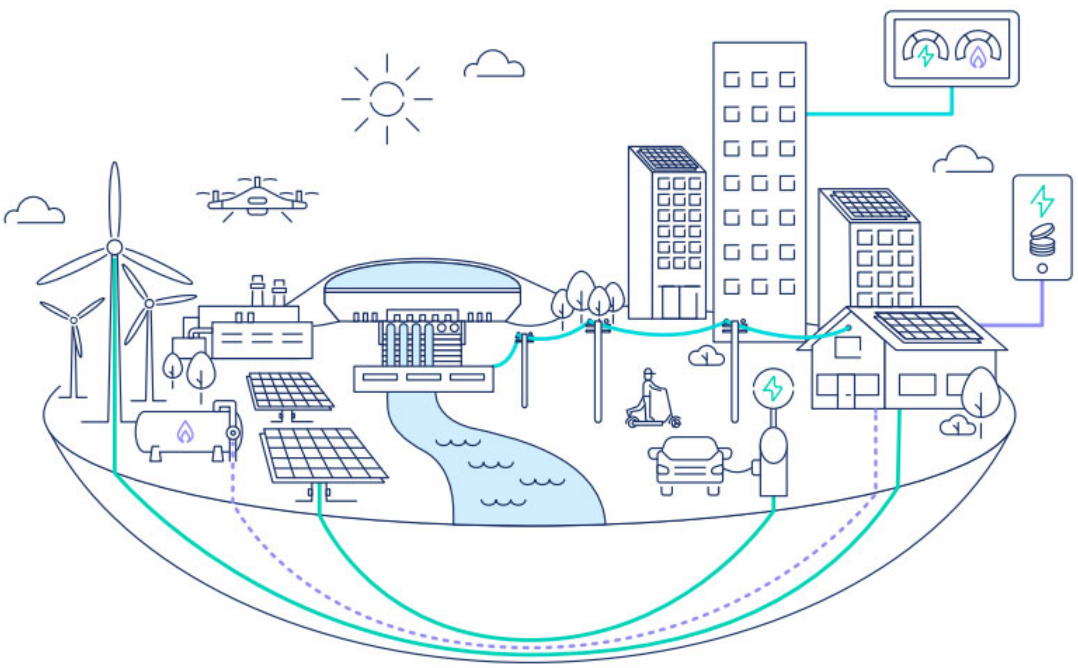
Vilniaus kogeneracinė jėgainė

UAB VILNIAUS KOGENERACINĖ JĖGAINĖ

Annual report 2023

Annual report for the year ended 31 December 2023 and the financial statements of the Company for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, presented together with an Independent Auditor's Report for the year ended 31 December 2023



UAB Vilniaus kogeneracinė jėgainė
Laisvės ave. 10, LT-04215, Vilnius Lithuania
Correspondence address: Jočionių St.13, LT-02300, Vilnius, Lithuania
vkj@ignitis.lt
www.vkj.lt

ignitis grupė

Contents

Overview

1.1 CEO’s statement

In 2023, the team of Vilnius combined heat and power plant (hereinafter referred to as Vilnius CHP plant) achieved important results in completing the project of the biofuel unit and ensuring stable operation of the waste to energy unit.

The biofuel unit of Vilnius CHP plant has been producing energy since June 2023 and supplies heat to the heating system of Vilnius city. Partial commercial operation of this unit commenced on 29 December 2023, when the plant received operating certificates from the National Energy Regulatory Council (NERC) that allowed commercial operation of 50 MWe, 149 MWth of 73 MWe, 169 MWth. Nevertheless, the remaining capacities of 23 MWe and 20 MWth are still in the process of reaching commercial operation due to the ongoing final testing procedures.

As one of the most important events related to the project of biofuel unit, it is important to mention the fact that Vilnius combined heat and power plant and Rafako, Poland, the former general contractor of the biofuel unit made a settlement agreement in September 2023 in the dispute on termination of the contract, failure to fulfil the project and compensation of losses which took place in Stocholm Arbitration Court. According to the settlement agreement, we will receive a compensation in the amount of almost EUR 30 million; the company has already received a part of it which is almost EUR 15 million, and the other part, i.e. EUR 15 million, will be payd by Rafako in instalments within the period of five years. According to the settlement agreement, all equipment and documents necessary for the biofuel project that have been held by Rafako are transferred to the plant. After assessing the value of the equipment and documents, Vilnius CHP plant has recovered almost EUR 2 million in addition and ensures that the biofuel project is continued.

Moreover, Vilnius CHP plant received a test shipment of biofuels from Latvia in July 2023. To ensure price competitiveness, the power plant purchases certain quantities of biofuels from a neighbouring market.

