

A photograph of a park with lush green trees and a paved path. In the background, modern glass buildings are visible under a clear blue sky. The text 'CONSOLIDATED ANNUAL REPORT 2023' is centered over the image.

CONSOLIDATED ANNUAL REPORT 2023

OÜ Utilitas

Consolidated Annual Report 2023

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Harju County
Republic of Estonia

Registry code

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Principal area of activity

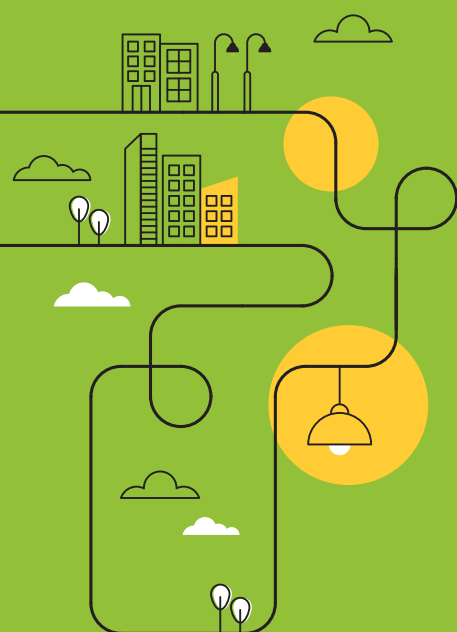
Production and sale of electricity and thermal energy

Auditor

AS PricewaterhouseCoopers

Beginning and end of financial year:

01.01.2023 – 31.12.2023



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UTILITAS MANAGEMENT REPORT



UTILITAS IN FACTS AND FIGURES

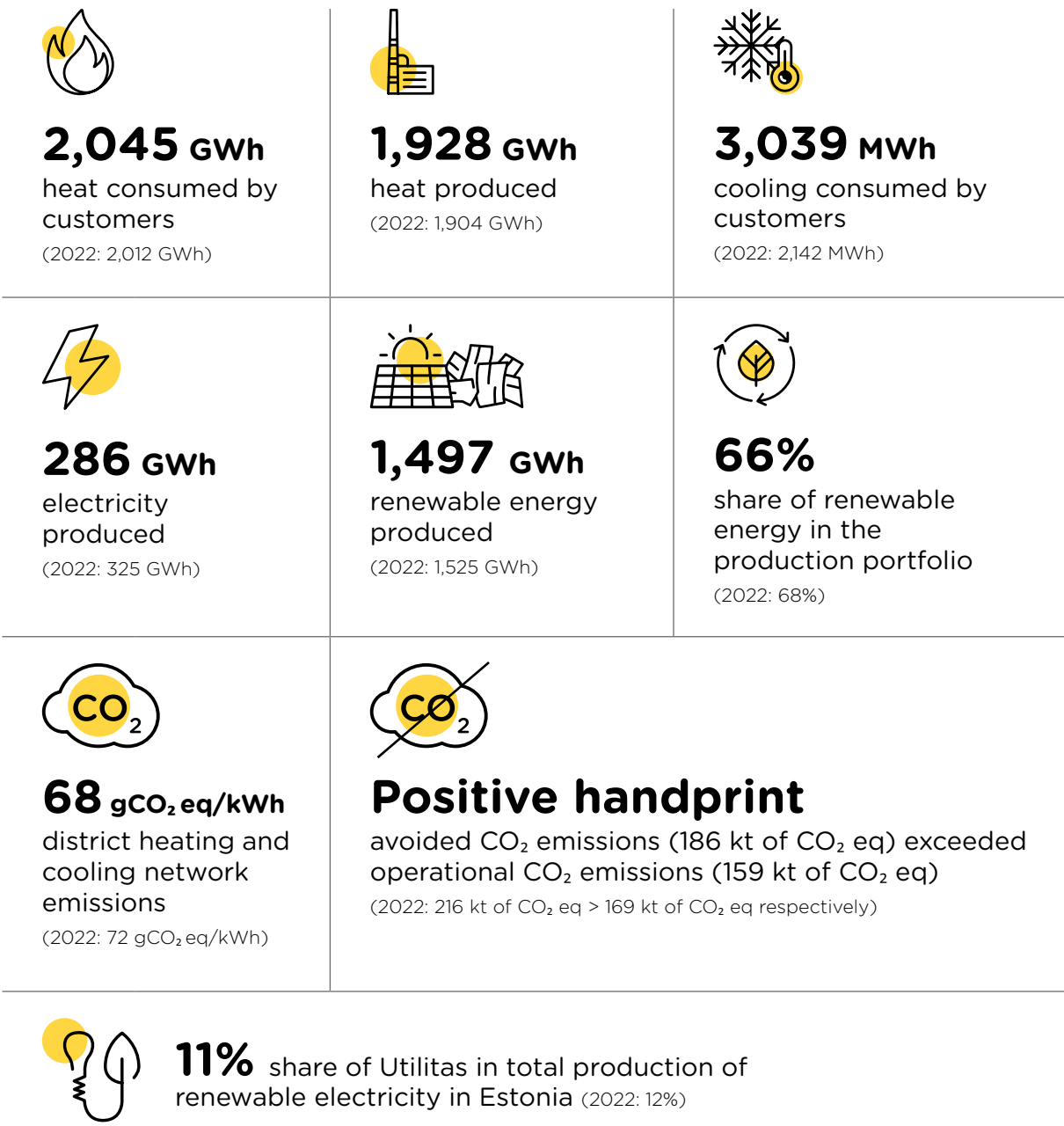
Utilitas is the leading producer of renewable heat and electricity, as well as provider of district heating and cooling services across Estonia. Utilitas’ primary focus is on delivering environmentally responsible solutions that align with the needs of customers. Utilitas is committed to the highest standards of efficiency in energy production and distribution, while fully prioritizing the utilization of renewable and locally sourced energy.

As of 31 December 2023, the Group consists of:

OÜ UTILITAS – PARENT COMPANY

- **AS Utilitas Eesti (100%)**
provider of district heating services as well as renewable heat producer
- **OÜ Utilitas Tallinna Elektri jaam (100%)**
producer of renewable heat and electricity
- **AS Utilitas Tallinna Soojus (66.66%)**
holding company for developing and operating Tallinn’s unified district heating network
 - AS Utilitas Tallinn (100% owned by AS Utilitas Tallinna Soojus)
provider of district heating and cooling services as well as producer of renewable heat and electricity
 - AS Tallinna Soojus (100% owned by AS Utilitas Tallinna Soojus)
monitoring of service levels
- **OÜ Tuulepealne maa (100%)**
producer of renewable electricity in Saarde and Aseri wind parks in Estonia
- **OÜ Utilitas Wind (50%)**
developer of renewable non-combustible energy projects in Estonia and neighbouring countries
- **AS Tallinna Vesi (20.4%)**
provider of water and wastewater services in Tallinn

2023 results:



All district heating and cooling systems of Utilitas are efficient in accordance with the EU Energy Efficiency Directive 2012/27/EU.

District heating:

At the end of 2023 Utilitas provided district heating service in eight cities of Estonia: Tallinn, Valga, Jõgeva, Haapsalu, Kärda, Keila, Maardu and Rapla; in 2024 Utilitas has added Paide and Valka operations as well. Utilitas also owns 2 wind parks in Estonia, in Saarde and Aseri.

Customers of district heating service include apartment associations, state and municipal agencies, and private companies. Electricity produced is sold on NordPool power exchange.

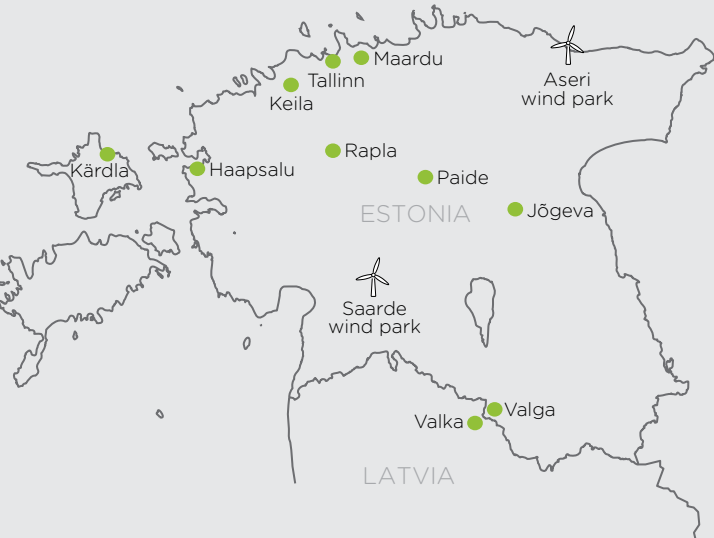


Figure 1. Utilitas operations

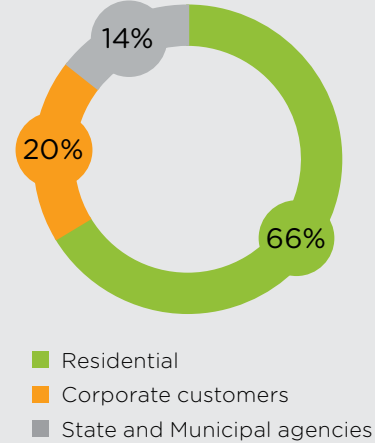
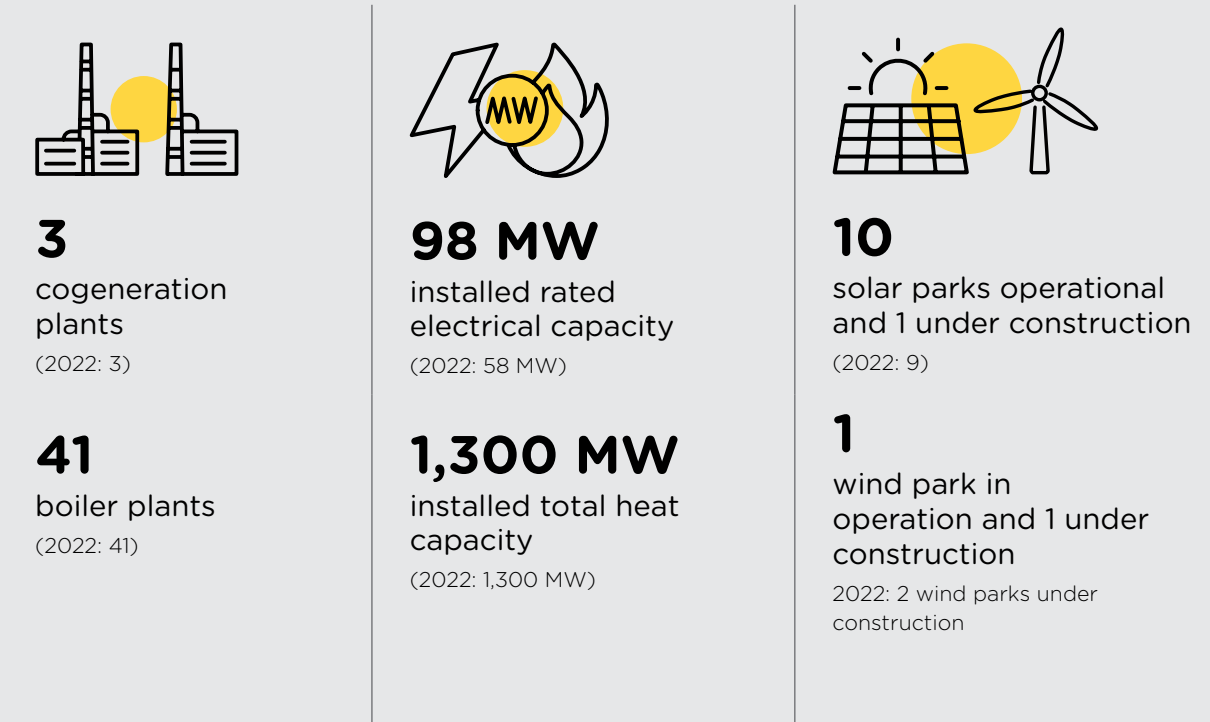
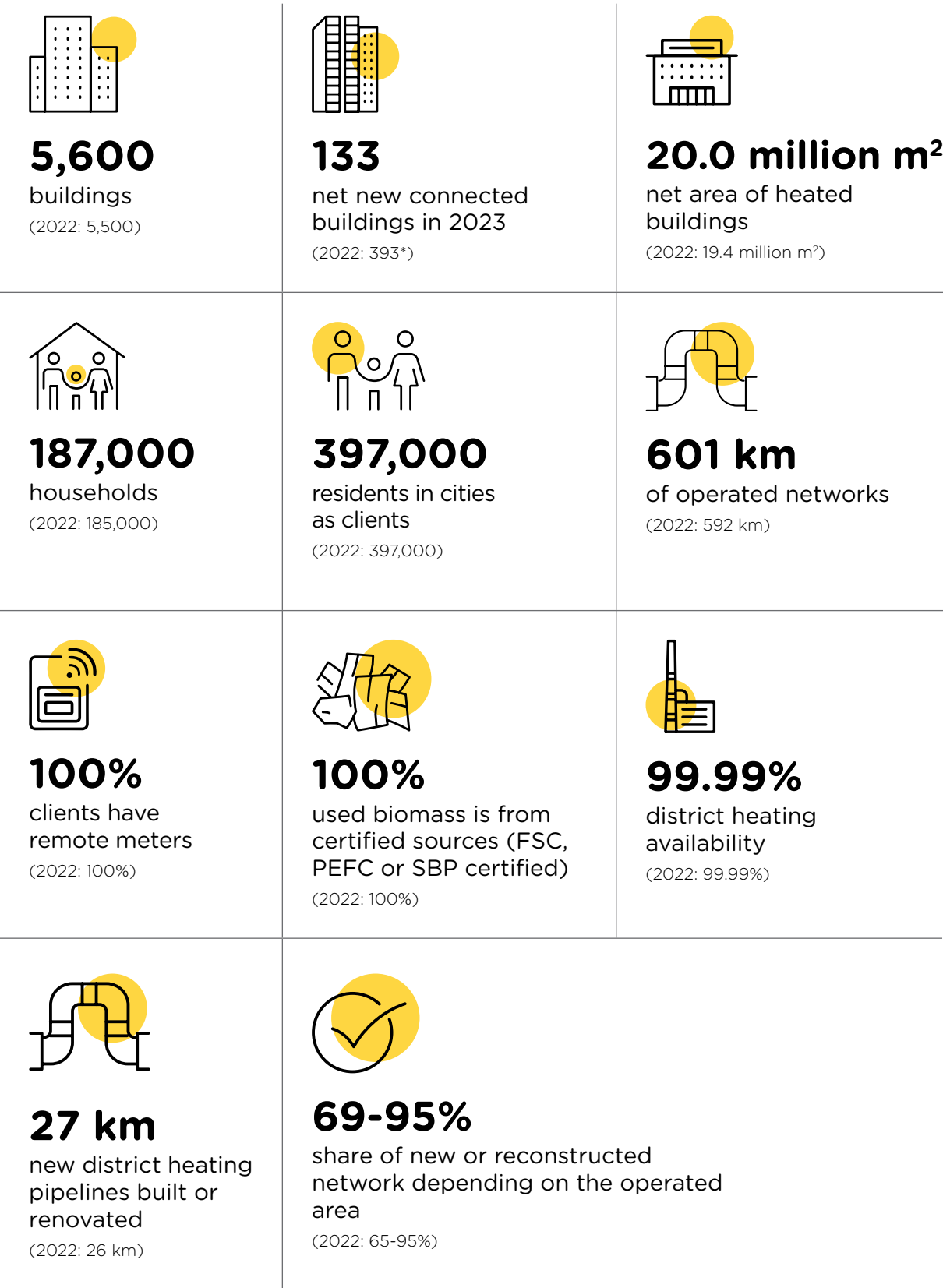


Figure 2. Share of customer groups served by Utilitas (by heated sq. meters).

Operated capacities as of 31.12.2023 include:

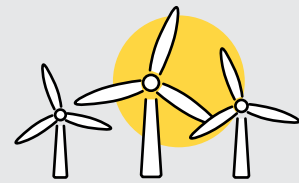


Utilitas district heating



* including 237 buildings and 55 MW from takeover of Adven networks in Tallinn

■ In addition, Utilitas Wind (50% owned) has:



4,000+ MW

development portfolio of onshore wind parks across the Baltics

79 MW

operational wind portfolio

39 MW

additional operational portfolio under technical management

1,000+ MW

planned capacity of Saare-Liivi offshore wind development

■ Tallinna Vesi (20.4% owned):



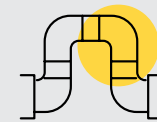
470,000

residents supplied with water and wastewater services



22 mln m³

Water supplied



3,000 km

of water, sewage and stormwater network operated

■ Business philosophy



Mission

Cleaner future

We reduce the environmental impact of energy consumption, by enabling convenient and affordable use of sustainably produced energy.



Vision

To be a leader in the field of energy

Create the best practices and search for new solutions to achieve environmentally friendly and climate neutral society.



Values

sustainable, innovative, convenient and competitive

■ Organisation



291

employees (2022: 279) + 27 employees in Utilitas Wind

0

occupational accidents (2022: 2)

14

years average employment length (2022: 15 years)

2.8%

employee voluntary turnover (2022: 3%)

■ Financial indicators



698 million euros

total assets (2022: 585)

113 million euros

investments (2022: 77)

226 million euros

operating revenue (2022: 260)

28 million euros

net profit (2022: 40)

■ Membership in organisations



The Estonian Renewable Energy Association



The Estonian Power and Heat Association



Green Tiger



The Responsible Business Forum of Estonia



Wind Europe

MESSAGE FROM THE CEO 2023

In 2023, energy continued to be among the most discussed topics all over the world. Unprecedented volatility witnessed in 2022 was replaced by somewhat calmer conditions, allowing all market participants to adapt to the new operating environment and make the necessary strategic decisions based on the lessons learned.

Utilitas' strategic focus is on all three key components of a sustainable energy system – security of supply, affordability, and environmental impact. Maintaining such strategic focus over the years has driven substantial investments as well as establishment of operational practices that have allowed us to excel in availability, maintain stable prices for consumers and reduce carbon footprint even during turbulent times.

Efficient district heating and cooling plays a vital role in achieving climate neutrality objectives and ensuring a reliable energy supply in urban environment, especially in Nordic climate. Utilitas is the leading district heating service provider across Estonia and high interest from building owners and developers looking to utilize environmentally friendly, secure and sustainable heating solutions continued in 2023. New buildings of 600 thousand square meters were connected to Utilitas networks, taking the total area of buildings heated beyond 20 million square meters.

Significant investments at both national and single company levels within the utility sector are required to achieve targets set in energy and climate policies. Utilitas has invested more than 300 million euros over the last 3 years to expand production volumes and improve the resilience of its existing operations. Second stage flue gas condensers added to our combined heat and power plants in Tallinn are expected to replace approximately 100 GWh of heat that is currently being produced from natural gas. More than 145 GWh of renewable electricity produced in the wind farms in Saarde and Aseri, commissioned in 2023, will be sufficient to cover the electricity needs of approximately 45 thousand households.

Saarde windpark, with tip height of turbines reaching 230 meters, is the most modern wind park in Estonia and ended a 10-year drought of new, state-of-the-art wind parks in the country. Recognizing the expected crucial role of wind energy in the regional energy mix, our team in Utilitas Wind is focused on developing additional capacities, both on- and offshore. Estonia has elevated its national target on share of renewable electricity – by 2030, annual electricity consumption must be covered by renewable electricity produced in Estonia and Utilitas is committed to assist in reaching these national targets.

Strategic initiatives related to security of supply and reduction of environmental impact have also been in the focus of revised business plan in AS Tallinna Vesi. Based on the newly adopted 12-year Tallinn water and wastewater development plan, the business plan foresees increased investment levels to future-proof the operations of critical infrastructure. The 35 million euro CapEx plan executed in 2023 and 62 million euro plan forecasted for 2024 have elevated network renovation volumes and facilitated upgrades in water and wastewater treatment plants. Investments completed in 2023 into renovation of digesters and addition of CHP using biogas produced on site at the wastewater treatment plant reduces carbon footprint and produces enough electricity to power critical processes in case of potential power supply disruptions in electricity distribution network.

Given the long-term nature of infrastructure investments, typically spanning over 30 years, Utilitas emphasizes the need for careful evaluation, planning, and execution. Furthermore, a stable and predictable regulatory environment is essential to support these initiatives. Replacing imported fossil fuels that are subject to excessive price volatility and potential supply disruptions with local renewable alternatives requires commitment from all stakeholders. We are therefore pleased that Utilitas' partnership with the City of Tallinn in developing district heating

system in Tallinn area evolved into a joint holding company, AS Utilitas Tallinna Soojus. In line with Utilitas' carbon neutrality plan, the immediate goal is to reduce the share of fossil fuels in Tallinn district heating network from 1/3 to below 10% by 2027, primarily via investments into industrial waste- and seawater heat pumps, as well as continuation of network renovation.

The European Green Capital 2023 program in Tallinn marked numerous events focused on increasing awareness of environmentally friendly practices in urban communities. The nomination, as well as outstanding execution of the planned events, was a success and recognition to the City's ambitions towards greener future. Utilitas commenced construction of the largest solar park in Tallinn in 2023 and to commemorate the achievement has named the 9.3 MW park as European Green Capital solar park.

We were able to further expand our customer base by acquisition of district heating operations in Paide and Valka in a transaction signed in 2023 and completed on March 1, 2024. The renewable-based district heating operations, including biomass CHPs in both locations, complement our existing portfolio of operations well and we are proud to serve these communities and to welcome the team members to Utilitas' team.

The COP28 UN Climate Change Conference in Dubai in December 2023 marked the conclusion of the first 'global stocktake' of the world's efforts to address climate change under the Paris Agreement. Having shown that progress was too slow across all areas of climate action, countries responded with a decision on how to accelerate action across all areas by 2030. European Union was also the initiator of the Global Renewables and Energy Efficiency Pledge which was signed at COP 28 by 133 national governments and European Union and aims to triple the world's installed renewable energy capacity to at least 11,000 GW by 2030. Estonia, Latvia, Lithuania and all the Nordic countries were among the signees.

In addition to concerns related to global warming, 2023 was characterized by continuing geopolitical tensions, as well as inflationary pressures and weakness in economic outlook. Swift addition of renewable generation capacities plays an important role in tackling all these challenges. Reducing dependence on imported energy increases security of supply and results in lower prices for energy. It also can serve as the basis for economic growth. Sufficient access to green electricity can fuel new industries, providing higher value-added export products, as well as employment opportunities. Estonian electricity consumption per capita is approximately 2 times smaller than in Finland and Sweden and approximately 3.5 times behind Norway – largely because of their competence to use electricity for industrial production. With focused development, Estonia could also make use of the same input to power growth.

We hope to both facilitate the growth of the economy by adding new renewable energy generation capacities, as well as to grow together with the communities where we operate. I would like to thank all members of our devoted team for their commitment and hard work during the year, as well as all our customers, partners, and all other stakeholders for their continued trust in us, as we are committed to taking next steps towards the future with clean energy in clean nature.



Priit Koit
Member of the Management Board,
CEO of Utilitas

GLOBAL TRENDS AND DEVELOPMENTS

■ Global risks are increasingly environmental

The next decade will usher in a period of significant change, stretching our adaptive capacity to the limit, writes World Economic Forum in its Global Risks Report 2024. Not only are new wars ramping up and climate warming causing a myriad of natural disasters but rapidly accelerating technological change and economic uncertainty are causing societies to increasingly polarize.

When asked which risks are most likely to present a material crisis on a global scale in 2024, extreme weather topped the list with 66% of respondents pointing it out. Extreme weather is also seen as the second-most severe risk in the Global Risks Report 2024 over the two-year time frame and nearly all environmental risks feature among the top 10 over the longer term.

Global risks ranked by severity over the short and long term

"Please estimate the likely impact (severity) of the following risks over a 2 year and 10-year period."

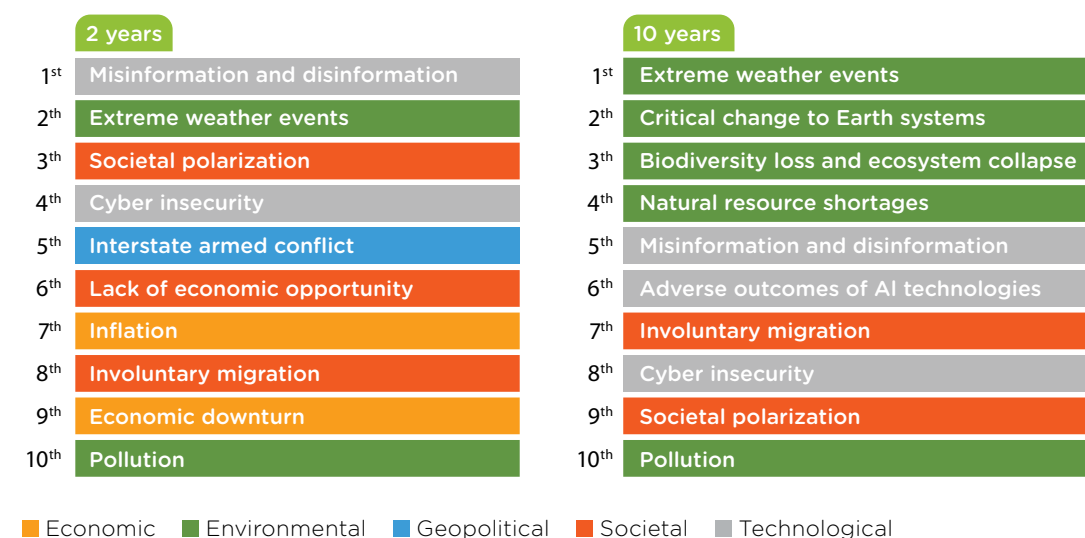


Figure 3. Global risks ranked by severity over the long term

Year 2023 was confirmed by Copernicus as the warmest calendar year in global temperature data records going back to 1850. It was 0.60°C warmer than the 1991-2020 average and 1.48°C warmer than the 1850-1900 pre-industrial level. A large number of extreme events were recorded across the globe, including heatwaves, floods, droughts and wildfires. Estimated global wildfire carbon emissions in 2023 increased by 30% year-on-year, driven largely by persistent wildfires in Canada¹. Deadly flooding hit Greece, Turkey and Bulgaria and killed an estimated 4,000 people in Libya².

¹ <https://climate.copernicus.eu/copernicus-2023-hottest-year-record>

² <https://edition.cnn.com/2023/12/30/weather/extreme-weather-climate-change-2023/index.html>

Scientists at Global Carbon Project who track the trends in global carbon emissions and sinks, estimate that at the current emissions level there is a 50% chance global warming will exceed 1.5°C consistently in about seven years. "It now looks inevitable we will overshoot the 1.5°C target of the Paris Agreement, and leaders meeting at COP28 will have to agree rapid cuts in fossil fuel emissions even to keep the 2°C target alive," told Professor Pierre Friedlingstein, of Exeter's Global Systems Institute. As it is clear now, "rapid cuts in fossil fuel emissions" were not agreed on at the COP 28 meeting in Dubai in 2023 and there is a new narrative: the world must focus on limiting global warming to 1.5°C³.

■ European energy market

In Europe, the war in Ukraine and its implications on European energy system continued in 2023. The security of supply remained the main concern in the energy system as procurement of sufficient fuel inventories was in focus and also there were well-founded fears over possible attacks on physical energy infrastructure as well. In September 2022 there were explosions damaging Nord Stream 1 and Nord Stream 2 gas pipelines, and a year later, in October 2023 there was an explosion close to the Balticconnector gas pipeline connecting Estonia and Finland. The investigations into the incidents have not been concluded but sabotage is indicated as likely. Furthermore, Estlink 2 submarine power cable was also damaged in February 2024 which resulted in discontinuation of services, and though sabotage has been ruled as unlikely it also exemplifies that for energy security reasons it is also important to be self-sustainable when designing the national energy production portfolios and not be over-reliant on external connections.

