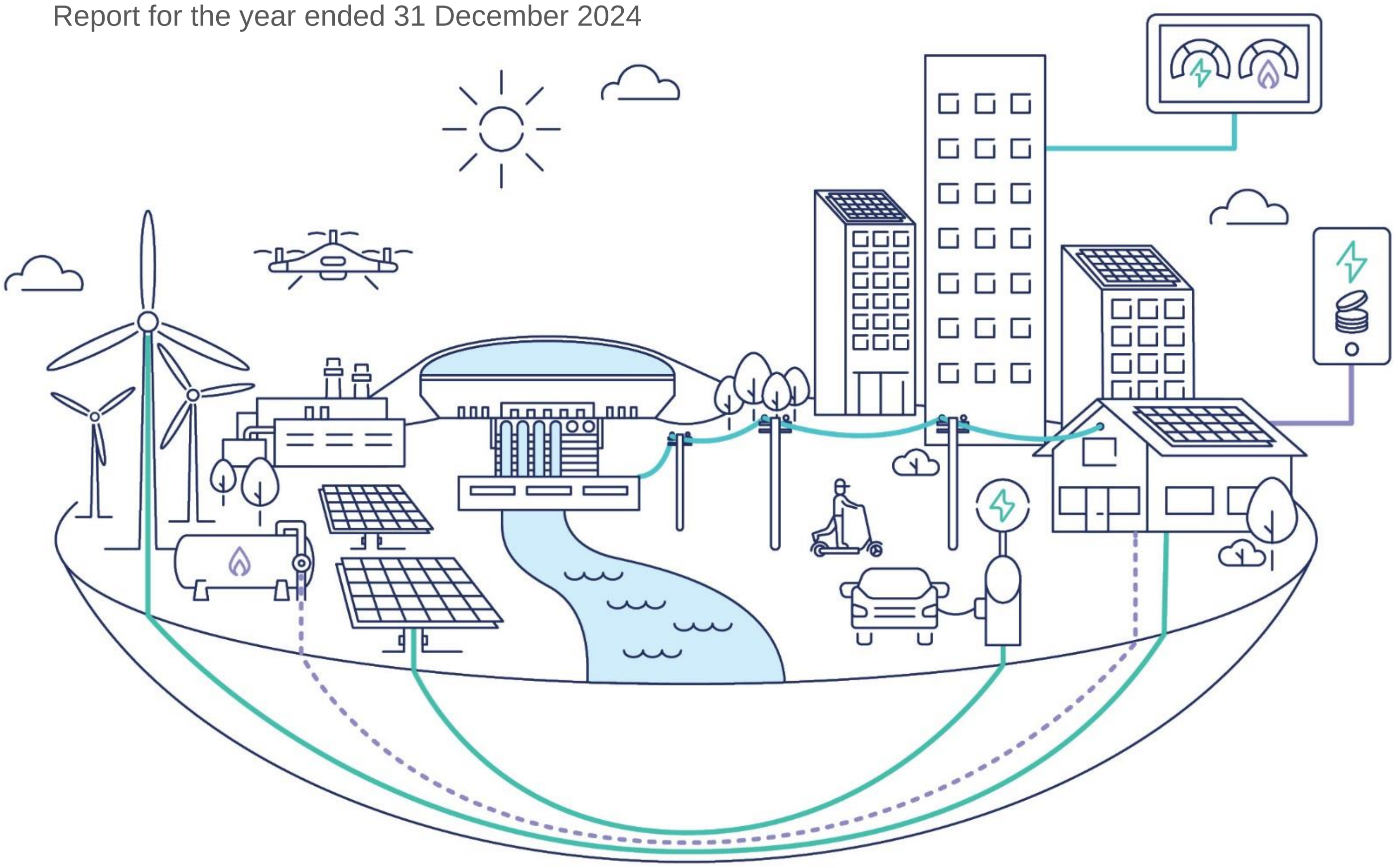
Kauno kogeneracinė jėgainė

UAB Kauno kogeneracinė jėgainė

Annual report 2024

Annual report for the year ended 31 December 2024 and the financial statements of the Company for the year ended 31 December 2024, prepared in accordance with IFRS Accounting Standards as adopted by the European Union, presented together with an Independent Auditor's Report for the year ended 31 December 2024



ignitis grupė

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Business overview

1.1 Business profile

Description of the Company's activities

The main activity of Kaunas kogeneracinė jėgainė UAB (“the Company”) is to treat municipal and non-hazardous industrial waste with energy value generated in the Kaunas region and its surroundings, and in order to provide financial benefit to the Company and its Shareholders, to sell the heat and electricity generated in the treatment process.

Company’s business model

The plant produces ~500 GWh of heat and ~180 GWh of electricity per year. The heat energy is fed into the centralised heat supply network of Kaunas city, and the electricity is fed into the national electricity transmission network. The plant operates continuously at base load and medium load for at least 8,000 hours per year and produces about 33% of the total heat demand of Kaunas city.

The plant uses non-recyclable municipal waste after secondary sorting and non-hazardous industrial waste with energy value to produce energy. Natural gas is used for start-up, shut-down and emergency situations.

Major customers

The Company’s main customers by source of income are as follows:

- waste management - regional waste management centres and other waste managers;
- sale of electricity - electricity is sold to Ignitis UAB and on the Nord Pool AS exchange;
- sale of heat - at auctions organised by BALTPOOL in the centralised heat supply (CHS) system of Kaunas city, the operator of Kaunas city CHS system is Kauno energija AB.

The Company’s business perspectives and plans

The Company’s business plan is to continue managing sorted municipal and industrial waste that is no longer suitable for recycling in the most efficient way possible, whilst supplying heat and electricity.

1.2 Business environment and strategy

The Company carries out commercial activities generating income from waste management, heat and electricity. The Company's main production costs consist of cost of raw materials used in process (i. e. water and chemical substances), bottom ash and fly ash treatment costs and the cost of purchasing CO_2 emission allowances.

Waste management business environment

The Company can treat up to 255 thousand tonnes of municipal and non-hazardous industrial waste (with a lower heating value of ~10-12 MJ/kg). The main fuel is municipal waste supplied from Kaunas mechanical biological treatment (MBT) facilities and MBTs in the surrounding counties (Alytus, Marijampolė and others). The Company participates in public tenders for municipal waste management services organised by regional waste management centres, where it competes for the price and quantity of municipal waste treatment contracts For the non-hazardous industrial waste management service, the Company organises public tenders, where waste managers offer quantities of non-hazardous industrial waste at an agreed price.

Heat and electricity trading business environment

UAB Kauno kogeneracinė jėgainė is connected to the centralised heat system (CHS) of Kaunas city, where the only heat supplier AB Kauno energija (KE) operates. Every month, the Company participates in the heat auction organised by the operator of the energy resources exchange BALTPOOL, where it submits a price and volume offer for the first month (after the current month). CHS of Kaunas city consists of 10 energy production companies, most of them (8) are independent heat producers (IHPs).

UAB Kauno kogeneracinė jėgainė sells most of its electricity through PPA (power purchase agreement) contracts, while the rest of the electricity is traded on Europe's largest electricity trading exchange Nord Pool.

Main purpose and integrated strategy

UAB Kauno kogeneracinė jėgainė is an important part of the integrated business model and strategy of Ignitis Group. Ignitis Group is a renewables-focused integrated utility and the largest energy group in the Baltic States.

Our main purpose is to create a 100% green and secure energy ecosystem for current and future generations. We are strengthening our contribution to Europe's decarbonisation and energy security in our region, accelerating the transition to green energy in the Baltic States, and building an exclusively green energy system.

1. **Green** (increasing the capacities of green production and green flexibility)
2. **Flexible** (creating a flexible system that can operate on 100% green energy in the short, medium, and long term)
3. **Integrated** (using an integrated business model to enable the development of Green Capacities)
4. **Sustainable** (maximising sustainable value)

We are investing with a purpose of deploying 4 to 5 GW of operational Green Capacities by 2030 and of reaching net-zero GHG emissions by 2040–2050, with a focus on green production and green flexibility technologies: offshore and onshore wind power plants, batteries, hydroelectric power station, power-to-x.

Integrated business model

Green capacities

Strategic focus

Achieve **4–5 GW** of operational green production and green flexibility capacities by 2030.

Networks

Strategic focus

Expanding a resilient and efficient network that enables electrification

Customers & Solutions

Strategic focus

Utilising and further expanding customer portfolio to enable Green Capacities build-out

Reserve capacities

Strategic focus

Contributing to the security of the energy system

Sustainability and ESG focus

As part of our strategy, we focus on reducing the intensity of greenhouse gas emissions in Scopes 1 and 2, promoting safety at workplace with a focus on TRIR and zero fatalities, caring for the employee experience through well-being, education and growth, fair remuneration, diversity and inclusion initiatives, promoting diversity at the top, and creating sustainable value through sustainable investments and returns.

Our values

We are a team of diverse and energetic people united by a common purpose.

RESPONSIBILITY GROWTH PARTNERSHIPS OPENNESS

Strategic focus, targets and key performance indicators

UAB Kauno kogeneracinė jėgainė is an important part of the integrated business model and strategy of AB Ignitis grupė company group. Further information about strategic priorities, objectives and the alignment of achieved performance results can be found in the AB Ignitis grupė consolidated management report.

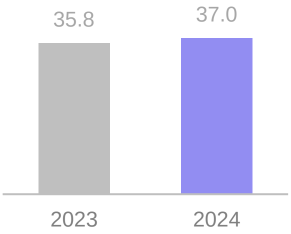
Main projects and investments

The main investments were made during the construction of the plant, i.e. until the end of 2020. As the Company operates in process mode, the need for investment decreases. Investments in 2024 were directed towards upgrading the power plant's existing systems and acquiring additional equipment to ensure safer operation of the power plant (for both the environment and employees).

1.3 Performance highlights

Financial performance

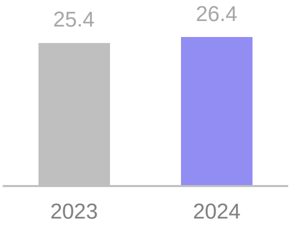
EBITDA
EUR million



Controlled Company's costs and increased revenue from the sale of electricity enabled 3.3% EBITDA growth to be maintained.

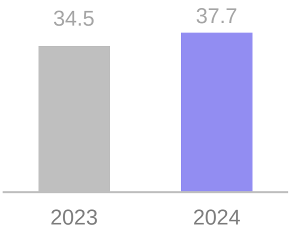
Company's costs decreased by 3.6% in 2024. The main factors of the cost reduction are:
- 20.5% reduction in costs of utilised emission allowances. These costs decreased due to falling market prices of emission allowances, and due to reduced GHG emissions from fossil fuel.

Net profit
EUR million



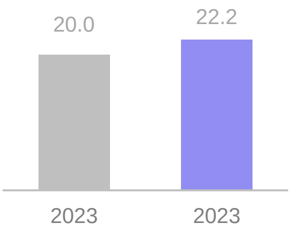
Net profit in 2024, compared to 2023, grew proportionally to EBITDA growth.

ROE (LTM)
%



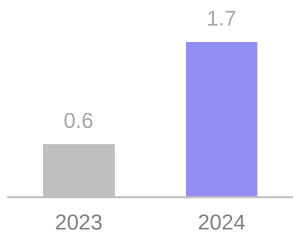
Significantly increased revenue allowed the return on equity growth to be maintained despite equity increasing due to higher accumulated retained earnings and the unrealised value of the loan hedging transaction.

ROCE (LTM)
%



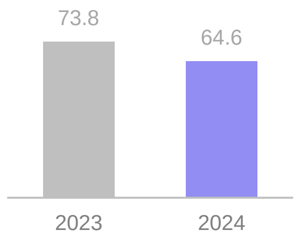
The profitability of fixed capital grew marginally. The indicator was positively influenced by the decrease in fixed capital due to the periodic repayment of credit contributions and a slight increase in EBIT.

Investments
EUR million



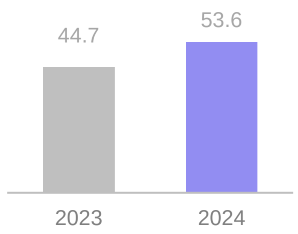
In 2024, investments were made in equipment optimisation and improvement, a safer working environment, and additional environmental monitoring systems. Due to procurement procedures, some investments planned for 2023 were carried forward to 2024.

Net debt
EUR million



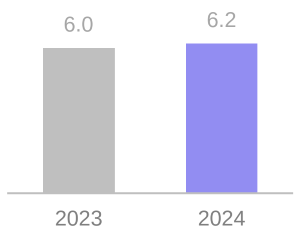
Net debt decreased due to the periodic repayment of the loan by the power plant.

FFO (LTM) / Net debt
%



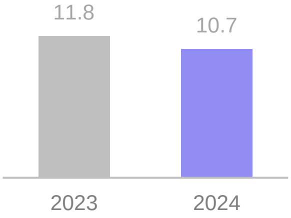
Net cash flows did not change significantly, so the growth of the indicator was mainly influenced by the decreasing net debt.