The waste to energy unit of Vilnius CHP plant produced heat and electricity all year round in 2023, and thus ensured competitive heat prices in the capital and contributed to solving the waste management problem.

In October 2023, the biofuel unit of Vilnius CHP plant started producing and supplying heat energy to Vilnius city. This has led to stable financial results of the plant. Adjusted EBITDA for 2023 was EUR 37.7 million, by 60% higher than adjusted EBITDA of EUR 23.6 million in 2022. Last year, income of the power plant was EUR 61.8 million which is by 46% higher than in 2022. The change was mainly a result of higher income after the launch of biofuel power plant.

Looking ahead to 2024, we will continue making the most of the waste-to-energy unit, generating heat and electricity at competitive prices and contributing to lower prices.

Mantas Burokas

Chief Executing Officer of UAB Vilniaus kogeneracinė jėgainė

1.2 Business highlights

During the reporting period

January

- The base heat price for the waste to energy power plant was approved.

March

- The first fire in the biofuel plant is lit. (link)
- A loan agreement for EUR 220 million was concluded with AB Swedbank (link).

April

- The base heat price fixed by NERC was applied to the waste power plant.

The main construction works in the buildings and structures of biofuel power plant were completed.July

- All certificates issued by NERC required for commissioning works were received.
- The first test set of biofuel from Latvia arrived at Vilnius combined heat and power plant (link).

September

- The first steam was produced in the biofuel plant and fed into a turbine.
- The settlement agreement was made between Vilnius combined heat and power plant and Polish Rafako in Stockholm arbitration (link).

October

- The revised timetable for the LOT3 project, which has changed as a result of recorded defects of the former contractor affecting the commissioning coordination work, was approved.
- The new Management Board of Vilnius combined heat and power plant was elected (link).
- The biomass unit of Vilnius CHP (73 MWe, 169 Mwth) started supplying thermal energy to Vilnius city.The biomass unit of Vilnius CHP started producing electricity.

November

- All complex tests of biomass processing farm were completed successfully.

December

- The biomass unit of Vilnius CHP achieved partial commercial operation (50 MW out of 73 MW electricity capacity, 149 MW out of 169 MW heat capacity).

Subsequent to the reporting period

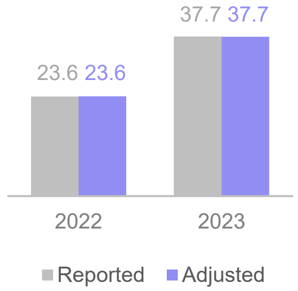
January

- Construction completion act of the State Territorial Planning and Construction Inspectorate under the Ministry of Environment was received.

1.3 Performance highlights

Financial performance

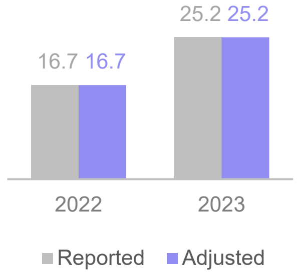
EBITDA, Adjusted EBITDA APM
EUR million



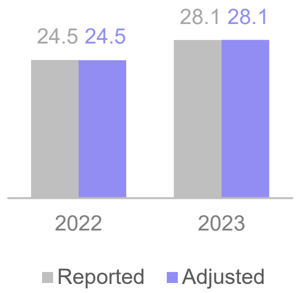
In 2023, increase in EBITDA and net profit resulted from:

- Higher revenues due to increased volumes of electricity (+36.5%) and heat (+61.7%) sold and waste accepted (+10.4%) (testing of the biofuel plant started in June 2023 and revenue generation began), as well as higher electricity prices (+54.7%) and waste management prices (+15.1%), and a larger volume of revenues from electricity balancing services (+190.8%).
- There were no expenses of derivative financial instruments in 2023 (EUR 6.7 million in 2022).
- The increase in revenue was amortised by higher purchase costs of electricity, gas and other services (+158.2%) and higher OPEX (+52.3%)
- Net profit was also affected by a 153.3% increase in financial costs (credit agreement with AB Swedbank signed in 2023)

Net profit, Adjusted net profit APM
EUR million

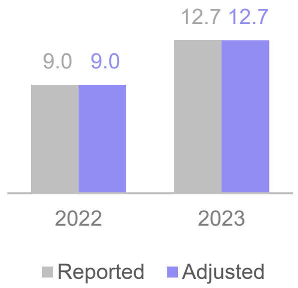


ROE (LTM), Adjusted ROE (LTM) APM
%



ROE indicator increased due to higher net profit of the company (+50.9%).