The dual influence of threats to the security of supply and the race to decarbonize have forced the majority of European politicians to come on board with speeding up the clean energy transition. In October 2023 the new Renewables Energy Directive was adopted by European Council. It raised the goal to reach the share of renewable energy in the EU's overall energy consumption to 42.5% by 2030 with an additional 2.5% indicative top up to allow the target of 45% to be achieved.

In addition, agreement was reached on a proposal to amend the EU's electricity market design. In order to provide power producers with revenue stability and to shield industry from price volatility, under the provisional deal all public support for investment in new production capacity in infra-marginal and must-run renewable and low-carbon electricity generation will have to be in the form of two-way Contracts for Difference (CfDs) or equivalent schemes with the same effects. Member States are encouraged to channel excess revenues to consumers, either directly or by financing the costs of price support or investments to reduce electricity costs. The reform will also oblige Member States to ensure the availability of market-based guarantees for Power Purchase Agreements (PPAs). The agreement now requires formal adoption by both the European Parliament and the Council⁴.

European Union was also the initiator of the Global Renewables and Energy Efficiency Pledge which was signed at COP 28 by 133 national governments and European Union to triple the world's installed renewable energy capacity to at least 11,000 GW by 2030. Estonia, Latvia, Lithuania and all the Nordic countries were among the signees⁵.

The world added 50% more renewable capacity in 2023 than in 2022 reaching almost 510 gigawatts (GW), with solar PV accounting for three-quarters of additions world-

³ <https://globalcarbonbudget.org/fossil-co2-emissions-at-record-high-in-2023/>

⁴ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_6602

⁵ <https://www.cop28.com/en/global-renewables-and-energy-efficiency-pledge>

wide, reported International Energy Agency. “The new IEA report shows that under current policies and market conditions, global renewable capacity is already on course to increase by two-and-a-half times by 2030. It’s not enough yet to reach the COP28 goal of tripling renewables, but we’re moving closer – and governments have the tools needed to close the gap,” said IEA Executive Director Fatih Birol⁶.

■ 100% Renewable Electricity pledge in Estonia

Estonia is still on the top of the list with Poland when comparing European countries by its carbon intensity of electricity production⁷. This is a problem to the environment and the country but also for the local companies who have to report their own carbon footprint to investors and clients who are increasingly environmentally conscious and carbon intensity of consumed electricity usually makes up a major part of the footprint.

Estonia has indeed an ambitious target to produce 100% of consumed electricity from renewable sources by 2030. In 2023, for the first time, more electricity in Estonian power plants was produced from renewable sources than fossil fuels – 53% of electricity was green (30% in 2022). This was due to the fall of overall production of electricity in Estonia which fell 35% on a yearly basis and also the production of renewable electricity fell by 1%⁸.

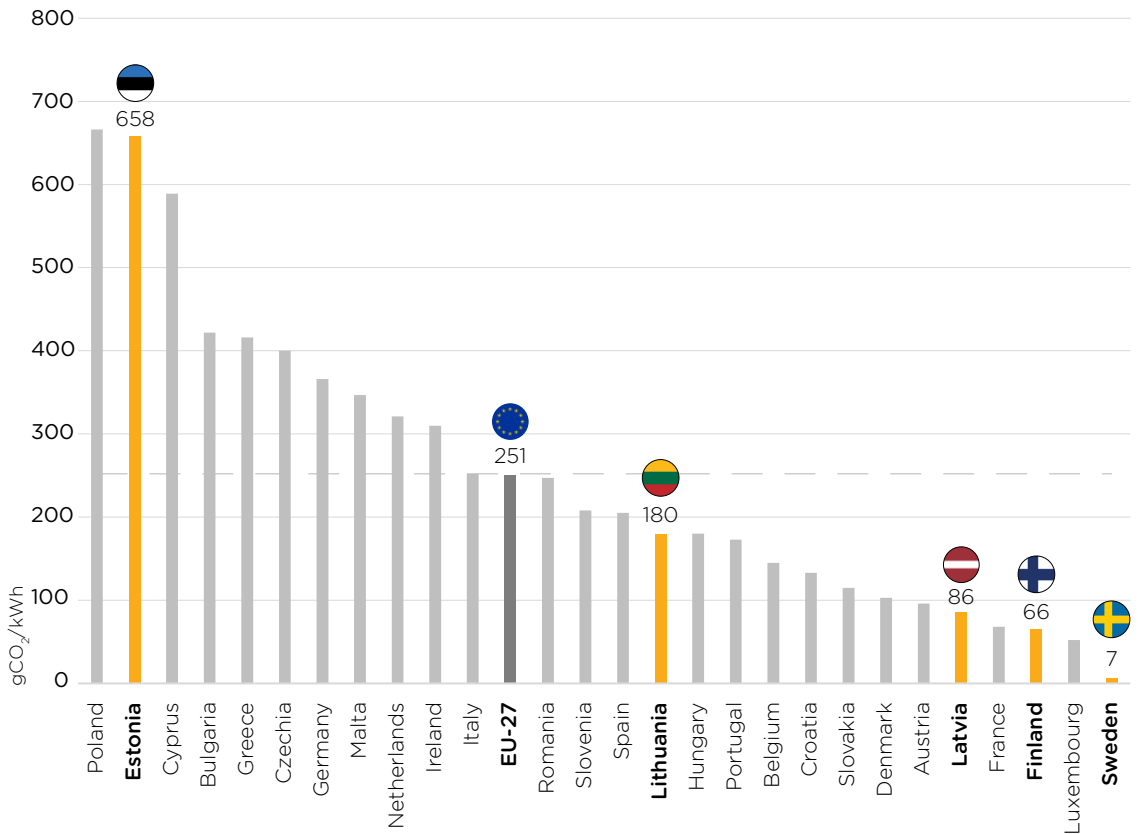


Figure 4. Carbon intensity of electricity production in Europe (2022, gCO₂/kWh)

6 <https://www.iea.org/news/massive-expansion-of-renewable-power-opens-door-to-achieving-global-tripling-goal-set-at-cop28>
7 <https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emission-intensity-of-1?activeAccordion=>
8 <https://www.elering.ee/taastuvelektri-toodang-moodustas-esmakordselt-enam-kui-poole-aastasest-elektritoodangust>

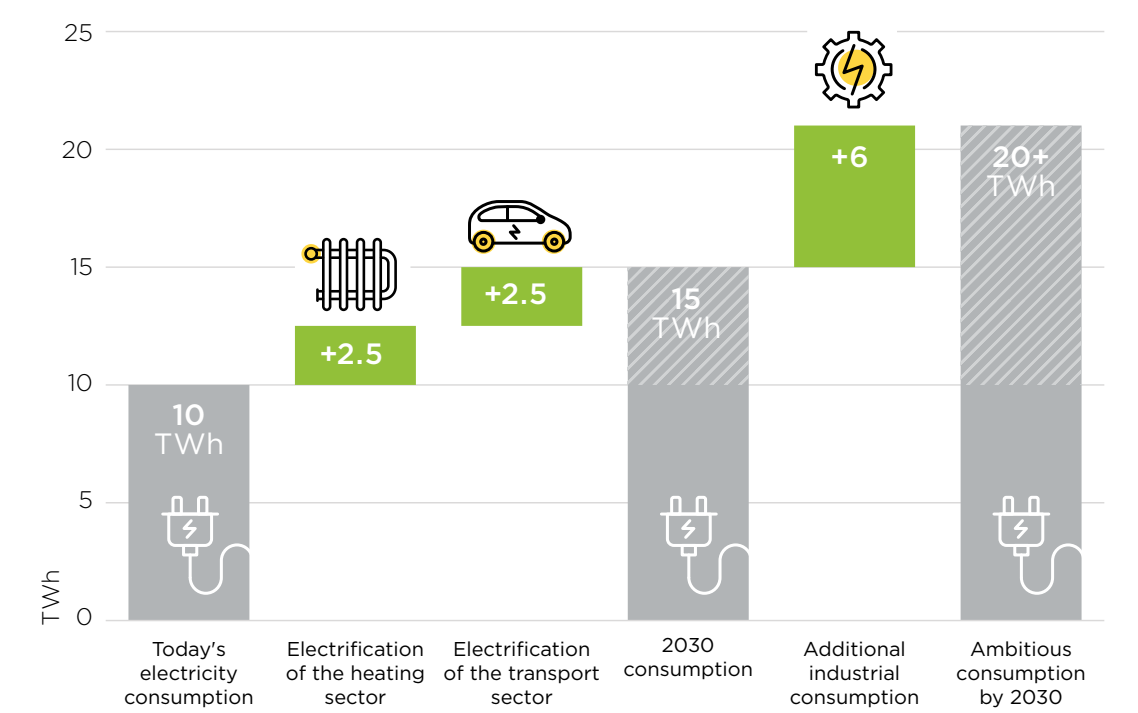


Figure 5. Estonia's potential electricity consumption 20+ TWh by the year 2030

Decarbonizing the economy needs a lot of additional green electricity to cover the demand from transport, heating, and cooling sectors. It is estimated that the potential for electrification of the Estonian heat and transport sector in parallel with the combined energy savings is 5 TWh and the additional industrial consumption potential mentioned above is 6 TWh. That makes the prognosis for electricity gross consumption at least 20 TWh by 2030.

The 100% renewable electricity target means that the production of renewable electricity in Estonia has to at least triple to cover the gross consumption as a recent report by National Audit Office of Estonia has pointed out. They find such growth not to be achievable in this time frame based on the current bottlenecks in administrative processes on both state and municipal levels. The audit report highlights a number of problems and risks that continue to hold back the development of onshore wind parks and make the achievement of the renewable electricity target doubtful – for example, the length of planning and environmental impact assessment proceedings and problems with connection to the grid⁹.

The Ministry of Climate has estimated that for reaching the goal Estonia has to install additional 2,000 MW of onshore or 1,500 MW of offshore wind parks during the next 6 years¹⁰.

Estonian Wind Power Association has concluded that Estonia lacks unrestricted land or mature projects to meet its goals only by onshore wind parks. “The best way to cover Estonia’s growing energy needs is to also build offshore wind projects in addition to

9 <https://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/557GetPage/1/557Year/-1/ItemId/2430/amid/557/language/en-US/Default.aspx>
10 MKMi asekanstler Timo Tatar. Teekond 100%-ni. Poliitikavalikud (ettekanne). 13.06.2023. <https://wec-estonia.ee/jarelvaadatav-wec-akadeemia-diskussioon-energiatarbimisest-ja-lisandvaartusest/>

onshore wind projects. According to EAS, thirteen energy-intensive industrial units are waiting to come to Estonia, with a total investment of close to 5 billion euros and creating 2,890 jobs. The annual electricity demand of the projects is 5.8 TWh, 73% of Estonia's current level. These investments will only come to Estonia if the availability of renewable electricity is guaranteed," writes the association in its report on offshore wind¹¹.

At the time when Estonian public institutions and officials are modest in the forecasts for electricity consumption growth in the coming years, the Nordic countries plan for double digit growth for its already 2-4 times higher consumption per capita. This also means that the energy intensive new industrial sector investment projects go to Nordic countries where there is a certainty of access to green electricity with a competitive price in addition to cluster effects and synergies with other similar industries which implies that countries such as Estonia must try much harder to attract these types of investments for boosting future economic growth and prosperity.

Electricity as the driver for economy

Electricity consumption forecasts





	Current level	2030
	9.0 TWh +0.4%	9.4 TWh
CO ₂ footprint	658 gCO ₂ /kWh	
Today's consumption per 1 million inhabitants	7 TWh	7 TWh
	87 TWh +72%	150 TWh
CO ₂ footprint	66 gCO ₂ /kWh	
Today's consumption per 1 million inhabitants	16 TWh 2.3x	27 TWh 3.9x
	142 TWh +39%	197 TWh
CO ₂ footprint	7 gCO ₂ /kWh	
Today's consumption per 1 million inhabitants	14 TWh 2.0x	19 TWh 2.6x
	140 TWh +27%	178 TWh
CO ₂ footprint	30 gCO ₂ /kWh	
Today's consumption per 1 million inhabitants	26 TWh 3.7x	33 TWh 4.6x

Figure 6. Electricity consumption forecasts of system operators according to the latest data available

11 <https://tuuleenergia.ee/offshore-wind-energy-value-proposition-for-estonia-september-2023/?lang=en>

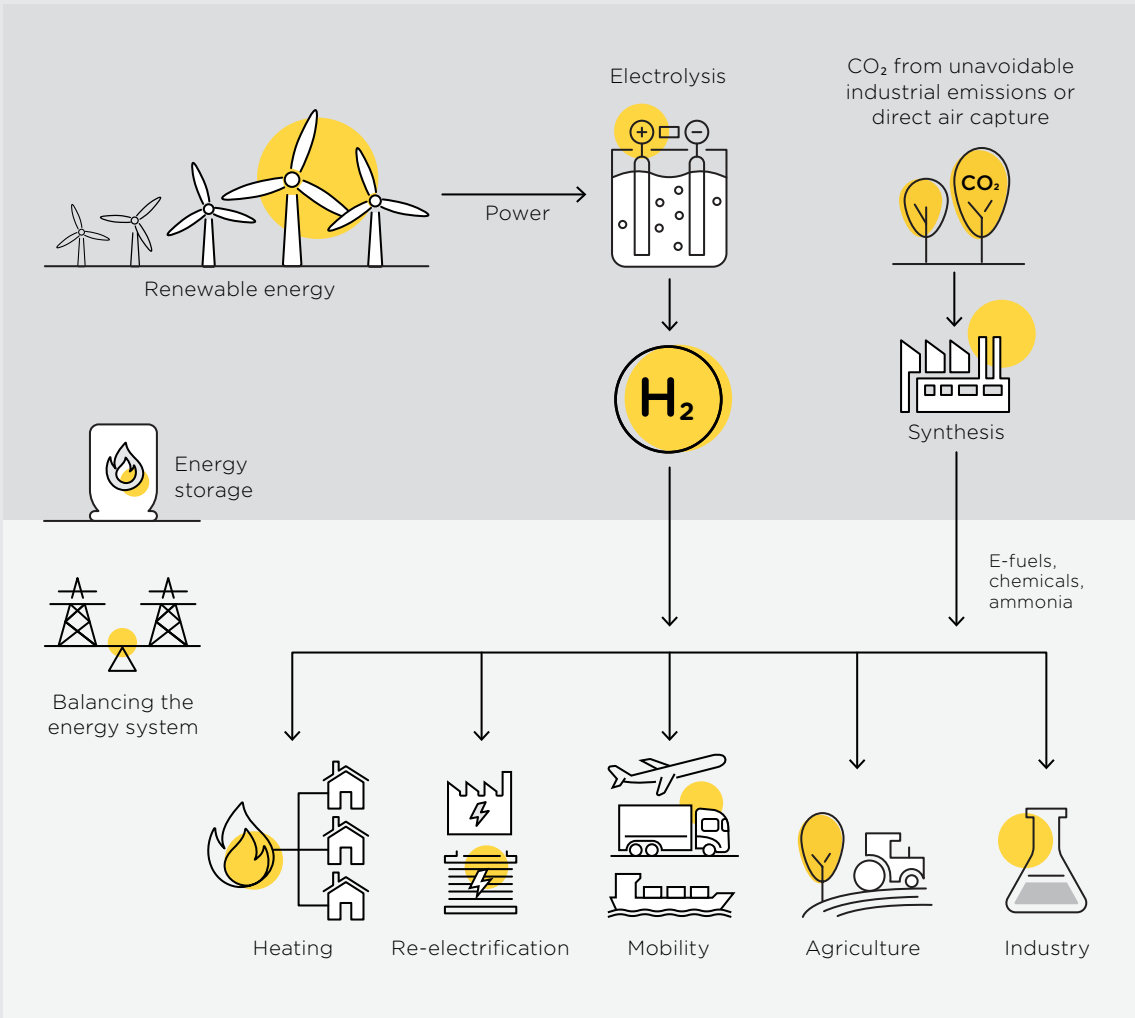


Figure 7. Hydrogen is produced in electrolyzers and can be subsequently processed with other feedstock (such as nitrogen to produce ammonia or CO₂ from carbon capture to produce carbon-based fuels) to produce synthetic electrofuels

Offshore wind parks offer best possibilities for attracting energy-intensive industry. Offshore projects are typically multiple times more sizeable than onshore parks and thus a large amount of renewable electricity is produced in one place also with the possibility of establishing a direct line, which in turn creates the prerequisites for adding value to the electricity left over from consumption, producing for example hydrogen and its derivatives from it. The term "Power-to-X" includes the processes by which electricity (power) from renewable sources is converted into a substance or energy carrier ("X"), which can be in gaseous form as hydrogen or methane (synthetic natural gas) or in liquid form as a synthetic fuel (methanol, ammonia, synthetic diesel). An external expert (Ramboll) has estimated the power-to-X market size in Europe's main markets at a total of over €100 billion by 2050.

Based on the analysis by KPMG, the impact of a 1,000 MW offshore wind park on GDP is estimated at 420 million euros ~1% of GDP, including ca 100 m€ of annual tax revenues, the impact of the construction of a hydrogen production facility with a capacity of 400 MW is an additional 110 million euros, and the impact of an equally powerful methanol plant is an additional 140 million euros per year.

Regarding offshore wind parks, Aurora Energy Research emphasizes the virtue of a higher and more stable power production profile compared to onshore wind, and greater possibilities for scalability. Aurora's modelling shows that deploying offshore wind in combination with onshore wind can offer several benefits to the Estonian power system, compared to scenarios without offshore, including:



Utilitas Saarde wind park opened in 2023

- A combined scenario (developing both onshore and offshore wind) results in the lowest forecasted power price from 2030 onwards as higher production during first and last quarter of the year from offshore parks replaces the demand from most expensive fossil fuel based sources; while a hybrid scenario which includes development of only onshore wind in combination with solar but not offshore wind results in higher prices and larger dependence for fossil based power/imports.
- A reduced gap between annual electricity demand and domestic renewable electricity production by 18-46 percentage points, making Estonia a net exporter from 2030 onwards.
- Decreased power sector carbon intensity by 20-46% in 2030.

■ Sector coupling in district heating

One of the priorities of Utilitas is to achieve as efficient energy production and distribution as possible in order to minimize the use of natural resources. In the pursuit of sustainable energy solutions, district heating and sector coupling have emerged as key strategies to optimize energy usage, reduce emissions, and enhance energy efficiency.

Sector coupling enables the utilization of waste heat from various industrial processes, power generation, and renewable energy sources to provide heating for residential, commercial, and industrial buildings. Sector coupling combined with 4th generation district heating improves overall energy efficiency by utilizing waste heat and integrating renewable energy sources into the district heating network. By coupling district heating with electricity, modern district heating systems enhance grid flexibility and resilience. Excess heat or electricity from renewable sources can also be converted into heat through heat pumps, contributing to the decarbonization of heating systems. Excess power can be stored and utilized as needed, altogether reducing reliance on fossil fuels, and improving system reliability. In addition, sector coupling with modern district heating contributes to climate change mitigation by reducing greenhouse gas emissions from heating, cooling, and electricity generation.

Efficiency of heat distribution can mainly be increased by reducing the temperature of water in district heating network, which enables to decrease heat losses, enhance efficiency of production units, improve network stability and resilience and utilise lower temperature heat sources.

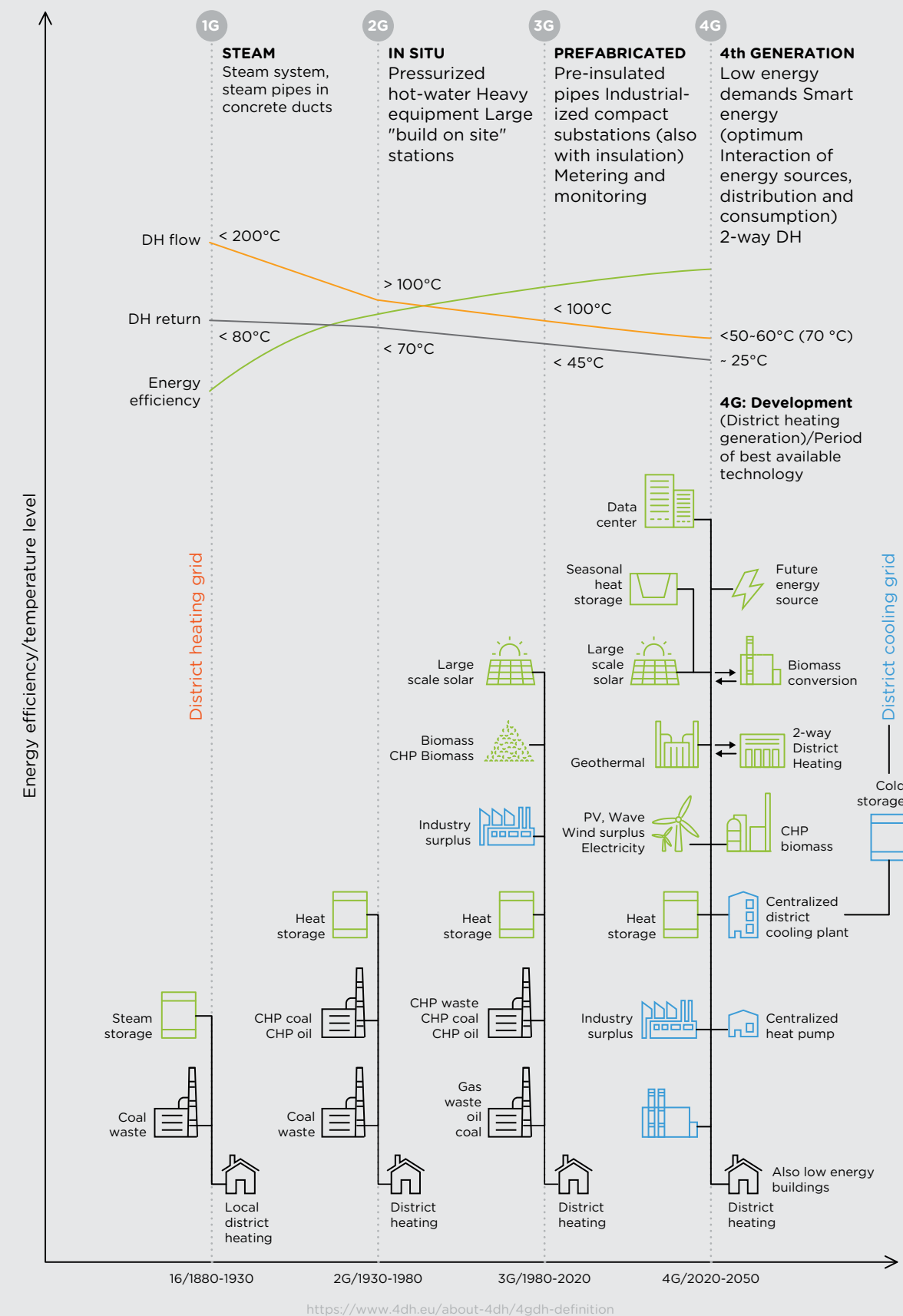


Figure 8. Development (District Heating generation) / Period of best available technology

OVERVIEW OF BUSINESS RESULTS

Utilitas is a leading player in the renewable energy sector in Estonia, operating as both the largest renewable energy producer and district heating operator in the country. The group serves approximately one-third of Estonia's district heating customers and provides space heating for over 20 million m² (2022: 19.4 million m²) of residential, commercial, and municipal buildings across the country. Utilitas operates an extensive network spanning 601 km (2022: 592 km) or about 35% of the country's total¹².

Utilitas provided over 2 TWh (2022: 2 TWh) of heat to 5,600 buildings (2022: 5,500 buildings) in 2023. This includes approximately 187,000 households, as well as municipal and corporate customers. Additionally, Utilitas contributed 286 GWh of renewable electricity in 2023 (2022: 318 GWh), accounting for approximately 11% of Estonia's overall renewable electricity production. Whilst average annual temperatures in 2023 in Estonia were very similar to 2022, on a monthly level the year 2023 witnessed relatively colder winter temperatures and milder spring and autumn temperatures which in total resulted in higher usage of fossil fuels to cover peak winter demand and as a result the share of renewables in Utilitas portfolio decreased from 68% to 66%. Notable improvement in the share of renewables is expected in 2024 on the back of the investments into new renewable generation assets completed in 2023 – the second stage flue gas condensers and heat pumps in the CHPs as well as the Saarde and Aseri wind parks. Utilitas is on track towards achieving its carbon neutrality targets by 2030 and the already achieved level of decarbonisation contributes significantly to the fulfilment of national renewables targets as well.

The Group's key financial figures and ratios	2023	2022
Total assets (in EUR thousand)	697,963	584,714
Loan liabilities (in EUR thousand)	400,701	332,701
Current ratio (times) = Current assets / Current liabilities	1.98	1.71
Quick ratio (times) = (Current assets - Inventories) / Current liabilities	1.31	0.98
Liquidity ratio (times) = Cash and cash equivalents / Current liabilities	0.15	0.07
Debt to equity ratio (D/E)	1.68	2.65
Total revenue (in EUR thousand)	225,562	259,623
Net profit (in EUR thousand)	27,708	39,907
Return on assets (ROA) = Net profit / Total assets (average)	4.3%	7.5%
Fixed assets turnover (times) = Revenue / Fixed assets (average)	0.40	0.57
Total assets turnover (times) = Revenue / Total assets (average)	0.35	0.48

12 <https://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/557GetPage/1/557Year/-1/ItemId/2427/amid/557/language/en-US/Default.aspx>



Planting an apple tree at the opening event of the Saarde wind park with President Alar Karis, Saarde Rural Municipality Mayor Külli Karu and representatives of Utilitas Rene Tammist, Priit Koit and Kristjan Rahu.

The year 2023 continued to witness high interest from clients looking to switch over to environmentally friendly, secure and sustainable heating solutions with 600,000 square meters or 133 new buildings (2022: 393 new buildings) connected to the Utilitas networks.

One of the main aims of Utilitas is to provide a secure and reliable service to its customers which was delivered in 2023 as 99.99% availability of district heating (2022: 99.9%). The company's objective is to extend its environmentally sustainable energy system to include nearby buildings that can be connected to the existing network.

Utilitas demonstrated an ongoing commitment to improving its heat networks by renovating and expanding 27 km (2022: 26 km) of heat networks in 2023. These network improvements not only facilitate the connection of new customers seeking environmentally friendly and cost-effective heating solutions but also contribute to reducing network losses. Due to colder weather in 2023, Utilitas achieved network losses of 12.7% compared to 12.4% in 2022.

INVESTMENTS

Significant investments at both national and single company levels within the utility sector are necessary to achieve ambitious renewable energy targets. The role of efficient district heating and cooling is vital in realizing climate neutrality objectives and ensuring a reliable energy supply, especially in Nordic climate.

According to the report „Transitioning to a carbon neutral heating and cooling in Estonia by 2050”¹³ prepared by Stockholm Environment Institute, different development

13 <https://energiatalgud.ee/sites/default/files/2022-12/D8%20-%20HC%20Project%20summary%20%281%29.pdf>

scenarios indicate that the heating sector needs 1.1-2.3 billion EUR of investments into network infrastructure and new capacities for achieving carbon neutrality. The analysis was prepared in 2022 and as such probably understates the capex figures as these did not yet factor in the significant cost increases and supply chain developments in 2022-2023 but clearly there is a substantial investment need. As Utilitas is the largest district heating group in the country, it has a significant role to play in achieving this goal and Utilitas carbon neutrality plan foresees investments of over 500 m€ until 2030.

Utilitas has shown a strong focus on pursuing renewable energy opportunities to expand production volumes and improve the resilience of its existing operations. This is accomplished through investments into new production capacities as well as investing into the development of district heating and cooling networks. Given the long-term nature of infrastructure investments, typically spanning over 30 years, Utilitas emphasizes the need for careful evaluation, planning, and execution. Furthermore, a stable and predictable regulatory environment is essential to support these initiatives.