Operating expenses
EUR million



The increase in operating expenses in 2024 was most significantly influenced by the rise in salaries and related expenses, as well as the growth of other expenses.

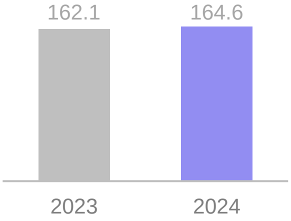
Production costs
EUR million



The key factor reducing production costs in 2024 was the decrease in emission allowances expenses. These decreased due to lower prices of emission allowances, and due to lower GHG emissions reducing the requirement for EA.

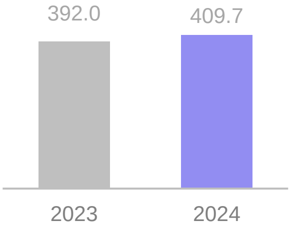
Operating

Sales of electricity produced
GWh



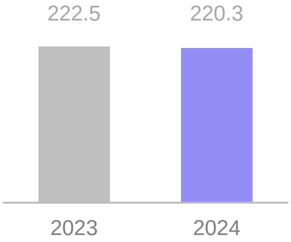
In 2024, the amount of electricity produced and sold increased, due to a shorter maintenance period and optimal production regime.

Sales of thermal energy produced
GWh



The higher amount of thermal energy produced and sold in 2024 was due to successful participation in heat sales auctions.

Amount of waste processed
thousand t



The amount of waste processed decreased due to higher waste calorific value in 2024

Results

2.1 Annual results

Revenue

In 2024, revenue remained essentially at the 2023 level and reached EUR 53.9 million. Almost all of the Company's revenues are related to contractual customers, with only sales of recovered metal and interest on late payments classified as other revenue.

Revenue by type of activity, million EUR

	2024	2023	Δ	Δ,%
Revenue from contracts with customers	53.4	53.0	*0.4*	*0.8%*
Other	0.5	0.6	*(0.1)*	*(20.0%)*
Revenue	**53.9**	**53.6**	***0.3***	***0.6%***

The customer contract revenue group consists of the Company's three main revenue streams - electricity and heat sales, and waste management revenues. Other income comes from sales of metal recovered from waste and income from interest on late payments.

Revenue by countries, million EUR

	2024	2023	Δ	n/a
Lithuania	53.9	53.6	*0.3*	*0.6%*
Other[1]	0.0	0.0	*0.0*	*n/a*
Revenue	**53.9**	**53.6**	***0.3***	***0.6%***

[1] *Other – Latvia, Estonia, Poland and Finland.*

On the basis of the results of heat auctions organised by BALTPOOL and the quantities of actually transferred heat, the Company sells electricity on the Nord Pool energy exchange, and heat is sold to AB Kauno energija - the operator of the CHS system of Kaunas city. The waste management fee is received only from waste processors operating in Lithuania. All the revenue generated is earned in Lithuania.

Revenue by type, million EUR

	2024	2023	Δ	Δ,%
Revenue from electricity	31.3	29.9	*1.4*	*4.7%*
Revenue from thermal energy	11.6	12.4	*(0.8)*	*(6.5%)*
Revenue from waste management	10.5	10.7	*(0.2)*	*(1.9%)*
Other	0.5	0.6	*(0.1)*	*(20.0%)*
Revenue	**53.9**	**53.6**	***0.3***	***0.6%***

Revenue growth was driven by increased sales due to higher electricity production volumes, which grew from EUR 29.9 million to EUR 31.3 million. Another factor contributing to revenue growth was the absence of an electricity price cap (180 Eur MWh) in 2024 (such a restriction was in place for 6 months in 2023).

Thermal energy revenue decreased by 6.5% to EUR 11.6 million. The key factor was that heat prices decreased alongside biomass fuel prices, although this reduction was partially offset by higher thermal energy sales volumes.

Revenue from waste management decreased by 1.9% to EUR 10.5 million due to lower volumes of processed waste and cheaper processing of waste from storage.

Other revenue decreased by 20.0% to EUR 0.4 million. Other revenue consists of sales of metal recovered. Despite similar amounts recovered, metal sales declined due to the falling market price.

Costs

The Company's costs in 2024 decreased by 3.6% to EUR 26.2 million. Compared to 2023, costs were most significantly influenced by decreased costs of utilised emission allowances. Finance costs also decreased slightly.

Costs of emission allowances decreased both due to lower market prices of emission allowances and lower fossil fuel GHG emissions. These two factors enabled costs of utilised emission allowances to be reduced by 30.5% to EUR 4.5 million in 2024. However, due to significant fluctuations in the prices of emission allowances, additional revaluation expenses emerged, which increased to EUR 0.7 million.

Electricity and heat production expenses increased from EUR 5.3 million in 2023 to EUR 5.5 million in 2024. The increase was caused by higher slag and ash management costs, and higher operational materials expenses, which increased due to greater requirements caused by different waste composition.

Finance costs decreased by 3.9% to EUR 3.2 million. Finance costs decreased due to a reduced loan balance.

Payroll costs increased by 8.7% and amounted to EUR 2.1 million. Salary increases were driven by additional positions and rising remuneration ranges in order to remain competitive on the labour market.

Costs, EUR million

	2024	2023	Δ	Δ,%
Costs of utilised emission allowances	4.5	6.4	*(2.0)*	*(30.5%)*
Costs of revaluation of utilised emission allowances	0.7	0.1	*0.6*	*837.3%*
Depreciation and amortisation	6.0	6.0	*0.1*	*0.9%*
Electricity and heat production	5.5	5.3	*0.3*	*5.0%*
Salaries and related costs	2.1	1.9	*0.2*	*8.7%*
Other expenses	4.2	4.1	*0.0*	*0.1%*
Finance costs	3.2	3.4	*(0.2)*	*(5.8%)*
Total:	**26.2**	**27.2**	***(1.0)***	***(3.6%)***

EBITDA

Controlled Company's costs and increased revenue from the sale of electricity in 2024 enabled 3% EBITDA growth to be maintained, achieving a result of EUR 37.0 million.

Net profit

Net profit earned during 2024 was EUR 26.4 million (4.1% more than in 2023), which corresponded to the EBITDA growth level.

Investments

In 2024, investments amounted to EUR 1.7 million (2023: EUR 0.6 million). The additional investments are aimed at improving and optimising the plant's equipment in order to maintain the high reliability of the equipment and to ensure the safety of the workers at the plant. Investments were also made in additional environmental monitoring systems.

Assets

The Company's assets decreased by 4% to EUR 172.1 million. Non-current assets decreased due to regular depreciation (EUR 6.0 million) despite all planned investments being carried out (EUR 1.7 million). Within non-current assets, the unrealised result of derivative financial instruments also decreased (change of EUR 1.3 million) as well as the deferred tax asset (change of EUR 1.1 million) due to utilised tax relief. Current assets remained at a similar level to the previous year.

Equity

Compared to the previous year, the equity increased by 2% to EUR 70.7 million. Retained earnings grew by EUR 1 million due to improved annual results of the Company (all of the previous year's profit after the formation of mandatory reserves was paid out as dividends). An additional EUR 1.3 million was allocated to legal reserves, whilst derivative financial instruments reserves decreased by EUR 1.1 million.

Liabilities

During 2024, the Company's liabilities decreased by 7.5% to EUR 101.4 million. Liabilities were most significantly reduced by the annual loan repayment portion (EUR 7.3 million).

Balance sheet, EUR million

	31/12/2024	31/12/2023	Δ	Δ,%
Non-current assets	123.0	129.7	*(6.7)*	*(5.2%)*
Current assets	49.1	49.4	*(0.3)*	*(0.6%)*
TOTAL ASSETS	172.1	179.1	*(7.0)*	*(3.9%)*
Equity	70.7	69.4	*1.3*	*1.8%*
Total liabilities	101.4	109.7	*(8.3)*	*(7.5%)*
Non-current liabilities	86.2	93.5	*(7.3)*	*(7.9%)*
Current liabilities	15.2	16.2	*(0.9)*	*(5.8%)*
TOTAL EQUITY AND LIABILITIES	172.1	179.1	*(7.0)*	*(3.9%)*
Turnover of assets APM	0.3	0.3	*0.0*	*8.0%*
ROA APM	15.0%	13.5%	*n/a*	*1.5 p. p.*
Current ratio APM	3.2	3.1	*0.2*	*5.4%*
Working capital / Revenues (LTM) APM	33.4%	38.2%	*n/a*	*(4.8 p. p.)*

Financing

Net debt

In 2024, net debt decreased by 12.5% and amounted to EUR 64.6 million. The decrease in debt was driven by the annual loan repayment and increased cash balance in the account.

Net debt, EUR million

	31/12/2024	31/12/2023	Δ	Δ, %
Total non-current financial liabilities	**86.2**	**93.5**	***(7.3)***	***(7.9%)***
Long-term loans	86.2	93.5	*(7.3)*	*(7.8%)*
Bonds	0.0	0.0	-	*n/a*
Interest payable (including accrued)	0.0	0.0	-	*n/a*
Lease liabilities (IFRS 16)	0.0	0.0	*0.0*	*(55.2%)*
Total current financial liabilities	**7.3**	**7.3**	**-**	***0.0%***
Current part of long-term loans	7.3	7.3	-	*0.0%*
Short-term loans	0.0	0.0	-	*n/a*
Interest payable (including accrued)	0.0	0.0	-	*n/a*
Lease liabilities (IFRS 16)	0.0	0.0	-	*0.0%*
Financial debts APM	**93.5**	**100.8**	***(7.3)***	***(7.3%)***
Cash, cash equivalents and funds in escrow account	**28.9**	**27.1**	***1.9***	***6.8%***
Net debt APM	**64.6**	**73.8**	**9.2**	**(12.5%)**
Net debt / EBITDA LTM APM	1.75	2.1	*(0.3)*	*(15.3%)*
FFO (LTM) / Net debt APM	53.6%	44.7%	*n/a*	*8.9 p. p.*
Gross debt / Equity APM	1.3	1.5	*(0.1)*	*(9.0%)*

Dividends

The rules for distributing the Company's profits are set out in the shareholders' agreement. The shareholders of the Company have agreed that 100% of the profits shall be allocated to dividends if the covenants in the agreement are met. Shareholders also have the right to allocate a smaller share of distributable profits to dividends and to allocate part of the profits to support. In 2025, the Company plans to pay dividends out of the profits earned in 2024, after the compulsory reserves have been established.

Dividend payment in the specified years, EUR million

	2024	2023	Δ	Δ, %
Amount of paid dividends for the period	**24.1**	**29.2**	***(5.1)***	***(17.4%)***

Key performance measures

		2024	2023	Δ	Δ, %
Amount of waste processed	thousand t	220.3	222.5	*(2.2)*	*(1.0%)*
Sale of produced thermal energy	GWh	409.7	392.0	*17.7*	*4.5%*
Sale of produced electricity	GWh	164.6	162.1	*2.5*	*1.5%*
Fossil CO_2 emissions	thousand t	85.6	119.7	*(34.1)*	*(28.5%)*

The total amount of waste processed decreased due to higher waste calorific value in 2024. Higher calorific value means that less waste can be processed.

Sales of thermal energy produced in 2024 grew due to more successful heat sales auction results. Therefore, although the overall Kaunas CHS market decreased in 2024 (due to warmer weather in 2024 resulting in lower CHS demand), we managed to increase both sales volume and market share.

Sales of electricity generated in 2024 increased due to the smooth operation of the plant throughout the year as well as shorter period of repairs, resulting in the largest sales volumes of the produced electricity in the Company's history.

The amount of fossil CO_2 decreased due to a more optimal combustion process, more accurate determination of the biological and fossil CO_2 ratio by the monitoring system, and more precisely calibrated CO_2 measurement equipment.

2.2 Three-year annual summary

Key financial indicators

		2024	2023	2022
Revenue	EUR million	53.9	53.6	59.4
EBITDA APM	EUR million	37.0	35.8	34.4
EBIT APM	EUR million	30.9	29.8	28.4
Net profit	EUR million	26.4	25.4	26.8
Investments APM	EUR million	1.7	0.6	0.2
FFO APM	EUR million	34.6	33.0	32.0
FCF APM	EUR million	35.4	34.5	20.0
ROE APM	%	37.7%	34.5%	43.9%
ROCE APM	%	22.2%	20.0%	19.3%
ROA APM	%	15.0%	13.5%	14.7%
		2024	2023	2022
Total assets	EUR million	172.1	179.1	198.0
Equity	EUR million	70.7	69.4	77.9
Net debt APM	EUR million	64.6	73.8	76.4
Net working capital APM	EUR million	18.0	20.5	22.5
Net debt / EBITDA APM	times	1.7	2.1	2.2
FFO / Net debt APM	%	53.6%	44.7%	41.9%
Current ratio APM	times	3.2	3.1	2.9
Asset turnover APM	times	0.3	0.3	0.3

Key performance measures

		2024	2023	2022
Amount of waste processed	thousand t	220.3	222.5	209.5
Sale of produced thermal energy	GWh	409.7	392.0	415.9
Sale of produced electricity	GWh	164.6	162.1	161.1
Fossil CO_2 emissions	thousand t	85.6	119.7	122.2

Governance report

3.1 The Management Board and the Chief Executive Officer

Overview

The Management Board of the Company is a collegial governing body of the Company. The competence of the Management Board, the procedures of decision-making, election and revocation of members are determined by the laws, other legal acts and the Company's Articles of Association as well as the Regulation of the Management Board.

