profit/(loss) from associates under the equity method</b>	<b>(5.2)</b>	<b>(257.6)</b>	<b>47.4</b>
Depreciation, amortisation and impairment (notes 6, 7 and 9)	38,191.8	40,801.9	19,655.7
<b>EBITDA</b>	<b>110,170.5</b>	<b>90,326.4</b>	<b>40,263.9</b>

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
<b>EBITDA</b>			
Wind energy	69,397.8	69,682.6	21,882.1
Cogeneration	29,849.8	24,704.0	22,520.8
Solar energy	1,673.9	458.1	(166.6)
<b>Total reportable segments</b>	<b>100,921.5</b>	<b>94,844.7</b>	<b>44,236.3</b>
Other	9,249.0	(4,518.3)	(3,972.4)
<b>Total</b>	<b>110,170.5</b>	<b>90,326.4</b>	<b>40,263.9</b>
Depreciation, amortisation and impairment (notes 6, 7 and 9)	(38,191.8)	(40,801.9)	(19,655.7)
Net finance costs (note 30)	(3,376.8)	(10,203.8)	(9,989.7)
<b>Profit/(loss) from associates under the equity method</b>	<b>5.2</b>	<b>257.6</b>	<b>(47.4)</b>
<b>Profit before tax</b>	<b>68,607.1</b>	<b>39,578.3</b>	<b>10 571.1</b>

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

The 2020 result of the wind energy segment does not include any write-down of non-current assets (2019: 1,175.0 thousand euros; 2018: 708 thousand euros). The 2019 result of the segment "Other" includes a loss from the sale of subsidiary of 1,394.0 thousand euros.

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
<b>Operating profit</b>			
Wind energy	41,804.4	37,633.3	9,165.7
Cogeneration	20,189.9	16,433.6	15,827.6
Solar energy	885.6	138.2	(170.6)
<b>Total reportable segments</b>	<b>62,879.9</b>	<b>54,205.0</b>	<b>24,822.7</b>
Other	9,098.8	(4,680.5)	(4,214.4)
<b>Total</b>	<b>71,978.7</b>	<b>49,524.5</b>	<b>20,608.3</b>

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
<b>Investments in non-current assets</b>			
Wind energy	7,040.9	5,280.6	3,272.3
Cogeneration	1,891.1	2,210.5	1,157.2
Solar energy	4,696.8	448.3	3,936.0
<b>Total reportable segments</b>	<b>13,628.8</b>	<b>7,939.4</b>	<b>8,365.5</b>
Other	97.2	173.0	562.1
<b>Total</b>	<b>13,726.0</b>	<b>8,112.4</b>	<b>8,927.6</b>

In thousand EUR	31 DECEMBER		
	2020	2019	2018
<b>Non-current assets</b>			
Wind energy	490,928.7	513,904.4	533,540.9
Cogeneration	146,438.4	157,220.6	163,333.8
Solar energy	23,274.3	18,588.0	3,985.3
<b>Total reportable segments</b>	<b>660,641.4</b>	<b>689,713.1</b>	<b>700,860.0</b>
Other	5,379.0	2,788.6	4,949.7
<b>Total</b>	<b>666,020.4</b>	<b>692,501.7</b>	<b>705,809.7</b>

At 31 December 2020, the assets of the group's wind energy segment included goodwill of 23,695.0 thousand euros (2019:23,695.0), cogeneration segment included goodwill of 32,712.3 thousand euros (2019: 32,712.3) and solar energy segment included goodwill of 2,816.0 thousand euros (2019: 2,816.0 thousand euros). At 31 December 2018, the assets of the group's wind energy segment included goodwill of 23,695.0 thousand euros and cogeneration segment included goodwill of 32,712.3 thousand euros.

## Revenue by the location of customers

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Estonia	50,173.3	57,132.2	48,319.1
Lithuania	37,193.3	35,815.4	4,667.1
Latvia	23,189.9	26,613.7	4,259.8
Finland	2,520.6	-	-
Poland	917.2	271.8	-
Denmark	-	-	2,761.7
<b>Total revenue (note 24)</b>	<b>113,994.3</b>	<b>119,833.1</b>	<b>60,007.7</b>

## Allocation of non-current assets by location \*

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Estonia	371,887.1	395,770.1	406,370.7
Lithuania	231,369.3	241,339.1	254,050.5
Latvia	35,958.6	38,588.6	40,880.6
Poland	15,603.8	12,169.2	-
Finland	8,000.0	-	-
Right-of-use assets, Estonia (note 6)	1,259.0	1,376.2	-
Right-of-use assets, Lithuania (note 6)	963.3	1,349.2	-
<b>Total non-current assets (notes 6, 7 and 9)</b>	<b>665,041.1</b>	<b>690,592.4</b>	<b>701,307.8</b>

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

## NOTE 6. RIGHT-OF-USE ASSETS

In thousand EUR	Rights to use land
<b>As at 1 January 2019</b>	
Initial recognition on the adoption of IFRS 16	2,894.6
<b>Carrying amount</b>	<b>2,894.6</b>
<b>2019</b>	
Additions	-
Depreciation charge	(169.2)
<b>Total carrying amount</b>	<b>2,725.3</b>
<b>At 31 December 2019</b>	
Cost	2,894.6
Accumulated depreciation	(169.2)
<b>Carrying amount</b>	<b>2,725.3</b>
<b>2020</b>	
Adjustments	(353.3)
Depreciation charge	(149.8)
<b>Total carrying amount</b>	<b>2,222.3</b>
<b>At 31 December 2020</b>	
Cost	2,541.3
Accumulated depreciation	(319.0)
<b>Carrying amount</b>	<b>2,222.3</b>

The group has recognised the following amounts in profit or loss in respect of lease contracts: depreciation of right-of-use assets in the amount of 149.8 thousand euros (2019: 169.2 thousand euros) and interest expense with adjustments on lease payments for right-of-use-assets of -28.0 thousand euros (interest expenses 2019: 144.7 thousand euros).



## NOTE 7. PROPERTY, PLANT AND EQUIPMENT

In thousand EUR	Land	Buildings	Facilities and structures	Machinery and equipment	Other property, plant and equipment	Construction in progress and prepayments	Total
<b>Carrying amount as at 1 January 2018</b>	<b>8,194.1</b>	<b>17,140.3</b>	<b>22,556.8</b>	<b>163,227.9</b>	-	<b>530.6</b>	<b>211,649.7</b>
<b>Movements in 2018</b>							
Additions (note 5)	88.9	62.1	33.2	821.9	1.9	7,919.6	8,927.6
Depreciation (notes 4, 5, and 32)	-	(577.6)	(1,209.8)	(17,162.4)	(5.8)	-	(18,955.6)
Impairment (note 32)	-	-	-	(635.1)	-	-	(635.1)
Acquisition of a subsidiary (note 35)	1.4	-	-	435,882.1	39.6	7,313.8	443,236.9
Transfers	-	253.2	-	1,860.2	-	(2,257.3)	(143.9)
<b>Property, plant and equipment as at 31 December 2018</b>							
Cost	8,284.4	24,761.9	41,370.0	713,029.1	177.0	13,506.7	801,129.1
Accumulated depreciation	-	(7,883.9)	(19,989.8)	(129,034.5)	(141.3)	-	(157,049.5)
<b>Carrying amount as at 31 December 2018</b>	<b>8,284.4</b>	<b>16,878.0</b>	<b>21,380.2</b>	<b>583,994.6</b>	<b>35.7</b>	<b>13,506.7</b>	<b>644,079.6</b>
<b>Movements in 2019</b>							
Additions (note 5)	1,295.2	26.3	49.5	281.5	4.6	6,423.3	8,080.6
Depreciation (notes 4, 5 and 32)	-	(595.8)	(1,194.5)	(37,439.2)	(4.0)	-	(39,233.5)
Impairment (note 32)	-	-	-	(1,226.7)	(26.9)	-	(1,253.6)
Disposals (at carrying amount)	(46.5)	-	-	-	(1.3)	-	(47.8)
Effects on movements in foreign exchange rates	-	1.3	0.1	44.9	-	-	46.3
Acquisition of a subsidiary (note 35)	-	196.7	182.0	11,959.4	-	-	12,338.1
Other changes	-	-	-	3,926.4	-	-	3,926.4
Transfers	382.7	9.0	4.7	7,813.8	-	(8,280.2)	(70.0)

In thousand EUR	Land	Buildings	Facilities and structures	Machinery and equipment	Other property, plant and equipment	Construction in progress and prepayments	Total
<b>Property, plant and equipment as at 31 December 2019</b>							
Cost	9,915.8	24,995.4	41,606.6	738,168.3	180.0	11,649.8	826,516.0
Accumulated depreciation	-	(8,479.8)	(21,184.4)	(168,813.7)	(172.0)	-	(198,649.9)
<b>Carrying amount as at 31 December 2019</b>	<b>9,915.8</b>	<b>16,515.6</b>	<b>20,422.2</b>	<b>569,354.6</b>	<b>8.0</b>	<b>11,649.8</b>	<b>627,866.1</b>
<b>Movements in 2020</b>							
Additions (note 5)	30.4	14.6	371.2	222.2	-	7,087.6	7,726.0
Depreciation (note 4, 5 and 32)	-	(621.4)	(1,261.6)	(35,935.1)	(13.4)	-	(37,831.5)
Impairment (note 32)	(34.5)	-	-	(14.0)	-	-	(48.5)
Disposals (at carrying amount)	(33.2)	-	-	-	-	-	(33.2)
Effects on movements in foreign exchange rates	-	(12.9)	(11.3)	(763.3)	-	(6.1)	(793.6)
Other changes	-	-	-	94.9	-	-	94.9
Transfers	584.5	205.1	12.9	1,950.4	5.4	(4,758.4)	(2,000.1)
<b>Property, plant and equipment as at 31 December 2020</b>							
Cost	10,463.0	25,218.1	42,029.8	738,549.1	180.3	13,973.0	830,413.3
Accumulated depreciation	-	(9,117.2)	(22,496.6)	(203,639.2)	(180.3)	-	(235,433.3)
<b>Carrying amount as at 31 December 2020</b>	<b>10,463.0</b>	<b>16,100.9</b>	<b>19,533.2</b>	<b>534,909.9</b>	<b>0.0</b>	<b>13,973.0</b>	<b>594,980.0</b>

Additions to property, plant and equipment are related to the development of new renewable energy projects and making significant improvements to existing wind farms and heat and power cogeneration plants.

Enefit Green's wind farms were tested for impairment in 2020 by estimating the recoverable amounts of the assets based on the discounted future cash flows of each cash-generating unit. Cash flows for each unit have been projected until the end of the useful life of a respective wind farm. Every wind farm was treated as a separate cash-generating unit.

The total carrying amount of wind farm tangible non-current assets as at 31 December 2020 is 449,651.3 thousand euros (31 December 2019: 472,981.0 thousand euros; 31 December 2018: 501,759.0 thousand euros) and goodwill as at 31 December 2020 is 23,695.0 thousand euros (31 December 2019: 23,695.0 thousand euros; 31 December 2018: 23,695.0 thousand euros) (note 9).

