CONSOLIDATED ANNUAL REPORT 2024

UTILITAS

OÜ Utilitas

Consolidated annual report 2024

Address

Maakri 19/1

10145 Tallinn

Harju County

Republic of Estonia

Registry code

12205523

Telephone

+372 610 7107

Principal area of activity

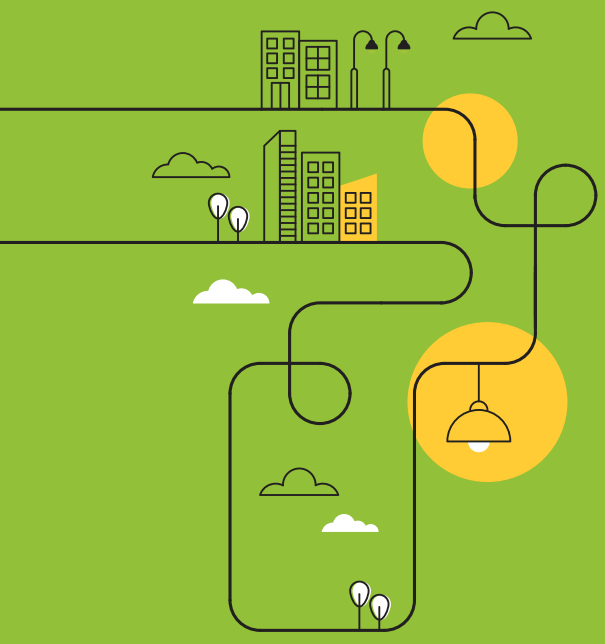
Production and sale of electricity and thermal energy

Auditor

AS PricewaterhouseCoopers

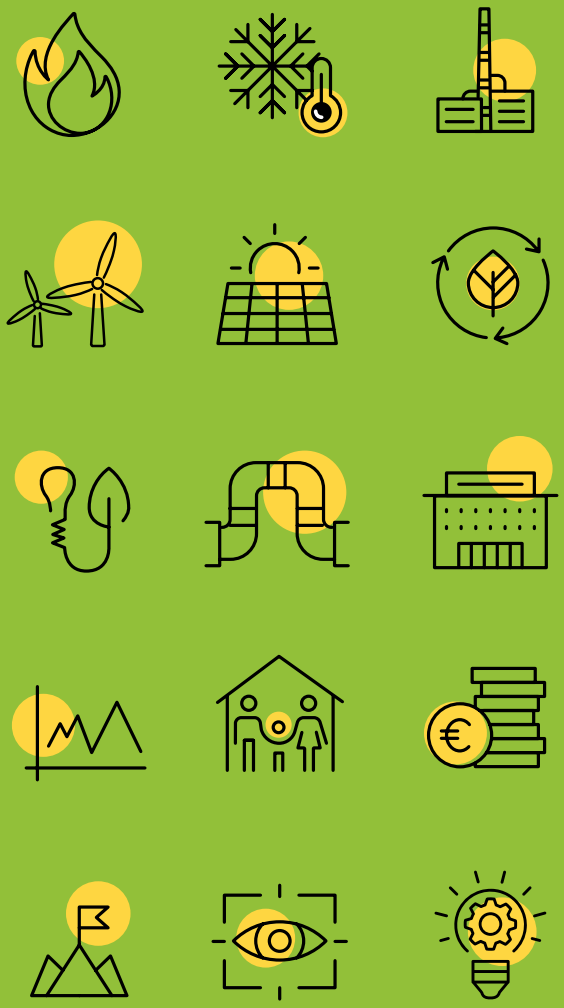
Beginning and end of financial year:

1 January 2024 - 31 December 2024



CONTENTS

UTILITAS
MANAGEMENT REPORT



UTILITAS

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 is dedicated to delivering environmentally sustainable energy solutions that meet the evolving needs of its customers. With a strong commitment to operational efficiency, Utilitas prioritises the use of renewable and locally sourced energy whilst ensuring that its services meet the highest standards of environmental responsibility.

As of 31 December 2024, the Group consists of:

OÜ UTILITAS – parent company

strategic management of group companies

- **AS Utilitas Eesti** (100%)
  provider of district heating services as well as producer of renewable heat and electricity
  - **SIA Utilitas Valka (100%)**
    provider of district heating services as well as producer of renewable heat and electricity
- **OÜ Utilitas Tallinna Elektrijaam** (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)**
    lessor of district heating assets
- **OÜ Tuulepealne Maa** (100%)
  producer of renewable electricity in the 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** (20.36%)
  provider of water and wastewater services in Tallinn

2024 results:

2,069 GWh
heat consumed by customers
(2023: 2,045 GWh)

1,964 GWh
heat produced
(2023: 1,928 GWh)

3,874 MWh
cooling consumed by customers
(2023: 3,039 MWh)

423 GWh
electricity produced
(2023: 286 GWh)

1,721 GWh
renewable energy produced
(2023: 1,497 GWh)

70%
share of renewable energy in the production portfolio
(2023: 66%)

61 gCO_2 eq/kWh
district heating and cooling network emissions
(2023: 68 gCO_2 eq/kWh)

Positive handprint
avoided CO_2 emissions (265 kt of CO_2 eq) exceeded operational CO_2 emissions (143 kt of CO_2 eq)
(2023: 185 kt of CO_2 eq > 159 kt of CO_2 eq respectively)

13% share of Utilitas in total production of renewable electricity in Estonia (2023: 11%)

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

CERTIFIED
ISO 9001
ISO 14001
ISO 45001

RESPONSIBLE BUSINESS INDEX
GOLD LEVEL 2024

District heating

At the end of 2024 Utilitas provided district heating service in nine cities of Estonia: Tallinn, Valga, Jõgeva, Haapsalu, Kärdla, Keila, Maardu, Rapla and Paide. Utilitas owns two wind parks in Estonia, in Saarde and Aseri, and also produces renewable heat and electricity in the city of Valka in Latvia.

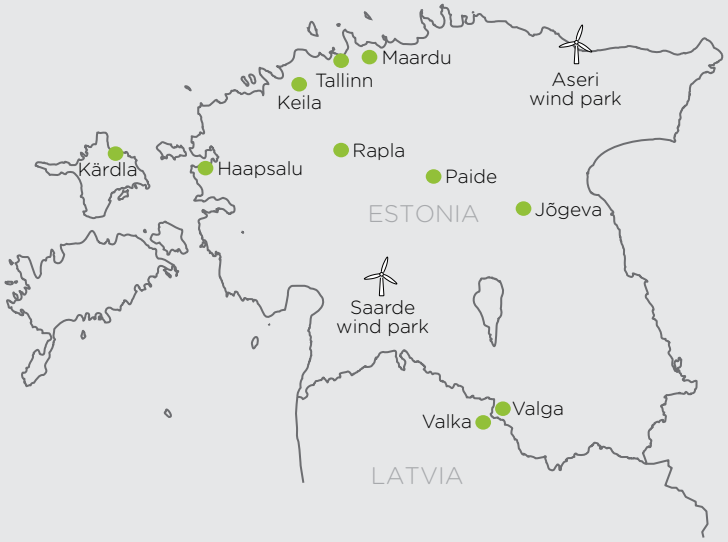


Figure 1. Utilitas operations

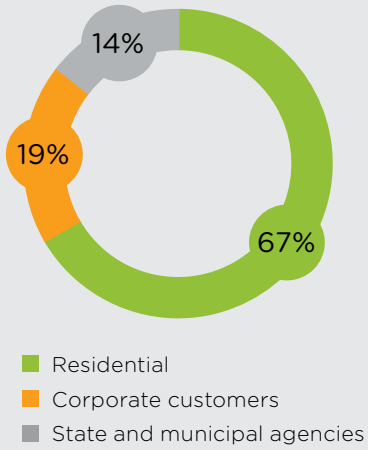


Figure 2. Share of customer groups served by Utilitas (by heated sq. meters).

Customers of district heating services include apartment associations, state and municipal agencies, and commercial properties. Electricity produced is sold on the NordPool power exchange.

Operated capacities as of 31 December 2024 include:

5
cogeneration plants
(2023: 3)

42
boiler plants
(2023: 41)

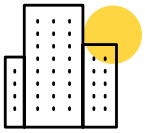
144 MW
installed electrical capacity
(2023: 98 MW)

1,400 MW
installed heat capacity
(2023: 1,300 MW)

12
solar parks in operation
(2023: 10 in operation, 1 under construction)

2
wind parks in operation
(2023: 1 wind park in operation and 1 under construction)

Utilitas district heating

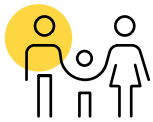


6,100
buildings
(2023: 5,600)

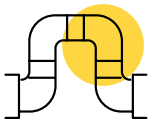
455*
net new connected buildings in 2024
(2023: 133)

21 million m²
net area of heated buildings
(2023: 20 million m²)

194,000
households
(2023: 187,000)



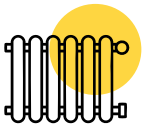
405,000
residents in cities as customers
(2023: 397,000)



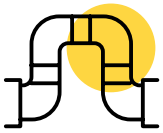
634 km
of operated networks
(2023: 601 km)

100%
customers have remote meters
(2023: 100%)

100%
used biomass is from certified sources (FSC, PEFC or SBP certified)
(2023: 100%)



99.99%
district heating availability
(2023: 99.99%)

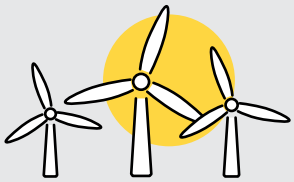


24 km
new district heating pipelines built or renovated
(2023: 27 km)

69-95%
share of new or reconstructed network depending on the operated area
(2023: 69-95%)

* including 305 buildings from acquisitions of Paide and Valka units

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



3,000+ MW
development portfolio of onshore wind parks across the Baltics

79 MW
operational wind portfolio +124 MW under construction

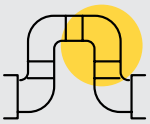
44 MW
additional operational portfolio under technical management

1,000+ MW
planned capacity of Saare-Liivi offshore wind development

Tallinna Vesi (20.4% owned):

500,000
residents supplied with water and wastewater services

22 million 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

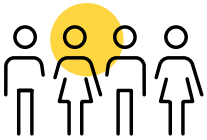
To be a leader in the field of energy

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

Values

Sustainable
Innovative
Convenient
Competitive

Organisation



317
employees (2023: 291)
+ 31 employees in Utilitas Wind

0
occupational accidents
(2023: 0)

13
years average employment length
(2023: 14 years)

3.3%
voluntary employee turnover
(2023: 2.8%)

Financial indicators

782 million euros
total assets
(2023: 702 million)

102 million euros
investments
(2023: 113 million)

216 million euros
total revenue
(2023: 226 million)

32 million euros
net profit
(2023: 28 million)

Membership in organisations

Euroheat & Power

Wind Europe

The Estonian Renewable Energy Association

The Estonian Power and Heat Association

The Latvian Heat and Cooling Companies Association

Estonian Wind Power Association

Latvian Wind Energy Association

Lithuanian Wind Power Association

Green Tiger

The Estonian Chamber of Commerce and Industry

The Estonian Employers' Confederation

The Responsible Business Forum of Estonia

MESSAGE FROM **THE CEO**

Utilitas' mission is to enable convenient and affordable use of sustainably produced energy, thereby reducing the environmental impact of our customers' energy consumption. As a provider of vital services, our top priority is supply security. We are therefore pleased to report that 2024 marked another year where we were able to meet and exceed our targets for high availability of services, with uninterrupted district heating service delivered 99.99% of the time.

This high level of reliability is the result of our continuous investment in both our networks and production assets, supporting base load and reserve capacity. A widespread district heating or cooling network that connects the majority of larger buildings in an urban area - powered by advanced technologies and optimized through digital tools - is widely recognized as the most efficient energy supply model for cities.

The benefits of modern district heating are increasingly appreciated across Estonia. In 2024, the total area of buildings heated via Utilitas' networks grew by over 1 million square meters, reaching 21 million. We also acquired district heating operations in Paide and Valka, with the integration executed smoothly thanks to the excellent cooperation between the teams.

Utilitas completed another expansion phase of the Väo energy complex in Tallinn in 2024, resulting in a reduction of CO_2 emissions by 30,000 tonnes annually. In addition to two high efficiency cogeneration plants, the complex now includes second-stage flue gas condensers, heat pumps, an electric boiler, and Tallinn's largest solar park. This year, a green hydrogen production facility will commence operations at Väo, supplying vehicles and industries with emission-free fuel. Additionally, Tallinn's first heat storage facility is set to be completed by autumn on the site.

2024 marked the first full year of operation for the Saarde wind park. We also commissioned the Aseri wind park and began construction of the Telšiai wind park in Lithuania. Overall, our renewable electricity production increased by 33% compared to 2023, with wind power generation in group companies rising by 49%. Our Utilitas Wind team continues to develop both onshore and offshore capacities to diversify the region's energy supply. Estonia's national target aims to fully meet annual electricity consumption with domestically produced renewable energy by 2030, and Utilitas is committed to supporting this goal.

We are dedicated to collaborating with customers and communities to reduce dependence on energy imports and advance electrification - one of the most significant trends in the global energy industry and in particular focus in the EU.

According to ENTSO-E, Estonia, Latvia, and Lithuania collectively consumed 27 TWh of electricity in 2024, while producing only 17 TWh - a 10 TWh deficit, greater than the total consumption of either Estonia or Latvia alone. Domestic production covered just 65% of the region's needs. Production deficits were also observed in other EU countries, including Poland, Germany, and Finland. Meanwhile, the International Energy Agency forecasts that electricity demand will grow faster than overall energy demand, driven by sectors such as data centers, electric transport, and heat pumps - trends also expected in the Nordics. This surge in demand will raise prices in Scandinavia, making continued reliance on imports an unsustainable strategy for any of the Baltic countries. To ensure competitive prices, domestic generation capacity must be expanded.

Electrification is critical for Europe, particularly given the continent's relative scarcity of natural resources. In 2022, the EU imported 62.5% of its energy - a major factor impacting the region's economic stability. China, also highly dependent on energy imports, is leading the charge in electrification. Half of China's installed capacity now comes from renewables, and nearly half of all new cars sold in 2024 were electric. This shift is driven by cost-efficiency of renewables, especially at scale, as prices for solar panels and batteries continue to fall. These developments offer hope for rapid electrification worldwide. According to EURELECTRIC, more than half of Europe's industry could be electrified, and the European Commission has clearly signaled plans to accelerate this transition.

Electrification also leads to a transition to a new era of deeply interconnected energy systems - where the boundaries between electricity, heating, and transport are increasingly blurred. We are entering the era of sector coupling. Estonia is well-positioned here: a high share of district heating in urban areas allows us to leverage thermal network inertia to support the electricity grid. Combined heat and power (CHP) systems are already a widespread and efficient solution in Estonia, enabling simultaneous electricity generation and heat utilization. Since February, 2025, when Baltic power systems were disconnected from BRELL and connected to EU grid, need for frequency reserve and balancing services has substantially increased and district heating can have a supporting role in these new markets. In 2024, Utilitas became the first in Estonia to receive mFRR capability approval for its electric boilers, enabling us to support power grid frequency stabilisation. Several of our assets are now active on the frequency market, including the Saarde and Targale wind park and battery storage adjacent to the Targale wind park in Latvia. We are also building large-scale sewage and seawater heat pumps, targeting a reduction in fossil fuel use in Tallinn to below 10% by 2027 via efficient use of renewable power. In our hydrogen pilot, waste heat from hydrogen production is utilized in district heating, improving primary energy efficiency through sector coupling. A 20,000 m³ thermal storage facility under construction at Väo, set to be completed in 2025, will further help balance supply and demand in both heat and power systems. These technologies, combined with advanced digital tools for energy portfolio and grid management, ensure our operations and services remain resilient, efficient, and future-proof.

I also hope the AI-driven growth in electricity consumption forecasted for Scandinavia proves relevant for Estonia. While the U.S. hosts over 5,000 data centers and Europe has less than half that number, it is essential for Estonia and the surrounding region to participate actively in this emerging digital economy. The economic benefits of electrification extend beyond energy usage - they include meaningful involvement in production and transmission value chains. And waste heat from the servers would be an ideal source for heating buildings via district heating networks.

At Utilitas, we remain committed to providing reliable, affordable, and clean energy to the communities we serve. We will continue to invest in new renewable generation capacity to support sustainable economic growth. I would like to thank our entire team for their dedication throughout the year, as well as our customers, partners, and all stakeholders for their trust and cooperation. Together, we are building a future powered by clean energy in a clean environment.

Priit Koit
Member of the Management Board,
CEO of Utilitas

GLOBAL TRENDS AND DEVELOPMENTS

Warming climate in political turmoil

The year 2024 was confirmed by Copernicus Climate Change Service to be the warmest year on record globally and the first calendar year when the average global temperature exceeded 1.5°C above its pre-industrial level. Moreover, each year in the last decade has been one of the ten warmest on record. These high global temperatures, coupled with record global atmospheric water vapor levels in 2024, meant unprecedented heatwaves and heavy rainfall events, affecting millions of people around the world.[1]

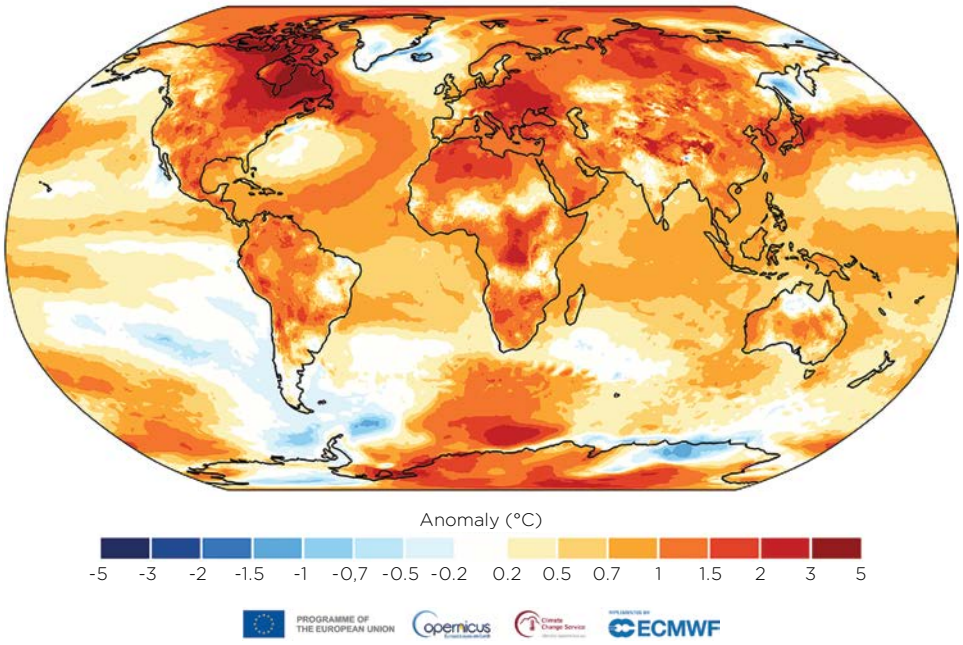


Figure 1. Surface air temperature anomalies in 2024 (Data: ERA5; Reference period: 1991-2020; Credit: C3S/ECMWF

At the same time, 2024 was a remarkable year for elections as voters in more than 60 countries went to the polls. Rattled by rising prices and economic standstill, climate issues got less attention and political parties rallied on turning back the climate policies in many of the countries. While in the United States, the newly elected Republican administration pulled the country out of the Paris Agreement, in Europe, pro-EU groups won the elections and retained their majority in the European Parliament.[2] Ursula von der Leyen, who pledged to stay committed to the Green Deal, was re-elected president of the European Commission and unveiled a Clean Industrial Deal in the first 100 days of her new mandate, with green investments at the heart of that strategy.

Another net importer of energy, China, continues adding new renewable capacities at record levels, with solar and wind capacity additions up 28% and 5% year-on-year in 2024 as 277 GW of solar and 79 GW of wind were connected to the grid. In early January

1 https://climate.copernicus.eu/copernicus-2024-first-year-exceed-15degc-above-pre-industrial-level

2 https://apnews.com/article/trump-executive-orders-climate-change-environmental-policy-e4fb2b2495c0bcf880fab46605936b09

2025, China's top economic planner, the National Development and Reform Commission (NDRC), published a new power system action plan that aims to integrate more than 200GW of new wind and solar onto the grid per year in 2025-27.[3]

European energy market

European policymakers managing the energy crisis caused by Russia's invasion of Ukraine were lucky with the weather again at the beginning of 2024. Back-to-back mild winters in 2022/23 and 2023/2024 reduced the heating demand for both gas and electricity and allowed the region to amass record gas inventories.[4] This drove gas prices almost back to pre-war levels in the first quarter of 2024. However, by the end of the year gas prices had doubled again due to the cold start to the winter, which highlights the need for Europe to move away from imported fossil fuels not only for energy security and independence but also for affordability reasons.

Rapid deployment of additional renewable electricity production capacities across Europe is increasingly recognized as the key to decrease electricity prices in the region - and in fact the only way as Europe is currently heavily dependent on imported energy sources. In September, the former head of the European Central Bank Mario Draghi published a report[5] on European competitiveness, pointing out that one of the priorities for Europe has to be the lowering of energy prices. According to the report, in 2022, at the peak of the energy crisis, natural gas was the price-setter 63% of the time, despite accounting for only 20% of the EU's electricity mix. It is thereby more than clear that the claims of the green transition being responsible for high prices in the EU is unfounded and in fact the cause for the high prices is over-reliance on expensive fossil fuels. Even

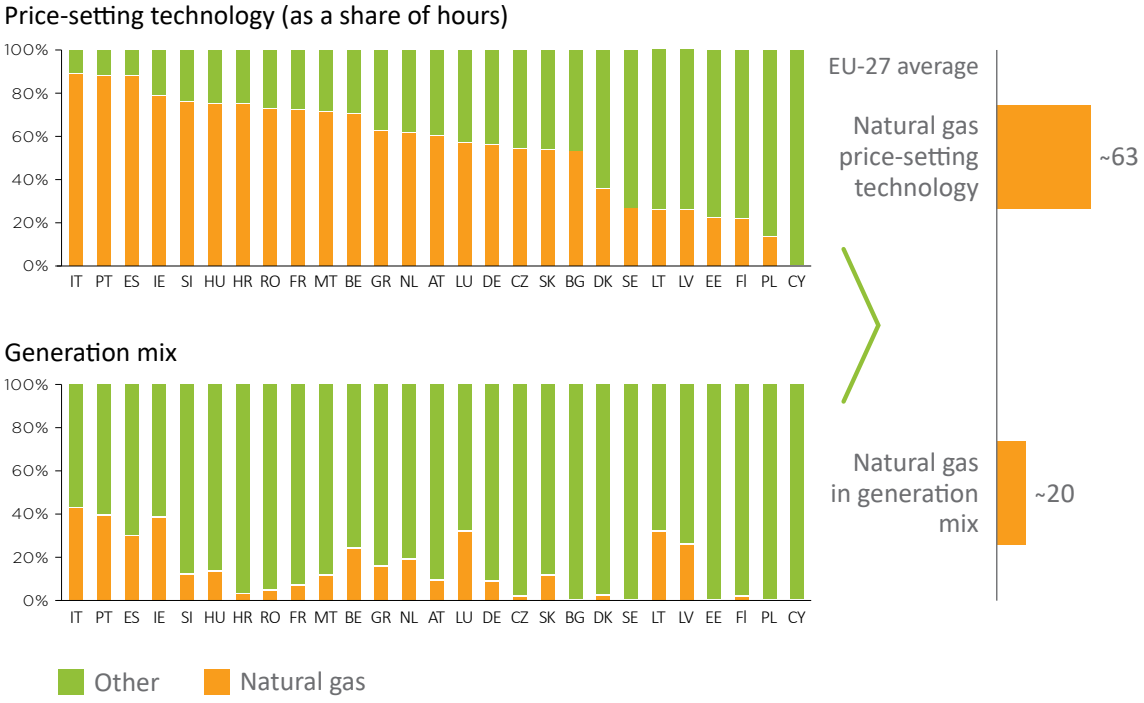


Figure 2. Price-setting technology per Member State and their generation mix.
Source: European Commission, JRC, 2023. https://powerbarometer.eurelectric.org/

3 https://www.carbonbrief.org/analysis-record-surge-of-clean-energy-in-2024-halts-chinas-co2-rise/
4 https://www.reuters.com/markets/commodities/europe-gets-lucky-with-mild-windy-winter-kemp-2024-03-13/
5 https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en#paragraph_47059

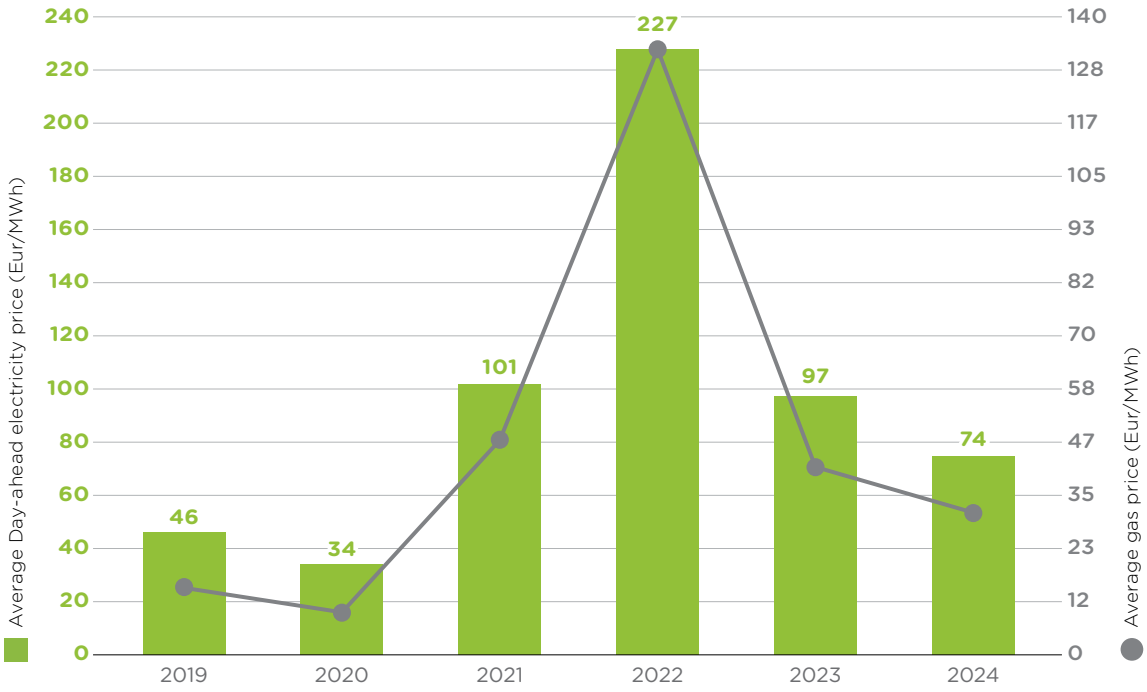


Figure 3. Although power prices have stabilised since the 2022 energy crisis, they remain above pre-crisis levels, mainly due to highly volatile gas prices. https://powerbarometer.eurelectric.org/

if the EU's renewable targets are met, fossil fuels will still set energy prices for much of the time for at least the remainder of this decade, Draghi admitted in his address to the European Parliament.