The Company's Management Board, consisting of three members, is elected and dismissed by the General Meeting of Shareholders for a term of four years, in accordance with the procedures set out in the Company's Articles of Association and the law. The Management Board is accountable to the General Meeting of Shareholders. The Management Board must comprise at least 1/3 (one third) independent members. The Management Board elects the Chairman of the Management Board from among its members.

Main functions of the Company's Management Board:

- to approve the Company's management structure and staff positions, and the maximum number of the Company's staff posts;
- to approve the pricing principles applied on an ongoing basis for the Company's business-related energy services and commodities, and the pricing ranges for non-business-related services;
- to adopt decisions on the conclusion, modification and/or termination of contracts for the supply of fuel needed to run the business;
- to adopt decisions on the conclusion, modification and/or termination of contracts for the acquisition of non-current assets with a price exceeding EUR 2,500,000;
- to adopt decisions on the conclusion, amendment and/or termination of other major contracts necessary for the implementation of business projects where the value of the contract in question exceeds EUR 300,000;
- to adopt decisions on the conclusion, amendment and/or termination of contracts for the investment, transfer, lease, pledge, mortgage or hypothecation of the Company's non-current assets with a carrying amount exceeding EUR 2,500,000;
- to adopt decisions on the conclusion, amendment and/or termination of the Company's long-term contracts for the transmission of electricity and/or thermal energy and/or waste incineration services;
- to consider and approve the Company's annual report;
- to adopt decisions on the Company becoming a founder or participant of other legal entities;
- to adopt decisions on the establishment and liquidation of branches and representative offices of the Company;
- to adopt decisions on the transfer of an undertaking (asset complex) belonging to the Company to a third party;
- to adopt decisions on the approval or amendment of the Company's business plan for the coming calendar year, approval of the operating budget;
- to adopt decisions on the disposal of all or substantially all of the assets of the Company;
- to adopt other decisions provided for in the Company's Articles of Association;
- elects and recalls the Company's Chief Executive Officer, determines his/her remuneration and other terms and conditions of his/her employment, approves his/her job descriptions, and gives him/her incentives and penalties.

Certain decisions of the Management Board may be implemented only upon approval of the General Meeting of Shareholders for the relevant decision of the Management Board.

Information on selection criteria for the members of the Management Board

Selection to the Management Board is conducted in accordance with the description of the selection of candidates to the collegial supervisory or management body of a state or municipal enterprise, a state-owned or municipality-owned company or its subsidiary approved by Resolution No. 631 of the Government of the Republic of Lithuania of 17 June 2015, and the guidelines for the selection procedures of civil servants and other selected persons for whom it is proposed to vote when electing the collegial body of a subsidiary of AB Ignitis grupė approved by the Management Board of AB Ignitis grupė.

The Management Board consists of three members elected by the General Meeting of Shareholders. Each member of the Management Board is elected for a term of four years. One member of the Management Board shall be elected from the candidates proposed (delegated) by the shareholder AB Ignitis grupė, one member of the Management Board shall be elected from the candidates proposed (delegated) by the shareholder UAB Gren Lietuva, and one member of the Management Board shall be elected from the independent members of the Management Board.

The composition of the Company's Management Board shall be composed taking into consideration the fact that members of the Management Board shall have diverse competences. The position of a member of the Management Board shall not be held by a member of the management body or administration of another legal entity operating in the field of energy, who, if elected as a member of the Management Board, would fail to comply with the requirements for the separation of activities in the energy sector laid down in the legislation of the Republic of Lithuania and in the European Third Energy Package, or by a person who, according to the legislation, is not entitled to hold such position. The members of the Management Board of the Company must meet the general and specific criteria laid down by the legislation.

If the Management Board is recalled, it resigns or ceases to perform its duties for any other reason prior to expiry of its term of office, the new Management Board will be elected for the new term of office. Where individual members of the Management Board are elected, they shall be elected only until the end of the term of office of the operating Management Board.

On 24 April 2024, the Company's General Meeting of Shareholders approved the composition of the Company's new Management Board for a four-year term from 30 April 2024 according to specific areas of competence (strategic planning and management, finance, energy production and regulation).

Priorities for the reporting period and their implementation

The Company's Management Board activities in 2024, in accordance with the Management Board's annual activity plan, covered the following main areas:

- consideration and approval of the Company's Strategic Plan 2024-2026 and operations planning documents;
- approval of the Company's annual report for 2023, assessment of annual financial statements and profit (loss) distribution project and provision to the General Meeting of Shareholders;
- evaluation of transactions planned to be concluded by the Company, approval of their conclusion and approval of essential transaction terms;
- evaluation of the Company's organisational structure and adoption of related decisions;
- approval of the Company's support rules and determination of the portion of Company funds allocated for support in 2024;
- consideration and approval of the Company's governance and organisational structure, the list of staff positions and the maximum number of positions;
- performed other functions as provided for in the Law on Companies and the Company's Articles of Association.

A total of 19 meetings of the Management Board of the Company were held in 2024. The table below provides an overview of the attendance at meetings.

Name, surname	
Andrius Vilkauskas (Chairman of the Management Board)	7 / 7
Mantas Bartuška (Chairman of the Management Board)	12 / 12
Vitalijus Žuta	19 / 19
Mantas Mikalajūnas	19 / 19

* *The figures indicate* how many meetings of the total organised the members have attended in 2024.

Members of the Management Board

	Description	Experience	Education	Other currently held positions
	**Andrius Vilkauskas** Independent member and chairman Term of office: from 30/06/2020 to 29/04/2024	From 2001 to 2012, A. Vilkauskas worked at AB Giraitės ginkluotės gamykla, where he contributed to and coordinated the construction of a testing laboratory, the training of laboratory staff, the evaluation of manufactured products' compliance with NATO Qualification Requirements, their submission for Qualification Tests, and the preparation of technical documentation. From 2009 to 2011, he coordinated new product development activities of Giraitės ginkluotės gamykla, developing products for the civilian sports and hunting market. Since 2012, he has been working in various managerial positions at Kaunas University of Technology.	Bachelor's degree in Mechanical Engineering, a Bachelor's degree in Production Management, and a Master's degree in Mechanical Engineering at Kaunas University of Technology. In 2005, he defended his doctoral degree in technological sciences.	Head of the Training Centre of Aviation Specialists at the Faculty of Mechanical Engineering and Design, Kaunas University of Technology, and Senior Research Fellow at the Institute of Mechatronics. Vice President of the Lithuanian Engineering Industry Association LINPRA (Savanorių Ave. 176 C - 803, Vilnius, company code 121895717); founder and shareholder of UAB Pažangūs pozicionavimo sprendimai; member of the Senate of Kaunas University of Technology; member of the Council of KTU Engineering Lyceum.
	**Mantas Bartuška** Independent member and chairman Term of office: from 30/04/2024 to 29/04/2028	M. Bartuška began his career at UAB BDO Auditas ir apskaita as a junior audit consultant. He has more than 17 years of experience in the energy sector: he held the position of Director of the Finance and Administration Department at the public limited company Klaipėdos nafta. While in this position, M. Bartuška significantly contributed to the financing of the LNG terminal project. Later he became the CEO and board member of this company. He also held the position of CEO of AB Lietuvos geležinkeliai and was a member of the Management Board. M. Bartuška was also a member of the presidium of the Lithuanian Confederation of Industrialists and chairman of the board of the energy resources exchange	University of Southern Denmark, Bachelor of Management and Business Administration; Vilnius University, Bachelor of Management and Business Administration; University of Cambridge, Business School, Leadership studies; Baltic Institute of Corporate Governance, board member training.	CEO of MB Capital (consulting services).

		operator UAB Baltpool. In recent years, working at Gasunie Nederlandse BV, M. Bartuška led an international LNG terminal project in the Netherlands.		
	**Mantas Mikalajūnas** Member (representative of AB Ignitis grupė) Term of office: from 30/04/2024 to 29/04/2028	With almost 20 years of management experience in various companies in the energy sector, M. Mikalajūnas started his career at Lietuvos dujos. Later, he spent one and a half years as a trainee in an energy group in Germany. After returning to Lithuania, he worked in strategic positions at Lietuvos dujos, where he was a member of the management team responsible for relations with investors, state authorities and the regulator, and for the integration of Lietuvos dujos into Lietuvos energija (now Ignitis grupė). Before transitioning to the current position of Chief Regulated Activities Officer of the Group, Mantas had served as Head of Business Development at Ignitis grupė and CEO at Lietuvos dujų tiekimas (later, Lietuvos energijos tiekimas).	Baltic Institute of Corporate Governance, a board member's and board chair's certificate, Saïd Business School, University of Oxford, Strategic Management Executive Programme; Vilnius University, Master's degree in Business Administration and Management.	AB Ignitis grupė member of the Management Board, Head of Regulated Activities of the Group. Member of the Management Boards of UAB Ignitis gamyba, UAB Kauno kogeneracinė jėgainė and UAB Ignitis.
	**Vitalijus Žuta** Member (representative of UAB Gren Lietuva) Term of office: from 30/04/2024 to 29/04/2028	V. Žuta has many years of experience in the energy sector and has completed a number of major projects. While working at Tena, a branch of AB Lietuvos Energija, he was responsible for the material and technical supply of the branches of Lietuvos Energija, the implementation of loans from the European Bank for Reconstruction and Development and the World Bank, and the implementation of projects. For the first time in the Baltic region, he implemented a waste-to-fuel cogeneration power plant project in Klaipėda. Worked for an extended period at Vilnius CHP, and from 2000 held the position of Technical Director at the company Suomijos energija. From 2005 to 2021, he managed the operations of the Finnish energy company Fortum in Lithuania, and from 2021, the operations of GREN Holding in Lithuania.	Kaunas University of Technology, Mechanical Engineering studies.	CEO of UAB Gren Lietuva. Chairman of the Management Board at the following companies: Chairman of the Management Boards of UAB Gren Lietuva, UAB Gren Švenčionys, UAB Gren Joniškis, and UAB Gren Klaipėda.

Chief Executive Officer

Overview

The Chief Executive Officer is a single-person governing body of the Company. The competence of the Chief Executive Officer, election and recalling procedures are establish by laws, other legal acts and the Articles of Association of the Company. The Chief Executive Officer organises, directs, acts on behalf of the Company and concludes transactions unilaterally, except for cases provided for in legislation and the Articles of Association of the Company.

The Company's Chief Executive Officer is elected, recalled and dismissed by the Company's Management Board. The competence, election and dismissal procedures, and number of terms of office of the Company's Chief Executive Officer shall be determined by the Law on Companies, the implementing legal acts, and the Articles of Association of the Company. It should be noted that the CEO of the Company, as a subsidiary of a State-owned company, is also subject to the special peculiarities of recruitment provided for in the Law on Companies, according to which the CEO's term of office is limited to a period of five years. The Law on Companies provides that the same person may be elected as the CEO for not more than two consecutive terms.

The remuneration of the Company's CEO is determined in accordance with the remuneration policy of AB Ignitis grupė and the internal legal acts thereon. In order to attract high-level professionals to managerial positions, it is sought to maintain the remuneration close to the market median of the country in which the Company operates. The remuneration structure for CEO corresponds to the remuneration structure for the Group's employees. More information is disclosed in the Remuneration Policy (link).

The main functions and responsibilities of the CEO are:

- ensuring the implementation of the Company's business strategy, the decisions of the General Meeting of Shareholders and/or the Management Board;
- organising the day-to-day operations of the Company, recruiting and dismissing employees, entering into and terminating employment contracts, incentivising and imposing penalties on employees;
- ensuring the security of the Company's assets, appropriate working conditions, security of the Company's commercial secrets and confidential information;
- being responsible for the preparation of the annual financial statements and the management report;
- making proposals to the Management Board of the Company on the Company's operations planning documents;
- carrying out other duties set out in the Law on Companies, other laws and legal acts, the Articles of Association and in the job description of the CEO as well as resolving other issues which are not attributed to the competence of other bodies of the Company under the laws or the Articles of Association.

From 1 January 2023 to 1 January 2028 (for the second term of office), Ramūnas Paškauskas is the Chief Executive Officer of the Company.

