eesti gaas

Annual Report 2021

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Annual Report 2021

BUSINESS NAME
AS Eesti Gaas

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PRINCIPAL ACTIVITY
sale of natural gas

BEGINNING OF THE FINANCIAL YEAR
1 January 2021

END OF THE FINANCIAL YEAR
31 December 2021

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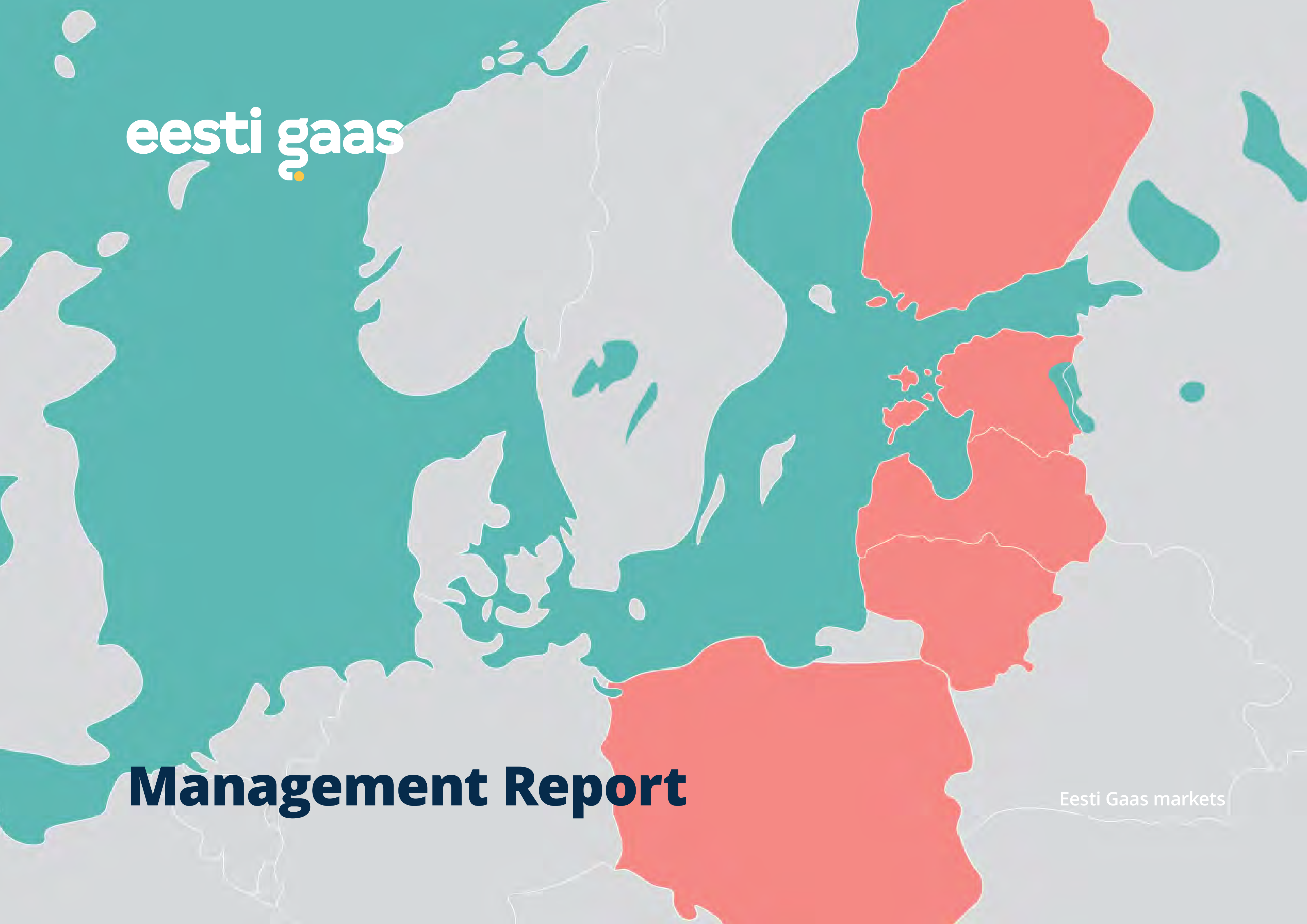
Management Report



Statement of the Management Board Chairman

The growth of Eesti Gaas has come from foreign markets. Both sales volumes and profit have increased mainly due to expansion into neighbouring markets and new areas of activity.

Last year, Eesti Gaas sold 11.8 TWh of energy, more than 70 per cent of which consisted of sales in foreign markets. In Finland, we captured a significant share of the natural gas market in just a few years. We are expanding in Latvia and Lithuania, and are also eyeing new markets.

In addition to traditional natural gas, we have diversified our offerings in the areas of LNG, circular economy based biomethane and solar energy. In terms of LNG competence, we have become a leader in the entire region and developed permanent supply and bunkering capabilities for LNG. We were the first in Estonia to begin offering a renewable version of natural gas at filling stations, i.e. biomethane, now already being produced domestically in three biofuel plants by our sister company. We have been active in the field of solar energy for several years, building solar parks for our own production and for our customers. We have evolved to become the leading designer and builder of pipelines and gas infrastructure in Estonia.

The most important events in 2021 included the christening of Estonia's first gas tanker, Optimus, and the commissioning of the Oisu biomethane plant. One on land and one at sea, bringing us cleaner air in the form of a modern transport fuel, both are contributing to the green transition taking place today and have become fuels of the future. Our company also won the Estonian Chamber of Commerce and Industry Award for the most competitive large enterprise in Estonia.

Ants Noot

CHAIRMAN OF THE MANAGEMENT BOARD

Last year, Eesti Gaas sold 11.8 TWh of energy, more than 70 per cent of which consisted of sales in foreign markets.

For Europe and the rest of the world, the start of 2022 has been shockingly tragic and will be accompanied by pivotal changes in the energy sector.

Natural gas will remain an important transition fuel in Europe, although it will become more diverse (new supply sources), more mobile (LNG) and greener (biomethane). We also continue to see gas playing a role in boiler plants and industries in our region, and LNG and local biomethane in transport over land and sea. Natural gas is a sensible and realistic fuel in anticipation of new renewable energy solutions and technologies, both in terms of cleanliness and ease of use.

Eesti Gaas is actively working to diversify its gas supply sources, continue expansion, and to grow its renewable energy portfolio. Considering the green goals of Estonia and the EU, we see opportunities for growth in both solar and wind energy, as well as in the field of biomethane. With our diverse range of products, we have become one of the fastest growing energy companies in the region.

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About the Company

AS Eesti Gaas is one of the largest and most experienced energy companies in Estonia. The company's core product and area of competence is natural gas, which is sold in the form of different products – pipeline gas delivered to customers through the gas network, compressed gas (CNG) sold at filling stations, locally produced biomethane, and liquefied natural gas (LNG). AS Gaasivõrk, a subsidiary of Eesti Gaas, is the largest natural gas distribution network company in Estonia. The company's network of compressed gas filling stations is the largest on the market and continues to expand. We are the only company in the Baltic countries with stable LNG bunkering capability. The sale of electricity continues to be a growing area of business. The company is actively developing its renewable energy portfolio in the field of solar energy and biomethane.

We are the only company in the Baltic countries with stable LNG bunkering capability.

The Eesti Gaas Group includes wholly-owned subsidiaries AS Gaasivõrk, AS EG Ehitus, OÜ HG ProSolution, OÜ Elenger Marine, and OÜ Elenger Crew Management, operating in Estonia, and SIA Elenger Marine, operating in Latvia. Eesti Gaas owns an 80% stake in four companies engaged in the production of solar energy, which are co-owned by Pärnu municipal company OÜ Paikre. Eesti Gaas operates in Latvia under the name of SIA Elenger, in Lithuania under the name of UAB Elenger, and in Finland under the name of OY Elenger, offering energy solutions to business customers. In 2021, Eesti Gaas expanded into the Polish market by establishing the subsidiary Sp.z.o.o. Elenger. The goal is to start selling natural gas in Poland in 2022, and the Group is currently applying for the necessary permits to start business.

Eesti Gaas owns an 80% stake in four companies engaged in the production of solar energy.

AS Eesti Gaas is 100% privately owned. The sole owner of the Company is AS Infortar.

STRUCTURE OF THE EESTI GAAS GROUP

- **AS Eesti Gaas**
  - AS Gaasivõrk
  - AS EG Ehitus
  - OÜ HG ProSolution
  - OÜ Elenger Marine
  - OÜ Elenger Crew Management
  - SIA Elenger
  - UAB Elenger
  - OY Elenger
  - Elenger Sp. Z.o.o
  - SIA Elenger Marine
  - OÜ Pärnu Päikesepark 1
  - OÜ Pärnu Päikesepark 2
  - OÜ Pärnu Päikesepark 3
  - OÜ Pärnu Päikesepark 4

Market Situation

Gas market

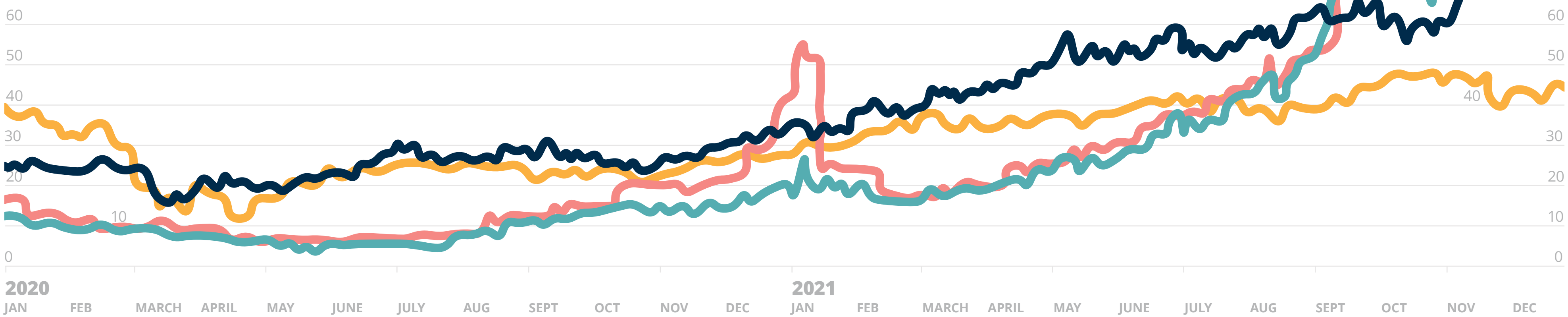
The year 2021 began with freezing temperatures in both Europe and Asia, pushing up gas prices and emptying gas storage tanks. The cold weather lasted well into the spring and further delayed the start of filling the already empty storage tanks. The demand for natural gas also started to grow in Asia due to general economic growth, the need to fill storage tanks, and the transition from coal to cleaner natural gas. This pushed up the price on the Asian natural gas index JKM, which began to attract more and more liquefied natural gas vessels away from Europe to Asia.

General global demand for goods was in the process of recovering following the pandemic restrictions implemented in 2020, which began to cause inflation and a rise in other commodity prices, making natural gas substitutes relatively expensive, so that even rising prices did not significantly dampen the demand for gas.

By the summer, prices had already risen significantly, as gas reserves in Western Europe were at their lowest levels in five years and time was running out. Russia's exports to Europe also began to decline.

By the summer, prices had already risen significantly.

FUEL PRICES (EUR/MWh) **TTF** **JKM** **Brent** **EUA**



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Market Situation

Gas market

Although Russia was producing more natural gas than in the previous year, much of that gas went to fill Russia's own storage tanks and to supply Asia due to higher Asian prices. As a lifeline, market participants were waiting for the commissioning of the Nord Stream 2 gas pipeline, which was technically completed in September, but had not been certified by the end of the year.

The year ended in the fourth quarter with wild gas price fluctuations in the range of 60(180) EUR/MWh.

The year ended in the fourth quarter with wild gas price fluctuations in the range of 60-180 EUR/MWh. Russia's comments on its domestic gas storage facilities having been filled and a possible increase in exports to Europe contributed to the initial fall in prices after the peak in early October. However, this did not materialize as expected and, on the contrary, the mood changed completely in mid-November when the German energy regulator suspended the certification process for the Nord Stream 2 pipeline for administrative reasons. This news postponed the certification process for months and ended any hope that the new pipeline would start in time to help alleviate this winter's shortfall, causing year-end price rallies to new peaks again.

Shortly before the end of 2021, signs of a decline in demand in Asia appeared, which caused gas prices in Asia to fall and European prices to become more attractive. As a result, LNG carriers were rerouted to Europe, giving hope of an increase in supply and bringing the price on the European gas index TTF rapidly downwards in the last week of the year.

Shortly before the end of 2021, signs of a decline in demand in Asia appeared.

Electricity market

On 7 December, the price peaked at 1,000 EUR/MWh.

In 2021, the average price on the Nord Pool electricity exchange in the Estonian region was 86.73 EUR/MWh, 157% higher than in 2020. On 7 December, the price peaked at 1,000 EUR/MWh, almost 4 times higher than the maximum price in the previous year. Several factors contributed to the rise in prices. The main factor was the general rise in commodity prices, where prices for various energy sources, such as oil, natural gas, and coal, rose due to renewed demand, scarcity of investment in factors of production, and rising inflation in general. Strong demand for fossil fuels, a year after year decline in the supply of CO_2 emission allowances and high natural gas prices also pushed CO_2 allowance prices from 33 EUR/tonne at the beginning of the year to 81 EUR/ tonne by the end of the year, as market participants sought to use fuels that are relatively cheaper, but have higher greenhouse gas emissions and require the use of higher quotas.