The impairment tests conducted in 2020 did not indicate a need for writing wind farms down (2019: the Aulepa wind farm was written down by 502.9 thousand euros and the Silale wind farm was written down by 584.7 thousand euros; 2018: the Aulepa wind farm was written down by 635.1 thousand euros). In 2020 the previous years' write-down were not cancelled as the group decided to keep a conservative approach. The write-down reflects solely the impairment of property, plant and equipment because the group has not allocated any goodwill to those cash-generating units.

The recoverable amount of the assets of the wind farms was estimated based on their value in use. The expected future cash flows were discounted using a discount rate of 5.7% for wind farms in Lithuania and 4.7% for wind farms in Estonia (2019: 6.0% for wind farms in both countries; 2018: 6.0% for wind farms in both countries). Electricity price forecast is based on third party estimations and forward prices. It has been assumed that Estonian and Lithuanian electricity prices will gradually converge with neighbouring region's electricity prices. The recoverable amount of the assets of wind farms is most sensitive to changes in the electricity price. If the assumption that the price levels in the Estonian and the neighbouring electricity markets would gradually equalise did not apply and the market price of electricity was forecast relying on current forward prices, the impairment losses on wind farms in Estonia and Lithuania would amount to 21,000.0 thousand euros and 29,000.0 thousand euros, respectively (2019: Estonian wind farms 7,000.0 thousand euros and 17,000.0 thousand euros for Lithuanian wind farms; 2018: 8,000.0 thousand euros for Estonian wind farms). The recoverable amounts of wind farms were estimated taking into account the goodwill allocated to them.

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

## NOTE 8. OPERATING LEASES

### Assets leased out under operating leases

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Cost	3,899.9	4,934.6	4,702.6
Accumulated depreciation at the beginning of the financial year	(2,673.9)	(3,166.5)	(3,083.9)
Depreciation charge for the period	(65.7)	(81.1)	(82.6)
<b>Carrying amount</b>	<b>1,160.3</b>	<b>1,687.0</b>	<b>1,536.1</b>

Assets that have been leased out are used partly in the group's own operating activities and partly to earn rental income. The cost and depreciation presented above have been calculated based on the parts of assets that have been leased out.

## NOTE 9. INTANGIBLE ASSETS

In thousand EUR	Goodwill	Software	Other intangible assets	Total
<b>Carrying amount as at 1 January 2018</b>	<b>36,475.9</b>	<b>209.0</b>	<b>284.0</b>	<b>36,968.9</b>
<b>Movements in 2018</b>				
Amortisation	-	(39.3)	(25.7)	(65.0)
Acquisition of a subsidiary (note 35)	19,931.4	-	300.0	20,231.4
Transfers	-	93.0	-	93.0
<b>Intangible assets as at 31 December 2018</b>				
Cost	56,407.3	366.9	711.7	57,485.9
Accumulated amortisation	-	(104.2)	(153.4)	(257.6)
<b>Carrying amount as at 31 December 2018</b>	<b>56,407.3</b>	<b>262.7</b>	<b>558.3</b>	<b>57,228.3</b>
<b>Movements in 2019</b>				
Additions (note 5)	-	29.2	2.8	32.0
Amortisation (note 5 and 32)	-	(52.0)	(93.5)	(145.5)
Acquisition of a subsidiary (note 35)	2,816.0	-	-	2,816.0
Transfers	-	169.7	(99.0)	70.7
<b>Intangible assets as at 31 December 2019</b>				
Cost	59,223.2	614.2	546.7	60,384.1
Accumulated amortisation	-	(204.9)	(178.4)	(383.3)
<b>Carrying amount as at 31 December 2019</b>	<b>59,223.2</b>	<b>409.3</b>	<b>368.3</b>	<b>60,000.8</b>
<b>Movements in 2020</b>				
Additions (note 5)	-	-	6,000.0	6,000.0
Amortisation (note 5 and 32)	-	(68.7)	(45.7)	(114.4)
Impairment (note 32)	-	-	(47.7)	(47.7)
Transfers	-	0.1	2,000.0	2,000.1
<b>Intangible assets as at 31 December 2020</b>				
Cost	59,223.2	614.3	8,546.7	68,384.2
Accumulated amortisation	-	(273.6)	(271.8)	(545.4)
<b>Carrying amount as at 31 December 2020</b>	<b>59,223.2</b>	<b>340.7</b>	<b>8,274.9</b>	<b>67,838.8</b>

In 2020, the company acquired contractual rights for the development of the Tolpanvaara wind farm for 6,000.0 thousand euros, prepayment from 2018 was 2,000.0 thousand euros and total investment is 8,000.0 thousand euros. The contractual rights include various construction permits, aviation permits, road connection permits, grid connection agreements and wind measurement technical documents which allow the construction of a wind park on the designated land area. The expected useful life of the wind farm is 30 years and currently the asset is not yet amortised. The construction of the wind park is set to begin in the upcoming years.

## Allocation of goodwill to cash-generating units

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Goodwill acquired on the acquisition of Nelja Energia	19,931.4	19,931.4	19,931.4
Goodwill acquired on the acquisition of solar farms in Poland	2,816.0	2,816.0	-
Goodwill acquired on the acquisition of Iru power plant	32,412.3	32,412.3	32,412.3
Goodwill acquired on the acquisition of Paldiski and Narva wind farms	3,763.6	3,763.6	3,763.6
Goodwill acquired on the acquisition of Pogi OÜ	300.0	300.0	300.0
<b>Total goodwill</b>	<b>59,223.3</b>	<b>59,223.3</b>	<b>56,407.3</b>

Goodwill was tested for impairment as at the reporting date by estimating the recoverable amount of goodwill acquired in business combinations. The group did not identify a need for recognising an impairment loss. The recoverable amounts of cash generating units were estimated based on value in use. Cash flows for all the tested units have been projected until the end of the useful life of a respective cash generating unit. The longer period is justified as all cash-generating units receive renewable energy subsidies for a certain period of time arising from the respective local laws. Incorporating these subsidies into the terminal year cash flows of each cash-generating unit would therefore not give an objective result.

The expected future cash flows of the cash-generating units to which the goodwill acquired on the acquisition of the Nelja Energia, Paldiski and Narva wind farms has been allocated were discounted by applying a discount rate of 5.7% for wind farms in Lithuania and 4.7% for wind farms in Estonia (2019: 6.0% for wind farms in both countries; 2018: 6.0% for wind farms in both countries).

The expected future cash flows of other cash-generating units to which goodwill has been allocated were discounted by applying a discount rate of 5.9%-7.0% (2019: 7.0%; 2018: 7.0%).

The expected future cash flows of the cash-generating unit to which the goodwill recognised on the acquisition of the Iru power plant has been allocated were discounted at the rate of 4.7% (2019: 7.0%; 2018: 7.0%). At a 1 percentage point higher discount rate, the carrying amount of goodwill would not exceed its recoverable amount. The cash flows of the cash-generating unit to which the goodwill of the Iru power plant has been allocated are sensitive to changes in the price of heat and the waste reception fee. The price of heat was forecast based on the maximum heat price approval principles of the Competition Authority and the heat price stated in the current sales agreement (the agreement is valid until 15 February 2027). The waste reception fee was forecast based on current agreements and indexed to inflation. The outputs of the cash-generating unit to which the goodwill of the Iru power plant has been allocated were forecast taking into account the base quantity fixed in the current heat sales agreement. If both the price of heat and the waste reception fee decreased by 10%, the carrying amount of goodwill would not exceed its recoverable amount, because according to section 8 (3) of the District Heating Act, the price of heat must be cost based.

Goodwill of 19,931.4 thousand euros (31 December 2019: 19,931.4 thousand euros; 31 December 2018: 19,931.4 thousand euros) has been allocated to the wind farms acquired on the acquisition of Nelja Energia AS. The expected future cash flows of the cash-generating unit are sensitive to changes in the forecasts of the market price of electricity and the discount rate. The impairment tests on goodwill were carried out together with the impairment tests on the property, plant and equipment of the underlying units. Further information about significant inputs and their sensitivity is provided in note 7.

Goodwill arose on the acquisition of solar farms in Poland that amounted to 2,816.0 thousand euros (31 December 2019: 2,816.0 thousand euros) and was allocated to the solar farms and their development projects (note 35). The impairment test conducted as at 31 December 2020 and 31 December 2019 did not indicate a need for writing goodwill down.

## NOTE 10. INVESTMENTS IN ASSOCIATES

The group's investments in associates as at 31 December 2020, 31 December 2019 and 31 December 2018

Name of the company	Country of incorporation	Interest as at 31 December 2020	Interest as at 31 December 2019	Interest as at 31 December 2018	Nature of relationship	Measurement method
Empower 4Wind OÜ*	Estonia	40.0%	40.0%	40.0%	<sup>1</sup>	Equity method
Team Paldiski OÜ*	Estonia	20.0%	20.0%	20.0%	<sup>2</sup>	Equity method
Wind Controller JV Oy*	Finland	10.0%	10.0%	10.0%	<sup>3</sup>	Equity method
Oisu Biogaas OÜ*	Estonia	0%	0%	28.0%	<sup>4</sup>	Equity method
Vinni Biogaas OÜ*	Estonia	0%	0%	32.5%	<sup>4</sup>	Equity method

\* Associates acquired on 6 November 2018 in connection with the acquisition of Nelja Energia AS.

<sup>1</sup> Empower 4Wind OÜ is a company involved in wind farm maintenance. The company maintains and services wind farms in Estonia and offers them construction, installation, fault detection and associated services.

<sup>2</sup> Team Paldiski OÜ is a company involved in the development of renewable energy technologies.

<sup>3</sup> Wind Controller JV Oy is a company involved in the maintenance of wind farms in Finland.

<sup>4</sup> Oisu Biogaas OÜ and Vinni Biogaas OÜ are the two largest biogas plants in Estonia that produce both electricity and heat.

Further information about the disposal of Oisu Biogaas OÜ and Vinni Biogaas OÜ is provided in note 11.