Profile

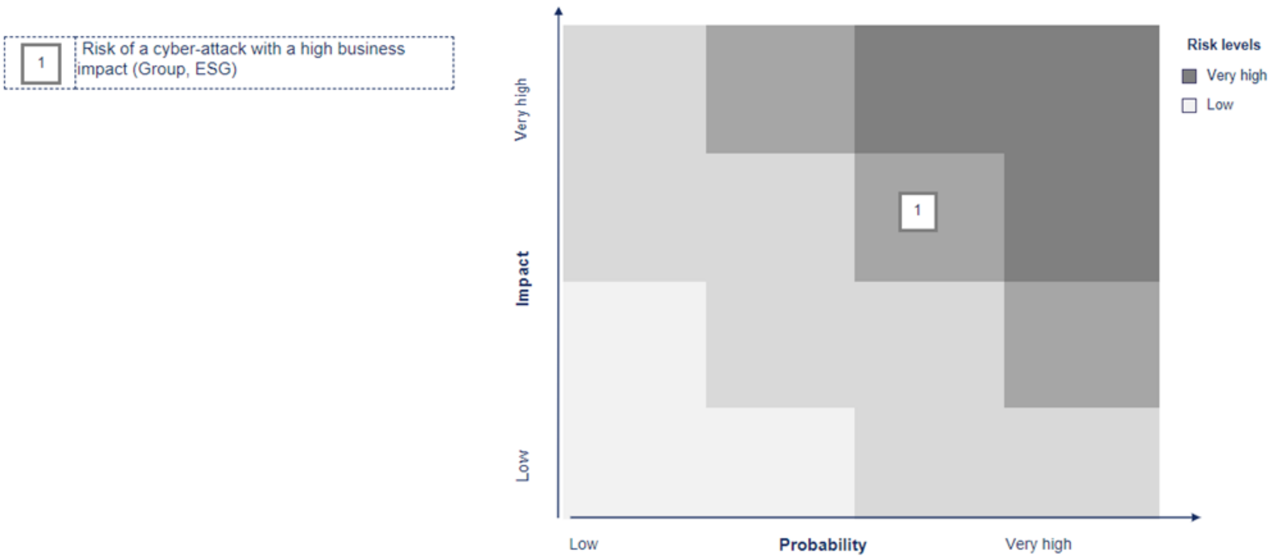
	Description	Experience	Education	Other currently held positions
	**Ramūnas Paškauskas** CEO of the Company Term of office: from 01/01/2023 to 01/01/2028	R. Paškauskas has been working in the energy sector since 2001, including 14 years in senior management positions. Since 2016, he has been working as the CEO of UAB Kauno kogeneracinė jėgainė. R. Paškauskas has extensive experience in various projects related to the construction and operation of cogeneration plants.	Electrical Engineering at Kaunas University of Technology; Master's degree in Management and Business Administration at ISM University of Management and Economics.	-

3.2 Risks and risk management

Key information related to the Company's risk management framework is presented in the consolidated management report of AB Ignitis grupė.

Map of the key risks of the Company

The reassessment of the Company's risks at the end of 2024 identified the main short, medium and long-term risks of the Company, which are presented in the risk map. The other risks of the Company are assessed as medium and low and are not shown on the map.



For more information on the Ignitis Group's risk management model and the Group's key risks, please refer to the AB Ignitis grupė Annual Report 2024.

Additional information

4.1 Other important information

This annual report consists of the management report and the financial statements, where **UAB Kauno kogeneracinė jėgainė** (hereinafter – "the Company") provides information to the shareholders, creditors and other interested parties about the Company and the activities of the companies managed during the period of January–December 2024. The composition of this document corresponds to the composition of the set of annual financial statements, as provided for in Article 6 of the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania.

The Annual report has been prepared by the Company's administration in accordance with the requirements of the Law on Financial Reporting of Undertakings of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Law on Consolidated Financial Reporting of Groups of Undertakings of the Republic of Lithuania, and taking into consideration the description of the guidelines for transparency of the activities of state-owned enterprises. The Company's securities are not listed or traded on a regulated market. Articles of Association of the Company do not set any other requirements for the content of the Company's Annual Report than the ones provided for in the legislation specified above.

The Company's management is responsible for the information contained in the Annual Report. The report and the documents, on the basis of which it was prepared, are available at the head office of the Company (Jėgainės St. 6, Biruliškių village, LT-54469 Kaunas region) on working days from Mondays to Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (with a prior arrangement).

Company details
1. Company name: UAB Kauno kogeneracinė jėgainė 2. Legal form: UAB (limited liability company) 3. Share capital: EUR 40,000,000.00 4. Registration date and place: 27 February 2015, Vilnius, the Register of Legal Entities of the Republic of Lithuania 5. Company code: 303792888 6. Company address: Jėgainės St. 6, Biruliškių village, LT-54469 Kaunas region 7. Company's register: SE Centre of Registers Register of Legal Entities 8. Phone: +370 615 69294 9. E-mail: info@kkj.lt 10. Website: www.kkj.lt
Legal notes
1. There were no significant events after the end of the financial year. 2. The Company has not used financial and hedging instruments subject to hedge accounting that would be significant in assessing the Company's assets, equity, liabilities, financial position, and performance. 3. The Company had no treasury shares at the beginning of the reporting period and did not acquire any treasury shares during the reporting period. 4. The Company has no branches or representative offices. 5. The Company envisages further sustainable development of its existing operations to ensure higher profitability and asset efficiency in the long term. Research will be carried out as and when required. 6. The Company's operations are in compliance with the requirements of environmental protection legislation.
Significant transactions
There are no significant agreements the Company is a party of that would come into force, change or be terminated in case of change in the Company's control. There are no harmful transactions concluded on behalf of the Company during the reporting period (not complying with the parent company's objectives, normal market conditions, detrimental to the interests of shareholders and other interest groups etc.) which were or are likely to have an adverse effect on the Company's activities and (or) performance in the future, nor transactions entered into in a conflict of interest between the Company's management, controlling shareholders or other related parties' obligations to the Company and its private interests and (or) other duties.

There are no agreements of the Company or its governing body members or employees, providing for compensation in the event of their resignation or termination of employment on no grounds or in case their employment is terminated due to changes in controls of the Company.

Main features of the internal control and risk management systems related to the preparation of the financial statements

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. All financial data provided in the Annual Report have been calculated in accordance with IFRS and correspond to the audited financial statements of the Company.

The staff of the Company's accounting firm ensures that the financial statements are properly prepared and that the data is collected in a timely and accurate manner. The preparation of the Company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the financial statements are monitored and managed.

Information on the company's strategy

UAB Kauno kogeneracinė jėgainė is an important part of the integrated business model and strategy of AB Ignitis grupė company group. Further information about strategic priorities, objectives and the alignment of achieved performance results can be found in the AB Ignitis grupė consolidated management report.

Sustainability information

UAB Kauno kogeneracinė jėgainė is a subsidiary and its information on sustainability is included in the consolidated management report of the parent company AB Ignitis grupė. Therefore, in accordance with Article 23(1)(1) of the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania, it qualifies with the condition allowing not to present the information on sustainability issues as specified in the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania.

The consolidated management report of AB Ignitis grupė in the integrated annual sustainability report for 2024 provides sustainability information for AB Ignitis grupė and its companies ("the Group"), as well as its subsidiary Kauno kogeneracinė jėgainė. This includes an overview of commitments and actions in areas such as environmental performance, social responsibility and governance practices. This report is available on www.ignitisgrupe.lt under "For Investors" and "Sustainability".

Information on key intangible resources

Information on the key intangible resources, as well as an explanation of how these resources impact UAB Ignitis grupės paslaugų centras activities and business model, and how they contribute to its value creation at Group level is presented in sections '2.2 Strategy and targets', '6.3 Social', and '6.4 Governance' of the Integrated Annual Report 2024 of AB Ignitis grupė, as well as in the Group's Remuneration Policy and People and Culture Policy, which are available here.

Alternative performance measures

Alternative Performance Measures (hereinafter - APM) – adjusted figures used in this report refer for measurement of internal performance management. These measures are not defined by the International Financial Reporting Standards (IFRS) and do not comply with the requirements of IFRS. Definitions of alternative performance measures are available on the website (link) of AB Ignitis grupė.

Notice on the language

In the event of discrepancies between the Lithuanian and English versions of the documents, the Lithuanian version shall prevail.

4.2 Abbreviations

#	Number
%	Per cent
'000 / thousand	Thousand
LTM	Previous 12-month period
AB	Joint Stock Company
RE	Renewable energy
Company	UAB Kauno kogeneracinė jėgainė
Ignitis Group	The group of companies AB Ignitis grupė
Parent company	AB Ignitis grupė

Financial Statements

5.1 Company’s financial statements

For the year ended 31 December 2024, prepared in accordance with IFRS Accounting Standards as adopted by the European Union

The Company’s financial statements were prepared and signed by UAB Kauno kogeneracinė jėgainė management on 21 March 2025:

Ramūnas Paškauskas	**Aksana Stankevičienė**	**Rūta Simanavičienė**
Chief Executive Officer	Head of Finance and Administration	Accounting Expert of UAB Ignitis grupės paslaugų centras, acting under Order No 24_GSC_SP_0051 of 30 September 2024

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2024

EUR thousand	Notes	2024	2023
Revenue from contracts with customers	5	53,423	53,045
Other revenue		439	518
Total revenue and other income		**53,862**	**53,563**
Purchase of electricity, natural gas and other services	6	(10,706)	(11,775)
Depreciation and amortisation	10, 11, 12	(6,033)	(5,981)
Salaries and related costs		(2,113)	(1,943)
Other expenses	7	(4,088)	(4,083)
Total expenses		**(22,940)**	**(23,782)**
Operating profit (loss)		**30,922**	**29,781**
Finance income	8	724	541
Finance costs	8	(3,247)	(3,378)
Finance activity result, net		**(2,523)**	**(2,837)**
Profit (loss) before tax		**28,399**	**26,944**
Deferred tax (expenses)/benefit	9	(1,981)	(1,556)
Net profit for the year		**26,418**	**25,388**
Other comprehensive income (expenses)			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Change in actuarial assumptions		(1)	20
Items that will not be reclassified to profit or loss in subsequent periods, total		**(1)**	**20**
Items that may be reclassified to profit or loss in subsequent periods (net of tax)			
Cash flow hedges – effective portion of changes in fair value	22	(996)	(4,707)
Total items that can be reclassified to profit or loss in subsequent periods		**(966)**	**(4,707)**
Total other comprehensive income (expenses) for the year		**(997)**	**(4,687)**
Total comprehensive income (expenses) for the year		**25,421**	**20,701**

Statement of financial position

31 December 2024

EUR thousand	Notes	31 December 2024	31 December 2023
Assets			
Intangible assets	10	1,620	1,743
Property, plant and equipment	11	118,271	122,503
Right-of-use assets	12	1,148	1,176
Non-current receivables		595	501
Deferred tax assets	9	75	1,215
Other non-current assets	22	1,305	2,559
Non-current assets		**123,014**	**129,697**
Inventories	13	12,857	12,882
Prepayments and deferred expenses		152	988
Trade receivables	14	7,055	8,389
Other receivables		126	99
Cash and cash equivalents	15	28,907	27,055
Current assets		**49,097**	**49,413**
Total assets		**172,111**	**179,110**
Equity and liabilities			
Issued capital	16	40,000	40,000
Legal reserve	17	2,971	1,702
Hedging reserve	17	1,185	2,182
Retained earnings		26,518	25,508
Equity		**70,674**	**69,392**
Non-current loans	18, 19	86,167	93,500
Non-current lease liabilities	18, 19	13	29
Provisions	20	10	8
Non-current liabilities		**86,190**	**93,537**
Loans	18, 19	7,343	7,333
Lease liabilities	18, 19	15	15
Trade payables		1,125	630
Prepayments received		97	143
Payable income tax		761	-
Provisions	20	4,353	6,430
Other current liabilities	21	1,553	1,630
Current liabilities		**15,247**	**16,181**
Total liabilities		**101,437**	**109,718**
Total equity and liabilities		**172,111**	**179,110**

Statement of changes in equity

For the year ended 31 December 2024

EUR thousand	Notes	Issued capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2023		**40,000**	**361**	**6,889**	**30,666**	**77,916**
Net profit for the year		-	-	-	25,388	**25,388**
Other comprehensive income (expenses)						
Result from change in actuarial assumptions		-	-	-	20	20
Cash flow hedging	22	-	-	(4,707)	-	**(4,707)**
Total other comprehensive income (expenses) for the year		**-**	**-**	**(4,707)**	**20**	**(4,687)**
Total comprehensive income (expenses) for the year		**-**	**-**	**(4,707)**	**25,408**	**20,701**
Transfer to reserves and changes in reserves		-	1,341	-	(1,341)	**-**
Dividends	16.3	-	-	-	(29,225)	**(29,225)**
Balance as at 31 December 2023		**40,000**	**1,702**	**2,182**	**25,508**	**69,392**
Balance as at 1 January 2024		**40,000**	**1,702**	**2,182**	**25,508**	**69,392**
Net profit for the year		-	-	-	26,418	**26,418**
Other comprehensive income (expenses)						
Result from change in actuarial assumptions		-	-	-	(1)	**(1)**
Cash flow hedging	22	-	-	(996)	-	**(996)**
Total other comprehensive income (expenses) for the year		**-**	**-**	**(996)**	**(1)**	**(997)**
Total comprehensive income (expenses) for the year		**-**	**-**	**(996)**	**26,417**	**25,421**
Transfer to reserves and changes in reserves		-	1,269	-	(1,269)	**-**
Dividends	16.3	-	-	-	(24,139)	**(24,139)**
Balance as at 31 December 2024		**40,000**	**2,971**	**1,186**	**26,517**	**70,674**