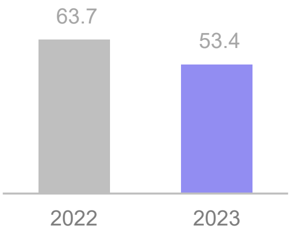
ROCE (LTM), Adjusted ROCE (LTM) APM
%



ROCE indicator increased due to higher operating profit (75%)

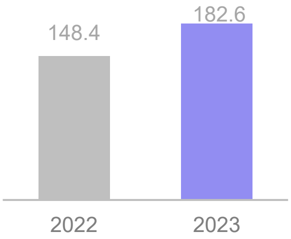
APM *Alternative Performance Measure - adjusted figures used in this report refer to measures used for internal performance management. These indicators are not defined by International Financial Reporting Standards (IFRS) and do not comply with IFRS requirements. Definitions of alternative performance measures can be found on the Group's website (link).*

Investments APM
Eur million



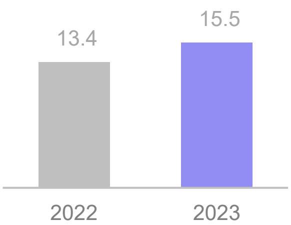
In 2023, the construction of the biofuel plant continued. Hot testing of the plant started in June, followed by trial operation in July.

Net debt APM
Eur million



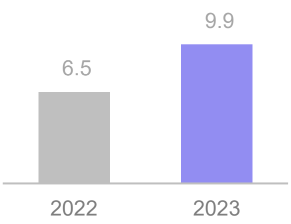
Net debt increased due to an increase in financial debts (a loan from AB Swedbank in 2023). Increase in the amount of the net debt was also affected by the increase in cash and cash equivalents.

FFO (LTM) / Net debt APM
%



The increase in the FFO/Net debt ratio was determined by the increase of FFO indicator due to increased EBITDA.

OPEX
Eur million

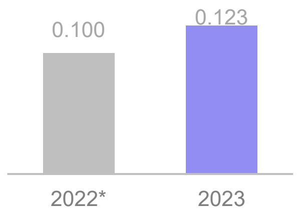


Reasons for increased expenses:
• Development and training of the team needed to run the waste and biofuel plant (increased salary expenses and related fees, training);
• The start-up of the biofuel plant and the longer-than-expected shutdowns of the waste to energy plant resulted in higher repair and maintenance expenses

APM *Alternative Performance Measure - adjusted figures used in this report refer to measures used for internal performance management. These indicators are not defined by International Financial Reporting Standards (IFRS) and do not comply with IFRS requirements. Definitions of alternative performance measures can be found on the Group's website (link).*

Operating performance

Produced amount of electricity (net)
TWh



*Indicators of the electricity produced (net) were recalculated by including electricity produced for balancing services. The indicators for 2022 were recalculated to ensure comparability of the indicators

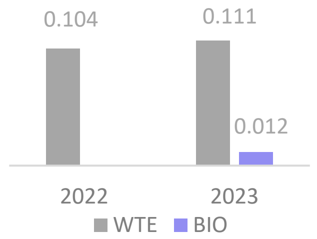
The higher amount (+36.5 %) of electricity (compared to 2022) produced by Vilnius CPH resulted from the following:

In October 2023, the biofuel plant under construction was put into trial operation to generate electricity and feed it into the electricity transmission grids. The biofuel plant did not reach its expected designed electricity generation capacity by the end of the year.

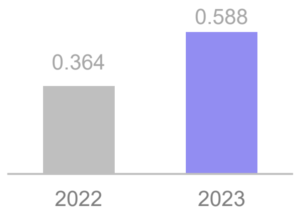
In 2023, the waste-to-energy plant operated more steadily than in 2022, and produced 6.7% more electricity than in 2022.

2022 was the first full commercial year of the Vilnius CHP, when the waste-to-energy plant operated according to the planned production schedule throughout the year.

Amount of electricity produced by the waste to energy (WTE) and biofuel (BIO) plants
TWh



Produced amount of thermal energy (net)
TWh



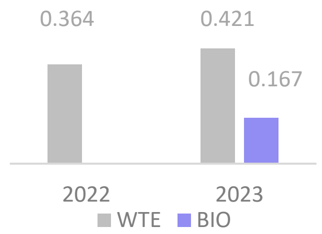
The higher amount (+61.7 %) of thermal energy (compared to 2022) produced by Vilnius CPH resulted from the following:

Hot testing of the biofuel plant under construction started in June 2023. At this time, production and feeding of thermal energy into the grid started. The biofuel plant did not reach its expected designed heat generation capacity by the end of the year during the trial operation.

In 2023, the waste-to-energy plant operated more steadily than in 2022, and produced 13.5% more thermal energy than in 2022.