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Market Situation

Electricity market

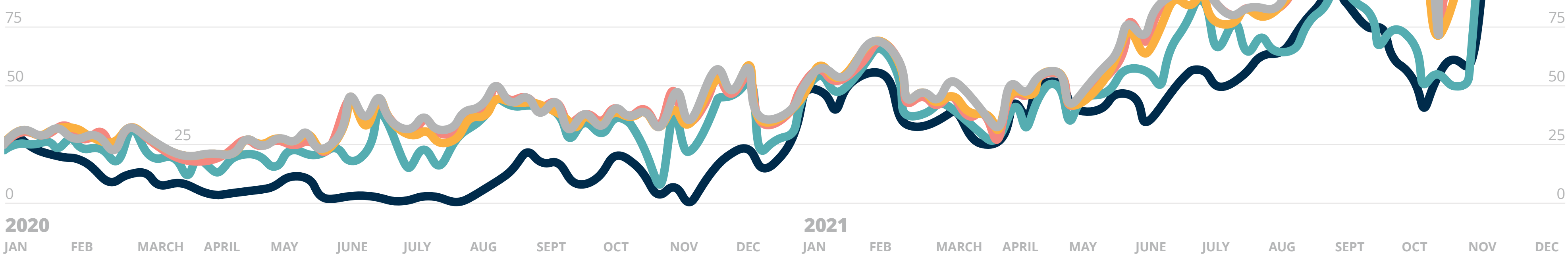
In the Nordic countries, where renewable energy is the predominant energy source, the water level in 2021 was one of the lowest in recent years. This restricted the availability of cheap hydropower and exerted upward pressure on prices at the Scandinavia level.

About half of the electricity in Estonia is produced from oil shale, a fuel with relatively high greenhouse gas emissions, and therefore the increase in the CO_2 quota price had a particularly strong impact on our region. Prices were also impacted to a certain degree by the commissioning of the third transmission line between Estonia and Latvia in early 2021. While this improves transmission capacity between Estonia and Latvia and harmonises prices, at the same time it reduces the transmission of cheaper Nordic prices from Finland to Estonia, as the transmission capacity of the Estonian-Finnish power line is limited and the cheaper electricity coming from Finland is now distributed more freely over a wider region. Very high electricity prices at the end of the year were also due to the planned maintenance of local power plants, which coincided with very cold weather and required the use of natural gas for generating electricity, which is generally used only to cover peak consumption and which had risen to a very high price level at the end of the year.

Very high electricity prices at the end of the year were also due to the planned maintenance of local power plants.

NORD POOL DAY-AHEAD AVERAGE WEEKLY PRICES, (EUR/MWh)

NP system price **Finland** **Estonia** **Latvia** **Lithuania**



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Overview of Business Activities

Natural gas

Eesti Gaas is one of the leading sellers of natural gas in the Baltic States and Finland. Preparations are underway to enter new markets, and a company has been established in Poland. In foreign markets, Eesti Gaas operates under the Elenger brand. Consolidated revenue from natural gas sales increased by 134% year-on-year to 301 million euros in 2021 (including revenue from derivatives). Natural gas sales increased in all target markets. The largest increase took place in Lithuania, where 2021 was the first year when natural gas was actively supplied to customers. Additional contributions to revenue growth came from the significant increase in the price of natural gas in the second half of the year and active trading in the wholesale natural gas market.

Consolidated revenue from natural gas sales increased by 134% year-on-year to 301 million euros in 2021.

Compressed natural gas (CNG)

Eesti Gaas owns and operates Estonia's largest network of CNG filling stations, through which compressed gas is sold for use as fuel for motor vehicles. CNG is produced from both natural gas and biomethane. In 2021, Eesti Gaas built no new CNG filling stations, and as at the end of the year Eesti Gaas had a total of eleven CNG filling stations – four in Tallinn, two in Pärnu, and one in Tartu, Narva, Jõhvi, Rakvere, and Viljandi. In 2021, our consolidated sales revenue from CNG was 4.2 million euros, an increase of 9% as compared to 2020. From the beginning of 2019 a trading system for biomethane certificates has been in place in Estonia, which enables Eesti Gaas to earn additional income from CNG and make additional investments in the introduction of environmentally friendly biomethane in transport. In total, environmentally friendly biomethane produced in Estonia accounted for 58.4% of all compressed gas sales.

Consolidated sales revenue from CNG was 4.2 million euros, an increase of 9% as compared to 2020.

Electricity

The consolidated revenue of Eesti Gaas from the sale of electricity was 15.9 million euros.

Eesti Gaas sells electricity in Estonia and Latvia. Eesti Gaas purchases the majority of the electricity sold to its customers from the NordPool power exchange. A portion of the electricity sold to customers is generated by the Group's solar power plants located in Estonia. The consolidated revenue of Eesti Gaas from the sale of electricity was 15.9 million euros, a 170% increase compared to the year before. The number of both household and corporate customers grew. The significant increase in electricity prices in the second half of the year also contributed to the growth in revenue.

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Overview of Business Activities

Distribution service

AS Gaasivõrk is the largest natural gas distribution network company in Estonia, operating approximately 1,500 km of distribution pipelines. Pursuant to the Natural Gas Act, AS Gaasivõrk ensures the operation and technical condition of the distribution network in its network area by ensuring a high-quality network connection and secure gas supply to consumers connected to the distribution network, and by providing natural gas distribution services at approximately 44,000 consumption points.

Total consolidated sales revenue from the network service in 2021 was 30.6 million euros, an increase of 31% as compared to 2020. The lower than usual average air temperature during the heating period had a positive effect on the consumption of natural gas. From 1 March 2021, the price of the network service approved by the Competition Authority for the customers of AS Gaasivõrk is 0.06973 euros/cbm.

In 2021, AS Gaasivõrk invested 2.5 million euros in the reconstruction and renovation of the distribution network.

In 2021, AS Gaasivõrk invested 2.5 million euros in the reconstruction and renovation of the distribution network (2020: 2.9 million euros). A total of 2.6 million euros (2020: 3.0 million euros) were invested in the construction of new pipelines to connect additional consumers to the natural gas pipeline, including the construction of a connection point for the city of Keila. In 2022, planned investments in the reconstruction and renovation of the distribution network will remain at the same level, investments in connecting new consumers to the gas network will decrease.

Total consolidated sales revenue from the network service in 2021 was 30.6 million euros, an increase of 31% as compared to 2020.

Energy production

The consolidated sales revenue of Eesti Gaas from the production of electricity and heat was 1.0 million euros. There are four solar power plants with a total capacity of 4 MW in Pärnu, in addition to a combined heat and power plant in Tallinn. A new energy solution was launched for apartment associations and companies under the brand Oma Päike, within the framework of which solar power plants of up to 50 kW were built for customers.

The consolidated sales revenue of Eesti Gaas from the production of electricity and heat was 1.0 million euros.

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Overview of Business Activities

Liquefied natural gas

Eesti Gaas sells liquefied natural gas (LNG) through its regular bunkering service in the Baltic Sea ports. Sales revenue of liquefied natural gas (LNG) in 2021 was 11.1 million euros, an increase of 108% as compared to 2020. There have been a number of important developments in this area. Since November 2021 the Group subsidiary OÜ Elenger Marine has been operating the region's first LNG bunkering vessel, Optimus, the commissioning of which will help reduce air pollution above the Baltic Sea by as much as 67,000 tonnes of CO_2 per year. Optimus is capable of bunkering tankers, cargo vessels, passenger ferries and cruise ships both on the high seas and in ports, and its storage tanks and pumps enable it to supply customers with up to 6,000 cbm of liquefied natural gas at a speed of up to 1,000 cbm/hour. The nearly 100-metre-long LNG bunkering vessel was built by the Dutch company Damen and its construction was co-financed by the EU Connecting Europe Facility (CEF). As a result of this change, LNG bunkering activities were consolidated into one company. In addition, the LNG assets and contracts of Eesti Gaas AS (except for those related to off-grid LNG stations) were transferred to Elenger Marine, through a spin-off. The Group offers a solution for re-gasification of liquefied natural gas to industrial companies located outside the natural gas network area. In the absence of a gas pipeline, liquefied natural gas can be transported on site and re-gasified on site. The Group also offers its customers liquefied natural gas transportation service via trucks.

Sales revenue of liquefied natural gas (LNG) in 2021 was 11.1 million euros, an increase of 108% as compared to 2020.

Since November 2021 the Group subsidiary OÜ Elenger Marine has been operating the region's first LNG bunkering vessel, Optimus.

The consolidated sales revenue of construction services was 11.8 million euros, which is 11.3% higher than in 2020.

Construction

AS EG Ehitus, a subsidiary of AS Eesti Gaas, continued with the construction and maintenance of natural gas and district heating pipelines and facilities, electricity solutions, and biogas plants as its principal activity. In addition to the ongoing health crisis, the Company's operations were affected most in 2021 by soaring energy and material prices, longer supply chains and the availability of raw materials. In the context of the sharp rise in input prices, it was necessary to carefully select the objects to be built and actively engage in risk mitigation. The sales revenue of AS EG Ehitus in 2021 was 19.4 million euros, which is 1.5% less than a year earlier. The consolidated sales revenue of construction services was 11.8 million euros, which is 11.3% higher than in 2020. The largest project was the construction of a biomethane plant in Oisu, in Türi Rural Municipality.

Profitability

In 2021, the consolidated net profit of AS Eesti Gaas was 25.9 million euros (2020): 17.7 million euros). The Group's net profit increased by 8.2 million euros.

In 2021, earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) was 37.0 million euros, which is 34.6% higher than the year before. Excluding one-off effects, EBITDA increased by 32.5% compared to 2020.

In connection with investments in business expansion, AS Eesti Gaas does not plan to pay dividends in 2022.

In 2021, EBITDAwas 37.0 million euros, which is 34.6% higher than the year before.

PROFITABILITY (In thousands of euros)

	2021	2020	Change
Revenue	380,853	182,356	108.9%
Net profit	25,884	17,701	46.2%
EBITDA	37,018	27,503	34.6%
Extraordinary profit/loss:			
Profit/loss on sale of property, plant and equipment	617	33	
Comparable EBITDA	36,401	27,470	32,5%

Financing

High volatility and the rise in energy prices in the second half of 2021 significantly increased the Group's need for working capital. Short-term working capital loans and overdrafts from banks are used to finance working capital. The balance of current liabilities at the end of the year was 125.1 million euros. The balance of the owner's overdraft was 0 euros at the end of the year. Long-term investment loans were serviced according to contractual repayment schedules.

Investments

In 2021, Eesti Gaas invested 7.0 million euros in tangible and intangible fixed assets, which is 8% more than in the previous period. In 2022, investments will continue to be made in the gas distribution network, solar energy production, and compressed gas filling stations.

A total of 3.8 million euros were invested in the gas distribution network, with the most important project being the construction of a connection point for the city of Keila. No new compressed gas filling stations were built in 2021 and 100,000 euros were invested in the operation of the existing filling stations. Investments in the production of solar energy totalled 800,000 euros. Investments in IT development, mainly in energy retail sale systems, amounted to 700,000 euros.

In 2021, Eesti Gaas invested 7.0 million euros in tangible and intangible fixed assets.

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Macroeconomic Development and its Impact

2021 began with a rapid upturn in the global economy in terms of both industrial production and trade. The global economy began to recover with the support of large-scale national crisis measures, central bank interest rate policies and the re-opening up of societies through vaccination. However, the uncertainty caused by the systemic impact of the Covid(19) pandemic remains high. National restrictions on the movement of people are constantly being applied and, as a result, the tourism sector remains in a deep crisis. Due to the pandemic, 2021 will be characterized in the global economy by large-scale disruptions in the supply chains of goods and by interruptions in industrial production due to temporary shortages of chips and similar production inputs.

The uncertainty caused by the systemic impact of the Covid(19) pandemic remains high.

The economy of the euro area was also characterized by a strong recovery in 2021, with output exceeding pre-pandemic levels by the end of the summer. The European Union's GDP grew by almost 2%, supported by household consumption. Although the European Union's trade balance has been weakened by the sharp rise in the price of imported energy, the volume of exports of industrial goods is making a strong recovery to pre-crisis levels. It can therefore be said that, in the context of the global economy, the economy of the European Union is in good shape.

The European Union's GDP grew by almost 2%, supported by household consumption.

The recovery of the Estonian economy in 2021 was almost 8.3%, which shows that Estonian companies have successfully withstood the crisis caused by the pandemic, and the government has managed to keep society relatively open despite the large-scale crisis. The growth of the average gross monthly salary was the largest in recent years, rising by 6.9% in 2021, and exceeding 1,700 euros in Harju County. Strong economic growth also led to a 4.6% increase in prices. Prices rose mainly due to the rapid recovery of the world economy and the sharp rise in fuel and other commodity prices.

In the future, Estonia's economic growth will most likely slow due to the crisis in Ukraine, but the rise in prices will continue. The main impact of the war will first be reflected in even higher prices for gas, oil, and other raw materials, and the rapid rise in prices will last longer. At the same time, according to Eesti Pank, the Russia-Ukraine war will not fully slow down the momentum of the economic recovery from the pandemic, and the economy will continue to grow, despite the accelerating rise in prices, which will reduce people's purchasing power.

Estonian companies have successfully withstood the crisis caused by the pandemic.

Impact of Covid-19

The complex situation caused by the pandemic continued to affect the operations of Eesti Gaas and our customers in Estonia, Finland, Latvia, and Lithuania. Office workers at Eesti Gaas work on the basis of flexible work organization, i.e. many employees perform their duties in the form of teleworking. In the case of employees who are unable to perform their duties via teleworking, the Group has provided additional personal protective equipment and reorganized the work in such a way as to minimize contact and reduce the risk of spreading the virus.

Customer service is provided via self-service and remote channels. Since Eesti Gaas had already terminated the physical servicing of retail customers years ago, the crisis had no impact on servicing retail customers. Communication with large customers is carried out mainly via remote channels, the number of physical customer meetings is minimal, and most customer events have been postponed.

The impact of the coronavirus crisis on the financial results of Eesti Gaas Group remained modest. Additional measures implemented by the Group for assessing counterparty credit risk and managing receivables have kept the debt portfolio under control throughout the year. The impact of the Covid-19 crisis on energy consumption and the business results of Eesti Gaas has been minimal. The most direct impact has been on the demand and sales volumes of transport fuel. At the same time, according to Elering, the consumption of natural gas in Estonia increased by 13.2% in 2021.