Draghi called on Europe to press ahead with clean energy installation in a technology-neutral way which should include renewables, nuclear, hydrogen, bioenergy, and carbon capture, utilization and storage. The key, he said, is increasing the pace of permitting as well as raising investment in grids. In addition, Draghi explained that decarbonization and clean energy installation is also an opportunity for the local industry as the EU is a world leader in clean technologies like wind turbines, electrolysers and low-carbon fuels. More than one-fifth of clean and sustainable technologies worldwide are developed in the EU.

The industry representatives are urging the Commission to recognise electricity as the key energy carrier for an efficient and decarbonized Europe.[6] They point out that Europe's electrification rate has long been stagnant, standing around 22.8% for years, and is far from the 50% share in the EU final energy consumption targeted by the European Commission for 2040.[7]

The International Energy Agency (IEA) shows in its World Energy Outlook 2024 that globally electricity use has grown at twice the pace of overall energy demand over the last decade, with two-thirds of the increase in electricity demand over the last ten years coming from China.

6 https://www.euractiv.com/section/eet/news/electrification-action-plan-is-an-energy-efficiency-first-plan-says-electrification-alliance-chair/
7 https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2040-climate-target_en

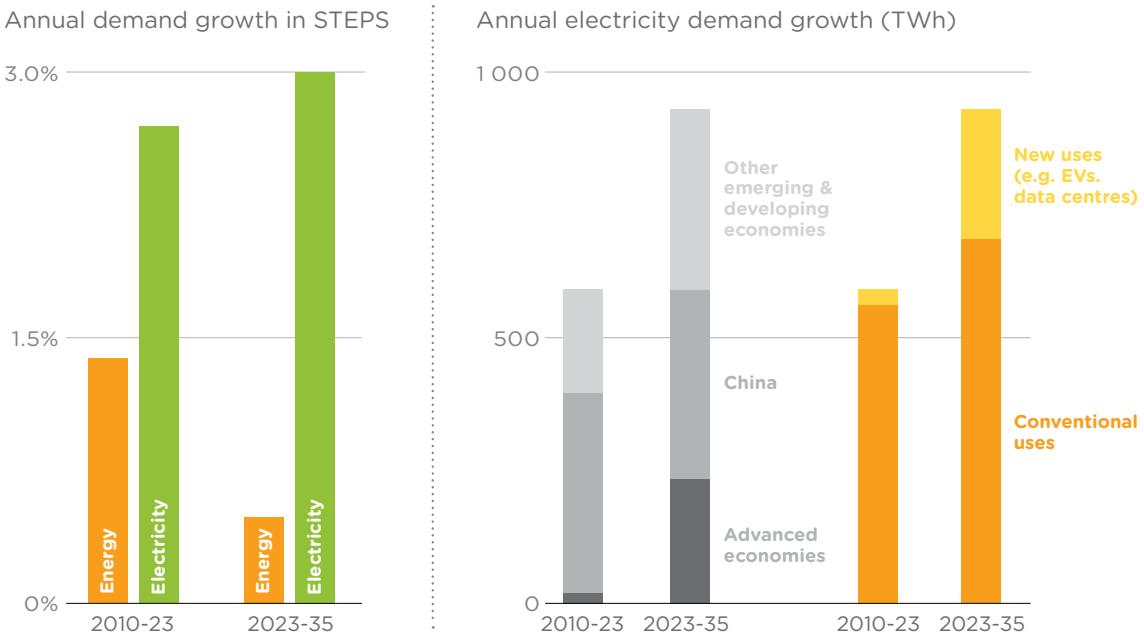


Figure 4. Electricity is growing faster than all other energy sources and it's growing across a wide range of economies, as conventional drivers of growth are supplemented by new ones like EVs, data centres and heat pumps. https://iea.blob.core.windows.net/assets/aaf524cb-8e5e-4eb2-9b24-07a2726ab292/WorldEnergyOutlook2024-LaunchPresentation.pdf

Electricity shortage in the Baltics

The Nordic region is well known for being at the forefront in Europe for renewable energy production, benefiting from hydro capacities as well as being one of the first movers in investing in other clean energy technologies long before others and has reached decarbonization rates not seen elsewhere in Europe. The Baltic States have benefited from that through interconnections as their own investment in new capacities has stalled. In 2024, Estonia, Latvia and Lithuania in total consumed 27 TWh of electricity and produced locally just 17 TWh, resulting in 10 TWh deficit. Estonia consumed 8 TWh of electricity but produced only 4.9 TWh, of this more than 2 TWh was produced from oil shale which together with natural gas is the highest priced source of electricity and is also being gradually phased out, meaning that in the near future the electricity deficit in Estonia is likely to increase further unless investments in new assets are carried out.

> "In energy history, we've witnessed the Age of Coal and the Age of Oil – and we're now moving at speed into the Age of Electricity, which will define the global energy system going forward and increasingly be based on clean sources of electricity," said IEA Executive Director Fatih Birol.[8]

In addition to the rising concerns for the reliability of the interconnections infrastructure, demand for electricity is growing rapidly as new energy intensive investments are made in Nordics. For example, Fingrid expects Finland's annual electricity consumption

8 https://www.iea.org/reports/world-energy-outlook-2024

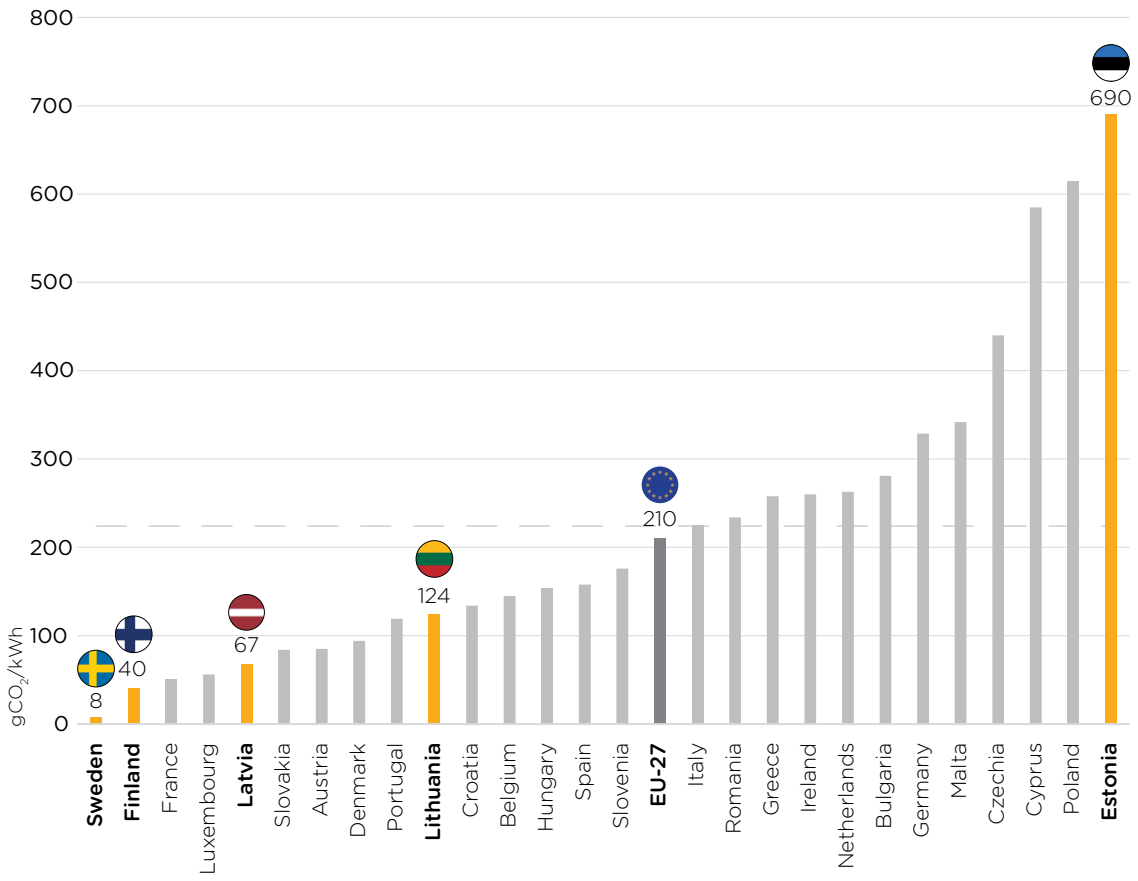


Figure 5. Carbon intensity of electricity production in Europe (2023, gCO_2/kWh)

to double over the next ten years. "Currently, Finland consumes approximately 80–83 terawatt-hours per year. This has been relatively stable over the past 20 years, but for the reasons mentioned above, we predict that by 2034 we will consume approximately 160 terawatt-hours per year."[9] Also, strong growth of electricity consumption is expected from recently announced investments coming to Europe and especially the Nordic region by Microsoft, Google, Amazon and Meta for building hyperscale data centres, each of which uses a vast amount of electricity measured in TWh annually.

Thus we cannot expect that an infinite stream of cheap renewable electricity will keep coming from the Nordics to the Baltics. New industries and data centres in combination with overall electrification of industries and transportation sectors will need more additional electricity. The Baltic countries also need to invest into new generation assets in order not to be overdependent on other markets and to achieve energy independence as well as decarbonize. Currently the Estonian electricity sector carbon emissions are the highest in Europe.[10] After decarbonizing there could also be an opportunity to replicate the Nordic success of attracting new investments by energy intensive industries and data centres.

During 2024, the preparations for desynchronizing from the Russian electricity grid were in focus and resulted in successful integration into continental Europe's power grid in February 2025. Utilitas was the first company whose participation in the market for frequency restoration reserves in Estonia was approved by the local transmission

9 https://www.err.ee/1609642475/toostuse-ja-andmekeskuste-huvi-kasvatavad-noudlust-soome-elektrivorgus

10 https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emission-intensity-of-1?activeAccordion=

system operator, Elering, and Utilitas Wind installed the largest non-TSO owned battery storage system in the Baltics next to its Targale wind park in Latvia.

Separately, discussions for the best near-future energy mix for Estonia continued both in the Government and in the public. The Ministry of Climate has prepared an update on the Energy Sector Development Plan which foresees the addition of wind power: 2.4 GW of onshore wind parks by 2030 and 1 GW of offshore wind parks by 2035. The Estonian TSO Elering has also commenced procurement of 500 MW of new production assets offering frequency reserve services and supporting the electricity system at times when wind or solar production is low.[11]

The Estonian Government has also discussed the most cost-efficient way to support the new renewable energy capacity and based on guidance of Clean Industrial Deal is also contemplating CfD structure for offshore wind. At the end of 2024, planning processes

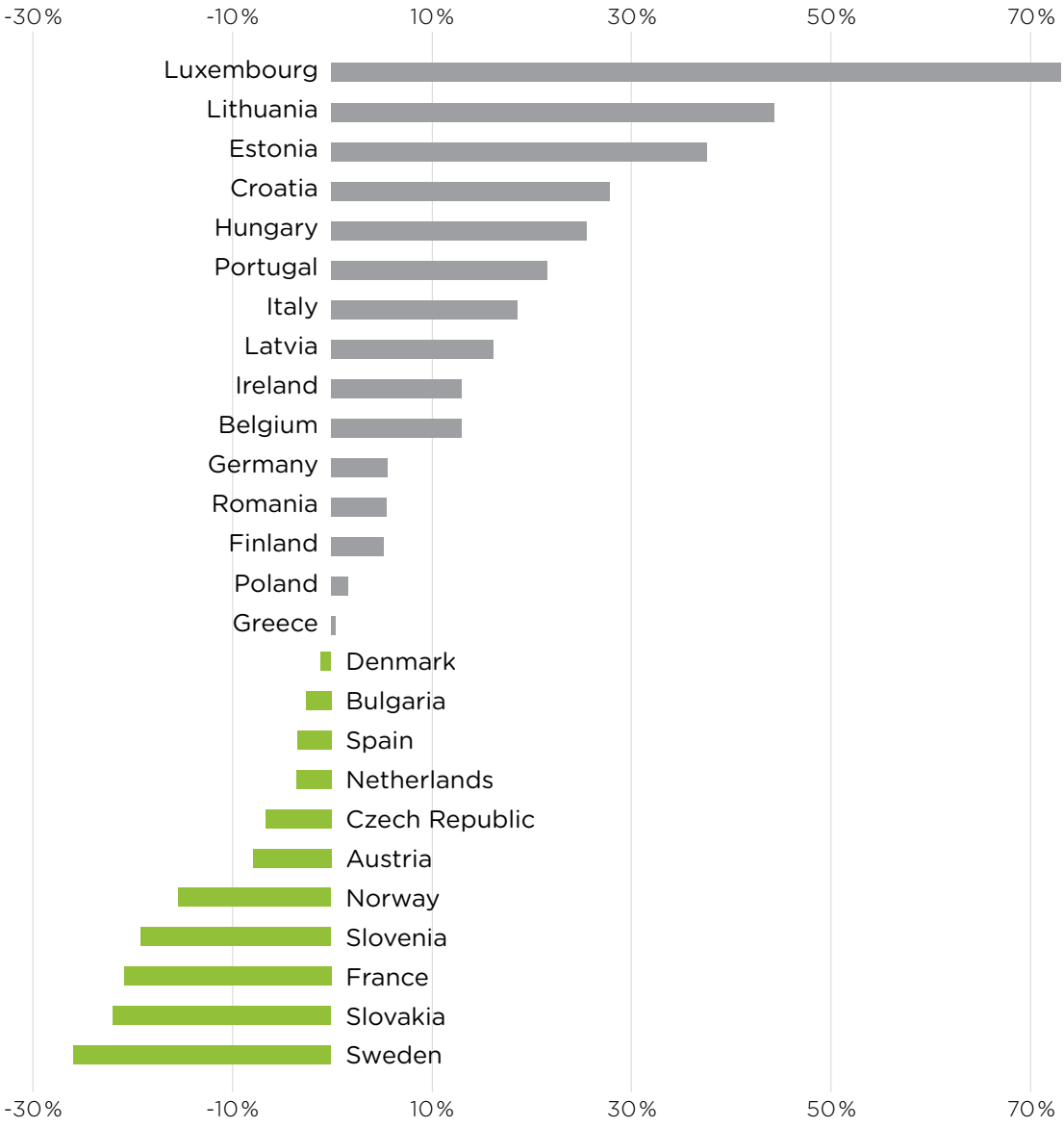


Figure 6. Share of electricity imports/exports as percentage of national consumption. Source: ENTSO-E

11 https://kliimaministeerium.ee/energiamajanduse_arengukava

for onshore wind parks were ongoing in around 30 municipalities, but as these are not moving forward at the expected action on permitting, grids and electrification is needed to achieve increase in annual build out rates.

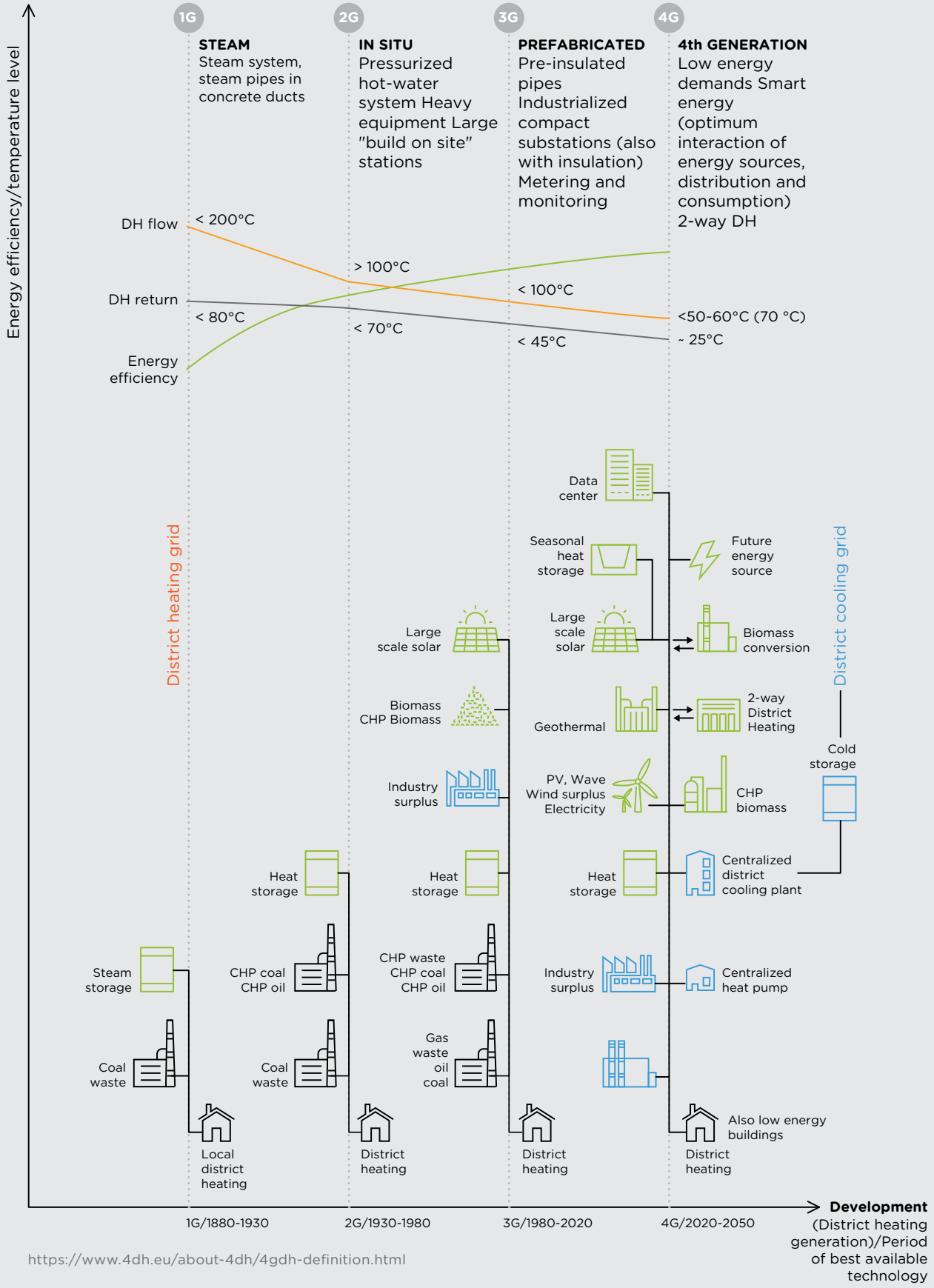
District heating - best solution for urban energy supply

Utilitas remains committed to advancing energy sustainability by developing new renewable energy capacities but also by prioritizing the most efficient production and distribution of energy. Maximizing efficiency while minimizing the consumption of natural resources is essential in ensuring long-term sustainability and resilience within the energy sector.

District heating and sector coupling are essential strategies for optimizing energy usage, reducing emissions, and enhancing overall system efficiency. The possibility to integrate waste heat from industrial processes, power generation, and renewable energy sources into heating networks and thereby significantly improve energy utilization, once again proves that large-scale efficient district heating systems are the preferred means to supply heat in urban environments.

Excess electricity generated from renewable sources can be effectively converted into heat through the use of heat pumps and electric boilers, contributing to the decarbonization of heating systems. This will be especially important in the future with an increasing share of renewables where electrification of district heating enables to benefit from low power prices at times of strong wind conditions, instead of burning fossil fuels at a higher price resulting in a negative environmental impact. Additionally, surplus energy can be stored and utilized when required, reducing dependence on fossil fuels and increasing system security. In 2024 Utilitas started the construction of a 20,000 m^3 heat storage facility next to the Väo combined heat and power plants and plans are in place to add two more similar storage assets in Tallinn as well as in some smaller cities.

The efficiency of heat distribution can be further improved by reducing the temperature of water in the district heating network. Lowering operating temperatures reduces heat losses, increases the efficiency of production units, and improves overall network stability. It also facilitates the integration of lower-temperature heat sources, such as geothermal energy and industrial byproducts, thereby increasing the share of sustainable energy in the system.



https://www.4dh.eu/about-4dh/4gdh-definition.html

Figure 7. District heating progression

OVERVIEW OF **BUSINESS RESULTS**

Utilitas is a frontrunner in Estonia's renewable energy sector, serving as the country's largest producer of renewable energy as well as district heating operator. The company provides district heating services to about one-third of Estonia's customers, delivering space heating to around 21 million m² (2023: 20 million m²) of residential, commercial, and municipal properties nationwide. Utilitas manages an extensive network that stretches across 634 km (2023: 601 km), representing around 37% of Estonia's total heating infrastructure. During 2024 Utilitas also expanded it's geographical footprint to Latvian district heating sector and now produces renewable heat and electricity for the residents of Valka, Latvia also.

In 2024, Utilitas supplied heat to 6,100 buildings (2023: 5,600), including approximately 194,000 households (2023: 187,000), as well as municipal and corporate clients. Furthermore, the company contributed 423 GWh of renewable electricity in 2024 (2023: 286 GWh), making up approximately 13% of Estonia's total renewable electricity generation.

Total heat sales in 2024 amounted to 2.1 TWh or +1% in comparison to 2023, this was primarily due to notably colder weather during the winter months and in particular in January 2024 when average temperature was -6.3 degrees Celsius and Utilitas recorded highest monthly heat sales in its history. On the other hand, the spring and autumn months were warmer than in 2023 and historic averages. Despite a challenging environment, Utilitas managed to increase its renewable energy production to an all-time high level of 1.7 TWh (1.5 TWh in 2023), supported by strong operating performance as well as the output from new investments carried out over 2023-2024 such as second stage flue gas condensers and heat pumps in CHPs, Saarde and Aseri wind parks as well as Väo solar park. Consequently, the share of renewables in Utilitas portfolio increased from 66% to 70% in 2024, a strong step towards Utilitas 2030 carbon neutrality targets as well as a significant contribution to the fulfilment of national renewables targets.

The Group's key financial figures and ratios	2024	2023
Total assets (in EUR thousand)	781,721	702,418
Loan liabilities (in EUR thousand)	448,201	400,701
Current ratio (times) = Current assets / Current liabilities	1.69	1.87
Quick ratio (times) = (Current assets – Inventories) / Current liabilities	1.49	1.28
Liquidity ratio (times) = Cash and cash equivalents / Current liabilities	0.56	0.13
Debt to equity ratio (D/E)	1.72	1.70
Total revenue (in EUR thousand)	216,138	225,562
Net profit (in EUR thousand)	31,669	27,708
Return on assets (ROA) = Net profit / Total assets (average)	4.3%	4.3%
Fixed assets turnover (times) = Revenue / Fixed assets (average)	0.32	0.40
Total assets turnover (times) = Revenue / Total assets (average)	0.29	0.35

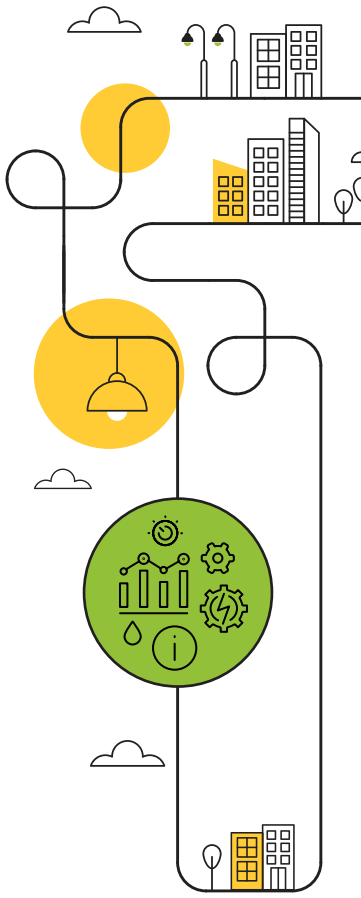
The year 2024 continued to witness high interest from clients looking to switch over to environmentally friendly, secure and sustainable heating solutions with 1,100 thousand square meters (2023: 600 thousand square meters) or 455 new buildings (2023: 133 new buildings) connected to group's networks – this includes 520 thousand square meters and 305 buildings from the acquisition of district heating operations in Paide and Valka. The company is focused on expanding its client base by connecting nearby buildings to the existing network and thereby contribute to decreasing the environmental footprint of the communities where it operates.

One of Utilitas' primary goals is to ensure a secure and reliable service for its customers, a target that was successfully met in 2024 with a district heating availability rate of 99.99% (2023: 99.99%).

Utilitas demonstrated an ongoing commitment to improving its heat networks by renovating and expanding 24 km (2023: 27 km) of heat infrastructure in 2024. Network improvements facilitate the connection of new customers and also contribute to reducing network losses. In 2024 Utilitas achieved historic low network losses of 12.1% compared to 12.7% in 2023, well below the 13.5% benchmark set by Estonian Competition Authority.

INVESTMENTS

According to The Estonian Energy Policy Development Plan (ENMAK 2035[12]) working draft, Estonia needs around 14 billion euros of investments (i.e. 1.4 billion euros per annum) to reach the ambitious targets for 2035: increasing share of renewables in electricity sector to above 100% (from a baseline 2022 level of 29.1%), in heat sector to 78% (from 65%) and in transportation to 49% (from 8.5%). The plan foresees for example the doubling of solar capacities, nearly 10-fold increase in onshore wind and installation of technologies which are currently not present in Estonia, such as offshore wind parks, large scale batteries, long term storage assets and large scale heat pumps. The plan also foresees development of biogas, hydrogen and e-fuels production.