2022 was the first full commercial year of the Vilnius CHP, when the waste-to-energy plant operated according to the planned production schedule throughout the year.

Amount of thermal energy produced by the waste to energy (WTE) and biofuel (BIO) plants
TWh



Business overview

2.1 Business model

Description of the Company's activities

The main activity of the Company is operation of a high-efficiency combined heat and power (CHP) plant in Vilnius, production of local and competitive electricity and heat from municipal waste. Thermal energy produced by the combined heat and power (CHP) plant is distributed to the centralised heating network of Vilnius, and the produced electricity is distributed to the operator's LITGRID network of electricity transmission grid.

Key customers of the Company

The Company's key customers by the source of income:

• Management of sorted municipal waste - waste management centres and other waste managers;

• Sale of electricity - electricity is realised in the exchange of Nord Pool AS and under fixed electricity sales/purchase contracts.

• Sale of thermal energy - distributor of centralised heating in Vilnius AB Vilniaus šilumos tinklai.

2.2 Business environment

Regulation and competitive environment

Sale of thermal energy

On 23 December 2021, the National Commission for Energy Control (hereinafter - NERC) recognised UAB Vilniaus kogeneracinė jėgainė (hereinafter - Vilnius CHP) as a regulated independent heat producer. The Company has provided NERC with projects of investments and 3-year base price adjustments. NERC approved the base price and the annual maximum level of revenue allowed. Regardless of the level of the base price establishment, thermal energy must be sold at a heat auction according to the provisions of Article 10 of the Law on Heat Thermal energy produced by the Company is supplied to the integrated heat transmission network of Vilnius which is controlled by the heat supplier AB Vilniaus šilumos tinklai. Besides the heat supplier and Vilnius CHP, there are another 6 independent heat suppliers that participate at auctions. On 27 January 2023, NERC approved the base price components of the heat production of Vilnius CHP for the years 2023-2026 and agreed on the amount of investments.

Sale of electricity

In order to secure a stable revenue stream, the Company has signed long-term electricity trading contracts for most of its electricity production. The remaining electricity is traded on the Nord Pool AS exchange.

Waste management services

In order to ensure availability of waste, the Company enters into contracts with suppliers of sorted municipal waste by setting a waste handling fee per tonne. It is expected that the upper limit of the waste management fee will be approved by NERC in the near future.

2.3 Strategy

Main purpose and integrated strategy

UAB Vilniaus kogeneracinė jėgainė is an important part of Ignitis Group's integrated business model and strategy. 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** (growing green and flexible generation capacities)
2. **Flexible** (creating a flexible system that can operate on 100% green energy in the short, medium, and long term)
3. **Integrated** (utilising the integrated business model to enable green and flexible generation build-out)
4. **Sustainable** (maximising sustainable value)

We plan to deliver 4–5 GW of installed green and flexible capacities by 2030 and to reach net zero emissions by 2040–2050 by developing a portfolio of green generation with the focus on offshore wind, onshore hybrid, P2X & storage technologies while leveraging our integrated business model.

Integrated business model

Green generation

Strategic focus

Delivering 4–5 GW of installed green and flexible 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 Generation 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 greenhouse gas emissions based on science-based targets, promote safety at work with a focus on TRIR and zero fatalities, care for the employee experience through the initiatives related to well-being, education and growth, fair pay, diversity and inclusion, encourage diversity at the top, and create 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 | PARTNERSHIP | OPENNESS

The 2024 targets and the 2023 results linked to the CEO's variable remuneration are disclosed in section “4.4 People and remuneration”.

Main projects and investments

The main investments were made in the biofuel power plant; EUR 256 out of 270 million of investments were made until 31 December 2023. Final works will take place in 2024.
Commercial production is ongoing (limited electricity capacity of 50 MW out of 73 MW and thermal capacity of 149 MW out of 169 MW)

Results

3.1 Annual results

Revenue

In 2023, revenues increased by 46.1% compared to 2022 and amounted to EUR 61.8 million. The main reasons for the change in revenue are higher volumes of electricity and heat sold and waste accepted (+36.5%, +61.7% and +10%, respectively), higher prices for electricity and waste management fees (+54.7% and +15.1%, respectively), and higher volumes of electricity balancing services provided.

Revenue by nature of activity, EUR million

	2023	2022	∆	∆,%
Electricity	32.2	22.0	*10.2*	*46.4%*
Thermal energy	22.5	14.8	*7.7*	*52.0%*
Waste management	7.0	5.5	*1.5*	*27.3%*
Other	0.1	-	*0.1*	*100.0%*
Revenue	**61.8**	**42.3**	***19.5***	***46.1%***

Like in 2022, the largest part of the revenues, due to the increase in electricity prices on the power exchange in 2023, comes from electricity sales - 52.1%. 36.4% of sales come from thermal energy sales, 11.3% from waste management revenues, and other revenues amount up to 0.2%.