## NOTE 11. SUBSIDIARIES

The group's subsidiaries as at 31 December 2020, 31 December 2019 and 31 December 2018

Name of subsidiary	Country of incorporation	Nature of business	Ordinary shares held by the group (%)			Ordinary shares held by non-controlling interests (%)		
			31 DECEMBER			31 DECEMBER		
			2020	2019	2018	2020	2019	2018
Enefit Power & Heat Valka SIA	Latvia	Electricity and heat production and sales	100.0	100.0	100.0	-	-	-
Nelja Energia AS	Estonia	Management services	-	-	100.0	-	-	-
Hanila Tuulepargid OÜ	Estonia	Electricity production	-	-	100.0	-	-	-
Oceanside OÜ	Estonia	Electricity production	-	-	100.0	-	-	-
Pakri Tuulepargid OÜ	Estonia	Electricity production	-	-	100.0	-	-	-
Aseriaru Tuulepark OÜ	Estonia	Electricity production	-	-	100.0	-	-	-
Hiumaa Offshore Tuulepark OÜ	Estonia	Wind farm development	100.0	100.0	100.0	-	-	-
VV Tuulepargid OÜ	Estonia	Electricity production	-	-	100.0	-	-	-
Tootsi Tuulepark OÜ	Estonia	Wind farm development	100.0	100.0	100.0	-	-	-
4E Biofond OÜ	Estonia	Management services/biogas plants	-	-	69.9	-	-	30.1
Enefit Wind OÜ	Estonia	Production of wind power	100.0	100.0	100.0	-	-	-
Enercom SIA	Latvia	Wind farm development	100.0	100.0	100.0	-	-	-
Technological Solutions SIA	Latvia	Cogeneration plant	100.0	100.0	100.0	-	-	-
Pellet 4Energia SIA	Latvia	Pellet production	100.0	100.0	100.0	-	-	-
4ENERGIA SIA	Latvia	Management services	100.0	100.0	95.0	-	-	5.0
Iverneta UAB	Lithuania	Electricity production	-	-	100.0	-	-	-
Naujoji Energija UAB	Lithuania	Electricity production	-	-	100.0	-	-	-
Šilalės vėjo UAB	Lithuania	Wind farm development	100.0	100.0	100.0	-	-	-
Sūdėnų vėjo elektra UAB	Lithuania	Electricity production	-	-	100.0	-	-	-
Šilalės vėjo elektra UAB	Lithuania	Electricity production	-	-	100.0	-	-	-
Šilutės vėjo parkas 2	Lithuania	Wind farm development	100.0	100.0	100.0	-	-	-
Šilutės vėjo parkas 3	Lithuania	Wind farm development	100.0	100.0	100.0	-	-	-
Energijos Žara	Lithuania	Wind farm development	100.0	100.0	100.0	-	-	-
Vėjo Parkai UAB	Lithuania	Wind farm development	100.0	100.0	100.0	-	-	-
4Energia UAB	Lithuania	Management services	-	-	100.0	-	-	-
Enefit Wind UAB (until 31 May 2019 Šilutės Vėjo Projektai UAB)	Lithuania	Electricity production	100.0	100.0	100.0	-	-	-
Enefit Green UAB	Lithuania	Establishment and operation of wind farms	100.0	100.0	-	-	-	-
Baltic Energy Group UAB	Lithuania	Research related to the development of an offshore wind farm	100.0	100.0	100.0	-	-	-
Enefit Green sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
Cirrus sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
Velum sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
Incus sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
Humilis sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
Energy Solar 15 Sp. z o.o.	Poland	Production of electrical energy from sun	100.0	100.0	-	-	-	-
PV Sielec Sp.z.o.o.	Poland	Production of electrical energy from sun	100.0	-	-	-	-	-
PV Plant Zambrow Sp.z.o.o.	Poland	Solar farm development	100.0	-	-	-	-	-
PV Plant Debnik Sp.z.o.o.	Poland	Solar farm development	100.0	-	-	-	-	-
Tolpanvaara Wind Farm OY	Finland	Wind farm development	100.0	-	-	-	-	-

## Changes in 2020

In 2020, Enefit Green acquired the rights to realise the Tolpanvaara wind farm project from the Finnish state forest management company Metsähallitus. See also Note 9 for detailed information.

In 2020, Enefit Green has acquired three solar parks in the sum of EUR 1.9 million: PV Sielec Sp. z o.o., PV Plant Zambrow Sp. Z.o.o and PV Plant Debnik Sp Z.o.o. These transactions were accounted as acquisitions of assets as the definition of a business combination was not met.

## Changes in 2019

Enefit Wind OÜ was established on 19 February 2019 as a subsidiary of Enefit Green AS. The entity was established with a contribution in kind: Enefit Green AS transferred its Narva, Paldiski and Virtsu wind farms to Enefit Wind OÜ. In addition, on 6 May 2019 wind farm operating companies Hanila Tuulepargid OÜ, Oceanside OÜ, Pakri Tuulepargid OÜ, Aseriaru Tuulepargid OÜ and VV Tuulepargid OÜ were merged with Enefit Wind OÜ. After that, following a demerger of Enefit Green AS, the Aulepa wind farm was transferred to Enefit Wind OÜ.

Enefit Green UAB was established on 22 February 2019 as a subsidiary of Enefit Green AS. In July 2019, Enefit Green AS sold its interests in Lithuanian wind farm development companies to Enefit Green UAB.

In March 2019, Enefit Green AS acquired the 5% non-controlling interest in 4Energia SIA.

Nelja Energia AS was merged with Enefit Green AS on 2 April 2019.

On 31 May 2019, a restructuring was finalised by which the business name of Šilutės Vėjo Projektai UAB was changed to Enefit Wind UAB and the Lithuanian wind farm operating companies Iverenta UAB, Naujoji Energija UAB, Sūdėnų vėjo elektra UAB and Šilalės vėjo elektra UAB were merged with Enefit Wind UAB.

On 18 June 2019, Enefit Green AS signed an agreement for the acquisition of 20 solar farms projects in Poland. By the reporting date of 31 December 2019, the group had acquired 18 of the solar farms, which are managed by nine companies: Enefit Green Sp. z o.o., Cirrus Sp. z o.o., Velum Sp. z o.o., Incus Sp. z o.o., Humilis Sp. z o.o., Energy Solar 15 Sp. z o.o., PV Sielec Sp. z o.o., PV Debnik Sp. z o.o. and PV Plant Zambrow Sp. z o.o. (note 35). In 2020, of the two remaining solar farms, one was purchased, and the other purchase was cancelled.

On 18 October 2019, Enefit Green AS sold its 69.88% interest in 4E Biofond OÜ. 4E Biofond OÜ is the non-controlling shareholder of Vinni Biogaas OÜ and Oisu Biogaas OÜ, which operate and own the Vinni and Oisu biogas-fired heat and power cogeneration plants, respectively. The controlling shareholders of both entities are local agricultural companies (note 29).

## Changes in 2018

On 6 November 2018, after the approval of the transaction by the competition authorities of Latvia, Lithuania and Estonia, Enefit Green AS acquired 100% of the shares in Nelja Energia AS for 281,329.0 thousand euros. Before the transaction, 77% of the shares in Nelja Energia were held by Vardar Eurus, an entity owned by Norwegian local authorities (90%) and NEFCO (10%), and 23% of the shares in Nelja Energia were held by Estonian investors. The identifiable assets and liabilities of the interest acquired in Nelja Energia AS are disclosed in note 35.

Immediately after finalising the acquisition of Nelja Energia AS, the group acquired the non-controlling interests in Hiiumaa Offshore Tuulepark OÜ and 4Energia UAB, in which non-controlling shareholders had stakes of 5.03% and 20%, respectively. The group paid for the transactions 1,740.7 thousand euros in total.

As at 31 December 2018, a 30.12% non-controlling interest in 4E Biofond OÜ was held by Nordic Environment Finance Corporation and a 5% interest in 4Energia SIA was held by Toms Naburgs, a member of the entity's management board.



All subsidiaries are consolidated. The parent's voting power in the subsidiaries does not differ from its share of ordinary shares held. The parent does not hold any preference shares in the subsidiaries. None of the carrying amounts of the non-controlling interests as at 31 December 2018 was significant.

## NOTE 12. INVENTORIES

In thousand EUR	31 DECEMBER		
	2020	2019	2018
<b>Raw materials and consumables at warehouses</b>			
Technological wood	1,431.5	2,469.0	1,348.5
Wood chips	523.9	670.7	256.1
Fuel	93.1	93.4	127.4
<b>Total raw materials and consumables at warehouses</b>	<b>2,048.4</b>	<b>3,233.1</b>	<b>1,732.0</b>
<b>Finished goods</b>			
Pellets	6,476.5	1,802.7	680.0
<b>Total finished goods</b>	<b>6,476.5</b>	<b>1,802.7</b>	<b>680.0</b>
Spare parts	1,739.5	1,687.4	3,195.9
Solar panels	820.8	-	-
Other	-	-	0.2
<b>Total inventories</b>	<b>11,085.2</b>	<b>6,723.2</b>	<b>5,608.1</b>

The group did not recognise any significant inventory write-downs in 2020, 2019 or 2018.

In 2020, the market for wood pellets was affected by a warm winter. This resulted in increased inventory balances all over the region and lower market prices. The market activity and prices have improved in 2021. By the end of April, the inventory quantities balance has decreased by 38%, followed by even higher sales in May. The market is expected to recover by winter.

## NOTE 13. TRADE AND OTHER RECEIVABLES

In thousand EUR	31 DECEMBER		
	2020	2019	2018
<b>Receivables</b>			
Trade receivables	9,096.9	14,628.3	13,483.4
Allowance for expected credit losses	(9.6)	(1.6)	(17.6)
<b>Total trade receivables</b>	<b>9,087.3</b>	<b>14,626.7</b>	<b>13,465.8</b>
Receivables from related parties (note 34)	36,284.9	187.4	341.7
Other receivables	657.0	1,759.4	1,960.9
Prepayments	5,536.2	3,272.7	2,577.9
<b>Total current receivables</b>	<b>51,565.5</b>	<b>19,846.2</b>	<b>18,346.3</b>
<b>Non-current receivables</b>			
Loans provided to associates	-	-	310.0
Other non-current receivables	102.9	129.1	153.3
<b>Total non-current receivables</b>	<b>102.9</b>	<b>129.1</b>	<b>463.3</b>

Prepayments as at 31 December 2020, 31 December 2019, and 31 December 2018 comprise prepaid taxes and prepaid expenses. Other receivables as at 31 December 2019 and 31 December 2018 include mainly insurance compensation receivable of 1,252.0 thousand euros. Prepayments are not included in financial assets.

The group's receivables and prepayments are predominantly denominated in euros and measured at amortised cost. Information about the credit quality of receivables is provided in note 16.

The receivables against related parties has increased significantly as at 31 December 2020 due to the addition of a receivable against the parent entity that is arising from monetary resources held at parent entity cash pooling facility. See additional details in note 18.

## ANALYSIS OF TRADE RECEIVABLES

In thousand EUR	31 DECEMBER		
	2020	2019	2018
<b>Trade receivables</b>			
Trade receivables	9,096.9	14,628.3	13,483.4
Allowance for expected credit losses	(9.6)	(1.6)	(17.6)
<b>Total trade receivables</b>	<b>9,087.3</b>	<b>14,626.7</b>	<b>13,465.8</b>

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

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

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

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

### Changes in the allowance for expected credit losses on trade receivables

In thousand EUR	31 DECEMBER		
	2020	2019	2018
<b>Allowance for expected credit losses at the beginning of the period</b>	(1.6)	(17.6)	-
Items considered doubtful and doubtful items collected during the period	(15.0)	(25.9)	(17.6)
Items written off as uncollectible	7.0	42.0	-
<b>Allowance for expected credit losses at the end of the period</b>	<b>(9.6)</b>	<b>(1.6)</b>	<b>(17.6)</b>

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

## NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Interest rate swaps	-	-	3,831.7
<b>Total derivative financial instruments (note 15)</b>	-	-	<b>3,831.7</b>
Total non-current portion	-	-	2,074.2
Total current portion	-	-	1,757.5

In 2018, interest rate swaps were used to hedge the interest rate risks of loans with floating interest rates.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2);
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the group's assets and liabilities that are measured at fair value by the level in the fair value hierarchy as at 31 December 2018. Fair value was determined based on the confirmation obtained from a third party and supported by the group's own computations.