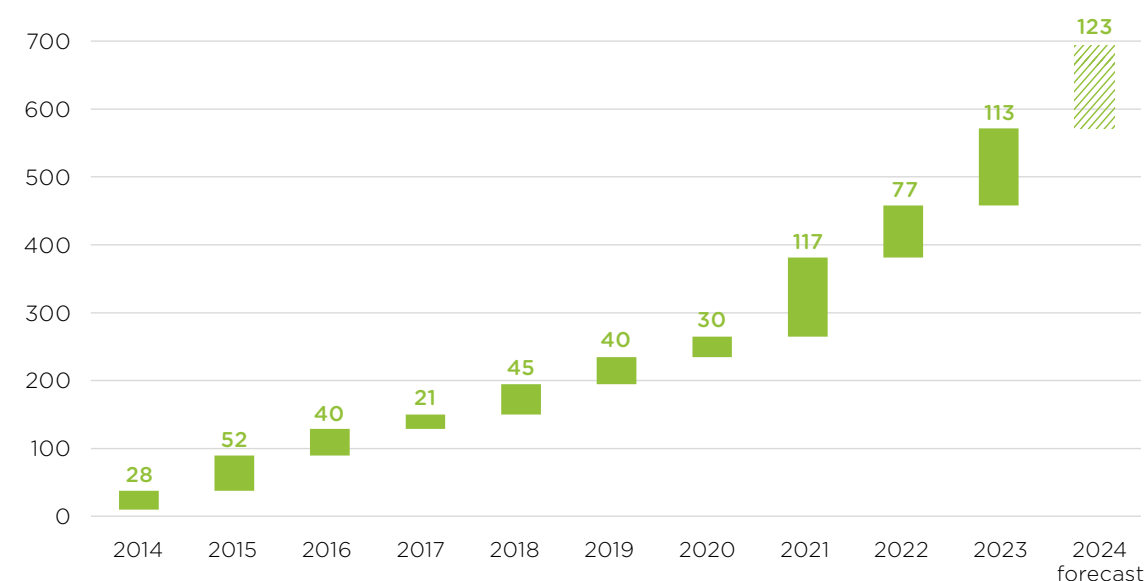


Figure 9. Volume of investments made by Utilitas from 2014 to 2024 (planned), EUR mln

In 2023, Utilitas and its subsidiaries invested a total of 113 million euros (2022: 77 million euros), complemented by investments of joint venture Utilitas Wind of 17 million euros (2022: 50 million euros). Utilitas plans to invest in the amount of 123 million euros in 2024, in addition, Utilitas Wind capex plan amounts to 111 million euros.

In August 2023, The City of Tallinn and OÜ Utilitas established a joint holding company in the field of district heating by establishing AS Utilitas Tallinna Soojus, which is 33.34% owned by the City of Tallinn and 66.66% by Utilitas. AS Utilitas Tallinna Soojus is a holding company that manages investments in the Tallinn area, while its 100% subsidiary AS Utilitas Tallinn is continuing the provision of heating and cooling services. The transaction further aligned the interest of the City of Tallinn and Utilitas as the goal of both is to ensure the availability of environmentally friendly district heating solutions and the functioning of vital services on the territory of the City of Tallinn. For this, the district heating network must be constantly modernized and large-scale investments made for which a suitable corporate structure and governance solution was established. Utilitas

plays a leading role in the development, preparation, and updating of the business plan which aims to complete the renewal of the district heating network in accordance with the Tallinn Unified District Heating Network Development Plan and to achieve carbon-neutral district heating and cooling supply by 2030 at the latest. At the same time, the objective of the accelerated investment plan is to reduce the share of fossil fuels in district heating to less than 10 percent by 2027 at the latest, which will reduce fossil fuels consumption by more than 500,000 MWh. The aim is also to expand the district heating and cooling network, enable convenient connection for new customers, and to bring the network to city districts that today mainly use fossil sources for heating. The City and Utilitas also aim to increase the co-ordination of planning of investments into public roads and the replacement of heat and water networks on those streets to minimise inconveniences to residents and maximise cost efficiency.

Utilitas' dividend payout remained steady and sustainable, totalling 5 million euros (5 million euros in 2022). The company prioritized investments aimed at improving energy efficiency, expanding renewable energy production capabilities, and reconstructing district heating networks:

- Investments related to operations of district heating networks and related production assets amounted to 69.8 million euros (47.5 million euros in 2022), including:
 - Fifth year of long-term network replacement plan, 2023 network capex covered in total 27 km (26 km in 2022), close to all-time high
 - Connecting 133 net new buildings to district heating networks (393 in 2022, including takeover of Adven clients in Tallinn) thereby increasing the total net area of heated buildings substantially to 20 mln square meters (19.4 million square meters in 2022)
- Installation of second stage flue gas condensers and heat pumps in Vão CHPs, enabling to increase the efficiency of operations and provide additionally ca 100 GWh of renewable heat to Tallinn district heating network (together with the second stage flue gas condenser at Mustamäe CHP which was completed already in 2022) and thereby also materially reduce natural gas demand in the network.
- District Cooling investments of 7.6 million euros (2022: 4.2 million euros) to connect new customers and develop the network and production.
- Completion of 39 MW Saarde wind park construction, capex in 2023 amounted to 32.7 million euros (2022: 26 million euros). The park is the most modern in Estonia and utilises 9 Vestas V150 turbines (4.3 MW each). Total annual production is expected to reach 135 GWh which is enough to cover annual electricity needs of 40 thousand households. Total investment by Utilitas was around 65 million euros.
- Commissioning of two Enercon wind turbines at Aseri wind park with capacity of 4.7 MW, total investment of around 7 million euros. The park will produce around 12 GWh per annum which is sufficient to cover annual electricity needs of 3.5 thousand households.
- Large-scale solar (9 MW in stage 1) development was launched next to Vão CHPs with expected completion in 2024.
- Utilitas Wind launched the construction of 10 MW / 20 MWh battery energy storage system in Latvia, next to its existing Targale wind park. The battery will enable to optimise the production of the wind park as well as participate in the frequency reserve markets, the installation of the battery will be carried out during the summer of 2024.

Utilitas platform is planning over 200 million euros of investments in 2024:

- Investments into large scale wastewater heat pump, technology tenders were carried out in 2023 and launch of construction works is planned for 2024 (see next section for more details).
- During 2023 Utilitas carried on with an innovative hydrogen project with the support of an investment grant of 5 million euros from the Environmental Investment Centre and the Ministry of Economic Affairs and Communications to co-finance the construction of a green hydrogen complete chain. Stargate Hydrogen Solutions, a company providing green hydrogen solutions, is also participating in the project as a technical consultant. Green hydrogen will be introduced in public transport and the project must be completed by the end of November 2024. The project will produce over 36 tons of green hydrogen for use in public transportation sector and reduce annual greenhouse gas emissions by 1,700 tonnes of CO₂ equivalent. In addition, the Environmental Investment Centre decided to support the expansion of the first production unit, which will be ready in 2026 and double its capacity. The complete green hydrogen value chain project managed by Utilitas is the first of its kind in the Baltic states. In addition to the production unit, Estonia's first hydrogen gas stations will also be built, and Bolt-operated hydrogen cars will start driving in the capital.
- Utilitas is in the process of completing Tallinn's largest solar park with a capacity of 9.3 MW in Vão energy complex. It will be named the European Green Capital Solar Park. The solar park consists of 15,600 panels and covers a total of 11 hectares in the territory of the former Vão limestone quarry. Double-sided solar panels are combined with single axis trackers, and thus the period during which the solar park produces electricity is extended. In order to make the urban environment greener nearly 5,000 trees will be planted in the western, northern and eastern sides of the solar park.
- Utilitas is expanding its geographical footprint by acquiring the district heating operations of Paide in Estonia and Valka in Latvia from Enefit Green. The transaction documentation was signed in November of 2023 and financial close took place in March 2024.
- Continuation of district heating network renovation and expansion targeting 31 kilometres of network construction and renovation in 2024.
- Short term heat storage project next to Vão CHPs, the aim of the project is to reduce natural gas consumption during transitional spring and autumn months by storing heat produced from biomass during warmer hours and offloading it during colder hours (as opposed to downscaling heat production from biomass during warm hours and utilising natural gas during colder hours).
- Development of onshore and offshore wind projects under Utilitas Wind with a number of projects in all three Baltic countries expected to reach ready to build status in 2024-2025.

Utilitas is in the process of completing Tallinn's largest solar park with a capacity of 9.3 MW in Vão energy complex.



UTILITAS CARBON NEUTRALITY PLAN UPDATE

Like many other cities in Estonia, Utilitas' district heating networks have historically relied heavily on natural gas. In 2008, approximately 2 TWh of natural gas, accounting for nearly 90% of the input energy (and close to 100% in Tallinn), was used for heat production. As a result of significant investments carried out to date, the share of fossil fuels in Utilitas' networks has been reduced to around one-third, approximately 700 GWh, with a substantial decrease expected in 2024 as the second stage flue gas condensers and heat pumps in the CHPs are fully operational for the first year. The company primarily relies on locally sourced woodchips in its combined heat and power (CHP) plants for heat production. These plants generate renewable heat and electricity, which also helps to reduce the carbon footprint of the electricity sector by replacing fossil fuels in the grid. In addition, Utilitas has also invested in renovation of the district heating networks. The installation of remotely readable smart meters has enabled real-time automatic management of the networks, leading to improved efficiency. Additionally, customers benefit from up-to-date information sharing and service offering via a modern self-service portal.

Utilitas has long recognized the concerns surrounding the security, environmental impact, and price volatility associated with natural gas and other fossil fuels. In response to these challenges and the need to address climate change and enhance energy security, Utilitas developed its carbon neutrality strategy called "From Low to Zero Carbon" in 2021. Originally, the plan aimed to achieve carbon-neutral operations by 2030. However, the energy crisis of 2022 and the use of natural gas as a geopolitical weapon by Russia prompted a reevaluation of the strategy. As a result, Utilitas decided to accelerate its investment plan as much as possible. The City of Tallinn also acknowledged the importance of transitioning away from natural gas, which led to the creation of the joint holding company in Tallinn (refer to page 24 for more information).

Since 2008, Utilitas has invested over 500 million euros into renewable production assets as well as network expansion and refurbishment. The accelerated carbon neutrality program foresees additional investments of over 400 million euros in 2024-2027 with focus on increasing renewable energy production, enhancing energy efficiency and continuous refurbishment of networks:

- Utilitas is dedicated to expanding renewable energy capacities and transitioning all of its district heating networks to renewable alternatives. One of the main focuses of Utilitas is to explore the use of industrial-scale heat pumps for generating energy for its networks. Heat pump technology plays a crucial role in harnessing renewable heating and cooling from ambient energy sources, as well as utilizing waste heat and cold. By deploying heat pumps that tap into underutilized renewable energy sources such as ambient energy, geothermal energy, and waste heat from industries and tertiary sectors (including data centres), it becomes possible to replace natural gas and other fossil fuel-based boilers with renewable heating solutions,

while simultaneously improving energy efficiency. As heating sector accounts for nearly half of EU's total energy consumption, the decarbonisation of the heating sector contributes to meeting environmental targets whilst also enhancing energy security. In 2023 Utilitas carried out technology supply tenders for its waste- and seawater heat pump and construction is due to start in 2024 with launching of operations in 2026. Utilitas during 2024 is also applying for EU co-funding for planned deep sea water heat pump which is planned for second half of the decade.

- In order to improve the resilience of the heat networks, Utilitas is continuing with construction and refurbishment of the district heating networks which reduces the probability of bursts, decreases heat losses, increases network efficiency and importantly also enables the utilisation of low-grade heat sources (such as heat from waste-and seawater heat pumps or waste heat from data centres) by developing towards decreasingly low temperature district heating networks.
 - Utilitas is implementing initiatives to promote sector integration and leverage new technologies and innovation. As part of these efforts, Utilitas is launching a unique hydrogen project in Estonia, located near the Vão CHP plants. The surplus heat produced during hydrogen production will be effectively utilized in the district heating network, enhancing its efficiency (see previous section for details).
 - Furthermore, Utilitas is facilitating the transition to cleaner energy sources in the cities where they operate. The aim is to connect existing buildings, which currently rely on different heat sources like natural gas, to district heating networks. This transition will not only reduce the environmental impact of these communities but also improve their energy security by replacing natural gas with a local alternative that also offers a more affordable price.
 - Utilitas aims to support the development of cities by being a reliable and responsible cooperation partner for residential and commercial real estate developers. Utilitas is focused on connecting existing as well as new buildings to the heating network and providing district cooling services as an environmentally friendly alternative to fossil-based heat or local cooling solutions.
 - The final step of Utilitas's carbon neutrality plan is to replace the remaining natural gas with biogas and/or electric boilers, or future renewable technologies such as hydrogen or e-fuels.

Utilitas measures and reports its progress on achieving carbon neutrality annually. Carbon intensity of heat and district cooling supplied in Utilitas operated networks (KPI 1) is the key measure of Utilitas's performance towards decarbonization by 2030 and captures the impact on total heating and cooling networks emissions from the perspective of Utilitas' end clients.

	2022 result	2023 result	2030 target
KPI 1 ¹⁴ : Carbon intensity of Utilitas district heating and cooling networks	72 gCO ₂ eq/kWh	68 gCO ₂ eq/kWh*	0 gCO ₂ eq/kWh
KPI 2 ¹⁵ : Renewable energy production share	68%	66%	100%

*67 gCO₂ eq/kWh if eliminating natural gas replacement with shale oil

¹⁴ KPI 1 = (Scope 1 and 2 emissions from Utilitas + operational emissions from purchased heat)/total produced and purchased heat and district cooling; gCO₂/kWh

¹⁵ KPI 2 = (Utilitas heat, electricity and cooling production from renewable sources - electricity consumption of energy production)/(total heat, electricity and cooling production-electricity consumed for energy production)*100; %

The 2030 sustainability performance target (SPT 1) is to reduce the carbon intensity of heating and cooling supplied in networks to 0 gCO₂/kWh. In addition, generation of energy (electricity, heat and cooling) from renewable sources such as biomass, wind, solar and heat pumps is also fundamental to Utilitas business strategy and is expressed as KPI 2, which captures the share of renewable energy in the Utilitas energy production mix. The 2030 sustainability performance target (SPT 2) is to increase the share of renewable energy in Utilitas own energy production mix up to 100%.

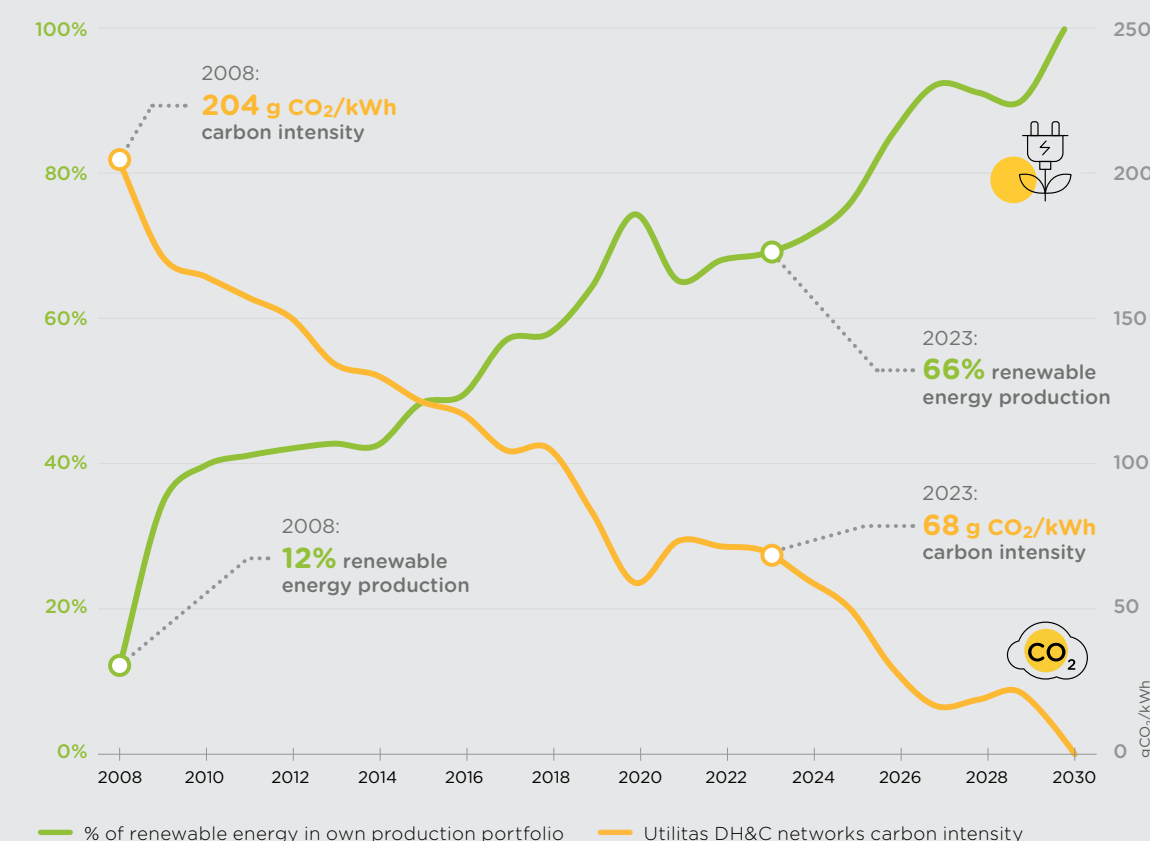


Figure 10. Utilitas Carbon Neutrality Plan targets

Whilst Utilitas is targeting zero operational carbon emissions from operations by 2030, already today the positive handprint from renewable electricity production exceeds carbon footprint of operations. In 2023 operational CO₂ emissions amounted to 159 thousand tons whilst avoided greenhouse gas emissions were 186 thousand tons (169 thousand tons and 216 thousand tons in 2022 respectively). Renewable electricity produced by Utilitas replaces the average residual generation mix of the country and reduces the amount of electricity produced from fossil sources and thereby lowering carbon emissions overall.

SUSTAINABILITY IN UTILITAS

More than one-third of the Estonian district heating customers are connected to the networks of Utilitas. In addition to providing district heating, Utilitas produces renewable electricity and provides district cooling. As a provider of vital services, Utilitas recognizes its role in the society and commits to act responsibly. The goal is to contribute towards a sustainable economy and to provide long-term value without causing significant harm to the environment and people. Ensuring uninterrupted supply of services and adapting to rapidly changing operating environment and market trends as well as prioritising sustainability aspects in decision making is of utmost importance.

For several years now, Utilitas has been preparing a separate sustainability report as part of its annual financial report, which is consolidated to the same extent as the financial report and covers the activities of the parent company and all subsidiaries. While reporting according to the Global Reporting Initiative (GRI) standards during the past years, Utilitas has now chosen to gradually start implementing the requirements of the European Union (EU) sustainability reporting directive (CSRD) and its accompanying reporting standards (ESRS), aiming for full compliance once sustainability reporting will be compulsory in 2026.





CORPORATE STRUCTURE

The direct 100% parent company of OÜ Utilitas is joint holding company FS Core Utilities S.à r.l, which is owned 85% by European Diversified Infrastructure Fund II (EDIF II) (85%) and 15% by members of the management team of Utilitas. EDIF II is a leading international infrastructure fund with long-term strategy and is managed by Igneo Infrastructure Partners (direct infrastructure management unit of First Sentier Investors Group).

OÜ Utilitas supervisory board consists of three members:

- **Kristjan Rahu** – Chairman of the Supervisory Board
- **Andreas Greim** – Member of the Supervisory Board
- **Gregor Kurth** – Member of the Supervisory Board

Following Committees also form part of the management structure:

- Audit Committee
- Nomination and Remuneration Committee
- ESG Committee

As of 31 December 2023, the Group structure and members of the management boards is as follows:

OÜ UTILITAS – parent company

Priit Koit – Group CEO

■ AS Utilitas Eesti (100%)

district heating and cooling service in 6 cities over Estonia

Robert Kitt – Chairman of the Management Board
Janek Trumsi – Member of the Management Board
Lauri Lugna – Member of the Management Board

■ OÜ Utilitas Tallinna Elektriijaam (100%)

electricity and heat production

Andres Taukar – Chairman of the Management Board
Andrus Tamm – Member of the Management Board
Üllar Metsküla – Member of the Management Board

■ AS Utilitas Tallinna Soojus (66.66%)

holding company for developing and operating Tallinn's unified district heating network

- **AS Utilitas Tallinn (100% owned by AS Utilitas Tallinna Soojus)**
provider of district heating and cooling services as well as producer of renewable heat and electricity

Robert Kitt – Chairman of the Management Board
Janek Trumsi – Member of the Management Board
Lauri Lugna – Member of the Management Board

- **AS Tallinna Soojus (100% owned by AS Utilitas Tallinna Soojus)**
monitoring of service levels

Katri Paas-Mohando – Member of the Management Board
Kalle Klandorf – Member of the Management Board

■ OÜ Tuulepealne Maa (100%)

wind park developments in Estonia

Rene Tammist – Member of the Management Board
Andrus Zavadskis – Member of the Management Board

■ OÜ Utilitas Wind (50%)

wind park development related joint holding company

Rene Tammist – Chairman of the Management Board
Priit Brus – Member of the Management Board
Andrus Zavadskis – Member of the Management Board

- **OÜ Vihtra Tuulepark (100%)** wind park development in Estonia
- **OÜ Irbeni (100%)** wind park development in Estonia
- **Paenase Põllud OÜ (100%)** land right management
- **Utilitas Wind SIA (100%)** wind park development in Latvia
- **TCK SIA (93%)** Targale wind park
- **Grobina Wind Park SIA (100%)** Grobina wind park
- **UAB Utilitas Wind (100%)** wind park development in Lithuania
- **UAB Telšiu vėjo parkas (100%)** wind park development in Lithuania
- **UAB Telšių vėjo jėgainės (100%)** wind park development in Lithuania

■ AS Tallinna Vesi (20.36%)

drinking water and wastewater treatment and supply service 3 out of 9 Supervisory Board seats are held by Utilitas, including Chairman position.

SUSTAINABILITY GOVERNANCE

Sustainability is managed throughout the organisation based on the Utilitas ESG framework, which consists of:

- **Dimensions**
3 dimensions – environmental, social, governance
- **Topics**
7 topics – tackling most relevant angles of each dimension
- **Commitments**
What exactly we commit to focus on within the topic
- **Targets/KPI-s**
How we evaluate if we have been successful in delivering the commitment
- **Target levels**
What is our specific ambition for each commitment
- **Activities**
What we firsthand need to do in order to achieve all of the above

Utilitas has certified standards in place among all subsidiaries to ensure sustainable business practices:

- Environmental Management system ISO 14001;
- Occupational Health and Safety Management system ISO 45001;
- Quality Management system ISO 9001;
- Programme for the Endorsement of Forest Certification (PEFC) certificate since 2023.

Responsibility for Environment, Health, and Safety (EHS) matters lie with the management team of each Utilitas subsidiary and Utilitas Environmental Manager. Each subsidiary Quality and Environmental departments report to the Group Environmental manager.

Comprehensive EHS procedures are in place which also include internal and external audits. Board members conduct regular visits to departments and units to get direct overviews on how measures and procedures are applied.

ESG committee on Board level gathers at least twice a year and closely monitors ESG developments and trends as well as provides valuable feedback and recommendations.

Utilitas has established periodic management board reviews, during which the current state of the long and short-term business objectives is reviewed by reflecting key operational performance indicators. Previously made reviews are reviewed by considering changes in external and internal activities, relevance of management principles, resource adequacy, non-compliances, potential risks, improvement opportunities, occupational health and safety items and an overview of the environmental council. Key operational

performance indicators can vary between business units due to the different activities done within each unit.

Key operational performance indicators tracked:

- New Connections (square meters, MW and Number of Buildings/Connections);
- Disconnections (MW and Number of Buildings/Connections);
- Planned and Unplanned Interruptions (Number and Duration);
- Customer and other complaints;
- Production Efficiency (%);
- Electricity used for own operations (kWh/MWh);
- Network Performance (Temperature and Hydraulics);
- Average Network Age (Years);
- Heat Losses (GWh and %);
- Emissions Compliance;
- CO₂ Emissions (tCO₂-eq per annum);
- Water Consumption (% of Network Volume);
- Water Quality indicators.

RISK MANAGEMENT

Utilitas has a risk registry in place to be on track and manage emerging risks on an ongoing basis. As a provider of a vital service, Utilitas must assess risks and make plans for crisis management to follow the Emergency Act and regulations of local governments. Detailed action plans have been developed to restore the operation of energy plants if risk scenarios should materialise. These include measures on continuously providing district heating service in the case of technical failures, extreme weather conditions or interruptions in electricity or fuel supply. Employees and members of the management board have been appointed who are responsible for carrying out stated plans if necessary.

Financial risks management

In its daily activities, the Group needs to consider various financial risks. The key risks include market risk (including interest rate risk and foreign exchange risk), liquidity risk and credit risk.

Interest risk

Interest risk arises from interest rate changes in the financial markets because of which it may be necessary to revalue the Group's financial assets and take into consideration higher financing costs in the future. To reduce interest rate risk, Utilitas finances its activities with long-term and fixed rate loans.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group's foreign exchange risk is related to purchases done. Majority of Group's purchases are made in euros. Because of the minimal proportion of transactions in foreign currencies the Group has not taken any special activities to reduce this risk.

Type of risk	Risks	How we mitigate the risk
Environmental	<ul style="list-style-type: none"> ● Climate change related risks ● Ability to develop and execute ESG and carbon neutrality strategies ● Lack of raw materials incl fuels that meet sustainability criteria ● Aging of operational assets, unplanned interruptions of DH networks or energy production facilities 	<ul style="list-style-type: none"> ● Performing regular risk analysis; increasing resilience of the energy production and delivering systems ● Due to increased CO₂ and natural gas prices the need to complete the full switch to renewables is increasingly urgent ● Keeping the reputation as a reliable partner ● Continuous monitoring of environmental performance, investments into assets, good cooperation with the regulatory authority
Social	<ul style="list-style-type: none"> ● Decrease in customer satisfaction ● Workplace accidents of employees and contractors ● Ability to keep being an attractive employer for current and potential employees (including university graduates), aging workforce 	<ul style="list-style-type: none"> ● Client engagement studies including questions as to how can we improve the service offering; Utilitas is also focused on having a positive and socially responsible reputation by promoting renewable energy and clean environment as well as contributing to local initiatives ● Working Environment council in place, regular risk assessments and awareness raising, analysis of any accidents and modification of rules if possible/ necessary ● Engagement surveys and internship programs, employer branding, automatization, competitive remuneration packages
Governance	<ul style="list-style-type: none"> ● Financial risks incl credit risk and liquidity risk ● Ability to comply with environmental rules and regulations; public perception of environmental issues and Utilitas ● Cyber- terrorism, cyber security risks ● Unfavourable changes in regulations/legislations 	<ul style="list-style-type: none"> ● Open and active dialogue with financiers ● Developing internal know-how and including experts if necessary ● Dedication of in-house resources and engaging IT consultants; IT audit ● Active participation in any regulative/ political discussions. Active membership in sector associations

Credit risk

Credit risk relates to a potential damage which would occur if the parties to a contract are unable to fulfil their contractual obligations. Sales of products and services are done in compliance with internal procedures. To reduce credit risk related to accounts receivable the customers payment discipline is consistently observed. Customers who have exceeded the payment deadlines are handled personally to find solutions. Write-offs levels for bad debts are minimal. According to the Group's risk management policies the short-term cash resources can be deposited only in accounts, overnight deposits and fixed term deposits opened in respectable credit institutions. As of December 31, 2023, the Group had deposits of EUR 300 thousand (31.12.2022: EUR 300 thousand). As at balance sheet date, the loans granted to joint ventures amounted to EUR 31,600 thousand (31.12.2022: EUR 20,150 thousand), as the Group has a solid overview and co-operation with the joint ventures then no additional collateral for the loans is required. As of 31 December 2023 and 31 December 2022, there were no loans granted to unrelated parties.

Liquidity risk

Liquidity risk is the risk that the company is unable to fulfil its financial obligations due to insufficient cash funds. This risk realizes if the company does not have enough funds to service its loans, to fulfil its working capital needs and to perform necessary investments. As of 31 December 2023, the Group's current ratio was 1.98 (31.12.2022: 1.71). In addition to available cash balances and to ensure additional liquidity and manage cash flow seasonality, the Group has concluded an overdraft agreement with SEB bank in the total amount of EUR 34,000 thousand (2022: EUR 15,000 thousand). In liquidity risk management the Group has taken a prudent view, maintaining sufficient cash balances to be able to fulfil its contractual obligations at every moment of time. Continuous cash flow forecasting and control are essential tools in the day-to-day liquidity risk management of the Group.

RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

Every year, the group sets specific performance goals based on the company's management and ESG policy and key performance indicators for monitoring their fulfilment for all subsidiaries. The fulfilment of ESG goals as well as other policy documents and procedures across and the integrated management system across the group are presented to the management monthly. Compliance of activities is regularly evaluated at management meetings, internal and external audits and visits to departments and subdivisions. Conformity is also assessed by control bodies external to the organisation. All the procedures are documented through relevant protocols and reports that also give input to the sustainability report.

STAKEHOLDERS OF UTILITAS

Utilitas includes the views of different stakeholders into decision making and engages them on an ongoing basis to update plans according to changing expectations. Different major internal and external stakeholder groups important to Utilitas together with their expectations and ways of engagement are:

Major stakeholder groups	Major expectations towards us
Consumers of heat, electricity and cooling	<ul style="list-style-type: none">Reasonable priceSecurity of supplyConvenienceSmall carbon footprint
Investors, financiers	<ul style="list-style-type: none">Sustainable and responsible governanceStable and predictable financial performanceProductive, sustainable, environmentally friendly and innovative company
Public sector incl municipalities and regulator, industry, sustainability and civic associations, local communities, research institutions and experts	<ul style="list-style-type: none">Affordable and fair prices for consumersSustainable and responsible governanceClimate change mitigation and adaptationPartnership and cooperationOperational safetyContribution to national targets in energy sectorInnovative leader in terms of sustainability and awareness in energy sector
Real-estate developers, construction companies, building managers, suppliers and subcontractors	<ul style="list-style-type: none">Partnership and cooperationReasonable energy priceSecurity of supplyProvision of environmentally friendly and sustainable energySmall carbon footprintTechnically competent partnershipFair and equal treatmentLong term business relations
Employees	<ul style="list-style-type: none">Good working conditions, motivation of employeesFair wagesSafe working environmentStable and responsible employer with good reputationInclusionTrainingsRaising awareness
Society and media	<ul style="list-style-type: none">Open for cooperationGood reputationOpinion leader in energy sector

MATERIAL SUSTAINABILITY AREAS AND TARGETS

Most important sustainability topics for Utilitas were identified in 2021 by reviewing material ESG aspects in cooperation with external experts. The assessment considered most important short-term and long-term external contributors impacting Utilitas business, as well as impacts coming from Utilitas operations that influence stakeholders, society and the environment. This included mapping of societal megatrends, relevant political and regulatory developments, and societal challenges together with good industry practice and sector standards.

Aspects considered for formulating ESG strategy:

- **Societal megatrends affecting the sector:**
 - Global warming in Estonia and the world;
 - Urbanization and sector coupling in cities;
 - Increase in intermittent energy production capacities.
- **Societal challenges in Estonia and the world:**
 - Need to ensure energy security, sustainability and affordability;
 - Needs according to the United Nations Sustainable Development Goals.
- **European Union and Estonian regulatory developments:**
 - Energy and climate policies and strategies;
 - Regulations for transparency on sustainability & ESG.
- **Good market practice for ESG and sustainability management:**
 - Requirements of good practice standardized management systems (e.g ISO 9001, 14001 and 45001);
 - Inspiration from other major ESG and sustainability management guidelines, standards and frameworks.

As a result of the analysis, seven priority sustainability areas in environmental, social, and governance dimensions were formulated. Targets, plans and key performance indicators were attached to each priority area to screen the sustainability management performance and progress of Utilitas. Future activities to initiate the mitigation of negative impacts and increase positive impacts in these areas were also identified. This forms the strategic ESG and sustainability framework of Utilitas.

As the ESRS requires reporting based on the double materiality principle, Utilitas initiated the process of double materiality analysis according to the EFRAG guidance materials in 2023.

OUR ACTION AREAS

ENVIRONMENTAL DIMENSION



1 Climate and emissions

- Carbon neutral heat and cooling supply by 2030 at the latest
- 100% renewable energy production by 2030 at the latest
- Positive handprint from green electricity - avoided emissions by customers are higher than Utilitas' Scope 1, 2 & operational 3 emissions



2 Resource use and efficiency

- Heating and cooling networks are Efficient District Heating networks as defined by EU directive
- Highly efficient production (efficiency over 85%, incl scrubber near 100%)



3 Biodiversity and ecosystems

- 100% biomass sourced locally
- 100% of procured biomass is obtained from certified suppliers, (PEFC/19-31-91) certification

SOCIAL DIMENSION



4 Workplace safety

- Zero workplace accidents



5 Employee inclusion

- High employee engagement and satisfaction rate
- Diverse teams and gender balance
- Talent retention - voluntary turnover rate below 5%



6 Quality service for clients

- Certainty of supply for customers
- High client satisfaction rate
- Increase in client base

GOVERNANCE DIMENSION



7 Responsible governance and community engagement

- Relevant asset and operational as well as board level responsible governance measures in place
- Taxonomy aligned reporting to be developed
- Valid and updated ISO 9001, 14001, and 45001 & green office certifications
- Transparency of the price policy maintained

CONTRIBUTION TOWARD UN SUSTAINABLE DEVELOPMENT GOALS

United Nations Sustainable Development Goals (SDG) have been used to place Utilitas business operations in a broader context and to highlight most significant aspects on which the Group contributes regarding sustainable development. These goals are also brought out throughout the report to show the wider contribution of each sustainability topic managed by Utilitas.

Our highest impact is to SDG-s:



Being the largest district heating company and renewable energy producer in Estonia makes us responsible for providing access to energy in an environmentally friendly way, today and in the future.

Whilst contributing to SDG-s:



Our daily operations and processes follow principles and include initiatives which make impact to moving towards these global goals on local level - mostly related to resource efficiency and employment.

But adhering also to principles of SDG-s:




We aim to ensure responsible business operations today and in the future - hence, our responsibility is to take good care of people and stakeholders around us.

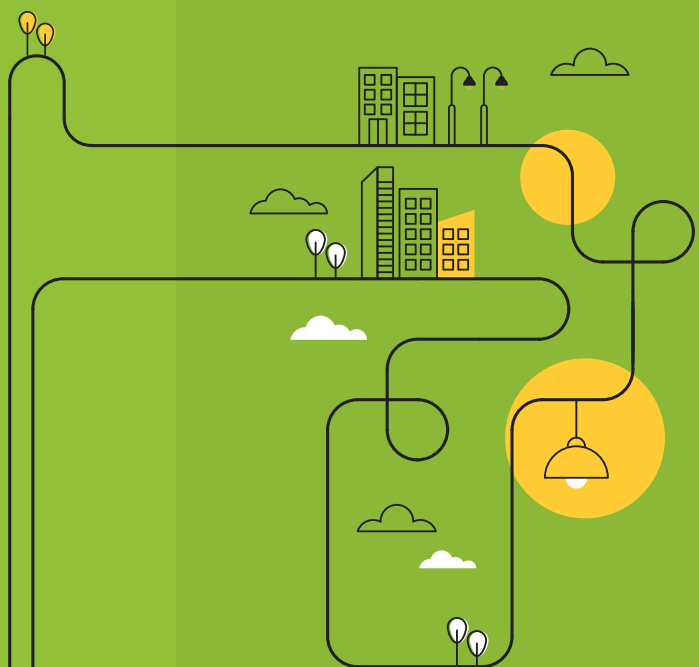
OVERVIEW OF ESG PERFORMANCE IN 2023

Key performance indicators for all priority ESG areas are in place to show Utilitas' sustainability performance. The graph below shows the Group sustainability targets and year 2023 results in all 7 important ESG areas.

Environmental dimension

1	Climate and emissions:	2	Resource use and efficiency:	3	Biodiversity and ecosystems:
					
Carbon neutral heating and cooling supply by 2030. 2023: 68 gCO ₂ /kWh network CO ₂ emissions (2022: 72* gCO ₂ /kWh *67 gCO ₂ /kWh without special measures for gas replacement that were made in 2022)					
100% renewable energy production by 2030 2023: 66%* renewable energy production *69% with Utilitas Wind (2022: 68%)					
Positive handprint from green electricity 2023: avoided CO ₂ emissions (186 th tons) > operational CO ₂ emissions (159 th tons) (2022: achieved)					
Efficient district heating and cooling networks as defined by EU directives 2023: achieved in all networks (2022: achieved in all networks)					
High production efficiency 2023: over 85% in boiler houses and near 100% in CHPs (2022: over 85% in boiler houses and near 100% in CHPs)					
100% of used biomass sourced locally 2023: achieved (2022: achieved)					
100% of biomass obtained from certified sources 2023: achieved (2022: achieved)					

Social dimension

4	Workplace safety	5	Employee inclusion	6	Quality service for clients
					
Zero workplace accidents 2023: 0 (2022: 2)					
High employee satisfaction 2023: 4.15/5 (2021*: 4.15/5) *biennial survey					
Gender balance 2023: 25%/25% of women in total / managerial positions (2022: 25%/25%)					
Talent retention 2023: 2.8% voluntary turnover rate (2022: 3.0%)					
Service supply certainty 2023: 99.99% average availability of district heating (2022: 99.99%)					
Satisfied customers 2022*: 94% customer satisfaction (2020: 97%) *biennial survey					
Client base increase 2023: 133 new buildings / 63 MW connected (2022: 92 / 40 MW including 237 buildings and 55 MW from takeover of Adven networks in Tallinn)					

Governance dimension

7	Responsible governance
<ul style="list-style-type: none">Responsible governance measures are in place on asset, operational and board levelTransparent price policyISO 9001, 14001, and 45001, PEFC and green office certifications	

ENVIRONMENTAL IMPACT





Utilitas Saarde wind park opened in 2023

Addressing climate change, minimizing greenhouse gas (GHG) emissions, and promoting renewable energy and energy efficiency both globally and in Estonia are key factors in shaping the direction of the energy sector. Alongside worldwide patterns and regulatory advancements, there is a growing emphasis on environmental sustainability driven by the rising expectations of citizens.

According to the biennial survey conducted among customers of Utilitas in December 2022, 53-60% of people and businesses consider that the energy use and carbon footprint of buildings together with achieving climate neutrality is important. At the same time, 83% of customers consider using renewable sources for energy production as very important.

Environmental impact management is a key focus at Utilitas. The company prioritizes attaining high levels of energy efficiency, minimizing climate impact, and utilizing sustainable resources for energy production while also recognizing potential risks associated with biodiversity impacts. Continuous monitoring of air emissions, waste streams, and waste consumption is conducted to prevent significant harm to the environment. Utilitas

carries out regular annual reviews of detailed environmental aspects and actions in alignment with the implemented environmental management system.

All Utilitas companies have implemented ISO 14001:2015 environmental management system, which are kept up to date by annual audits and recertification once in every three years. Certified green office principles are also followed in Tallinn offices.

The main objectives of Utilitas environmental management system are to:

- comply with the environmental requirements arising from laws and regulations;
- help preserve natural resources through reducing the consumption of water, electricity and fuels;
- use environmentally friendly and energy-efficient solutions in operations;
- foster the use of renewable fuels in order to reduce carbon emissions;
- be transparent in its activities with external stakeholders;
- promote energy efficiency and environmental sustainability among employees and customers.

EU TAXONOMY

The EU Taxonomy regulation is a classification system to encourage sustainable investments by determining which economic activities contribute to the environmental objectives of the EU Green Deal. It establishes a science-based performance criteria and imposes a corporate reporting obligation on certain companies to disclose the extent to which companies' turnover, capital expenditure (CapEx) and operational expenditure (OpEx) are related to sustainable activities according to the Taxonomy regulation. Taxonomy regulation distinguishes three types of activities: activities that make a substantial contribution to the environmental objective, activities that enable other activities to make a substantial contribution, and transitional activities if their greenhouse gas emissions are substantially lower than the industry average.

Utilitas is currently not in the scope of companies that are obliged to disclose Taxonomy-related information. Nevertheless, the first steps have been taken towards assessing its business activities in relation to the Taxonomy regulation already in 2022 and elaborated in 2023. The aim is to be transparent about the company's potential contribution to the Green Deal objectives and to start preparing for the compulsory reporting period (2025).

Most Utilitas Group's Taxonomy-eligible activities are low carbon activities, thereby being eligible to make a substantial contribution to climate change mitigation. The production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system is a transitional activity.

During 2023, Utilitas carried out alignment assessments on each activity's technical screening criteria. Until the official reporting period, Utilitas discloses the proportion of Taxonomy-eligible and Taxonomy-non-eligible economic activities in total turnover, CapEx and OpEx.

■ Accounting method

The turnover of the activities listed in the table was counted in the numerator and net turnover was counted as denominator of the turnover calculations. As for the calculation of proportion of CapEx, mainly Utilitas' invests in the sustainable and green activities such as new renewable energy generation units, heat pumps for utilisation of waste heat etc were considered. Those investments were counted in the numerator and total capex as indicated in the Disclosure Delegated Act¹⁶ was counted as denominator. In terms of calculation of proportion of OpEx, the numerator accounts for all taxonomy-related activities' repair and maintenance costs. The denominator consists of repair and maintenance costs, rent expenses and IT maintenance costs. Expenses related to salaries were not included in the OpEx calculation due to limitations related to the reporting system.

As a result, 81% of Utilitas turnover, 96% of CapEx and 87% of OpEx were related to taxonomy-eligible activities in 2023.

¹⁶ Commission Delegated Regulation (EU) 2021/2178.

Taxonomy-eligible activities	Taxonomy code	NACE code	Absolute turnover, k€	Proportion of turnover	Absolute CapEx, k€	Proportion of CapEx	Absolute OpEx, k€	Proportion of OpEx
A.1. Taxonomy-aligned activities								
A.2. Taxonomy-eligible activities								
Electricity generation using solar photovoltaic technology	4.1	D35.11	208	0.1%	4,665	4%	1	0%
Electricity generation from wind power	4.3	D35.11	2,368	1%	37,889	33%	122	2%
District heating/cooling distribution	4.15	D35.30	31,491	14%	42,003	37%	614	12%
Cogeneration of heat and power from bioenergy	4.20	D35.11, D35.30	83,282	37%	3,016	3%	2,151	43%
Production of heat from bioenergy	4.24	D35.30	7,362	3%	747	1%	146	3%
Production of heat using waste heat	4.25	D35.30	18,804	8%	5,272	5%	483	10%
Installation and operation of electric heat pumps	4.16	F43.22	-	-	3,487	3%	-	-
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system*	4.31	D35.30	39,349	17%	4,727	4%	816	16%
Production of heat/cool from green electricity**	N/A*	D35.30	236	0.1%	598	1%	16	0.3%
Installation, maintenance, and repair of charging stations for electric vehicles in buildings	7.4		-	-	20	0%	-	-
Storage of thermal energy	4.11		-	-	6,423	6%	-	-
Total (A.1+A.2)			183,099	81%	108,846	96%	4,350	87%
Taxonomy non-eligible activities			42,463	19%	4,497	4%	652	13%
Total (A+B)			225,562	100%	113,342	100%	5,002	100%

* Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system is considered a transitional activity
** Production of heat/cool from green electricity includes the production of district cooling, which is technically comparable to taxonomy eligible activity 4.25 "Production of heat using waste heat"

CLIMATE CHANGE



District heating plays a significant role in reducing the carbon footprint of energy use. In Estonia, a report by Stockholm Environment Institute (SEI), found that transitioning to a carbon neutral heating and cooling in Estonia by 2050 is feasible.¹⁷ The project team recommends combining electricity-based heating and cooling with district heating and cooling to keep the cost lower for energy consumers, and adapt to the local context and needs. In this framework DHC will be supplied by local resources where available (like with geothermal, solar sources via heat pumps, or with bioenergy, ideally locally produced).

As the ESRS addresses the resources connected to energy production under the standard “Climate change”, the ESG strategy sub-topic “Resource use” is in large part covered under this chapter.

POLICY AND TRANSITION PLAN

Transition to carbon neutrality is getting more important every year, both economically and morally as the effects of climate change together with concerns of citizens and companies on the prospects are intensifying. Utilitas’ own target is to make the district heating system (operated by Utilitas) carbon neutral in its entirety already by 2030. Actions that contribute towards this green transition are already in motion. In 2023, Utilitas submitted its commitment to the Science Based Targets initiative (SBTi)¹⁸ and is

currently working on developing the emissions reduction targets to align with the SBTi’s criteria. The group’s carbon neutrality plan is described in detail on page 27.

In addition to the carbon neutrality plan, Utilitas has also integrated its climate related goals and aspirations into the group’s ESG strategy, further described starting from page 30. The policy covers climate mitigation, adaptation, energy efficiency and renewable energy transition.

The fulfilment of both ESG policy and transition to carbon neutrality is the responsibility of Utilitas board as well as each Utilitas subsidiary and Utilitas Environmental Manager. Each subsidiary Quality and Environmental departments report to the Group Environmental manager.

¹⁷ <https://www.sei.org/projects-and-tools/projects/transitioning-to-carbon-neutral-heating-and-cooling-in-estonia-by-2050/>
¹⁸ <https://sciencebasedtargets.org/>



Tallinn was the European Green Capital 2023, and the city has an ambition to become climate neutral by 2050. To fulfil the set sustainability ambitions, Tallinn has developed a Sustainable Energy and Climate Action Plan 2030, which includes measures for both climate change mitigation and adaptation. One of the key components for achieving these plans is to reduce GHG emissions in the energy sector. Utilitas actions are interlinked with the city’s action plan by directly contributing to the following actions:

- expanding areas connected to district heating to replace more polluting energy sources;
- implementing innovative and sustainable district cooling systems;
- renovating older pipelines in the district heating network to improve energy efficiency;
- raising energy generation in district heating from biomass and non-recyclable waste.



PHYSICAL CLIMATE RISKS

As all Utilitas’ activities take place in Estonia, the climate risk analysis is based on the main future climate impacts outlined in the Estonian Climate Adaptation Plan and the IPCC scenarios up to the year 2100¹⁹.

All Utilitas buildings, equipment and facilities are designed and built to suit the local climate. All buildings and activities are resistant to enduring climate risks. Activities are not affected by temperature increases, differences in wind direction or strength, or

Extreme climate risk	Solar panels	Wind parks	District heating network	Cogeneration plants	Heat pumps	Residual heat	Fossil gaseous fuels	Charging stations for electric vehicles	Storage of thermal energy
Heat waves						N/A			
Cold waves						N/A			
Forest fires	N/A	x	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hurricanes						N/A			
Tornadoes	x	x	N/A	x	x	x	x	x	x
Storms	x	x	N/A	x	x	x	x	x	x
Drought						N/A			
Heavy rainfall						N/A			
Floods						N/A			
Avalanches						N/A			
Landslides						N/A			
Land subsidence						N/A			

¹⁹ https://ar5-syr.ipcc.ch/topic_futurechanges.php

increased precipitation. None of Utilitas' operations are in an area affected by rising sea or inland water levels. The effects resulting from extreme (acute) climate conditions that do not occur under normal conditions have been analysed below.

The effects resulting from extreme climate risks and the vulnerability to them have been assessed internally by environmental and technical experts according to the EU Commission notice about the technical guidance on the climate proofing of infrastructure in the period 2021-2027²⁰.

MEASURES AND TARGETS

Utilitas has already lowered emissions remarkably by having invested approximately 560 million euros in the operated district heating networks since 2002 (820 million euros in 2023 values when adjusting for inflation). As a result since 2008, the carbon intensity of district heating networks has decreased by two thirds. Utilitas ensures emission reduction by a variety of continuous activities together with different investments and focuses each year.

■ Cogeneration plants and production efficiency

Target: production efficiency over 85%, including scrubber near 100%

2023 Efficiency depending on CHP plant ~100% including FGC

Utilitas uses cogeneration plants which also produce electricity and help to maximize the effective utilization of energy stored in the burnt fuels. This also helps to gradually phase out electricity that is produced mainly from fossil sources.

Production efficiency factor is approximately 100% in Utilitas operated cogeneration plants equipped with flue gas scrubber technologies. In these plants electricity and heat are generated in the same process with approximately 30% of output as electricity and the remaining 70% as heat that can

be used to heat buildings via district heating networks. Such efficiency is 2.5-3 times higher than in power plants not connected to the district heating network and operate on the condensation regime, where the heat generated in the process is wasted and efficiency is only between 35-40%. Flue gas condenser technology is also used in heat only biomass boilers, increasing efficiency close to 100% in these production units as well.

In 2022-2023 Utilitas invested around 20 million euros into second stage flue gas condensers and heat pumps at all three operated cogeneration plants to increase efficiency even further (more on page 25).



Definition: efficiency is the sum of annual production of electrical energy, mechanical energy and useful heat divided by the energy used to produce this energy. Efficiency factor is calculated based on the lower net calorific value of the fuel.

²⁰ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2021.373.01.0001.01.ENG

■ Distribution efficiency

Utilitas is heading towards using 4th generation district heating and cooling networks which enables effective use of residual waste heat and two-way interaction between suppliers and consumers to provide a better balance between the demand and energy productions to improve resource use and efficiency.



Estonian Power and Heat Association has awarded Utilitas with the Efficient District Heating and Efficient District Cooling labels. This means that all Utilitas district heating and cooling systems are efficient systems within the meaning of Energy Efficiency Directive (2021/27/EU). Conditions set by the directive state that heating or cooling must be generated by using at least 50% renewable energy or 50% waste heat, 75% cogenerated heat or 50% combination of such energy and heat.

To have efficient distribution networks, it is important to have up to date and renovated pipelines which decrease heat losses and allow to use more efficient solutions such as lowering the water temperatures in the pipeline. Between 69-95% of Utilitas' networks (depending on the operated area) use modern pre-insulated materials which are substantially more reliable and have lower losses in comparison to legacy heat pipes from Soviet times which they replace.

Efficiency of heat distribution can mainly be increased by reducing the temperature of water in district heating network. However, very low temperatures in supply water can cause problems with bacteria build up in pipelines, so an optimum state must be achieved.

Lower water temperatures in the network:

- Decrease heat losses in the district heating network;
- Make flue gas condensers and combined heat and power generation plants more efficient and allow to use heat pumps;
- Create better opportunities for using heat storage units;
- Improve thermal stability in the distribution network which reduces stress on the pipelines and reduces the risk of leaks and maintenance costs;
- Allows to use plastic pipelines instead of pipes made from materials with higher environmental footprint like steel and copper;
- Improve the security of supply as the risk of water starting to boil is reduced when network pressure drops. Boiling water in the pipeline creates two-phase flow which causes flow cavities.

On one hand it is important to keep energy efficient water temperatures in the supply for the customers. On the other hand, it is necessary to consider the spread between supply and return temperatures. Higher spread between these two mean that buildings are more energy efficient as less energy is taken from the system and less energy is lost in the network. This is why it is important to renovate buildings, heating systems and substations in buildings. Utilitas supports this development by offering substation replacement advice and financing for clients, in addition to renovating older pipelines and heating systems which are directly managed by Utilitas.

Target: reduce heat losses to below 10.5% by 2035

2023 result: 12.7%
(2022: 12.4%)

Target: 100% renovated network by 2034

2023 result: 70.5%
(2022: 70.1%)



Majority of time the network temperature is already in the range of 70-80 degrees. Utilitas aims to improve distribution network energy efficiency by:

- Gradually lowering the yearly weighted average water outflow temperature every year. In 2023, this was 81.4°C in Utilitas Tallinn operated networks (2022: 80.1°C).
- Keeping the yearly weighted average return water temperature as low as possible. The target is to have return water temperature lower than 45°C at least for 73% of consuming buildings. In 2023, this was 81% for both Utilitas Eesti and Utilitas Tallinn operated networks (2022: 74%).

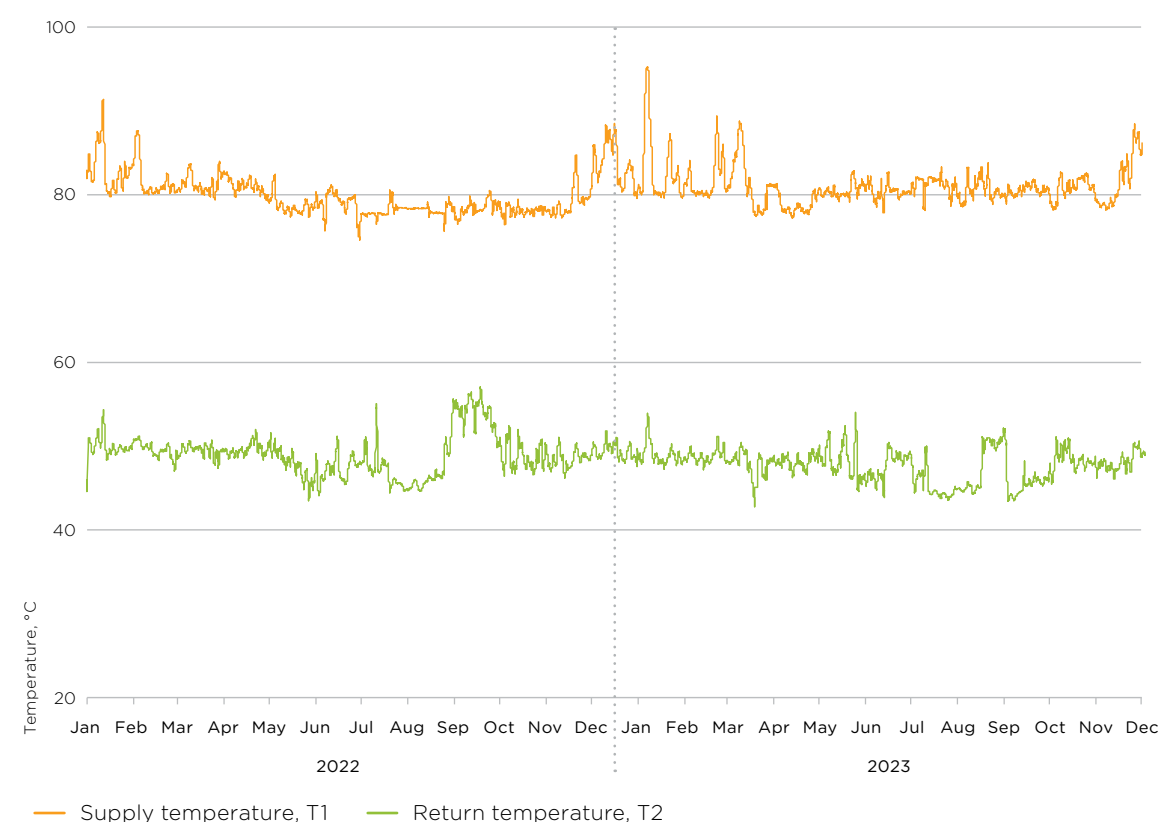


Figure 11. Network supply and return temperatures in Utilitas Tallinn network

District cooling

Due to climate change, more frequent heat waves are expected to occur also in Europe and Estonia. This creates a growing need for cooling systems to help alleviate resulting health problems linked with extreme heat periods. District cooling is identified as a sustainable solution to this problem compared to air conditioning systems which are energy inefficient, loud, include risk of coolant leaking and take a lot of space. EU and Estonian national policies also indicate that district cooling can be a major contributor

to fulfilling energy efficiency and climate mitigation targets. AS Utilitas Tallinn has been working on a plan to realize a 100 MW district cooling system in Tallinn. It will bring environmentally friendly, green, and efficient cooling to clients in the centre of Tallinn. Joining the district cooling network and not dealing with localized cooling solutions saves clients valuable time, space, and money. Removing localized cooling solutions from buildings in dense areas and replacing them with district cooling positively affects the environment by avoiding disturbing noise and possible leakages, reducing primary energy consumption at the same time. All this has made district cooling the best way for cooling buildings. European Union and Estonian national policies also indicate that district cooling can be a major contributor to fulfilling energy efficiency and climate mitigation targets.

To bring sustainable and environmentally friendly cooling to clients, district cooling network is being built. Designing of the network started four years ago and by the end of 2023 about 4 km of network has been built, about 4 km is waiting to be built, and 5 km of projects are being prepared. In the centre of Tallinn district cooling network under the main roads are built in co-operation with other utilities and the City to avoid closing main roads several times. In 2023 the building of two district cooling main pipelines were finished, total length 1.1 km. In 2024 additional 1.2 km of district cooling pipes will be built to connect these pipes to district cooling main production plant at Masina 18.