The Company sells electricity in the power exchange Nordpool and under fixed electricity sale-purchase contracts, thermal energy is sold to AB Vilniaus šilumos tinklai, waste management fee is received from Lithuanian waste management centres; thus, in 2023, like in 2022, all revenue is earned in Lithuania.

Expenses

Purchases of electricity, gas and other services

Purchases of electricity and gas amounted to EUR 14.2 million in 2023, an increase of 158.5% compared to 2022. The increase was resulted by purchases of biofuels (EUR 5.9 million) and consumables such as sand, slaked lime, natural gas, etc. (EUR 2.1 million) related to the test operation of the biofuel plant for heat and electricity production.

OPEX

In 2023, OPEX amounted to EUR 9.9 million showing an increase of 52.3 % (EUR +3,4 million). The change was mainly resulted by the expansion of the team needed to operate the waste and biofuel plants (higher costs for salary and related fees of EUR +1.4 million or +48.3%) and higher costs for waste repairs and maintenance of EUR 1.1 million (+91.7%).

Other

The Company had no derivative transactions in 2023. In 2022, expenses arising from derivative financial instruments which resulted from the increase in market prices of electricity and gas amounted to EUR 6.7 million. According to the accounting policies of the Group, positive results from derivative financial instruments for the period are disclosed in other revenue, and negative results - in other expenses from derivative financial instruments.

Depreciation and amortisation expenses increased slightly (+ EUR 0.1 million) due to the commissioning of the biofuel site in December 2022 and the new non-current assets that were brought into use in the Company's operations during 2023.

In 2023, expenses from financing activity amounted to EUR 3.8 million. In 2023, expenses from financing activity amounted to EUR 1.5 million. The increase (EUR +2.3 million) was resulted by the refinancing of Swedbank's loan from the European Investment Bank (EIB) in the first quarter of 2023 and the related higher borrowing costs (interest and commitment fees). As the biofuel power plant project was not completed in 2023, a portion of the financial expenses of constructing the project was capitalised as in the previous year.

Expenses, EUR million

	2023	2022	Δ	Δ,%
Purchases of electricity, gas and other services	**14.2**	**5.5**	**8.7**	**158.2%**
Purchase of electricity and related services	3.4	2.7	0.7	25.9%
Purchases of gas and related services	1.2	0.2	1.0	500.0%
Other	9.6	2.6	7.0	269.2%
OPEX APM	**9.9**	**6.5**	**3.4**	**52.3%**
Salaries and related costs	4.3	2.9	1.4	48.3%
Repair and technical maintenance	2.3	1.2	1.1	91.7%
Other	3.3	2.4	0.9	37.5%
Other	**9.0**	**13.2**	**(4.2)**	**(31.8%)**
Depreciation and amortisation	5.2	5.1	0.1	2.0%
Derivative financial instruments	-	6.7	(6.7)	(100.0%)
Expenses from financing activity	3.8	1.5	2.3	153.3%
Total expenses	**33.1**	**25.2**	**7.9**	**31.3%**

EBITDA

Adjusted EBITDA for 2023 amounted to EUR 37.7 million and was by 59.7% or EUR 14.1 million higher than in 2022. The adjusted EBITDA margin was 61.0% (2022– 55.8%). EBITDA increased due to revenues higher by EUR 19.5 million, which in turn were resulted by higher volumes of electricity (+36.5%), heat (+61.7%) and waste (+10.4%) sold, higher prices for electricity (+54.7%) and the waste management fee (+15.1%), as well as the provision of a higher volume of electricity balancing services (+190.8%). There were no expenses of derivative financial instruments in 2023 (EUR 6.7 million in 2022). The increase in revenue was amortised by higher purchase costs of electricity, gas and other services (+158.2%) and higher OPEX (+52.3%)

EBITDA adjustments

There were no EBITDA adjustments in 2022 and 2023.

Net profit

In 2023, the adjusted net profit amounted to EUR 25.2 million showing an increase of 50.9% than in 2022. The positive impact of adjusted EBITDA (+ EUR 14.1 million) was partly offset by higher deferred income tax (EUR -3.2 million), financing activities (EUR -2.4 million) and depreciation and amortisation (EUR -0.1 million) costs.
Reported net profit and adjusted net profit for 2023 and 2022 are identical.

Investments

In 2023, the construction and tuning of the biofuel plant continued. Hot testing of the plant started in June, followed by trial operation in July and commercial operation of the biofuel plant at partial power in December.