Clearly in order to deliver on these targets, significant investments are needed, and efficient district heating and cooling have a sizeable role in realizing carbon neutrality objectives especially in cold Nordic climate where about 50% of primary energy consumption is used in the heating sector. Utilitas has demonstrated a strong commitment to pursuing renewable energy opportunities by expanding production volumes and also enhance the resilience of its existing operations via refurbishment and expansion of networks. Given the long-term nature of infrastructure investments, typically extending over 30 years, Utilitas places a strong emphasis on careful evaluation, planning, and execution which need to be supported by a stable and predictable regulatory environment.

As the largest district heating service provider as well as largest renewable energy producer in the country, it has a significant role to play in achieving also the future renewable sector goals.

12 https://kliimaministeerium.ee/energiamajanduse_arengukava

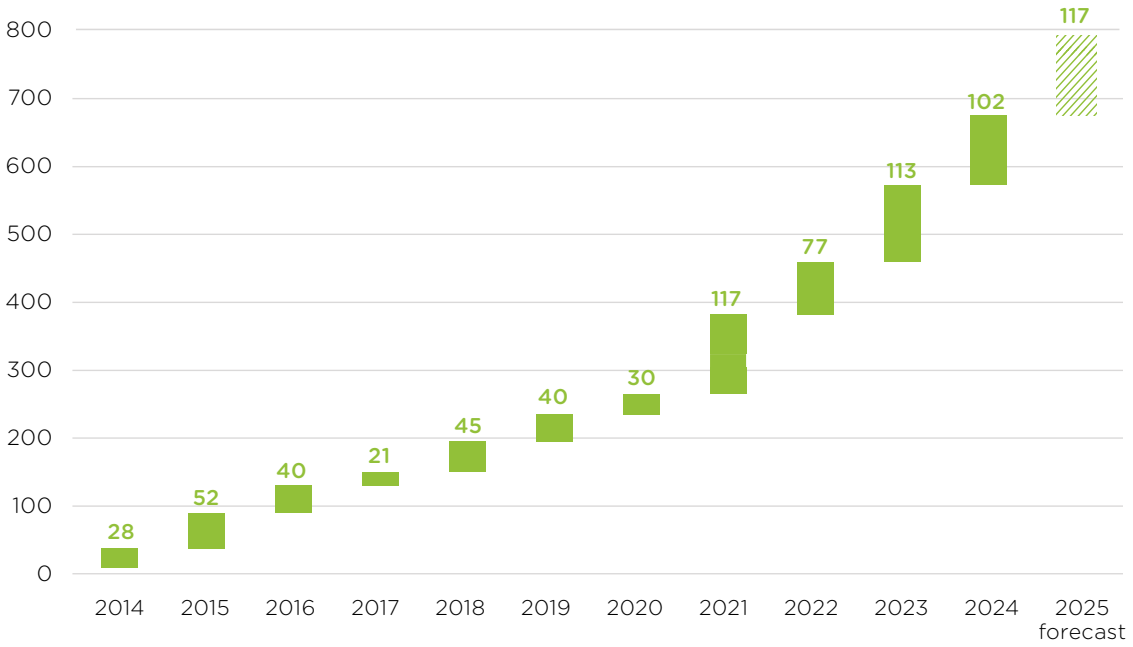


Figure 8. Volume of investments made by Utilitas from 2014 to 2025 (forecast)

A big part of the historic and future capex of Utilitas is related to operations in the capital city of Tallinn. In order to support these investments, 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. In order to simplify the group structure, reduced ever-exceeding reporting requirements and save costs, in March 2025 the former 100% subsidiaries of AS Utilitas Tallinna Soojus – AS Utilitas Tallinn and AS Tallinna Soojus were merged into the parent company which continues to manage investments in the Tallinn area and provide district heating and cooling services. The shareholding structure aligns 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. Utilitas carries 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 of Tallinn and Utilitas are focused on 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.

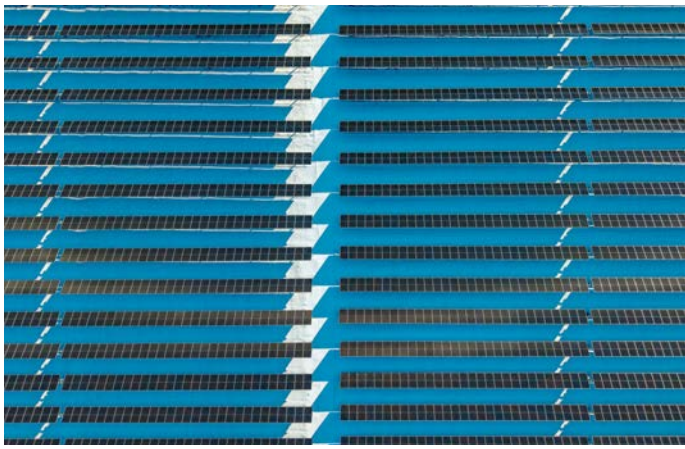
INVESTMENT ACTIVITIES 2024-2025

Utilitas prioritizes investments aimed at expanding renewable energy production capacities, improving energy efficiency, as well as the refurbishment and expansion of district heating and cooling networks. In 2024, Utilitas and its subsidiaries invested a total of 102 million euros (2023: 113 million euros), complemented by investments of joint venture Utilitas Wind of 20 million euros (2023: 17 million euros). A number of milestones were reached in 2024:

- First full year of operations for the second stage flue gas condensers and heat pumps in Väo 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.
- First full year of operations for 39 MW Saarde wind park in Estonia. The park utilises 9 modern 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 annual production is expected to be around 12 GWh per annum which is sufficient to cover annual electricity needs of 3.5 thousand household.
- Commissioning of electric boiler in Väo CHPs (and a year earlier in Mustamäe CHP) which enable to offer critical frequency reserve services to the Transmission Service Operator (Elering) and thereby support the local power grid.
- Completion of Tallinn's largest solar park with a capacity of 9.3 MW in Väo energy complex. It was inaugurated as the European Green Capital Solar Park and the park consists of 15,600 panels and covers a total of 11 hectares in the territory of the former Väo 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 were planted as well.

Heat pumps in Väo

Wind Park in Aseri



European Green Capital Solar Park in Väo

CHP and solar park in Paide

Hydrogen production unit in Väo

Conerstone-laying ceremony in Telšiai

Battery Energy Storage System in Targale

- On March 1, 2024, the acquisition of district heating operations of Paide in Estonia and Valka in Latvia was completed from Enefit Green.
- Technology supply contract was signed in 2024 for large scale waste- and seawater heat pump in Tallinn next to Paljassaare wastewater treatment plant (operated by AS Tallinna Vesi). Total capex during 2024 amounted to 21 million euros (3.5 million euros in 2023). Initially the plant was supposed to utilize only wastewater heat, however engineering solutions were worked out during 2023-2024 which will also enable to utilize seawater as well and the thereby the heat capacity of the plant has been increased from 70 MW to 110 MW. The operations are planned to launch by year end 2026 and upon completion replace over 400 GWh of fossil fuels in Tallinn network annually and thereby enables to reduce heat prices to customers, improve the environmental sustainability of operations and also enhances security of supply and resilience.
- First hydrogen molecules were produced from an innovative hydrogen project of Utilitas with the support of an investment grant from the Environmental Investment Centre and the Ministry of Economic Affairs and Communications to co-finance the construction of a green hydrogen full value chain pilot project. The project will produce over 36 tons of green hydrogen for use in public transportation starting from 2025 and reduce annual greenhouse gas emissions by 1,700 tonnes of CO_2 equivalent. 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 refueling stations have also been built, and hydrogen cars and taxis expected to operate in the capital.
- Utilitas Wind carried out the construction of 10 MW / 20 MWh battery energy storage system in Latvia, next to its existing Targale wind park and by year end 2024 the battery had completed most of testing phase and received an interim operating permit. The battery enables to optimise the production of the wind park as well as participate in the frequency reserve markets which are vital services for the integrity of Baltic electricity grid. The project is the largest operational privately owned battery energy storage system in the Baltics.
- Utilitas Wind started the construction of a 124 MW wind park in Telšiai, Lithuania. Upon completion the project will be handed over to Latvenergo. Thereby Utilitas has built wind parks in all three Baltic countries. The Telšiai wind farm is expected to generate 420 GWh of electricity annually, sufficient to meet the energy needs of more than 125,000 households and will be completed by 2026.

Investments related to operations of district heating networks and related production assets amounted to 78 million euros (69.8 million euros in 2023), including:

- Sixth year of long-term network replacement plan, 2024 network capex covered in total 24 km (27 km in 2023), close to all-time high
- Connecting 455 net new buildings to district heating networks (133 in 2023), thereby increasing the total net area of heated buildings substantially to 21 million square meters (20 million square meters in 2023) – this was supported by the addition of Paide and Valka operations during 2024
- District Cooling investments of 7.6 million euros (2023: 7.6 million euros) to connect new customers and develop the network and production.

Utilitas' dividend payout remained steady and sustainable, totaling 6 million euros (5 million euros in 2023)

Utilitas platform is planning over 135 million euros of investments in 2025:

- Continuation of investments into large scale waste- and seawater heat pumps, to be completed by the time of 2026/2027 heating season
- Completion of the 1st stage hydrogen pilot project
- Continuation of district heating network renovation and expansion targeting 30 kilometers of network construction and renovation in 2025
- Completion of short term heat storage project next to Väo CHPs, the aim of the project is to reduce natural gas consumption during transitional spring and autumn months by storing heat during warmer hours and offloading it during colder hours (as opposed to downscaling heat production from renewable sources 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 expected to reach ready to build status over the upcoming years.

As the energy markets are rapidly evolving, sector coupling advances and the addition of new heat sources further increase the complexity of the operations, then IT and automation are essential for optimizing district heating as well as electricity production. Advanced digital tools and data-driven decision-making enhance efficiency and reduce costs as well as enable to benefit from the opportunities arising in certain new markets, such as capacity reserve and frequency markets. Integration of automation and real-time analytics helps to improve load forecasting and production portfolio management as well as participate in dynamic energy markets. As a prerequisite for these improvements, a lot of time and effort over the past years has been spent on gathering and improving the quality of production and consumption data. Cleaner and more accurate datasets will enhance forecasting models, leading to better planning and decision-making.

In 2024 significant progress in strengthening of IT and automation capabilities was carried out in order to improve system efficiency and optimize energy use:

- Developed an in-house district heating (DH) load forecasting model, enabling more precise heat load predictions and short-term production planning. This ensures the most efficient use of resources. This included the integration of location-based hourly forecasts which is crucial input for DH load forecasting.
- Automation of natural gas amount planning process during peak winter months which, reducing manual work and improves the accuracy of gas nominations, ultimately lowering costs.

- Integration of electricity production assets with the systems of the TSO, enabling to participate in ancillary electricity markets. This allows assets like electric boilers to contribute to balancing the Baltic electricity system.
- Starting the integration process of production planning software: this system will optimize the production plans of electricity and heat production assets, minimizing fuel costs and operational expenses. It will also support the utilisation of heat storage for peak shaving and support participation in complex electricity markets.
- Starting the integration process for near-real-time district heating network software: this will provide better visibility into network conditions, reducing losses and increasing efficiency by preventing overheating and predicting demand peaks. It will also support optimisation of supply temperatures and pressure conditions based on actual demand.
- In 2025 it is also planned to integrate an electricity price forecast service, which will support participation in electricity markets and provide valuable insights for maintenance planning.

By implementing these advancements, Utilitas continues to strengthen our digital capabilities, ensuring a modern, sophisticated, cost-effective, and sustainable district heating and energy system.

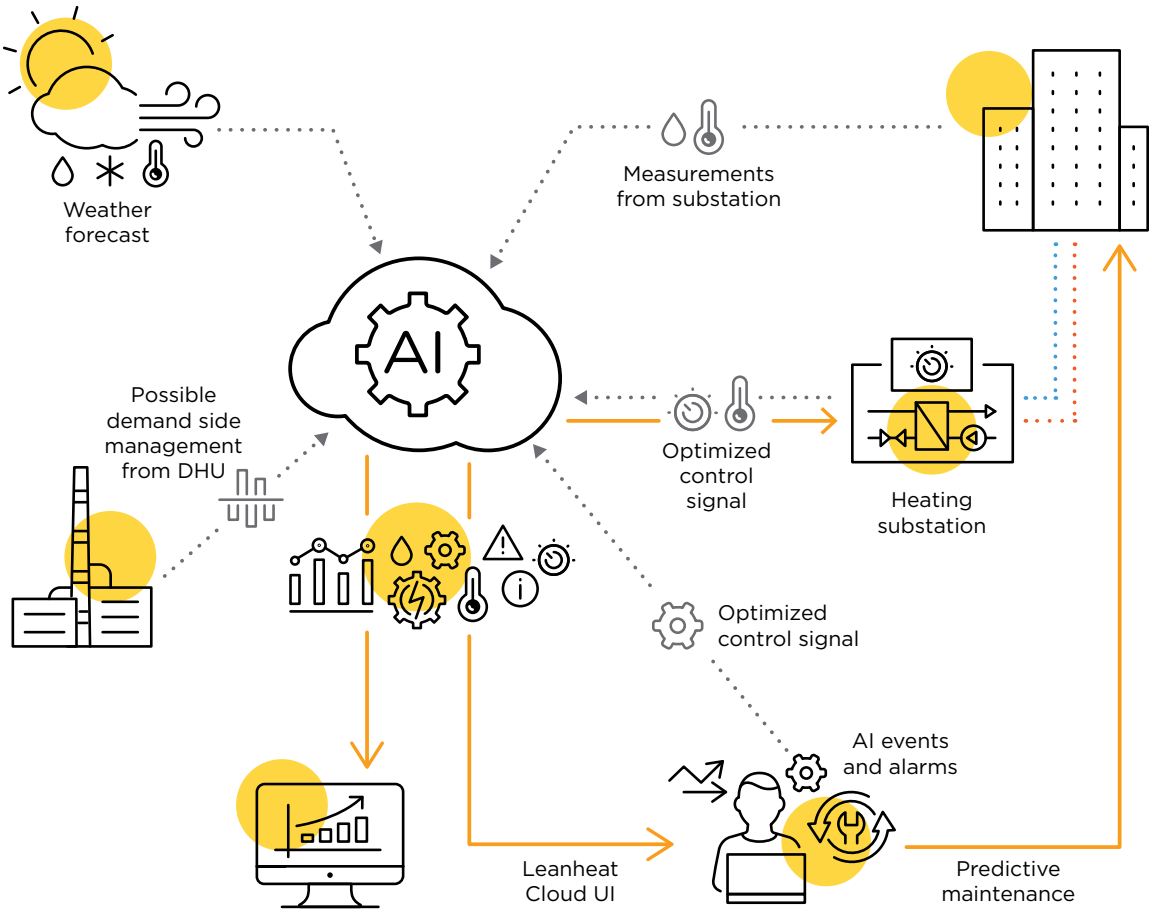


Figure 9. Modern network and operations management through integrated systems

RISK MANAGEMENT

Utilitas has a risk register to monitor and manage emerging risks on an ongoing basis and a double materiality analysis has also been carried out. As a provider of an essential service, Utilitas is required to assess risks and make crisis management plans in accordance with the Emergency Act and the regulations of local governments. Detailed action plans have been prepared to restore the operation of energy facilities in adverse scenarios. These include measures to ensure the continued supply of district heating in the event 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 implementing these plans if necessary.

Financial risk management

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

Interest rate risk

Interest rate risk arises from changes in interest rates in the financial markets, which may result in a revaluation of the Group's financial assets and higher financing costs in the future. To reduce interest rate risk, Utilitas finances its activities partly with long-term and fixed-rate loans and partly by hedging the interest expense of floating rate loans.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the entity's functional currency. The Group's exposure to foreign exchange risk arises from purchases. The majority of the Group's purchases are denominated in euros. As the proportion of transactions in foreign currencies is minimal, the Group has not taken any specific measures to reduce this risk.

Credit risk

Credit risk is the risk of loss resulting from the inability of a counterparty to meet its contractual obligations. Sales of products and services are made in compliance with internal procedures. To reduce the credit risk associated with trade receivables, the customers' payment discipline is consistently monitored. Customers that miss the payment deadline are contacted to find a solution. Write-offs for bad debts are minimal. In accordance with the Group's risk management policies, short-term funds may only be held in current accounts, overnight deposits and fixed term deposits with reputable credit institutions. As of 31 December 2024, the Group had deposits of 300 thousand euros (31 December 2023: 300 thousand euros). At the reporting date, the loans granted to joint ventures amounted to 34,750 thousand euros (31 December 2023: 31,600 thousand euros). As the Group has a good overview and co-operation with the joint ventures, no additional collateral was required for the loans. As of 31 December 2024 and 31 December 2023, there were no loans to unrelated parties.

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its financial obligations due to insufficient funds. This risk is realised when the company does not have sufficient funds to service its loans, meet its working capital requirements and make necessary investments. As of 31 December 2024, the Group's current ratio was 1.69 (31 December 2023: 1.87). In addition to the available cash balances and in order to secure additional liquidity and manage the seasonality of cash flow, the Group has an overdraft agreement with SEB bank for a total amount of 34,000 thousand euros (2023: 34,000 thousand euros). The Group takes a prudent approach to liquidity risk management and maintains sufficient cash balances to meet its contractual obligations at all times. Continuous cash flow forecasting and control are essential tools in the Group's day-to-day liquidity risk management.

UTILITAS CARBON NEUTRALITY PLAN UPDATE

Like many cities in Estonia, Utilitas' district heating networks have historically relied heavily on natural gas. In 2008, around 2 TWh of natural gas, which accounted for nearly 90% of the input energy (and close to 100% in Tallinn), was used for heat production. Thanks to significant investments made over the years, the share of fossil fuels in Utilitas' networks has now been reduced to approximately one-third, or 700 GWh. This has primarily been achieved by investments into CHPs, including for example recent investments over 2023-2024 into second-stage flue gas condensers and heat pumps which replace around 100 GWh of fossil fuels in Tallinn district heating network. The company primarily uses locally sourced woodchips in its CHP plants, generating renewable heat and electricity, which also helps decrease the carbon footprint of the electricity sector by replacing fossil fuels in the grid.

Furthermore, Utilitas has invested in renovating and expanding its district heating networks, including the installation of remotely readable smart meters. These innovations enable real-time automatic management of the networks, leading to improved efficiency and providing customers with up-to-date information and services via a modern self-service portal.

In 2021, the company developed its carbon neutrality strategy, "From Low to Zero Carbon," initially aiming for carbon-neutral operations by 2030. However, the 2022 energy crisis and Russia's use of natural gas as a geopolitical weapon prompted Utilitas to reassess and accelerate its investment plan. The City of Tallinn also recognized the importance of moving away from fossil fuels, which led to the creation of a joint holding company in Tallinn in 2023.

Since 2008, Utilitas has invested over 600 million euros into renewable production assets and the expansion and refurbishment of networks (78 million euros in 2024 alone). The accelerated carbon neutrality program anticipates additional investments of over 300 million euros from 2025 to 2027, with a focus on increasing renewable energy production, improving energy efficiency, and continuously refurbishing and expanding networks:

- Utilitas is committed to expanding renewable energy capacities and transitioning all of its district heating networks to renewable alternatives. One key focus is the use of industrial-scale heat pumps to generate heat for the networks. By deploying heat pumps that tap into underutilized renewable sources, such as ambient energy and waste heat, Utilitas can replace fossil fuel-based boilers with renewable heating solutions, while enhancing energy efficiency and exploiting the benefits of sector coupling. Since the heating sector accounts for nearly half of the EU's total energy consumption, decarbonizing this sector contributes significantly to meeting environmental targets and improving energy security. In 2024 Utilitas signed technology supply agreement for large-scale waste- and seawater heat pump which upon completion for the 2026/2027 heating season will produce over 400 GWh of renewable heat to Tallinn district heating network and reduce the remaining fossil

fuel need in the network by about two-thirds and thereby bring the total share of renewables and waste heat to above 90%.

- To enhance the resilience and efficiency of its heat networks, Utilitas is actively constructing and refurbishing district heating systems. These efforts reduce the risk of bursts, minimize heat losses, and by transitioning towards lower temperature networks enable the integration of low-grade heat sources, such as waste heat from data centers as well as waste- and seawater heat pumps.
  - Utilitas is also advancing sector integration and innovation through initiatives like its pioneering hydrogen project near the Väo CHP plants in Estonia. Surplus heat from hydrogen production will be utilized in the district heating network and thereby enhancing the overall efficiency of the process. Integration of electric boilers in the CHPs enables to offer vital frequency reserve services to the power grid whilst also replacing fossil fuels at times when the electric boilers are activated.
  - In addition, Utilitas is driving the shift to cleaner energy in cities by connecting existing buildings reliant on natural gas or other heat sources to district heating networks. This transition reduces environmental impact, enhances energy security, and offers a more cost-effective and stable local alternative.
  - As a reliable partner for real estate developers, Utilitas is committed to connecting both existing and new buildings to its heating and cooling networks as environmentally sustainable alternatives to fossil fuels or local cooling solutions with lower efficiencies.
- The final phase of Utilitas' carbon neutrality strategy involves replacing natural gas with biogas, electric boilers, or emerging renewable technologies such as hydrogen and 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' 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	2024 result	2030 target
KPI 1[13]: Carbon intensity of Utilitas district heating and cooling networks	72 gCO_2 eq/kWh	68 gCO_2 eq/kWh	61 gCO_2 eq/kWh	0 gCO_2 eq/kWh
KPI 2[14]: Renewable energy production share	68%	66%	70%	100%

The 2030 sustainability performance target (SPT 1) is to reduce the carbon intensity of heating and cooling supplied in networks to 0 gCO_2-eq/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

13 KPI 1 = (Scope 1 and 2 emissions from Utilitas + operational emissions from purchased heat)/total produced and purchased heat and district cooling; gCO_2-eq/kWh

14 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; %

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%.

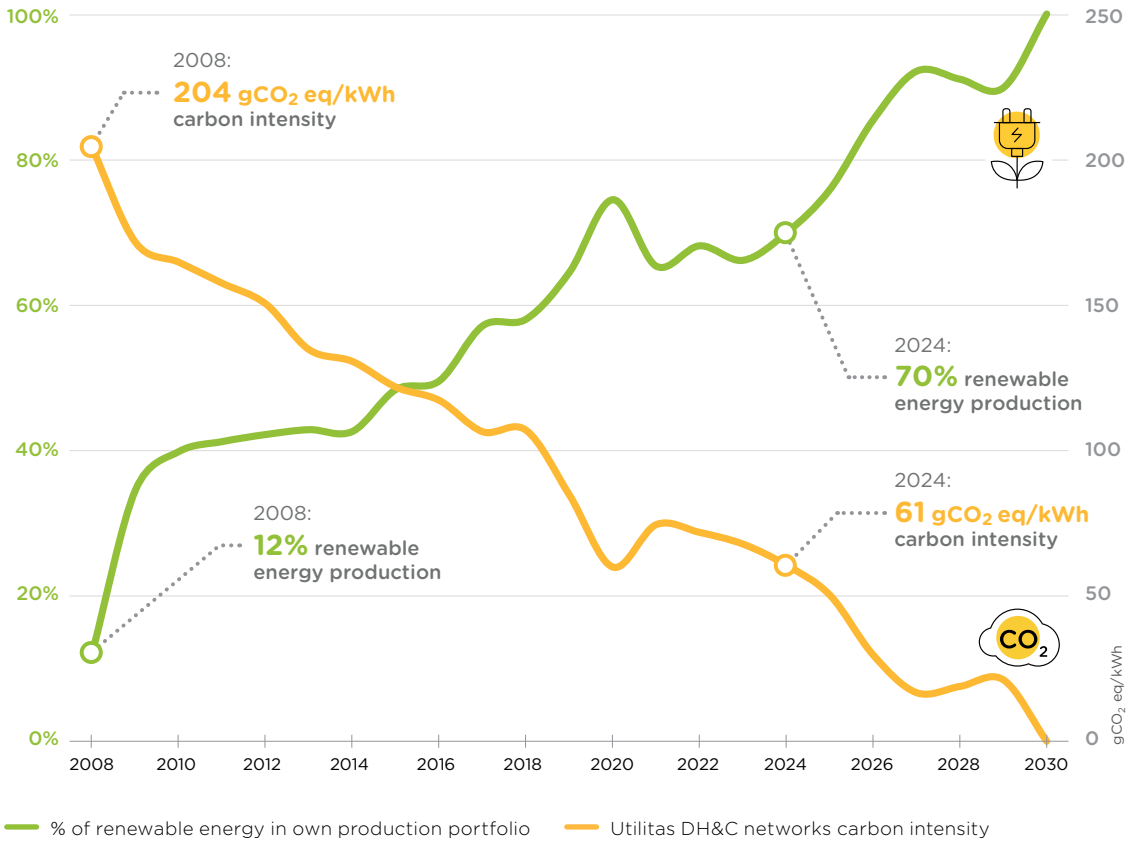


Figure 10. Utilitas Carbon Neutrality Plan targets

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Utilitas carbon reduction targets have been validated by the Science Based Targets initiative (SBTi), the global benchmark for credible climate action. This validation confirms that our commitment contributes meaningfully to limiting global warming to 1.5°C as agreed upon in the Paris agreement in 2016.

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 2024, operational CO_2 emissions amounted to 143 thousand tons whilst avoided greenhouse gas emissions were 265 thousand tons (159 thousand tons and 185 thousand tons in 2023 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, thereby lowering carbon emissions overall which is highly important in Estonia considering that we are currently the highest polluting country in Europe in electricity production when measured at grams per kWh (see figure 5 on page 18).

SUSTAINABILITY IN UTILITAS

Utilitas plays a vital role in Estonia's energy sector, supplying district heating to over a third of local consumers, while also generating renewable electricity and providing district cooling. As a provider of essential services, the company is committed to acting responsibly and contributing to a sustainable economy. The goal is to create long-term value while minimising environmental and social impacts.