The impact of the coronavirus crisis on the financial results of Eesti Gaas Group remained modest.

The impact of the Covid(19) crisis on energy consumption and the business results of Eesti Gaas has been minimal.

Impact of Seasonality

To the extent that seasonality and weather changes affect the demand for products and services, seasonality has an impact on the financial results of Eesti Gaas. The result of the business operations of Eesti Gaas is seasonally dependent on the weather, as market demand for natural gas and electricity is higher in the first and fourth quarters of the year, i.e. during the winter heating period, and lower in the second and third quarters, when the weather is warmer. Also, the production of renewable energy in solar plants and construction have a seasonal, albeit small, effect compared to other business volumes. Sales of compressed gas and LNG are less susceptible to seasonality, as the end user is the transport sector that operates in a stable manner throughout the year.

Sales of compressed gas and LNG are less susceptible to seasonality.

Risk Management Policy

The main goal of the Group's risk management policy is to ensure the stability of the Group's equity and to ensure the long-term development of the business in the desired direction. We define risks as possible unexpected changes in the business environment, the energy market and the Company's internal processes, which adversely affect the Company's financial results. The main risks in the activities of the Group's companies, which are managed by the Management Board, are:

Strategic market risk, which is expressed primarily in a possible erroneous long-term strategic decision about the future prospects of a business area.

The Group manages strategic risk by preparing prudent business plans and necessary analyses when expanding into new markets and business areas.

Continuous assessment and management of financial (risks credit, liquidity, and market).

The purpose of financial risk management is to maintain a balance between continued and flexible financing.

The purpose of financial risk management is to maintain a balance between continued and flexible financing through the use of bank overdrafts, bank loans and other financial instruments. In order to manage the Group's cash flows as efficiently as possible, cash pooling account systems have been established in various banks.

Credit risk is the risk that the Group will incur a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's trade receivables and contractual assets. The maximum amount exposed to credit risk is the carrying amount of financial assets and contractual assets.

The Group keeps the liquidity risk under control by maintaining sufficient reserves, banking instruments and borrowings.

Liquidity risk reflects the potential that the Group's ability to meet its obligations on time will decrease as the Group's financial position changes. The Group keeps the liquidity risk under control by maintaining sufficient reserves, banking instruments and borrowings, constantly monitoring cash flow projections and actual balances, and balancing the terms of financial assets and liabilities.

In managing market risks, we constantly analyse the strategic goals described in the business plans and the market changes that affect them, as well as other critical success factors. This allows us to anticipate and, if necessary, mitigate possible market fluctuations. This gives us the opportunity to make better use of market changes as opportunities and to mitigate market risks.

AS Eesti Gaas mainly trades in natural gas, compressed gas, liquefied natural gas, and electricity.

AS Eesti Gaas mainly trades in natural gas, compressed gas, liquefied natural gas, and electricity. The main market price risk is that projected cash flows may differ from expectations due to changes in the market price of different types of energy. This affects the Company's costs and/or revenues and financial performance. The Company uses derivatives, such as swap agreements for purchase and sale of natural gas as well as the physical storage of natural gas in a storage facility, to hedge against price risk. The goal of hedging against market price risks is to reduce the

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Risk Management Policy

volatility of cash flows and to harmonize price bases for income and expenses, and to improve forecasting and the stability of financial results.

The Group's operations may be adversely affected by information system failures, computer viruses or cyber-attacks.

The Group's business depends significantly on the efficient, stable and uninterrupted operation of its information technology (IT), management information, and communication systems. Errors or significant disruptions in the operation of the Group's information technology systems may impede the Group's operations. In addition, the Group's IT systems may be subject to computer viruses or cyber-attacks, which may also cause disruptions or delays in the Group's operations. The IT solutions and systems of Eesti Gaas have been created centrally throughout the Group, and IT systems are protected against external attack mainly through a comprehensive solution agreement with an external partner. The Group trains its employees in order to increase their IT skills and cyber awareness.

Continuous and correct compliance with environmental, business and regulatory requirements.

We observe the regulations and requirements related to the field of business and contribute to the development of legislation through professional associations. We are constantly looking for new ways to make investment decisions and promote our business in a way that is more in line with the climate and environmental requirements of green transition policies and the growing expectations of the public.

Covering asset risks with insurance contracts.

The management of the Group's asset risks through insurance contracts is based on the objective of ensuring compensation to the extent of the damage that may occur to the assets and thereby ensuring that the Group remains a going concern.

IT systems are protected against external attack mainly through a comprehensive solution agreement with an external partner.

We are constantly looking for new ways to make investment decisions.

Financial Ratios

GROUP'S KEY FINANCIAL RATIOS

	2021	2020	2019
Net margin	6.8%	9.7%	7.1%
Current ratio	1.15	1.34	1.39
ROA	6.8%	9.0%	5.7%
ROE	45.9%	56.0%	35.2%
Equity ratio	22.5%	30.9%	31.3%
Net debt / EBITDA	4.2	4.0	6.3
EBITDA margin	9.7%	15.1%	13.1%

PARENT'S KEY FINANCIAL RATIOS

	2021	2020	2019
Net margin	6.8%	12.8%	9.5%
Current ratio	1.19	1.39	1.42
ROA	9.0%	16.6%	9.6%
ROE	53.9%	87.9%	52.4%
Equity ratio	22.3%	32.0%	31.8%
Net debt / EBITDA	3.8	2.8	5.6
EBITDA margin	8.0%	15.1%	12.3%

UNDERLYING FORMULAS

Net margin = net profit / revenue

Current ratio (times) = current assets / current liabilities

ROA (return on assets) = net profit or loss / total assets

ROE (return on equity) = net profit or loss / total equity

Equity ratio = (equity + allocated shareholders loan) / total equity and liabilities

Net debt = borrowings - cash and cash equivalents

EBITDA = operating profit + depreciation

EBITDA margin = EBITDA / revenue

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Consolidated Financial Statements

LNG bunker vessel Optimus

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (In thousands of euros)

	2021	2020	Note
Revenue	380,853	182,356	6
Other operating income	1,421	711	7
Change in inventories of finished goods and work-in-progress	(2)	5	
Work performed by the Group and capitalised	3,700	4,549	
Raw materials and consumables used	(331,875)	(144,518)	8
Payroll expenses	(13,565)	(12,145)	9
Depreciation and amortisation	(7,753)	(7,286)	15, 16, 26
Impairment loss on receivables	(26)	(68)	24
Other operating expenses	(3,489)	(3,387)	10
OPERATING PROFIT	**29,264**	**20,217**	
Finance income	87	182	11
Finance costs	(3,466)	(2,696)	11
NET FINANCIAL EXPENSE	**(3,379)**	**(2,514)**	**11**
PROFIT BEFORE TAX	**25,885**	**17,703**	
Corporate income tax expense	(1)	(2)	
PROFIT FOR THE YEAR	**25,884**	**17,701**	
Profit attributable to:			
Owners of the Company	25,834	17,686	
Non-controlling interests	50	15	
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value	(1,059)	(17,471)	18
OTHER COMPREHENSIVE INCOME	**(1,059)**	**(17,471)**	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**24,825**	**230**	
Profit attributable to:			
Owners of the Company	24,775	215	
Non-controlling interests	50	15	

The notes on pages 23-51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (In thousands of euros)

	31.12.2021	31.12.2020	Note
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	83,351	82,270	15
Intangible assets	5,353	6,204	16
Right-of-use assets	13,249	5,219	26
Derivative financial assets	9,683	-	17, 24
Trade and other receivables	34	57	6, 13, 24
TOTAL NON-CURRENT ASSETS	**111,670**	**93,750**	
CURRENT ASSETS			
Inventories	66,642	40,752	12
Contract assets	101	312	6
Derivative financial assets	16,047	652	17, 24
Trade and other receivables	113,066	37,749	6, 13, 24
Prepayments for natural gas	20,482	9,901	
Other prepayments	537	1,154	
Cash and cash equivalents	51,329	11,376	14, 24
	268,204	**101,896**	
Assets held for sale	119	169	
TOTAL CURRENT ASSETS	**268,323**	**102,065**	
TOTAL ASSETS	**379,993**	**195,815**	

The notes on pages 23-51 are an integral part of these consolidated financial statements.

	31.12.2021	31.12.2020	Note
EQUITY			
Share capital	9,919	9,919	18
Statutory capital reserve	992	992	18
Hedging reserve	(12,465)	(11,406)	17, 18
Retained earnings	57,893	32,059	18
Equity attributable to owners of the Company	**56,339**	**31,564**	
Non-controlling interests	73	23	
TOTAL EQUITY	**56,412**	**31,587**	
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	75,380	72,448	20, 24
Derivative financial liabilities	-	1,293	17, 24
Provisions	1,135	1,095	23
Contract liabilities	13,211	12,705	6
Deferred income	381	412	22
TOTAL NON-CURRENT LIABILITIES	**90,107**	**87,953**	
CURRENT LIABILITIES			
Borrowings	132,127	49,336	20, 24
Trade and other payables	54,649	15,517	21
Derivative financial liabilities	46,151	10,665	17, 24
Prepayments	197	272	
Provisions	216	206	23
Contract liabilities	134	279	6
TOTAL CURRENT LIABILITIES	**233,474**	**76,275**	
TOTAL LIABILITIES	**323,581**	**164,228**	
TOTAL EQUITY AND LIABILITIES	**379,993**	**195,815**	

CONSOLIDATED STATEMENT OF CASH FLOWS (In thousands of euros)

	2021	2020	Note
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT FOR THE YEAR	**25,884**	**17,701**	
ADJUSTMENTS			
Depreciation of property, plant and equipment and right-of-use assets	6,253	5,586	15, 26
Amortisation of intangible assets	1,500	1,700	16
Income from connection fees	(785)	(742)	6
Amortisation of government grants received for purchasing of non-current assets	(31)	(32)	22
Recognition and adjustment of provisions	108	272	23
Gain/loss on sale of non-current assets	(691)	(31)	7, 10
Loss from write-off of non-current assets	74	87	10
Unsettled gain/loss on derivative financial instruments	8,055	1,884	
Interest expense	3,466	2,696	11
Interest income	(87)	(182)	11
Corporate income tax expense	-	2	
ADJUSTED PROFIT FOR THE YEAR	**43,746**	**28,941**	
NET CHANGE IN CURRENT ASSETS RELATING TO OPERATING ACTIVITIES			
Change in trade receivables	(68,881)	(4,937)	13
Change in inventories	(25,890)	(1,317)	12
Change in prepayments for natural gas	(10,581)	2,823	
Net change in other current assets relating to operating activities	(5,623)	587	
TOTAL NET CHANGE IN CURRENT ASSETS RELATING TO OPERATING ACTIVITIES	**(110,975)**	**(2,844)**	
NET CHANGE IN CURRENT LIABILITIES RELATING TO OPERATING ACTIVITIES			
Use of provisions	(62)	(207)	23
Change in trade payables	20,830	(819)	21
Net change in other liabilities relating to operating activities	17,858	(62)	
TOTAL NET CHANGE IN LIABILITIES RELATING TO OPERATING ACTIVITIES	**38,626**	**(1,088)**	

	2021	2020	Note
NET CASH FROM/USED IN OPERATIONS	**(28,603)**	**25,009**	
Interest received	125	157	
Corporate income tax paid	-	(1)	
NET CASH FROM/USED IN OPERATING ACTIVITIES	**(28,478)**	**25,165**	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	(6,896)	(6,545)	
Proceeds from connection fees	1,291	2,077	6
Repayments of loans granted	-	323	
Proceeds from sale of non-current assets	867	48	
NET CASH USED IN INVESTING ACTIVITIES	**(4,738)**	**(4,097)**	
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans received	144,500	70,000	20
Repayments of bank loans	(69,365)	(53,365)	20
Change in bank overdraft	6,573	-	20
Change in overdraft from shareholder	(4,223)	(24,846)	20, 28
Payment of lease liabilities	(921)	(673)	20
Interest and loan fees paid	(3,395)	(2,714)	
NET CASH FROM/USED IN FINANCING ACTIVITIES	**73,169**	**(11,598)**	
NET CASH FLOWS	**39,953**	**9,470**	
Cash and cash equivalents at the beginning of the period	11,376	1,906	14
Cash and cash equivalents at the end of the period	51,329	11,376	14
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**39,953**	**9,470**	

The notes on pages 23-51 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (In thousands of euros)

	Attributable to owners of the Company						
	Share capital (Note 18)	Statutory capital reserve (Note 18)	Hedge reserve (Note 18)	Retained earnings (Note 18)	Total	Non-cont-rolling interests	Total equity
EQUITY AS AT 31 DECEMBER 2019	**9,919**	**992**	**6,065**	**14,373**	**31,349**	**8**	**31,357**
COMPREHENSIVE INCOME FOR THE YEAR							
Profit for the year	-	-	-	17,686	17,686	15	17,701
Other comprehensive income	-	-	(17,471)	-	(17,471)	-	(17,471)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**(17,471)**	**17,686**	**215**	**15**	**230**
EQUITY AS AT 31 DECEMBER 2020	**9,919**	**992**	**(11,406)**	**32,059**	**31,564**	**23**	**31,587**
COMPREHENSIVE INCOME FOR THE YEAR							
Profit for the year	-	-	-	25,834	25,834	50	25,884
Other comprehensive income	-	-	(1,059)	-	(1,059)	-	(1,059)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**(1,059)**	**25,834**	**24,775**	**50**	**24,825**
EQUITY AS AT 31 DECEMBER 2021	**9,919**	**992**	**(12,465)**	**57,893**	**56,339**	**73**	**56,412**

The notes on pages 23-51 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

Oisu biogas plant

1. REPORTING ENTITY

AS Eesti Gaas is a Company domiciled in Estonia. The Company's registered office is at Sadama 7, Tallinn 10111, Estonia. The consolidated financial statements of Eesti Gaas group for the year ended 31 December 2021 comprise AS Eesti Gaas and its subsidiaries (together referred to as the 'Group').