Balance sheet

Assets

As at 31 December 2023, the total value of assets amounted to EUR 452.3 million (22.9% increase since 31 December 2022). The increase was mainly redsulted by short-term loans granted to the Group's companies (+ EUR 19.9 million) and an increase in available cash (+ EUR 18.5 million).

Equity

As of 31 December 2023, equity amounted to EUR 102.0 million and has increased by 32.8% since 31 December 2022, mainly due to net profit.

Liabilities

As at 31 December 2023, all liabilities amounted to EUR 350.3 million and it was an increase by 20.3% since 31 December 2022. An increase of non-current liabilities by 29.3% or EUR 73.6 million was mostly resulted by the long-term loan from AB Swedbank. Current liabilities decreased by 36.3% or EUR 14.5 million. This was mostly the result of the loan received from Swedbank (EUR -13.9 million).

Balance sheet, EUR million

	31.12.2023	31.12.2022	Δ	Δ,%
Non-current assets	394.4	352.5	*41.9*	*11.9%*
Current assets	57.9	15.6	*42.3*	*271.2%*
TOTAL ASSETS	452.3	368.1	*84.2*	*22.9%*
Equity	102.0	76.8	*25.2*	*32.8%*
Total Liabilities	350.3	291.3	*59.0*	*20.3%*
Non-current liabilities	324.8	251.2	*73.6*	*29.3%*
Current liabilities	25.5	40.0	*(14.5)*	*(36.3%)*
TOTAL EQUITY AND LIABILITIES	452.3	368.1	*84.2*	*22.9%*
Asset turnover APM	0.151	0.123	*0.028*	*22.8%*
ROA APM	6.1%	4.9%	*n/a*	*1.2 p. p.*
Gross liquidity ratio. APM	2.27	0.39	*1.88*	*482.1%*
Working capital / Revenue (LTM) APM	3.5%	4.9%	n/a	1.4 p. p.

Financing

Net debt

As of 31 December 2023, net debt amounted to EUR 182.6 million, an increase of 23.0% or EUR 34.2 million, as compared to 31 December 2022. FFO (LTM) / Net Debt ratio increased from 13.4% to 15.5%, due to increased FFO indicator, determined by the growth of EBITDA.

Net debt, EUR million

	31.12.2023	31.12.2022	Δ	Δ,%
Total non-current financial liabilities	**193.1**	**126.4**	***66.7***	***52.8%***
Long-term loans	192.8	126.2	*66.6*	*52.8%*
Lease liabilities (IFRS 16)	0.3	0.3	-	-
Total current financial liabilities	**14.8**	**28.6**	***13.8***	***48.3%***
Current portion of non-current loans	14.7	9.1	*5.6*	*61.5%*
Short-term loans	0.1	19.5	*(19.4)*	*(99.5%)*
Interest payable (including accrued interest)	-	-	-	-
Lease liabilities (IFRS 16)	-	-	-	-
Financial debt APM	**207.8**	**155.1**	***52.7***	***34.0%***
Cash, cash equivalents and cash in escrow account	**25.2**	**6.7**	***18.5***	***276.1%***
Net debt APM	**182.6**	**148.4**	***34.2***	***23%***
Net debt / adjusted EBITDA *(LTM)* APM	4.9	6.3	*(1.4)*	*(22.2%)*
FFO (LTM) / Net debt APM	15.5%	13.4%	*n/a*	*2.1 p. p.*
Financial debt / Equity APM	2.0	2.0	-	*0%*
Equity level APM	0.2	0.2	-	*0%*

Dividends

On 30 January 2024, the Management Board of the Group approved an updated dividend policy (link) of the controlled subsidiaries according to which:

1. governance bodies of the companies are proposing appropriation of profit for the payment of dividends for the financial year or a period shorter than the financial year to be at least 80% of the net profit for the financial period for which the dividends are proposed;
2. The governing bodies of companies may propose to distribute a share of profits as a dividend for a financial year if the Company has incurred a loss in the reporting period but has accumulated retained earnings from previous reporting periods and, accordingly, the amount of the Company's retained earnings (loss) for the reporting financial year is positive. This provision is applicable only if there is an imperative need of the Company to receive dividends in implementing the dividend policy of the Company;
3. governance bodies of the companies may propose to set a lower share of profits for the payment of dividends for companies, set out in sub-paragraph 4.1, or they may propose not to pay dividends for the reporting period if at least one of the following conditions is met:

- the company implements green generation investment projects in accordance with the strategy of the Group;
- the Company's ability to allocate dividends is limited by the terms set out in the financing agreements;
- the Company implements or participates in the implementation of an economic project of state importance recognised by the decision of the Government of the Republic of Lithuania;
- the Company's equity, after payment of dividends, would become less than the amount of the Company's authorised capital, mandatory reserve, revaluation reserve and reserve for acquisition of own shares;
- The Company is insolvent, or would become insolvent if dividends were paid, or the Company's debt level is too high;
- The Company has obtained the written approval of the Head of Treasury and the Finance Director of the Group to apply sub-paragraph 4.4 for situations not covered by sub-paragraphs 4.4.1 to 4.4.5.