In thousand EUR	31 DECEMBER 2018			
	Level 1	Level 2	Level 3	Total
<b>Liabilities</b>				
Interest rate swaps (note 15)	-	3,831.7	-	3,831.7
<b>Total financial liabilities</b>	-	<b>3,831.7</b>	-	<b>3,831.7</b>

## NOTE 15. DIVISION OF FINANCIAL INSTRUMENTS BY CATEGORY

Line items of financial assets in the statement of financial position:

in thousand EUR	Assets measured at amortised cost	Total
<b>As at 31 December 2020</b>		
<b>Financial asset items in the statement of financial position</b>		
Trade and other receivables excluding prepayments (notes 3.1.2 and 13)	9,847.2	9,847.2
Receivables from related parties (notes 3.1.2, 13, 18 and 34)	36,284.9	36,284.9
Cash and cash equivalents (notes 3.1.2, 3.2, 16 and 17)	10,773.7	10,773.7
<b>Total financial asset items in the statement of financial position</b>	<b>56,905.8</b>	<b>56,905.8</b>
<b>As at 31 December 2019</b>		
<b>Financial asset items in the statement of financial position</b>		
Trade and other receivables excluding prepayments (notes 3.1.2 and 13)	16,515.2	16,515.2
Receivables from related parties (notes 3.1.2, 13 and 34)	187.4	187.4
Cash and cash equivalents (notes 3.1.2, 3.2, 16 and 17)	11,126.5	11,126.5
<b>Total financial asset items in the statement of financial position</b>	<b>27,829.1</b>	<b>27,829.1</b>
<b>As at 31 December 2018</b>		
<b>Financial asset items in the statement of financial position</b>		
Trade and other receivables excluding prepayments (notes 3.1.2 and 13)	15,580.0	15,580.0
Receivables from related parties (notes 3.1.2, 13 and 34)	651.7	651.7
Cash and cash equivalents (notes 3.1.2, 3.2, 16 and 17)	28,001.6	28,001.6
<b>Total financial asset items in the statement of financial position</b>	<b>44,233.3</b>	<b>44,233.3</b>

Line items of financial liabilities in the statement of financial position:

in thousand EUR	Liabilities measured at amortised cost	Liabilities at fair value through profit or loss	Total
<b>As at 31 December 2020</b>			
<b>Financial liability items in the statement of financial position</b>			
Borrowings (notes 3.1.3, 3.2 and 20)	199,336.2	-	199,336.2
Trade and other payables (notes 3.1.3 and 21)	6,503.7	-	6,503.7
Payables to the parent (notes 3.1.3, 21 and 34)	535.3	-	535.3
<b>Total financial liability items in the statement of financial position</b>	<b>206,375.2</b>	<b>-</b>	<b>206,375.2</b>
<b>As at 31 December 2019</b>			
<b>Financial liability items in the statement of financial position</b>			
Borrowings (notes 3.1.3, 3.2 and 20)	225,716.3	-	225,716.3
Trade and other payables (notes 3.1.3 and 21)	7,367.2	-	7,367.2
Payables to the parent (notes 3.1.3, 21 and 34)	786.1	-	786.1
Overdraft liability to the parent (notes 3.1.1, 20 and 34)	10,115.6	-	10,115.6
<b>Total financial liability items in the statement of financial position</b>	<b>243,985.2</b>	<b>-</b>	<b>243,985.2</b>
<b>As at 31 December 2018</b>			
<b>Financial liability items in the statement of financial position</b>			
Borrowings (notes 3.1.3, 3.2 and 20)	160,370.5	-	160,370.5
Trade and other payables (notes 3.1.3 and 21)	7,088.9	-	7,088.9
Payables to the parent (notes 3.1.3, 21 and 34)	3,245.6	-	3,245.6
Overdraft liability to the parent (notes 3.1.3, 20 and 34)	520,536.3	-	520,536.3
Derivative financial instruments (notes 3.1.3 and 14)	-	3,831.7	3,831.7
<b>Total financial liability items in the statement of financial position</b>	<b>691,241.3</b>	<b>3,831.7</b>	<b>695,073.0</b>

## NOTE 16. CREDIT QUALITY OF FINANCIAL ASSETS

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

In thousand EUR	31 DECEMBER		
	2020	2019	2018
<b>Trade receivables</b>			
Receivables from new clients (client relationship shorter than 6 months)	4.7	0.8	129.2
Receivables from existing clients (client relationship 6 months or longer) that have not exceeded the due date in the past 6 months	6,828.3	7,587.1	10,305.2
Receivables from existing clients that have exceeded the due date in the past 6 months	1,381.2	5,446.4	2,800.2
Receivables from existing clients (client relationship 6 months or longer) that have not made any payments in the past 6 months	21.5	12.9	16.6
Other receivables from existing clients	851.6	1,579.4	214.6
<b>Total trade receivables (note 13)</b>	<b>9,087.3</b>	<b>14,626.7</b>	<b>13,465.8</b>

In thousand EUR	31 DECEMBER		
	2020	2019	2018
<b>Current accounts and short-term term deposits at banks</b>			
At banks with Moody's credit rating of Aa2	8,989.3	9,883.5	28,001.6
At banks with Moody's credit rating of Aa3	680.2	-	-
At banks with Moody's credit rating of A3	1,104.2	1,243.0	-
<b>Total current accounts and short-term term deposits at banks (note 17)</b>	<b>10,773.7</b>	<b>11,126.5</b>	<b>28,001.6</b>

The group's current account balances as at 31 December 2020 were deposited with SEB bank, Swedbank and OP bank in Estonia and mBank in Poland. The account balances with SEB bank in Estonia and with mBank in Poland exceeded 10% of the group's total current accounts at banks (31 December 2019: current accounts with SEB bank and Swedbank in Estonia and with mBank in Poland each exceeded 10% of the group's total current accounts and short-term term deposits at banks; 31 December 2018: current accounts were with SEB bank and Swedbank in Estonia and the account balance with either bank exceeded 10% of the group's total current accounts and short-term term deposits at banks).

According to management's assessment, other receivables due from counterparties without a credit rating issued by an independent rating agency do not involve material credit risk because there is no evidence of circumstances that would indicate impairment.

## NOTE 17. CASH AND CASH EQUIVALENTS

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Current accounts	10,773.7	11,126.5	18,778.7
Short-term term deposits	-	-	9,222.9
<b>Total cash and cash equivalents (notes 2.12, 3.1.3 and 16)</b>	<b>10,773.7</b>	<b>11,126.5</b>	<b>28,001.6</b>

### Cash and cash equivalents by currency

In thousand EUR	31 DECEMBER		
	2020	2019	2018
EUR	9,524.2	9,935.7	28,000.1
PLN	1,249.5	1,190.8	-
USD	-	-	0.3
GBP	-	-	1.2
<b>Total cash and cash equivalents (notes 2.12, 3.1, 3.2 and 16)</b>	<b>10,773.7</b>	<b>11,126.5</b>	<b>28,001.6</b>

### NOTE 18. OVERDRAFTS

Cash and cash equivalents in the statement of cash flows comprise cash on hand, demand deposits with financing institutions and other short-term, highly liquid investments with an original maturity of up to three months which are readily convertible to cash and subject to an insignificant risk of changes in value. Overdrafts are presented as current liabilities (loans) in the statement of financial position.

The current accounts of Enefit Green AS and Enefit Green AS subsidiary Enefit Wind OÜ at Swedbank AS and SEB AS are part of the cash pooling facility of Eesti Energia AS group. In addition to Enefit Green AS, the cash pooling facility of Eesti Energia group comprises the current accounts of all other subsidiaries of Eesti Energia AS. The facility is administered by Eesti Energia AS. The base currency of the overdraft facility is the euro.

At 31 December 2020, Enefit Green group had an intercompany receivable of 33,312.3 thousand euros against the parent entity related to the cash balances held at bank accounts included in the cash pooling facility of the parent entity (31 December 2019: Enefit Green AS's overdraft liability to the parent amounted to 10,102.8 thousand euros; 31 December 2018: Enefit Green AS's overdraft liability to the parent amounted to 520,536.3 thousand euros).

In 2020 the average interest rate for overdraft was 2.19%. In 2019, the average interest rate of the overdraft provided by Eesti Energia AS was 2.46% of the outstanding amount per year (2018: 2.42% of the outstanding amount per year). Further information about transactions with related parties is provided in note 34.

### NOTE 19. EQUITY

At 31 December 2020, Enefit Green AS had 4,793.5 thousand registered shares (2019: 4,793.5 thousand registered shares; 31 December 2018: 4,793.5 thousand registered shares). The par value of each share is 1 euro. All of the company's shares are held by Eesti Energia AS.

At 31 December 2020, the statutory capital reserve of Enefit Green AS amounted to 479.3 thousand euros (31 December 2019 and 31 December 2018: 479.3 thousand euros) and the group's unrestricted equity amounted to 105,111.4 thousand euros (31 December 2019: 55,656.9 thousand euros; 31 December 2018: 33,998.4 thousand euros).

On the distribution of dividends, the group will have to pay income tax of 14% (calculated as 14/86 of the net distribution) on the portion which extends up to the three preceding years' average dividend distribution and income tax of 20% (calculated as 20/80 of the net distribution) on the rest of the dividends. See note 31 for information regarding income tax expense arising from dividends paid.

In 2020, the group paid the owner a dividend of 18,400 thousand euros, i.e. 3.84 euros per share (2019: 15,000 thousand euros, i.e. 3.13 euros per share).

On 29 March 2019, the parent of Enefit Green AS, Eesti Energia AS, made a monetary contribution of 400,000 thousand euros in the equity to strengthen Enefit Green AS capital base, which was recognised as a contribution to a voluntary reserve. According to the parent entity's Article of Association dividends can be paid from the voluntary reserve. Any dividend pay-out from the voluntary reserve would not result in income tax.

Unrestricted (distributable) equity, the maximum possible net dividend and related income tax expense:

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Retained earnings	105,111.4	55,656.9	33,998.4
Unrestricted (distributable) equity	105,111.4	55,656.9	33,998.4
Income tax payable on the distribution of the entire unrestricted equity	(20,403.1)	(10,343.3)	(6,799.7)
<b>Maximum possible net dividend</b>	<b>84,708.3</b>	<b>45,313.6</b>	<b>27,198.7</b>

Basic earnings per share have been calculated by dividing profit for the period attributable to equity holder of the parent by the weighted average number of ordinary shares outstanding during the period. Since the group has no potential ordinary shares, diluted earnings per share equal basic earnings per share. There were no changes in share capital in 2020, 2019 and 2018.