Statement of cash flows

For the year ended 31 December 2024

EUR thousand	Notes	2024	2023
Net profit for the year		26,418	25,388
Adjustments:			
Depreciation and amortisation expenses	10, 11, 12	6,033	5,981
Change in the fair value of derivatives	22	177	46
Income tax expenses (benefit)	9	1,981	1,556
Increase (decrease) in provisions	20	(2,075)	(2,652)
Write-down of inventories to net realisable value		704	78
Interest income	8	(724)	(541)
Interest expenses	8	3,070	3,332
Other finance costs (income)		-	46
Other non-cash adjustments		2	-
Changes in working capital:			
(Increase)/decrease in trade and other receivables		1,213	(1,222)
(Increase)/decrease in inventories, prepayments, deferred expenses, other current and non-current assets		158	3,596
Increase/(decrease) in trade payables, deferred income, prepayments received, other non-current and current liabilities		464	(558)
Net cash from/(used in) operating activities		**37,419**	**35,050**
Acquisition of property, plant and equipment and intangible assets		(1,743)	(430)
Interest received		724	541
Net cash flows from investing activities		**(1,019)**	**111**
Repayment of loans	19	(7,333)	(7,333)
Lease payments	19	(16)	(10)
Interest paid	19	(3,060)	(3,332)
Dividends paid	16.3	(24,139)	(29,225)
Net cash flows from/(used in) financing activities		**(34,548)**	**(39,900)**
Increase (decrease) in cash and cash equivalents		**1,852**	**(4,739)**
Cash and cash equivalents at the beginning of the year		27,055	31,794
Cash and cash equivalents at the end of the period		**28,907**	**27,055**

Notes to the financial statements

1 General information

UAB Kauno kogeneracinė jėgainė (hereinafter “the Company”) is a private limited liability company registered in the Republic of Lithuania. The Company was registered on 27 February 2015 with the Register of Legal Entities managed by the State enterprise the Centre of Registers. The registered address of the Company is: Jėgainės St. 6, Biruliškių village, Kaunas district, Lithuania. The Company is a limited liability profit-oriented entity. Company code is 303792888, VAT payer’s code – LT100009225616. The Company has been founded for an indefinite period. The reporting period is one year ended 31 December 2024.

The Company's main activity is the operation of a high-efficiency cogeneration power plant in Kaunas, the production of local, competitive electricity and heat from waste.

The shareholders of the Company were as follows:

	31 December 2024		31 December 2023	
	Number of shares held	Ownership interest (%)	Number of shares held	Ownership interest (%)
AB Ignitis grupė	20,400	51	20,400	51
UAB Gren Lietuva	19,600	49	19,600	49
Total	**40,000**	**100**	**40,000**	**100**

The Company’s parent company is AB Ignitis grupė (company code 301844044, registered address Laisvės Ave 10, LT-04215 Vilnius, Lithuania), which owns 51% of shares of the Company as at 31 December 2024 and 2023. As at 31 December 2024 and 2023, the shareholders of AB Inginis grupė were the Ministry of Finance of the Republic of Lithuania (74.99%), retail and institutional investors (25.01%).

AB Ignitis grupė is an ultimate controlling company. The Group comprises of AB Ignitis grupė and all of its subsidiaries (“the Group”).

As at 31 December 2024 and 2023, the Company did not have any subsidiaries.

These financial statements were signed by the management of UAB Kauno kogeneracinė jėgainė on 21 March 2025. The Company’s shareholders have the right to approve the present financial statements, refuse to approve them and require that new financial statements are drawn up.

2 Basis of preparation of the financial statements

2.1 Basis of accounting

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") for application in the European Union.

The Company's financial statements as at and for the year ended 31 December 2024 (hereinafter – the financial statements) have been prepared on a going concern basis applying measurement based on historical acquisition cost, except for certain financial instruments being measured at fair value.

These financial statements provide comparative information in respect of the previous period.

Detailed information about the Company's accounting policies, including changes to them, is provided in the Additional information section of these financial statements.

2.2 Functional and presentation currency

These financial statements are presented in euros, which is the Company's functional currency and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated.

3 Changes to material accounting policies

3.1 Changes in accounting policy and disclosures

The accounting policy applied in the preparation of these financial statements is consistent with the accounting policies that were followed in the preparation of the parent company's annual financial statements for the year ended 31 December 2023, except for the new standards that came into force in 2024. The Company does not apply any standard, interpretation or amendment, for which early application is permitted but which is not yet effective.

More information about the new standards is presented in the financial statements under the section Material accounting policies.

4 Critical accounting estimates and judgements used in the preparation of the financial statements

In preparing the financial statements, management made certain assumptions and estimates about the future, including climate-related risks and opportunities, which affected the reported amounts of assets, liabilities, income and expenses, as well as the disclosure of uncertainties. Changes in assumption valuations and decisions in the future could have a significant impact on these financial statements.

Estimates and judgements with key assumptions are continuously reviewed and align with the Company's risk management and climate-related commitments. Estimates and judgements are recognised prospectively.

Only significant accounting estimates and judgements used in the preparation of the financial statements are described in this note. For other estimates and judgements used refer to other notes of these financial statements.

4.1 Provision for emission allowances

As the Company makes emissions, a liability arises to pay for these emissions to the state using emission allowances, the nominal value of which is equal to the quantity of emissions. This liability falls within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. It is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. If the Company has acquired emission allowances, the value of the provision is equal to their carrying amount. If actual emissions exceeds the quantity of emission allowances held, the Company accounts for an obligation to buy additional emission allowances, the value of which is equal to their market value. The quantity of actual emissions is approved by a respective state authority during three months after the end of the year. As at 31 December 2023, the recognised provision differed insignificantly from the actual approved emission quantities. The Company's management, based on its own experience, does not expect any significant differences to arise between the estimated provision at 31 December 2024 and the quantity of emissions which will be approved in 2025.

4.2 Provision for plant dismantling and closure works

At each reporting date, the Company assesses potential provision for dismantling and closure works. In the opinion of management, no basis exists for recognising provisions for plant dismantling and closure works as no such legal obligation exists; therefore, no provisions were recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

5 Revenue from contracts with customers

5.1 Revenue from contracts with customers per type

EUR thousand	2024	2023
Revenue from the sale of electricity	31,261	29,929
Revenue from distribution of thermal energy	11,636	12,375
Revenue from waste management	10,526	10,741
Total	**53,423**	**53,045**

5.2 Contract balances

EUR thousand	2024	2023
Trade receivables	**7,055**	**8,389**
Accrued revenue from electricity related sales	27	-
Contract assets	**27**	**-**
Prepayments received	97	86
Contract liabilities	**97**	**86**
Current contract liabilities	97	86

6 Purchase of electricity, natural gas and other services

EUR thousand	2024	2023
Costs of utilised emission allowances	4,471	6,430
Operating costs of cogeneration plants	4,075	3,860
Electricity, balancing services and purchases of related services	1,189	1,243
Purchases of natural gas and related services	268	167
Other purchases	703	75
Total	**10,706**	**11,775**

7 Other expenses

EUR thousand	2024	2023
Repair and maintenance expenses	1,588	1,629
Asset management and administration	429	276
Value of written-off materials	413	521
Insurance expenses	355	382
Telecommunications and IT services	262	221
Finance and accounting	215	188
People and culture	173	110
Taxes (other than income tax)	118	154
Other	535	602
Total	**4,088**	**4,083**

8 Finance activity

EUR thousand	2024	2023
Interest income recognised at the effective interest rate	724	541
Total finance income	**724**	**541**
Interest expenses	3,070	3,332
Other finance costs	177	46
Total finance costs	**3,247**	**3,378**
Total	**(2,523)**	**(2,837)**

8.1 The Company's interest income

The Company's interest income as at 31 December 2024 consists of interest earned on cash balances in bank accounts. The cash interest inflows are shown under 'Interest received' in the Statement of Cash Flows.

9 Income taxes

9.1 Recognised under profit or loss

EUR thousand	2024	2023
Deferred tax expenses (benefit)	1,140	1,556
Income tax expenses (benefit)	841	-
Total	**1,981**	**1,556**

The Company is a free economic zone company, whose capital investments reached EUR 1 million in 2016; therefore, the Company did not incur corporate income tax for next 6 tax periods starting from the tax period in which this amount of investments has been reached, and the Company will be subject to the reduced corporate income tax rate of 50% for the next 10 tax periods (until 31 December 2031). The Company was subject to a corporate tax rate of 7.5% in 2023 and 2024 (8% from 2025).

9.2 Reconciliation of effective tax rate

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company as follows:

EUR thousand	2024	2024	2023	2023
Profit (loss) before tax		28,399		26,944
Income tax expenses (benefit) at tax rate of 7.5%	7.5%	2,130	7.5%	2,021
Non-taxable income and non-deductible expenses	0.08%	24	0.22%	58
Incentive on investment project	(0.52)%	(149)	(0.02)%	(6)
Change in corporate income tax rate	(0.03)%	(9)	-	-
Other	(0.05)%	(15)	(1.92)%	(517)
Income tax expenses (benefit)	**6.98%**	**1,981**	**5.78%**	**1,556**

9.3 Deferred tax

EUR thousand	31 December 2022	Recognised under profit or loss	Recognised under other comprehensive income	31 December 2023	Recognised under profit or loss	31 December 2024
Deferred tax assets						
Accrued expenses	17	4	-	21	-	21
Incentive on investment project	2,960	(1,569)	(177)	1,214	(1,214)	-
Lease liabilities (IFRS 16)	1	2	-	3	(1)	2
Capitalised income	102	(5)	-	97	2	99
Impairment of emission allowances	-	6	-	6	56	62
Other	7	(3)	-	4	3	7
Total deferred tax assets	**3,087**	**(1,565)**	**(177)**	**1,345**	**(1,154)**	**191**
Deferred tax liability						
Capitalised interest	118	(6)	-	112	-	112
Right-of-use assets (IFRS 16)	1	2	-	3	(1)	2
Derivative financial instruments	18	(5)	2	15	(13)	2
Total deferred tax liability	**137**	**(9)**	**2**	**130**	**(14)**	**116**
Deferred tax, net	**2,950**	**(1,556)**	**(179)**	**1,215**	**(1,140)**	**75**

10 Intangible assets

EUR thousand	Other intangible assets	Total
Acquisition cost at 1 January 2024	**2,350**	**2,350**
Additions	**38**	**38**
Reclassified (to) / from property, plant and equipment	21	**21**
Acquisition cost at 31 December 2024	**2,409**	**2,409**
Accumulated amortisation at 1 January 2024	**(607)**	**(607)**
Amortisation	(182)	(182)
Accumulated amortisation at 31 December 2024	**(789)**	**(789)**
Carrying amount at 31 December 2024	**1,620**	**1,620**
Acquisition cost at 1 January 2023	**2,338**	**2,338**
Reclassified (to) / from property, plant and equipment	12	12
Acquisition cost at 31 December 2023	**2,350**	**2,350**
Accumulated amortisation at 1 January 2023	**(426)**	**(426)**
Amortisation	(181)	(181)
Accumulated amortisation at 31 December 2023	**(607)**	**(607)**
Carrying amount as at 31 December 2023	**1,743**	**1,743**

10.1 Fully amortised intangible assets

As at 31 December 2024 and 2023, the Company had no fully amortised intangible assets used in operations.

10.2 Acquisition commitments

As at 31 December 2024 and 2023, the Company had no material acquisition commitments of intangible assets, which have to be fulfilled during the subsequent year.

10.3 Pledged assets

As at 31 December 2024 and 2023, the Company did not have any pledged non-current intangible assets.