Dividends for the years 2023 and 2022 were not distributed.

Key performance indicators

		2023	2022	Δ	Δ,%
Electricity					
Installed capacity of the green generation	MW	70.0	20.0	*50.0*	*250.0%*
Green generation capacity under construction	MW	23.0	73.0	*(50.0)*	*(71.4%)*
Production of electricity (net)*	TWh	0.123	0.100	*0.019*	*18.3%*
Portion of the green generation	%	100.0%	100.0%	*n/a*	-
Thermal energy					
Installed capacity of the green generation	MW	219.0	70.0	*149.0*	*212.9%*
Green generation capacity under construction	MW	20.0	169.0	*(149)*	*(88.2%)*
Production of thermal energy (net)	TWh	0.588	0.364	*0.224*	*61.5%*

*Indicators of the electricity produced (net) were recalculated by including electricity produced for balancing services. The indicators for 2022 were recalculated to ensure comparability of the indicators

The higher amount of electricity and heat produced in 2023 was resulted by the stable operation of the waste to energy power plant and the trial operation of the biofuel plant in July 2023, which did not reach its optimal production efficiency. The year 2022 was the first full commercial year of operation of the waste to energy power plant of Vilnius CHP.

3.2 Summary for three years

Key financial indicators

		2023	2022	2021
Revenue	EUR million	61.8	42.3	20.8
EBITDA APM	EUR million	37.7	23.6	9.9
Adjusted EBITDA APM	EUR million	37.7	23.6	9.9
Adjusted EBITDA margin APM	%	61.0%	55.8%	47.7%
EBIT APM	EUR million	32.4	18.5	7.2
Adjusted EBIT APM	EUR million	32.4	18.5	7.2
Net profit	EUR million	25.2	16.7	12.4
Adjusted net profit APM	EUR million	25.2	16.7	12.4
Investments APM	EUR million	53.4	63.7	20.5
FFO APM	EUR million	28.4	20.0	6.3
FCF APM	EUR million	(19.9)	(25.8)	(14.1)
ROE APM	%	28.1%	24.5%	23.2%
Adjusted ROE APM	%	28.1%	24.5%	23.2%
ROCE APM	%	12.7%	9.0%	4.2%
Adjusted ROCE APM	%	12.7%	9.0%	4.2%
ROA APM	%	6.1%	4.9%	4.0%
Adjusted ROA APM	%	6.1%	4.9%	4.0%
		31.12.2023	31.12.2022	31.12.2021
Total assets	EUR million	452.3	368.1	317.2
Equity	EUR million	102.0	76.8	60.1
Net debt APM	EUR million	182.6	148.4	126.5
Net working capital APM	EUR million	2.2	-2.1	0.7
Net debt / EBITDA APM	times	4.8	6.3	12.7
Net debt / Adjusted EBITDA APM	times	4.8	6.3	12.7
FFO / Net debt APM	%	15.5%	13.4%	5.0%
Gross liquidity ratio. APM	%	227%	39.0%	208%
Asset turnover APM	times	0.15	0.12	0.07

Key performance indicators

		2023	2022	2021
Electricity				
Installed capacity of the green generation	MW	70	20	20
Green generation capacity under construction	MW	23	73	73
Production of green energy (net)*	TWh	0.123	0.1000	0.081
Portion of the green generation	%	100%	100%	100%
Thermal energy				
Installed capacity of the green generation	MW	219	70	60
Green generation capacity under construction	MW	20	169	169
Production of thermal energy (net)	TWh	0.588	0.364	0.352

*Indicators of the electricity produced (net) were recalculated by including electricity produced for balancing services. The indicators for 2021 and 2022 were recalculated to ensure comparability of the indicators

Governance report

4.1 Governance model

Governance framework of the Company

The Company follows the good governance practices referred to in the good governance recommendations published by the Organisation for Economic Co-operation and Development (OECD), recommendations of the United Nations and Nasdaq Vilnius, and other internationally recognised standards and recommendations for good governance.