AS Eesti Gaas is one of the largest and most experienced energy companies in Estonia, whose core product and competence is natural gas that is supplied to clients as various products – pipeline gas, compressed natural gas (CNG) and liquefied natural gas (LNG). The Group sells compressed natural gas (CNG) through CNG filling stations around Estonia, where locally produced green gas or biomethane can also be fuelled. The Group has developed a stable LNG supply and bunkering capability and is ready to offer the service to all interested ports and companies. In addition the Group is engaged in selling electricity, developing and maintaining pipelines and heating solutions, developing solar energy plants and providing other goods and services to clients. The Group operates in Finland, Latvia, Lithuania and Poland under the name Elenger. The Group has approximately 50,000 clients.

2. BASIS OF ACCOUNTING

The consolidated financial statements of the Group have been prepared in accordance with **International Financial Reporting Standards (IFRS)**, as adopted by the European Union.

The consolidated financial statements were authorised for issue by the Management Board on 25 March 2022. Under the Commercial code of Estonia, the annual report must first be approved by the Supervisory Board of the parent and ultimately by the general meeting of Shareholders.

Details of the Group's accounting policies are included in Note 31.

These consolidated financial statements are presented in euros, which is the Company's and its subsidiaries' functional currency (except in Poland). All amounts in the primary financial statements and notes have been presented in thousands of euros, having been rounded to the nearest thousand, unless otherwise indicated.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following note:

NOTE 6

The Group provides customers permanent access to natural gas for the fees received for connecting to the natural gas network. When recognising the connection fees in accordance with the requirements of IFRS 15, the performance obligation that involves the activities that are necessary for the preparation of connection is regarded to be satisfied within the period when the gas network services are provided through the connection point with the property, plant and equipment acquired for the connection fees. According to the management's estimates this period should be equal to the estimated average useful life of the property, plant and equipment acquired for the connection fees, as the following reconstructions of the property, plant and equipment will be financed through the gas network service fees. The estimated average useful life of the property, plant and equipment acquired for the connection fees is calculated by dividing the average cost of the property, plant and equipment with the annual depreciation amount.

RECOGNITION OF DEFERRED INCOME TAX REGARDING THE INVESTMENTS TO ESTONIAN (AND LATVIAN) SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND BRANCHES

In accordance with paragraph 39 of IAS 12, the Group recognizes a deferred tax liability for all investments in subsidiaries, associates, joint ventures and branches that give rise to temporary taxable differences, unless: (a) the Group is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is not recognized if the investment meets both criteria (a) and (b) above. The Group's Management analysed the investments made in the subsidiaries and found that in those subsidiaries where there is a temporary taxable difference in the investment, both exclusion criteria (a) and (b) are met at the same time and there is no need to recognize deferred income tax.

B Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

NOTE 15

the estimate of the useful life of property, plant and equipment;

NOTE 16

the estimate of the useful life of intangible assets;

NOTES 23 AND 27

recognition of contingencies and provisions for possible losses in the future due to the take-or-pay provision of the natural gas purchase contract.

4. MEASUREMENT OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

LEVEL 1
quoted prices (unadjusted) in active markets for identical assets or liabilities.

LEVEL 2
inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

LEVEL 3
inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The information about the fair values of financial instruments is disclosed in Note 24.

5. CHANGES IN ACCOUNTING POLICIES

Standards, interpretations and amendments to published standards that became effective on 1 January 2021

The new standards that are effective from 1 January 2021 do not have a material effect on the Group's financial statements.

6. REVENUE

The Group's accounting policies relating to revenue from contracts with customers and the overview about the nature and satisfaction of performance obligations are provided in Note 31.3.

A Revenue streams

In thousands of euros	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS	**453,170**	**172,210**
OTHER REVENUE		
Property rentals (Note 26)	11	21
Hedging gains/losses	(72,328)	10,125
TOTAL REVENUE	**380,853**	**182,356**

B Disaggregation of revenue from contracts with customers

In thousands of euros	2021	2020
PRIMARY GEOGRAPHICAL MARKETS		
Estonia	207,190	105,489
Finland	152,718	51,826
Lithuania	64,498	4,453
Latvia	28,658	10,094
Other	106	348
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	**453,170**	**172,210**
MAJOR PRODUCTS/SERVICE LINES		
Sales of natural gas	373,286	118,246
Sales of gas network service	30,614	23,345
Sales of electricity	15,943	5,913
Sales of construction and repair services	11,829	10,624
Sales of liquefied natural gas (LNG)	11,149	5,371
Sales of compressed gas (CNG)	4,169	3,811
Sales of gas appliances and other goods	809	908
Connection fees	785	742
Sales of other services	4,586	3,250
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	**453,170**	**172,210**

C Contract balances

In thousands of euros	31.12.2021	31.12.2020
Receivables, which are included in 'trade and other receivables' (Note 13)	106,187	37,301
Contract assets	101	312
Current contract liabilities	(134)	(279)
Non-current contract liabilities (connection fees)	(13,211)	(12,705)

The contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date under construction contracts. The contract assets are transferred to receivables when the rights become unconditional. The majority of the current contract liabilities relate to the advance consideration received from customers under construction contracts.

The amounts of EUR 312 thousand (2020: EUR 695 thousand) recognised in contract assets and EUR 279 thousand (2020: EUR 430 thousand) recognised in current contract liabilities at the beginning of the period have been recognised as revenue in the reporting period. The amount recognised in contract assets and in current contract liabilities at the end of the period is expected to be recognised as revenue during year 2022 (31 December 2020: during year 2021). The amount of connection fees received and recognised as revenue in the reporting period was as follows.

CONNECTION FEES

In thousands of euros	2021	2020
Deferred connection fees at the beginning of the period	12,705	11,370
Connection fees received	1,291	2,077
Connection fees recognised as income	(785)	(742)
Deferred connection fees at the end of the period	13,211	12,705

The amortisation period of connection fees is up to 33 years (2020: 32 years).

7. OTHER OPERATING INCOME

In thousands of euros	2021	2020
Gain on sale of non-current assets	700	33
Gain from derivatives	449	426
Fines and interest on arrears received	112	124
Compensation received	93	67
Amortisation of government grants received for purchasing of non-current assets	32	32
Other operating income	35	29
TOTAL OTHER OPERATING INCOME	**1,421**	**711**

The majority of the gain on sale of non-current assets comprised of the gain on sale of the former office building property.

8. RAW MATERIALS AND CONSUMABLES USED

In thousands of euros	2021	2020
Natural gas sold	283,922	110,495
Gas network service	17,343	14,358
Other goods sold	15,454	5,914
Construction materials	5,597	6,099
Subcontracting works	4,703	3,656
Carriage services	1,158	1,251
Other goods, materials and services	3,698	2,745
TOTAL RAW MATERIALS AND CONSUMABLES USED	**331,875**	**144,518**

9. PAYROLL EXPENSES

In thousands of euros	2021	2020
Average number of employees and members of the Management Board of the Group	239	233
Wages, salaries, bonuses, vacation pay, other payments and benefits	9,955	8,949
Fringe benefits	192	137
Payroll taxes	3,326	2,960
Recognition/revaluation of employee related provisions (Note 23)	92	99
TOTAL CALCULATED PAYROLL EXPENSES	**13,565**	**12,145**

The members of the Management Board are appointed by the Supervisory Board. According to the Articles of Association, the term of appointment is up to 3 years.

ADDITIONAL INFORMATION ABOUT THE NUMBER OF EMPLOYEES OF THE PARENT

	2021	2020
-the average number of the members of the Supervisory Board	6	6
the average number of the members of the Management Board	4	4
the average number of employees	63	60
- the average number of persons provi-ding service under service contracts	1	2

10. OTHER OPERATING EXPENSES

In thousands of euros	2021	2020
IT services	1,599	1,606
Administrative costs of buildings	277	238
Office supplies and services	214	205
Advertising expenses	134	163
Legal and other consulting services, audit	127	323
Taxes and fees	122	185
Loss from sale and write-off of non-current assets	83	87
Travel and training expenses	92	74
Membership fees, sponsorship and donations	53	65
Bank transaction fees	61	53
Other operating expenses	727	388
TOTAL OTHER OPERATING EXPENSES	**3,489**	**3,387**

11. NET FINANCIAL EXPENSE

In thousands of euros	2021	2020
FINANCE INCOME		
Interest income	87	182
TOTAL INTEREST INCOME	**87**	**182**
TOTAL FINANCE INCOME	**87**	**182**
FINANCE COSTS		
INTEREST EXPENSE		
Interest expense on borrowings	(3,462)	(2,692)
incl. interest expense on lease liabilities (Note 26)	(175)	(125)
Interest expense on provisions (Note 23)	(4)	(4)
TOTAL INTEREST EXPENSE	**(3,466)**	**(2,696)**
TOTAL FINANCE COSTS	**(3,466)**	**(2,696)**
NET FINANCIAL EXPENSE	**(3,379)**	**(2,514)**

12. INVENTORIES

In thousands of euros	31.12.2021	31.12.2020
Natural gas inventory in storage	65,679	40,053
Other goods and materials	739	688
Finished goods	9	11
Prepayments for other goods	215	-
TOTAL INVENTORIES	**66,642**	**40,752**

In the reporting period, materials and goods were written down in the amount of EUR 6 thousand (2020: EUR 1 thousand).

13. TRADE AND OTHER RECEIVABLES

In thousands of euros	31.12.2021	31.12.2020
TRADE RECEIVABLES		
ACCOUNTS RECEIVABLE FROM CONTRACTS WITH CUSTOMERS		
Accounts receivable (Note 24)	106,397	37,585
incl. accounts receivable from related parties (Note 28)	1,250	1,412
Allowance for doubtful receivables	(210)	(284)
TOTAL ACCOUNTS RECEIVABLE FROM CONTRACTS WITH CUSTOMERS (NOTE 6)	**106,187**	**37,301**
OTHER ACCOUNTS RECEIVABLE		
Accounts receivable (Note 24)	33	36
Allowance for doubtful receivables	(27)	(25)
TOTAL OTHER ACCOUNTS RECEIVABLE	**6**	**11**
TOTAL TRADE RECEIVABLES	**106,193**	**37,312**
Accrued income	-	286
Other receivables	6,893	171
Costs to fulfil contracts	14	37
TOTAL TRADE AND OTHER RECEIVABLES (Note 24)	**113,100**	**37,806**
INCL. CURRENT	**113,066**	**37,749**
NON-CURRENT	**34**	**57**

Receivables and prepayments for services and goods are not secured.

All of the Group's receivables are denominated in euros.

Information about the credit quality of the trade receivables is disclosed in Note 24.

As at 31 December 2021 and 2020, the majority of accounts receivable from related parties comprised of receivables for liquefied natural gas (LNG) sold. The other receivables comprised of the receivable in the amount of EUR 4,785 thousand from Keskkonnainvesteeringute Keskus (Environmental Investment Centre) for compensation of gas network service price. According to the support measure established by the Government of the Republic, 100% of natural gas network service fee from December 2021 until March 2022 will be compensated by the state and invoices issued to consumers are reduced correspondingly.

14. CASH AND CASH EQUIVALENTS

In thousands of euros	31.12.2021	31.12.2020
Bank accounts	51,329	11,376
TOTAL CASH AND CASH EQUIVALENTS (NOTE 24)	**51,329**	**11,376**

15. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Land and buildings	Facilities	Machinery and equipment	Other	Construction in progress and prepayments	Total
PROPERTY, PLANT AND EQUIPMENT AS AT 31 DECEMBER 2019						
Cost	2,899	112,368	19,066	406	1,091	135,830
Accumulated depreciation	(1,138)	(41,084)	(11,882)	(89)	-	(54,193)
CARRYING AMOUNT	**1,761**	**71,284**	**7,184**	**317**	**1,091**	**81,637**
MOVEMENTS, 1 JANUARY - 31 DECEMBER 2020						
Additions	-	4	1,487	12	4,107	5,610
Depreciation and impairment charge	(71)	(3,538)	(1,225)	(41)	-	(4,875)
Disposals and write-offs	-	(21)	(80)	(1)	-	(102)
Transfers from construction in progress and prepayments	4	4,008	186	6	(4,204)	-
Other reclassifications	-	(7)	7	-	-	-
TOTAL MOVEMENTS, 1 JANUARY - 31 DECEMBER 2020	**(67)**	**446**	**375**	**(24)**	**(97)**	**633**
PROPERTY, PLANT AND EQUIPMENT AS AT 31 DECEMBER 2020						
Cost	2,903	116,348	20,109	418	994	140,772
Accumulated depreciation	(1,209)	(44,618)	(12,550)	(125)	-	(58,502)
CARRYING AMOUNT	**1,694**	**71,730**	**7,559**	**293**	**994**	**82,270**
MOVEMENTS, 1 JANUARY - 31 DECEMBER 2021						
Additions	17	-	703	5	5,664	6,389
Depreciation and impairment charge	(64)	(3,595)	(1,416)	(48)	-	(5,123)
Disposals and write-offs	(99)	(35)	(42)	-	(9)	(185)
Transfers from construction in progress and prepayments	644	3,866	711	4	(5,225)	-
Other reclassifications	-	-	(11)	11	-	-
TOTAL MOVEMENTS, 1 JANUARY - 31 DECEMBER 2021	**498**	**236**	**(55)**	**(28)**	**430**	**1,081**
PROPERTY, PLANT AND EQUIPMENT AS AT 31 DECEMBER 2021						
Cost	3,133	120,102	19,793	445	1,424	144,897
Accumulated depreciation	(941)	(48,136)	(12,289)	(180)	-	(61,546)
CARRYING AMOUNT	**2,192**	**71,966**	**7,504**	**265**	**1,424**	**83,351**

Assumptions and estimation uncertainties

The estimated useful lives of items of property, plant and equipment are based on management's estimate of the period during which the asset will be used. The actual useful lives may be longer or shorter than the estimates. If depreciation rates were changed by 10%, the annual depreciation charge would change by EUR 512 thousand (2020: EUR 488 thousand).