Utilitas prioritises service reliability, adapts to evolving market conditions, and integrates sustainability into every decision. By embracing innovation and responsible practices, Utilitas ensures the continued delivery of clean, efficient, and resilient energy solutions for the future.

UTILITAS

GENERAL **DISCLOSURES**

For several years, Utilitas has prepared a separate sustainability report as part of its annual report, which is consolidated to the same extent as the financial statements and covers the activities of the parent company and all subsidiaries. Since 2023, Utilitas has been gradually implementing the requirements of the European Union (EU) Corporate Sustainability Reporting Directive (CSRD) and its accompanying reporting standards (ESRS) to prepare for possible mandatory reporting and to ensure comparability on the market.

The double materiality assessment, which forms the basis of the disclosures in this report, considers the entire value chain. However, the policies, targets, actions, and metrics presented apply specifically to Utilitas and its subsidiaries unless stated otherwise.

CORPORATE **STRUCTURE**

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

The supervisory board of OÜ Utilitas 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, which is responsible for providing annual overviews and overseeing sustainability management, including the assessment and management of impacts, risks, and opportunities

Group structure and members of the management boards of group companies as of 31 December 2024:

OÜ UTILITAS – parent company

strategic management of group companies

Priit Koit – Group CEO, Member of the Management Board

AS Utilitas Eesti (100%)

Provider of district heating service in 8 cities in Estonia and producer of renewable electricity

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

- **SIA Utilitas Valka (100%)** Producer of renewable heat and electricity in the city of Valka, Latvia

OÜ Utilitas Tallinna Elektrijaam (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%)

the subsidiaries of AS Utilitas Tallinna Soojus were merged into the parent company in March 2025

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

- **AS Utilitas Tallinn (100% owned by AS Utilitas Tallinna Soojus)** Provider of district heating and cooling services and 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)**
  Katri Paas-Mohando – Member of the Management Board

OÜ Tuulepealne Maa (100%)

producer of renewable electricity in Estonia

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

OÜ Utilitas Wind (50%)

Joint holding company for wind park development

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 Telšių vėjo jėgainės (100%)** wind park development in Lithuania

AS Tallinna Vesi (20.36%)

Drinking water and wastewater treatment and supply services
Utilitas holds 3 out of 9 seats on the supervisory board, including the position of the chairman.

SUSTAINABILITY **GOVERNANCE**

Every year, the Group sets specific performance goals for all subsidiaries based on the company's management and ESG policy, along with key performance indicators to monitor their fulfilment. The achievement of ESG goals and the implementation of policies, procedures and the integrated management system across the Group are reported to the management board monthly.

Compliance is regularly evaluated through management meetings, internal and external audits, and visits to departments and subdivisions. Additionally, external control bodies assess conformity. All procedures are documented in minutes and reports, which also provide input for the sustainability report.

Annual incentive pay is linked to the target of zero workplace accidents for all group companies. At the subsidiary level, specific ESG-related goals are set for each year – for example, cogeneration plants monitor reliability and efficiency, while Utilitas Tallinn tracks the pace of new customer connections, customer complaints, and network technical parameters, among other indicators.

In 2024, Utilitas received three prestigious recognitions:

- At the TOP 100 awards gala of Äripäev, Estonia's biggest business news portal, Utilitas was awarded the title of Green Company of the Year. The award, presented by Äripäev and Green Tiger is given to companies that have excelled in environmental issues over the past year and have inspired others by reducing their environmental footprint.
- The Responsible Business Index, Estonia's oldest and most respected ESG tool, helps companies assess their social responsibility across environmental, social, and economic dimensions. Utilitas retained its gold label from 2022, a significant achievement given the evolving standards of the index.
- Utilitas received the Mental Health Gold Label from Peaasi.ee, in recognition of its commitment to employee well-being. This award honours organisations that actively promote mental health in the workplace and take conscious steps to support their employees. The label also encourages companies to assess and improve their working environment with a focus on mental well-being.

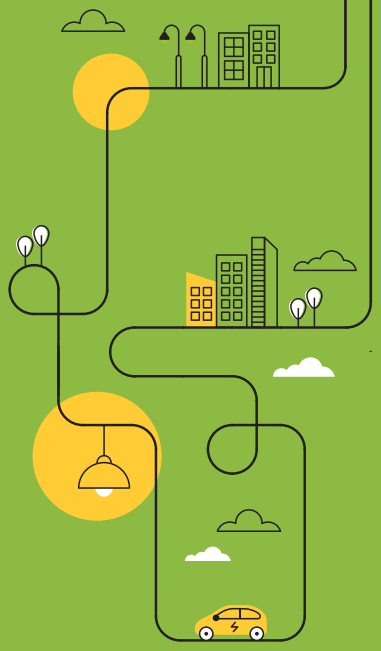

UTILITAS

BUSINESS MODEL AND VALUE CHAIN

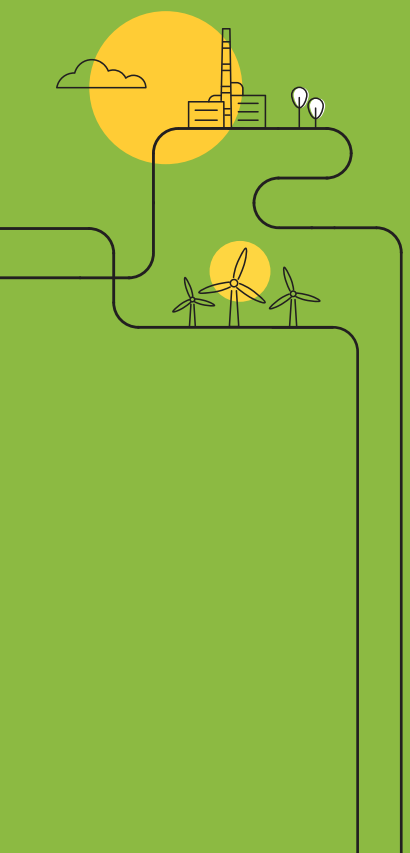
INPUT

Biomass	Biomass suppliers
Waste heat	Waste heat suppliers
Natural gas	Fuel suppliers
Shale oil	
Diesel fuel	
Water	Water enterprises
Technical installations	Subcontractors
	Equipment suppliers
District energy network materials	Plumbing, reconstruction contractors
Office supplies and equipment	Office management company

UTILITAS



PRODUCTS AND BYPRODUCTS



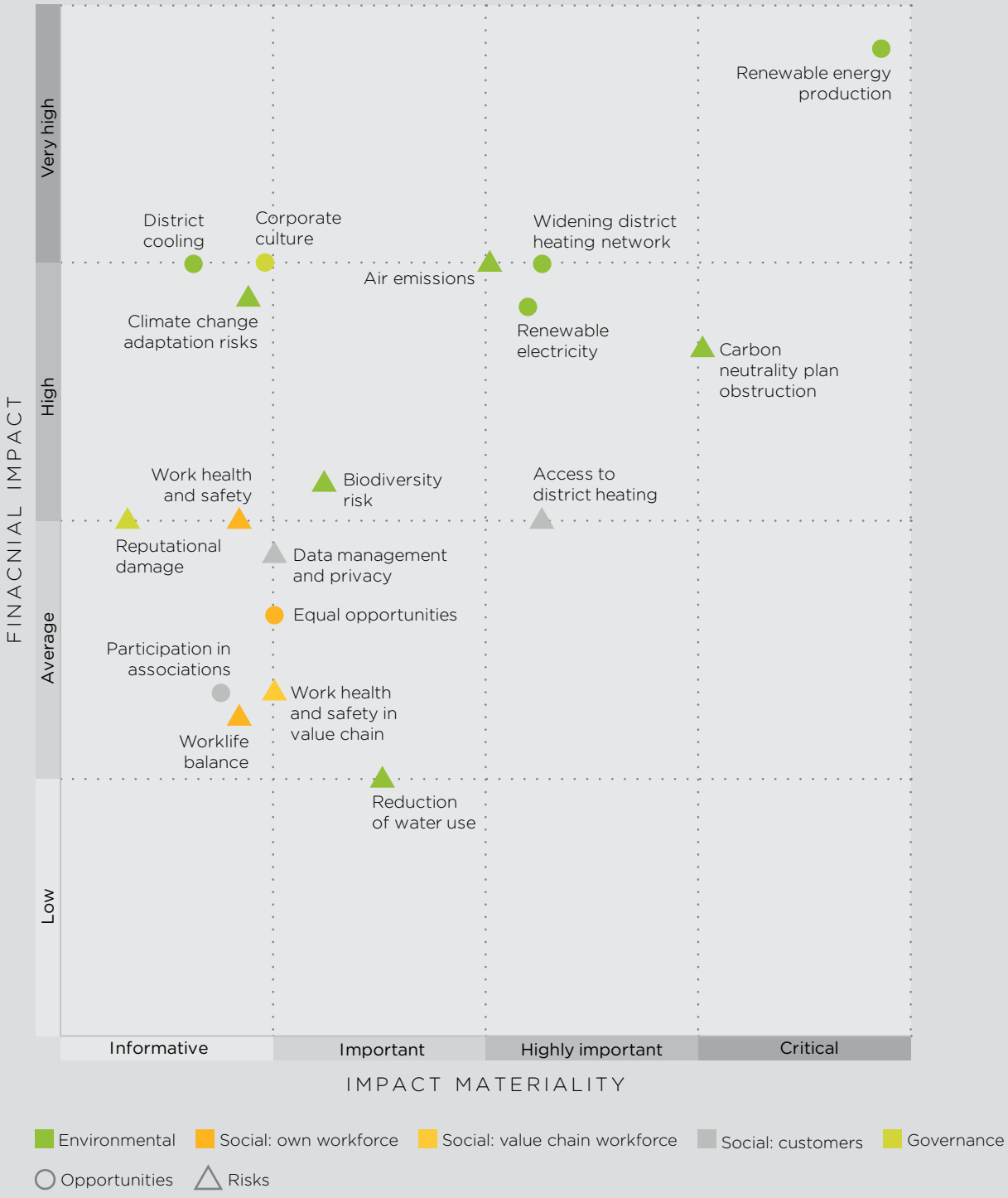
STAKEHOLDERS OF UTILITAS

Utilitas actively incorporates the views of various stakeholders into its decision-making processes and engages with them regularly to adjust plans in response to evolving expectations. The administrative, management, and supervisory bodies are kept informed of key stakeholder expectations and positions through ongoing communication, everyday operations and regular meetings, as required. This approach ensures that stakeholder input is considered in a timely and effective manner, without relying on a formalised process.

Stakeholder group	Major interests	Engagement method
Owners, investors	• Financial and reputational interest	Annual and monthly reporting, board meetings and regular management level meetings to discuss strategy
Consumers of heat, electricity and cooling	• Reasonable price • Security of supply • Convenience • Small carbon footprint	Biannual customer and community satisfaction surveys to assess satisfaction with district heating service and gain insight into how Utilitas is perceived as a company
Financiers	• Sustainable and responsible governance • Stable and predictable financial performance • Productive, sustainable, environmentally friendly and innovative company	Regular day-to-day communication with financing parties and annual reports to maintain transparency, provide updates on financial performance, sustainability initiatives and strategic goals, and ensure alignment with investor expectations and regulatory requirements
Public sector incl. municipalities and regulator, industry, sustainability and civic associations, local communities, research institutions and experts	• Affordable and fair prices for consumers • Sustainable and responsible governance • Climate change mitigation and adaptation • Partnership and cooperation • Operational safety • Contribution to national energy targets • Innovative leader in terms of sustainability and awareness in the energy sector	Regular day-to-day communication on production and renewable energy updates through various channels including newsletters, media outreach, annual reports and more specific dialogue to inform and understand expectations for ongoing projects
Real estate developers, construction companies, building managers, suppliers and subcontractors	• Partnership and cooperation • Reasonable energy price • Security of supply • Provision of environmentally friendly and sustainable energy • Small carbon footprint • Technically competent partnership • Fair and equal treatment • Long-term business relationships	Direct business-to-business communication to ensure smooth delivery of services where collaboration is needed
Employees	• Good working conditions, motivation of employees • Fair wages • Safe working environment • Stable and responsible employer with a good reputation • Inclusion • Training • Raising awareness	Employee engagement survey, information days and various team events to gain insight into the actual and potential impacts of Utilitas on its workforce and to understand the workforce's expectations
Society and media	• Open for cooperation • Good reputation • Opinion leader in energy sector	Daily monitoring of the media to stay informed about public perceptions, emerging trends, and relevant issues that could impact Utilitas' operations, reputation or regulatory environment
Natural environment	• The natural environment influences Utilitas through resource availability and the company's daily operations impact the natural environment.	Monitoring the Group's environmental performance and the latest scientific discoveries as well as best technological practices to find ways in which Utilitas can contribute to the well-being of the natural environment

MATERIAL IMPACTS, **RISKS AND OPPORTUNITIES**

Summary of relevant impacts, risks and opportunities are described in detail in the Environmental, Social and Governance chapters.



7 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

MATERIALITY ASSESSMENT PROCESS

Utilitas started the process of double materiality analysis according to the ESRS and EFRAG guidance materials in 2023 and continued the assessment throughout 2024 in the following three steps:

STEP 1

Mapping of sustainability matters

Topics and subtopics listed in ESRS 1 relevant to Utilitas were identified based on the company's economic activities and strategic priorities. Certain topics and subtopics that were considered irrelevant were excluded from further consideration.

STEP 2

Identification of impacts, risks and opportunities (IROs)

IROs were identified and linked with relevant sustainability matters, considering how Utilitas' operations contribute to impacts or are affected by risks and opportunities. The assessment drew on global, European and Estonian trends as well as internal company documentation.

STEP 3

Materiality assessment

Based on consultation with internal experts and informed by external stakeholder engagement, the materiality of actual impacts was assessed based on their severity and the materiality of potential impacts based on their severity and likelihood. The materiality of risks and opportunities was assessed based on their likelihood and magnitude.

Time horizons

Short – reporting year
Medium – 1-5 years
Long – more than 5 years

Figure 11. Steps of the double materiality assessment.

Sources and stakeholder engagement

The double materiality assessment was carried out in collaboration with various internal experts, including technical, financial, environmental and HR specialists, and taking into account previous environmental and risk assessments used by the Group, such as:

- ISO management system documents, procedures, and internal regulations
- Key environmental aspects under ISO
- Financial and operational risk register

Active stakeholder engagement for the double materiality assessment leveraged the engagement activities regularly or previously conducted by Utilitas, such as:

- Customer satisfaction survey covering both consumers and affected communities
- Employee satisfaction survey
- Results of the employee survey and workshops conducted as a basis for the development of the human rights policy

To gain insight into suppliers' sustainability efforts, a questionnaire was sent primarily to Utilitas Tallinn AS' partners, with 36 suppliers participating in the analysis (further described in the chapter 'Workers in the value chain'). The respondents included both large companies with similar sustainability reporting obligations and smaller companies without such requirements.

The assessment of future workforce-related risks and opportunities is based on the World Economic Forum's 2023 report on macro trends among employees and employers.

Climate risk and resilience

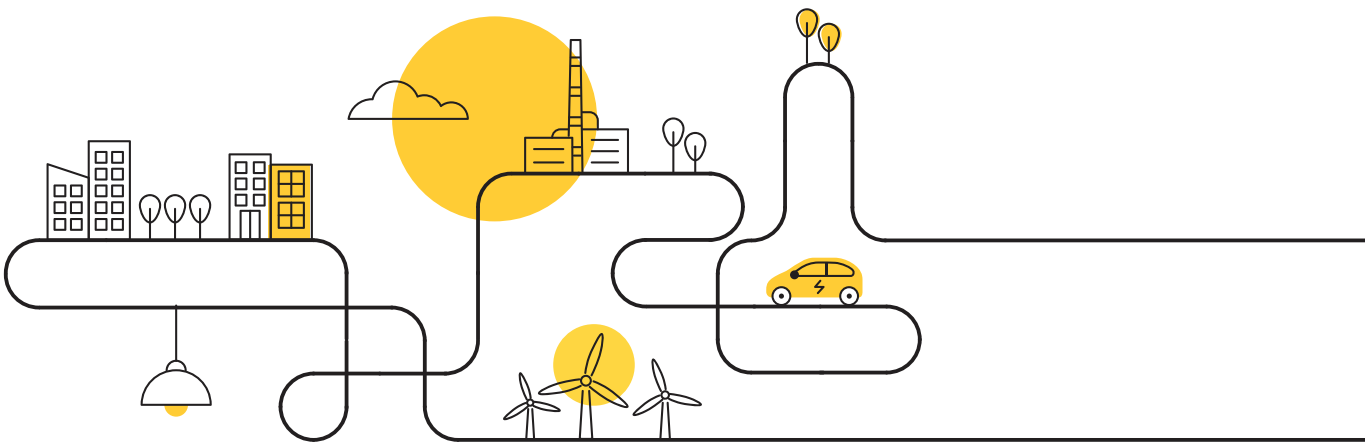
As part of the double materiality assessment process and Taxonomy alignment assessment, Utilitas evaluated its climate-related physical risks in 2023 using climate scenarios aligned with the IPCC's AR5 high-emission pathways (RCP6.0 and RCP8.5). These scenarios project CO_2 concentrations of 670ppm and 936ppm by 2100, respectively, leading to temperature increases of 3°C and 4.5°C.

In 2024, Utilitas reviewed its previous assessment according to the AR6 scenarios. With the updated AR6, the pessimistic scenario RCP 8.5 and its updated counterpart SSP5-8.5 is considered increasingly unlikely. The RCP5-8.5 projects a warming range of ~3.9–6.1°C by 2100, which is unlikely due to recent policy changes and technological advances. This scenario is now viewed as an upper bound rather than the most likely future.

Therefore, the mid-high pathway SSP2-4.5 was used as a baseline for climate projections under which certain assumptions were made:

- Socioeconomic trends: Development and income growth are uneven, with some countries making good progress and others falling behind. Global and national institutions work toward sustainable development goals, but progress is slow.
- Energy and emissions: There is a gradual shift towards sustainable energy sources occurs, but fossil fuels remain a significant part of the energy mix. Emissions peak around mid-century and then decline, leading to a stabilisation of radiative forcing at 4.5 W/m² by 2100.

The results of the assessment are described in further detail in the chapter 'Climate change'.



ENVIRONMENTAL IMPACT

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

UTILITAS

Relevant impact, risk or opportunity		Origin	Time horizon*	Performance
E1 Climate change				
Actual positive impact	Increasing the share of renewable energy in Estonia to help meet national GHG targets	Own operations	All	**100% renewable energy production by 2030** 2024: 70%* (2023: 66% renewable energy production) *72% with Utilitas Wind **Efficient district heating and cooling networks as defined by EU directives** 2024: achieved in all networks (2023: achieved in all networks)
Actual positive impact	All electricity used is covered by renewable electricity certificates. The company also generates electricity for its own use and for the grid exclusively from renewable sources: wind, biomass, and solar.	Own operations	All	**Positive handprint from green electricity** 2024: avoided CO_2 emissions (265 thousand tonnes) > operational CO_2 emissions (143 thousand tonnes) (2023: achieved)
Actual negative impact	Use of fossil fuels	Own operations	All	**Carbon neutral heating and cooling supply by 2030** 2024: 61 gCO_2-eq/kWh network CO_2 emissions (2023: 68 gCO_2-eq/kWh network CO_2 emissions)
Opportunity	Expansion of renewable energy production	Own operations	All	
Opportunity	Provision of district cooling	Own operations	All	
Risk	Stalling of the fulfilment of the carbon neutrality plan	Own operations	Long	
Risk	Power outages and reduction in security of supply due to extreme climate events	Own operations, Upstream value chain	All	**Service availability** 2024: 99.99% average availability of district heating (2023: 99.99%) Number of power outage incidents monitored
E2 Pollution				
Actual negative impact	Air emissions from installations	Own operations	All	Emission reduction through environmental impact management. Control and maintenance of the emission reduction equipment. Results of the continuous and periodic emission measurements.
Opportunity	Expanding the coverage of district heating in urban environments	Own operations	All	
Risk	Non-compliance with emission limit values	Own operations	Long	

Relevant impact, risk or opportunity		Origin	Time horizon*	Performance
E3 Water and marine resources				
Actual negative impact	Significant water use in production processes, as water circulates within the district heating (DH) network and production systems, with additional water added to compensate for leaks	Own operations	All	**100% renovated DH network by 2034** 2024: 72.5% (2023: 70.5%) **Network water change rate 1 time p.a. by 2035 in Tallinn** 2024: 1.9 times (2023: 1.5 times)
Risk	Dependency on water suppliers, as water is an extremely important resource for heat transfer	Own operations, upstream value chain	All	Emergency plan in place
E4 Biodiversity				
Actual negative impact	Wood, which is a slowly renewable natural resource, is used in cogeneration plants and heating plants.	Upstream value chain	All	**100% of biomass meets the sustainability criteria defined in the EU Renewable Energy Directive (RED II)** 2024: achieved (2023: achieved) **100% of biomass obtained from certified sources** 2024: achieved (2023: achieved)
Potential negative impact	Non-compliance with sustainability requirements in the supply chain	Upstream value chain	All	External audits completed successfully.
Risk	Reputational damage	Own operations	All	
Risk	Wood deliveries to heating plants are halted or become irregular, thereby jeopardising security of supply.	Upstream value chain	All	Emergency plan in place with alternative fuels and sufficient reserves available

* Time horizon - **Short:** up to 1 yr / **Medium:** 2-5 / **Long:** 5+ years / **All:** all of the above

EU **TAXONOMY**

The EU Taxonomy Regulation is a classification system designed to encourage sustainable investment by determining which economic activities contribute to the environmental objectives of the EU Green Deal. It establishes science-based performance criteria and imposes a corporate reporting obligation on certain companies to disclose the extent to which their turnover, capital expenditure (CapEx) and operational expenditure (OpEx) are related to sustainable activities as defined in the Taxonomy Regulation. The Taxonomy Regulation distinguishes between three types of activities: activities that make a substantial contribution to any of the environmental objectives, activities that enable other activities to make a substantial contribution, and transitional activities (an activity qualifies as transitional if its 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, steps have been taken towards assessing its business activities in relation to the Taxonomy Regulation already since 2022. The aim is to be transparent about the company's contribution to the Green Deal objectives and enhance comparability on the market.

Most of the Group's Taxonomy-eligible activities are low-carbon activities, thereby 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, as a first step of alignment assessment for these activities, Utilitas concluded that under each eligible activity, there is also a potential to make a substantial contribution to relevant environmental objectives.

DO NO SIGNIFICANT HARM CRITERIA

In 2023 and 2024, Utilitas assessed all eligible activities for compliance with the Do No Significant Harm criteria. Climate risks were evaluated as part of the assessment, with the results outlined in the sustainability report in the 'Climate Change' chapter.

Regarding other environmental objectives, Utilitas ensures its district heating network operates without polluting water and collaborates closely with local water suppliers. No significant harm in the circular economy dimension is ensured through using durable, highly recyclable wind turbines. Pollution prevention efforts align with the EU directives and BAT conclusions for emissions and noise limits. To protect biodiversity, projects are developed outside sensitive areas, with the necessary environmental permits and mitigation measures in place.

MINIMUM SAFEGUARDS

Utilitas ensures fair competition by adhering to the heat price regulations set by the Estonian Competition Authority, which guarantees the lowest possible cost for consumers. The company maintains full compliance with tax laws, anti-corruption principles, and transparent procurement procedures, with a functioning whistleblower system to uphold accountability. These aspects are described in further detail in the 'Consumers and end-users' and 'Governance' chapters of the sustainability report.

Activity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular Economy	Biodiversity
Electricity generation using solar photovoltaic technology	N/A	Y	N/A	N/A	Y	Y
Electricity generation from wind power	N/A	Y	Y	N/A	Y	Y
District heating/ cooling distribution	N/A	Y	Y	Y	N/A	Y
Cogeneration of heat and power from bioenergy	Y	Y	Y	Y	N/A	Y
Production of heat from bioenergy	Y	Y	Y	Y	N/A	Y
Production of heat using waste heat	N/A	Y	N/A	Y	Y	Y
Installation and operation of electric heat pumps	N/A	Y	Y	Y	Y	N/A
Production of heat/ cool from fossil gaseous fuels in an efficient district heating and cooling system*	Y	Y	Y	Y	N/A	Y
Production of heat/ cool from green electricity**	N/A	Y	N/A	Y	Y	Y
Installation, maintenance, and repair of charging stations for electric vehicles in buildings	Y	Y	N/A	N/A	N/A	N/A
Storage of thermal energy	N/A	Y	Y	N/A	Y	Y

Y - compliant N/A - not applicable

* 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"

Since early 2024, Utilitas has also implemented a group-wide human rights, diversity, inclusion, and equal treatment policy through its ISO-compliant management system.

Aligned with local laws and key international frameworks, including the 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 OECD Guidelines, the policy promotes a diverse, inclusive, and equitable work culture, workplace safety, ethical business conduct, responsible supply chain management and a clear process for reporting misconduct. The application of these guidelines has enabled Utilitas to declare a large portion of its activities Taxonomy-aligned.

ACCOUNTING METHOD

KPIs were calculated according to the following formulas:

- Proportion of turnover = aligned turnover/total turnover
- Proportion of CapEx = aligned CapEx/total CapEx
- Proportion of OpEx = aligned OpEx/Taxonomy OpEx

The turnover of the activities listed in the table was included in the numerator and net turnover was included as the denominator of the turnover calculations. As for the calculation of the proportion of CapEx, the main investments in sustainable and green activities such as new renewable energy generation units, heat pumps for the utilisation of waste heat etc. were taken into account. Those investments were counted in the numerator and total CapEx as indicated in the Disclosures Delegated Act 16 was counted as the denominator.

In terms of the calculation of the proportion of OpEx, the numerator includes all Taxonomy-related activities maintenance and repair costs, IT costs related to maintenance, lease expenses as well as other operating expenses related to the assets aligned under EU Taxonomy. The denominator includes all Taxonomy OpEx related costs. Expenses related to salaries were not included in the OpEx calculation due to the limitations related to the reporting system.

As a result, 96% of Utilitas' turnover, 96% of CapEx and 86% of OpEx were related to Taxonomy-aligned activities in 2024. This indicates strong alignment with the EU Green Taxonomy and highlights the company's clear strategic focus on green activities and investments, in line with EU climate objectives.