	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Profit attributable to equity holder of the parent (in thousand EUR)	67,870.4	36,701.6	9,626.9
Weighted average number of ordinary shares (in thousand)	4,793.5	4,793.5	4,793.5
Basic earnings per share (EUR)	14.2	7.7	2.0
Diluted earnings per share (EUR)	14.2	7.7	2.0

## NOTE 20. BORROWINGS

### Borrowings measured at amortised cost

In thousand EUR	Short-term borrowings			Long-term borrowings			Total
	Overdraft (note 34)	Bank loans	Bonds issued	Lease liabilities	Bank loans	Lease liabilities	
<b>Borrowings at amortised cost as at 1 January 2018</b>	<b>216,104.7</b>	-	-	-	-	-	<b>216,104.7</b>
<b>Movements in 2018</b>							
<b>Monetary movements</b>							
Repayments of borrowings	-	(2,366.9)	-	(510.7)	-	-	(2,877.6)
Redemption of bonds	-	-	(48,500.0)	-	-	-	(48,500.0)
<b>Non-monetary movements</b>							
Change in borrowings from the parent	304,431.6	-	-	-	-	-	304,431.6
Increase in borrowings	-	-	-	52.4	-	178.2	230.6
Amortisation of borrowing costs	-	-	295.5	-	129.5	-	425.0
Acquisition of a subsidiary (note 35)	-	13,061.2	48,204.5	11,454.4	138,264.5	107.9	211,092.5
Transfers	-	35,157.6	-	45.9	(35,157.6)	(45.9)	-
<b>Total movements in 2018</b>	<b>304,431.6</b>	<b>45,851.9</b>	-	<b>11,042.0</b>	<b>103,236.4</b>	<b>240.2</b>	<b>464,802.1</b>
<b>Borrowings as at 31 December 2018</b>	<b>520,536.3</b>	<b>45,851.9</b>	-	<b>11,042.0</b>	<b>103,236.4</b>	<b>240.2</b>	<b>680,906.8</b>
<b>Borrowings at amortised cost as at 31 December 2018 (notes 3.1.3, 3.2 and 15)</b>	<b>520,536.3</b>	<b>45,851.9</b>	-	<b>11,042.0</b>	<b>103,236.4</b>	<b>240.2</b>	<b>680,906.8</b>
Adoption of IFRS 16	-	-	-	338.6	-	2,556.0	2,894.6
<b>Borrowings at amortised cost as at 1 January 2019</b>	<b>520,536.3</b>	<b>45,851.9</b>	-	<b>11,380.6</b>	<b>103,236.4</b>	<b>2,796.2</b>	<b>683,801.4</b>
<b>Movements in 2019</b>							
<b>Monetary movements</b>							
Increase in borrowings	-	37,141.8	-	-	222,858.2	-	260,000.0
Repayments of borrowings	-	(82,993.7)	-	(11,034.2)	(107,301.8)	-	(201,329.7)
<b>Non-monetary movements</b>							
Change in borrowings from the parent	(510,420.7)	-	-	-	-	-	(510,420.7)
Amortisation of borrowing costs	-	-	-	-	3,988.0	-	3,988.0
Adjustments	-	-	-	(139.8)	-	(67.3)	(207.1)
Transfers	-	37,141.8	-	77.7	(37,141.8)	(77.7)	-
<b>Total movements in 2019</b>	<b>(510,420.7)</b>	<b>(8,710.1)</b>	-	<b>(11,096.3)</b>	<b>82,402.5</b>	<b>(145.0)</b>	<b>(447,969.5)</b>
<b>Borrowings as at 31 December 2019</b>	<b>10,115.6</b>	<b>37,141.8</b>	-	<b>284.3</b>	<b>185,638.9</b>	<b>2,651.2</b>	<b>235,831.8</b>

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In thousand EUR	Short-term borrowings			Long-term borrowings			Total	
	Overdraft (note 34)	Bank loans	Bonds issued	Lease liabilities	Bank loans	Lease liabilities		Other liabilities
<b>Borrowings at amortised cost as at 31 December 2019 (notes 3.1.3, 3.2 and 15)</b>	<b>10,115.6</b>	<b>37,141.8</b>	-	<b>284.3</b>	<b>185,638.9</b>	<b>2,651.2</b>	-	<b>235,831.8</b>
<b>Movements in 2020</b>								
<b>Monetary movements</b>								
Increase in borrowings	-	391.3	-	-	8,585.4	-	-	8,976.7
Repayments of borrowings	-	(37,527.8)	-	(292.4)	-	-	-	(37,820.2)
<b>Non-monetary movements</b>								
Change in borrowings from the parent	(10,115.6)	-	-	-	-	-	-	(10,115.6)
Transfers	-	37,533.1	-	253.0	(37,533.1)	(253.0)	-	(0.0)
Amortisation of borrowing costs	-	-	-	-	26.2	-	-	26.2
Adjustments	-	-	-	-	-	(353.2)	-	(353.2)
Revaluation	-	(5.3)	-	-	(204.2)	-	-	(209.5)
Other movements	-	-	-	-	-	-	3,000.0	3,000.0
<b>Total movements in 2020</b>	<b>(10,115.6)</b>	<b>391.3</b>	-	<b>(39.4)</b>	<b>(29,125.7)</b>	<b>(606.2)</b>	<b>3,000.0</b>	<b>(36,495.6)</b>
<b>Borrowings as at 31 December 2020</b>	<b>-</b>	<b>37,533.1</b>	-	<b>244.9</b>	<b>156,513.3</b>	<b>2,045.0</b>	<b>3,000.0</b>	<b>199,336.3</b>
<b>Borrowings at amortised cost as at 31 December 2020 (notes 3.1.3, 3.2 and 15)</b>	<b>-</b>	<b>37,533.1</b>	-	<b>244.9</b>	<b>156,513.3</b>	<b>2,045.0</b>	<b>3,000.0</b>	<b>199,336.3</b>

In 2018, the group recognised in the statement of financial position lease liabilities only for those leases that were classified as 'finance leases' under IAS 17 *Leases*.

Lease liabilities as at 31 December 2018 comprise finance lease liabilities taken over on the acquisition of Nelja Energia AS. The finance leases were related to wind farms in Lithuania and purchases of machinery and equipment. All leases were classified as finance leases because they transferred ownership of the leased assets to the lessee at the end of lease term.

In the first quarter of 2019, the group completed the refinancing of the bank loans and finance lease liabilities taken over on the acquisition of Nelja Energia AS. This was done using loan agreements of 260,000.0 thousand euros signed with SEB bank (200,000.0 thousand euros) and Swedbank (60,000.0 thousand euros) in December 2018. The refinancing involved settling Nelja Energia's loans of 153,153.7 thousand euros and finance lease liabilities of 11,034.2 thousand euros and raising new loans of 260,000.0 thousand euros for Enefit Green. See also Note 30 for finance costs related to the early repayment of the loans. Out of the new loans, 37,141.8 thousand euros was repaid within 2019 in line with the contractual settlement schedules.

In 2020, Enefit Green AS made scheduled loan repayments in the amount of 37,527.8 thousand euros.

In 2020, Enefit Green AS signed a long-term loan agreement with the European Bank for Reconstruction and Development (EBRD) in the amount of PLN 40 million (EUR 9,000.0 thousand euros) which was also disbursed in full amount.

The payable associated to the acquisition of the Tolpanvaara project according to the agreement between Metsähallitus and Enefit Green AS is payable in 2024 and is reported under Other loans in the amount of 3,000.0 thousand euros. See also note 9 for additional information related to this transaction.

#### Fair values of overdraft, bank loans and lease liabilities

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Nominal value of overdraft	-	10,102.8	520,536.3
Fair value of overdraft	-	10,102.8	520,536.3
Nominal value of floating rate bank loans and lease liabilities (note 3.1)	196,336.3	225,716.2	164,436.0
Fair value of floating rate bank loans and lease liabilities (note 3.3)	196,336.3	225,716.2	164,436.0

According to management's assessment, the fair values of loans with floating interest rates as at the end of the reporting period do not differ from their carrying amounts as the risk margins have not changed.

#### Long-term bank loans at nominal value by maturity

In thousand EUR	31 DECEMBER		
	2020	2019	2018
< 1 year	37,924.3	37,141.8	45,836.1
1–5 years	151,653.3	185,638.9	59,174.6
> 5 years	4,468.7	-	48,143.0
<b>Total</b>	<b>194,046.4</b>	<b>222,780.7</b>	<b>153,153.7</b>

Loans are denominated in euros and in Polish zloty (one loan from EBRD mentioned above). The balance of this loan as at 31 December 2020 is 8,381 thousand euros (38,216.0 Polish zloty). As at 31 December 2019 and 31 December 2018, all loans are nominated in euros.

At 31 December 2020, the group had undrawn loans of 25,000.0 thousand euros (31 December 2019: 0 euros; 31 December 2018: 261,500.0 thousand euros).

#### Borrowings by periods for which interest rates have been set

In thousand EUR	31 DECEMBER		
	2020	2019	2018
< 1 year	191,737.5	235,831.8	680,906.6
1–5 years	3,130.0	-	-
> 5 years	4,468.7	-	-
<b>Total (notes 3.1 and 3.2)</b>	<b>199,336.2</b>	<b>235,831.8</b>	<b>680,906.6</b>

The periods are until the earlier of next interest rate repricing date and maturity date.

#### Weighted average effective interest rates of borrowings

	31 DECEMBER		
	2020	2019	2018
Overdraft	2.2%	2.5%	2.4%
Bank loans	1.7%	1.7%	1.9%
Lease liabilities	4.7%	4.8%	2.4%

#### Net debt\*

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Cash and cash equivalents (note 17)	10,773.7	11,126.5	28,001.6
Short-term borrowings	(37,777.9)	(47,541.8)	(577,430.2)
Long-term borrowings	(161,558.3)	(188,290.1)	(103,476.6)
<b>Net debt</b>	<b>(188,562.5)</b>	<b>(224,705.4)</b>	<b>(652,905.2)</b>
Cash and cash equivalents (note 17)	10,773.7	11,126.5	28,001.6
Overdraft (notes 18 and 34)	-	(10,115.6)	(520,536.3)
Borrowings with floating interest rates	(196,336.3)	(225,716.3)	(160,370.5)
<b>Net debt</b>	<b>(188,562.5)</b>	<b>(224,705.4)</b>	<b>(652,905.2)</b>

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

#### NOTE 21. TRADE AND OTHER PAYABLES

In thousand EUR	31 DECEMBER		
	2020	2019	2018
<b>Financial liabilities within trade and other payables</b>			
Trade payables	4,903.6	4,768.5	6,151.8
Accrued expenses	444.9	735.2	410.7
Payables to the parent (note 34)	535.3	786.1	3,245.6
Interest payable	170.3	190.1	470.9
Other payables	985.1	1,673.4	55.5
<b>Total financial liabilities within trade and other payables (notes 3.1 and 15)</b>	<b>7,039.0</b>	<b>8,153.3</b>	<b>10,334.5</b>
Payables to employees (note 3.1)	987.7	942.1	880.2
Tax liabilities (note 3.1)	1,830.4	3,438.0	3,387.6
<b>Total trade and other payables</b>	<b>9,857.1</b>	<b>12,533.4</b>	<b>14,602.2</b>

## NOTE 22. GOVERNMENT GRANTS

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Government grants at the beginning of the period	8,575.0	5,261.1	5,526.4
Recognised as other income (notes 25, 32)	(540.9)	(517.2)	(301.3)
Other	(14.0)	3,831.1	36.0
<b>Government grants at the end of the period</b>	<b>8,020.1</b>	<b>8,575.0</b>	<b>5,261.1</b>

Government grants include grants (foreign aid) received in 2017 for the Narva wind farm, the Paide power plant, and the construction of a biomass cogeneration plant in Latvia. Government grants for 2018 also include connection fees of 36 thousand euros.