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16. INTANGIBLE ASSETS

In thousands of euros	Computer software	Customer contracts	Total
INTANGIBLE ASSETS AS AT 31 DECEMBER 2019			
Cost	7,566	6,300	13,866
Accumulated amortisation	(5,020)	(1,793)	(6,813)
CARRYING AMOUNT	**2,546**	**4,507**	**7,053**
MOVEMENTS, 1 JANUARY - 31 DECEMBER 2020			
Purchases	852	-	852
Amortisation charge	(991)	(709)	(1,700)
TOTAL MOVEMENTS	**(139)**	**(709)**	**(848)**
INTANGIBLE ASSETS AS AT 31 DECEMBER 2020			
Cost	8,396	6,300	14,696
Accumulated amortisation	(5,989)	(2,503)	(8,492)
CARRYING AMOUNT	**2,407**	**3,797**	**6,204**
MOVEMENTS, 1 JANUARY - 31 DECEMBER 2021			
Purchases	662	-	662
Amortisation charge	(976)	(524)	(1,500)
Write-offs	(13)	-	(13)
TOTAL MOVEMENTS	**(327)**	**(524)**	**(851)**
INTANGIBLE ASSETS AS AT 31 DECEMBER 2021			
Cost	9,144	6,300	15,444
Accumulated amortisation	(7,064)	(3,027)	(10,091)
CARRYING AMOUNT	**2,080**	**3,273**	**5,353**

ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

The estimated useful lives of items of intangible assets are based on management's estimate of the period during which the asset will be used. The actual useful lives may be longer or shorter than the estimates. If depreciation rates were changed by 10%, the annual depreciation charge would change by EUR 150 thousand (2020: EUR 170 thousand).

17. DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2021		31.12.2020	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
NON-CURRENT DERIVATIVE FINANCIAL INSTRUMENTS				
Swap contracts for buying and selling natural gas	9,584	-	-	1,286
incl. derivative financial instruments that are designated as cash flow hedges	9,584	-	-	1,286
Swap contracts for buying and selling electricity	99	-	-	7
incl. derivative financial instruments that are designated as cash flow hedges	99	-	-	7
CURRENT DERIVATIVE FINANCIAL INSTRUMENTS				
Swap contracts for buying and selling natural gas	14,180	(46,151)	554	10,654
incl. derivative financial instruments that are designated as cash flow hedges	14,180	(46,151)	554	11,103
Swap contracts for buying and selling electricity	1,867	-	98	11
incl. derivative financial instruments that are designated as cash flow hedges	1,867	-	98	11
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS (Note 24)	**25,730**	**(46,151)**	**652**	**11,958**

The goal of the swap contracts for buying and selling natural gas is to manage the risk of changes in the purchase price of natural gas and the value of sales transactions. The goal of the swap contracts for buying and selling electricity is to manage the risk of changes in the purchase price of electricity. Additional information about the risk management principles is disclosed in Note 24.3 (c).

18. CAPITAL AND RESERVES

A Share capital

As at 31 December 2021, AS Eesti Gaas had 27,728,408 shares without nominal value (31 December 2020: 27,728,408 shares without nominal value). Each share grants one vote at the general meeting of shareholders.

INFORMATION ABOUT SHAREHOLDERS AS AT 31 DECEMBER 2021

	31.12.2021		31.12.2020	
Shareholder	Number of shares	Interest	Number of shares	Interest
AS Infortar	27,728,408	100.0%	27,728,408	100.0%

The share registry is kept electronically at the Estonian Central Register of Securities.

B Statutory capital reserve

The statutory capital reserve has been formed in compliance with the requirements specified in the Commercial Code of Estonia. The size of the capital reserve is foreseen in the Articles of Association and it cannot be smaller than 1/10 of the share capital.

As at 31 December 2021, the Group's statutory capital reserve totalled EUR 992 thousand (31 December 2020: EUR 992 thousand). As at 31 December 2021 the Group has no obligation to make any additional transfers to the statutory capital reserve.

C Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

In thousands of euros	2021	2020
HEDGING RESERVE AT THE BEGINNING OF THE PERIOD	**(11,406)**	**6,065**
Cash flow hedges – effective portion of changes in fair value	(47,399)	(19,544)
Gain(-) / loss(+) on realised cash flow hedges	46,340	2,073
HEDGING RESERVE AT THE END OF THE PERIOD	**(12,465)**	**(11,406)**

D Profit distribution

According to the Income Tax Act, companies are taxed in Estonia on the distribution of dividends. Income tax on dividends is calculated as 20/80 of the amount payable as net dividends (except for regularly payable dividends, to which the reduced income tax rate is applied). Dividends distributed by a company are exempt, if these are paid out of dividends received from other companies in which the company has at least 10% interest.

The following table presents the basis for calculating the distributable shareholders' equity, potential dividends and the accompanying corporate income tax.

In thousands of euros	31.12.2021	31.12.2020
Retained earnings (Note 29)	57,893	32,059
Distributable shareholders' equity	57,893	32,059
Corporate income tax payable on the distribution of the entire unrestricted equity	11,579	6,412
Net dividends available for distribution	46,314	25,647

In the reporting period and comparable period dividends were not paid.

19. CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors capital using a ratio of equity and shareholder loans to total assets. The Group's policy is to maintain the sustainable ratio.

The Group's equity to total assets ratio as at 31 December 2021 was as follows.

In thousands of euros	31.12.2021	31.12.2020
Equity	56,412	31,587
Subordinated shareholder loan and overdraft (Note 20)	29,000	33,223
Total assets	379,993	195,815
EQUITY TO TOTAL ASSETS RATIO	**22%**	**33%**

eesti gaas

20. BORROWINGS

BORROWINGS AT AMORTISED COST

In thousands of euros	31.12.2021	31.12.2020
LONG-TERM BORROWINGS		
Bank loans	35,252	40,366
Subordinated shareholder loan (Note 19)	29,000	29,000
Lease liabilities	11,128	3,082
TOTAL LONG-TERM BORROWINGS	**75,380**	**72,448**
SHORT-TERM BORROWINGS		
Short-term bank loans	118,500	40,000
Bank overdraft	6,573	-
Overdraft from a shareholder (Note 19)	-	4,223
Current portion of long-term bank loans	5,130	3,365
Current portion of lease liabilities	1,924	1,748
TOTAL SHORT-TERM BORROWINGS	**132,127**	**49,336**
TOTAL BORROWINGS	**207,507**	**121,784**

Information about the Group' exposure to interest rate, currency and liquidity risks is disclosed in Note 24.

TERMS AND REPAYMENT SCHEDULE OF BORROWINGS

In thousands of euros	Maturity date	Nominal value 31.12.2021	Nominal value 31.12.2020
Bank loans	2021-2023	158,905	83,770
Subordinated shareholder loan (Note 19)	2024	29,000	29,000
Bank overdraft	2022	6,573	-
Shareholder overdraft (Note 19)	-	-	4,223
Lease liabilities	2021-2047	13,052	4,830
incl. lease liabilities to related parties (Note 28)		10,134	2,064
TOTAL BORROWINGS		**207,530**	**121,823**

Majority of the bank loans have floating interest rates. As at 31 December 2021, the interest rates of bank loans were between 1.35% and 2.85% (31 December 2020: 1.45% and 1.95%). The interest rates of subordinated shareholder loan and overdraft were between 2.5% and 4.0% (31 December 2020: 2.5% and 4.0%). The interest rates of lease contracts were between 1.18% and 3.3% (31 December 2020: 1.05% and 3.09%).

In 2021 the working capital loans in the amount of EUR 66 million were repaid (2020: EUR 50 million) and new working capital loans in the amount of EUR 144.5 million (2020: EUR 70 million) were received.

As at 31 December 2021 and 31 December 2020, the bank loans were secured by a commercial pledge registered on the assets of AS Gaasivõrk, by a mortgage registered on six properties belonging to AS Eesti Gaas, by commercial pledges registered on the assets of OÜ Pärnu Päikesepark 1-4 and a mortgage registered on a legal share of the right of superficies.

MOVEMENTS OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

In thousands of euros	Overdrafts used for cash management purposes	Loans	Lease liabilities
BALANCE AS AT 1 JANUARY 2021	**4,223**	**112,731**	**4,830**
CHANGES FROM FINANCING CASH FLOWS			
Bank loans received	-	144,500	-
Repayments of bank loans	-	(69,365)	-
Payment of lease liabilities	-	-	(921)
TOTAL CHANGES FROM FINANCING CASH FLOWS	**-**	**75,135**	**(921)**
OTHER CHANGES			
Changes in overdrafts	2,350	-	-
New leases	-	-	9,251
Reassessment of the lease liability	-	-	(68)
Derecognition of right-of-use assets	-	-	(40)
Amortisation of borrowing costs	-	16	-
TOTAL OTHER CHANGES	**2,350**	**16**	**9,143**
BALANCE AT 31 DECEMBER 2021	**6,573**	**187,882**	**13,052**

21. TRADE AND OTHER PAYABLES

In thousands of euros	31.12.2021	31.12.2020
Trade payables	25,989	4,986
incl. payables to related parties (Note 28)	634	4
Tax liabilities	23,630	6,325
Payables to employees	3,484	2,458
Accrued interest	78	28
incl. payables to related parties (Note 28)	13	12
Other payables	1,468	1,720
TOTAL TRADE AND OTHER PAYABLES (Note 24)	**54,649**	**15,517**
INCL. CURRENT	**54,649**	**15,517**

22. DEFERRED INCOME

GOVERNMENT GRANTS

In thousands of euros	2021	2020
DEFERRED INCOME FROM GRANTS AT THE BEGINNING OF THE PERIOD	**412**	**444**
Amortisation of government grants received	(31)	(32)
DEFERRED INCOME FROM GRANTS AT THE END OF THE PERIOD	**381**	**412**

The Group has received grants for the construction of new CNG filling stations from Keskkonnainvesteeringute Keskus (Environmental Investment Centre).

23. PROVISIONS

In thousands of euros	Post-employment benefits for the members of the Management Board (Note 9)	Pensions (Note 9)	Warranties, fines, and other contractual obligations	Total
BALANCE AS AT 1 JANUARY 2021	**809**	**256**	**236**	**1,301**
Provisions made and restated during the year	91	1	16	108
Unwind of discount (Note 11)	-	4	-	4
Provisions used during the year	-	(32)	(30)	(62)
BALANCE AS AT 31 DECEMBER 2021	**900**	**229**	**222**	**1,351**
incl. current	-	31	185	216
non-current	900	198	37	1,135
BALANCE AS AT 1 JANUARY 2020	**734**	**259**	**239**	**1,232**
Provisions made and restated during the year	75	24	173	272
Unwind of discount (Note 11)	-	4	-	4
Provisions used during the year	-	(31)	(176)	(207)
BALANCE AS AT 31 DECEMBER 2020	**809**	**256**	**236**	**1,301**
incl. current	-	31	175	206
non-current	809	225	61	1,095

A Post-employment benefits for the members of the Management Board

The provision for post-employment benefits for the members of the Management Board has been set up according to the conditions of the contracts in force.

B Pensions

The provision for pensions has been set up according to the conditions of the contract in force in order to pay the pension to a Member of the Supervisory Board.

C Warranties, fines and other contractual obligations

The provision for warranties, fines and other contractual obligations has been set up to cover potential obligations arising from construction contracts.

24. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

24.1 ACCOUNTING CLASSIFICATION AND FAIR VALUES

					Fair value	
In thousands of euros	Fair value - hedging instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 2	Level 3
AS AT 31 DECEMBER 2021						
FINANCIAL ASSETS MEASURED AT FAIR VALUE						
Derivative financial instruments - swaps for buying and selling natural gas and electricity (Note 17)	25,730	-	-	25,730	25,730	-
	25,730	**-**	**-**	**25,730**		
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE						
Trade and other receivables (Note 13)	-	113,100	-	113,100	***	***
Cash and cash equivalents (Note 14)	-	51,329	-	51,329	***	***
	-	**164,429**	**-**	**164,429**		
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE						
Derivative financial instruments - swaps for buying and selling natural gas and electricity (Note 17)	(46,151)	-	-	(46,151)	(46,151)	-
	(46,151)	**-**	**-**	**(46,151)**		
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE						
Overdrafts and loans (Note 20)**	-	-	(194,455)	(194,455)	-	(195,274)
Lease liabilities (Note 20)	-	-	(13,052)	(13,052)	-	(13,052)
Trade and other payables (Note 21)*	-	-	(27,535)	(27,535)	***	***
	-	**-**	**(235,042)**	**(235,042)**		

* Payables to employees and tax liabilities are not included

** According to management's estimates the fair values of the bank loans and overdraft that had a floating interest rate did not differ from their carrying amounts as the risk margins at the end of reporting period met the level of the market's risk margin.

*** The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, trade and other receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

24.1 ACCOUNTING CLASSIFICATION AND FAIR VALUES

In thousands of euros	Fair value - hedging instruments	Financial assets at amortised cost	Other financial liabilities	Total	Fair value Level 2	Fair value Level 3
AS AT 31 DECEMBER 2020						
FINANCIAL ASSETS MEASURED AT FAIR VALUE						
Derivative financial instruments - swaps for buying and selling natural gas and electricity (Note 17)	652	-	-	652	652	-
	652	**-**	**-**	**652**		
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE						
Trade and other receivables (Note 13)	-	37,806	-	37,806	***	***
Cash and cash equivalents (Note 14)	-	11,376	-	11,376	***	***
	-	**49,182**	**-**	**49,182**		
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE						
Derivative financial instruments - swaps for buying and selling natural gas and electricity (Note 17)	(11,958)	-	-	(11,958)	(11,958)	-
	(11,958)	**-**	**-**	**(11,958)**		
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE						
Overdrafts and loans (Note 20)**	-	-	(116,954)	(116,954)	-	(118,379)
Lease liabilities (Note 20)	-	-	(4,830)	(4,830)	-	(4,834)
Trade and other payables (Note 21)*	-	-	(6,734)	(6,734)	***	***
	-	**-**	**(128,518)**	**(128,518)**		

* Payables to employees and tax liabilities are not included

** According to management's estimates the fair values of the bank loans and shareholder overdraft did not differ from their carrying amounts as these had a floating interest rate and the risk margins at the end of reporting period met the level of the market's risk margin. The Group also treats the shareholder overdraft in calculating the fair value as a floating interest rate borrowing as the shareholder has a right to unilaterally change the interest rate.