Taxonomy-aligned activities	Taxonomy code	Environmental objective	Absolute turnover, k€	Proportion of turnover	Absolute CapEx, k€	Proportion of CapEx	Absolute OpEx, k€	Proportion of OpEx
A.1. Taxonomy-aligned activities								
Electricity generation using solar photovoltaic technology	4.1	D35.11	629	0.3%	3,152	3%	13	0.2%
Electricity generation from wind power	4.3	D35.11	8,925	4%	794	1%	324	4%
District heating/ cooling distribution	4.15	D35.30	60,008	28%	42,371	41%	1,062	14%
Cogeneration of heat and power from bioenergy	4.20	D35.11, D35.30	80,115	37%	19,290	19%	2,605	35%
Production of heat from bioenergy	4.24	D35.30	6,479	3%	553	1%	699	9%
Production of heat using waste heat	4.25	D35.30	18,028	8%	2,210	2%	697	9%
Installation and operation of electric heat pumps	4.16	F43.22	-	-	21,217	21%	-	-
Production of heat/ cool from fossil gaseous fuels in an efficient district heating and cooling system*	4.31	D35.30	33,001	15%	3,673	4%	890	12%
Production of heat/ cool from green electricity**	N/A*	D35.30	282	0.1%	2,338	2%	68	1%
Installation, maintenance, and repair of charging stations for electric vehicles in buildings	7.4		-	-	9	0.01%	-	-
Storage of thermal energy	4.11		-	-	2,510	2%	-	-
Total (A.1)			**207,469**	**96%**	**98,118**	**96%**	**6,358**	**86%**
B. Taxonomy non-eligible activities			8,669	4%	4,132	4%	1,010	14%
Total (A+B)			**216,138**	**100%**	**102,250**	**100%**	**7,368**	**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

As more than 70% of the world's CO_2 emissions come from cities, reducing the urban energy footprint has a great impact on climate change mitigation efforts and environmentally friendly district heating offered by Utilitas plays an important role in this. Utilitas, Estonia's largest producer of renewable energy, is committed to mitigating climate change by maximising the use of renewable and local energy sources in its production and distribution processes. By providing environmentally friendly and affordable energy to hundreds of thousands of people, Utilitas contributes positively to the environment and society.

CLIMATE RISK AND RESILIENCE

The effects resulting from extreme climate risks and vulnerability to them have been assessed internally by environmental and technical experts in accordance with the EU Commission notice about the technical guidance on the climate proofing of infrastructure for the period 2021-2027.

All Utilitas' buildings, equipment and facilities are designed and built to suit the local climate and are resistant to enduring climate risks. Activities are not affected by temperature increases, differences in wind direction or speed, or 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 are analysed below with a description of Utilitas' planned response and preparations.

Utilitas needs to maintain reserve capacity to meet peak demand. Unfavourable logging conditions in the upstream value chain require a stable supply of wood chips and diversification of the production portfolio. Increased demand for district cooling provides an opportunity for expansion, while extreme heat could impact electric infrastructure

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								

and employees working in boiler houses or renovating district heating networks. Milder winters and volatile temperature support investments in flexible production units and storage facilities.

Utilitas' assets are not at risk from significant water level rises, though temporary flooding may occur in poorly drained boiler plant areas. Major investments undergo climate risk assessments, including flood risk evaluation. Extreme storms pose the greatest climate risk, potentially damaging solar farms, wind farms, cogeneration plants, and boiler houses. To mitigate these risks, temporary container-based heating plants and emergency generators are used to ensure power restoration in critical situations. Energy security is reinforced through diversification of production and storage solutions.

TRANSITION PLAN AND POLICY

In line with the Paris Agreement's goal to limit global warming to 1.5°C and the European Union's target of achieving climate neutrality by 2050, Utilitas has developed a transition plan to reduce its climate impact. This plan goes beyond the requirements of the Estonian Climate Resilient Economy Act and is an integral part of Utilitas' business strategy. The plan, titled 'From Low to Zero', was initiated and approved by the management board in 2021 with the aim of reducing greenhouse gas (GHG) emissions[15] to zero within Scopes 1 and 2 by 2030 and adapting to the effects of climate change. Utilitas' carbon neutrality targets were validated by the Science Based Targets initiative in November 2024.

The fulfilment of the transition plan is closely supported by Utilitas' everyday business activities and ESG framework objectives, covering climate change mitigation and adaptation, energy efficiency and the transition to renewable energy.

Policy document	Relevant objectives	Scope	Implemented by
ESG framework	■ Reduced CO_2 emissions from DH&C networks ■ Increased renewable energy production in own portfolio ■ Emissions avoided by customers exceed Utilitas' Scope 1, 2 & operational 3 emissions	All own operations	Utilitas' management board and Utilitas' environmental manager

KEY DECARBONIZATION LEVERS AND ACTIONS

- **Transition to renewable energy sources:** Imported fossil fuels are gradually being replaced by local renewable sources such as biomass, wind, and solar energy and possibly by hydrogen-based fuels in the future. A key focus is the use of industrial-scale heat pumps to generate heat for the networks. By deploying heat pumps that tap into underutilised renewable sources, such as ambient energy and waste heat, Utilitas can replace fossil fuel boilers with renewable heating solutions, while improving energy efficiency and exploiting the benefits of sector coupling.

15 Carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).

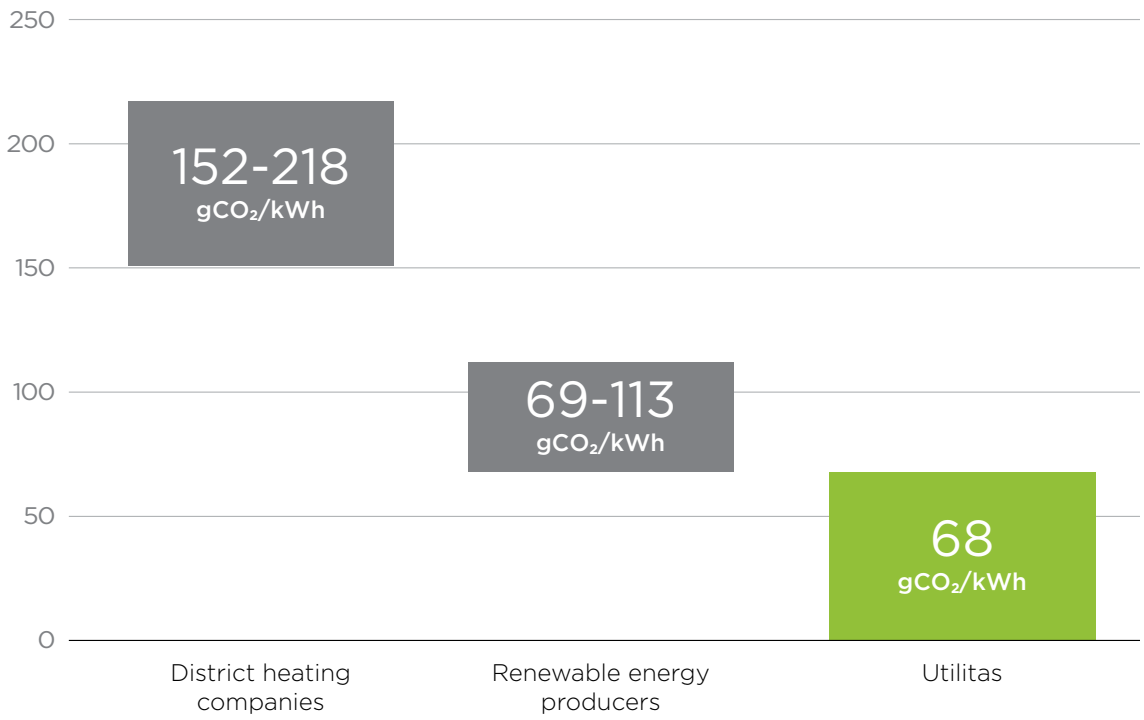


Figure 12. Comparison of GHG emission intensity of selected peer group of renewable energy producers in the region in 2023. Data is retrieved from companies' annual reports and reflects different scopes used for calculating carbon intensity. Utilitas' carbon intensity figure also includes purchased heat into district heating network.

- **Investment in renewable energy infrastructure:** Since 2002, Utilitas has invested approximately 640 million euros (approximately 930 million euros in 2024 values, adjusted for inflation) in green transformation initiatives, including the construction of high-efficiency cogeneration plants in Tallinn, the development of solar and wind parks, and a large-scale heat pump project. These investments have already reduced our carbon footprint by more than 70%, with CO_2 emissions currently at 61 g CO_2-eq/kWh. For a more detailed description of investment activities please refer to the chapter 'Update on Utilitas' carbon neutrality plan' in the management report.

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

2024 result: 70%, 72% incl. Utilitas Wind (2023: 66%, 69% incl. Utilitas Wind)

Utilitas' 2023 carbon emission intensity result of 68 gCO_2-eq/kWh was the lowest among the selected peer group companies, while the average carbon emission intensity for district heating companies in the region was 152-218 gCO_2/kWh and for renewable energy producers 69-113 gCO_2/kWh.

Target: production efficiency over 85%, ~100% incl. scrubber

2024 efficiency depending on CHP plant ~100% incl. FGC (2023: ~100%)

- **Improvement of energy efficiency:** Utilitas is expanding district heating networks to enable new buildings and buildings previously reliant on natural gas or other heat sources to transfer to a more sustainable alternative. Utilitas is also using combined heat and power plants to maximise the effective use of the energy stored in the fuels it burns.

Continuous renovation of district heating networks helps to improve heat efficiency and reduce losses. Utilitas is moving towards 4th generation district heating and cooling networks, which enable effective use of residual waste heat and two-way interaction

between suppliers and consumers to achieve a better balance between demand and energy production to improve resource use and efficiency. The implementation of smart meters allows automatic and efficient network management in real-time, further optimising energy consumption and providing customers with up-to-date information. Utilitas aims to improve the energy efficiency of the distribution network by reducing the annual weighted average water outflow temperature every year. Most of time the network temperature is already in the range of 70-80 degrees. In 2024, this was 78.8°C in the networks operated by Utilitas Tallinn (2023: 81.4°C). Another target is to have return water temperatures lower than 45°C at least for 80% of consuming buildings. In 2024, this was 86% for both Utilitas Eesti and Utilitas Tallinn operated networks (2023: 81%).

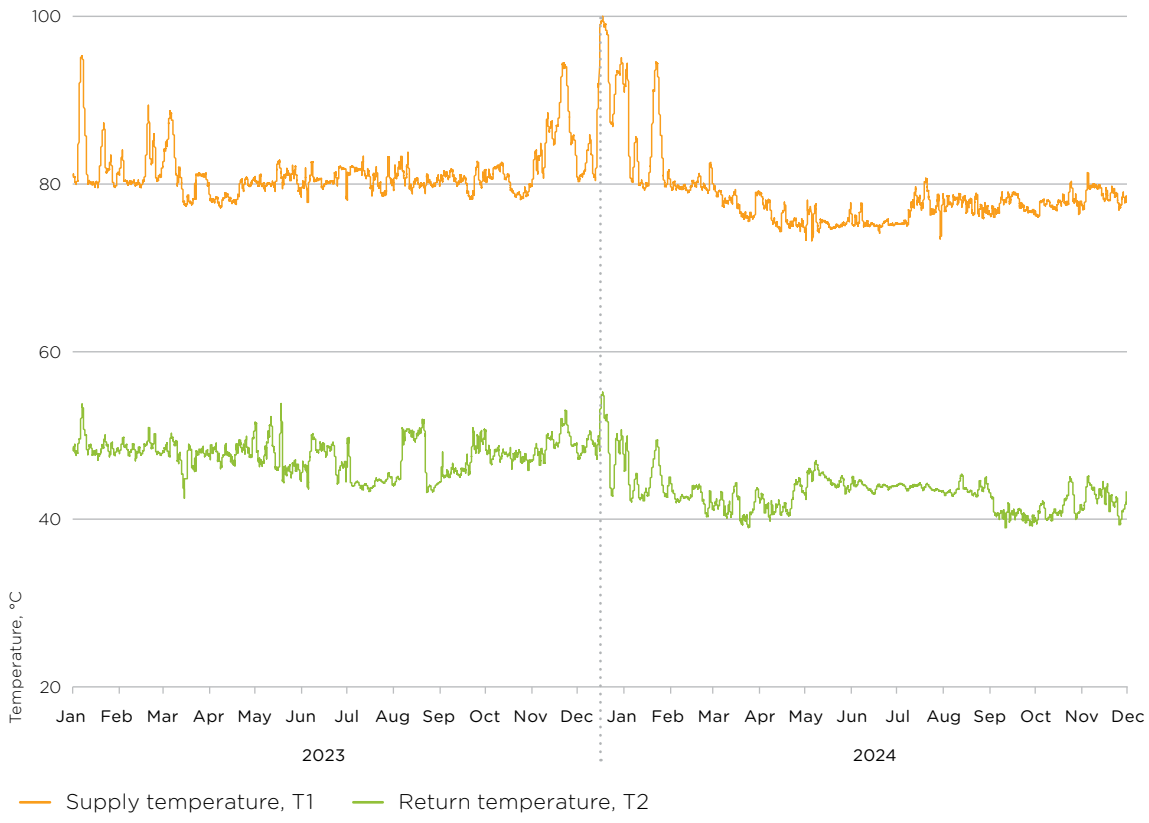


Figure 13. Network supply and return temperatures in Utilitas Tallinn network

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

Target: reduce heat losses to below 10.5% by 2035

2024 result: 12.1% (2023: 12.7%)

Target: 100% renovated network by 2034

2024 result: 72.5% (2023: 70.5%)

- **Utilisation of waste heat and development of district cooling:** By harnessing waste heat and developing district cooling solutions, Utilitas aims to maximise energy use and reduce overall emissions. Providing district cooling solutions helps customers to adapt to the adverse effects of climate change. Removing local cooling solutions from buildings in densely populated areas and replacing them with district cooling has a positive impact on the environment by avoiding disturbing noise and possible leakage, while reducing primary energy consumption.

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 the health problems associated with extreme heat. District cooling has been identified as a sustainable solution to this problem compared to air conditioning systems which are energy inefficient, noisy, have a risk of coolant leakage and take up a lot of space. EU and Estonian national policies also indicate that district cooling can be a major contributor to meeting energy efficiency and climate change mitigation targets. Utilitas Tallinn has been working on a project to build a 100 MW district cooling system in Tallinn. It will provide environmentally friendly, green, and efficient cooling to customers in the centre of Tallinn. Joining the district cooling network and not having to deal with local cooling solutions will save customers valuable time, space, and money. All this has made district cooling the best way for cooling buildings. Design of the network started five years ago and by the end of 2024 about 5 km of network has been built and about 2km is planned for 2025. In 2024, 9 MW of connections were established incorporating 7 buildings. Among them are office building, shopping mall, hotel and also an apartment building, which is a

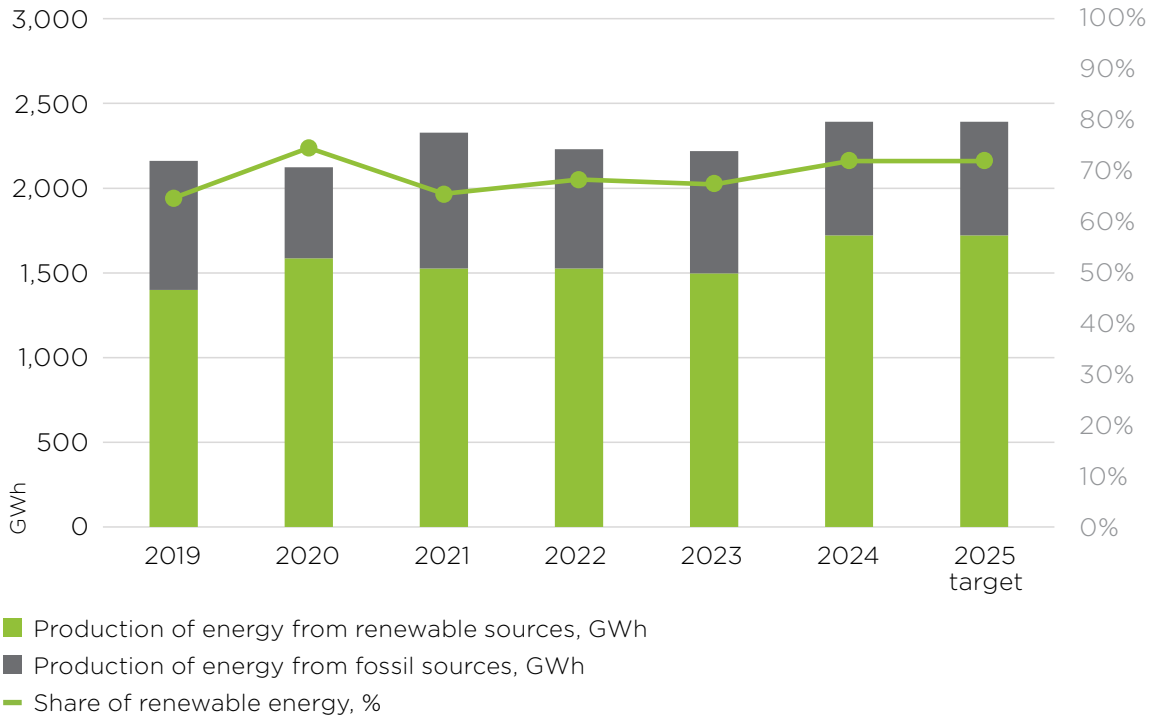


Figure 14. Volume (GWh) and share (%) of energy produced by Utilitas from renewable and fossil sources (electricity and heat in total)

growing trend in a warming climate The network is supported by two cooling production plants based on free cooling, heat pumps and chillers. As a seaside city, it makes sense to use the cooling potential of seawater in Tallinn.

The final phase of Utilitas' carbon neutrality strategy involves replacing natural gas with biogas, electric boilers, or emerging renewable technologies such as hydrogen and e-fuels. Utilitas' focus on renewable energy sources and energy efficiency measures is designed to prevent locked-in emissions and ensure alignment with the GHG reduction targets. However, high winter demand in some years and emergency generators still require the use of fossil fuels, which is taken into account in the emission reduction plan through compensatory measures.

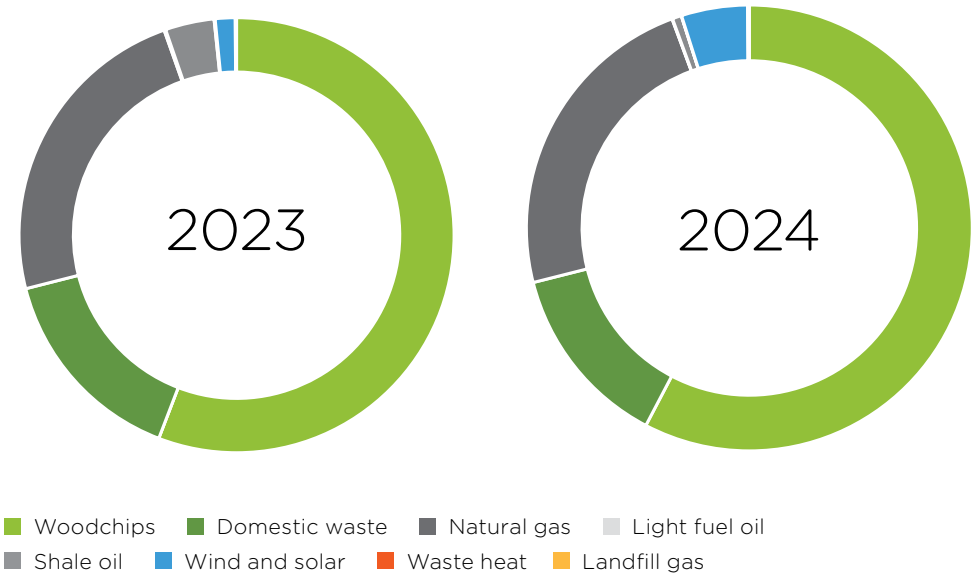


Figure 15. Yearly distribution of different energy sources used for total electricity and heat energy sold by Utilitas (includes energy purchased by Utilitas)

GREENHOUSE GAS EMISSIONS

Utilitas continues to monitor and calculate its total GHG emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. In calculating Scope 1, 2 and 3 emissions, emission factors from recognised sources, such as the GHG footprint assessment model of the Estonian Ministry of Climate (KLIM model, based on IPCC AR5) and the Ecoinvent[16] database were used (based on IPCC AR6) in most cases. A cost-based database (Exiobase v3.9[17]) was used in the category of capital goods to estimate GHG emissions related to the procurement of equipment and purchased services.

As per the GHG Protocol standard, inputs (e.g. materials, service costs etc.) in the evaluated categories that have a significantly lower impact than 1% of the total impacts were not collected. However, it was ensured that the total omitted inputs do not exceed 5% of the total impacts.

16 https://ecoinvent.org/database/

17 https://www.exiobase.eu/

Utilitas' most material GHG emissions are direct emissions from fuel combustion in Scope 1 (62%) and indirect emissions related to fuel and energy-based activities in Scope 3 (26%). Scope 3 emissions related to capital goods, which in previous years accounted for a larger proportion of the total emissions (18% and 7% in 2023 and 2024 respectively), have decreased significantly due to completion of the Saarde and Aseri wind parks in 2023.

	2023	2024	Change
Scope 1 GHG emissions (tCO_2eq)			
Gross Scope 1 GHG emissions	157,464	140,334	-11%
Of which fuels combusted for energy production	157,110	139,960	-11%
Of which car fuels and freezing agents	354	374	6%
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	82,2	82,8	-
Scope 2 GHG emissions (tCO_2eq)			
Gross market-based Scope 2 GHG emissions	0	0	0%
Scope 3 GHG emissions (tCO_2eq)			
Total gross indirect (Scope 3 other) GHG emissions	118,396	86,399	-27%
1. Purchased goods and services	4,530	5,007	11%
2. Capital goods	48,934	15,414	-69%
3. Fuel and energy-related Activities (not included in Scope1 or Scope 2)	58,685*	59,705	2%
including purchased heat (part of KPI1 calculations)**	1,736	2,806	62%
4. Upstream transportation and distribution	N/A	39	N/A
5. Waste generated in operations	15	13	-15%
6. Business travel	39	32	-17%
7. Employee commuting	247	183	-26%
15. Investments (from shareholdings in associated companies)***	5,945	6,006	1%
Total GHG emissions (market-based) (tCO_2eq)	**275,861**	**226,732**	**-18%**
Avoided emissions[18]	**184,593**	**264,899**	**44%**

* Fuel and energy-related activities figure for 2023 has been corrected due to double counting of purchased heat-related emissions.

** Purchased heat-related emissions are accounted for as scope 3 emissions in the KPI 1 calculations.

*** In 2024 Utilitas calculated the GHG emissions from shareholdings in associated companies. Relevant GHG emissions for 2023 have been added retrospectively.

18 Based on renewable electricity production net of network consumption and Estonian residual mix (0.712 gCO_2/kWh in 2023). Avoided emissions for 2023 have been recalculated with the corresponding residual mix published in 2024.

Scope 1 emissions result from the combustion of fuels for energy production and, to a lesser extent, from the use of company-owned or controlled vehicles.

GHG emissions from the combustion of fuels used for energy production (tonnes of CO_2-eq):

t CO_2 eq (by sources for heat and electricity production)	2021	2022	2023	2024
Natural gas	153,510 (87.8%)	104,514 (63.4%)	126,851 (80.7%)	133,504 (95.4%)
Shale oil	16,708 (9.6%)	37,093 (22.5%)	28,905 (18.4%)	5,622 (4.0%)
Milled peat	438 (0.3%)	13,770 (8.4%)	0 (0%)	0 (0%)
Diesel fuel	4,173 (2.4%)	9,069 (5.5%)	1,002 (0.6%)	454 (0.3%)
Biomass	0	430 (0.3%)	352 (0.2%)	379 (0.3%)
Landfill gas	0	0	0.3 (0%)	0.1 (0.0%)
Total	**174,829 (100%)**	**164,876 (100%)**	**157,110 (100%)**	**139,960 (100%)**

The largest share of emissions from fuel combustion comes from natural gas (95% vs 81% in 2023). To mitigate the impacts of the energy crisis and reduce dependence on natural gas, the latter was partially replaced by locally sourced shale oil as an alternative fuel in 2022 and 2023. This contributed 23% and 18% of fuel combustion emissions in 2022 and 2023 respectively. In 2024, the amounts decreased significantly (to 4%), as shale oil was no longer needed as a substitute in Tallinn. However, it is still used in some other plants in Estonia to cover peak loads.

Scope 2 indirect emissions are associated with the energy purchased and consumed on-site (within organisational and operational boundaries) and are currently calculated using the market-based method only, reflecting Utilitas' decision to use renewable energy.

Scope 3 other indirect emissions are associated with all upstream activities. In terms of GHG emissions, the largest impacts are associated with fuel and energy-related activities. The main source of GHG emissions from fuel and energy-related activities is the purchase of natural gas. These are well-to-tank emissions related to acquiring, processing and transporting natural gas.

Significant GHG emissions are also related to category 2 – capital goods. To date, emissions from capital goods have mainly resulted from the purchase of equipment and machinery, such as heat pumps, water boilers, flue gas condensers and container buildings, and from the construction of wind and solar parks. Significant GHG emissions are also associated with purchased goods and services. The emissions in this category are mainly related to the purchase of heating network pipes and spare parts.

AIR QUALITY

Emissions from fuel combustion, such as nitrogen and sulfur oxides and ozone depleting substances, contribute to climate change, local air quality deterioration and potential health impacts on nearby communities. District heating remains a cleaner alternative to local heating systems, significantly reducing urban air pollution. Expanding district heating networks provides an opportunity to further reduce these impacts.

Emissions from Utilitas' facilities are closely monitored under the ISO environmental management system and environmental permits, which set strict emission limits and require regular reporting to the Environmental Board. In 2024, Utilitas renewed 2 integrated pollution permits.