11 Property, plant and equipment

11.1 Company's property, plant and equipment

EUR thousand	Cogeneration plants and their installations	Information technologies and communication equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
Acquisition cost at 1 January 2024	**140,336**	**1,220**	**43**	**470**	**-**	**142,069**
Additions	65	13	-	10	1,525	**1,613**
Write-offs	-	-	-	(2)	-	**(2)**
Reclassified (to) from construction in progress	1,156	325	-	8	(1,489)	**-**
Reclassified (to) / from intangible assets	-	-	-	-	(21)	**(21)**
Acquisition cost at 31 December 2024	**141,557**	**1,558**	**43**	**486**	**15**	**143,659**
Accumulated depreciation and impairment at 1 January 2024	**(19,032)**	**(338)**	**(10)**	**(186)**	**-**	**(19,566)**
Depreciation	(5,637)	(112)	(3)	(71)	-	**(5,823)**
Write-offs	1	-	-	-	-	**1**
Accumulated depreciation and impairment at 31 December 2024	**(24,668)**	**(450)**	**(13)**	**(257)**	**-**	**(25,388)**
Carrying amount at 31 December 2024	**116,889**	**1,108**	**30**	**229**	**15**	**118,271**
Acquisition cost at 1 January 2023	**139,771**	**1,215**	**39**	**423**	**79**	**141,527**
Additions	278	5	4	39	236	**562**
Write-offs	(5)	-	-	(3)	-	**(8)**
Reclassified (to) from construction in progress	292	-	-	11	(303)	**-**
Reclassified (to) / from intangible assets	-	-	-	-	(12)	**(12)**
Acquisition cost as at 31 December 2023	**140,336**	**1,220**	**43**	**470**	**-**	**142,069**
Accumulated depreciation and impairment at 1 January 2023	**(13,434)**	**(237)**	**(7)**	**(116)**	**-**	**(13,794)**
Depreciation	(5,601)	(101)	(3)	(72)	-	**(5,777)**
Write-offs	3	-	-	2	-	**5**
Accumulated depreciation and impairment at 31 December 2023	**(19,032)**	**(338)**	**(10)**	**(186)**	**-**	**(19,566)**
Carrying amount at 31 December 2023	**121,304**	**882**	**33**	**284**	**-**	**122,503**

11.2 Additions of property, plant and equipment

As at 31 December 2024 and 2023, the Company had no material commitments for the acquisition of property, plant and equipment to be settled in subsequent years.

11.3 Fully depreciated property, plant and equipment

The cost of property, plant and equipment that is fully depreciated but used in operations is presented below:

EUR thousand	31 December 2024	31 December 2023
Other property, plant and equipment	102	-
Information technologies and communication equipment	-	4
Total	**102**	**4**

11.4 Pledged property, plant and equipment

As at 31 December 2024, the Company had pledged to the banks its property, plant and equipment with the carrying amount of EUR 116,801 thousand (31 December 2023: EUR 121,223 thousand).

12 Right-of-use assets

12.1 The Company's right-of-use assets

EUR thousand	Land	Other property, plant and equipment	Total
1 January 2024			
Acquisition cost	1,196	112	**1,308**
Accumulated depreciation	(63)	(69)	**(132)**
Carrying amount	**1,133**	**43**	**1,176**
Carrying amounts at 1 January 2024	**1,133**	**43**	**1,176**
Additions	-	-	**-**
Write-offs	-	-	**-**
Depreciation	(12)	(16)	**(28)**
Carrying amount at 31 December 2024	**1,121**	**27**	**1,148**
31 December 2024			
Acquisition cost	1,196	112	**1,308**
Accumulated depreciation	(75)	(85)	**(160)**
Carrying amount	**1,121**	**27**	**1,148**
Carrying amount at 1 January 2023	**1,146**	**9**	**1,155**
Additions	-	56	**56**
Write-offs	-	(12)	**(12)**
Depreciation	(13)	(10)	**(23)**
Carrying amount at 31 December 2023	**1,133**	**43**	**1,176**
31 December 2023			
Acquisition cost	1,196	112	**1,308**
Accumulated depreciation	(63)	(69)	**(132)**
Carrying amount	**1,133**	**43**	**1,176**

12.2 Expenses related to lease agreements recognised in the statement of profit or loss

EUR thousand	2024	2023
Depreciation	28	23
Expenses related to short-term leases (other expenses)	60	36
Interest expenses	1	-
Lease expenses, total	**89**	**59**

13 Inventories

EUR thousand	31 December 2024	31 December 2023
Emission allowances	11,431	12,060
Consumables, raw materials and spare parts	1,182	483
Other	244	339
Carrying amount	**12,857**	**12,882**

As at 31 December 2024, the Company had 244,968 units of emission allowances (31 December 2023: 239,254).

The Company's inventories recognised as expenses were as follows:

EUR thousand	2024	2023
Emission allowances	4,471	6,430
Consumables, raw materials and spare parts	369	271
Natural gas	268	167
Other inventories	1,744	1,210
Total	**6,852**	**8,078**

14 Trade receivables

EUR thousand	31 December 2024	31 December 2023
Amounts receivable from contracts with customers		
Receivables for supply of electricity	3,191	4,466
Receivables for supply of heat	1,896	1,946
Receivables for waste management	1,900	1,867
Other receivables	68	110
Total	**7,055**	**8,389**
Less: impairment allowance	-	-
Carrying amount	**7,055**	**8,389**

As at 31 December 2024 and 2023, the Company has not pledged the right of claim to trade receivables.

No interest is charged on trade receivables, and the regular settlement period is 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Company doesn't provide the settlement period longer than 1 year. The management didn't identify any significant financing component. For terms and conditions on settlement between related parties see Note 24.

The table below presents information on the Company's trade receivables from contracts with customers that are assessed on an individual basis:

	31 December 2024		31 December 2023	
EUR thousand	**Trade receivables**	**Loss allowance**	**Trade receivables**	**Loss allowance**
Not past due	6,602	-	8,222	-
Up to 30 days	453	-	-	-
30-60 days	-	-	135	-
60-90 days	-	-	26	-
90-120 days	-	-	-	-
More than 120 days	-	-	6	-
Carrying amount	**7,055**	**-**	**8,389**	**-**

15 Cash and cash equivalents

EUR thousand	31 December 2024	31 December 2023
Cash balances in bank accounts	28,907	27,055
Carrying amount	**28,907**	**27,055**

Under the loan agreements signed with the banks, the Company has pledged current and future cash inflows. The balance of pledged amounts as at 31 December 2024 amounted to EUR 16,129 thousand (31 December 2023: EUR 11,722 thousand).

16 Equity

16.1 Capital management

The management uses the equity as reported in the statement of financial position for capital management purposes.

According to the Law on Companies of the Republic of Lithuania, the authorised capital of a closed joint stock company must be at least EUR 1 thousand. The equity must be at least 50% of the company's issued capital. As at 31 December 2024 and 2023, the Company complied with the capital regulatory requirements.

16.2 Issued capital

in EUR	31 December 2024	31 December 2023
Issued capital		
Ordinary shares	40,000,000	40,000,000
Ordinary shares issued and fully paid, EUR	**40,000,000**	**40,000,000**

As at 31 December 2024 and 2023, the Company's issued capital comprised EUR 40,000,000 and was divided in to 40,000,000 registered ordinary shares with par value is EUR 1 of each. All the shares are fully paid.

16.3 Dividends

EUR thousand	2024	2023
AB Ignitis grupė	12,311	14,905
UAB Gren Lietuva	11,828	14,320
Total	**24,139**	**29,225**

EUR 24,139 thousand of dividends for 2023 were approved by the general meeting of shareholders, held on 16 April 2024.
EUR 29,225 thousand of dividends for 2022 were approved by the general meeting of shareholders, held on 12 April 2023.

17 Reserves

17.1 Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Companies in Lithuania are required to transfer 5% of net profit from distributable profit until the total reserve reaches 10% of the issued capital. The legal reserve shall not be used for payment of dividends and is formed to cover future losses only.

As at 31 December 2024 and 2023, the Company's legal reserve was not fully formed.

17.2 Hedging reserve

The hedge reserve includes hedging instruments used to hedge cash flows that will subsequently be recognised in profit or loss in the effective portion of the net change in fair value. As at 31 December 2024, the hedging reserve consisted of cash flow hedges - the effective portion of the change in fair value is EUR 1,186 thousand (as at 31 December 2023: EUR 2,182 thousand).

18 Loans and lease liabilities

EUR thousand	31 December 2024	31 December 2023
Loan received	86,167	93,500
Lease liabilities	13	29
Total non-current portion	**86,180**	**93,529**
Current part of the non-current loan	7,343	7,333
Lease liabilities	15	15
Total current portion	7,358	7,348
Total	**93,538**	**100,877**

Loan repayment and lease liability maturities:

EUR thousand	31 December 2024	31 December 2023
Up to 1 year	7,358	7,348
From 1 to 2 years	7,346	7,362
2 and 5 years	22,000	22,000
After 5 years	56,834	64,167
Total	**93,538**	**100,877**

All the Company’s loans and lease liabilities are denominated in EUR.

18.1 Commitments

The loan agreements provide for financial and non-financial covenants that the Company is obliged to comply with. The Company complied with all the covenants as at 31 December 2024 and 2023.

19 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Company. While implementing risk management strategy, the management monitors net debt ratio.

This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

The calculation of the net debt includes the liabilities to financial institutions, loans to Group companies and related interest and lease liabilities payable.

Net debt balances:

EUR thousand	31 December 2024	31 December 2023
Cash and cash equivalents	(28,907)	(27,055)
Non-current portion	86,180	93,529
Current portion	7,358	7,348
Net debt	**64,631**	**73,822**

Reconciliation of the Company’s net debt balances and cash flows from financing activities:

	Assets	Lease liabilities		Loans		
EUR thousand	**Cash**	**Non-current**	**Current**	**Non-current**	**Current**	**Total**
Net debt as at 1 January 2023	**(31,794)**	**-**	**9**	**100,833**	**7,333**	**76,381**
Cash changes						
(Increase) decrease in cash and cash equivalents	4,739	-	-	-	-	**4,739**
Repayment of loans	-	-	-	-	(7,333)	**(7,333)**
Lease payments	-	-	(10)	-	-	**(10)**
Interest paid	-	-	-	-	(3,332)	**(3,332)**
Non-cash changes						
Lease contracts concluded	-	37	19	-	-	**56**
Lease liabilities write-off	-	(4)	(7)	-	-	**(11)**
Accrual of interest payable	-	-	-	-	3,332	**3,332**
Reclassifications between items	-	(4)	4	(7,333)	7,333	**-**
Net debt as at 31 December 2023	**(27,055)**	**29**	**15**	**93,500**	**7,333**	**73,822**
Net debt as at 1 January 2024	**(27,055)**	**29**	**15**	**93,500**	**7,333**	**73,822**
Cash changes						
(Increase) decrease in cash and cash equivalents	(1,852)	-	-	-	-	**(1,852)**
Repayment of loans	-	-	-	-	(7,333)	**(7,333)**
Lease payments	-	-	(16)	-	-	**(16)**
Interest paid	-	-	(1)	-	(3,059)	**(3,060)**
Non-cash changes						
Accrual of interest payable	-	-	1	-	3,069	**3,070**
Reclassifications between items	-	(16)	16	(7,333)	7,333	**-**
Net debt as at 31 December 2024	**(28,907)**	**13**	**15**	**86,167**	**7,343**	**64,631**

20 Provisions

EUR thousand	31 December 2024	31 December 2023
Non-current	10	8
Current	4,353	6,430
Total	**4,363**	**6,438**

Movement of the Company's provisions was as follows:

EUR thousand	Provision for emission allowances (Note 4.1)	Provisions for employee benefits	Total
Balance as at 1 January 2023	**9,086**	**26**	**9,112**
Increase during the year	6,430	4	**6,434**
Utilised during the year	(9,086)	(22)	**(9,108)**
Balance as at 31 December 2023	**6,430**	**8**	**6,438**
Balance as at 1 January 2024	**6,430**	**8**	**6,438**
Increase during the year	4,353	1	**4,354**
Utilised during the year	(6,430)	1	**(6,429)**
Balance as at 31 December 2024	**4,353**	**10**	**4,363**
Non-current portion	-	10	**10**
Current portion	4,353	-	**4,353**

Description of the Company's provisions and the expected timing of realisation of economic benefits

Provisions for employee benefits include a statutory retirement benefit for the Group's employees (Note 1.11.2). The duration of the provision is calculated for each employee using actuarial assumptions including the age of the employee, mortality risk, employee turnover rate, discount rate (3.56% at 31 December 2024, 3.37% at 31 December 2023), long-term salary increases (5% at 31 December 2024, 4% at 31 December 2023).

21 Other current liabilities

EUR thousand	31 December 2024	31 December 2023
Taxes (other than income tax)	937	928
Payroll related liabilities	338	295
Accrued expenses	144	162
Amounts payable for property, plant and equipment	134	245
Carrying amount	**1,553**	**1,630**

Financial liabilities amount to EUR 134 thousand (31 December 2023: EUR 245 thousand). Accrued expenses, taxes (other than income tax), and employment related liabilities are not financial liabilities.

22 Derivative financial instruments

Derivative financial instruments mainly comprise other contracts – interest rate swap derivatives.

22.1 Derivative financial instruments, included in the statement of financial position

EUR thousand	31 December 2024	31 December 2023
Other property, plant and equipment	1,305	2,559
Carrying amount	**1,305**	**2,559**

Movement of derivative financial instruments:

EUR thousand	31 December 2024	31 December 2023
Carrying amount	**2,559**	**7,136**
Change in fair value of derivatives recognised in 'Finance costs'	(177)	(46)
Change in fair value of derivatives recognised in 'Other comprehensive income'	(1,077)	(4,531)
Carrying amount	**1,305**	**2,559**

22.2 Derivative financial instruments included in the statement of profit or loss

EUR thousand	2024	2023
Other contracts - interest rate option derivatives	(177)	(46)
Total recognised in the statement of profit or loss	**(177)**	**(46)**

23 Contingent liabilities

23.1 Litigations

As at 31 December 2024 and 2023, the Company was not involved in any legal procedures which, in the opinion of management, could have a material influence on the financial statements.