*** The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, trade and other receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

24.2 MEASUREMENT OF FAIR VALUES

	Valuation technique	Significant unob-servable inputs
FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE		
Derivative financial instruments - swaps contracts for buying and selling natural gas	The fair value is determined using settlement prices for futures contracts at ICE Endex market at the reporting date	-
Derivative financial instruments - swaps contracts for buying and selling electricity	The fair value is determined using Nord Pool's settlement prices of Estonian and Latvian price area at the reporting date	-
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE		
Loans, overdrafts and lease liabilities	Discounted cash flows: the valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate	Interest rates of borrowings

24.3 FINANCIAL RISK MANAGEMENT

THE GROUP HAS EXPOSURE TO THE FOLLOWING RISKS ARISING FROM FINANCIAL INSTRUMENTS:

- credit risk
- liquidity risk
- market risk

The parent's Management Board has responsibility for the establishment and oversight of the Group's risk management framework. The purpose of the Group's overall risk management programme is to mitigate financial risks and minimise the volatility of financial results in order to minimise adverse effects on the Group's financial performance. The Group's risk management activities focus on the identification and analysis of possible risks, setting appropriate risk limits and controls and monitoring adherence to limits. The efficiency of risk management and internal controls are monitored and analysed by the Supervisory Board.

A Credit risk

Credit risk is the risk that a customer or a counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. Credit risk arises principally from the Group's receivables from customers and contract assets. The carrying amount of financial assets and contract assets represents the maximum credit exposure.

AS AT 31 DECEMBER 2021, THE MAXIMUM AMOUNT EXPOSED TO CREDIT RISK WAS AS FOLLOWS

In thousands of euros	31.12.2021	31.12.2020
Trade and other receivables (Note 13)	113,100	37,806
Derivative financial instruments (Note 17)	25,730	652
Bank accounts (Note 14)	51,329	11,376
Contract assets (Note 6)	101	312
TOTAL AMOUNT EXPOSED TO CREDIT RISK	**190,260**	**50,146**

TRADE AND OTHER RECEIVABLES

The Group's exposure to credit risk for accounts receivable is influenced mainly by the individual characteristics of each customer. For business customers the credit analysis is performed prior to the conclusion of the contract and regularly during the validity of the contract. For household customers the seller of gas who has the greatest market share within a network area is obliged to sell gas within the technical limits of the network to all the household customers who have a network connection within the network area and who wish to purchase gas.

The customers' debt is monitored on a daily basis and additional measures are applied if necessary (for example interim invoices, prepayment invoices or deposits). For overdue invoices reminders are sent to customers or customers are contacted by phone, if necessary an enforcement procedure is started through the court or a collection agency. The supply of gas may be interrupted in accordance with the conditions stipulated in the Natural Gas Act after the prescribed term date has passed.

24.3 FINANCIAL RISK MANAGEMENT, CONTINUED

AS AT 31 DECEMBER 2021, THE MAXIMUM EXPOSURE TO CREDIT RISK BY THE TYPE OF RECEIVABLE WAS AS FOLLOWS

In thousands of euros	31.12.2021	31.12.2020
Trade receivables for gas and network service, incl.		
commercial consumers	87,965	30,043
household customers	6,336	3,077
Trade receivables for other goods and services	11,892	4,192
Other receivables	6,907	494
TOTAL TRADE AND OTHER RECEIVABLES (Note 13)	**113,100**	**37,806**

THE ALLOWANCE FOR DOUBTFUL RECEIVABLES BY THE TYPE OF RECEIVABLE AS AT 31 DECEMBER 2021 WAS AS FOLLOWS

In thousands of euros	31.12. 2021	31.12.2020
Allowance for doubtful receivables for gas and network service, incl.		
commercial consumers	(180)	(246)
household customers	(18)	(23)
Allowance for doubtful receivables for other goods and services	(39)	(40)
TOTAL ALLOWANCE FOR DOUBTFUL RECEIVABLES (Note 13)	**(237)**	**(309)**

As at 31 December 2021, the Group's most significant customer accounted for EUR 18,925 thousand of trade and other receivables (31 December 2020: EUR 7,481 thousand).

AN ANALYSIS OF THE CREDIT QUALITY OF ACCOUNTS RECEIVABLE AS AT 31 DECEMBER 2021 WAS AS FOLLOWS

In thousands of euros	31.12.2021	31.12.2020
Receivables from new customers (client relationship shorter than 6 months)	4,877	1,290
Receivables from existing customers (client relationship longer than 6 months)	95,056	35,067
TOTAL ACCOUNTS RECEIVABLE NOT YET DUE	**99,933**	**36,357**

EXPECTED CREDIT LOSS ASSESSMENT FOR ACCOUNTS RECEIVABLE

The Group uses an allowance matrix to measure the expected credit losses of accounts receivable, which comprise a very large number of balances. Loss rates are based on actual credit loss experience and are calculated separately for exposures in different segments based on the geographic region and the type of products/service lines. If necessary, the loss rates based on historical information are adjusted taking into account the overall economic outlook.

As at 31 December 2021, the Group had not observed any deterioration in customers' payment behavior.

In thousands of euros	Weighted average loss rate	Gross carrying amount	Impairment loss allowance
31 DECEMBER 2021			
Accounts receivable not yet due	0.04%	99,933	41
1-30 days past due	0.07%	6,158	4
31-179 days past due	1.42%	114	2
More than 180 days past due	84.74%	225	190
TOTAL ACCOUNTS RECEIVABLE (Note 13)		**106,430**	**237**
31 DECEMBER 2020			
Accounts receivable not yet due	0.02%	36,357	9
1-30 days past due	0.60%	875	6
31-179 days past due	11.39%	52	6
More than 180 days past due	85.55%	337	288
TOTAL ACCOUNTS RECEIVABLE (Note 13)		**37,621**	**309**

24.3 FINANCIAL RISK MANAGEMENT, CONTINUED

THE MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL RECEIVABLES DURING THE YEAR WAS AS FOLLOWS

In thousands of euros	2021	2020
Allowance for doubtful receivables at the beginning of the period	(309)	(259)
Classified as doubtful and collected during the accounting period	(26)	(68)
Classified as irrecoverable	98	18
ALLOWANCE FOR DOUBTFUL RECEIVABLES AT THE END OF THE PERIOD (Note 13)	**(237)**	**(309)**

The other receivables do not contain any assets that have been written down.

BANK ACCOUNTS AND SHORT-TERM DEPOSITS

In thousands of euros	31.12.2021	31.12. 2020
At banks with Moody's credit rating of Aa2	-	409
At banks with Moody's credit rating of Aa3	49,659	10,926
At banks with Moody's credit rating of A3	302	-
At banks with Moody's credit rating of Baa1	1,368	41
TOTAL BANK ACCOUNTS AND SHORT-TERM DEPOSITS AT BANKS (Note 14)	**51,329**	**11,376**

B Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses and risking damage to the Group's reputation. Long-term liquidity risk is the risk that the Group does not have a sufficient amount of unrestricted cash or other sources of liquidity to meet its future liquidity needs in order to carry out its business plan and meet its commitments, or that for the above reasons the Group needs to raise additional cash quickly which may result in higher costs.

Short-term liquidity risk is mitigated so that the Group keeps a certain amount of cash buffer in its bank accounts in order to have a sufficient amount of cash also available in case there are deviations from the cash flow forecast. In order to have a sufficient amount of cash available, the Group has concluded overdraft agreements, factoring agreements and bank loan agreements for financing current assets. Short term need for extra financing may occur when the Group purchases natural gas for depositing in storage.

In order to finance investments related to various machinery the Group has concluded lease contracts.

The following are the remaining contractual amounts by maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

		Contractual cash flows				
In thousands of euros	Carrying amount	Total	6 months or less	7-12 months	1-5 years	More than 5 years
31 DECEMBER 2021						
Bank loans (Note 20)	158,882	160,413	120,865	3,810	35,738	-
Subordinated shareholder loan (Note 20)	29,000	32,190	580	580	31,030	-
Bank overdraft (Note 20)	6,573	6,593	6,593	-	-	-
Lease liabilities (Note 20)	13,052	14,352	833	1,456	10,725	1,338
Trade and other payables (Note 21)	54,649	54,649	54,649	-	-	-
TOTAL	**262,156**	**268,197**	**183,520**	**5,846**	**77,493**	**1,338**
31 DECEMBER 2020						
Bank loans (Note 20)	83,731	85,802	42,250	2,065	41,487	-
Subordinated shareholder loan (Note 20)	29,000	33,350	580	580	32,190	-
Shareholder overdraft (Note 20)	4,223	4,236	4,236	-	-	-
Lease liabilities (Note 20)	4,830	5,444	408	1,455	1,917	1,664
Trade and other payables (Note 21)	15,517	15,517	15,517	-	-	-
TOTAL	**137,301**	**144,349**	**62,991**	**4,100**	**75,594**	**1,664**

24.3 FINANCIAL RISK MANAGEMENT, CONTINUED

C Market risk

Market risk is the risk that changes in market prices - such as commodities, foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

PRICE RISK OF COMMODITIES

The Group's major price risks of commodities arise from fixed-price gas sales contracts, the take-or-pay provision in the natural gas purchase contract and floating-price electricity purchase contracts. The Group uses derivatives - swap contracts for buying and selling natural gas and electricity - to manage price risks. The swap contracts have been entered into for the purchase or sale of a fixed volume of natural gas or electricity at each hour and their price is denominated in euros. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. A hedging relationship meets the hedge effectiveness requirements if there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes and the hedge ratio is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item. The possible sources for ineffectiveness may be the differences in the quantities, underlying commodities and prices. The fair value changes of the other transactions are recognised in profit or loss. As at 31 December 2021, the Group had concluded swap contracts for buying and selling natural gas for the years 2022 - 2025 in the volume of 90,640 MWh (31 December 2020: -1,734,117 MWh for the years 2021 - 2024) and swap contracts for buying electricity for the years 2022 - 2023 in the volume of 52,041 MWh (31 December 2020: 23,401 MWh for the years 2021 - 2022). The basis for determining the fair value of the transactions are the quotes at ICE Endex market and Nord Pool (Note 17). Additional information about the take-or-pay provision in the natural gas purchase contract is disclosed in Note 27.

CURRENCY RISK

The Group's financial instruments are not exposed to currency risk as all the sales, purchases and borrowing contracts have been concluded in euros.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of financial instruments or cash flows will fluctuate in the future due to changes in market interest rates. Cash flow interest rate risk arises to the Group from floating interest rate borrowings and lies in the danger that financial expenses increase when interest rates increase.

A sensitivity analysis is used to assess the interest rate risk. As at 31 December 2021, borrowings with a fixed interest rate accounted for 31% and borrowings with a floating interest rate 69% of the total amount of borrowings (31 December 2020: 28% of borrowings had a fixed interest rate and 72% of borrowings had a floating interest rate).

The interest rate profile of the Group's interest-bearing financial instruments in nominal amounts is as follows.

In thousands of euros	31.12.2021	31.12.2020
FIXED-RATE INSTRUMENTS		
Financial liabilities	65,090	33,766
VARIABLE-RATE INSTRUMENTS		
Financial liabilities	142,440	88,057
TOTAL (Note 20)	**207,530**	**121,823**

FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED-RATE INSTRUMENTS

The Group does not account for any fixed-rate financial liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE-RATE INSTRUMENTS

A reasonably possible change in interest rates as at 31 December 2021 and 31 December 2020 would have an immaterial effect on profit or loss, as a material change in Euribor rates is not anticipated.

A possible change of 100 basis points in interest rates of variable-rate instruments would have increased (decreased) profit or loss as at 31 December 2021 by the amounts shown below.

	Profit or loss	
In thousands of euros	100 bp increase	100 bp decrease
31 DECEMBER 2021		
Variable-rate instruments	(1,076)	1,076
31 DECEMBER 2020		
Variable-rate instruments	(851)	851

25. LIST OF SUBSIDIARIES

THE GROUP HAD THE FOLLOWING SUBSIDIARIES AS AT 31 DECEMBER 2021

Name of the subsidiary	Country of incor-poration	Nature of business	Proportion of ordinary shares held by the Group (%) 31.12.2021	31.12.2020
AS Gaasivõrk	Estonia	Sale of distribution services through natural gas distribution network	100.0	100.0
AS EG Ehitus	Estonia	Construction and engi-neering of the pipelines and boiler plants and repair work	100.0	100.0
Elenger Crew Management OÜ	Estonia	Vessel crew management	100.0	100.0
HG ProSolution OÜ	Estonia	Professional design and project management	100.0	100.0
Elenger Marine OÜ	Estonia	Sale of natural gas	100.0	100.0
OÜ Pärnu Päikesepark 1	Estonia	Production of electricity	80.0	80.0
OÜ Pärnu Päikesepark 2	Estonia	Production of electricity	80.0	80.0
OÜ Pärnu Päikesepark 3	Estonia	Production of electricity	80.0	80.0
OÜ Pärnu Päikesepark 4	Estonia	Production of electricity	80.0	80.0
SIA Elenger	Latvia	Sale of natural gas and electricity	100.0	100.0
SIA Elenger Marine	Latvia	Sea freight water transport	100.0	-
UAB Elenger	Lithuania	Sale of natural gas and electricity	100.0	100.0
Elenger OY	Finland	Sale of natural gas	100.0	100.0
Elenger Sp. z.o.o.	Poland	Sale of natural gas	100.0	-

As at 31 December 2021 the assets of OÜ Pärnu Päikesepark 1-4 totalled EUR 3,496 thousand, liabilities EUR 3,130 thousand and revenue EUR 579 thousand (31 December 2020: assets EUR 3,589 thousand, liabilities 3,482 thousand, revenue EUR 402 thousand).