Policy document	Relevant objectives	Scope	Implementation
ESG framework	Reduction of air pollutants through environmental impact management	All stationary emission sources	Executive management lead by the Group's environmental manager
Environmental permits	Keeping CO, NOx, SOx, NMVOC, PM emissions at or below the set limits		Group environmental manager
Management system certified according to ISO 14001	Management and monitoring of air emissions		

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 in the flue gases, e.g. SO_2, HCl). In addition, combustion regimes are continuously monitored and adjusted based on measurement results to ensure minimal emissions.

In 2024, Utilitas implemented a NOx reduction action plan for Mustamäe CHP plant using urea-based selective catalytic reduction (SCR) technology, which prevents nitrogen emissions with up to 90% efficiency by injecting urea solution into the flue gas stream at high temperatures.

Following the acquisition of the Valka CHP plant, the district heating networks in Valga and Valka are planned to be connected in 2025, allowing Valga to stop using shale oil – a fuel associated with high emissions of SO_2, CO_2, particulate matter and other pollutants. Instead, Valga will be able to receive heat from the Valka CHP plant, which uses cleaner wood biomass and serves as a good example of cross-border co-operation between the twin cities.

Due to the requirement to comply with the EU Medium Combustion Plant Directive for installations falling outside the scope of the EU Industrial Emissions Directive, Utilitas must install and upgrade particulate matter filters to meet stricter emission limits.

While the regulation is already in force, district heating companies have been granted an exemption, with compliance required from 2030. However, preparations are already underway at Utilitas.

EMISSIONS

For plants with a capacity exceeding 100 MW, such as Väo, Mustamäe, Kristiine, and Ülemiste, emissions are measured continuously and directly using Automated Measuring Systems (AMS), as required by law. For plants below this threshold, periodic measurements are conducted, with testing performed by an accredited laboratory. All monitoring is carried out in accordance with EU BREF reference documents.

Although air pollutants emitted from Utilitas CHP plants include sulfur oxides (SOx), non-methane volatile organic compounds (NMVOCs) and particulate matter, these emissions are not reported here as they fall below the threshold set in Annex II of the E-PRTR Regulation.

Air pollutants (t)	2024
Carbon monoxide (CO)	1,025
Nitrogen oxides (NOx)	1,004

WATER RESOURCES

Water is a critical and irreplaceable resource in district heating, essential for both boiler operation and heat transfer to customers. For example, in Tallinn the volume of the heat network is a sizeable 90,000 m^3 and therefore minimising water consumption is a key priority for Utilitas, which is addressed by the objectives and targets in the ESG framework and the ISO 14001 system.

Policy document	Relevant objectives	Scope	Implementation
ESG framework	Reduction of water losses Increased water use efficiency	All cogeneration plants	Executive management through the Group's environmental lead
Management system certified according to ISO 14001	Management and monitoring water use		

Utilitas actively implements measures to improve water efficiency and reuse, such as utilising low temperature return water in flue gas scrubbers. Additionally, heating network upgrades, continuous monitoring of temperature and pressure levels, and efficient system management are key strategies for reducing water losses in district heating networks. Reconstructing district heating pipelines offers further opportunities for reduction.

Utilitas also aims to increase water use efficiency by seeking synergies and increasing cooperation with water utilities operating in the same cities as Utilitas, for example, through coordinated network investments. Utilitas has a 20.4% shareholding in Tallinna Vesi and cooperates with the majority shareholder, the City of Tallinn, in order to carry out water efficiency cooperation projects in Tallinn.

In 2024, Utilitas started the works for the first large-scale heat pump plant in Paljassaare in Tallinn, with the aim to produce clean thermal energy from treated wastewater and seawater. The Paljassaare heat pump plant with a total capacity of 110 MW will start supplying heat to the district heating network in 2026.

The zero-emission heat pump plant uses thermal energy from treated wastewater and seawater as input and raises it to a temperature suitable for the district heating network with the help of green electricity. The integration of Tallinna Vesi's Paljassaare wastewater treatment plant, seawater, heat pumps and the district heating system is an innovative and environmentally friendly solution that will be introduced in Estonia for the first time.

WATER CONSUMPTION

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

2024 result: 1.9 (2023: 1.5)

In 2024, total water consumption increased with the addition of the Paide and Valka district heating networks to the Group's portfolio. Water consumption also increased due to a leak in one of the older pipes in the network, but this was discovered and repaired in time. As a result, water consumption is again expected to decrease in 2025.

Due to the nature of Utilitas' activities, the water in the heating networks is reused many times in a closed-loop system where water is continuously circulated rather than extracted, treated, and reused in the traditional sense. As minimal water is actually 'reused' in the way the ESRS define it – where water is taken from one process and repurposed for another – the metric would not accurately reflect the sustainability benefits of the system. Instead, Utilitas measures the network water change rate, which it plans to reduce to once per year by 2035.

Metrics	2024	2023
Total water consumption (m^3)	343,555	272,404
Water intensity (m^3/heat produced MWh)	0.17	0.14

BIODIVERSITY AND **ECOSYSTEMS**

Biomass plays a crucial role in Europe's transition to climate neutrality and energy security by replacing high-impact fossil-based materials, such as coal for energy and concrete for construction. A significant amount of low-value woody biomass – such as branches, treetops, brushwood, and timber industry residues – is generated during

forest management and processing. Utilising this biomass for local energy production increases the share of renewable energy and reduces dependence on fossil fuels.

Policy document	Relevant objectives	Scope	Implementation
ESG framework	Transparent and responsible fuel procurement Meeting the requirements of the EU Renewable Energy Directive (RED II)	Biomass procurement for all district heating networks	Executive management through the Group's environmental lead
Management system certified according to PEFC[19] value chain standard	Sustainable management and use of forests through the use of certified biomass	Utilitas Eesti Utilitas Tallinn Utilitas Tallinna Elektrijaam	

At Utilitas, wood biomass is sourced mainly from the wood industry and forestry residues, minimising direct land-use change. To mitigate the risk of using unsustainable biomass and contributing to habitat loss and biodiversity degradation, all wood chip suppliers must comply with certification requirements and provide information on origin for each delivery.

Target: 100% of biomass purchased comes from certified suppliers (FSC/PEFC/SBP) and meets the EU Renewable Energy Directive sustainability criteria

2024 result: 100% (2023: 100%)

Utilitas' policies are applied through consistent monitoring of supply chain and review of procurement requirements. A separate IT system is used for collecting info about origin of biomass incl waste wood, biomass from horticulture, and similar materials. Biomass suppliers must provide location-specific information through IT systems and evidence of origin where the material was sourced. A verification process ensures that the biomass does not come from protected habitats, natural sacred sites, or other restricted areas. This process also ensures that all biomass has been legally obtained. The initial verification process is partially automated, but if any issues arise based on location data, a manual review is conducted. The Utilitas biomass supply chain is certified according to PEFC standard and must meet the RED II sustainability criteria. An audit against RED II and PEFC requirements was completed in February 2025.

The PEFC standard received recognition from the European Commission in 2024 as a voluntary scheme, and Utilitas is working to obtain the certification for Valka district heating facility in addition to the plants where it is already in place. However, to use the PEFC certificate to meet the RED II requirements, it is necessary to fulfill additional requirements.

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

19 Programme for the Endorsement of Forest Certification

SOCIAL IMPACT

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

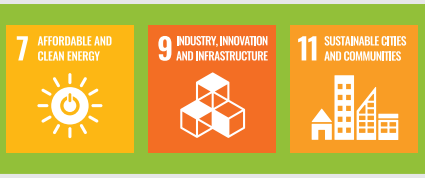
15 LIFE ON LAND

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

UTILITAS

Relevant impact, risk or opportunity		Origin	Time horizon*	Performance
S1 Own workforce				
Actual positive impact	Ongoing support for professional and personal development through a range of training courses	Own operations	All	**High employee satisfaction** 2023: 4.15/5* (2021: 4.15/5) *Biennial survey
Potential positive impact	Utilitas actively works to ensure that the proportion of women in management positions in the traditionally male-dominated field reflects the proportion of women in the company	Own operations	All	**Gender balance** 2024: 23%/30% of women in total / managerial positions (2023: 25%/25%)
Potential positive impact	HR policy and practices support diversity in the workplace	Own operations	All	
Opportunity	Supporting young people's interest in working in the energy sector	Own operations	Long	
Opportunity	Strong focus on diversity can be an advantage when recruiting from younger generations	Own operations	Medium	
Potential negative impact	A high-risk working environment on industrial and construction sites	Own operations	All	**Zero workplace accidents** 2024: 0 (2023: 0)
Risk	Occupational accidents at work	Own operations	All	
Actual positive impact	Providing stable jobs with incentive systems and a high-quality working environment	Own operations	Medium	
Risk	Difficulties in recruiting for technical positions where shift work is expected, as younger generations value flexibility and work-life balance	Own operations	Medium	**Talent retention** 2024: 3.3% voluntary turnover rate (2023: 2.8%)
Risk	Pressure for wage increases due to rising cost of living and inflation	Own operations	Medium	
Risk	Mental health issues can lead to high voluntary turnover and a decline in the quality of work	Own operations	Medium	

Relevant impact, risk or opportunity		Origin	Time horizon*	Performance
S2 Workers in the value chain				
Potential negative impact	A high-risk working environment on industrial and construction sites	Upstream value chain	All	**Zero workplace accidents involving subcontractors** 2024: 0 (2023: 0)
Risk	Workplace accidents in the value chain can affect security of supply	Upstream value chain	All	
S4 Consumers and end-users				
Actual positive impact	In local climate conditions, Utilitas is an essential service provider that prioritises security of supply. District heating services are available to all consumers located in the district heating area.	Own operations	All	**Service availability** 2024: 99.99% average availability of district heating (2023: 99.99%) **Satisfied customers** 2024*: 92% customer satisfaction (2022: 94%) *biennial survey
Risk	A prolonged interruption of heat supply is a risk to human health that can lead to reputational and financial damage.	Own operations	All	
Opportunity	Expand district heating service areas and serve more customers.	Own operations	All	**Customer base increase** 2024: net portfolio change (net enclosed area) 1,077 thousand m² (2023: 583 thousand m²)
Risk	Reputational damage	Own operations	All	
Risk	Cybersecurity incidents can threaten not only the company's reputation but also security of supply and consumer well-being.	Own operations	All	**ISO 27001 certification in progress**

* Time horizon - **Short:** up to 1 yr / **Medium:** 2-5 / **Long:** 5+ years / **All:** all of the above

EMPLOYEES AND WORKPLACE

As a provider of essential services and a manager of critical infrastructure, Utilitas is committed to reducing the environmental impact of energy consumption while ensuring access to sustainably produced energy that is both convenient and affordable. Respect for human rights, diversity, an inclusive work culture and equal treatment are fundamental to daily operations, change management and innovation. The core values of Utilitas – commitment, curiosity, collaboration, care, expertise, and responsibility – are upheld by all employees across the organisation and supported by the ESG framework and human rights policy.

Policy document	Relevant objectives	Scope	Implementation
ESG framework	• Safe working environment for all • High employee engagement • Diverse workforce • Internships & scholarships	Own workforce, subcontractors on Utilitas' premises	Parent company HR department and HR representatives in each subsidiary
Policy for human rights, diversity, inclusion, and equal treatment[20]	• Diverse, inclusive and safe work culture • Respect for human and labour rights	Own workforce	
Benefits and value proposition	• Work-life balance initiatives • Career development opportunities		
Management system certified according to ISO 45001	Workplace accident prevention		

The engagement activities conducted during the development of the human rights policy are described in detail in Utilitas' sustainability report for 2023. Each subsidiary also has separate policies and procedures for specific working practices, remote work, human resources management and remuneration (incl. variable remuneration) that are based on similar principles across the Group.

CHARACTERISTICS & DIVERSITY OF EMPLOYEES

The energy sector is one of the highest value-added industries in Estonia and Utilitas' growth continues to create new job opportunities. At the end of 2024, the company directly employed 317 people, an increase of 9% compared to the previous year. The company is committed to stable and fair employment practices – all employees are on permanent contracts and nearly the entire workforce is employed full-time, with only four employees working part-time.

One of the key milestones of the year was the successful integration of the employees of the Paide and Valka CHP plants into the Utilitas workforce. Despite the company's expansion, voluntary employee turnover remained low. A total of 28 employees were

20 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 Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.

recruited, of whom 32% were women, and 31 employees (including 11 retirees) left the company during the reporting period. The overall turnover rate was 10 %, while the voluntary turnover rate was only 3.3%.

Target: Voluntary employee turnover rate below 5%

2024 result: 3.3%
(2023: 2.8%)

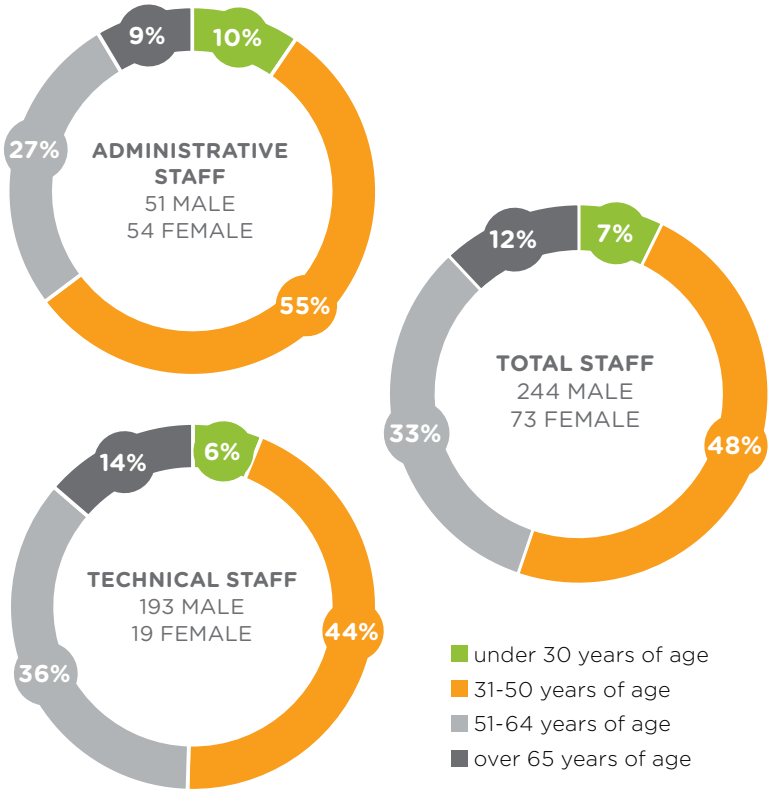


Figure 14. Employee breakdown by age and gender

Utilitas values diversity and is committed to inclusive recruitment practices. The company hires people with different backgrounds, qualifications and experience, ensuring that the recruitment process is tailored to the skills and requirements of each role. To prevent gender bias, both female and male representatives are involved in recruitment decisions.

The management team is made up of specialists in their fields,, 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 in the employee groups. Due to the nature of the sector, the number of male employees is higher and employees in the youngest age group is lower in the Utilitas workforce. Women account for 23% of all employees and 30% of first-line managers (2023: 26% and 25% respectively).

Utilitas does everything it can to ensure that the Group's employees feel safe at work and that everyone's dignity is protected. There is zero tolerance for humiliation, harassment and discrimination. In 2024, no cases of discrimination were reported within the company, maintaining the same record as in 2023.

Since 2023, Utilitas has been a signatory of the Estonian Diversity Charter, a voluntary initiative in which members commit to promoting diversity and equal opportunities among their employees, partners and customers.

diversity charter

HEALTH AND SAFETY

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

Safety officers and the Working 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 of safe working methods. In addition, Utilitas cooperates with relevant authorities and organisations to reduce possible threats to the health of employees and those of its business partners.

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

2024 result: 100% (2023: 100%)

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

24 management safety walks were carried out in 2024 (2023: 20)
11 near misses were reported and registered in 2024 (2023: 4)

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

All new employees receive safety training and all employees receive refresher training on occupational safety instructions and risk assessments every three to five years. If there are changes or additions to these policies, employees are informed and receive additional training within one month of the date of issue of the updated document.

	2019	2020	2021	2022	2023	2024
Occupational accidents with employees (fatal accidents)	1 (0)	0 (0)	0 (0)	2 (0)	0 (0)	0 (0)
LWIF* per 100 employees (working 200,000 hours)	0.44	0.00	0.00	0.79	0.00	0.00
ASR** per 100 employees (working 200,000 hours)	n/a	0.00	0.00	13.47	0.00	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)	0.00

* *Lost Workday Injury Frequency* ** *Accident Severity Rate*

Management of subcontractors

All subcontractors are expected to comply with the Utilitas Contractor Code of Conduct (further details can be found in the chapter 'Workers in the Value Chain'). The reporting of contractor accidents and the implementation of health and safety measures for contractors are integrated into Utilitas' management systems.

All contractors receive a site induction, which includes an overview of processes, working practices and procedures (e.g. working at height). Contractors are responsible for ensuring that their employees are competent, adequately trained for their tasks and adhere to the standards set by Utilitas.

Target: Zero workplace accidents among Utilitas' own employees and subcontractors

2024 result: 0 (2023: 0)

Contractors operate under a permit system and Utilitas conducts occupational safety inspections to identify and document any deficiencies in inspection reports. Annual summaries are prepared for each contractor, providing valuable insights for future contractor evaluations.

Mental health and work-life balance

Utilitas was awarded the Gold Label of Organisation Valuing Mental Health by Peaasi.ee in 2024. This recognition highlights organisations that prioritise employees' mental well-being and take concrete steps to create a supportive working environment. Utilitas emphasises mental health awareness year-round, with a particular focus on October, which is Mental Health Month. Activities include sharing personal well-being stories, seminars on mental health at work in collaboration with partner Meliva and other initiatives to raise awareness.

Over the years in cooperation with Peaasi, mental health ambassadors have been trained to notice potential emerging mental health issues and take appropriate action. All major units in Utilitas have mental health representatives, seven in total.

Mentally Healthy Workplace 2024 Gold Level Label

Utilitas also offers various benefits and incentives to promote a healthy work-life balance. These include access to a psychologist, additional leave and financial support to encourage physical activity and overall well-being. Moreover, Utilitas arranges various engagement activities, social events and recognition initiatives to create a sense of community, reduce stress and enhance overall employee satisfaction.

Training and skills development

In 2024, Utilitas' work on employee training and skills development focused on compliance with regulatory requirements, enhancing employees' competencies for business operations as well as leadership and collaboration skills. Key activities included:

- Strengthening project management competencies to improve project execution quality. Through a dedicated training series, 90 employees engaged in project-related roles received targeted upskilling. The next step is to update internal processes and implement new project management tools.
- To improve the effectiveness of meetings, Utilitas conducted awareness-raising sessions on 'meeting hygiene' to help employees improve the productivity and efficiency of workplace discussions and decision-making.

Utilitas also continued its established training programmes:

- Introductory orientation for all new employees on the company's structure and systems as well as role-specific training.
- To support an inclusive and Estonian-language-friendly working environment, Utilitas continued organising language courses. During the 2024/2025 training cycle, approximately 40 employees will participate in Estonian language learning programmes.
- Utilitas Academy, an internal knowledge-sharing platform launched in 2023, offered training sessions for leaders and specialists throughout the year. These sessions, led by in-house experts, provide employees with valuable insights into key business areas and best practices.

Utilitas values personal initiative in development and supports employees by providing financial resources and time if they wish to pursue external learning. All employees are required to participate in training related to their position (e.g. to meet professional requirements for engineers).

In 2024, Utilitas' employees received an average of 20.4 hours of training per person (2023: 28). On average, female employees completed 20 hours, while male employees completed 20.5 hours of training.

Career development reviews

Regular personal performance reviews are held with all employees annually. The purpose of these meetings is to invest time with the employee, clarify mutual expectations, evaluate the results of the past period and to set new goals and agreements. The meetings also provide a good opportunity to assess how the employee is doing, what helps them to work best, to support and provide constructive feedback, to assess remuneration expectations, to receive and make suggestions and to provide information about the company's plans. Additional interviews are carried out after the probationary period and when an employee leaves the company.

Supporting the next generation of energy engineers

The future of the energy sector depends on a new generation of skilled professionals, particularly as renewable energy technologies rapidly evolve. A highly skilled and knowledgeable workforce is essential to the successful implementation of the necessary energy transition. However, attracting young talent to thermal engineering and other technical fields remains a key challenge for Utilitas, especially as experienced employees retire and Estonia faces a growing labour shortage and changing job expectations.

In 2024, 10 trainees completed their paid internships at Utilitas (2023: 11) and 7 scholarships were offered (2023: 5)

To stay competitive, Utilitas invests in diversity and skills development as well as various educational programmes. Utilitas' goal is to provide at least 5 scholarships and host at least 10 trainees in the subsidiaries each year. Utilitas also offers opportunities for job shadowing, organises excursions and collaborates with general education schools across Estonia. Key activities from 2024 include:

- Utilitas revamped its internship programme to provide a more comprehensive experience. The updated model includes several lecture series, meetings with senior leadership and visits to production units. Two interns were subsequently recruited to the team.

- The Clean Energy Scholarship Programme was expanded to include 2 scholarships in the spring and 5 scholarships in the autumn semester. Clean Energy scholarships have been awarded once a year for the past six to increase young people's interest in the energy sector and sustainable solutions.

Utilitas has a long-term cooperation with TalTech to ensure the continuity of engineering education in Estonia. In addition to the Clean Energy Scholarship Programme, Utilitas supports education by:

- Contributing to the development of university programmes
- Participating in career events and offering paid traineeships to young people to facilitate learning of practical skills
- Giving students and other interested parties the opportunity to learn the basics of urban energy supply in the Utilitas Heating Laboratory at the TalTech Mektory Innovation and Business Centre

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

To light up school children's interest into STEAM subjects, Utilitas and the educational company Huvi donated outdoor learning kits about wind energy to eight Estonian schools. The aim of the project is to introduce the opportunities provided by wind energy to help school children connect the theory they learn in the classroom to the skills and knowledge they may need in real life.

TalTech Scholarship Programm nomination event

Kihnu School visit to Saarde Wind Park

Employee information event 2024

Engagement and remediation of negative impacts

Employee engagement at Utilitas takes place at different stages and levels, led by the head of HR. This enables the company to identify and address any potential negative impacts on its workforce. All new employees are informed about engagement and feedback opportunities as part of the induction programme, and all employees are kept up to date through the intranet.

- Regular company updates: Employees are kept informed of company developments through Group-wide information days, held at least twice a year. These events provide an open forum for employees to ask questions and share their views on key matters.
- Employee satisfaction surveys: Biennial employee satisfaction surveys assess workplace improvements and collect direct feedback from employees in various areas. Utilitas aims to maintain an employee satisfaction score above 4 (out of 5). The most recent survey, conducted in 2023, reported a high and stable satisfaction score of 4.15 (73% participation rate), consistent with the 2021 result.

- Individual and team engagement: Employee engagement also occurs on a case-by-case basis, such as during annual career development reviews, team-building events, and interactions with mental health representatives. Employees are encouraged to make proposals or raise concerns with HR or their managers at any time. In addition, HR representatives provide guidance on labour law issues.
- Anonymous feedback and whistleblowing: Employees can submit proposals or complaints anonymously via the intranet. In 2024, Utilitas implemented a whistleblowing system, which is described in further detail in the 'Governance' chapter.

All cases of negative impact are addressed through joint discussions facilitated by an HR representative. When necessary, external consultants are engaged as neutral mediators to support the resolution.

In 2024, many HR processes at Utilitas were digitised, enabling the team to focus more on efficiency, transparency and employee engagement. The implementation of modern software and HR platforms helps to conduct performance reviews, streamline workflows and increase manager involvement.

WORKERS IN THE VALUE CHAIN

Utilitas recognises that certain entities within its value chain operate with elevated occupational safety hazards, potentially exposing individuals to the risk of irreversible harm. Ensuring worker safety is a top priority both internally and throughout the supply chain. Moreover, 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 fundamental rights are not guaranteed. Utilitas has adopted a human rights, diversity, inclusion, and equal treatment policy to ensure that its business does not have an indirect negative impact through any of its supply chains.

Policy document	Relevant objectives	Scope	Implementation
ESG framework	Workplace safety	Utilitas' own workforce and processes, subcontractors on Utilitas' premises	Executive management and the Group's environmental lead
Policy for human rights, diversity, inclusion, and equal treatment[21]	• Supply chain management and transparency • Respect for human rights and workplace safety	All suppliers	
Contractor Code of Conduct	Ethical business conduct	All subcontractors' activities on Utilitas' premises	Management team of each subsidiary
Management system certified according to ISO 45001	• Reporting of contractor accidents • Provision of health and safety measures		

In 2024, as part of its double materiality assessment, Utilitas conducted a survey to assess the ESG maturity of its suppliers, with 36 suppliers participating. The survey included both large companies subject to sustainability reporting requirements and smaller companies without such obligations. In 2025, the questionnaire will be expanded to include additional major suppliers. Going forward, new suppliers will be required to complete the questionnaire and conduct an ESG risk analysis when entering into new contracts with Utilitas.

According to the survey, 38% of respondents have implemented and certified an occupational health and safety management system (e.g., ISO 45001) and 97% regularly monitor occupational accidents. In 2023/2024,17% of the responding companies had serious accidents at work.

All subcontractors are required to complete online safety training, and Utilitas actively collects data on workplace accidents, conducts regular safety monitoring, safety days and inspections of subcontractors (more details in the 'Own workforce' chapter). These checks are overseen by a safety specialist who ensures that all safety protocols are followed.

Value chain workers can report concerns through Utilitas' confidential whistleblowing channel available on the company website. This third-party mechanism ensures that issues are raised, acknowledged and addressed in a confidential manner, protecting the privacy and integrity of the reporting process. Further details are provided in the 'Governance' chapter.

Target: Zero confirmed reports of human rights violations in the supply chain

2024 result: 0

21 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 Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.

CONSUMERS AND END-USERS

455 new buildings or the equivalent of 122 MW were connected to the Utilitas district heating system in 2024 (2023: 133 and 63 MW)

Ensuring reliable heat supply is a priority for Utilitas, as district heating is essential in cold climates. The company provides heat to around 400,000 people in nine Estonian cities and one Latvian city, and renewable electricity throughout Estonia, ensuring access to all consumers in designated district heating areas.