There are certain obligations that the group has to fulfil to make sure that the grants are not recalled: safekeeping of project related documents, issuance of project related reporting upon demand, as well as for some project's certain technical aspects.

## NOTE 23. PROVISIONS

### Changes in provisions in 2020

In thousand EUR	Opening balance 1 January 2020	Recognition and reversal	Interest charge (note 30)	Use	Closing balance 31 December 2020	
					Short-term provisions	Long-term provisions
Employee-related provisions	16.3	1.9	0.2	(3.8)	1.9	12.7
Other provisions	64.1	51.5	-	(4.0)	111.7	-
<b>Total provisions</b>	<b>80.4</b>	<b>53.4</b>	<b>0.2</b>	<b>(7.8)</b>	<b>113.6</b>	<b>12.7</b>

### Changes in provisions in 2019

In thousand EUR	Opening balance 1 January 2019	Recognition and reversal	Interest charge (note 30)	Use	Closing balance 31 December 2019	
					Short-term provisions	Long-term provisions
Employee-related provisions	15.6	2.5	0.2	(1.9)	1.9	14.4
Other provisions	-	79.8	-	(15.7)	64.1	-
<b>Total provisions</b>	<b>15.6</b>	<b>82.3</b>	<b>0.2</b>	<b>(17.6)</b>	<b>66.0</b>	<b>14.4</b>

### Changes in provisions in 2018

In thousand EUR	Opening balance 1 January 2018	Recognition and reversal of provisions	Interest charge (note 30)	Use	Closing balance 31 December 2018	
					Short-term provisions	Long-term provisions
Employee-related provisions	17.9	(2.3)	0.2	-	1.9	13.7
<b>Total provisions</b>	<b>17.9</b>	<b>(2.3)</b>	<b>0.2</b>	<b>-</b>	<b>1.9</b>	<b>13.7</b>

Provisions have been discounted at the rate of 0,24%-2,92% (2019: 0.09%–3.46%); (2018: 0.15%–4.05%). Provisions are discounted using a discount curve, which allows estimating provisions in different time horizons more accurately.

## NOTE 24. REVENUE

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
<b>Revenue by activity</b>			
<b>Sale of goods</b>			
Pellets (in time)	16,315.0	19,545.0	3,032.0
Scrap metal (in time)	675.2	714.3	477.9
Other goods (in time)	2,026.4	38.3	120.6
<b>Total sale of goods</b>	<b>19,016.6</b>	<b>20,297.6</b>	<b>3,630.5</b>
<b>Sale of services</b>			
Electricity (over time)	69,323.8	73,999.9	27,043.7
Waste treatment and resale (in time)	14,755.6	12,472.7	9,856.4
Heat (over time)	8,523.1	11,423.1	18,653.9
Rental and maintenance of assets (note 8) (over time)	703.3	683.6	683.4
Other services (over time)	1,671.9	956.2	139.6
<b>Total sale of services</b>	<b>94,977.7</b>	<b>99,535.5</b>	<b>56,377.1</b>
<b>Total revenue (note 5)</b>	<b>113,994.3</b>	<b>119,833.1</b>	<b>60,007.7</b>

In 2020, sale of other goods includes sale of solar panels to parent entity in the amount of 1,975.4 thousand euros (see also note 34).

## NOTE 25. RENEWABLE ENERGY SUPPORT AND OTHER OPERATING INCOME

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Renewable energy support (note 34)	33,279.0	30,620.1	17,158.7
Government grants (note 22, 32)	540.9	517.2	301.3
Gain on greenhouse gas emission allowance sold (notes 5 and 34)	13,667.5	-	-
Other income	1,201.9	547.5	508.3
<b>Total renewable energy support and other operating income (note 5)</b>	<b>48,689.3</b>	<b>31,684.8</b>	<b>17,968.3</b>

In June 2020 Enefit Green AS sold CO2 quotas in the amount of 550 000 tonnes that had been allocated to Iru power plant for the period 2013-2020 and were expected to remain unused due to smaller share of fossil fuels in the heat production. Due to this, the group's other income has increased by 13,667.5 thousand euros. See also note 5 and 34.

## NOTE 26. RAW MATERIALS, CONSUMABLES AND SERVICES USED

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Technological fuel	14,667.1	18,664.2	11,676.9
Maintenance and repairs	15,704.6	15,976.6	6,659.4
Electricity	3,363.0	5,472.4	2,751.7
Services related to ash treatment	3,660.9	2,700.0	2,923.4
Materials and spare parts for production	2,884.2	1,041.4	1,609.3
Transmission services	999.0	712.6	381.2
Environmental pollution charges	241.6	225.7	381.8
Resource charges for natural resources	6.6	7.5	4.1
Other raw materials, consumables and services used	2,292.9	1,754.5	557.2
<b>Total raw materials, consumables and services used</b>	<b>43,819.9</b>	<b>46,554.7</b>	<b>26,945.1</b>

Other raw materials, consumables and services used for 2020 includes costs of 1,653.8 thousand euros incurred in transporting pellets and related raw material to the harbour (2019: 1,441.0 thousand euros; 2018: 262.7 thousand euros).

## NOTE 27. PAYROLL EXPENSES

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Wages, salaries, additional remuneration, bonuses and vacation pay	4,669.2	4,487.6	3,385.3
Other payments and benefits to employees	102.3	134.4	89.8
Payroll taxes	1,299.2	1,252.1	1,060.1
<b>Total calculated payroll expenses</b>	<b>6,070.8</b>	<b>5,874.1</b>	<b>4,535.2</b>
Of which remuneration of management and supervisory boards (note 34)	410.2	396.3	410.0
Of which salaries	335.4	309.2	341.6
Of which bonuses	50.6	58.1	54.5
Of which additional remuneration	24.2	29.0	13.9
Average number of employees	153	148	94

## NOTE 28. OTHER OPERATING EXPENSES

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Business consulting services	946.7	1,759.2	2,582.0
Excise duties	324.5	727.0	1,394.5
Lease and maintenance of real estate	1,960.6	1,976.1	1,110.5
Information technology services	890.2	837.0	338.9
Employee-related expenses	185.7	293.5	125.1
Grants and donations	419.8	246.1	183.6
Electricity excise duty	-	-	13.1
Office expenses	206.5	228.8	305.3
Security and general insurance services	1,302.2	1,631.9	169.4
Financial and accounting services	299.4	243.9	163.6
Legal services	74.9	73.2	75.5
Other expenses	686.0	547.4	86.6
<b>Total other operating expenses</b>	<b>7,296.6</b>	<b>8,564.1</b>	<b>6,547.8</b>

The row "Lease and maintenance of real estate" include rental expenses in the amount of 1,375.8 thousand euros (2019: 1,472.6 thousand euros). These expense comprise of variable lease payments that are not included in the measurement of the lease liabilities in the amount of 1,375.8 thousand euros (2019: 1,472.6 thousand euros), low value leases in the amount of 0 euros (2019: 0 euros) and short-term leases in the amount of 0 euros (2019: 0 euros).

## NOTE 29. LOSS ON DISPOSAL OF A SUBSIDIARY

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Loss on disposal of a subsidiary	-	1,391.6	-
<b>Total other expenses</b>	-	<b>1,391.6</b>	-

On 18 October 2019, Enefit Green AS concluded a transaction by which it sold 69.88% of the shares in 4E Biofond OÜ. Enefit Green AS acquired a 69.88% interest in 4E Biofond OÜ in November 2018 when it acquired the renewable energy company Nelja Energia AS. 4E Biofond OÜ is the non-controlling shareholder of Vinni Biogaas OÜ and Oisu Biogaas OÜ, which operate and own the Vinni and Oisu biogas-fired heat and power cogeneration plants, respectively. The controlling shareholders of both entities are local agricultural companies.

### Net assets of subsidiary disposed of

In thousand EUR	18 October 2019
<b>ASSETS</b>	
Property, plant and equipment	3,059.8
Cash and cash equivalents	452.7
<b>Total net assets of the subsidiary disposed of</b>	<b>3,512.5</b>
Non-controlling interests in net assets	(1,058.8)
Sales price	1,062.1
<b>Loss on disposal (note 32)</b>	<b>(1,391.6)</b>
<b>Cash inflow from disposal of interest</b>	
Proceeds from disposal	1,062.1
Subsidiary's cash at bank	(452.7)
<b>Net cash inflow from disposal of interest</b>	<b>609.3</b>

### NOTE 30. NET FINANCE COSTS

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
<b>Finance income</b>			
Interest income	1.8	37.4	7.4
Foreign exchange gain	201.1	0.3	0.2
<b>Total finance income (note 32)</b>	<b>202.9</b>	<b>37.7</b>	<b>7.6</b>
<b>Finance costs</b>			
<b>Interest expense on borrowings</b>			
Interest expense on borrowings	(3,634.9)	(7,133.4)	(9,428.6)
Capitalised borrowing costs	132.8	175.5	-
<b>Total interest expense on borrowings</b>	<b>(3,502.1)</b>	<b>(6,957.7)</b>	<b>(9,428.6)</b>
Interest expense on provisions (note 23)	(0.2)	(0.2)	(0.2)
<b>Total interest expense</b>	<b>(3,502.3)</b>	<b>(6,957.9)</b>	<b>(9,428.8)</b>
Other finance costs	(41.7)	(3,283.6)	(568.6)
<i>Incl. charges for early repayment of a loan (note 20)</i>	-	(2,823.3)	-
Foreign exchange loss	(35.7)		
<b>Total finance costs</b>	<b>(3,579.7)</b>	<b>(10,241.5)</b>	<b>(9,997.3)</b>
<b>Net finance costs</b>	<b>(3,376.8)</b>	<b>(10,203.8)</b>	<b>(9,989.7)</b>

### NOTE 31. INCOME TAX EXPENSE

Under the Estonian Income Tax Act, corporate profit is taxed when it is distributed. From 2019, regular dividend distributions are subject to a lower, 14% income tax rate (calculated as 14/86 of the net distribution). Thus, in calculating the income tax payable on dividends, a resident company can apply a lower tax rate of 14% and the standard tax rate of 20% (calculated as 20/80 of the net distribution). The more favourable tax rate may be applied to a dividend distribution that amounts to up to three preceding financial years' average distribution of retained earnings on which the company has paid income tax. In calculating the average dividend distribution of the three preceding financial years, 2018 is the first year that is taken into account. Dividends distributed from dividends received from another entity are not subject to taxation, provided that the recipient of the dividends had at least a 10% interest in the entity at the time the dividend was distributed.