To provide district cooling service, two production plants have been built – one for Ülemiste district and other for the city centre area. 2023 was the first full year of operations for Ülemiste plant whereas Masina district cooling plant has operated already for three years. Free cooling, heat pumps and chillers are the technology that district cooling production is based on in Tallinn. As a seaside city, it makes sense to use the cooling potential of seawater and specifically the low temperature of seawater in Tallinn. Work is ongoing on that vision in order to provide district cooling from the sea as free cooling.



District cooling network construction works in Tallinn



District cooling plant in Tallinn

■ Renewable energy

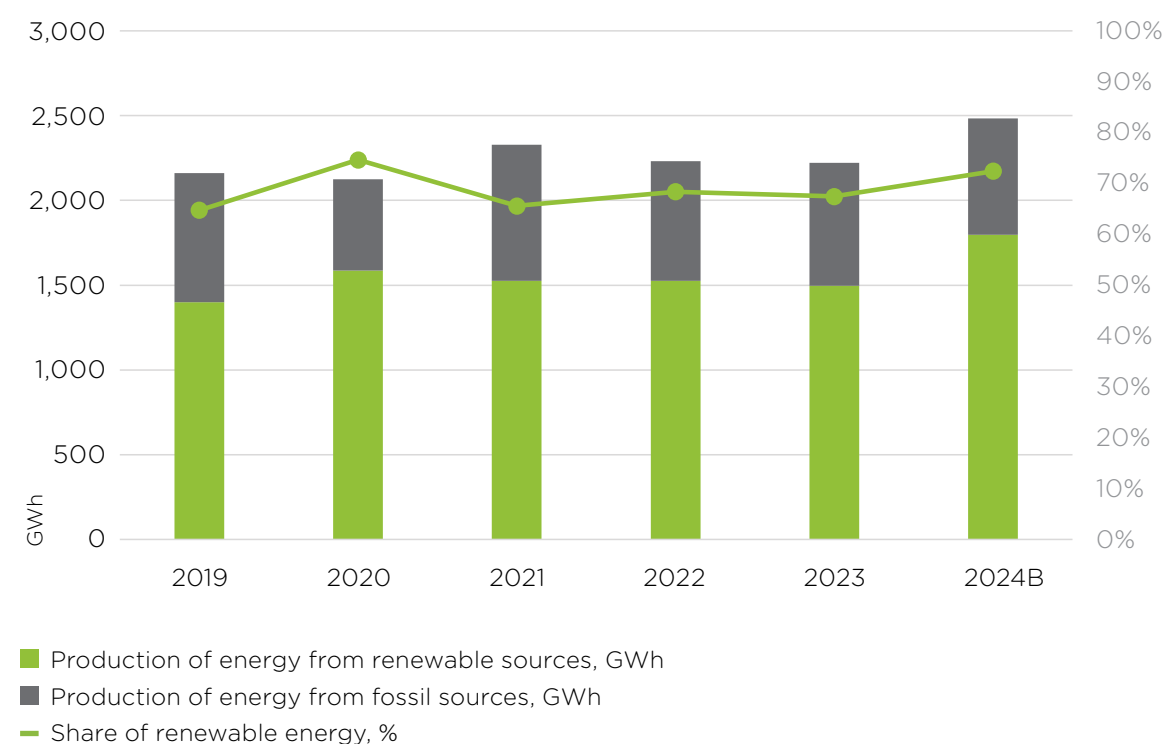


Figure 12. Volume (GWh) and share (%) of energy produced by Utilitas from renewable and fossil sources (electricity and heat in total)

Target: 100% of renewable energy in energy production by 2030

2023 result: 66%, 69% incl. Utilitas Wind (2022: 68%)

Utilitas' renewable energy production ambitions include using renewable sources over all different forms of energy produced (heating, cooling, and electricity production). To meet this goal, waste- and seawater heat pump production capacities together with wind and solar energy projects are in development. In 2023, Saarde wind park started production, electrical boiler was installed in Vão (will be commissioned in 2024) along with second stage flue gas condensers and heat pumps. In 2024, Utilitas plans to complete the construction of European Green Capital Solar Park in Tallinn further described

in the management report on page 26 along with other significant investments into renewable energy production, including on- and offshore wind energy.

In 2023, Utilitas started the construction of an innovative green hydrogen production unit and plans to complete the project by the end of 2024 (more on page 26). There is also potential to use excess heat from wastewater treatment in district heating as a renewable source of energy, the construction works for the plant are due to start in 2024 in co-operation with AS Tallinna Vesi who operates wastewater treatment plant in Tallinn (Paljassaare wastewater treatment plant). Operations are expected to start in 2026 (more on page 28). In 2024, Utilitas is also applying for EU co-funding for the development of a seawater heat pump.

Vão heat pump facility ►



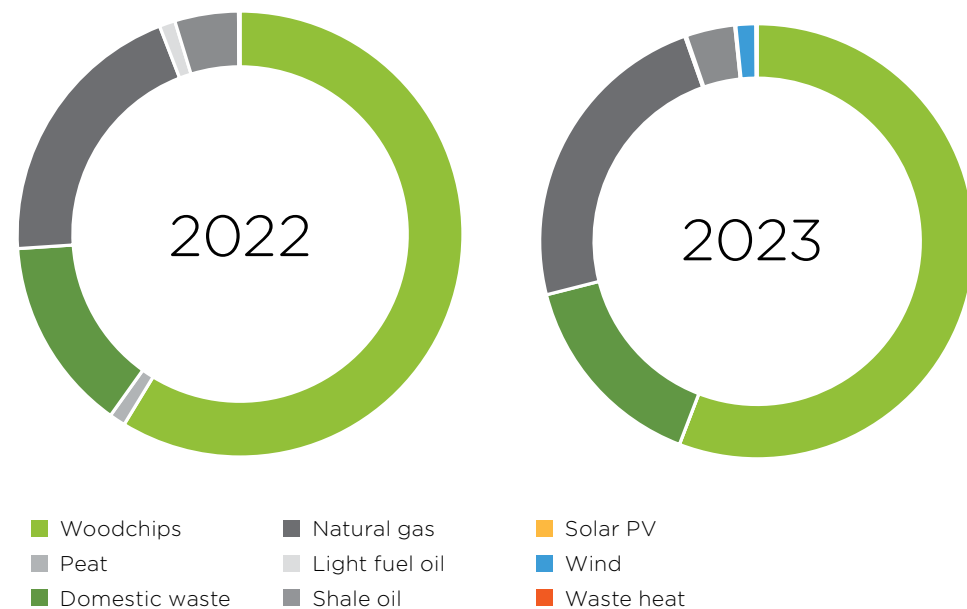


Figure 13. Yearly distribution of different energy sources used from total electricity and heat energy sold by Utilitas (includes energy purchased by Utilitas)

GHG EMISSIONS

Utilitas continues to monitor and calculate its total GHG emissions according to the GHG Protocol Corporate Accounting and Reporting Standard. As much as possible, the emission factors from the GHG footprint assessment model of the Estonian Ministry of the Climate (KeM model) have been used in the calculations of Scope 3 emissions. These factors are specific to Estonia, meaning that there are some methodological changes compared to the base year 2020:

- In 2022 and 2023, KeM model's value is applied for GHG emissions from biomass (wood chips), which takes into account CH₄ and N₂O emissions (relevant for Scope 1);
- A specific emission factor related to indirect effects has been added or specified for shale oil, diesel;
- The specific emission factor for the indirect effects of natural gas was significantly updated due to changes in the procurement of natural gas;
- A cost-based database (Exiobase) was used in the category of capital goods to estimate GHG emissions related to the procurement of equipment, etc;
- In Scope 3, no information was collected about inputs that in previous years constituted a significantly lower impact than 1% of the total impact. However, it was ensured that the total omitted input does not constitute more than 5% of the total impact of Scope 3.

Utilitas' most material GHG emissions are direct emissions from fuel combustion in scope 1 (58%) and emissions due to capital goods as well as fuel and energy-related activities in scope 3 (40%). The usage of fossil fuels to produce heat, mainly covering peak loads in cold periods, is dependent on weather conditions. As the base year 2020 was extraordinarily warm, emissions were also incomparably low compared to other years.

t CO ₂ eq	2020	2021	2022	2023	% 2023 / 2022
Scope 1 GHG emissions	117,513	175,166	165,233	157,464	-5%
Fuels combusted for energy production	117,038	174,829	164,876	157,110	-5%
Car fuels and freezing agents	474	337	357	354	-1%
Scope 2 GHG emissions	4	4	3	0	-100%
Electricity/heat purchased	4	4	3	0	-100%
Scope 3 operational GHG emissions	11,631	7,484	3,485	1,736*	-50%
Purchased heat	11,631	7,484	3,485	1,736	-50%
TOTAL Scope 1-3 (operational)	129,148	182,654	168,722	159,201	-6%
TOTAL Scope 1-3 (operational) if eliminating natural gas replacement in 2022			156,620		-100%

Scope 3 (other)	86,704		97,530	112,826	16%
Purchased goods and services	4,848	not measured	3,555	4,530	27%
Capital goods	0		6,344	48,934	671%
Fuel- and energy-related activities	81,433		87,354	59,060	-32%
Waste generated in operations	106		16	15	-5%
Business travel	6		18	39	117%
Employee commuting	312		242	247	2%
Total GHG emissions (market-based) (tCO₂eq)	215,852		266,251	272,026	2%

* Emissions from the acquired Adven networks were accounted under Scope 1 GHG emissions in 2023.

Avoided emissions**	204,681	201,449	216,133	185,506	-14%
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** based on renewable electricity production net of networks consumption and Estonian residual mix (0.715 gCO₂/kWh in 2022). Avoided emissions figure for 2022 was recalculated with corresponding residual mix published in 2023.

Scope 1 emissions come from the combustion of fuels to produce energy and to a smaller extent from the use of company owned or controlled vehicles.

GHG emissions from combustion of fuels used for energy production (tonnes of CO₂-eq):

t CO ₂ eq (by sources for heat and electricity production)	2020	2021	2022	2023
Natural gas	102,356 (87.5%)	153,510 (87.8%)	104,514 (63.4%)	126,851 (80.7%)
Shale oil	4,694 (4.0%)	16,708 (9.6%)	37,093 (22.5%)	28,905 (18.4%)
Milled peat	9,754 (8.3%)	438 (0.3%)	13,770 (8.4%)	0 (0%)
Diesel fuel	235 (0.2%)	4,173 (2.4%)	9,069 (5.5%)	1,002 (0.6%)
Biomass	0	0	430 (0.3%)	352 (0.2%)
Landfill gas	0	0	0	0.3 (0%)
Total	117,038 (100%)	174,829 (100%)	164,876 (100%)	157,110 (100%)

The largest share of emissions from the combustion of fuels comes from the natural gas (81% vs 63% in 2022). To mitigate impacts of energy crisis and reduce dependence on natural gas, the latter was in part replaced by locally sourced shale oil as an alternative fuel in 2022 and 2023, which contributed 23% and 18% from the fuel combustion emissions in 2022 and 2023 respectively.

CO₂ emissions from biomass combustion are not included to the GHG inventory according to the requirements and guidance of international regulations and standards.

Scope 2 indirect emissions are associated with the energy purchased and consumed on-site (within organizational and operational boundaries).

Scope 3 other indirect emissions are associated with all the upstream activities, mainly from fuel- and energy-related activities. The main sources of GHG emissions under fuel- and energy-related activities are from the purchase of natural gas. These are the well-to-tank emissions related with acquiring, processing, and transporting of natural gas. GHG emission reduction in the category between 2022 and 2023 is mostly related to the changes in the origin of natural gas. In 2023, Estonia did not import natural gas from Russia, but obtained natural gas via connections with Finland and Latvia. The indirect GHG emissions related with pipeline gas from Russia were significantly higher compared to LNG obtained from the US, Norway etc.

In 2022 and more so in 2023, emissions under capital goods occurred mainly from wind park construction works (foundations, towers, blades, cables, on-site work, transport etc.) (more in chapter “Investments” on page 25). Purchased goods and services emissions are mainly related with the heating network pipes and spare parts. GHG emissions from category 2 – capital goods are related with the purchase of equipment and machinery, e.g. heat pumps, water boilers, flue gas condenser, container buildings etc.

AIR QUALITY

Based on the ESRS standards, all relevant policies, measures, and targets connected to greenhouse gas emissions are reported under the standard “Climate change” and in the corresponding chapter in this report on the preceding pages.

POLICY

Unlike for local boiler houses, strict requirements are established for the permitted levels of fine particles and other substances for large and medium sized (capacity 1-50 MW) combustion plants used in district heating. Thus, the use of district heating instead of using wood in domestic fireplaces in households significantly reduces the emissions of fine particles and other substances in the cities.

Thus, district heating helps to achieve the clean urban air, which is important for a sustainable city. Combustion processes are controlled in the subsidiaries’ units, and emissions are reduced to and below the emission limits set in environmental permits in order to ensure clean air in the area. All of Utilitas’ plants have environmental permits and the group’s subsidiaries are consistently compliant with the requirements of environmental permits. In 2023, Utilitas compiled a NO_x reduction action plan for Mustamäe CHP, the plan will be implemented in 2024.

Utilitas has set commitments and goals to mitigate impacts to climate in the ESG policy and within the ISO 14001 system. The company has targeted measures that concomitantly help to reduce other air emissions besides primary greenhouse gas emissions.

MEASURES AND TARGETS

Utilitas uses electrostatic precipitators in all its cogeneration plants, as they are very efficient flue gas cleaners. This equipment removes solid particles as well as gaseous air pollutants from the plant emissions (by absorbing or dissolving the gases within the flue gases, e.g. SO₂, HCl).

Mustamäe and Vao CHPs, Mustamäe and Kristiine gas boilers are equipped with continuous monitoring systems for observing the emissions to air. Reports from the continuous monitoring systems are submitted to the Environmental Board quarterly. Additionally, a continuous emission monitoring equipment was installed at the Ülemiste station in 2023.

In 2023 Utilitas also started aligning the measurement sites of emissions from medium combustion units with the requirements of the Regulation of the Minister of the Environment No. 44 and started measuring emissions. The regulation also sets obligations for emission reduction in the future.

In 2023, a total of 15 environmental permits were renewed to comply with the requirements of the EU directive 2015/2193 on the limitation of emissions of certain pollutants into the air from medium combustion plants.

Due to Russia’s invasion in Ukraine, there was a sudden drop of available natural gas in 2022 which partially had to be replaced by using locally sourced oil shale oil. This still had an influence in 2023, as in January shale oil was still used to ensure certainty of supply, residual quantities were used also later in the year.

WATER RESOURCES



The volume of the heat network of Tallinn is approximately 90,000 m³. Water is a valuable natural resource, thus Utilitas constantly works to improve the water use efficiency in operated district heating network.

POLICY

The group’s principles for managing water resources are set in the group wide ESG policy under the theme “Resource use and efficiency” and in ISO 14000 system. Utilitas’ aspiration is to develop the operation towards modern 4G district heating networks, which includes renovation of networks to enable lower network temperatures and also reduce water losses in the system.

MEASURES

Modernisation of the heating network, monitoring temperatures and pressure levels of the system together with efficient management are also the primary leverages for reducing water losses from district heating network in addition to reducing energy losses.

**Target (Utilitas Tallinn):
network water change rate
to 1 time per year by 2035**

**2023 result: 1.5
(2022: 1.4)**

Water consumption across all Utilitas subsidiaries was 272.4 ths m³ in 2023 (2022: 282.7)

Utilitas tracks the quality of water used in operated systems monthly to keep it within the expected limits.

Utilitas also aims to increase water use efficiency by searching for synergies and increasing cooperation with water utility companies that are operating in same cities as Utilitas, for

example, through coordinated network investments. Utilitas has 20.4% shareholding in AS Tallinna Vesi and is partnering with majority shareholder the City of Tallinn to initiate water efficiency cooperation projects in Tallinn.

All the principles and measures are in use in all of Utilitas networks.

BIODIVERSITY AND ECOSYSTEMS



Biomass presents a sustainable solution for Europe's transition towards achieving climate neutrality and enhancing energy security. By substituting materials with a higher environmental impact derived from fossil sources (such as coal for energy and concrete for construction), biomass plays a crucial role. The utilization of wood in the production of long-lasting goods aids in sequestering carbon dioxide over an extended period. Apart from high-quality wood/timber, a considerable amount of low-value woody biomass is generated during forest management, wood harvesting, and processing activities. Utilisation of this low-value woody biomass, including branches, treetops, brushwood, and other residues from the timber industry, within the local energy sector not only boosts the proportion of renewable energy in the market but also reduces the reliance on fossil fuel energy generation.

POLICY

Using biomass in energy production affects ecosystems and biodiversity, especially if not done sustainably. Public expectations and regulatory trends in EU hold the issue in spotlight. As per the ESG policy theme "Biodiversity and ecosystems", Utilitas' aspiration is to produce energy in a way that does no harm to biodiversity and ecosystems.

MEASURES AND TARGETS

Of all the ways of using biomass to generate energy, cogeneration plants are the most environmentally sustainable. Cogeneration plant efficiency factor reaches near 100% by allowing maximum possible quantity of energy to be obtained from one unit of bio-

mass which is substantially higher than in domestic stoves or electricity-only combustion plants.

Utilitas stands for responsible and transparent wood sourcing principles by monitoring the exact origins of all sourced biomass. The group subsidiaries prioritise using low value local leftover or wood waste residues from timber industry as fuel and avoid biomass that comes from deforestation activities.

On EU level, the Renewable Energy Directive (RED) developments are closely followed by Utilitas to meet its requirements and to be accounted as a renewable energy provider. In 2023, the group obtained a PEFC certification for Utilitas Eesti, Utilitas Tallinn and Utilitas Tallinna Elektri jaam. An audit against RED II requirements was successfully completed in January 2024. It is anticipated that PEFC certification will be recognized by EU as voluntary scheme to prove sustainability in the near future. Additionally, an internal control system has been set up to ensure the validity of sustainability criteria required by RED.

Utilitas procures 100% of biomass from sustainability certified sources (FSC, PEFC or SBP). All Utilitas suppliers are obliged to provide evidence that:

- all supplied biomass meets the sustainability criteria;
- all forest protection requirements are followed;
- forest renewal measures are in effect;
- wood did not come from a protected area.

A separate accounting system is applied for waste wood, biomass from horticulture, and alike that are not subject to certification.

In addition to sourcing sustainable biomass, Utilitas constantly seeks other opportunities to make a positive impact on the local biodiversity. As part of the European Green Capital Solar Park project (further described on page 26). Utilitas aims to plant nearly 5,000 trees in the park area in 2024.

**Target: 100% of biomass meets
the EU Renewable Energy
Directive sustainability criteria**

**2023 result: 100%
(2022: 100%)**

**Target: 100% of procured
biomass is obtained from
certified suppliers**

**2023 result: 100%
(2022: 100%)**

CIRCULAR ECONOMY

The use of biological resources is covered under the ESRS standard "Biodiversity and ecosystems" and the corresponding chapter in this report on previous page. Resource efficiency in energy production is covered under the ESRS standard "Climate change" and the corresponding chapter in this report on page 50.

MEASURES AND TARGETS

Utilitas' operations create two main waste streams – ash from combustion, all of which is sent to recycling and with a smaller environmental impact, office waste. Four of the offices among the group's subsidiaries – AS Utilitas Tallinn, OÜ Utilitas Tallinna Elektri jaam, Utilitas Tallinn AS Ülemiste production unit. Utilitas Tallinn AS Mustamäe production unit – have the European Green Office (EGO) certificate, which provides assurance that the offices, among other efforts, have waste reduction and recycling activities in place.

SOCIAL IMPACT



EMPLOYEES AND WORKPLACE



Energy sector is one of the highest value-added sectors in Estonia and development of the company provides opportunities for the creation of new jobs. Utilitas directly employs 291 people (by the end of 2023) which is 4% more than in the year before with additionally 27 people employed in Utilitas Wind. Wider implementation of digitalisation and automation makes it possible to increase the value added by each employee and creates more meaningful jobs. The use of local woodchips for energy production also helps creating jobs in rural areas.

Utilitas' aim is to ensure that employees are well cared for by creating a safe working environment and providing people with best self-realisation opportunities. Utilitas is a valued employer among current employees and on the labour market more broadly. This is exemplified by low voluntary employee turnover and high average tenure of employees.

POLICY

Respect for human rights, consideration of diversity, inclusive work culture and equal treatment are key in everyday work, change management and innovation. The core values of the group which are shared by employees are commitment, eagerness to learn, cooperation, care, professionalism and expertise, and responsibility.

In 2023, Utilitas initiated the process of compiling a comprehensive group wide Human rights, diversity, inclusion, and equal treatment policy that draws together all different policy documents and principles previously in place across different subsidiaries in the areas of equal treatment, diversity, inclusion, employee engagement and ethical business practices. The policy is aligned with local laws and The United Nations (UN) Universal Declaration of Human Rights, UN Global Compact, UN Guiding Principles on Business and Human Rights, International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.

Re-evaluating and updating the policies and procedures together under one document preceded a thorough engagement process in collaboration with the Centre for Applied Anthropology of Estonia (CAAE) in the last half of 2023. An anonymous survey among employees and voluntary workshops in focus groups were conducted along the process. This is also the standard procedure in adopting any new group wide policies. The policy was officially adopted in the beginning of 2024 and is integrated into the quality management, environmental management, and occupational safety management ISO standards in use.

Utilitas measures the success of policy implementation regularly through the goals and metrics of the ESG framework and employee satisfaction surveys.


Additionally, Utilitas has a group-wide benefits and value proposition document that is revised every year by the management. Each subsidiary also has separate policy documents and procedures set for specific work procedures, remote work, human resources management and remuneration (incl. variable remuneration) policies that are founded on similar principles across the group.


The implementation of all human resources policies and procedures, including employee engagement, is the responsibility of the respective HR departments of all subsidiaries and coordinated by the department in the parent company. The responsibility for operational working tasks in the field is shared with department managers.


EMPLOYEE ENGAGEMENT AND REMEDIATION OF POTENTIAL NEGATIVE IMPACTS


The independence and freedom of specialists to decide themselves on how they work is cherished and mutual trust between employer and the employee is highly valued. Management culture encourages humane, respectful, and inclusive communication.

Employee engagement at the group occurs at various stages and levels:

- 

A thorough biennial employee satisfaction surveys are carried out to assess workplace improvement measures and to get regular direct feedback from employees in several areas. The goal is to keep the employee satisfaction score above 4 (out of 5). Last survey conducted in 2023 showed high and stable employee satisfaction of 4.15 (2021 result: 4.15). 73% of employees participated in the study. This year, it was also assessed how the employees relate to the group's six core values, which provided a valuable opportunity to analyse and interpret how each member of the team positions themselves in the company. In addition to the surveys, employee satisfaction is also monitored at regular performance appraisal interviews conducted by direct managers (described in the chapter "Training and skills development");
- 

Employees are kept up to date with the company's developments at regular group wide information days that take place at least twice a year. There, everyone has a chance to ask questions and voice their opinions on the matters at hand;
- 

A considerable amount of employee engagement takes place on a case-by-case basis. Employees are encouraged to voice their proposals or complaints to the respective HR departments or managers whenever they feel the need to do so. There is also an opportunity to express proposals or complaints concerning the company anonymously in the intranet. A whistleblowing system has also been set up and will be introduced in 2024 (more on page 87). All cases where some negative impact has occurred are solved through mutual discussions and with the support of an HR representative;
- 

Alongside formal engagement activities, spending time together and creating opportunities to get to know each other outside everyday tasks is also valued in the group. Utilitas regularly organises different sports initiatives and team events to improve team spirit and strengthen connections between employees;

CHARACTERISTICS AND DIVERSITY OF EMPLOYEES

Our Human rights, diversity, inclusion, and equal treatment policy, besides other topics, sets principles for managing the workforce in the areas of diversity and working environment. In line with the policy, Utilitas ensures an inclusive work culture where everyone can use their potential, express their opinions, feel heard, respected, and valued. Every employee is a part of Utilitas values and culture, and all employees have equal working conditions and benefits, and opportunities for professional development.

Utilitas does everything to ensure that the group's employees feel safe in the workplace and that everyone's dignity is protected at work. There is zero tolerance for humiliation, harassment, and discrimination. There is a system set up for employees to report violations of the principle of equal treatment and the cases are analysed impartially.

Utilitas respects diversity in the workplace, there is a culture of considering one another and treating all employees equally regardless of gender, age, national, ethnic, or geographic origin, skin colour, disability, sexual orientation, religious or political beliefs. Each person is a unique combination of identities, experiences, and ways of thinking, and that all differences enrich the team. Working together with different people increases creativity, helps to find the best and most comprehensive solutions and to produce high-quality work results.

The diversity of society is reflected in Utilitas' teams. There is an open attitude towards recruiting employees with different backgrounds, qualifications, and experience, considering the skills and criteria required to fill the position. Both female and male representatives participate in the recruitment process to remediate the risks for any biases.

Specialists in their fields are represented in the management team, regardless of their gender, age, nationality or other characteristics and preferences. It is ensured that the number of female and male managers reflects their proportion among employee groups.

Due to sector specificity, Utilitas has overall more male and older employees. Proportion of women among all employees is 25% and 25% in first-line managerial positions (2022: 25% and 25% respectively).

In March 2023, Utilitas signed the Estonian Diversity Charter, a voluntary initiative in which members commit to promote diversity and equal opportunities among their employees, partners, as well as clients.

The company employs 73 female and 218 male employees (all with a permanent contract). In 2023, a total of 28 new employees were recruited of which 29% were women. Net change in number of employees was 12.

SUPPORTING THE FUTURE GENERATION OF ENERGY ENGINEERS

53% of employees are younger than 50 years of age (2022: 53%). The relatively high average age of employees – 48 in 2023 – requires plans for ensuring growth of the next generation. Therefore, the recruitment focus is on finding new young employees.

Target: employee voluntary turnover rate below 5%

2023 result: 2.8%
(2022: 3.0%)

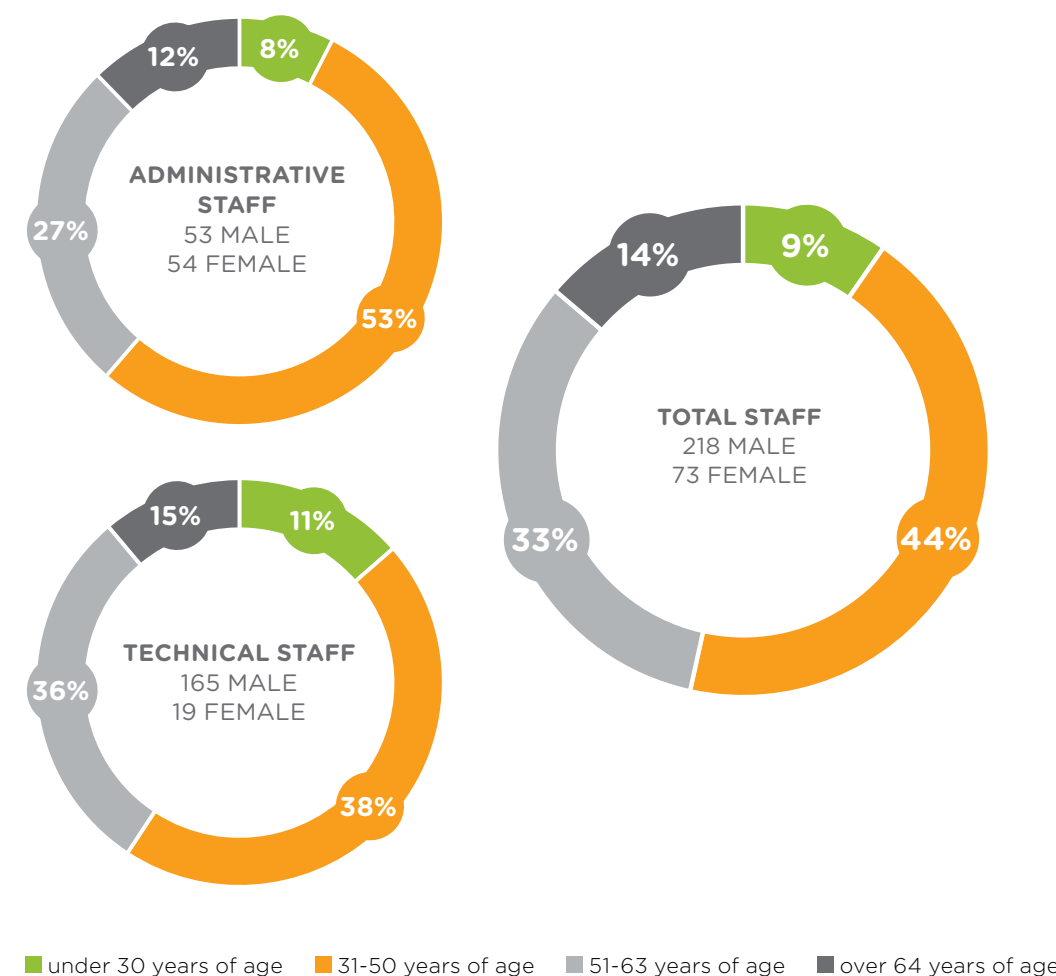


Figure 14. Employee breakdown by age and gender.