26. LEASES

A Leases as a lessee

The Group leases office spaces, vehicles and other machinery and equipment and has concluded the right of superficies and personal right of use contracts for the use of land.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term and/or for leases of low-value assets.

In thousands of euros	Land and buil-dings	Machinery and equipment	Total
BALANCE AS AT 1 JANUARY 2021	**2,522**	**2,697**	**5,219**
Additions to right-of-use assets	116	9,154	9,270
Reassessment of the lease liability	(67)	-	(67)
Depreciation charge	(270)	(860)	(1,130)
Derecognition of right-of-use assets	-	(43)	(43)
BALANCE AT 31 DECEMBER 2021	**2,301**	**10,948**	**13,249**
BALANCE AS AT 1 JANUARY 2020	**2,798**	**2,869**	**5,667**
Additions to right-of-use assets	-	316	316
Reassessment of the lease liability	(15)	-	(15)
Depreciation charge	(261)	(450)	(711)
Derecognition of right-of-use assets	-	(38)	(38)
BALANCE AT 31 DECEMBER 2020	**2,522**	**2,697**	**5,219**

In the reporting period the Group concluded LNG bunker vessel charter agreement that is recognised as a right-of-use asset in the "Machinery and equipment" group.

AMOUNTS RECOGNISED IN PROFIT OR LOSS UNDER IFRS 16

In thousands of euros	2021	2020
Interest expense on lease liabilities (Note 11)	175	125
Expenses relating to short-term leases	516	413

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

In thousands of euros	2021	2020
Total cash outflow for leases	1,612	1,211

EXTENSION OPTIONS

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

B Leases as a lessor

The Group leases out the free space of properties in own use. Operating lease agreements are cancellable with short-term notice.

During 2021, the property rentals of EUR 11 thousand (2020: EUR 21 thousand) were included in revenue (Note 6).

27. COMMITMENTS AND CONTINGENCIES

A Capital commitments arising from construction contracts

As at 31 December 2021, the Group had contractual liabilities relating to the acquisition of non-current assets totalling EUR 16 thousand (31 December 2020: EUR 82 thousand).

B Contingencies arising from natural gas purchase contract

The natural gas purchase contract concluded by the Group contains a take-or-pay provision according to which the Group has an obligation for purchasing an agreed amount of natural gas. This provision may cause a loss to the Group if the purchase price of such volume of natural gas is higher than the selling price of the same volume of natural gas. Based on management's estimates losses are not probable and no provision has been set up in the statement of financial position as at 31 December 2021 and 31 December 2020.

C Commitments arising from the Natural Gas Act

According to the Natural Gas Act a network operator is responsible for the functioning and maintenance of the network which it owns or possesses and is required to develop the network in a manner which ensures that all consumer installations located within its network area are connected to the network. The fulfilment of these obligations requires making regular expenses and investments.

28. RELATED PARTIES

A Parent and ultimate controlling party

As at 31 December 2021 and 31 December 2020 the parent of AS Eesti Gaas and the ultimate controlling party of the Group was AS Infortar.

B Key management personnel compensation

In thousands of euros	2021	2020
Short-term employee benefits	1,755	1,602
Social taxes	533	479
TOTAL	**2,288**	**2,081**

* calculated compensations that have become collectible by the key management

Short-term employee benefits of the Group's key management personnel include salaries, vacation pay, benefits and compensations. Information about the provision that has been set up for post-employment benefits for the members of the Management Board is disclosed in Note 23.

The expenses related to setting up the provision for post-employment benefits for the members of the Management Board are recognised in profit or loss during the estimated service period of the members of the Management Board. The total amount of gross liabilities without the influence of cut-off as at 31 December 2021 was EUR 918 thousand (with social tax) (31 December 2020: EUR 886 thousand).

C Other related party transactions

	Transaction values		Balance outstanding	
In thousands of euros	2021	2020	31.12.2021	31.12.2020
SALE OF GOODS AND SERVICES				
Transactions with owners and with entities under the control of owners (Note 13)	630	1,005	171	884
Transactions with entities under significant influence of owners (Note 13)	17,872	4,709	1,079	528
PURCHASE OF GOODS AND SERVICES				
Transactions with owners and with entities under the control of owners (Note 21)	533	381	8	4
Transactions with entities under significant influence of owners (Note 21)	3,209	6	626	-
OTHER				
Subordinated shareholder loan (Note 20)	-	-	29,000	29,000
Change in overdraft from shareholder (Note 20)	(4,223)	(24,846)	-	4,223
Interest expense on borrowings (excluding lease liabilities) from shareholder (Note 21)	1,382	1,353	13	12
Lease liabilities to owners (Note 20)			10,134	2,064

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29. FINANCIAL INFORMATION ON THE PARENT

Financial information disclosed on the parent includes the primary separate financial statements of the parent, the disclosure of which is required by the Accounting Act of Estonia. The primary financial statements of the parent have been prepared using the same accounting policies that have been used in the preparation of the consolidated financial statements. Investments in subsidiaries are reported at cost in the separate financial statements of the parent.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of euros	2021	2020
Revenue	346,343	146,013
Other operating income	1,263	577
Raw materials and consumables used	(312,994)	(117,278)
Payroll expenses	(5,364)	(4,741)
Depreciation and amortisation	(2,057)	(2,112)
Other operating expenses	(3,098)	(2,460)
OPERATING PROFIT	**24,093**	**19,999**
Finance income	270	162
Finance costs	(2,173)	(1,494)
NET FINANCIAL EXPENSE	**(1,903)**	**(1,332)**
PROFIT BEFORE TAX	**22,190**	**18,667**
PROFIT FOR THE YEAR	**22,190**	**18,667**
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges – effective portion of changes in fair value	(968)	(17,562)
OTHER COMPREHENSIVE INCOME	**(968)**	**(17,562)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**21,222**	**1,105**

STATEMENT OF FINANCIAL POSITION

In thousands of euros	31.12.2021	31.12.2020
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	8,193	7,486
Intangible assets	2,019	2,330
Investment property	1,230	1,392
Right-of-use assets	2,112	4,010
Derivative financial instruments	9,683	-
Investments in subsidiaries	3,515	2,720
Other receivables	711	800
TOTAL NON-CURRENT ASSETS	**27,463**	**18,738**
CURRENT ASSETS		
Inventories	40,302	40,072
Derivative financial instruments	16,094	560
Trade and other receivables	115,683	36,409
Prepayments for natural gas	20,482	9,901
Other prepayments	353	179
Cash and cash equivalents	42,601	6,227
	235,515	**93,348**
Assets held for sale	73	123
TOTAL CURRENT ASSETS	**235,588**	**93,471**
TOTAL ASSETS	**263,051**	**112,209**

In thousands of euros	31.12.2021	31.12.2020
EQUITY		
Share capital	9,919	9,919
Statutory capital reserve	992	992
Hedging reserve	(12,465)	(11,497)
Retained earnings	44,004	21,814
TOTAL EQUITY	**42,450**	**21,228**
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	20,118	21,505
Derivative financial instruments	2	1,293
Provisions	812	762
Deferred income	381	413
TOTAL NON-CURRENT LIABILITIES	**21,313**	**23,973**
CURRENT LIABILITIES		
Borrowings	126,503	46,950
Trade and other payables	26,031	9,106
Derivative financial instruments	46,527	10,665
Prepayments	183	199
Provisions	31	31
Contract liabilities	13	57
TOTAL CURRENT LIABILITIES	**199,288**	**67,008**
TOTAL LIABILITIES	**220,601**	**90,981**
TOTAL LIABILITIES AND EQUITY	**263,051**	**112,209**

29. FINANCIAL INFORMATION ON THE PARENT, CONTINUED

CASH FLOW STATEMENT

In thousands of euros	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
PROFIT FOR THE YEAR	**22,190**	**18,667**
ADJUSTMENTS		
Depreciation of property, plant and equipment, right-of-use assets and investment property	1,102	1,144
Amortisation of intangible assets	955	968
Amortisation of government grants received for purchasing of non-current assets	(32)	(32)
Recognition and adjustment of provisions	76	77
Gain on sale of non-current assets	(647)	-
Loss from write-off of non-current assets	19	1
Unsettled gain/loss on derivative financial instruments	8,386	1,885
Interest expense	2,173	1,494
Interest income	(270)	(162)
ADJUSTED PROFIT FOR THE YEAR	**33,952**	**24,042**
NET CHANGE IN CURRENT ASSETS RELATING TO OPERATING ACTIVITIES		
Change in trade receivables	(25,069)	(1,830)
Change in inventories	(282)	(1,278)
Change in prepayments for natural gas	(10,581)	2,823
Net change in current assets relating to other operating activities	(57,195)	2,886
TOTAL NET CHANGE IN CURRENT ASSETS RELATING TO OPERATING ACTIVITIES	**(93,127)**	**2,601**
NET CHANGE IN LIABILITIES RELATING TO OPERATING ACTIVITIES		
Use of provisions	(31)	(31)
Change in trade payables	15,663	(530)
Net change in liabilities relating to other operating activities	1,140	(1,758)
TOTAL NET CHANGE IN LIABILITIES RELATING TO OPERATING ACTIVITIES	**16,772**	**(2,319)**
NET CASH FROM/USED IN OPERATIONS	**(42,403)**	**24,324**
Interest received	250	142
NET CASH FROM/USED IN OPERATING ACTIVITIES	**(42,153)**	**24,466**

In thousands of euros	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(2,245)	(1,624)
Proceeds from sale of non-current assets	825	5
Change in overdraft to subsidiaries	2,920	(7,867)
Contribution to the share capital of subsidiary	(46)	-
NET CASH FROM/USED IN INVESTING ACTIVITIES	**1,454**	**(9,486)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in overdraft from shareholder	(4,223)	(24,846)
Bank loans received	144,500	70,000
Repayments of bank loans	(67,143)	(51,143)
Change in bank overdraft	6,572	-
Change in overdraft from subsidiaries	(137)	(912)
Payment of lease liabilities	(352)	(377)
Interest and loan fees paid	(2,144)	(1,525)
NET CASH FROM/USED IN FINANCING ACTIVITIES	**77,073**	**(8,803)**
NET CASH FLOWS	**36,374**	**6,177**
Cash and cash equivalents at the beginning of the period	6,227	50
Cash and cash equivalents at the end of the period	42,601	6,227
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**36,374**	**6,177**

29. FINANCIAL INFORMATION ON THE PARENT, CONTINUED

STATEMENT OF CHANGES IN EQUITY

In thousands of euros Parent	Share capital	Share premium	Statutory capital reserve	Hedging reserve	Retained earnings	Total
EQUITY AS AT 31 DECEMBER 2019	**9,919**	**-**	**992**	**6,065**	**3,147**	**20,123**
Carrying amount of holdings under control					(3,520)	(3,520)
Value of holdings under control using the equity method					7,941	7,941
Effect of the merger with sole shareholder (Note 30)					6,805	6,805
ADJUSTED UNCONSOLIDATED EQUITY AS AT 31 DECEMBER 2019 (Note 18)					**14,373**	**31,349**
Profit for the year	**-**	**-**	**-**	**-**	**18,667**	**18,667**
Other comprehensive income	-	-	-	(17,562)	-	(17,562)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**-**	**(17,562)**	**18,667**	**1,105**
EQUITY AS AT 31 DECEMBER 2020	**9,919**	**-**	**992**	**(11,497)**	**21,814**	**21,228**
Carrying amount of holdings under control				-	(2,720)	(2,720)
Value of holdings under control using the equity method				91	6,957	7,048
Effect of the merger with sole shareholder (Note 30)				-	6,008	6,008
ADJUSTED UNCONSOLIDATED EQUITY AS AT 31 DECEMBER 2020 (Note 18)				**(11,406)**	**32,059**	**31,564**
Profit for the year	**-**	**-**	**-**	**-**	**22,190**	**22,190**
Other comprehensive income	-	-	-	(968)	-	(968)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**-**	**(968)**	**22,190**	**21,222**
EQUITY AS AT 31 DECEMBER 2021	**9,919**	**-**	**992**	**(12,465)**	**44,004**	**42,450**
Carrying amount of holdings under control				-	(3,515)	(3,515)
Value of holdings under control using the equity method				-	12,008	12,008
Effect of the merger with sole shareholder (Note 30)					5,396	5,396
ADJUSTED UNCONSOLIDATED EQUITY AS AT 31 DECEMBER 2021 (Note 18)				**(12,465)**	**57,893**	**56,339**

Under the Accounting Act of Estonia, adjusted unconsolidated retained earnings are the amount from which a limited company can make payments to its shareholders.

30. MERGER WITH SOLE SHAREHOLDER

On 17 November 2016 a merger agreement was concluded between AS Eesti Gaas and Trilini Energy OÜ (the sole shareholder of AS Eesti Gaas at the moment of the merger). As a result of the merger Trilini Energy OÜ (acquiree) merged with AS Eesti Gaas and was deemed to be dissolved. The balance sheet date of the merger was 1 January 2017.

As a result of the merger the difference between the fair value and carrying amount of the gas distribution network assets and intangible asset (customer contracts) recognised in the consolidated statement of financial position of Trilini Energy OÜ during the acquisition of controlling interest in AS Eesti Gaas, were recognised in the consolidated statement of financial position of Eesti Gaas Group. The estimated useful life of the price difference of the gas distribution network assets value is 30 years, the value of customer contracts is amortised using the declining balance method at the rate of 14% per year (2020: 16% per year). As at 31 December 2021, the carrying amount of the price difference of the gas distribution network assets and customer contracts was EUR 5,396 thousand (31 December 2020: EUR 6,008 thousand) (Note 29).