Policy document	Relevant objectives	Scope	Implementation
ESG framework	• Security of supply for customers • An increasing number of customers • Reasonable prices	Customer service departments in all subsidiaries	Executive management through the communication and customer service departments and environmental lead
Policy for human rights, diversity, inclusion, and equal treatment[22]	Continuous, safe and high-quality provision of energy services	All own operations	
Management system certified according to ISO 9001	Communication with customers, handling complaints and remediation of potential negative impacts	Customer service departments in all subsidiaries	
Management system certified according to ISO 14001	Reduction of potential risks and improvement of performance	All own operations	Executive management and the Group's environmental lead
Privacy policy[23]	• Respecting customers' rights in the processing of personal data • Leading the way for the rest of the market	Own operations related to handling of data	Executive management through the legal and IT departments

The fulfilment of the policy objectives is ensured by the following continuous activities:

- Monitoring the performance of the production facilities and networks
- Regular maintenance of the production facilities and networks
- Increasing network resilience
- Ensuring that the pricing policy complies with the District Heating Act and the tariffs approved by the Estonian Competition Authority

The quality of service, including frequency of interruptions, temperature, volumes and response times, is strictly regulated by laws and regulations. Utilitas is required to perform regular risk analyses and develop plans to restore network operations in the event of interruptions. The company has consistently remained within the legal limits, with no issues regarding heat supply interruptions exceeding the regulatory timeframes.

22 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 Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.

23 https://utilitas.ee/en/privacy-policy/

Safe and reliable energy supply is ensured through contingency planning, sufficient reserves, autonomous electricity production and proactive maintenance. The district heating network in Tallinn is continuously upgraded, with the goal of replacing all pre-1995 pipelines by 2035. By the end of 2024, 72.5% of the 634 km of the total heat network operated by Utilitas was reconstructed or new. The share of renovated networks has increased to above 70% in all network areas.

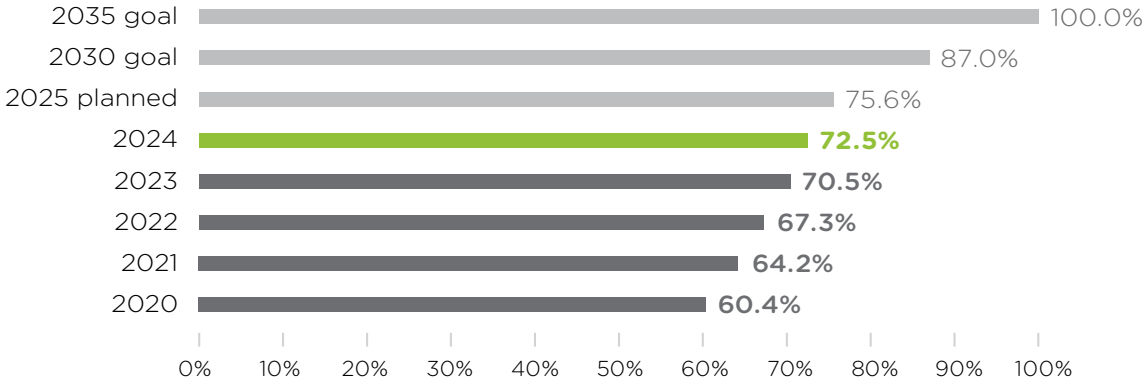


Figure 15. Share of reconstructed or new district heating networks and planned goals

In 2024, the availability of district heating service was 99.99% (2023: 99.99%)

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

The main challenge for district heating is to meet the increased energy demand in winter when the load on electricity, heating networks and production equipment is highest. In 2024, additional back-up generators were installed in Väo, Kristiine and Mustamäe to ensure the security of supply. During the winter period, energy from local biomass is currently supported by fossil fuels to keep up with the demand. The transition to fully decarbonised heating systems is expected to offer improved price competitiveness and stability together with security of supply.

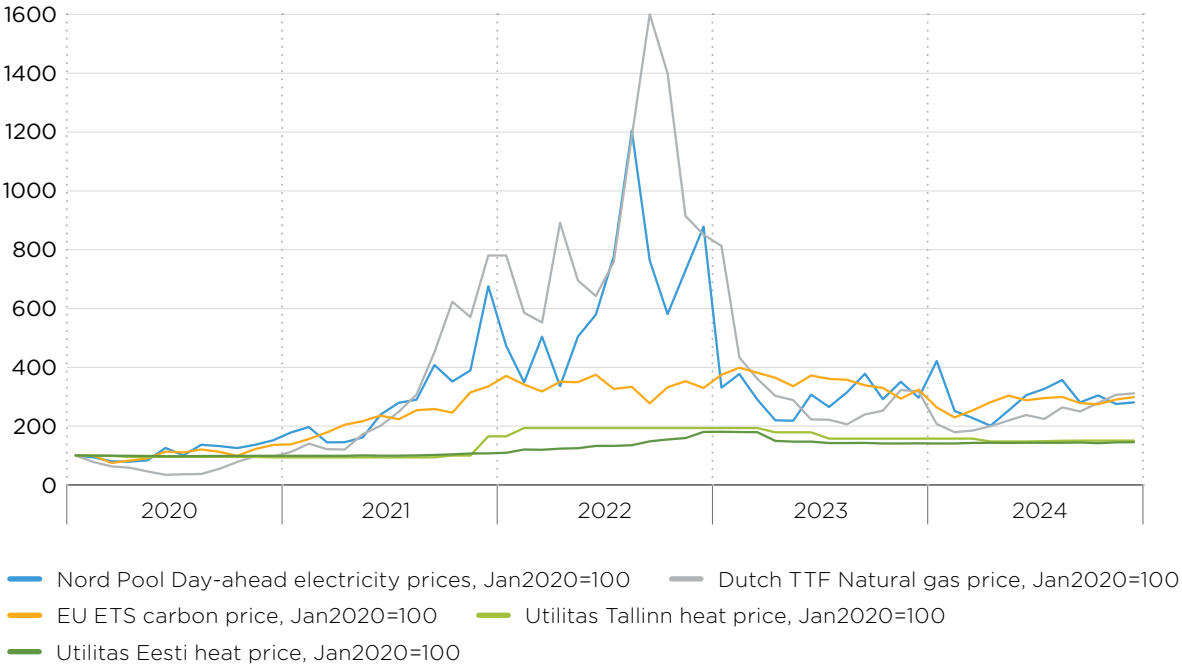


Figure 16. Energy price developments

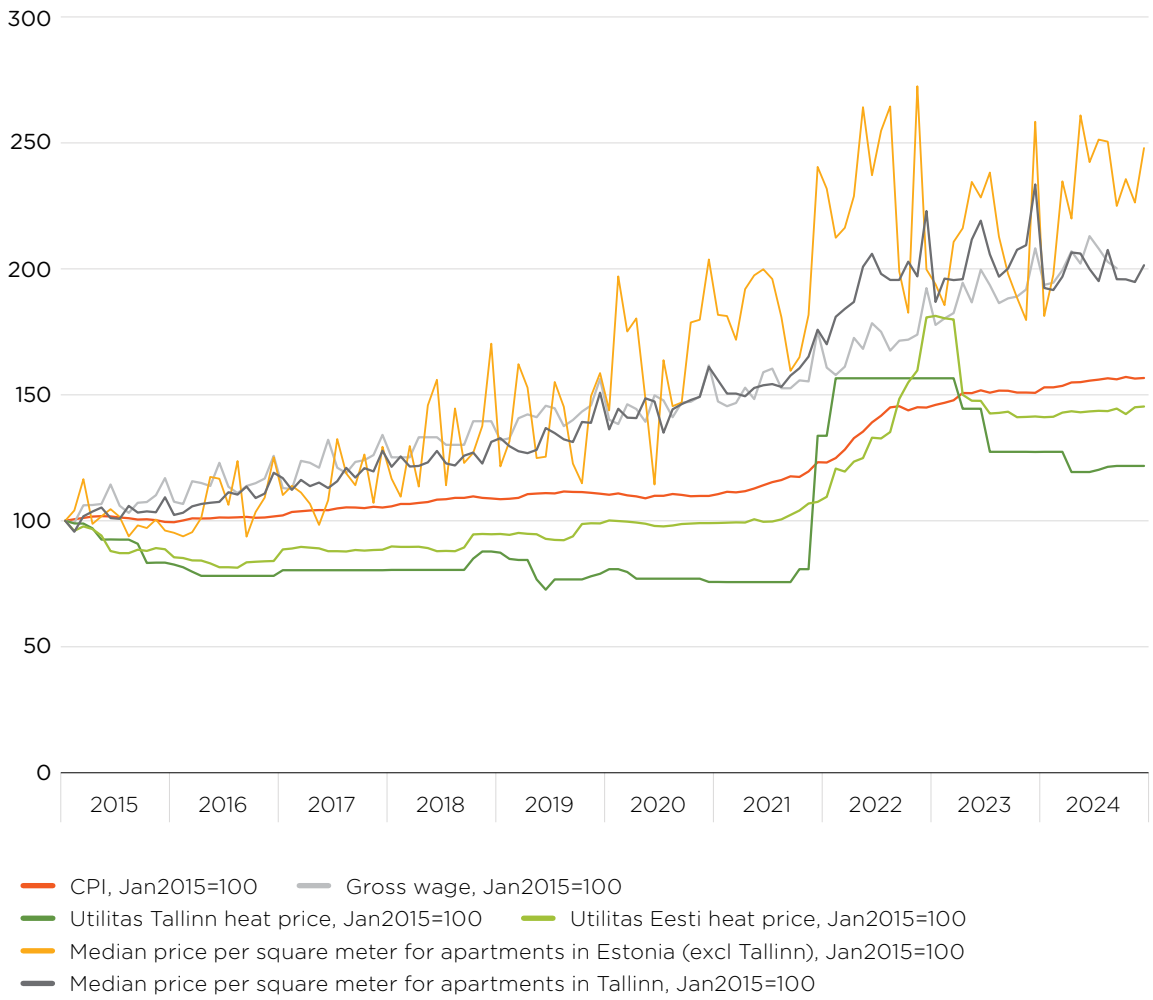


Figure 17. Heat price and macroeconomic developments in Estonia in the past 10 years

The affordability of district heating is also highly important and a priority for both Utilitas and its customers in the cold Nordic environment. Utilitas is pleased that the strategy of moving away from imported fossil fuels towards local renewable sources has also significantly improved affordability and made the prices less volatile, as illustrated in the next chart.

Looking at the macroeconomic developments in Estonia over the past 10 years, the district heating prices have increased by 1.2-1.5 times, which is well below the general inflation trend (1.6 times cumulative increase) and especially the increase in gross salaries (2.0 times increase) or real estate prices (2.0-2.5 times increase). It can be concluded that the affordability of district heating for the average household has improved significantly over the past 10 years.

Ensuring reliable supply is a top priority for Utilitas, which is why proactive management of cybersecurity risks is essential. Utilitas is preparing for ISO 27001 certification to enhance its cybersecurity framework. To date, there have been no security breaches.

In 2024, remote heat meters were installed in Paide. With 100% of Utilitas customers now equipped with these meters, the system enables efficient and streamlined monitoring of energy consumption. This technology not only simplifies the billing process, but also supports a more sustainable and responsive energy service, ensuring accurate readings and reducing administrative tasks for both customers and the company.

CUSTOMER ENGAGEMENT AND REMEDIATION OF NEGATIVE IMPACTS

Utilitas' approach to communication emphasises direct engagement with customers and community members, with all channels for raising concerns managed internally:

- Most customer enquiries are dealt with on a case-by-case basis. As a provider of an essential service, Utilitas ensures that it is available 24/7. The customer service department answers calls and emails on working days from 8 am to 5 pm. Outside working hours, customers are directed to an operational service availability information line. Customer service can also be contacted via a self-service portal. All communication is direct across all customer and user groups.
- Utilitas performs annual site visits to assess ongoing needs and address any emerging issues.

When non-compliances occur, they are thoroughly documented and all relevant stakeholders are involved in finding solutions. When a complaint is identified, a non-compliance report is opened, and the necessary action is taken to ensure compliance. After the remediation process, a follow-up check is conducted to ensure that everything is in order. The case is not considered closed until all conditions have been fulfilled. Each complaint received is also seen as an opportunity for service improvement.

In 2024, Utilitas' customer satisfaction was at 92% (2022: 94%)

In addition to complaint handling, Utilitas has established procedures for collecting and analysing customer feedback through a customer satisfaction survey at least every three years.

Besides customer enquiries and regular checks by Utilitas, the Group places importance on proactive communication. Operational and contractual updates are communicated by phone and SMS, while less time-critical information is communicated by email- and newsletters. For broader outreach, Utilitas also uses various media platforms to provide relevant updates to a wider audience.

When planning construction work, the emphasis is on consumer and community engagement. It is standard practice to hold community meetings to explain the planned activities and their potential impacts and to allow the community to discuss the course of action.

Utilitas proactively targets potential customers interested in sustainable heating and reducing gas dependency. When old pipelines are renovated, nearby potential customers are invited to join, benefiting from cheaper services due to simultaneous pipeline upgrades. Utilitas also organises awareness campaigns and site visits to highlight the environmental benefits of district heating and to help customers improve their sustainability, as customers are increasingly aware of climate change and want to reduce their environmental impact.

GOVERNANCE

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

UTILITAS


LESER

Relevant impact, risk or opportunity		Origin	Time horizon*	Performance
G1 Business conduct				
Actual positive impact	As a leading energy company, Utilitas promotes sustainability and ethical business practices in Estonia through active participation in industry organisations.	Own operations, Up- and down-stream value chain	All	**Responsible governance measures are in place on asset, operational and board level** **Transparent price policy** **ISO 9001, 14001 and 45001, PEFC and green office certifications**
Risk	Reputational damage	Own operations	All	

* Time horizon - **Short:** up to 1 yr / **Medium:** 2-5 / **Long:** 5+ years / **All:** all of the above

Opening ceremony of the Väo energy complex expansion, 2024

BUSINESS CONDUCT

Utilitas operates with a simple organisational structure and prioritises responsible business conduct at all levels. As a provider of essential energy services, the Group's actions have a direct impact on society and the communities where it operates. In addition to maintaining robust governance systems and ensuring internal integrity, Utilitas embraces its role as a responsible corporate citizen, committed to acting with integrity and contributing to the advancement of both the sector and society.

Policy document	Relevant objectives	Scope	Implementation
Employee Code of Conduct	Ensuring ethical behaviour and compliance with laws and regulations	All own operations	Parent company HR department and HR representatives in each subsidiary
Supplier Code of Conduct	Ensuring ethical, quality and safety standards	All suppliers	OÜ Utilitas, responsibility is shared with the board members and managers of each subsidiary
Policy for human rights, diversity, inclusion, and equal treatment[24]	Responsibility, transparency and fairness in all activities Zero tolerance for corruption, bribery and fraud	All own operations	
Management system certified according to ISO 9001, 14001 and 45001 standards	Provision of high-quality, eco-friendly services while ensuring compliance with safety and environmental standards	Production, distribution and sale of heating and cooling energy, and the production of electricity within own operations	Executive management and leadership in subsidiaries

Employees receive training in business conduct, including anti-corruption and anti-bribery policies, as part of their induction programme when they join the company. Updates are provided during information days and management training. In 2024, Utilitas updated employment contracts to give all employees the opportunity to review and acknowledge the Employee Code of Conduct, ensuring ongoing compliance and awareness.

SUPPLIER RELATIONS

Utilitas appreciates partners that 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 a willingness to undergo additional checks if risks are identified. The results of these checks are also taken into account in possible future partnerships.

The process of procuring goods and services plays an important role in Utilitas' ability to influence current and future business partners to act sustainably. As a responsible company striving for carbon neutrality, Utilitas considers sustainability and environmental factors in the procurement process.

24 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 Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.

Target: 100% of major suppliers have signed the Supplier Code of Conduct

2024 result: 100% (2023: 100%)

Utilitas maintains a zero-tolerance policy for human rights violations, including modern slavery, human trafficking, child labour and forced labour, within its supply chains. Any confirmed violations will result in the termination of cooperation with the partner in question. Particular emphasis is placed on workplace safety among subcontractors and suppliers, with rigorous monitoring measures in place. Further details of these efforts are outlined in the chapter 'Workers in the Value Chain'.

As a significant part of the business is related to forest resources, Utilitas purchases its biomass only from FSC, PEFC and SBP certified suppliers to ensure respect for human rights and the environment throughout the value chain (described in further detail in the chapter 'Biological resources, biodiversity and ecosystems').

ETHICS AND COMPLIANCE

Utilitas upholds a zero-tolerance policy towards corruption, bribery and fraud. To mitigate these risks, all material supplies are procured through competitive bidding processes to ensure transparency and fairness. In addition, all financial transactions require dual approval by separate accountants to enhance control.

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

2024 result: 0 (2023: 0)

Target: Zero cases of corruption

2024 result: 0 (2023: 0)

Target: Zero verified reports of human rights violations in the supply chain

2024 result: 0 (2023: 0)

Employees, subcontractors and partners are expected to take immediate action if they suspect financial fraud, corruption, bribery, conflicts of interest, unethical behaviour, violations of permit or licence conditions, threats to occupational health and safety, or environmental pollution. Utilitas is committed to maintaining the highest ethical standards across its operations and value chain.

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

All reported situations are investigated and treated discreetly and seriously. As these issues can be sensitive, the confidentiality of anyone reporting suspicious behaviour is assured. The whistleblower will receive an acknowledgement of receipt within 7 days. To safeguard personal data and maintain a high standard of service, Utilitas works with an independent law firm. In cases where violations are confirmed, cooperation with the responsible parties will be terminated.

COOPERATION AND SUPPORT

Utilitas' sponsorship policy aligns with the Group's core values, prioritising partnerships that improve community well-being, promote environmental sustainability and foster innovation. The company primarily supports projects in the regions where it operates, favouring long-term collaborations for greater corporate consistency. Through these partnerships, Utilitas aims to raise public awareness of the importance of renewable energy, clean energy solutions and improving energy efficiency in buildings.

Cooperation and sponsorship activities include:

- Utilitas progeny team to support young track and field athletes (since 2011). This is a long-term project to maintain and increase the level of professional sport in Estonia.
- Supporting basketball to connect people and promote healthy lifestyles. Utilitas (since 2013) is the main sponsor of the Estonian national basketball team and the name sponsor of the Rapla basketball team.
- Cooperation with Tallinn City Theatre to contribute to the environmentally sustainable concept of a green theatre (since 2016);
- Contributions to the Gift of Life cancer treatment foundation 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 develop the energy sector. Utilitas (or its subsidiaries) is a member of the following networks:

Euroheat & Power is an international network headquartered in Brussels, Belgium, that promotes sustainable district heating and cooling in Europe and beyond. The association supports its members by advocating for the decarbonization of heating and cooling systems, collaborating with policymakers to advance sustainable solutions, and fostering a thriving business environment for the district energy sector.

Wind Europe brings together over 400 members from across the wind energy value chain to actively promote, coordinate, communicate, research and analyse topics related to wind energy and to provide a networking platform for companies.

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

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

The Latvian Association of Heating Companies is a professional organization that unites district heating companies, manufacturers, and suppliers of heating equipment, as well as individual energy experts. It focuses on representing its members' interests, promoting energy efficiency, and supporting the development of sustainable heating solutions in Latvia.

Estonian Wind Power Association is dedicated to promoting the development and competitiveness of wind energy and its technologies in Estonia.

Latvian Wind Energy Association promotes the use of wind energy in Latvia, advocates for a stable regulatory framework, and fosters active involvement of Latvian companies in the wind industry.

Lithuanian Wind Power Association unites investors and service providers in the wind energy sector to advocate for favorable legal frameworks, promote decarbonization and decentralization of energy production, and enhance Lithuania's energy independence through the use of local renewable resources.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.

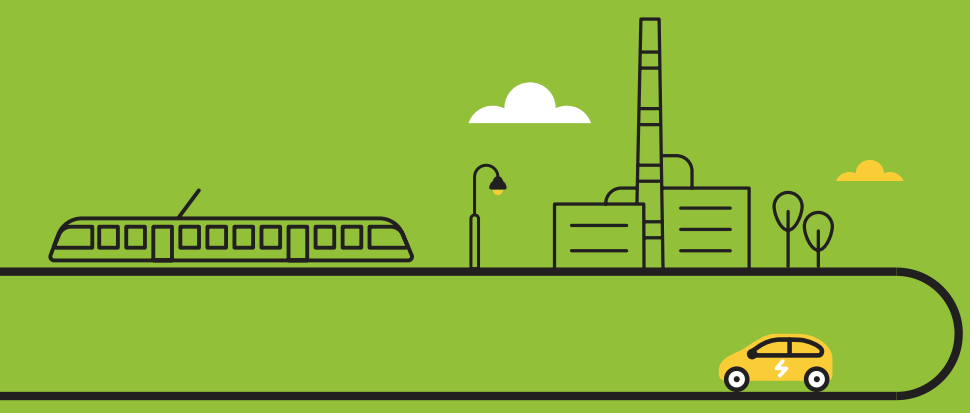
Green Tiger is a collaboration platform designed to raise environmental awareness and lay the foundation for a balanced economy, just as Tiger Leap jump-started the development of Estonia's technology sector.

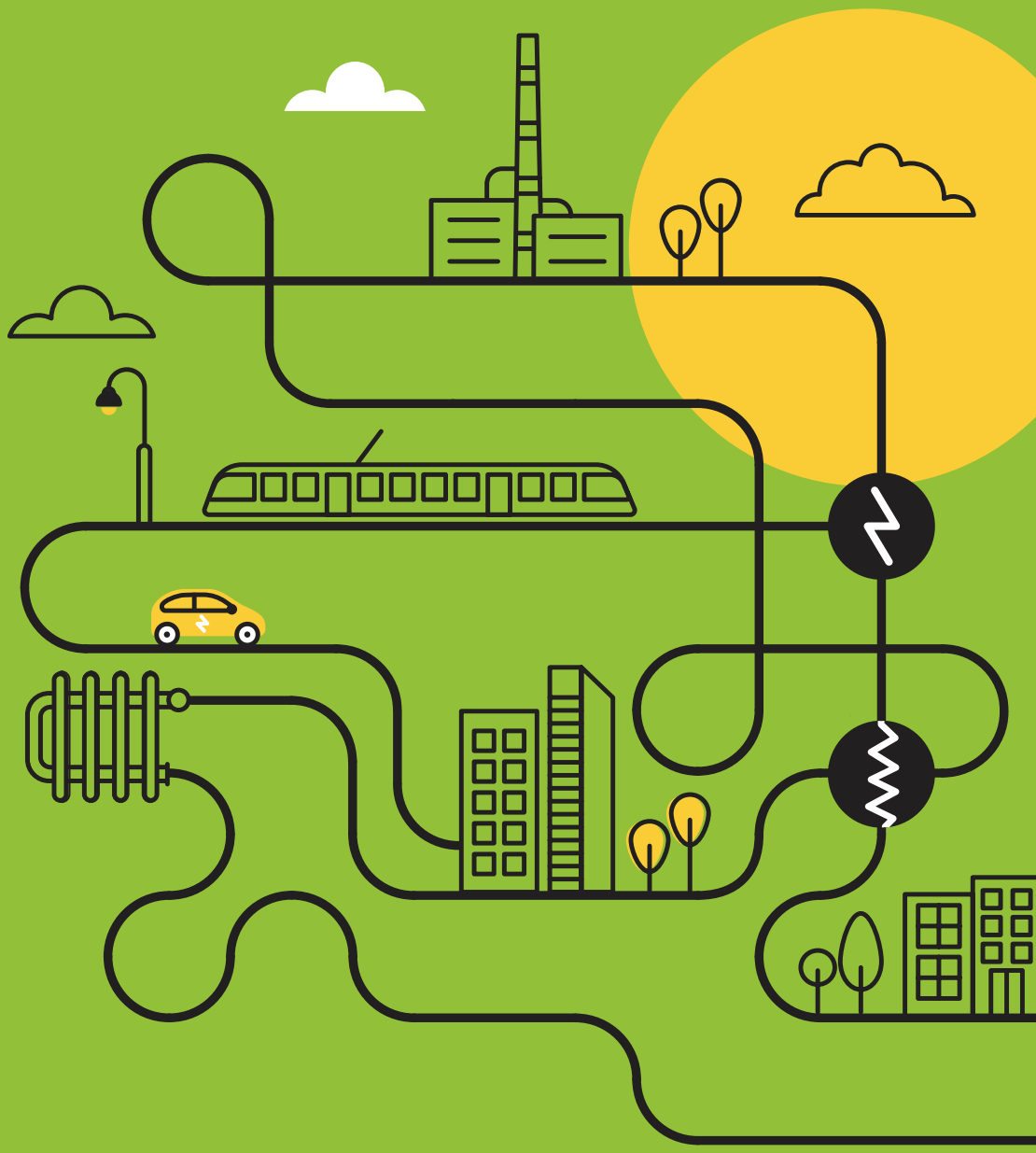
The Estonian Chamber of Commerce and Industry is the largest business network in Estonia, supporting companies with legal advice, training, networking opportunities and export services. It advocates business-friendly policies, promotes international trade and helps businesses navigate the regulatory environment to foster economic growth.

The Estonian Employers' Confederation represents and advocates the interests of employers in Estonia. It works to create a favourable business environment by engaging in social dialogue, shaping labour market policies and supporting economic growth.

The Responsible Business Forum comprises companies that value responsible business practices to ensure the sustainability of their business, society and the country as a whole. Utilitas has signed the initiative's principles, promising to build a better future.