24 Related-party transactions

Related parties, EUR thousand	Amounts receivable 31 December 2024	Amounts payable 31 December 2024	Sales 2024	Purchases 2024
Other Group companies	3,179	104	28,079	1,290
State-controlled UAB EPSO-G group companies	37	6	336	80
Total	**3,216**	**110**	**28,415**	**1,370**

Related parties, EUR thousand	Amounts receivable 31 December 2023	Amounts payable 31 December 2023	Sales 2023	Purchases 2023
Other Group companies	4,414	87	27,851	976
State-controlled UAB EPSO-G group companies	43	6	276	950
Total	**4,457**	**93**	**28,127**	**1,926**

The Company conducts purchase and sale transactions with related parties. From related parties it purchases natural gas, electricity balancing services, as well as services related to lease of property, IT and telecommunications, procurement organisation and implementation, accounting and personnel administration from related parties. It sells electricity to related parties.

24.1 Terms of transactions with related parties

Settlement terms are set at 15-90 days. Receivable balances at year-end are not secured by collateral, do not accrue interest and are settled in cash. No guarantees have been issued or received to secure the repayment of receivables or payables from related parties.

24.2 Benefits to key management

EUR thousand	2024	2023
Wages and salaries and other current benefits to key management	157	137
Whereof:		
Current benefits	157	137
Number of key management personnel	4	4

In 2024 and 2023, the key management personnel of the Company were the Chief Executive Officer and members of the Management Board. For more information on key management personnel, see Section 3 of the Management Report.

25 Financial risk management

25.1 Overview

Risks are a natural and integral part of business activities, and risk profile changes continuously. The Group aims to mitigate its risks and reduce them to acceptable levels through risk management. This section only describes the management of the main financial risks. The management of other risks is set out in the Governance Report.

25.2 Financial risk factors

The Company is exposed to a variety of financial risks in their operations: market risk (including foreign exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. By managing these risks, the Company seeks to minimise potential adverse effects which could negatively impact the financial performance of the Company.

25.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and foreign currency exchange risk.

25.2.1.1 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The sale/purchase contracts of the Company are denominated in the euro. Accordingly, currency risk is insignificant.

25.2.1.2 Interest rate risk

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

As at 31 December 2024, the Company's income and cash flows from operating activities are not materially affected by changes in market interest rates as on 8 June 2022 the Company entered into interest rate swap and option transactions. As at 31 December 2024, the loans with fixed interest rate amounted to EUR 93,510 thousand.

The Company's income and cash flows were not affected by fluctuations in market interest rates because the Company's had loans with fixed interest rates as at 31 December 2024. As at 31 December 2023, the loans with fixed interest rate amounted to EUR 100,833 thousand.

25.2.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company's exposure to credit risk arises from operating activities (trade and other amounts receivable) and from financing activities (granted loans, finance lease agreements, derivatives). The Company's risk related to cash is limited, as the Company keeps cash balances only in reliable financial institutions.

The majority of the Company's receivables are held by two companies. A Group company, from which receivables account for 45% of total receivables, and an external customer accounts for 27% of total receivables. The Company's credit risk related to receivables is low as the Company's main customers are financially stable companies.

The priority objective of the Company's treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

The maximum exposure to credit risk is equal to the carrying amount of financial assets and the nominal value of guarantees issued.

EUR thousand	Note	31 December 2024	31 December 2023
Financial assets measured at amortised cost:			
Non-current receivables		595	501
Trade receivables	14	7,055	8,389
Other receivables		99	99
Cash and cash equivalents	15	28,907	27,055
Financial assets measured at FVPL or FVOCI			
Derivative financial instruments	22	1,305	2,559
Total		**37,961**	**38,603**

25.2.3 Liquidity risk

The liquidity risk is managed by planning future cash flows of the Company and ensuring sufficient cash and availability of funding through committed credit facilities and overdrafts to support the Company's ordinary activities. The refinancing risk is managed by ensuring that loans over a certain period were repaid from available cash, from cash flows expected from operating activities of the Company over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2024, the Company's total liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 3.22 and 2.38 respectively (31 December 2023: 3.05 and 2.26 respectively).

The table below summarises the Company's financial liabilities by category:

EUR thousand	Note	31 December 2024	31 December 2023
Amounts payable stated at amortised cost			
Loans	18	93,510	100,833
Lease liabilities		28	44
Trade payables		1,125	630
Other current liabilities	21	134	245
Total		**94,797**	**101,752**

The table below summarises the maturity profile of the Company's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

EUR thousand	2024				
	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	Total
Loans	2,557	7,586	47,310	51,482	108,935
Lease liabilities	3	12	13	-	28
Trade payables	1,125	-	-	-	1,125
Other payables	134	-	-	-	134
31 December 2024	**3,819**	**7,598**	**47,323**	**51,482**	**110,222**

EUR thousand	2023				
	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	Total
Loans	1,890	5,670	37,802	58,593	103,955
Lease liabilities	4	12	30	-	46
Trade payables	630	-	-	-	630
Other payables	245	-	-	-	245
31 December 2023	**2,769**	**5,682**	**37,832**	**58,593**	**104,876**

26 Fair values of financial instruments

26.1 Financial instruments measured at fair value

The Company's derivatives are measured at fair value (all allocations to hierarchy levels are presented in a table below).

As at 31 December 2024, the Company held interest rate swap derivatives. The net value is calculated using exchange rates published by the European Central Bank. Level 2 of the hierarchy is used to determine the fair values of these derivatives as they are not traded in the direct markets and the calculations are based on information publicly available in the markets.

As at 31 December 2024, there were no derivative transactions related to electricity purchase and sale prices (Note 22).

26.2 Financial instruments for which fair value is disclosed

The fair value of the Company's loans granted by commercial banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 3.546% as at 31 December 2024 (31 December 2023: 6.42%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

The table below presents allocation of the fair value among the hierarchy levels of the Company's financial instruments as at 31 December 2024.

EUR thousand	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Financial instruments at fair value through profit or loss						
Assets						
Derivatives	22	**1,305**	-	1,305	-	**1,305**
Financial instruments for which fair value is disclosed						
Liabilities						
Bank loan	18	**93,500**	-	86,167	-	**86,167**

The table below presents allocation of the fair value among the hierarchy levels of the Company's financial instruments as at 31 December 2023:

EUR thousand	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Financial instruments at fair value through profit or loss						
Assets						
Derivatives	22	**2,559**	-	2,559	-	**2,559**
Financial instruments for which fair value is disclosed						
Liabilities						
Bank loan	18	**100,833**	-	81,088	-	**81,088**

27 Events after the reporting period

There were no material events after the reporting period to the date of these financial statements.

5.2 Additional information

1 Material accounting policies

1.1 New standards, amendments to standards and interpretations

1.1.1 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting year

The new standards and/or amendments to standards approved by the IASB and adopted by the European Union during the year ended 31 December 2024 are stated below.

Standards or amendments that came into force during the year of 2024
Classification of Liabilities as Current or Non-current
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Disclosures of Financial Instruments: Supplier Financing Arrangements
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The adoption of these standards, amendments and interpretations had no material impact on the financial statements.

1.1.2 Standards issued but not yet effective and not early adopted

In preparation of these financial statements, the Company did not apply new IFRS issued by IASB, IAS, amendments and interpretations, the effective date of which is later than 31 December 2024 and early adoption whereof is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Other standards

The following new and amended standards are not expected to have a significant impact on the financial statements.

Other new standards and amendments	IASB Effective date	EU Endorsement status
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025	Endorsed
Contracts related to electricity from natural resources - Amendments to IFRS 9 and IFRS 7	1 January 2026	Not yet endorsed
Annual Improvements, Volume 11	1 January 2026	Not yet endorsed
Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	1 January 2026	Not yet endorsed
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027	Not yet endorsed
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027	Not yet endorsed

1.2 Revenue from contracts with customers

The Company in the contracts with customers identifies performance obligations (stated either explicitly or implied) to transfer either distinct goods or services or series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Promised goods or services represent separate performance obligation if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:

(i) customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and
(ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

The Company's performance obligations set out in the agreements with customers are as follows: sale of electricity, sale of heat energy, waste management.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. When recognising revenue, the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

1.2.1 Revenue from the sale of electricity

The sales of electricity produced using own resources are conducted at the Power Exchange (hereinafter "the Exchange") by submitting electricity sale offers to the Exchange. On the Day-Ahead market, the transaction for the purchase and sale of electricity is considered as concluded if the automatic coupling algorithm does not by default reject the submitted offer of selling electricity. Transactions on the Intraday market are approved by market participants. Following the approval of the transaction, the system of the exchange sends a confirmation of the concluded electricity sale transaction to the seller. The seller's performance obligation under the concluded transaction is to supply the volume of electricity as indicated in the seller's offer to the electricity transmission system. The performance obligation is to be carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the network. The progress of fulfilment of the performance obligation is assessed considering the volume of electricity indicated in respect of the transaction.

The price of the transaction and consideration to be paid to the seller correspond to the amount indicated in the confirmation notice of the transaction. The entire consideration of the seller payable at a flat rate. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.

Revenue is recognised considering the actually supplied electricity pertaining to the transaction, without any deduction of commissions that might be deducted by trading intermediaries representing the Company at the Exchange.

Electricity revenue also includes sales of electricity to a Group company. The Company sells the contracted amount of electricity generated at a fixed price. Revenue is recognised over the period in each accounting period based on the VAT invoices issued.

1.2.2 Revenue from waste management

Based on contracts with customers, the Company is committed to provide non-hazardous waste disposal (incineration) services. In the contract with customer, the consideration paid to the Company comprises the fixed consideration per waste unit. The Company recognises revenue over time, progress of performance obligation is measured by considering the quantity of waste actually delivered. Revenue is recognised when waste acceptance and transfer deed has been approved by both parties.

1.2.3 Revenue from supply of thermal energy

Under contracts with customers, the seller commits to supply thermal energy to its customers in compliance with the defined technical requirements (temperature graph, pressure, flow, quality of thermofication water, etc.). Contract with customer includes one performance obligation, i.e. supply of heat energy. The customer receives and simultaneously consumes the benefits of the service relating to the supply of thermal energy. Revenue is recognised over time. The progress of satisfying of the performance obligation is assessed considering the volumes of thermal energy actually supplied to the customer as determined on the basis of data of metering devices.

The remuneration comprises the customer’s payments for the actually delivered thermal energy.

1.3 Intangible assets

Intangible assets expected to provide economic benefits in future periods are measured at acquisition cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 to 13 years. Amortisation of an asset begins when it is ready for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management.

1.4 Non-current assets

Property, plant and equipment is stated at acquisition (production) cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the useful lives established for property, plant and equipment. Depreciation starts when an asset is ready for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management.

Cost includes expenditure incurred in relation to replacement of parts of property, plant and equipment if such expenditure meets the recognition criteria of the asset. The carrying amount of the replaced part is derecognised. Subsequent repair costs are included in the asset’s carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Company and the costs can be measured reliably. All other repairs and maintenance costs charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Property, plant and equipment include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment.

The assets’ residual values and useful lives are reviewed at least once per year, and adjusted if appropriate.

When asset is retired or otherwise disposed of, the cost and related accumulated depreciation are derecognised and any related gains or losses are included in profit or loss of to the statement of profit or loss and other comprehensive income. Gains or losses on disposal of property, plant and equipment are determined as proceeds received on disposal less the carrying amount of assets disposed. When the revalued asset is sold, the corresponding portion of the revaluation reserve is transferred to retained earnings.

Construction in progress is transferred to appropriate categories of property, plant and equipment when asset is completed and ready for its intended use.

Depreciation periods (number of years):

Category of property, plant and equipment	Useful lives (number of years)
Cogeneration plants and their installations	10-45
Information technologies and communication equipment	15
Vehicles	13
Other property, plant and equipment	4-5

1.5 Right-of-use assets

Right-of-use asset is the asset that reflects the right of the Company to use the leased asset over the life of a lease. The Company recognises a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

1.5.1 Initial measurement of right-of-use assets

On the lease commencement date, the Company measures right-of-use assets at cost. The cost of an asset managed under a right-of-use comprises of: the amount of the initial measurement of the lease liability, any lease payments at or before the inception date, less any lease incentives received; any initial direct costs incurred by the Company; and an estimate of the costs that the Company will incur in dismantling and disposing of the leased asset, maintaining its location or restoring the leased asset to the condition required by the lease conditions, unless those costs are incurred in producing the inventories. The Company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Company recognises these costs as part of the cost of the right-of-use assets when a liability is assumed for these costs.

1.5.2 Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the Company measures the right-of-use asset at cost. Under the cost model, the Company measures a right-of-use asset at cost less any depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

Depreciation of the right-of-use assets is calculated by the Company in accordance with the requirements of IAS 16, Property, Plant and Equipment.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company calculates the depreciation of the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company presents rights-of-use assets separately from property, plant and equipment in the statement of financial position.