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Income tax expense/(benefit)	(468.8)	4,064.7	57.7
Change in deferred income tax assets (liabilities)	1,205.5	(1,271.3)	875.5
<b>Total corporate income tax expense (income)</b>	<b>736.7</b>	<b>2,793.4</b>	<b>933.2</b>



## Average effective tax rate

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
<b>Estonia</b>			
Net amount of dividends	18,400.0	15,000.0	-
<i>Of which dividends taxed at 14% (14/86 of net distribution)</i>	-	733.3	-
<i>Of which dividends taxed at 20% (20/80 of net distribution)</i>	-	10,202.2	-
Tax exempt dividends	18,400.0	4,064.6	-
Theoretical tax expense	-	2,669.9	-
Effect of dividends received from associates	-	(30.1)	-
Actual income tax on dividends	-	2,639.8	-
Average effective tax rate		14.9%	
Income tax expense of subsidiaries	(468.8)	1,425.0	57.7
<b>Income tax expense</b>	<b>(468.8)</b>	<b>4,064.8</b>	<b>57.7</b>
Deferred income tax expense (income)	1,205.5	(1,271.3)	875.5
<i>Of which deferred income tax income</i>	(711.9)	(1,271.3)	-
<i>Of which deferred income tax expense</i>	1,917.4	-	875.5
<b>Total income tax expense (income)</b>	<b>736.7</b>	<b>2,793.4</b>	<b>933.2</b>

The dividends paid to the sole shareholder in 2020 were taken from a Lithuanian subsidiary of the group and are therefore previously taxed.

At 31 December 2020, the group had a deferred tax liability of 12,555.4 thousand euros (31 December 2019: 12,190.9 thousand euros; 31 December 2018: 12,894.8 thousand euros) relating to the difference between the fair values and the carrying amounts of the Lithuanian wind farms identified in the purchase price allocation conducted on the acquisition of Nelja Energia AS.

## NOTE 32. CASH GENERATED FROM OPERATIONS

in thousand EUR	1 JANUARY - 31 DECEMBER		
	2020	2019	2018
<b>Profit before income tax</b>	<b>68,607.1</b>	<b>39,578.3</b>	<b>10,571.2</b>
<b>Adjustments</b>			
Depreciation and impairment of property, plant and equipment (note 7)	38,077.4	40,656.6	19,590.7
Amortisation and impairment of intangible assets (note 9)	114.4	145.3	65.0
Amortisation of government grants related to assets (note 22)	(540.9)	(517.2)	(301.3)
Interest and other finance expense (note 30)	3,579.7	10,241.3	9,428.6
Share of (profit) loss of equity-accounted associates	(5.2)	(257.6)	55.5
Gain on disposal of property, plant and equipment	(0.8)	(101.4)	(2.3)
Interest and other finance income (note 30)	(1.8)	(44.1)	(7.4)
Amortisation of connection fees and other service charges	(13.9)	(13.9)	-
Loss on sale of a business (note 29)	-	1,394.0	-
Unsettled loss on derivative financial instruments	-	-	700.0
<b>Adjusted profit before tax</b>	<b>109,816.0</b>	<b>91,081.3</b>	<b>40,100.0</b>
<b>Net change in current assets related to operating activities</b>			
Change in receivables related to operating activities (note 13)	5,541.0	237.0	906.0
Change in inventories (note 12)	(4,362.0)	(1,099.5)	232.7
Change in trade receivables (note 13)	(4,014.5)	(963.3)	2,667.4
<b>Total net change in current assets related to operating activities</b>	<b>(2,835.5)</b>	<b>(1,825.9)</b>	<b>3,806.1</b>
<b>Net change in current liabilities related to operating activities</b>			
Change in provisions (note 23)	45.8	0.9	(2.3)
Change in trade payables (note 21)	503.5	(1,286.8)	130.9
Net change in liabilities related to other operating activities	(2,319.6)	(1,447.7)	2,457.2
<b>Total net change in liabilities related to operating activities</b>	<b>(1,770.3)</b>	<b>(2,733.6)</b>	<b>2,585.8</b>
<b>Cash generated from operations</b>	<b>105,210.2</b>	<b>87,621.3</b>	<b>46,491.9</b>

## NOTE 33. CONTINGENCIES AND COMMITMENTS

### Contingent liabilities arising from potential tax audits

#### Estonia

The tax administrator has neither started nor conducted any tax audits or single case audits at any group entity. The tax administrator may audit a company's tax accounting within 5 years after the submission of a tax return. If misstatements are detected, the tax administrator may charge additional tax, late payment interest and penalties. In management's opinion, there are no circumstances that would cause the tax administrator to assess a significant amount of additional tax to be paid by the group.

#### Foreign jurisdictions

The tax administrator has neither started nor conducted any tax audits or single case audits at any foreign group entity. In Latvia, Lithuania and Poland the tax administrator may audit a company's tax accounting within up to 5 years after the submission of a tax return. In management's opinion, there are no circumstances that would cause the tax administrator to assess a significant amount of additional tax to be paid by the group.

#### Contingent liabilities related to pending legal disputes

As at 31 December 2020 the group was involved in a legal dispute with a third party, the potential negative outcome of which could have extend to 1,980.8 thousand euros. The group believed that the probability of a negative outcome was less than 50%. According to the decision of The Supreme Court reached on 8 February 2021 the appeal was overturned and all related claims of the third party were dismissed.

#### Loan covenants

The group's loan agreements contain some covenants, which set certain limits to the group's consolidated financial indicators. The group did not breach any of the covenants in 2020 nor in 2019 (note 20).

## Variable lease payments

Where the right to use land (the right of superficies) are based on variable lease payments which do not depend on an index or a rate (e.g. the payments are based on a percentage of the sale of the assets located on the land or the value of the cadastral unit), the lease is not accounted for by recognising a right-of-use asset and a lease liability in accordance with the requirements of IFRS 16 but it is accounted for by recognising the payments as operating expenses. The group estimates that as at 31 December 2020 discounted future period payments over the lifetime of these lease contracts amount to 7,872.6 thousand euros (31 December 2019: 9,103.4 thousand euros). Changes in underlying cadastral values, electricity prices or production volume will impact the actual payments the lease contracts.

## NOTE 34. RELATED PARTY TRANSACTIONS

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

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

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

### Transactions and balances with the parent

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Purchase of services	4,124.9	4,884.4	10,492.8
Sale of goods*	15,642.9	-	8.7
Sale of services	3,503.9	2,541.0	6,977.1

\*Sale of goods includes gain on sold greenhouse gas emission allowances in the amount of 13,667.5 thousand euros (note 25)

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Receivables (note 13)	36,198.8	187.4	182.2
<i>Incl. cash pooling receivable against the parent (note 18)</i>	33,312.3	-	-
Liabilities (notes 20 and 21)	535.3	10,901.7	523,781.9
<i>Incl. overdraft liability to the parent (notes 18 and 20)</i>	-	10,115.6	520,536.3

### Transactions and balances with other group companies

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Purchase of services	1,111.8	1,429.7	116.0
Purchase of goods	7.3	-	-
Sale of goods	39.6	-	-
Sale of services	1,336.3	450.4	510.9

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Receivables (note 13)	83.8	-	469.5
Liabilities (note 21)	57.8	-	168.3

### Transactions and balances with other related parties (including associates):

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Purchase of services	2,088.0	995.4	126.5
Sale of services	16.6	51.8	-

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Receivables (note 13)	2.2	-	-
Liabilities (note 21)	459.9	-	0.4

Purchase and sales transactions with related parties have been conducted at prices approved by the Competition Authority or at market prices.

The current accounts of Enefit Green AS and Enefit Green AS subsidiary Enefit Wind OÜ at Swedbank AS and SEB AS are part of the cash pooling facility of Eesti Energia AS group. In 2020 and the comparative periods, Enefit Green AS did not earn interest income from the cash pool. In the reporting period 2019, Enefit Green AS incurred interest expense of 2,832.5 thousand euros for using the cash pool (2018: 6,122.3 thousand euros). The interest rate was 2.46% in 2019 (2018: 2.42%).

The remuneration of the members of the management and supervisory boards is disclosed in note 27. Members of the management board are not entitled to compensation in the event of early termination of their service contracts.

#### Transactions with entities under common control of the state

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

#### Transactions with Elering AS

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Purchases of services	453.7	656.3	968.5
Sales of services (note 25)	32,336.9	30,510.0	17,158.8

#### Receivables from and liabilities to Elering AS

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Receivables	503.6	4,823.8	2,769.2
Liabilities	268.7	57.2	156.5

Transaction with Elering results from regular business activities (e.g. the purchase and sale of electricity and associated network grid services) that take place on market conditions and are not secured.

#### NOTE 35. ACQUISITION OF A SUBSIDIARY

On 18 June 2019, Enefit Green AS signed an agreement for the acquisition of 20 solar farm projects in Poland with a total capacity of 19.15 MW. Out of the 20 projects, nine were complete and the rest were in the final stage of construction.

Goodwill acquired in the business combination, which represented the benefits that could not be individually identified and separately recognised, amounted to 2,816.0 thousand euros and was related to solar farms and their development projects where the group expects to achieve synergies by applying its management expertise (notes 9 and 11).

The following table summarises the information about the cost of the interest acquired and the fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition.

### Recognised amounts of identifiable assets acquired and liabilities assumed (2019)

In thousand EUR	
	Fair value
<b>ASSETS</b>	
Property, plant and equipment	12,338.1
Inventories	15.5
Trade and other receivables	419.1
Cash and cash equivalents	579.5
<b>Total assets</b>	<b>13,352.2</b>
<b>LIABILITIES</b>	
Borrowings	-
Derivative financial instruments	84.6
Warranty provision	64.0
Tax liabilities	61.5
<b>Total liabilities</b>	<b>210.1</b>
<b>Total identifiable net assets acquired</b>	<b>13,142.1</b>
<b>Cost of interest acquired</b>	<b>15,958.0</b>
<b>Goodwill</b>	<b>2,816.0</b>
Purchase consideration less cash acquired	(13,799.5)
Financial liability (was due to be settled in 2020) (note 21)	(1,579.1)

On 6 November 2018, after the approval of the transaction by the competition authorities of Latvia, Lithuania and Estonia, Enefit Green AS acquired 100% of the shares in Nelja Energia AS.

**Recognised amounts of identifiable assets acquired and liabilities assumed (2018)**

In thousand EUR	
	Fair value
<b>ASSETS</b>	
Property, plant and equipment	443,236.9
Intangible assets	300.0
Deferred tax assets	1,690.4
Other long-term investments	3,476.1
Other long-term receivables	307.0
Inventories	5,637.8
Trade and other receivables	13,879.0
Cash and cash equivalents	31,411.6
<b>Total assets</b>	<b>499,938.8</b>
<b>LIABILITIES</b>	
Borrowings	211,092.6
Derivative financial instruments	3,620.6
Trade and other payables	8,139.3
Deferred tax liabilities	12,976.7
<b>Total liabilities</b>	<b>235,829.2</b>
Non-controlling interests	2,712.0
<b>Total identifiable net assets acquired</b>	<b>261,397.6</b>
<b>Cost of interest acquired</b>	<b>281,329.0</b>
<b>Goodwill</b>	<b>19,931.4</b>
<b>Purchase consideration less cash acquired</b>	<b>249,917.4</b>

Goodwill on the transaction that represented the benefits that could not be individually identified and separately recognised amounted to 19,931.4 thousand euros and was attributable to wind farms and their development projects.