CONSOLIDATED **FINANCIAL STATEMENTS**





UTILITAS

CONSOLIDATED BALANCE SHEET

IN EUR THOUSAND	Note	31.12.2024	31.12.2023
ASSETS			
Current assets			
Cash and cash equivalents	2	**25,689**	5,249
Receivables and prepayments	3	**39,819**	42,223
Greenhouse gas allowances	20	**2,790**	4,455
Inventories	4	**9,583**	24,052
TOTAL CURRENT ASSETS		**77,881**	75,979
Non-current assets			
Investments in associates	6	**66,552**	64,031
Non-current receivables and prepayments	3	**34,770**	31,622
Property, plant and equipment	7, 8	**586,787**	517,285
Intangible assets	8, 9	**15,731**	13,501
TOTAL NON-CURRENT ASSETS		**703,840**	626,439
TOTAL ASSETS		**781,721**	702,418
LIABILITIES AND EQUITY			
Current liabilities			
Finance leases	8, 10	**252**	195
Payables and prepayments	11	**45,698**	40,371
TOTAL CURRENT LIABILITIES		**45,950**	40,566
Non-current liabilities			
Borrowings	10	**448,201**	400,701
Finance lease	8, 10	**601**	542
TOTAL NON-CURRENT LIABILITIES		**448,802**	401,243
TOTAL LIABILITIES		**494,752**	441,809
Equity			
Minority interests	5	**82,696**	78,338
Equity held by shareholders of the parent company			
Share capital	12	**7,650**	7,650
Retained earnings		**196,623**	174,621
TOTAL EQUITY		**286,969**	260,609
TOTAL LIABILITIES AND EQUITY		**781,721**	702,418

The Notes on pages 100 to 122 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

IN EUR THOUSAND	Note	2024	2023
Revenue			
Sales revenue	13	**209,783**	219,345
Other income	14	**6,355**	6,217
TOTAL REVENUE		**216,138**	225,562
Cost of goods and services sold	15	**-114,780**	-131,757
Other operating expenses	16	**-6,675**	-6,086
Payroll expense	17	**-16,876**	-14,189
Depreciation, amortisation and impairment	7, 8, 9	**-30,418**	-23,556
Other expenses	18	**-213**	-58
Operating profit		**47,176**	49,916
Financial income and expenses			
Share of net profit of associates accounted for using the equity method	6	**4,598**	3,223
Interest expense	10	**-21,817**	-19,614
Restructuring charge	5	**0**	-5,665
Other financial income and expenses		**2,310**	338
TOTAL FINANCIAL INCOME AND EXPENSES		**-14,909**	-21,718
Profit before tax		**32,267**	28,198
Income tax	12	**-598**	-490
NET PROFIT FOR THE PERIOD		**31,669**	27,708
Profit (loss) attributable to the shareholders of the parent company		**27,311**	27,154
Profit (loss) attributable to minority interests		**4,358**	554

The Notes on pages 100 to 122 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

IN EUR THOUSAND	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		**47,176**	49,916
Adjustments:			
Depreciation and impairment losses of property, plant and equipment and intangible assets	7, 9	**30,418**	23,556
Profit (loss) from sale of non-current assets	7	**-28**	-10
Change in receivables and prepayments related to operating activities	3	**2,389**	6,522
Change in inventories	4	**12,273**	17,660
Change in payables and prepayments related to operating activities	11	**-3,094**	-18,333
Interest paid	10	**-21,909**	-22,885
Income tax paid	12	**-598**	-1,721
Total cash flow from operating activities		**66,627**	54,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	7, 9	**-72,187**	-108,909
Proceeds from sale of property, plant and equipment and intangible assets	7	**50**	272
Acquisition of business combinations net of cash acquired	5	**-15,766**	2,898
Loans granted	23	**-3,150**	-13,050
Proceeds from repayment of loans granted	23	**0**	1,600
Interest received		**2,452**	4,403
Dividends received	6	**2,077**	1,344
Total cash flow from investing activities		**-86,524**	-111,442
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received	10	**60,000**	70,000
Repayments of loans received	10	**-13,300**	-2,000
Payment of finance lease liabilities	10	**-289**	-1,708
Other payments from financing activities		**-74**	-3,458
Dividends paid	12	**-6,000**	-5,000
Total cash flow from financing activities		**40,337**	57,834
TOTAL CASH FLOWS		**20,440**	1,097
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2	**5,249**	4,152
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2	**25,689**	5,249

The Notes on pages 100 to 122 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			
	Share capital	**Retained earnings**	**Minority interests**	**Total**
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
Other changes (Note5)	**0**	**691**	**0**	**691**
Dividends paid	**0**	**-6,000**	**0**	**-6,000**
Net profit for the period	**0**	**27,311**	**4,358**	**31,669**
Balance as at 31 December 2024	**7,650**	**196,623**	**82,696**	**286,969**

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

The Notes on pages 100 to 122 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 2024 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.

Correction of mistakes

If the allocated greenhouse gas emission allowances free of charge do not cover the obligation to the state, the emission allowances acquired to cover the shortfall are recognized as current intangible assets and as a provision for CO_2 emissions. Previously it was presented on a net basis.

Impact on comparative data:

IN EUR THOUSAND

Line name	31.12.2023	Change	31.12.2023
Greenhouse gas allowances	0	4,455	4,455
Reserve for CO_2 emission allowances	-1,808	-4,455	-6,263

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. Greenhouse gas allowances

Greenhouse gas emission allowances purchased by the Group are accounted for as current intangible assets. Greenhouse gas emission allowances received from the state free of charge are measured at zero cost. Purchased allowances are measured at cost or using the revaluation method, if the Group has acquired more greenhouse gas emission allowances than it is expected to need and has a plan to sell the allowances.

As carbon dioxide is emitted, an obligation arises to deliver the corresponding quantity of emission allowances to the authorities (the state). An expense and a liability are recognised when the emission allowances received free of charge do not cover the

obligation to the authorities. The liability is measured in the amount that is expected to be required to settle the obligation.

When the Group surrenders the greenhouse gas emission allowances to the state for the greenhouse gases emitted, both the provision and immaterial current assets are reduced by equal quantities and amounts.

G. 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 or weighted average method, depending on subsidiaries and type of inventory. 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.

H. 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 J).

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.*

I. 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%-10%
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 J).

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 receival 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.

J. 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.

K. 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.

L. 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.

M. 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.

N. 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 distributed profits is 22% of the net amount paid out (i.e., 22/78). Under certain conditions, received dividends can be redistributed without additional income tax costs. The exemption applies if the company receiving and redistributing the dividends had at least a 10% ownership stake in the distributing company at the time of receipt.

The previously applicable reduced tax rate of 14% (14/86 of the net dividend) for regularly distributed dividends will no longer be in effect as of January 1, 2025. However, a transitional provision may apply to dividends received before this date that were taxed at the lower rate when subsequently distributed.

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.

O. 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	**31.12.2024**	31.12.2023
Bank accounts	**25,375**	4,934
Cash in transit	**14**	15
Term deposits (with maturities of less than 3 months)	**300**	300
TOTAL CASH AND CASH EQUIVALENTS	**25,689**	5,249

Note 3 Receivables and prepayments

Current receivables and prepayments

IN EUR THOUSAND	**31.12.2024**	31.12.2023
Trade receivables	**36,180**	40,580
Inc. Accounts receivables	**36,212**	40,583
Allowance for doubtful receivables	**-32**	-3
Prepaid taxes and receivables for reclaimed taxes	**1**	2
Other current receivables	**2,563**	656
Receivables from associates (Note 23)	**78**	33
Interest receivables from associates (Note 23)	**0**	69
Prepayments for services	**997**	883
TOTAL CURRENT RECEIVABLES AND PREPAYMENTS	**39,819**	42,223

Non-current receivables and prepayments

IN EUR THOUSAND	**31.12.2024**	31.12.2023
Non-current prepayments	**20**	22
Loans granted (Note 23)	**34,750**	31,600
TOTAL NON-CURRENT RECEIVABLES AND PREPAYMENTS	**34,770**	31,622

During the reporting period, allowance for doubtful receivables increased EUR 29 thousand (2023: no changes). In 2024 no receivables were written-off (2023: 13 thousand was written-off). See Note 16. During the reporting period, income from previously written-off receivables in the amount of EUR 1 thousand was recognised (2023: EUR 4 thousand). See Note 14.

Note 4 Inventories

IN EUR THOUSAND	**31.12.2024**	31.12.2023
Raw materials and consumables	**2,658**	2,421
Fuel	**6,906**	21,590
Prepayments for inventories	**19**	41
TOTAL INVENTORIES	**9,583**	24,052

The energy crisis of 2022/2023 necessitated the accumulation of fuel reserves in volumes exceeding the usual levels. In the course of 2024, the situation stabilized, resulting in a decrease in inventory volumes.

During the reporting period, inventories were discarded in amount of EUR 17 thousand (2023: in amount of EUR 26 thousand). In 2024 and 2023 no inventories were written down.

Note 5 Subsidiaries

As at 31.12.2024 OÜ Utilitas owned shares of the following subsidiaries:

Subsidiary	Area of activity	**Ownership 31.12.2024**	Ownership 31.12.2023
OÜ Utilitas Tallinna Elektrijaam	Production and sale of thermal and electrical energy	**100%**	100%
AS Utilitas Eesti	Production and sale of thermal and electrical energy	**100%**	100%
Utilitas Valka SIA	Production and sale of thermal and electrical energy	**100%**	-
OÜ Tuulepealne Maa	Production and sale of electrical energy	**100%**	100%
AS Utilitas Tallinna Soojus	Holding company	**66.7%**	66.7%
AS Utilitas Tallinn	Production and sale of thermal and electrical energy and district cooling	**66.7%**	66.7%
AS Tallinna Soojus	Monitoring of service levels	**66.7%**	66.7%

Besides the subsidiary Utlitas Valka SIA which operates in Latvia all other subsidiaries are established and operate in Estonia.

Business combination

In March 2024 AS Utilitas Eesti acquired from an independent party 100% ownership of Utilitas Valka SIA which operates the renewable energy-based district heating business of Valka in Latvia. The cost of acquisition EUR 5,595 thousand consisted of the purchase price of 5,385 thousand euros and costs directly attributable to the acquisition in the amount of 210 thousand euros. The difference between the cost of acquisition and net assets acquired EUR -691 thousand was recorded directly retained earnings. See Note 7 and 9.

In March 2024, Utilitas Eesti acquired from an independent party the renewable energy-based district heating business of Paide. The cost of the acquisition was EUR 10,529 thousand, the

difference between the cost of acquisition and net assets acquired was recorded as goodwill. As a result of the transaction, AS Utilitas Eesti acquired the Paide business unit. See Note 7 and 9.

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 minority shareholding value of 77,784 million euros on the consolidated balance sheet reflects the shareholding of the City of Tallinn in AS Utilitas Tallinna Soojus.

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	**31.12.2024**	31.12.2023
Investment in the associate at the beginning of the year	**5,434**	5,346
Reporting period's profit calculated under the equity method	**1,297**	88
Investment in associate at the end of the year	**6,731**	5,434

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

IN EUR THOUSAND	**31.12.2024**	31.12.2023
Current assets	**19,344**	4,004
Non-current assets	**147,152**	142,505
Current liabilities	**5,687**	11,330
Non-current liabilities	**143,374**	123,363
Owners' equity	**17,435**	11,816
Revenue	**13,937**	17,274
Net profit	**2,627**	283

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	**31.12.2024**	31.12.2023
Investment in the associate at the beginning of the year	**58,597**	56,805
Dividends received	**-2,077**	-1,344
Reporting period's profit calculated under the equity method	**3,301**	3,136
Investment in associate at the end of the year	**59,821**	58,597

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

IN EUR THOUSAND	**31.12.2024**	31.12.2023
Current assets	**15,515**	24,481
Non-current assets	**298,326**	257,401
Current liabilities	**20,543**	18,781
Non-current liabilities	**123,039**	101,378
Owners' equity	**170,259**	161,723
Revenue	**64,377**	61,141
Net profit	**18,736**	18,347

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 31.12.2023					
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
Changes in the year 2024					
Acquisitions and improvements	0	338	579	84,356	85,273
Acquired through business combinations (Note 5)	2,781	9,771	0	217	12,769
Write-offs	-58	-17	0	0	-75
Sales	0	-21	-1	0	-22
Reclassifications	36,378	26,694	15	-63,087	0
Depreciation	-14,347	-13,829	-267	0	-28,443
Balance as at 31.12.2024					
Cost	**394,545**	**334,919**	**3,642**	**48,970**	**782,076**
Accumulated depreciation	**-106,710**	**-86,719**	**-1,860**	**0**	**-195,289**
CARRYING VALUE	**287,835**	**248,200**	**1,782**	**48,970**	**586,787**

Proceeds from sale of property, plant and equipment during the reporting period was in the amount of EUR 50 thousand (2023: EUR 272 thousand). Loss from write-offs of property, plant and equipment was EUR 75 thousand (2023: EUR 75 thousand).

Note 8 Finance lease

The Group as a lessee:

IN EUR THOUSAND	Tangible assets
Balance as at 31.12.2023	
Cost	1,249
Accumulated depreciation	-332
CARRYING VALUE	917
Changes in the year 2024	
Acquisitions	412
Sales and buyout	-52
Depreciation	-244
Balance as at 31.12.2024	
Cost	**1,571**
Accumulated depreciation	**-332**
CARRYING VALUE	**1,033**

As at 31.12.2024 the financial lease liability amounted to EUR 853 thousand (31.12.2023: EUR 737 thousand; see Note 10). Vehicles are being leased under financial lease.

Note 9 Intangible assets

IN EUR THOUSAND	Goodwill	Other intangible assets	Total
Balance as at 31.12.2023			
Cost	22,839	4,433	27,272
Accumulated amortization	-12,458	-1,313	-13,771
CARRYING VALUE	10,381	3,120	13,501
Changes in the year 2024			
Acquisitions and improvements	3,294	829	4,123
Acquired through business combinations (Note 5)	0	7	7
Amortization	-1,312	-588	-1,900
Balance as at 31.12.2024			
Cost	**26,133**	**4,995**	**31,128**
Accumulated amortization	**-13,770**	**-1,627**	**-15,397**
CARRYING VALUE	**12,363**	**3,368**	**15,731**

In March 2024, Utilitas Eesti acquired Paide renewable energy-based district heating business from Enefit Green, resulting in goodwill of 3,294 thousand euros. See Note 5.

Note 10 Borrowings

IN EUR THOUSAND	**Current balance 31.12.2024**	**Non-current balance 31.12.2024**	Maturity	Contractual interest rate
Loans from parent company (Note 23)	**0**	**448,201**	2047	4,41%-5,66%
Financial lease	**252**	**601**	2025-2029	six-month euribor +1.35-1.58%
TOTAL	**252**	**448,802**		

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**	2024-2028	six-month euribor +1.30-1.55%
TOTAL	**195**	**401,243**		

In the reporting period additional loans were received from the parent company in the total amount of EUR 60,000 thousand (2023: EUR 70,000 thousand), loan was repaid EUR 12,500 thousand (2023: EUR 2,000 thousand). Upon the acquisition of the subsidiary Valka SIA, the shareholder loan to Enefit Green in the amount of EUR 800 thousand was repaid.

The interest expense of the reporting period from loans received was EUR 21,629 thousand, including capitalized loan interest EUR 149 thousand (2023: EUR 18,842 thousand, including

capitalized loan interest EUR 1,762 thousand; see Note 23), the interest expense of the financial lease was EUR 38 thousand (2023: EUR 2,256 thousand).

The Group has entered into a working capital loan agreement with SEB bank with a limit of EUR 34 million (2023: EUR 34 million), working capital loan commitment fees were EUR 174 thousand (2023: EUR 119 thousand) and interest expense on working capital loan was EUR 125 thousand (2023: EUR 159 thousand). As of 31.12.2024 and 31.12.2023, 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	**31.12.2024**	31.12.2023
Payables to suppliers	**33,999**	28,957
Payables to employees	**178**	161
Tax Liabilities	**2,995**	1,952
Incl. VAT	**1,777**	1,070
Social tax	**495**	409
Air contamination tax	**329**	183
Personal income tax	**243**	199
Income tax of special cases	**52**	46
Unemployment insurance	**26**	20
Obligatory pension payments	**13**	11
Excise tax	**60**	14
Other payables	**825**	355
Interest payable (Note 23)	**57**	0
Current provisions	**2,533**	2,366
Reserve for CO_2 emission allowances (Note 20)	**4,809**	6,263
Prepayments received	**302**	317
TOTAL CURRENT PAYABLES AND PREPAYMENTS	**45,698**	40,371

Note 12 Share capital

	31.12.2024	31.12.2023
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 31.12.2024 and 31.12.2023, 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	**31.12.2024**	31.12.2023
Retained earnings	**196,623**	174,621
Potential dividends	**153,366**	140,034
Possible income tax on potential dividends	**43,257**	34,587

In 2024, EUR 6,000 thousand were paid as dividends (2023: EUR 5,000 thousand) and this resulted in an income tax expense of EUR 598 thousand (2023: EUR 490 thousand). In 2024, EUR 598 thousand income tax was paid (2023: EUR 1,721 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	**2024**	2023
Consolidated revenue by geographical region		
Estonia	**208,735**	219,345
Latvia	**1,048**	0
TOTAL	**209,783**	219,345
Consolidated revenue by activity		
Production and sale of thermal and electrical energy	**193,049**	203,406
Renewable energy subsidies	**11,382**	8,978
Other revenue	**5,352**	6,961
TOTAL SALES REVENUE	**209,783**	219,345

Note 14 Other income

IN EUR THOUSAND	**2024**	2023
Proceeds from sale of property, plant and equipment	**29**	18
Fines and penalties received	**9**	37
Irrecoverable receivables collected (Note 3)	**1**	4
Sale of CO_2 quotas	**2,934**	4,033
Profit from realised derivative transactions	**0**	1,534
Government grants income	**2,725**	19
Other operating income	**657**	572
TOTAL OTHER INCOME	**6,355**	6,217

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 45.4 thousand tonnes, with an average price of EUR 64.7 per ton (2023: 47.2 thousand tonnes, with an average price of EUR 85.5 per ton; see Note 20).

Note 15 Cost of goods and services sold

IN EUR THOUSAND	**2024**	2023
Raw materials and purchased energy	**-95,373**	-119,851
Energy, water and chemical expense	**-5,492**	-4,659
Repair and maintenance costs	**-5,368**	-4,499
Air pollution charge	**-660**	-439
Cost of CO_2 emission quota (Note 20)	**-4,782**	-6,791
Building permit and estate tax	**-551**	-543
Cost of resale	**-465**	7,003
Other	**-2,089**	-1,978
TOTAL COST OF GOODS AND SERVICES SOLD	**-114,780**	-131,757

Note 16 Other operating expenses

IN EUR THOUSAND	**2024**	2023
Office, administrative and maintenance costs	**-1,910**	-1,792
State and local taxes	**-893**	-791
External counsel	**-768**	-615
Property insurance costs	**-992**	-648
Allowance for doubtful receivables (Note 3)	**-29**	-13
Other expenses	**-2,083**	-2,227
TOTAL OTHER OPERATING EXPENSES	**-6,675**	-6,086

Note 17 Payroll expense

IN EUR THOUSAND	**2024**	2023
Wages and salaries	**-12,651**	-10,626
Social security costs	**-4,225**	-3,563
TOTAL PAYROLL EXPENSE	**-16,876**	-14,189
Average number of employees in full time equivalent units	**307**	285
inc employee working under an employment contract	**293**	284
inc member of the management board and other control bodies	**14**	14

Note 18 Other expenses

IN EUR THOUSAND	**2024**	2023
Loss from sale of property, plant and equipment	**-1**	-8
Other expenses	**-212**	-50
TOTAL OTHER EXPENSES	**-213**	-58

Note 19 Loan guarantees, pledged assets and guarantees given

Collaterals for the liabilities related to group's investment loans in the amount of EUR 448,201 thousand as at 31.12.2024 (as at 31.12.2023: EUR 400,701 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 5,5 million (as at 31.12.2023: EUR 4.4 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 31.12.2024 (as at 31.12.2023: EUR 3,419 thousand). The guarantee interest is 9% 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 75,451 tonnes (2023: 80,436 tonnes) of free greenhouse gas emission units for heat production have been allocated to Utilitas group installations for the reporting period 2024. As at 31.12.2024, the amount of unused allowances in the registry account was 73,029 tonnes (31.12.2023: 91,228 tonnes), from which the amount of 101,567 tonnes in 2024 has not been deducted (121,084 tonnes in 2023), which will be returned in September 2025 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 31.12.2024 is not sufficient to cover the needs of the company, a provision in the amount of 4,809 thousand euros has been formed (31.12.2023: EUR 6,263 thousand; see Note 11 and 15), of this EUR 2,790 thousand has been acquired and is recognised as intangible currents assets (31.12.2023: EUR 4,455 thousand). Additional information on the sale of CO_2 emission allowances is presented in Note 14.

During 2024, AS Utilitas Tallinn purchased 40 thousand tons of CO_2 emission futures for a total price of 2,686 thousand EUR, in order to cover the emissions of 2024. Due to the higher average temperature, 12,3 thousand tons remained, which will cover the need for 2025. The settlement date for the futures is in August, 2025.

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

In order to simplify the group structure, reduced reporting requirements and save costs, in March 2025 the former 100% subsidiaries of AS Utilitas Tallinna Soojus – AS Utilitas Tallinn and AS Tallinna Soojus were merged into the parent company which continues to manage investments in the Tallinn area and provide district heating and cooling services.

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	**31.12.2024**	31.12.2023
Current receivables from associates (Note 3)	**78**	102
Inc. Interest receivables	**0**	69
Non-current receivables from associates (Note 3)	**34,750**	31,600
Inc. Loans granted	**34,750**	31,600

Sales to related parties

IN EUR THOUSAND	**2024**	2023
Goods and services sold to associates	**875**	518
Interest income on loans to associates	**1,896**	1,265
Interest income on guarantees given to associates (Note 19)	**309**	693

Payables to related parties

IN EUR THOUSAND	**31.12.2024**	31.12.2023
Current payables to parent company (Note 11)	**57**	0
Current payables to associates	**203**	246
Non-current payables to parent company	**448,201**	400,701
Inc. Loans received (Note 10; 19)	**448,201**	400,701

Transactions with related parties

IN EUR THOUSAND	**2024**	2023
Interest expense from loan received from parent company (Note 10)	**21,629**	18,842
Inc. capitalized loan interest (Note 7)	**149**	1,762
Goods and services purchased from associates	**1,520**	2,603

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

In 2024 the remuneration of the members of the Management Board and Supervisory Board of all Group entities amounted to EUR 1,404 thousand plus social taxes (2023: EUR 1,232 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	**31.12.2024**	31.12.2023
ASSETS		
Current assets		
Cash and cash equivalents	**22**	3,228
Receivables and prepayments	**6,846**	2,777
Inventories	**69**	0
TOTAL CURRENT ASSETS	**6,937**	6,005
Non-current assets		
Financial investments in subsidiaries	**174,832**	174,832
Investments in associates	**66,552**	64,031
Loans granted	**239,927**	198,477
Property, plant and equipment	**5,430**	1,266
Intangible assets	**154**	342
Total non-current assets	**486,895**	438,948
TOTAL ASSETS	**493,832**	444,953
LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	**5,708**	0
Finance leases	**26**	25
Payables and prepayments	**4,378**	2,862
Total current liabilities	**10,112**	2,887
Non-current liabilities		
Borrowings	**448,201**	400,701
Finance leases	**80**	107
Total non-current liabilities	**448,281**	400,808
TOTAL LIABILITIES	**458,393**	403,695
Equity		
Share capital	**7,650**	7,650
Retained earnings	**27,789**	33,608
TOTAL EQUITY	**35,439**	41,258
TOTAL LIABILITIES AND EQUITY	**493,832**	444,953

Unconsolidated income statement

IN EUR THOUSAND	**2024**	2023
Revenue		
Sales revenue	**2,942**	2,576
Other income	**4,232**	0
TOTAL REVENUE	**7,174**	2,576
Cost of goods and services sold	**-568**	-585
Other operating expenses	**-1,045**	-1,284
Payroll expense	**-2,644**	-1,827
Depreciation, amortisation and impairment	**-206**	-191
Total operating profit (loss)	**2,711**	-1,311
Financial income and expenses		
Financial income from investments in subsidiaries and associates	**7,898**	40,062
Interest expense	**-22,477**	-19,377
Other financial income and expenses	**12,049**	13,130
TOTAL FINANCIAL INCOME AND EXPENSES	**-2,530**	33,815
Profit before tax	**181**	32,504
NET PROFIT FOR THE PERIOD	**181**	32,504

Unconsolidated cash flow statement

IN EUR THOUSAND	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	**2,711**	-1,311
Adjustments:		
Depreciation and impairment losses of property, plant and equipment and intangible assets	**206**	191
Profit (loss) from sale of non-current assets	**0**	-7
Change in receivables and prepayments related to operating activities	**-3,597**	4,242
Change in inventories	**-69**	0
Change in liabilities and prepayments related to operating activities	**918**	-2,289
Interest paid	**-22,395**	-20,854
Total cash flow from operating activities	**-22,226**	-20,028
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	**-3,853**	-1,146
Proceeds from sale of property, plant and equipment and intangible assets	**0**	722
Acquisition of investments in subsidiaries	**0**	-167
Loans granted	**-53,950**	-98,430
Proceeds from repayment of loans granted	**12,500**	26,600
Dividends received	**5,377**	4,344
Interest received	**11,763**	16,008
Total cash flow from investing activities	**-28,163**	-52,069
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans received	**65,708**	70,000
Repayments of loans received	**-12,500**	-2,000
Other payments from financing activities	**0**	-289
Payment of finance lease liabilities	**-25**	-58
Dividends paid	**-6,000**	-5,000
Total cash flow from financing activities	**47,183**	62,653
TOTAL CASH FLOWS	**-3,206**	-9,444
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**3,228**	12,672
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**22**	3,228

Unconsolidated statement of changes in equity

IN EUR THOUSAND	Share capital	Retained earnings	Total
Balance as at 31.12.2023	**7,650**	**33,608**	**41,258**
Net profit for the period	**0**	**181**	**181**
Dividends paid	**0**	**-6,000**	**-6,000**
Balance as at 31.12.2024	**7,650**	**27,789**	**35,439**
Adjusted unconsolidated equity at 31.12.2024			
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	343,666	343,666
Adjusted unconsolidated equity at 31.12.2024	7,650	196,623	204,273

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 2024, 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 2024;
- 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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Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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.

If, based on the work we have performed on the Management report that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in the Management report, we are required to report that fact. We have nothing to report in this regard.

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

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

AS PricewaterhouseCoopers

Original report is signed in Estonian language.

Oksana Popova
Auditor's certificate no. 633

17 April 2025
Tallinn, Estonia

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

SIGNATURES OF THE MANAGEMENT BOARD TO THE 2024 CONSOLIDATED ANNUAL REPORT

2024 Consolidated Annual Report of OÜ Utilitas was signed on 17 April 2025.

Priit Koit

Member of the Management Board, CEO of Utilitas

UTILITAS