Depreciation of right-of-use assets on a straight line basis, the depreciation period is determined by the contract period:

Group of right-of-use assets	Depreciation period (in years)
Land	90-100
Other property, plant and equipment	2-5

1.6 Financial instruments

1.6.1 Recognition and initial measurement

Financial assets and financial liabilities are recognised at an initial stage when the entity becomes a party to the terms of the contractual instrument.

A financial asset (other than a trade receivable that does not have a significant financing component) or a financial liability is initially measured at fair value increased or decreased by directly attributable transaction expenses, when an object is not measured at fair value through profit or loss (FVOCI). Trade receivables that do not have a significant financing component are initially measured at the transaction price.

1.6.2 Classification and subsequent measurement

1.6.2.1 Financial assets – classification

On initial recognition, financial assets are classified for subsequent measurement as: amortised cost; financial assets whose subsequent measurement at fair value is presented through the recognition of a change in value through other comprehensive income ('FVOCI'); or financial assets whose subsequent measurement at fair value is presented through the recognition of a change in value through profit or loss ('FVPL').

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets. In that case, all affected financial assets are reclassified on the first day of the first reporting period after the change in business model.

A financial asset is measured at amortised cost if the following two conditions are met and an asset is not measured at FVPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are not measured at amortised cost or FVOCI as described above (such as assets held for sale and assets that are managed and the performance of which is measured on the basis of fair value) are measured at FVPL. Derivative financial instruments are measured at FVPL or FVOCI.

1.6.2.2 Financial assets measured at FVOCI in subsequent periods

Financial assets at FVPL	This asset is subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 22 for derivatives designated as hedging instruments.
Financial assets at amortised cost	This asset is subsequently measured at amortised cost applying the effective interest method. Total amount of assets is reduced by impairment losses. Interest income, foreign currency gains and losses, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt instruments at FVOCI	This asset is subsequently measured at fair value. Interest income calculated using effective interest method, foreign currency gains and losses, and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, accumulated gains and losses are reclassified to profit or loss.
Capital investments at FVOCI	This asset is subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

1.6.2.3 Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities measured at amortised cost or FVPL. A financial liability is measured at FVPL if it is classified as held for trading, is a derivative or is designated as such at initial recognition. Financial liabilities are measured at FVPL and net gains and losses, including any interest expense, are recognised in the statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains or losses are recognised in the statement of profit or loss. Any gain or loss on derecognition is also recognised in the statement of profit or loss.

1.6.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised only when the contractual rights to the cash flows from the financial asset expire; or when it transfers the financial asset and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the statement of profit or loss.

1.6.3.1 Impairment of financial assets – expected credit losses (hereinafter “ECL”)

The Company recognises ECL for all debt financial instruments that are not measured at fair value through profit or loss. The ECLs are based on the difference between the contractual cash flows receivable and the cash flows expected to be received by the Company, discounted at the approximate original effective interest rate. Expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For current trade receivables without a significant financing component, the Company applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables.

For the assessment of impairment of trade receivables, management assesses expected credit losses on an individual basis. The Company’s management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower.

The Company assesses on a forward-looking basis the ECL associated with its debt instruments measured at amortised cost regardless of whether there are any impairment indicators.

ECL of other receivables and contract assets is calculated based on individual assessment.

The Company’s management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime ECL in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information, the Company assesses the debt on a collective basis.

1.6.3.2 Credit-impaired financial assets

Fair values of receivables from contracts with customers and other amounts receivable approximate their carrying amounts. Trade receivables are non-interest bearing and generally are collectable in 30 days. Impairment allowance for receivables - expected credit losses are recognised for receivables the credit risk of which, assessed individually and considering all valid and approved information, including forward-looking information, has significantly increased compared to initial recognition. When performing individual assessment of lifetime credit losses, credit risk is assessed when the following indications exist: significant financial difficulty of the customer; probability that the customer will enter bankruptcy; significant delay in payments.

1.6.4 Derivatives and hedge accounting

The Company enters into derivative financial instruments transactions related to purchase and sale prices of electricity, future purchases of emission allowances as well as interest rate swaps and options. The Company enters into derivative transactions for hedging purposes.

At the inception of a hedging transaction, the Company defines and formally documents the hedging relationship for which it wishes to apply hedge accounting and its risk management objectives and strategy.
Such documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the Company prepares to assess whether the hedge ratio satisfies the hedging instrument's effectiveness requirements (including an analysis of the reasons for the hedge's ineffectiveness, and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

– there is ‘an economic relationship’ between the hedged item and the hedging instrument;
– the effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship;
– the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

1.6.4.1 Presentation

Fair value of derivative financial instruments is presented In the statement of financial position as “Other non-current assets”, “Other current assets” and “Other current liabilities” (Note 22).

The result of the change in the fair value of derivatives that have been settled and are held for hedge accounting but do not meet the criteria for hedging accounting is disclosed in the statement of profit (loss) and other comprehensive income in 'Other finance income' if the aggregate result for the period of such a derivative is a gain, or in 'Other expense' if the aggregate result for the period of the derivative is a loss.

Changes in fair value and the result of derivatives that have been settled and qualify for hedge accounting and that meet the criteria for hedge accounting shall be accounted for as described below:

1.6.4.2 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised under other comprehensive income in the statement of profit or loss and other comprehensive income, in the cash flow hedge reserve. Ineffective portion of profit or loss is recognised directly under profit or loss in the statement of profit or loss and other comprehensive income as 'Other income' or 'Other expenses' (accounting method is similar to derivatives that do not meet the hedging criteria – Note 1.6.4). The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is established using the FIFO method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Company from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1.8 Emission allowances

Based on the European Union (the EU) Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covered 7 years from 2013 to 2020. From 2021 the fourth phase has started, which will last until 2030. The Scheme's operation period is in line with the period established under the Kyoto Agreement. The system functions on 'Cap' and 'Trade' basis.

The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan (hereinafter "NAP") to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). The NAP determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

A Member State has an obligation to allocate emission allowances by 30 June of each year in accordance with the NAP (part of the allowances is set aside for new entrants).

A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 31 March of the next year.

1.8.1 Inventories

EU emission allowances are inventories that are dedicated by the state or are acquired by the Company. EU emission allowances acquired by the Company are recognised at acquisition cost. EU emission allowances dedicated by the state are recognised in the accounts at nominal (zero) value.
The Company accounts for acquired and received free-of-charge emission allowances separately. Write-down to net realisable value is calculated for acquired emission allowances if the market price falls below acquisition price.

1.8.2 Provision for the utilisation of emission allowances

When a company emits pollutants into the environment, it triggers an obligation to pay the state for the pollution with allowances with a nominal value corresponding to the amount of pollutants emitted. This liability is a provision that is measured at an amount equal to the cost that the Company will incur to settle the resulting obligation at the statement of financial position date. If the Company has acquired emission allowances, the value of the provision is equal to their carrying amount. If actual emissions exceeds the quantity of emission allowances held, the Company accounts for an obligation to buy additional emission allowances, the value of which is equal to their market value.

The liability can be offset against inventories only when the actual quantity of emissions is approved by an appropriate regulatory state authority.

Changes in the value of the liability relating to missing allowances shall be recognised in profit or loss in the statement of profit or loss and other comprehensive income.

1.9 Lease liabilities

At the commencement date of the lease the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: fixed payments, less any lease incentives receivable; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental loan rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

1.9.1 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Also, low-value asset lease recognition exemption to office equipment that are considered to be low value is applied. Lease related discounts are charged to the lease income proportionally over the term of the lease.

1.10 Provisions

Provisions are recognised when the Company has a legal obligation or irrevocable commitment as a result of the past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses related to provisions are recorded in the profit or loss part of the statement of profit or loss and other comprehensive income, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. When discounting is used, an increase in the provision reflecting the past period, is accounted for as finance costs.

1.11 Employee benefits

1.11.1 State plans

The Company participates only in State plans. State plans are established by legislation to cover all entities and are operated by national or local government or by another body (for example, in the case of the Company, the State Social Security Fund). State Plans - a defined benefit plan under which the Company makes defined contributions and will have no legal or constructive obligation to continue to make those contributions in the future if the fund does not have sufficient assets to pay all employees their service-related benefits in the current or prior periods. The social security contributions are recognised as expenses on an accrual basis and are attributed to payroll expenses.

1.11.2 Termination benefits

As a general rule, termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Non-current benefits are recognised at present value discounted using market interest rate.

1.11.3 Non-current employee benefits

Each employee of retirement age who terminates his/her employment with the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries according to Lithuanian laws. If an employee is a member of a trade union, he or she is also entitled to an additional payment for his or her service under collective agreement. A liability for such pension benefits is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the reporting date is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

1.12 Fair value

Fair value is defined in IFRSs as the price that would be received to sell an asset or paid to transfer a liability to market participants in an orderly manner at the measurement date of the transaction.

The Company measures financial instruments such as derivatives, at fair value at each reporting date. Determination of the fair value is based on the assumption that the asset sale or liability transfer transaction is performed either:

– in the principal market for the asset or liability; or
– in the absence of principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
– Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
– Level 2: fair value of assets is based on other observable market data, directly or indirectly;
– Level 3: fair value of assets is based on non-observable market data.

For assets and liabilities that are recognised in the financial statements, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

KPMG Baltics, UAB
Klaipėdos filialas
Liepų g. 4
LT-92114 Klaipėda
Lithuania

+370 46 480012
klaipeda@kpmg.lt
home.kpmg/lt

Independent Auditor's Report

To the Shareholders of UAB Kauno kogeneracinė jėgainė

Opinion

We have audited the financial statements of UAB Kauno kogeneracinė jėgainė ("the Company"). The Company's financial statements comprise:

- the statement of financial position as at 31 December 2024,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and the requirements of the Law on Audit of Financial Statements and Other Assurance Services of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements and Other Assurance Services of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Company's management report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Company code: 111494971
VAT code: LT114949716

In addition, our responsibility is to consider whether information included in the Company's management report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether management report, has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's management report, has been prepared in accordance with the requirements of the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

On behalf of KPMG Baltics, UAB

Edvinas Žukauskas
Partner
Certified Auditor

Klaipėda, the Republic of Lithuania
21 March 2025

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 52 to 54 of this document.

5.4 Information about the auditor

Overview

At the shareholders' meeting of the Company held on 17 April 2023, KPMG Baltics UAB was re-appointed to audit the Company's financial statements for the period 2023-2027. KPMG also audited the Company's accounts for the years 2021 and 2022 on the basis of the previous contract.

Worth noting that all independent auditor related tenders are carried out in accordance with best practice. Additionally, as public procurement law requirements are applicable to the parent company, all audit tenders are carried out in accordance to them. The main criterion for the implementation of public tenders is to ensure competitiveness; therefore, the only specific audit selection criterion that can be included is experience in auditing companies in the energy sector. Finally, the whole audit selection process is supervised by the Audit Committee and the independent auditor is appointed by the decision of the General Meeting of Shareholders of the parent company and subsequently by the General Meeting of Shareholders of each Group company.

Independent auditors and financial period during which audit services have been provided

2021–2024
KPMG Baltics, UAB Lvivo St. 101 LT-08104 Vilnius, Lithuania

Services and fees

During the period 2023–2024, the following services have been provided to the Company by the independent auditor in conjunction with the firm's international partners

Independent auditor’s services and fees

EUR thousand	2024	2023
Audit of the annual financial statements under the agreements	27	27
Other[1]	2	2
Total	**29**	**29**

[1] Other services included translation of the Company’s financial statements and the annual management report into the English language.

In line with the Group's policy, the annual fee for non-audit services of our statutory auditor cannot exceed the annual fee for statutory audit services calculated at Group level. The cap may be exceeded subject to approval by the Audit Committee of the parent company.

Certification statement

21 March 2025

We, Ramūnas Paškauskas, Chief Executive Officer and Aksana Stankevičienė, Head of Finance and Administration of UAB Kauno kogeneracinė jėgainė, and Rūta Simanavičienė, Accounting Expert at UAB Ignitis grupės paslaugų centras, acting in accordance with Order No 24_GSC_SP_0051 of 30 September 2024, hereby confirm that, to the best of our knowledge, the financial statements of UAB Kauno kogeneracinė jėgainė for the year 2024, prepared in accordance with IFRS Accounting Standards as adopted by the European Union, give a true and fair view of the Company's assets, liabilities, financial position, profit or loss and cash flows for the period, and the Annual Report for 2024 includes a fair review of the development and performance of the business as well as the condition of the Company together with the description of the principle risks and uncertainties it faces.

Ramūnas Paškauskas	Aksana Stankevičienė	Rūta Simanavičienė
Chief Executive Officer	Head of Finance and Administration	Accounting Expert of UAB Ignitis grupės paslaugų centras, acting under Order No 24_GSC_SP_0051 of 30 September 2024

UAB Kauno kogeneracinė jėgainė
Jėgainės St. 6, LT-54469, Biruliškių village, Kaunas district, Lithuania

+370 615 69294
info@kkj.lt
www.kkj.lt

Company code 303792888
VAT payer's code LT100009225616