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31. SIGNIFICANT ACCOUNTING POLICIES

31.1 BASIS OF CONSOLIDATION

A Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

B Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

C Loss of control over subsidiary

When the Group loses control over a subsidiary, it derecognises subsidiary's assets, liabilities and components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

31.2 FOREIGN CURRENCY

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. In translation the official exchange rates of the European Central Bank are used. Foreign currency differences are recognised in profit or loss.

31.3 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of business. Revenue is shown net of value-added tax and discounts after the elimination of intra-group transactions. The Group recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. The good or service is transferred when the customer obtains control of that good or service.

A Sale of natural gas, electricity and network services

Revenue is recognised based on the quantities found according to the meter readings or the agreed quantities. The quantities underlying the sale of natural gas and electricity are obtained from the data exchange platform of the system operator. The quantities on which the sale of natural gas network services are based, are measured by the network operator by collecting the meter readings or by forecasting them or as an exception by concluding quantity agreement acts. In case of material effect, additionally estimates are made of the potential impact of readings either not reported, reported late or incorrectly reported by the end of the reporting period, resulting in a more precise recognition of actual consumption.

The revenue from network services is based on the natural gas quantities that have passed through the natural gas distribution network. According to the Natural Gas Act a network operator has to submit the prices of network services and the grounds for establishing such prices to the Competition Authority for approval, and must, at the request of the Competition Authority, provide reasons for the prices set. A network operator has to publish the approved prices for its licensed area and inform the consumers in its licensed area thereof at least two months prior to the date as of which such prices come into effect.

The Group recognises revenue from the sale of natural gas, electricity and network services usually over time, except for transactions in which natural gas is sold in storage. In that case revenue is recognised when the ownership of the goods has been transferred. Invoices are payable within a short-period.

B Recognition of connection fees

When connecting to the natural gas network, customers must pay a connection fee based on the actual costs of infrastructure to be built in order to connect them to the network. When recognising the connection fees, the performance obligation that involves the activities that are necessary for the preparation of connection, is regarded to be satisfied within the period in which the gas network services are provided through the connection point with the property, plant and equipment acquired for the connection fees. This period is considered to be equal to the estimated average useful life of the property, plant and equipment acquired for the connection fees, as the following reconstructions of the property, plant and equipment will be financed through the gas network service fees. The estimated average useful life of the property, plant and equipment acquired for the connection fees is calculated by dividing the average cost of the property, plant and equipment with annual depreciation. Deferred connection fees are carried in the statement of financial position as long-term contract liabilities.

C Construction contracts

Revenue from construction contracts is recognised over time as the services are provided based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities. The length of the contracts depends on the asset being constructed and it may be beyond one year. Settlement terms are short, except for warranty amounts.

D Revenue recognition on the sale of goods

The performance obligation is regarded to be satisfied and revenue is recognised when the goods have been delivered to the customer. Invoices are payable within a short-period. For certain goods (for example compressed natural gas and green gas) loyalty cards are offered to customers which provide a discount.

31.4 EMPLOYEE BENEFITS

A Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

B Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

C Other employee benefits

Provisions have been set up to cover the benefits payable under the termination of the service contracts with the members of the Management Board and benefits arising from other agreements with former employees. The expenses related to setting up the provision for post-employment payments for the members of the Management Board are recognised in profit or loss during the estimated service period of the members of the Management Board (Note 23).

31.5 FINANCE INCOME AND FINANCE COSTS

THE GROUP'S FINANCE INCOME AND FINANCE COSTS INCLUDE:

- interest income;
- interest expense.

Interest income or expense is recognised using the effective interest method. Interest income is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. In case the receipt of interest is uncertain, interest income is accounted for on a cash basis.

31.6 INCOME TAX

A Income tax in Estonia

Under the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business related disbursements and adjustments of the transfer price. The income tax rate is 20%, calculated as 20/80 of the net distribution (except for regular dividend distributions that are a subject to a reduced income tax rate). In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which the dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The income tax liability is due on the 10th day of the month following the payment of dividends.

Due to the nature of the taxation system, the entities registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. A contingent income tax liability which would arise upon the payment of dividends out of the retained earnings is not recognised in the statement of financial position, unless for the deferred tax for investments in subsidiaries, associates, joint ventures and branches. The deferred tax for investments in subsidiaries, associates, joint ventures and branches is to be recognised even if the investments are located in jurisdictions where corporate income tax is to be paid on the distribution of profit (for example Estonia and Latvia), except to the extent that the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The maximum income tax liability which would arise if all of the retained earnings were distributed is disclosed in the notes to the financial statement.

B Income tax in foreign countries

Deferred income tax is recognised in foreign subsidiaries on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets and liabilities are recognised under the liability method. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised. As at 31 December 2021 and 31 December 2020, the Group had neither any deferred income tax assets nor deferred income tax liabilities.

31.7 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale. The cost of inventories is based on the weighted average principle. The cost of inventories does not include borrowing costs. The cost of other goods and materials consists of the purchase price, expenditure on transportation and other costs directly related to the purchase.

31.8 PROPERTY, PLANT AND EQUIPMENT

A Recognition and measurement

Property, plant and equipment are tangible items that are used in the operating activities of the Group with an expected useful life of over one year. Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The cost of purchased non-current assets comprises the purchase price, transportation costs, installation, and other direct expenses related to the acquisition or implementation of the asset. The cost of self-constructed items of property, plant and equipment includes the cost of materials, services and payroll expenses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

B Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Assets leased under a finance lease are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

THE ESTIMATED USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT FOR CURRENT AND COMPARATIVE PERIODS ARE AS FOLLOWS

	Useful lives in years
buildings	33 years
gas pipelines	50 years
other buildings and constructions	10-50 years
computers and office equipment	3 years
vehicles	4-20 years
other machinery and equipment	3-30 years
inventory	2-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

31.9 INTANGIBLE ASSETS

A Recognition and measurement

INTANGIBLE ASSETS ARE RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION ONLY IF THE FOLLOWING CONDITIONS ARE MET:

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

Customer contracts comprise the value of the customer base that existed and was recognised during the business combination.

Acquired computer software is recognised as an intangible asset if it is not an integral part of the related hardware.

B Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

C Amortisation

The value of customer contracts is amortised using the declining balance method at the rate of 14% (2020: 16% per year) and the asset's recoverable amount is tested for impairment at each reporting date. During the test, the cash flow from customer contracts is discounted at a risk-free rate of return. Estimated quantities, margins and costs of customer contracts are used in the calculation of cash flow. Amortisation of other intangible assets is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives. The amortisation expense is recognised in profit or loss.

The estimated useful life of computer software for the current and comparative period was 5 years.

31.10 INVESTMENT PROPERTY

Investment property is initially recognised at cost and is subsequently measured using the cost model.

31.11 ASSETS HELD FOR FOR SALE

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, non-current assets are no longer amortised or depreciated.

31.12 FINANCIAL INSTRUMENTS

A Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income or fair value through profit or loss.

As at 31 December 2021 and 31 December 2020 the Group classified all its non-derivative financial assets as measured at amortised cost. The accounting policy for derivatives, designated as hedging instruments, is disclosed in subsection (d).

A FINANCIAL ASSET IS MEASURED AT AMORTISED COST IF IT MEETS BOTH OF THE FOLLOWING CONDITIONS:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. For the purposes of the assessment whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

B Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss.

As at 31 December 2021 and 31 December 2020 the Group classified all its non-derivative financial liabilities as measured at amortised cost. The accounting policy for derivatives, designated as hedging instruments, is disclosed in subsection (d).

Financial liabilities measured at amortised cost are subsequent to initial recognition measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

31.12 FINANCIAL INSTRUMENTS, CONTINUED

C Derecognition and offsetting

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Factoring without a recourse is recognised as a sale of receivables.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

D Derivative financial instruments

The Group holds derivative financial instruments to hedge its natural gas and electricity price risk exposures.

Derivatives are both initially and subsequent to initial recognition measured at fair value. The Group designates most of the derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in the commodity prices.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in the hedging reserve is reclassified to profit or loss or in the cost of inventories in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss or in the cost of inventories in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

31.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank account balances and cash in transit as well as short-term highly liquid investments at banks.

31.14 SHARE CAPITAL

Ordinary shares are classified as equity. No preference shares have been issued.

The Commercial Code requires the Parent to set up a statutory capital reserve with annual net profit transfers, the minimum amount of which is 1/10 of share capital. The amount of the mandatory annual transfer to the statutory capital reserve is 1/20 of the net profit of the financial year until the reserve reaches the limit set for the capital reserve. The capital reserve may be used to cover a loss that cannot be covered from distributable equity, or to increase share capital.

31.15 IMPAIRMENT

A Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets. The Group measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

ECLs are a probability-weighted estimate of credit losses. Evidence that a financial asset is credit-impaired includes the following observable data:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

B Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

31.16 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using an interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount due to the passage of time is recognised as a finance cost.

WARRANTIES

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

EMPLOYEE RELATED PROVISIONS

If the Group has the obligation to pay post-employment benefits to their former employees, a provision is set up to cover these costs. The provision is based on the terms of the obligation and the estimated number of people eligible for the compensation. The expenses related to setting up the provision for post-employment benefits for the members of the Management Board are recognised in profit or loss during the estimated service period of the members of the Management Board.

31.17 LEASES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

A Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

LEASE PAYMENTS INCLUDED IN THE MEASUREMENT OF THE LEASE LIABILITY COMPRISE THE FOLLOWING:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Revenue'.

31.18 OPERATING PROFIT

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net financial expense and income taxes.

31.19 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

31.20 CONTINGENCIES

Possible obligations where it is not probable that an outflow of resources will be required to settle the obligation, or where the amount of the obligation cannot be measured with sufficient reliability, but which may become liabilities in certain circumstances, are disclosed in the notes to the financial statements as contingent liabilities.

32. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following new and amended standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements. The new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16);
- Amendments to IAS 1 Presentation of Financial Statements;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- Amendments to IAS 12 Income Taxes;
- Amendments to IFRS 3 Business Combinations;
- Amendments to IAS 16 Property, Plant and Equipment;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets;
- Annual improvements to IFRS standards 2018-2020.

33. SUBSEQUENT EVENTS

The conflict between Ukraine and Russia and the impact of the resulting Russian sanctions.

For Europe, the beginning of 2022 has been tragic and as a result, the operating environment for the Group has deteriorated significantly since the balance sheet date. The European Union and other Western countries have imposed sanctions on Russia, and are discussing additional restrictions that could lead to restrictions on energy supplies from Russia. The Group immediately implemented measures to ensure business sustainability, which include finding additional sources of gas supply, constant communication with the state to ensure security of supply, and informing customers to ensure gas consumption and regular receipt of payments.

In the previous financial year, the Group earned approximately 82% of the sales revenue received from its customer contracts from the sale of natural gas 2020: EUR 373,286 thousand. The majority of natural gas sold by Eesti Gaas in the Baltics and Finland comes from Russia. If the European Union and other Western countries were to restrict imports of natural gas of Russian origin, this could lead to disruptions in the supply of natural gas to customers. The Group has taken various steps to ensure security of natural gas supply, such as alternative supplies in the form of LNG, to ensure the sustainability of its operations. The financial impact of these measures cannot currently be reliably assessed. As the sales and consumption of gas in the Baltics and Finland have historically depended largely on Russian gas imports, there is a risk that the value of Group assets, such as the gas distribution network and LNG offgrid stations, may decline. Changes in the economic environment may have an impact on customers' payment behaviour, which may require adjusting of allowances for overdue debts.

As the duration of the conflict between Ukraine and Russia is hard to predict and whether and which additional restrictions the European Union, together with other Western countries, may impose on Russia, it is not possible to reliably assess the financial impact of the crisis at the moment. Nevertheless, the Management Board believes that the Group has sufficient liquidity to support its activities and has ensured continuation as a going concern.

Signatures Of The Management Board To The Annual Report For The Financial Year 2021

The annual report of Eesti Gaas Group for the financial year ended on 31 December 2021 consists of the management report, the consolidated financial statements, the independent auditors' report and the profit allocation proposal. The Management Board has prepared the management report, the consolidated financial statements and the profit allocation proposal.

CHAIRMAN OF THE MANAGEMENT BOARD

ANTS NOOT

MEMBER OF THE MANAGEMENT BOARD

MARGUS KAASIK

MEMBER OF THE MANAGEMENT BOARD

RAUL KOTOV

MEMBER OF THE MANAGEMENT BOARD

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Independent Auditors' Report

To the Shareholders of Eesti Gaas AS

Opinion

We have audited the consolidated financial statements of Eesti Gaas AS (collectively, the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes, comprising significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management 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, management 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 management 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.

Auditors' 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 auditors' 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 International Standards on Auditing (Estonia) 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 International Standards on Auditing (Estonia), 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 management.
- Conclude on the appropriateness of management'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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Tallinn, 26 March 2022

Andris Jegers

Certified Public Accountant, Licence No 171

Kaidi Rannak

Certified Public Accountant, Licence No 696

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Profit allocation proposal

The retained earnings of Eesti Gaas Group as at 31 December 2021 were 57,892,221.63 euros, of which the net profit for the year 2021 amounted to 25,833,742.28 euros.

The Management Board proposes under section 332 of the Commercial Code of Estonia to transfer the net profit of Eesti Gaas Group for the year 2021 to retained earnings.

Revenue of the parent by activities

1 JANUARY - 31 DECEMBER 2021 (In thousands of euros)

Activity	Sales revenue
Trade of gas through mains (35231)	320,772
Trade of electricity (35141)	10,129
Wholesale of automotive fuel (46712)	4,959
Retail sale of automotive fuel incl. activities of fuelling stations (47301)	4,209
Rental and operating of own or leased real estate (68201)	373
Other goods and services	5,901
TOTAL	**346,343**