However, providing younger employees with development opportunities as well as valuing the contribution made by experienced employees are both important to Utilitas.

A future generation of engineers in the energy sector is very important due to the rapid development of new renewable energy technologies. Quality education and extensive knowledge are paramount for carrying out major energy shifts needed. Similarly, to the sector as a whole, the attractiveness of thermal engineering specialty among young people is also a big challenge for Utilitas. New generation of workforce is needed as current employees age and labour shortages are increasing in Estonia, also the required skillsets in modern working environment are constantly changing. Fortunately, the popularity of the energy sector might grow in the future as environmental issues are gaining traction in the society and especially amongst young people.

Group companies are working systematically to popularise and support the studies of thermal engineers together with building a good reputation among students. Utilitas' goal is to provide at least 5 scholarships and host at least 10 trainees in the subsidiaries each year. Additionally, Utilitas offers an opportunity for job shadowing and arranges excursions and collaborates with general education schools across Estonia. Many of the company's employees from younger generation have found their way to Utilitas through these programmes.

In 2023, 11 trainees underwent their paid internships in Utilitas (2022: 7) and 5 scholarships were offered (2022: 6)



Utilitas Team promoting job opportunities at the largest student career event at Tallinn University of Technology

Another important activity linked with sponsorship activities is ensuring the continuity of qualified employees by supporting education. In 2023, Utilitas supported the studies of 5 TalTech engineering faculty students through Clean Energy scholarships. Clean Energy scholarships have been given out once a year for the last five consecutive years and its purpose is to increase the interest of young people in the energy sector and sustainable solutions.

Utilitas is engaged in long-term cooperation with TalTech to ensure the continuity of engineering education in Estonia. In addition to already mentioned Clean Energy scholarship, Utilitas supports education by:

- Participating in University program councils;
- Taking part in career events and offer paid traineeship positions for young people to facilitate learning of practical skills;
- Heating laboratory of Utilitas in TalTech Mektory Innovation and Business Centre introduces the basic principles of energy supply in cities to students as well as other groups who are interested.

As the popularity of engineering education starts from qualified and interesting teachers of STEM subjects in general education schools, Utilitas continues to cooperate with the Youth to School educational programme. Special attention is given in this program to engage young mathematics and physics teachers. In addition, Utilitas site tours are made for students to increase interest.

Moreover, Utilitas is a partner to Rakett69 Teadusstuudiod – a popular science and environmental education initiative for schools, families, and companies to explore science behind everyday activities, services and innovations through various events and a show on Estonian national TV.

TRAINING AND SKILLS DEVELOPMENT

Utilitas values personal initiative regarding development and supports employees by providing financial resources and availability of time. Each employee is required to participate in trainings connected to their position (e.g. meeting engineering profession requirements).

Training events are divided between the fields of management, technical skills, time management and general education. As the staff includes people with different nationalities and backgrounds, Utilitas conducts Estonian (B1 level) language courses for employees whose national language is not Estonian.

All new employees receive introductory guidance from the quality and environmental manager, and human resources manager including:

- Company Structure;
- Management System Documentation;
- Environment and Safety;
- Utilitas Management Policy and Objectives;
- General Fire and Safety Documentation;
- Addressing Environmental Aspects;
- Emergency Situations and Response;
- Legislation regulating Occupational Health and Safety.

New employee then receives further role specific training by the head of that department, which includes:

- The preparation and implementation of a vocational training plan (internal training);
- Occupational Safety Training and requirements (e.g. risk factors, risk analysis, use of personal protective equipment, fire safety and emergency plans);
- Instruction on policy documents.



Children discovering engineering in Utilitas Clean Energy Studio at Rakett69 Science Studios Center

A new integration program was created and implemented for new employees in 2022, continued throughout 2023 with plans of further continuous implementation. The integration program was put together based on interviews with new employees where they gave input on the topics they would have liked to know more about when starting the job. The purpose of the integration program is to welcome new employees in a safe and friendly manner, establish a support network and familiarise them with the specifics of the job.

In 2023, “Utilitas Academy” was created with a goal of sharing practical knowledge and experiences internally from expert to expert. The first event proved popular with 70 participants.

Moreover, leadership competencies are continuously developed. In 2023, the company’s focus was on training managers on how to give feedback and how to enhance collaboration. In 2024, the priority is on training recruitment skills.

By adopting the comprehensive Human rights policy, Utilitas is planning to place extra emphasis on raising employee awareness through various measures on this topic from 2024 and on. As stated in the policy, Utilitas ensures its employees’ and managers’ awareness of human rights, their possible violations, an inclusive and diverse work environment, and ethical business operations. The group values clear, consistent, and open communication, sharing of experiences, progress, and best practices in the implementation of human rights, diversity, and inclusion policies. Utilitas’ leaders are leaders in the principles of diversity and inclusion.

Utilitas contributes to the promotion of a responsible and ethical work culture through employee training, information exchange and development activities. To ensure a safe working environment, employees, subcontractors, and cooperation partners are trained through an e-training environment.

28.04 was the average number of training hours per employee in 2023



CAREER DEVELOPMENT REVIEWS

Employees are listened to and supported to boost personal development. Regular personal performance appraisal interviews are carried out annually with all employees every year. The purpose of these interviews is to take time together with the employee, clarify mutual expectations, evaluate the results of the past period and to set new goals and agreements. It also gives a good opportunity to assess how the employee is doing, what helps them work in the best possible way, support and provide constructive feedback, receive and make suggestions, and provide information about the company’s plans. Remuneration expectations are also covered in the interviews.

Target: employee voluntary turnover rate below 5%

2023 result: 2.8%
(2022: 3.0%)

WORKPLACE SAFETY AND EMPLOYEE WELL-BEING

Safety is a priority for Utilitas and is managed according to the ISO 45001 Occupational Health and Safety Management System in all subsidiaries of the Group. Utilitas complies with all the requirements and industry good practice for occupational health and safety. The main goal is to ensure a work environment free of occupational accidents. Occupational safety target (zero accidents) is connected to the remuneration system.

Safety officers and Work Environment council, whose goal is to balance the rights of employees and the interests of the employer and to create a safe and dignified working environment for employees and cooperation partners, conduct regular risk analyses to eliminate safety hazards and raise employee awareness on safe working methods. Additionally, Utilitas cooperates with relevant authorities and organisations to reduce possible threats to workers’ health.

Hazards are avoided as much as possible, hazardous processes or parts of them are replaced with safe or less hazardous processes. Imminent threats are assessed and analyses covering technical solutions, work organisation, working conditions, social relations, and the influence of work environment on occupational health and safety are carried out as standard procedure.

Occupational accidents, if present, are all investigated to improve procedures and reduce risks. The aim is to ensure that all significant near misses where injury could have easily occurred are reported.

All new employees receive safety trainings, and all employees receive retraining on occupational safety instructions and risk assessments in every three to five years. If there are changes or amendments to these policies, then employees will get the retraining within one month of issuing the updated document at the latest. An online training facility for safety trainings was created in 2022 and has been implemented step by step throughout 2023.

Target: 100% of employees have completed a safety training programme

2023 result: 100%

Safety instructions are present in workplaces that include waste management, working at heights, fire safety, working with asbestos and other chemicals.

	2019	2020	2021	2022	2023
Occupational accidents with employees (fatal accidents)	1 (0)	0 (0)	0 (0)	2 (0)	0 (0)
LWIF* per 100 employees (working 200,000 hours)	0.44	0.00	0.00	0.79	0.00
ASR** per 100 employees (working 200,000 hours)	n/a	0.00	0.00	13.47	0.00
Number of cases of recordable work-related ill health of employees (connected fatalities)	n/a	n/a	n/a	n/a	0 (0)

*Lost Workday Injury Frequency

** Accident Severity Rate

As per the ESG policy, Utilitas aims to carry out regular management safety walks at least twice per year in key production sites.

- 20 management safety walks were carried out in 2023 (2022: 20)
- 17 workplace incidents and 4 near misses were reported and registered in 2023 (2022: 20)

In addition to the national health insurance, Utilitas offers additional compensation for either health insurance, health audit or sports activities. The compensation is the same for every employee regardless of their position. Over the years in cooperation with Peaasi, mental health ambassadors are trained who would be prepared to notice potential emerging mental health issues and take appropriate action. As per the human rights policy, Utilitas has set a goal of having a mental health ambassador at every major unit.

Employee feedback survey carried out in 2023 showed that employees feel safe when doing work tasks and think that enough attention is given to work safety and employee health. The average rating regarding health and safety topics was 4.15/5.

Target: 0 workplace accidents among Utilitas' own employees and subcontractors.

MANAGEMENT OF SUBCONTRACTORS

All subcontractors are expected to follow Utilitas Contractor Code of Conduct. Reporting of contractor accidents and providing health and safety measures to contractors are also covered by Utilitas management systems. It is the responsibility of the management team of each subsidiary to manage contractors in accordance with Utilitas procedures. All contractors receive a site induction, including details of processes, working practices and procedures (e.g. working at height). The contractor is responsible for ensuring their employees are competent and have the necessary training to carry out the task and are required to adhere to the standards required by Utilitas. Contractors operate under a permit system and occupational safety inspections are undertaken by Utilitas to mark any deficiencies are registered in inspection reports. Annual summaries are prepared for each contractor to use this information in evaluating contractors in the future.

AFFECTED COMMUNITIES

Utilitas' energy production units are mainly located near high density residential areas. The company fully understands its responsibility to provide safety around Utilitas' areas and to prevent disturbances of local communities. However, energy production can involve odour, dust, noise, and transportation related disturbances to surrounding areas. A lot of attention is given to preventive work to exclude hazards and significant disturbances of surrounding areas.

COMMUNITY ENGAGEMENT AND REMEDIATION OF POTENTIAL NEGATIVE IMPACTS

Local community is kept informed and communicated with to promptly resolve any issues and to get feedback. When planning any construction work, the focus is on preventive communication and engagement. Utilitas' standard procedure, led by the group-wide communication department, is to arrange gatherings for the community to explain planned activities and their potential impacts and to enable the community to discuss the course of action.

Utilitas also cooperates with AS Tallinna Vesi and City of Tallinn to coordinate the construction and repair works of underground water and district heating networks. This means that overlapping areas where both works are needed can be done together. Therefore, disturbances of people living nearby are reduced.

Additionally, production site tours are organised on request and Open Doors Days are arranged to give a closer look of the operations and to ensure transparency.

As a large part of the affected community overlaps with the customers, there is also an overlap in the engagement and remediation activities. In case of any complaints, the community can directly contact Utilitas through customer service channels, whether they are a customer or not. Communication with consumers and end-users and the process for remediation of potential negative impacts is further described on page 78.

0 significant complaints or accidents in nearby areas were registered in 2023



CONSUMERS AND END-USERS



As a provider of a vital service defined in the Emergency Act, Utilitas’ main social role is to ensure the security of heat supply. It is a combination of secure and reliable supply with a reasonable price. Utilitas provides heating services in eight cities across Estonia to approximately 400 thousand people. Client satisfaction is a combination of:

- access to the network;
- affordable and transparent price;
- uninterrupted service;
- environmental footprint.

In all these aspects, customers expect a competitive solution compared to alternative heat sources (i.e. natural gas, electricity, and heat pumps).

During 2023 the commodity markets retreated from the highs witnessed in 2022 as a result of Russian invasion of Ukraine and related uncertainties and sanctions which disrupted previous gas supply flows. Consequently in 2022 the heat tariffs in natural gas based networks increased up to 300 €/MWh at their highest whilst in Utilitas operated networks the prices were around 2-3x lower. Since the gas prices have decreased then during 2023 the heat tariffs of gas based networks have also declined but Utilitas has also managed to reduce tariffs and still offer overall lower tariffs than fossil fuel based alternatives.



The biggest challenge in district heating is how to satisfy increased need of clients for energy in winter when the load on electricity, heating networks and production equipment is highest. During winter period, energy from local biomass is currently supported by fossil fuels to keep up with the demand. Transformation towards fully decarbonised heating systems is expected to offer enhanced price competitiveness and stability together with security of supply.

District heating also has an important role in ensuring the reliability

of electricity networks – by using district heating, there is no need to use electricity for heating buildings. As a result, the need for investing into electricity production equipment and networks is significantly reduced. Cogeneration plants operating at base load also have a very important balancing role in energy security as they provide electricity and heat at baseload and also at times where wind and solar resources are limited.



Figure 15. Heat tariffs in Utilitas networks as in 2023 and 2022 and comparison to natural gas based network tariff.

POLICY

Following the group's Human rights policy (more on page 66), Utilitas ensures uninterrupted and high-quality transmission of environmentally friendly energy to the customers along with the safety and equal treatment of customers.

The quality of the service, frequency of interruptions in the service, temperature, volumes, and response time is strictly regulated by laws and regulations. Utilitas must perform regular risk analyses and develop plans on how to restore the operation of the networks in the case of interruptions. By the regulation of Tallinn City Council, interruption in the district heating supply service cannot last longer than 24 hours. Utilitas has accomplished this requirement consistently.

All group district heating companies have also introduced principles of the ISO 9001 quality management standard which are regularly audited. In addition, external certification of the Environmental Management Systems is considered good industry practice, which can help reduce potential risks and improve performance.

Another key element of a sustainable energy solution is affordability. Utilitas has transparent pricing policies in place to ensure fair treatment of clients. All tariffs are in accordance with the District Heating Act and approved by Estonian Competition Authority. The usage of renewable and local energy sources is maximised to ensure lower prices for customers.

Offering quality service, while the final responsibility falls on the executive management board, is a combination of teamwork across all subsidiaries that serve customers directly. The group-wide customer service department is responsible for the fulfilment of all policies and procedures related to customer relations, engagement, and billing; the sales department focuses on increasing the customer portfolio. The responsibilities of the financial department include tariff management and marketing and communication department organizes internal and external communication and handles marketing.

CUSTOMER ENGAGEMENT AND REMEDIATION OF NEGATIVE IMPACTS

Communication with customers and remediation of potential negative impacts across all subsidiaries is coordinated through the communication and customer service departments and informed by the ISO 9001 standard, with the end-level responsibility falling on the executive management.

Utilitas' approach to communication emphasizes direct engagement with customers, ensuring clarity and effectiveness in conveying information. All channels for raising concerns are managed internally:

- Open communication is encouraged and direct personal inquiries from the customers are welcomed. These are dealt with on a case-by-case basis. As a provider of a vital service, Utilitas ensures its availability to customers 24/7 on demand through a phone line. The customer service department answers calls and e-mails on working days from 8 am to 5 pm, during non-working hours, clients are directed to an operational service availability information line. Customer service can also be contacted through a self-service portal. All communication happens directly across all customer and user groups. In case of interruptions, Utilitas must restore the service first for hospitals, social accommodation, and educational establishments.



- As per customer contracts, Utilitas performs annual site visits to assess ongoing needs and address any emerging concerns. Continuous monitoring of service parameters is integral to the commitment to delivering on contractual obligations. This ensures that the services consistently meet or exceed the standards outlined in the agreements with clients.
- The approach to handling customer complaints and issues is tailored to the specifics of each case, ensuring that concerns are addressed effectively and efficiently. Handling of complaints is conducted in accordance with the ISO system, which serves as a structured framework for addressing customer feedback. There is a stringent definition of what constitutes a valid complaint, ensuring that only justified concerns are addressed.
- In case non-conformities arise, they are thoroughly documented, and all relevant stakeholders are involved in finding solutions. When a complaint has been identified, a non-compliance report is opened, and necessary measures are taken to ensure relevant compliance. After the remediation process, a follow-up check is conducted to ensure that everything is in order. The case is considered closed only when all conditions are fulfilled. Each complaint received is also seen as an opportunity for service improvement.
- In addition to complaint handling, Utilitas has established procedures for collecting and analysing customer feedback through a customer satisfaction survey at least triennially.

In 2022, Utilitas' customer satisfaction was at 94% (2020: 97%)

- In addition to client inquiries and regular checks from Utilitas' side, the group places importance on proactive communication. Operational and contractual information dissemination is mainly conducted through phone and SMS communication. Utilitas delivers important, but less time-sensitive updates and relevant information tailored to individual customer interests and needs through e-mail and newsletters. Additionally, Utilitas leverages various media platforms for delivering information relevant to a wider range of the users of the service.
- Moreover, as the environmentally sustainable shift of energy sector can only be achieved in cooperation with customers, Utilitas proactively seeks for new clients who wish to have more sustainable heating and lower their risks coming from gas dependence. As Utilitas renovates older pipelines, nearby potential clients who have not yet joined the network will be invited. In this way clients will also get a cheaper service, as new connections and renovating of pipelines is done simultaneously.
- Utilitas organises awareness campaigns to share the environmentally sustainable properties of district heating and to help customers reach higher sustainability. Fortunately, clients also have an increasing knowledge of climate change and want to reduce their impact.

MEASURES FOR ENSURING QUALITY SERVICE AND CUSTOMER SATISFACTION

The security of energy supply is ensured by a variety of continuous measures:

- Contingency plan. Detailed action plans are set for the case of technical failures, extreme weather conditions or interruptions in the electricity or fuel supply. Alternative fuel sources are stocked to replace other fuel sources. Employees and members of

the management board have been appointed who are responsible for carrying out action plans if an emergency occurs. In case of interruptions Utilitas must restore the service first for hospitals, social accommodation, and educational establishments.

- Sufficient reserves. Large district heating boiler plants can use reserve fuel for at least 72 hours and additional water for at least 24 hours, which is obliged by law.
- Autonomous electricity production capability. Utilitas can operate larger production units and ensure water circulation in the district heating network even when there is an interruption in the general electricity grid.
- Reserve boilers. If an interruption risk in heat supply emerges and the consumption increases, the reserve boiler plants operating on natural gas are put into service.
- Technical management. Production equipment must function reliably so regular maintenance of boiler plants and repairs in network system is done to reduce the need for emergency repairs. Maintenance management operates on the following principles:
 - Prevent. Regular inspection of equipment to be in accordance with the technical requirements set by the manufacturer.
 - Repair. Regular repairing of the equipment to shortened unplanned downtimes.
 - Forecasting. Diagnostics and vibration measurement together with partners.
- Qualification. High qualifications of employees are always kept up to date by training programs. System reliability weak points and incidents are continuously being analysed together. Employee training is further described on page 71.
- Maintenance. Utilitas uses a Computerised Maintenance Management System called Minimo, which is used to track and record maintenance activities down to individual component level. The business also has several maintenance service contracts. These agreements include a quick response time for addressing defects and making repairs by the partner.
- Real-time data. All Utilitas' clients are connected to a remote reading system which provides information about the conditions of heating units and networks in buildings which makes it possible to:
 - Increase energy efficiency of client heating substations and network which reduces client's heating expenses and environmental impact.
 - Provide clear and detailed statistics for clients to help identify their impacts.
 - Model demand patterns for better optimisation of network heat supply.
 - To take personal energy management digital systems into use - this could potentially lower the peak energy demand by up to 20% which reduces the consumption of fossil fuels, as it is often used to satisfy peak periods.

In 2023, the availability of district heating service was 99.99% (2022: 99.99%).

Availability is measured by the share of hours district heating service was available without any interruptions.

■ Integration of IT solutions throughout operations.

Modern IT system integration across production units, distribution networks and client substations in combination with real-time data enables optimal operations and quick response times to any supply interruptions whilst also in the future enabling AI integration and additional service offering to the clients. It also enables to identify the buildings where heat consumption is abnormally high and would thus benefit most from renovation activities.

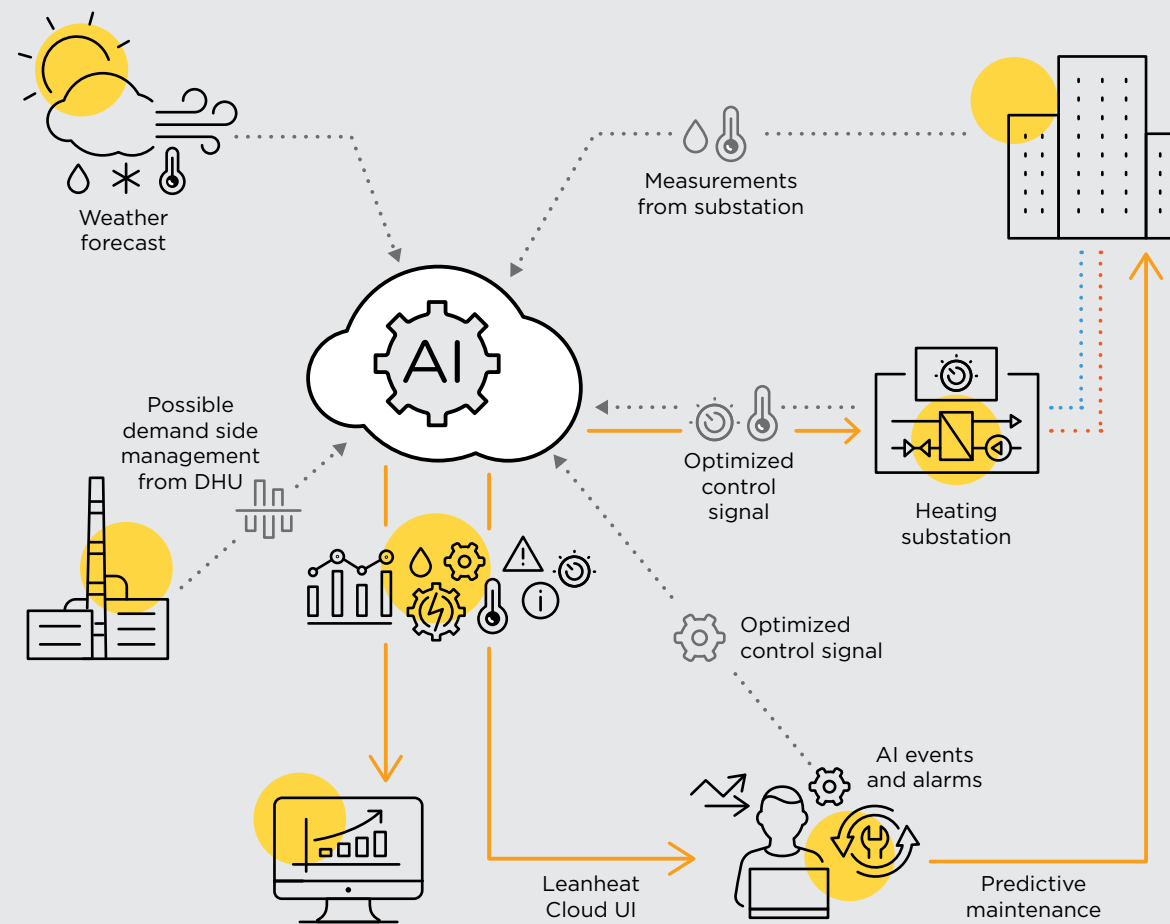


Figure 16. Modern network and operations management through integrated systems

100% of Utilitas clients have smart remote meters to enable efficient energy use.

As Utilitas has many additional obligations and measures to provide continuous supply of heat, it is more secure than heating systems used by individual buildings. In addition, heat pipelines in Tallinn form a connected circle, meaning that buildings at one end of the heat network can be supplied with heat from production equipment located at the

other end of the city. The cogenerations plants can be put into operation in the case of an extensive interruption in electricity supply and it can be operated independently without the need of being connected to the electricity network.



Integrated District Heating Network Development Plan of Tallinn Until 2030

Scientists of Tallinn University of Technology (TalTech) and specialists from Utilitas have developed a plan for an integrated district heating network in Tallinn which mapped possible trends in the heat supply of the city for years 2020 to 2030. Utilitas Tallinn cooperates with City of Tallinn to carry out this plan.

The focus of the development plan is to reconstruct Tallinn's district network system at an accelerated pace to ensure energy security, reduce heat losses and linked negative environmental impact. Old network which was built before 1995 is going to be replaced in its entirety by year 2035. This means that Utilitas must replace 14-15 km of network pipelines every year in Tallinn. Utilitas expanded this goal to reconstruct all heat networks managed by Utilitas all over Estonia by 2035. By the end of 2023, from 601 km of operated heat network 70% was reconstructed or new.

133 new buildings or the equivalent of 63 MW were connected to Utilitas district heating system in 2023 (2022: 393 and 116 MW).

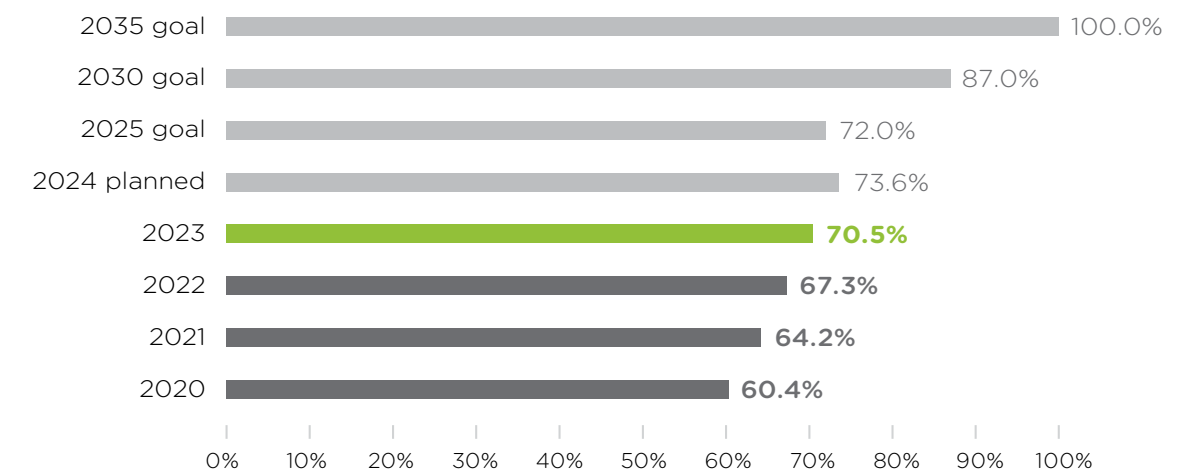


Figure 17. Share of reconstructed or new district heating networks and planned goals.

Housing stock renovation is critical for energy efficiency

According to Stockholm Environment Institute, in addition to investments into new production assets and transmission networks substantially higher investment needs are on the client side for the renovation of the housing stock which is vital for energy efficiency and reduction of energy bills as well as living quality. Utilitas aims to support the clients by offering valuable advice for renovation activities.

Investment need, m EUR ²¹	2022-2025	2026-2030	2031-2035	2036-2040	TOTAL
Electricity sector	2,982	3,896	1,261	335	8,475
Heating sector	1,711	2,814	3,355	3,455	11,335
Incl production	146	118	140	76	480
Incl Building renovation	1,565	2,696	3,215	3,379	10,854
Fuel production	194	206	33	18	450
TOTAL	4,887	6,916	4,649	3,808	20,260

²¹ <https://www.sei.org/projects/transitioning-to-carbon-neutral-heating-and-cooling-in-estonia-by-2050/>

GOVERNANCE



BUSINESS CONDUCT

Although Utilitas has a simple organizational structure with little hierarchy, certain principles for responsible business conduct must be agreed and followed. As a provider of a vital service in the essential energy industry, the group’s behaviour is in the public interest. Therefore, on top of having dedicated responsible governance systems in place and keeping “house in order”, Utilitas needs to carry the role of a responsible corporate citizen – to act with integrity and contribute to the betterment of the sector and society.