## NOTE 36. SUPPLEMENTARY INFORMATION ABOUT THE PARENT

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

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

## Income statements

In thousand EUR	1 JANUARY – 31 DECEMBER		
	2020	2019	2018
Revenue	35,188.1	31,421.5	45,988.5
Renewable energy support and other operating income	19,245.0	5,256.3	15,267.6
Raw materials, consumables and services used	(11,348.8)	(11,108.9)	(20,173.0)
Payroll expenses	(4,078.7)	(3,967.3)	(3,100.9)
Depreciation, amortisation and impairment	(6,356.8)	(6,277.4)	(15,059.5)
Other operating expenses	(3,088.0)	(3,810.1)	(5,521.1)
Loss on disposal of a subsidiary	-	(1,382.7)	(118.8)
<b>OPERATING PROFIT</b>	<b>29,560.8</b>	<b>10,131.4</b>	<b>17,282.8</b>
Finance income	25,120.5	9,144.7	88.2
Finance costs	(3,835.0)	(6,937.1)	(6,092.0)
<b>Net finance income/(costs)</b>	<b>21,285.5</b>	<b>2,207.6</b>	<b>(6,003.8)</b>
Profit from associates under the equity method	5.2	95.9	-
<b>PROFIT BEFORE TAX</b>	<b>50,851.5</b>	<b>12,434.9</b>	<b>11,279.0</b>
Corporate income tax expense	-	(2,669.9)	-
<b>PROFIT FOR THE YEAR</b>	<b>50,851.5</b>	<b>9,765.0</b>	<b>11,279.0</b>

## Statements of financial position

In thousand EUR	31 DECEMBER		
	2020	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	95,040.8	96,276.2	196,985.5
Intangible assets	36,505.8	36,584.0	37,009.0
Investments in subsidiaries	383,068.8	378,885.2	284,077.8
Investments in associates	532.1	594.9	-
Loan receivables from subsidiaries	36,990.5	149,819.9	46,153.3
<b>Total non-current assets</b>	<b>552,138.0</b>	<b>662,160.2</b>	<b>564,225.6</b>
<b>Current assets</b>			
Inventories	877.0	290.2	347.3
Trade and other receivables and prepayments	120,173.0	18,023.1	5,657.6
Cash and cash equivalents	2.6	3.8	260.5
<b>Total current assets</b>	<b>121,052.6</b>	<b>18,317.1</b>	<b>6,265.4</b>
<b>Total assets</b>	<b>673,190.6</b>	<b>680,477.3</b>	<b>570,491.0</b>
<b>EQUITY</b>			
Share capital	4,793.5	4,793.5	4,793.5
Statutory capital reserve	479.3	479.3	479.3
Other reserves	400,000.0	400,000.0	-
Retained earnings	61,231.2	28,779.7	34,809.8
<b>Total equity</b>	<b>466,504.0</b>	<b>434,052.5</b>	<b>40,082.6</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	156,513.3	185,638.9	-
Government grants	2,204.8	2,424.3	2,640.5
Provisions	12.7	14.4	13.7
<b>Total non-current liabilities</b>	<b>158,730.8</b>	<b>188,077.6</b>	<b>2,654.2</b>
<b>Current liabilities</b>			
Borrowings	37,533.1	47,184.0	524,627.8
Provisions	21.8	1.9	1.9
Trade and other payables	10,400.9	11,161.3	3,124.5
<b>Total current liabilities</b>	<b>47,955.9</b>	<b>58,347.2</b>	<b>527,754.2</b>
<b>Total liabilities</b>	<b>206,686.7</b>	<b>246,424.8</b>	<b>530,408.4</b>
<b>Total liabilities and equity</b>	<b>673,190.6</b>	<b>680,477.3</b>	<b>570,491.0</b>



## Statements of cash flows

In thousand EUR	2020	2019	2018
<b>Cash flows from operating activities</b>			
Profit before tax	50,851.5	12,434.9	11,279.0
<b>Adjustments for</b>			
Depreciation, amortisation and impairment losses	6,356.8	6,277.9	15,059.5
Amortisation of government grant related to assets	(159.8)	(159.8)	(166.3)
Loss (profit) on an investment in a subsidiary	(1.5)	-	(88.2)
Impact of the application of the equity method	(5.2)	(95.9)	-
Gains and losses on foreign currency loans	(209.4)	-	-
Interest expense on borrowings	3,835.0	6,933.6	6,082.2
Interest and other finance income	(25,120.5)	(9,144.7)	-
Amortisation of connection fees and other service charges	(13.9)	(13.9)	-
Loss (gain) on an investment	-	1,370.1	(2.1)
<b>Adjusted profit before tax</b>	<b>35,533.0</b>	<b>17,602.3</b>	<b>32,164.1</b>
<b>Net change in current assets related to operating activities</b>			
Change in receivables related to operating activities	1,333.8	487.1	926.4
Change in inventories	(586.8)	2,229.4	(164.9)
Net change in other current assets related to operating activities	(6,204.5)	4,975.5	1,069.8
<b>Total net change in current assets related to operating activities</b>	<b>(5,457.5)</b>	<b>7,692.0</b>	<b>1,831.4</b>
<b>Net change in liabilities related to operating activities</b>			
Change in provisions	18.2	-	-
Change in trade payables	970.0	(1,407.7)	(977.2)
Net change in other liabilities related to operating activities	(1,687.0)	988.0	1,029.0
<b>Total net change in liabilities related to operating activities</b>	<b>(698.8)</b>	<b>(419.7)</b>	<b>2,006.2</b>
<b>Interest and borrowing costs paid</b>	<b>(3,675.1)</b>	<b>(7,641.0)</b>	<b>(5,247.8)</b>
<b>Interest received</b>	<b>1,899.2</b>	<b>4,903.1</b>	<b>-</b>
<b>Income tax paid</b>	<b>-</b>	<b>(2,669.9)</b>	<b>-</b>
<b>Net cash generated from operating activities</b>	<b>27,600.8</b>	<b>19,466.7</b>	<b>30,753.9</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	34.0	0.5	2.1
Proceeds from connection fees	-	-	36.0
Paid on purchase of property, plant and equipment and intangible assets	(5,172.0)	(1,450.1)	(8,581.3)
Paid on acquisition of a business	-	(14,374.6)	(281,329.0)
Contribution to capital reserve	-	(2.5)	-
Loans given (incl. cash pooling)	(10,671.1)	-	-
Dividends received from financial investments	67.9	96.6	-
Dividends received from subsidiary	18,400.0	-	-
Proceeds from sale of a business	-	1,062.1	-
Proceeds from liquidation of a business	1,507.0	-	-
<b>Net cash used in investing activities</b>	<b>4,165.8</b>	<b>(14,668.0)</b>	<b>(289,872.2)</b>
<b>Cash flows from financing activities</b>			
Net change in an intragroup liability	25,225.6	(103,089.6)	(46,006.3)
Change in overdraft balance	(10,042.2)	(509,774.1)	305,385.3
Bank loans received	8,976.7	260,000.0	-
Repayments of bank loans	(37,527.8)	(37,141.8)	-
Contribution to voluntary reserve	-	400,000.0	-
Dividends paid	(18,400.0)	(15,000.0)	-
Paid on acquisition of non-controlling interest in a subsidiary	-	(50.0)	-
<b>Net cash used in financing activities</b>	<b>(31,767.7)</b>	<b>(5,055.4)</b>	<b>259,379.0</b>
<b>Net cash flow</b>	<b>(1.2)</b>	<b>(256.7)</b>	<b>260.5</b>
Cash and cash equivalents at the beginning of the period	3.8	260.5	-
Cash and cash equivalents at the end of the period	2.6	3.8	260.5
<b>Change in cash and cash equivalents</b>	<b>(1.2)</b>	<b>(256.7)</b>	<b>260.5</b>

## Statements of changes in equity

In thousand EUR	Share capital	Statutory reserve capital	Other reserves	Retained earnings	Total
Equity at 1 January 2018	4,793.5	479.3	-	23,530.8	28,803.6
Profit for the year	-	-	-	11,279.0	11,279.0
Equity at 31 December 2018	4,793.5	479.3	-	34,809.8	40,082.6
Profit for the year	-	-	-	9,765.0	9,765.0
Contribution to voluntary reserve	-	-	400,000.0	-	400,000.0
Dividend distribution	-	-	-	(15,000.0)	(15,000.0)
Other adjustments	-	-	-	(795.1)	(795.1)
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	400,000.0	(15,795.1)	384,204.9
Equity at 31 December 2019	4,793.5	479.3	400,000.0	28,779.7	434,052.5
Profit for the year	-	-	-	50,851.5	50,851.5
Dividend distribution	-	-	-	(18,400.0)	(18,400.0)
Total contributions by and distributions to owners of the company, recognised directly in equity	-	-	-	(18,400.0)	(18,400.0)
Equity at 31 December 2020	4,793.5	479.3	400,000.0	61,231.2	466,504.0

Under the Accounting Act of Estonia, adjusted unconsolidated retained earnings are the amount from which a public limited company can make payments to its shareholders. See reconciliation of parent entity equity to the adjusted unconsolidated equity from the table below.

In thousand EUR	31 DECEMBER		
	2020	2019	2018
Equity capital of the parent entity	466,504.0	434,052.5	40,082.6
Carrying amount of holdings under controlling and significant influence	(383,600.9)	(379,480.7)	(284,077.8)
Carrying amount of holdings under controlling and significant influence using equity method	426,642.8	406,414.1	283,266.4
<b>Adjusted unconsolidated equity</b>	<b>509,545.9</b>	<b>460,985.9</b>	<b>39,271.2</b>

### NOTE 37. EVENTS AFTER THE REPORTING PERIOD

According to our current projections, in 2021 economic growth will gradually revive and impacts of COVID-19 to electricity prices of energy will also recover. During post balance sheet date COVID-19 has impacted waste supply and the concern has rearranged some of its waste contracts. There are no other significant subsequent COVID-19 impacts.

## Signatures

The correctness of the group annual report of Enefit Green AS (Commercial Registry number: 11184032) including the consolidated financial statements for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 is hereby confirmed by:

<b>Signatory</b>	<b>Position of signatory</b>	<b>Date and signature</b>
Aavo Kärmas	Chairman of Management Board	
Innar Kaasik	Member of Management Board	
Veiko Räm	Member of Management Board	
Linus Sabaliauskas	Member of Management Board	



## Independent Auditor's Report

To the Shareholder of Enefit Green AS

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### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Enefit Green AS ("the Company") and its subsidiaries (together "the Group") as at 31 December 2018, 31 December 2019 and 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statements for the years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- the consolidated statements of comprehensive income for the years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- the consolidated statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statement of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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

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### Other information

The Management Board is responsible for the other information. The other information comprises the Management report (but does not include the consolidated financial statements and our auditor's report thereon).



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.



- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AS PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Tiit Raimla', is written over a light blue horizontal line.

Tiit Raimla  
Auditor's certificate no. 287

9 June 2021  
Tallinn, Estonia