Utilitas aspires to ensure transparent, ethical, and responsible governance, the steps for fulfilling this ambition are set in the group’s ESG policy. Utilitas’ business conduct is also informed by the group’s Human rights, diversity, inclusion, and equal treatment policy (read more about the basis of the policy on page 66), ISO 9001, 14001 and ISO 45001 standards across all relevant activities across the whole group.

The responsibility for the fulfilment of all named policies lies on the board of Utilitas OÜ and is shared with the board members and managers of each subsidiary. Employees are trained on business conduct, including anti-corruption and bribery, when they are first employed through the induction programme further described on page 71.

MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS

While Utilitas’ main business activities take place in Estonia and the European Union, the group’s actions and inactions have an indirect effect in other parts of the world. There are still many regions where people’s basic rights are not granted. Through the policy for human rights, diversity, inclusion, and equal treatment, Utilitas works to ensure that its business does not have an indirect negative impact through any of the supply chains.

Utilitas prefers partners who are transparent about their own supply chains, have established and disclosed a sustainability policy and ensure respect for human rights and the environment in their business. When choosing new partners, Utilitas first performs a risk analysis, and requires preparedness for additional checks if risks should arise. The results of these checks are also considered in possible future partnerships.

The process of procuring goods and services plays an important role, through which Utilitas can influence current and future cooperation partners to act sustainably. As a responsible company striving towards carbon neutrality, Utilitas has set sustainability and environmental requirements as selection criteria in procurement. There is zero tolerance for human rights violations (including the modern form of slavery, human trafficking, child labour and forced labour) in Utilitas’ supply chains and if violations occur, cooperation with relevant partners is terminated. As a considerable amount of the business is related to forest resources, Utilitas acquires its biomass only from FSC, PEFC and SBP certified suppliers to ensure the respect for human rights and the environment across the whole value chain.

The implementation of these principles is ensured through following the group’s Human rights, diversity, inclusion, and equal treatment policy.

Target: 100% of major suppliers sign Supplier Code of Conduct

2023 result: 100%
(2022: 100%)

Target: 0 anonymous reports on human rights violations in the supply chain that were verified to be true

2023 result: 0
(2022: 0)

PREVENTION AND DETECTION OF CORRUPTION, BRIBERY, AND UNETHICAL BEHAVIOUR

Utilitas is responsible, transparent, and fair in its activities. Utilitas obtains all inputs and services necessary for its operations in an open and transparent manner. To minimise the risk of corruption, the group’s subsidiaries acquire all material supplies through procurements and always require multiple bids. In 2023, the clauses in the procurement principles that direct to procure environmentally friendly, sustainable goods and services were supplemented.

As per the group’s Human rights, diversity, inclusion, and equal treatment policy, business gifts are given as a sign of courtesy and kindness. When accepting business gifts, it must be ensured that the gift is not offered to obtain an improper advantage or influence in any other way. Therefore, before accepting a gift, it is necessary to make sure that it is suitable for a business gift in its nature and value. Utilitas’ employees do not accept excessively valuable or inappropriate gifts. Employees also refuse a gift in cases where a business partner offers gifts too often.

Utilitas only participates in events organized by a business partner, including a business lunch or dinner, if there is an adequate business reason for this, if good practices are followed at these events and the price levels correspond to local conditions.

Utilitas has zero tolerance for corruption, bribery, and fraud. To ensure ethical business conduct, from 2024, all employees of the group, cooperation partners and other interested parties can report their doubts through the group’s anonymous reporting system. If violations occur, cooperation with the respective parties will be terminated.

An ethical management culture is part of Utilitas’ core values, promoting an ethical management culture through trainings, information exchange and development activities.

Target: 0 employees involved in significant confirmed breaches of the Employee Code of Conduct

2023 result: 0
(2022: 0)

Target: 0 cases of corruption

2023 result: 0
(2022: 0)

WHISTLEBLOWING

In accordance with principles for Corporate Social Responsibility and the European Union Whistleblowing Directive (EU 2019/1937), Utilitas provides employees and partners who suspect a violation of responsible and lawful business practices, a safe, reliable, and anonymous channel for reporting such behaviour.

In cases where for example financial fraud, corruption, bribery, conflict of interest, unethical behaviour, violation of any permit or license conditions, endangering someone’s occupational health or safety, environmental pollution, etc. are suspected, all the group’s employees, subcontractors, and all cooperation partners are expected to react immediately.

All reported situations are investigated and treated discreetly and seriously. As these issues might be sensitive, the confidentiality of anyone who has reported suspicious behaviour is assured. The notifier will be given confirmation of receipt within 7 days. To ensure the protection of personal data and high-quality service for all whistleblowers, Utilitas cooperates with a law firm.

COOPERATIONS AND SUPPORT

Utilitas' sponsorship policy is built on the core values of the Group. Utilitas welcomes mutually beneficial sponsorships that enrich residents' lives, contribute to environmental sustainability, or create innovative solutions. Utilitas primarily supports projects connected to its operating regions, and long-term sponsorships are preferred for corporate consistency.

In cooperation with sponsorship partners, Utilitas wishes to inform the public about the importance of renewables, clean energy and reducing energy inefficiency in buildings.



Utilitas cooperation and sponsoring activities include:

- Utilitas progeny team to support young track and field athletes (since 2011). It is a long-term project to maintain and increase the level of professional sports in Estonia;
- Supporting basketball to connect people and advocate healthy lifestyles. Utilitas (since 2013) is the main sponsor of the Estonian national basketball team and name sponsor of Rapla basketball team;
- Tallinn City Theatre cooperation to contribute toward environmentally sustainable concept of "Green Theatre" (since 2016);
- 'Gift of Life' cancer treatment foundation contributions and other charities.

CONTRIBUTION TO THE DEVELOPMENT OF THE SECTOR

Utilitas cooperates with associations and organisations that contribute to environmental protection, sustainable management and help developing the energy sector. Utilitas is a member of the following networks:



The Estonian Renewable Energy Association unites Estonian organisations active in the field of renewable energy under one roof with the mission to advance and develop the field.



The Estonian Power and Heat Association is Estonia's biggest and oldest organisation representing and acting in the common interest of energy and heat companies.



Green Tiger is a collaboration platform which is designed to boost environmental awareness and create a basis for a balanced economy, just as Tiger Leapjump started the development of Estonia's technology sector.

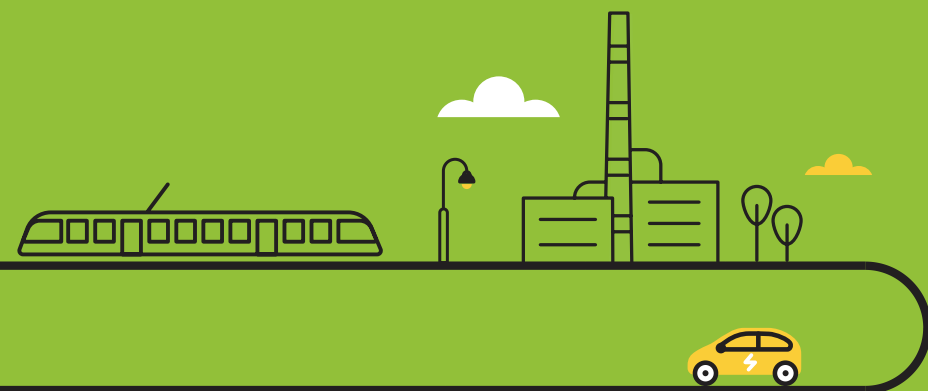


The Responsible Business Forum comprises companies that value responsible business practices in order to ensure the sustainability of their company, and also that of the society and the country at large. Utilitas has signed the initiative principles to promise building a better tomorrow.



Wind Europe comprises of over 400 members from across the whole value chain of wind energy to actively promote, coordinate, communicate, research and analyse topics connected to wind energy and provide a networking ground for companies. Utilitas joined the organisation in 2022.

CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED BALANCE SHEET

IN EUR THOUSAND	Note	31.12.2023	31.12.2022
ASSETS			
Current assets			
Cash and cash equivalents	2	5,249	4,152
Receivables and prepayments	3	42,223	51,967
Inventories	4	24,052	41,712
TOTAL CURRENT ASSETS		71,524	97,831
Non-current assets			
Investments in associates	6	64,031	62,151
Non-current receivables and prepayments	3	31,622	20,175
Property, plant and equipment	7, 8	517,285	390,874
Intangible assets	8, 9	13,501	13,683
TOTAL NON-CURRENT ASSETS		626,439	486,883
TOTAL ASSETS		697,963	584,714
LIABILITIES AND EQUITY			
Current liabilities			
Finance leases	8, 10	195	2,183
Payables and prepayments	11	35,916	55,168
TOTAL CURRENT LIABILITIES		36,111	57,351
Non-current liabilities			
Borrowings	10	400,701	332,701
Finance lease	8, 10	542	34,128
Provisions		0	279
TOTAL NON-CURRENT LIABILITIES		401,243	367,108
TOTAL LIABILITIES		437,354	424,459
Equity			
Minority interests	5	78,338	0
Equity held by shareholders of the parent company			
Share capital	12	7,650	7,650
Retained earnings		174,621	152,605
TOTAL EQUITY		260,609	160,255
TOTAL LIABILITIES AND EQUITY		697,963	584,714

The Notes on pages 96 to 118 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

IN EUR THOUSAND	Note	2023	2022
Revenue			
Sales revenue	13	219,345	255,778
Other income	14	6,217	3,845
TOTAL REVENUE		225,562	259,623
Cost of goods and services sold			
Cost of goods and services sold	15	-131,757	-162,654
Other operating expenses	16	-6,086	-4,749
Payroll expense	17	-14,189	-12,738
Depreciation, amortisation and impairment	7, 8, 9	-23,556	-20,255
Other expenses	18	-58	-8,457
Operating profit		49,916	50,770
Financial income and expenses			
Share of net profit of associates accounted for using the equity method	6	3,223	6,155
Interest expense	10	-19,614	-17,159
Restructuring charges	5	-5,665	0
Other financial income and expenses		338	637
TOTAL FINANCIAL INCOME AND EXPENSES		-21,718	-10,367
Profit before tax		28,198	40,403
Income tax	12	-490	-496
NET PROFIT FOR THE PERIOD		27,708	39,907
Profit attributable to the shareholders of the parent company		27,154	0
Profit attributable to minority interests		554	0

The Notes on pages 96 to 118 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

IN EUR THOUSAND	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		49,916	50,770
Adjustments:			
Depreciation and impairment losses of property, plant and equipment and intangible assets	7, 9	23,556	20,255
Profit (loss) from sale of non-current assets	7	-10	0
Change in receivables and prepayments related to operating activities	3	6,522	-6,230
Change in inventories	4	17,660	-38,566
Change in payables and prepayments related to operating activities	11	-18,333	5,339
Interest paid	10	-22,885	-17,364
Income tax paid	12	-1,721	-496
Total cash flow from operating activities		54,705	13,708
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	7, 9	-108,909	-71,811
Proceeds from sale of property, plant and equipment and intangible assets	7	272	70
Cash acquired from business combination	5	2,898	0
Loans granted	23	-13,050	-9,150
Proceeds from repayment of loans granted	23	1,600	0
Interest received		4,403	1,265
Dividends received	6	1,344	2,647
Total cash flow from investing activities		-111,442	-76,979
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received	10	70,000	55,000
Repayments of loans received	10	-2,000	0
Payment of finance lease liabilities	10	-1,708	-1,864
Other payments from financing activities		-3,458	-44
Dividends paid	12	-5,000	-5,000
Total cash flow from financing activities		57,834	48,092
TOTAL CASH FLOWS		1,097	-15,179
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2	4,152	19,331
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2	5,249	4,152

The Notes on pages 96 to 118 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EUR THOUSAND	Equity held by the shareholders of the parent company		Minority interests	Total
	Share capital	Retained earnings		
Balance as at 31 December 2021	7,650	117,698	0	125,348
Dividends paid	0	-5,000	0	-5,000
Net profit for the period	0	39,907	0	39,907
Balance as at 31 December 2022	7,650	152,605	0	160,255
Non-controlling interests (Note 5)	0	0	77,784	77,784
Other changes	0	-138	0	-138
Dividends paid	0	-5,000	0	-5,000
Net profit for the period	0	27,154	554	27,708
Balance as at 31 December 2023	7,650	174,621	78,338	260,609

Additional information regarding share capital and other owners' equity entries is disclosed in Note 12.

The Notes on pages 96 to 118 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

■ Note 1 Accounting policies used in the preparation of the consolidated financial statements

The 2023 consolidated financial statements of OÜ UTILITAS have been prepared in accordance with the generally accepted accounting principles in Estonia. The generally accepted accounting principles are prescribed by the Accounting Act of Estonia and supplemented by the guidelines issued by the Accounting Standards Board.

The consolidated report consists of the financial information of OÜ UTILITAS (hereinafter “Company”) and its subsidiaries (hereinafter “Group”). The information about subsidiaries is disclosed in Note 5.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Consolidated financial statements are prepared in EUR thousands.

A. Preparation of the consolidated financial statements

Principles of consolidation

In the consolidated financial statements, the financial information of all subsidiaries under the control of the parent company have been combined line by line. Intragroup receivables and liabilities, transactions between group companies and the resulting unrealised gains and losses have been eliminated.

Where necessary, the accounting policies of the subsidiaries have been adjusted to ensure uniformity with the accounting policies adopted by the group.

Subsidiaries

Subsidiaries are all economic entities over which the parent company has control. A subsidiary is considered to be under the control of the parent company if the parent directly or indirectly possesses over 50% of the subsidiaries voting shares or is able to influence the operational and financial policy of the subsidiary by any other means.

Acquisition of subsidiary is accounted for in the consolidated financial statements by applying the purchase method (except for business combinations involving entities under common control that are recognised using the adjusted purchase method). According to the purchase method, the assets, liabilities and contingent liabilities of the acquired subsidiary (i.e. acquired net assets) are recognised at their fair values. The difference between the cost of acquisition and the fair value of the acquired net assets is recorded either as positive or negative goodwill.

From the acquisition date, the group's interest in the assets, liabilities and contingent liabilities of the acquired entity and the resulting goodwill are recognised in the consolidated balance sheet and the interest in the acquired entity's income and expenses is included in the consolidated income statement. Negative goodwill is recognised as income in the period.

On the acquisition of the company, if the acquirer did not acquire a business, the transaction has to be accounted for as an asset acquisition. For the recognition of the acquisition (the purchase), the cost of the acquisition is to be allocated to the individual identifiable assets (and liabilities) on the basis of their relative fair values at the date of purchase. The transaction does not give rise to goodwill.

If a subsidiary is disposed of during the accounting period, the income and expenses of the subsidiary disposed of are included in the consolidated income statement until the date of loss of control. The difference between the proceeds from the disposal and the

carrying amount of the net assets of the subsidiary (including goodwill) as at the date of the disposal is recognised as a gain or loss on disposal of the subsidiary. If a part of a subsidiary is disposed of and the group's control over the entity falls below 50%, but influence over the entity does not completely disappear, the consolidation of the entity is ceased as at the date of the disposal and the remaining interest in the assets, liabilities and goodwill of the subsidiary is recognised as an associate, a jointly controlled entity or other financial asset. The new cost of the remaining investment is its remaining carrying amount at the date of disposal.

Associates

An associate is an undertaking over which the Group has significant influence, but that it does not control. Generally significant influence is assumed to exist if the Group owns 20%-50% of voting shares or units of the undertaking.

Investments in associates are recognised in consolidated financial statements in equity method; according to this, the initial investment is adjusted with the profit/loss received from the undertaking and received dividends. Unrealised gains occurred in transactions with the associate are eliminated in proportion to the holding in the undertaking. Unrealised gains are also eliminated, except in case when the loss is caused because of impairment loss. In case the company's holding in the loss of the associate recognised by equity method is equal or exceeds the carrying amount of the associate, the carrying amount of the investment is reduced to zero and further losses are recognized outside the balance sheet. In case the undertaking has guaranteed or is obliged to satisfy the liabilities of the affiliate, the respective liability and the loss in the equity method is recognized in the balance sheet. If necessary, the accounting policies of the associate are adjusted so that they comply with the Group accounting policies.

Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for using the adjusted purchase method under which the investment acquired in the other entity is recognised at the carrying amount of the net assets acquired (i.e. continuation of recognition of assets and liabilities that have been reported previously in the balance sheet of the acquired entity) and the difference between the cost and the carrying amount of the net assets acquired is recognised as an increase or decrease of the equity of the acquirer.

The unconsolidated primary financial statements of the Parent Company disclosed to the consolidated financial statements

According to the Accounting Act of Estonia, the Notes to the consolidated financial statements should include disclosures on the separate primary financial statements of the consolidating entity (parent company). The parent's primary financial statements have been prepared using the same accounting methods and measurement bases as for the preparation of the consolidated financial statements, except for investments in subsidiaries and associates that are carried at cost (less any impairment losses) in the separate primary financial statements of the parent company.

B. Financial assets

The Group has the following financial assets: cash and cash equivalents (refer to accounting policy from section C), trade receivables (refer to accounting policy from section D) and other receivables.

Regular purchases and sales of financial assets are recognised at the trade date (i.e. on the date that the group commits (for an example, enters into a contract) to purchase or sell a certain financial asset).

Cash and cash equivalents, trade and other receivables (accrued income, loans granted and other current and non-current receivables), except for receivables acquired for the purpose of selling, are carried at amortised cost. The amortised cost of current receivables generally equals their nominal value (less repayments and any impairment losses), therefore current receivables are carried in the balance sheet at their expected realisable value.

C. Cash and cash equivalents

In the statement of cash flows cash and cash equivalents include cash on hand and bank balances (except for overdraft), term deposits with original maturities of three months or less as well as investments in money market funds and other highly liquid funds that invest in instruments which individually meet the definition of cash and cash equivalents. Overdraft is included within current borrowings in the balance sheet.

D. Receivables and prepayments

Current receivables arising in the ordinary course of business are classified as trade receivables. Trade receivables are carried at amortised cost (i.e. original invoice amount less repayments and provisions made for impairment of these receivables).

Impairment of receivables is recognised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Evidence of potential impairment includes the bankruptcy or major financial difficulties of the debtor and non-adherence to payment dates. The impairment of the receivables that are individually significant (need for a write-down) is assessed individually for each customer, using the present value of expected future collectible amounts as the basis. Receivables, that are not individually significant or for which no objective evidence of impairment exists, are collectively assessed for impairment using previous years' experience on uncollectible receivables. The amount of the allowance for doubtful receivables is the difference between the carrying amounts of these receivables and the present value of expected future cash flows discounted at the effective interest rate. The carrying amount of receivables is reduced by the amount of doubtful receivables and impairment losses are recognised as Other operating expenses in the income statement. If a receivable is deemed irrecoverable, the receivable and the impairment allowance are taken off the balance sheet. The collection of the receivables that have previously been written down is accounted for as a reversal of the cost of impairment of the receivables.

E. Derivative instruments

Derivatives are measured at fair value both at the date the derivative contract is entered into and subsequently.

Derivatives are recognized at fair value in the income statement. Such profit and losses resulting from changes in the fair value of derivatives are recognized in the Income statement within other income or other expenses.

F. Inventories

Inventories are initially recognised at cost, which comprises of the purchase cost and other costs incurred in bringing the inventories to their present location and condition. Inventories are expensed using the FIFO method. OÜ Utilitas Tallinn Elektriijaam uses weighted average method for fuel inventories recognition. Inventories are measured in the balance sheet at the lower of cost and net realisable value. The write-down of inventories to the net realisable value is included in the income statement line Other operating expenses.

G. Property, plant and equipment

An item of property, plant and equipment is an asset that is used in the group's operations with their expected useful lives over one year and with their cost in the range of EUR 700 up until EUR 10,000.

An item of property, plant and equipment is initially measured at cost, comprising its purchase price (incl. customs duties and other non-refundable taxes) and any costs directly attributable to its acquisition that are necessary to bring the asset to its operating condition and location. In case the construction of property, plant and equipment item takes a longer period of time, borrowing costs are capitalized in the cost of the item of property, plant and equipment. The capitalisation of borrowing costs is stopped as the property, plant and equipment item is ready for its intended use or the construction is paused for a longer period of time.

An item of property, plant and equipment is subsequently carried in the balance sheet at its cost less any accumulated depreciation and any accumulated impairment losses. Items of property, plant and equipment acquired under finance leases are recorded similarly to owned assets.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repair and maintenance expenditure are recognised as a cost in the period in which the respective expense was made.

The straight-line method is used for depreciation of items of property, plant and equipment. The depreciation rates are set separately for each item of property, plant and equipment depending on their useful lives. For assets with significant residual value, only the depreciable amount, i.e. difference between cost and residual value is depreciated over the useful life of the asset. If an item of property, plant and equipment consists of identifiable components with different useful lives, these components are recognised as separate items of property, plant and equipment and separate depreciation rates are set for them depending on their estimated useful lives.

The depreciation rates are as follows for the groups of property, plant and equipment:

Buildings	2 - 10%	10 - 50 years
Heat pipelines	3 - 10%	10 - 30 years
Production plant and machinery	3 - 20%	5 - 35 years
Other machinery and equipment	10 - 33%	3 - 10 years
Other inventory and IT equipment	10 - 33%	3 - 25 years

Objects with unlimited expected useful life (land, artwork, museum showpiece, books, etc.) are not depreciated.

Depreciation of an asset begins when it is available for use for the purpose intended by management and is ceased when the asset's residual value exceeds its carrying amount or when it is withdrawn from use. At each balance sheet date the appropriateness of the depreciation rates, the depreciation method and the residual value are reviewed.

If the recoverable amount of an item of property, plant and equipment (i.e. higher of its fair value less costs to sell and its value in use) is lower than the asset's carrying amount, an item of property, plant and equipment is written down to its recoverable amount (refer to accounting policy from section I).

Recognition of an item of property, plant and equipment is ceased at the date when the asset is sold or disposed or in a situation when it is expected that no future benefits from the asset will flow to the group. Gains and losses on disposing of items of property, plant and equipment are included in the income statement *Other income or Other operating expenses lines*.

H. Intangible assets

Intangible assets (goodwill, patents, licenses, trademarks, software, building rights, connection agreements) are recognised in the balance sheet when the asset is controlled by the group, future economic benefits attributable to the asset will flow to the group and the cost of the asset can be measured reliably. An intangible asset is initially recognised at cost, comprising its purchase price and any costs directly attributable to the purchase. After initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised using the straight-line method, using the estimated useful lives as the basis. The appropriateness of the amortisation periods and amortisation method is assessed at each balance sheet date. The annual amortisation rates for groups of intangible assets are as follows:

Goodwill	4.55%
Computer software, patents, licences, trademarks, building rights, connection agreements and other intangible assets	20-30%

Intangible assets are tested for impairment whenever there is any indication of impairment (refer to accounting policy from section I).

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the net assets acquired, reflecting that portion of the payment made for such assets of the investee, which cannot be individually identified and separately recognised. At the acquisition date, goodwill is recognised at cost as an intangible asset in the balance sheet.

Goodwill is subsequently amortized using a straight-line method over the useful life of the acquired net assets.

Software

Computer software, which is not an integral part of the related hardware, is recognised as an intangible asset. Software development costs are included within intangible assets when they are directly related to the development of such software items that can be distinguished from one another, are controlled by the Group and from which the future economic benefits for a period longer than one year are expected to flow to the Group. Software development costs subject to capitalisation include labour costs and other expenses directly related to development. Capitalised software costs are amortised over the estimated useful life not exceeding 5 years. Regular software maintenance costs are recognised as expenses in the income statement.

Building rights, connection agreements

Building rights are amortised from the receipt of permission for the start of construction works. Before the completion of the assets, the amortisation expense on building rights is recognised as part of the cost of the assets. Building rights are amortised on a straight-line basis until the expiry of the rights of superficies.

Connection contracts are amortised from the date of completion of construction of the respective asset. The connection contract is amortised on a straight-line basis until the expiry of the rights of superficies.

Other intangible assets

Expenditures related to the patents, trademarks, licenses and certificates are capitalised when it is possible to evaluate the related future economic benefits. Other intangible assets are amortised on a straight-line basis over the estimated useful life of the asset not exceeding 5 years.

I. Impairment of assets

Intangible assets that have indefinite useful lives are tested annually for impairment by comparing their carrying amounts with their recoverable amounts.

Assets that are subject to depreciation and amortisation and assets with unlimited useful lives (land) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Under those circumstances, the recoverable amount is estimated and compared to the carrying amount.

An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing an impairment of an asset, assets are assessed either individually or grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit).

Impairment losses are recognised as cost in the reporting period.

At each following balance sheet date, assets that have been impaired are assessed to determine whether their recoverable amount has increased. If the impairment test indicates that the recoverable value of an asset or asset group (cash generating unit) has increased above its carrying amount, the previous impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods, by applying normal depreciation rates and methods to the asset or the asset group. Reversal of impairment losses are recognised in the income statement as a reduction of the impairment loss.

J. Finance and Operating leases

Leases of assets, which transfer substantially all the risks and rewards incidental to ownership to the lessee, are classified as finance leases. Other leases are classified as operating leases.

The Group as the lessee

Finance leases are recognised in the balance sheet as assets and liabilities at the lower of the fair value of the leased asset and the present value of minimum lease payments. Each lease payment is apportioned between the finance charges (interest expense) and reduction of the outstanding liability. The finance charge (interest expense) is charged to the income statement over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The assets acquired under finance lease are depreciated similarly to owned assets over the shorter of the useful life of the asset and the lease term. The costs identified as directly attributable to activities performed by the lessee for a finance lease are added to the amount recognised as an asset.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

K. Financial liabilities

All financial liabilities (trade payables, borrowings, accrued expenses, issued bonds and other current and non-current liabilities) are initially measured at cost, which includes all costs directly attributable to the purchase. They are subsequently measured at amortised cost (except for financial liabilities purchased to be resold and derivatives with negative fair values, which are recognised in their fair values).

The amortised cost of current financial liabilities generally equals their nominal value, therefore current financial liabilities are carried in the balance sheet at their redemption value. For determining the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the consideration received (less any transaction costs), calculating an interest expense on the liability in subsequent periods using the effective interest rate method.

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the group does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings due to be settled within 12 months after the balance sheet date but that are refinanced as non-current after the balance sheet date but before the financial statements are authorised for issue are recognised as current liabilities. Borrowings that the lender has the right to recall at the balance sheet date as a consequence of a breach of contractual terms are also recognised as current liabilities.

L. Provisions and contingent liabilities

Present obligations arising from past events, which have occurred before the balance sheet date and whose timing or amount is uncertain, are recognised as provisions. Provisions are recognised based on management's estimates regarding the amount and timing of the expected outflows. The amount recognised as a provision shall be the best estimate of the management regarding the expenditure required to settle the present obligation at the balance sheet date or to transfer it to a third party.

If a provision is expected to be settled later than 12 months after the balance sheet date, it is recognised at the discounted value (at the present value of payments relating to the provision) unless the effect of discounting is immaterial.

Other possible or present obligations arising from past events but whose settlement is not probable or the amount of which cannot be measured with sufficient reliability are disclosed as contingent liabilities in the Notes to the financial statements.

Pledges, guarantees and other obligations, whose settlements are not probable or the amount of which cannot be measured with sufficient reliability, but which under certain conditions may realise in future, are disclosed as contingent liabilities in the Notes to the financial statements.

M. Corporate income tax

According to the Income Tax Act applicable in Estonia, annual profits earned by entities are not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. The tax rate on the net dividends paid out of retained earnings is 20/80. In certain circumstances, it is possible to distribute dividends without any additional income tax expense. Starting from 2019, regular dividend payments will be subject to corporate income tax at the reduced rate of 14/86 to the extent of the average dividend distribution of three preceding years. The first year to be taken account was 2018. The corporate income tax arising from the payment of dividends is recognised as a liability and an income tax expense in the period in which dividends are declared, regardless of the period for which the dividends are paid or the actual payment date. The tax becomes due to the tax authorities on the 10th day of the month following the dividend payment.

Due to the nature of the taxation system, the companies registered in Estonia do not have any differences between the tax basis of assets and their carrying amount and hence, no deferred income tax assets and liabilities arise. A contingent income tax liability, which would arise upon the payment of dividends, is not recognised in the balance sheet. The maximum income tax liability, which would accompany the distribution of group's retained earnings, is disclosed in Note 12 to the consolidated financial statements.

N. Revenue recognition

Revenue from the sale of goods is recognised at the fair value of the consideration received or receivable, taking into consideration all discounts and rebates. Revenue from the sale of goods is recognised when the group has transferred the significant risks and rewards incidental to ownership of the goods to the buyer, the outcome of the transaction (i.e. revenue and expenses relating to the transaction) can be estimated reliably and the receipt of payment from the transaction is probable.

Revenue from the sale of services is recognised after performing the servicing activity or when the servicing activity is provided over a longer period of time, according to the stage of completion method.

Sale of electrical and thermal energy and district cooling service

Revenue from sale of electrical and thermal energy and district cooling service is recognised on accrual basis based on the reading of meters.

Connection fees

Connection fees are recorded as revenue, when the service associated with connection has been provided (i.e. assets required for connection are built) and there remains no substantive risk to pay back those fees.

Other

Interest and dividend income is recognised when the right to receive the payment is certain and the amount of income can be measured reliably. Interest income is recognised using the asset's effective interest rate unless the receipt of interest is uncertain. In such cases, interest income is recognised on a cash basis. Dividend income is recognised when the right to receive payment is established by the owner.

■ Note 2 Cash and cash equivalents

IN EUR THOUSAND	31.12.2023	31.12.2022
Bank accounts	4,934	3,852
Cash in transit	15	0
Term deposits (with maturities of less than 3 months)	300	300
TOTAL CASH AND CASH EQUIVALENTS	5,249	4,152

■ Note 3 Receivables and prepayments

Current receivables and prepayments

IN EUR THOUSAND	31.12.2023	31.12.2022
Trade receivables	40,580	47,151
Inc. Accounts receivables	40,583	47,154
Allowance for doubtful receivables	-3	-3
Prepaid taxes and receivables for reclaimed taxes	2	2
Other current receivables	656	1,478
Receivables from associates (Note 23)	33	25
Interest receivables from associates (Note 23)	69	2,149
Prepayments for services	883	1,162
TOTAL CURRENT RECEIVABLES AND PREPAYMENTS	42,223	51,967

Non-current receivables and prepayments

IN EUR THOUSAND	31.12.2023	31.12.2022
Non-current prepayments	22	25
Loans granted (Note 23)	31,600	20,150
TOTAL NON-CURRENT RECEIVABLES AND PREPAYMENTS	31,622	20,175

In 2023 EUR 13 thousand was written-off (2022: EUR 8 thousand was written-off). During the reporting period, income from previously written-off receivables in the amount of EUR 4 thousand was recognised (2022: EUR 7 thousand). See Note 14 and 16.

■ Note 4 Inventories

IN EUR THOUSAND	31.12.2023	31.12.2022
Raw materials and consumables	2,421	2,196
Fuel	21,590	22,800
Prepayments for inventories	41	16,716
TOTAL INVENTORIES	24,052	41,712

As of 31.12.2022 prepayments included EUR 10,625 thousand of prepayments for diesel fuel reserves which were procured as a reserve fuel to mitigate potential risks of natural gas supply disruptions. As of 31.12.2022 the prepayments were revalued to fair market value based on prevailing market price, resulting in revaluation of EUR 7,781 thousand (see Note 11).

During the reporting period, inventories were discarded in amount of EUR 26 thousand (2022: in amount of EUR 4 thousand). In 2023 and 2022 no inventories were written down.

■ Note 5 Subsidiaries

As at 31.12.2023 OÜ Utilitas owned shares of the following subsidiaries:

Subsidiary	Area of activity	Ownership 31.12.2023	Ownership 31.12.2022
OÜ Utilitas Tallinna Elekrijaam	Production and sale of thermal and electrical energy	100%	100%
AS Utilitas Eesti	Production and sale of thermal energy	100%	100%
OÜ Tuulepealne Maa	Production and sale of electrical energy	100%	100%
AS Utilitas Tallinna Soojus	Holding company	66.7%	0%
AS Utilitas Tallinn	Production and sale of thermal and electrical energy and district cooling	66.7%	100%
AS Tallinna Soojus	Monitoring of service levels	66.7%	0%

All subsidiaries are established and operate in Estonia.

Business combination

On 22 June 2023, OÜ Utilitas and the City of Tallinn entered into a shareholders' agreement and a share subscription agreement, according to which OÜ Utilitas and the City of Tallinn established a joint holding company AS Utilitas Tallinna Soojus. Of AS Utilitas Tallinna Soojus shares, 66.66% belongs to OÜ Utilitas and 33.34% belongs to the City of Tallinn. The City of Tallinn made a non-monetary contribution to the new association with the shares of AS Tallinna Soojus and Utilitas, for its part, with the shares of AS Utilitas Tallinn. AS Utilitas Tallinna Soojus manages district heating investments in the Tallinn region. AS Utilitas Tallinn and AS Tallinna Soojus are subsidiaries of the newly established company.

As part of the transaction, OÜ Utilitas contributed shareholder loans of 121,683 thousand euros into the voluntary share capital of AS Utilitas Tallinna Soojus as well as 100% shareholding in AS Utilitas Tallinn. The value of the enterprise lease agreement between AS Utilitas Tallinn and AS Tallinna Soojus was evaluated and accounting principles aligned, as a result a restructuring charge of 5,665 thousand euros was recognised in the consolidated income statement. The minority shareholding value of 77,784 thousand euros on the consolidated balance sheet reflects the shareholding of the City of Tallinn in AS Utilitas Tallinna Soojus. As a result of business combination cash in the amount of EUR 2,898 thousand was acquired and the acquired fixed assets (allocated to the fixed assets on consolidated balance sheet) were recognised through business combination in the amount of EUR 35,818 thousand (see Note 7) and the intra-group financial lease liability was eliminated from the consolidated balance sheet in the amount of EUR 34,182 thousand (see Note 8 and 10).

■ Note 6 Associates

In February 2021, OÜ Utilitas together with OÜ UG Investments established a joint venture (50%/50%) OÜ Utilitas Wind to acquire and develop non-combustible renewable projects in Estonia and other Baltic countries. The investment has been classified as associated company as shareholders have shared joint control over the company.

IN EUR THOUSAND	31.12.2023	31.12.2022
Investment in the associate at the beginning of the year	5,346	720
Reporting period's profit calculated under the equity method	88	4,626
Investment in associate at the end of the year	5,434	5,346

Financial information about the associate OÜ Utilitas Wind (reflecting 100% of the associate):

IN EUR THOUSAND	31.12.2023	31.12.2022
Current assets	4,004	13,372
Non-current assets	142,505	93,263
Current liabilities	11,330	10,129
Non-current liabilities	123,363	84,829
Owners' equity	11,816	11,677
Revenue	17,274	10,811
Net profit (loss)	283	9,913

During 1st half of 2021, OÜ Utilitas acquired ownership of 20.36% interest in AS Tallinna Vesi which is the largest water utility company in Estonia providing drinking water and wastewater disposal services in Tallinn and neighbouring municipalities.

IN EUR THOUSAND	31.12.2023	31.12.2022
Investment in the associate at the beginning of the year	56,805	57,923
Dividends received	-1,344	-2,647
Reporting period's profit calculated under the equity method	3,136	1,529
Investment in associate at the end of the year	58,597	56,805

Financial information about the associate AS Tallinna Vesi (reflecting 100% of the associate):

IN EUR THOUSAND	31.12.2023	31.12.2022
Current assets	24,481	22,836
Non-current assets	257,401	230,557
Current liabilities	18,781	18,487
Non-current liabilities	101,378	84,930
Owners' equity	161,723	149,976
Revenue	61,141	54,558
Net profit (loss)	18,347	10,315

■ Note 7 Property, plant and equipment

IN EUR THOUSAND	Buildings and land	Machinery and equipment	Other tangible assets	Construction in progress and prepayments	Total
Balance as at 31.12.2022					
Cost	289,550	170,917	2,592	63,615	526,674
Accumulated depreciation	-80,421	-53,916	-1,463	0	-135,800
CARRYING VALUE	209,129	117,001	1,129	63,615	390,874
Changes in the year 2023					
Acquisitions and improvements	59	643	545	110,716	111,963
Acquired through business combinations (Note 5)	938	35,818	9	0	36,765
Write-offs	-25	-48	-2	0	-75
Sales	-16	-245	-1	0	-262
Reclassifications	65,707	81,140	0	-146,847	0
Depreciation	-12,711	-9,045	-224	0	-21,980
Balance as at 31.12.2023					
Cost	354,286	287,898	3,096	27,484	672,764
Accumulated depreciation	-91,205	-62,634	-1,640	0	-155,479
CARRYING VALUE	263,081	225,264	1,456	27,484	517,285

Proceeds from sale of property, plant and equipment during the reporting period was in the amount of EUR 272 thousand (2022: EUR 70 thousand). Loss from write-offs of property, plant and equipment was EUR 75 thousand (2022: EUR 218 thousand).

■ Note 8 Finance lease

The Group as a lessee:

Assets leased under finance lease and their improvements and replacements by asset groups:

IN EUR THOUSAND	Tangible assets	Intangible assets	Total
Balance as at 31.12.2022			
Cost	144,866	281	145,147
Accumulated depreciation	-44,922	-215	-45,137
CARRYING VALUE	99,944	66	100,010
Changes in the year 2023			
Acquisitions, improvements and replacements	1,629	0	1,629
Write-offs	-18	0	-18
Sales	-243	0	-243
Changes due to business combination (Note 5)	-96,543	-48	-96,591
Depreciation	-3,852	-18	-3,870
Balance as at 31.12.2023			
Cost	1,249	0	1,249
Accumulated depreciation	-332	0	-332
CARRYING VALUE	917	0	917

As at 31.12.2023 the financial lease liability amounted to EUR 737 thousand (31.12.2022: EUR 36,311 thousand; see Note 10).

As at 31.12.2023 vehicles are being leased under financial lease with the carrying amount of EUR 917 thousand (31.12.2022: EUR 829 thousand vehicles are being leased and EUR 99,181 thousand assets related to the rental and operating contract with AS Tallinna Soojus). On 31 October 2001, AS Utilitas Tallinn (the lessee) entered into a rental and operating contract for 30 years with AS Tallinna Soojus (the lessor) owned by City of Tallinn. AS Utilitas Tallinn conducts improvements and replacements for assets leased under the finance lease that are recognised as a part of the "Leasehold estate". In August of 2023 The City of Tallinn and OÜ Utilitas established a joint holding company AS Utilitas Tallinna Soojus. AS Utilitas Tallinn and AS Tallinna Soojus are subsidiaries of the newly established company (see Note 5) - as a result the finance lease is now an intra-group item and the resulting entries in the line "Changes due to business combination".

■ Note 9 Intangible assets

IN EUR THOUSAND	Goodwill	Other intangible assets	Total
Balance as at 31.12.2022			
Cost	22,839	3,163	26,002
Accumulated depreciation	-11,420	-899	-12,319
CARRYING VALUE	11,419	2,264	13,683
Changes in the year 2023			
Acquisitions and improvements	0	1,319	1,319
Depreciation	-1,038	-463	-1,501
Balance as at 31.12.2023			
Cost	22,839	4,433	27,272
Accumulated depreciation	-12,458	-1,313	-13,771
CARRYING VALUE	10,381	3,120	13,501

■ Note 10 Borrowings

IN EUR THOUSAND	Current balance 31.12.2023	Non-current balance 31.12.2023	Maturity	Contractual interest rate
Loans from parent company (Note 23)	0	400,701	2047	4.99%
Financial lease	195	542	2028	six-month euribor + 1.30-1.55%
TOTAL	195	401,243		

IN EUR THOUSAND	Current balance 31.12.2022	Non-current balance 31.12.2022	Maturity	Contractual interest rate
Loans from parent company (Note 23)	0	332,701	2047	4.99%
Financial lease	2,183	34,128		
Inc. Rental and operating contract with AS Tallinna Soojus (Note 8)	2,008	33,631	2031	(discount rate) 9,60%
Other financial lease	175	497	2026	six-month euribor + 1.30-1.55%
TOTAL	2,183	366,829		

In the reporting period additional loans were received from the parent company in the total amount of EUR 70,000 thousand, loan was repaid EUR 2,000 thousand (2022: loans received EUR 55,000 thousand).

The interest expense of the reporting period from loans received was EUR 18,842 thousand, including capitalized loan interest EUR 1,762 thousand (2022: EUR 14,481 thousand, including capitalized loan interest EUR 483 thousand; see Note 23), the interest expense of the financial lease was EUR 2,256 thousand (2022: EUR 3,078 thousand; see Note 8). As a

result of business combination intra-group financial lease liability was eliminated from the consolidated balance sheet in the amount of EUR 34,182 thousand (see Note 5).

The Group has entered into a working capital loan agreement with SEB bank with a limit of EUR 34 million (2022: EUR 15 million), working capital loan commitment fees was EUR 119 thousand (2022: EUR 82 thousand) and interest expense on working capital loan was 159 thousand (2022: EUR 1 thousand). As of 31.12.2023 and 31.12.2022, the working capital loan was not used.

All Group debt liabilities are in EUR. Information about collaterals of loan liabilities is disclosed in Note 19.

■ Note 11 Payables and prepayments

Current payables and prepayments

IN EUR THOUSAND	31.12.2023	31.12.2022
Payables to suppliers	28,957	34,160
Payables to employees	161	156
Tax Liabilities	1,952	1,022
Incl. VAT	1,070	251
Social tax	409	342
Air contamination tax	183	192
Personal income tax	199	172
Income tax of special cases	46	33
Unemployment insurance	20	18
Obligatory pension payments	11	10
Excise tax	14	4
Other payables	355	309
Interest payable (Note 23)	0	1,501
Short-term derivatives (Note 14; 18)	0	1,534
Current provisions	2,366	2,061
Provision related to onerous contracts (Note 4)	0	7,781
Reserve for CO ₂ emission allowances (Note 15; 20)	1,808	6,344
Prepayments received	317	300
TOTAL CURRENT PAYABLES AND PREPAYMENTS	35,916	55,168

In 2022, in order to mitigate shale oil price risk the Group has entered into a derivative contract. The derivative fair value as of 31.12.2022 was EUR 1,534 thousand (31.12.2023: 0 EUR), the derivative instruments expired in 2023 and the profit of EUR 1,534 thousand was realized (see Note 14 and 18).

■ Note 12 Share capital

	31.12.2023	31.12.2022
Share capital (EUR thousand)	7,650	7,650
Number of shares (pcs.)	1	1
Share value (EUR)	7,650,000	7,650,000

As at 31.12.2023 and 31.12.2022, the share capital of the parent company consisted of 1 share with the nominal value of EUR 7,650,000, which has been fully paid for.

In November 2018, a leading international infrastructure fund with long-term strategy, European Diversified Infrastructure Fund II (hereinafter EDIF II), managed by First Sentier

Investors, became one of the owners of the company. The indirect owners of the company are EDIF II (85%) and the companies of the members of the management team of OÜ Utilitas (15%). The direct 100% parent company of OÜ Utilitas is joint holding company FS Core Utilities S.à r.l.

IN EUR THOUSAND	31.12.2023	31.12.2022
Retained earnings	174,621	152,605
Potential dividends	140,034	122,599
Possible income tax on potential dividends	34,587	30,006

In 2023, EUR 5,000 thousand were paid as dividends (2022: EUR 5,000 thousand) and this resulted in an income tax expense of EUR 490 thousand (2022: EUR 496 thousand). In 2023, EUR 1,721 thousand income tax was paid (2022: EUR 496 thousand), EUR 1,231 thousand was income tax from the dividends of AS Tallinna Soojus which were declared before the establishment of the joint holding company AS Utilitas Tallinna Soojus.

■ Note 13 Sales revenue

IN EUR THOUSAND	2023	2022
Consolidated revenue by geographical region		
Estonia	219,345	255,778
TOTAL	219,345	255,778
Consolidated revenue by activity		
Production and sale of thermal and electrical energy	203,406	240,388
Renewable energy subsidies	8,978	10,725
Other revenue	6,961	4,665
TOTAL SALES REVENUE	219,345	255,778

■ Note 14 Other income

IN EUR THOUSAND	2023	2022
Proceeds from sale of property, plant and equipment	18	0
Fines and penalties received	37	91
Irrecoverable receivables collected (Note 3)	4	7
Sale of CO ₂ quotas	4,033	3,305
Profit from realised derivative transactions (Note 11)	1,534	0
Government grants income	19	428
Other operating income	572	14
TOTAL OTHER INCOME	6,217	3,845

During the reporting period, sales of greenhouse gas emission units were carried out wherein the outstanding emission units of the current trading period were sold, totalling 47,2 thousand tonnes, with an average price of EUR 85.5 per ton (2022: 41,0 thousand tonnes, with an average price of EUR 80.7 per ton; see Note 20).

■ Note 15 Cost of goods and services sold

IN EUR THOUSAND	2023	2022
Raw materials and purchased energy	-119,851	-135,065
Energy, water and chemical expense	-4,659	-5,144
Repair and maintenance costs	-4,499	-4,021
Air pollution charge	-439	-469
Cost of CO ₂ emission quota (Note 20)	-6,791	-7,220
Building permit and estate tax	-543	-439
Cost of resale	7,003	-8,345
Other	-1,978	-1,951
TOTAL COST OF GOODS AND SERVICES SOLD	-131,757	-162,654

■ Note 16 Other operating expenses

IN EUR THOUSAND	2023	2022
Office, administrative and maintenance costs	-1,792	-1,552
State and local taxes	-791	-398
External counsel	-615	-503
Property insurance costs	-648	-446
Allowance for doubtful receivables (Note 3)	-13	-5
Other expenses	-2,227	-1,845
TOTAL OTHER OPERATING EXPENSES	-6,086	-4,749

■ Note 17 Payroll expense

IN EUR THOUSAND	2023	2022
Wages and salaries	-10,626	-9,543
Social security costs	-3,563	-3,195
TOTAL PAYROLL EXPENSE	-14,189	-12,738
Average number of employees in full time equivalent units	285	271
Employee working under an employment contract	284	270
Member of the management board and other control bodies	14	9

■ Note 18 Other expenses

IN EUR THOUSAND	2023	2022
Loss from sale of property, plant and equipment	-8	0
Loss from realised derivative transactions	0	-6,873
Loss from unrealised derivative transactions (Note 11)	0	-1,534
Other expenses	-50	-50
TOTAL OTHER EXPENSES	-58	-8,457

The electricity sales prices during 2022 were partially fixed in order to manage electricity price risk, as a result sales revenue from electricity was partially set off by loss from derivative transactions recognised as other expense in amount of EUR 6,873 thousand. No such transactions took place in 2023.

■ Note 19 Loan guarantees, pledged assets and guarantees given

Collaterals for the liabilities related to group's investment loans in the amount of EUR 400,701 thousand as at 31.12.2023 (as at 31.12.2022: EUR 332,701 thousand; see Note 10) are as follows:

1. Floating charge on the Groups non-fixed assets (movables) is in the amount of EUR 172.9 million. The group's assets, which are considered as movables are accounts receivables, inventory, property, plant and equipment except land and buildings;
2. Mortgages to properties in the amount of EUR 10 million with the book value of EUR 4.4 million (as at 31.12.2022: EUR 4.5 million) and building rights in the amount of EUR 211 million (balance sheet value not determined);
3. Pledge on the shares of subsidiaries.

In April 2021, OÜ Utilitas provided a guarantee for the benefit of OÜ Utilitas Wind, the guarantee amount being EUR 3,419 thousand as at 31.12.2023 (as at 31.12.2022: EUR 7,250 thousand. The guarantee interest is 12% per annum (see Note 23).

■ Note 20 Contingent assets

Pursuant to Article 10a of Directive 2003/87 / EC of the European Parliament and of the Council, a total of 80,436 tonnes (2022: 82,987 tonnes) of free greenhouse gas emission units for heat production have been allocated to Utilitas group installations for the reporting period 2023. As at 31.12.2023, the amount of unused allowances in the registry account was 91,228 tonnes (31.12.2022: 70,737 tonnes), from which the amount of 121,084 tonnes in 2023 has not been deducted (144,937 tonnes in 2022), which will be returned in September 2024 in accordance with the regulations. As the volume of greenhouse gas emission units owned by the AS Utilitas Tallinn and AS Utilitas Eesti as at 31.12.2023 is not sufficient to cover the needs of the company, a provision in the amount of 1,808 thousand euros has been formed (31.12.2022: 6,344, see Note 11 and 15).

■ Note 21 Contingent liabilities

Potential liabilities related to tax audit

The tax authorities have the right to review a company's tax accounting for up to 5 years in Estonia after filing the tax returns and upon detecting errors, assign additional taxes, interest and fines.

The group's management estimates that there are no circumstances that might lead the tax authorities to assess additional taxes for the group.

■ Note 22 Events after the balance sheet date

Utilitas is to acquire the renewable energy-based district heating businesses of Paide in Estonia and Valka in Latvia from Enefit Green under a sale and purchase agreement signed in November 2023. After approval from the Estonian and Latvian competition authorities, the transaction was completed in March 2024.

■ Note 23 Transactions with related parties

Name of the parent company: FS Core Utilities S.à.r.l.

The country where the parent company is registered: Luxembourg

Name of Group that the parent company belongs to: FS Elio S.à.r.l.

The country where the Group parent company is registered: Luxembourg

In preparing the consolidated financial statements for OÜ Utilitas, the following parties have been considered to be related parties:

- a. Entities that control or have significant influence over the company;
- b. Subsidiaries and affiliates (transactions with subsidiaries that are eliminated in the course of consolidation must not be disclosed in consolidated statements);
- c. The management of the company or its parent company and private shareholders of the company, who control or have significant influence over the company, close family members of the persons mentioned above and the companies that all the persons mentioned above control or over which they have significant influence.

Receivables from related parties

IN EUR THOUSAND	31.12.2023	31.12.2022
Current receivables from associates (Note 3)	102	2,174
Inc. Interest receivables	69	2,149
Non-current receivables from associates (Note 3)	31,600	20,150
Inc. Loans granted	31,600	20,150

Sales to related parties

IN EUR THOUSAND	2023	2022
Goods and services sold to associates	518	223
Interest income on loans to associates	1,265	952
Interest income on guarantees given to associates	693	1,198

Payables to related parties

IN EUR THOUSAND	31.12.2023	31.12.2022
Current payables to parent company (Note 11)	0	2,976
Inc. Interest payable	0	1,501
Current payables to associates	246	139
Non-current payables to parent company	400,701	332,701
Inc. Loans received (see Note 10; 19)	400,701	332,701

Transactions with related parties

IN EUR THOUSAND	2023	2022
Interest expense from loan received from parent company	18,842	14,481
Inc. capitalized loan interest	1,762	467
Goods and services purchased from associates	2,603	1,248

There are no contractual obligations to acquire or sell from/to related parties.

In 2023 the remuneration of the members of the Management Board and Supervisory Board of all Group entities amounted to EUR 1,232 thousand plus social taxes (2022: EUR 1,275 thousand).

Upon termination of a contract with certain members of the executive and senior management team, depending on the reasons for termination of the contract, the Group may have an obligation to pay compensation in the amount of 2 - 12 months' remuneration.

Note 24 Separate primary financial statements of the parent company

The primary financial statements of the parent company have been prepared using the same principles, which have been used in the preparation of the consolidated financial statements, except for investments in subsidiaries, which are measured at cost.

Unconsolidated balance sheet

IN EUR THOUSAND	31.12.2023	31.12.2022
ASSETS		
Current assets		
Cash and cash equivalents	3,228	12,672
Receivables and prepayments	2,777	9,608
TOTAL CURRENT ASSETS	6,005	22,280
Non-current assets		
Financial investments in subsidiaries	174,832	19,143
Investments in associates	64,031	62,151
Loans granted	198,477	248,330
Property, plant and equipment	1,266	1,195
Intangible assets	342	168
Total non-current assets	438,948	330,987
TOTAL ASSETS	444,953	353,267
LIABILITIES AND EQUITY		
Current liabilities		
Finance leases	25	29
Payables and prepayments	2,862	6,717
Total current liabilities	2,887	6,746
Non-current liabilities		
Borrowings	400,701	332,701
Finance leases	107	66
Total non-current liabilities	400,808	332,767
TOTAL LIABILITIES	403,695	339,513
Equity		
Share capital	7,650	7,650
Retained earnings	33,608	6,104
TOTAL EQUITY	41,258	13,754
TOTAL LIABILITIES AND EQUITY	444,953	353,267

Unconsolidated income statement

IN EUR THOUSAND	2023	2022
Revenue		
Sales revenue	2,576	2,137
TOTAL REVENUE	2,576	2,137
Cost of goods and services sold	-585	-571
Other operating expenses	-1,284	-1,184
Payroll expense	-1,827	-1,919
Depreciation, amortisation and impairment	-191	-106
Total operating loss	-1,311	-1,643
Financial income and expenses		
Financial income from investments in subsidiaries and associates	40,062	9,155
Interest expense	-19,377	-14,569
Other financial income and expenses	13,130	12,250
TOTAL FINANCIAL INCOME AND EXPENSES	33,815	6,836
Profit before tax	32,504	5,193
NET PROFIT FOR THE PERIOD	32,504	5,193

Unconsolidated cash flow statement

IN EUR THOUSAND	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	-1,311	-1,643
Adjustments:		
Depreciation and impairment losses of property, plant and equipment and intangible assets	191	106
Profit (loss) from sale of non-current assets	-7	0
Change in receivables and prepayments related to operating activities	4,242	306
Change in liabilities and prepayments related to operating activities	-2,289	-2,403
Interest paid	-20,854	-14,291
Total cash flow from operating activities	-20,028	-17,925
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	-1,146	-584
Proceeds from sale of property, plant and equipment and intangible assets	722	0
Acquisition of investments in subsidiaries	-167	-300
Loans granted	-98,430	-62,850
Proceeds from repayment of loans granted	26,600	20,000
Dividends received	4,344	5,647
Interest received	16,008	11,151
Total cash flow from investing activities	-52,069	-26,936
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans received	70,000	55,000
Repayments of loans received	-2,000	0
Other payments from financing activities	-289	0
Payment of finance lease liabilities	-58	-28
Dividends paid	-5,000	-5,000
Total cash flow from financing activities	62,653	49,972
TOTAL CASH FLOWS	-9,444	5,111
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	12,672	7,561
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,228	12,672

Unconsolidated statement of changes in equity

IN EUR THOUSAND	Share capital	Retained earnings	Total
Balance as at 31.12.2022	7,650	6,104	13,754
Net profit for the period	0	32,504	32,504
Dividends paid	0	-5,000	-5,000
Balance as at 31.12.2023	7,650	33,608	41,258
Adjusted unconsolidated equity at 31.12.2023			
Carrying amount of investments under control and significant influence	0	-174,832	-174,832
Value of investments under control and significant influence under the equity method	0	315,845	315,845
Adjusted unconsolidated equity at 31.12.2023	7,650	174,621	182,271



Independent Auditor's Report

To the Shareholder of Osaühing Utilitas

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Osaühing Utilitas and its subsidiaries (together the "Group") as at 31 December 2023, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Estonian financial reporting standard.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Reporting on other information including the Management report

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, including the Management report.

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Estonian financial reporting standard and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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Oksana Popova
Auditor's certificate no. 633

Iiris Embrich
Auditor's certificate no. 725

19 April 2024
Tallinn, Estonia

SIGNATURES OF THE MANAGEMENT BOARD TO THE 2023 CONSOLIDATED ANNUAL REPORT

2023 Consolidated Annual Report of OÜ Utilitas was signed on 19 April 2024.



Priit Koit

Member of the Management Board, CEO of Utilitas