The Company's Articles of Association registered in the Register of Legal Entities provide for the following bodies of the Company:

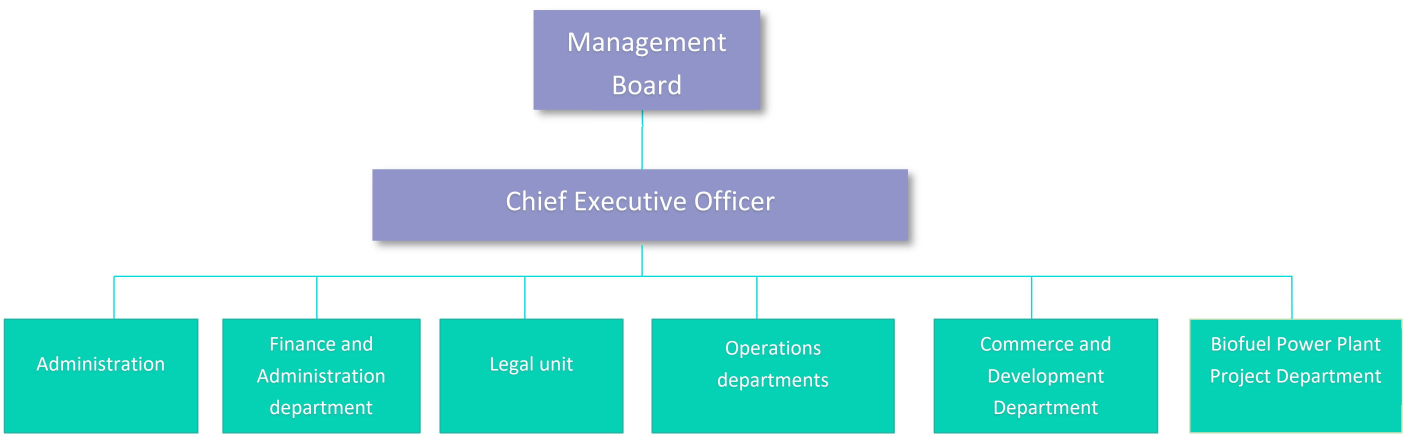
- General Meeting of Shareholders;
- Collegial governing body - Management Board;
- Single-person governing body - Chief Executive Officer.

The General Meeting of Shareholders is the supreme governing body of the Company. The General Meeting of Shareholders consists of the sole shareholder - AB Ignitis grupė, company code 301844044, registered office at Laisvės ave. 10, Vilnius, holding 100% of the Company's shares. The competence of the General Meeting of Shareholders, the procedure for convening and taking decision is determined by the laws, other legal acts and the Company's Articles of Association.

The Management Board is a collegial governing body of the Company. The Company's Management Board consists of 3 members elected under the decision of the General Meeting of Shareholders for a 4-year term of office. The Management Board elects the chairman of the Management Board from among its members. 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 Chief Executive Officer is a single-person governing body 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. 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.

Structure



Shareholders, their rights and functions

The sole shareholder of the Company is AB Ignitis grupė, company code 301844044, registered office at Laisvės ave. 10, Vilnius.

There were no changes in the structure of the Company’s shareholders in 2023. There were no changes in the Company‘s authorised capital.
In 2023, the authorised capital of the Company amounted to EUR 52,300,000.12. It was divided into 180,344,828 ordinary registered uncertificated shares at par value of EUR 0.29 each. All shares are fully paid.

The Company’s shares are not subject to any restrictions on the transfer of securities other than those provided for in legislation. The Company has not issued convertible securities. The Company does not have any own shares. The Company did not acquire or transfer any of its own shares during the reporting period. The Company’s shareholder does not have special control rights other than those provided for in legislation of the Republic of Lithuania.

The competence of the General Meeting of Shareholders, the procedure for convening and taking decision is determined by the laws, other legal acts and the Company‘s Articles of Association. Additional competence of the Company's General Meeting of Shareholders:

- to decide on the conclusion and terms of contracts with the members of the company’s Management Board and the Chairman of the Management Board, and the appointment of a person authorised to sign such contracts on behalf of the company;
- to approve or disapprove the company's annual report and the interim report drawn up for the purpose of deciding on the granting of dividends for a period of less than a financial year;
- to approve transactions in accordance with the parent company’s transaction procedures;
- to approve or disapprove the decisions of the Management Board provided for in points 22.1, 23.1, 23.2 and 23.3 of the Articles of Association of the Company.

100% of the Company’s shares are held by a single shareholder – AB Ignitis grupė; therefore, in accordance with Article 29(7) of the Law on Companies of the Republic of Lithuania, where the owner of all the shares of the Company is a single shareholder, the written decisions of the shareholder shall be treated as the decisions of the general meeting of shareholders.

Activities of the General Meeting of Shareholders covered the following key areas in 2023:

- approve, within the scope of its powers, the decisions of the Management Board of the Company on approval of the transactions entered into by the Company and their material terms;
- approve the Company’s annual report for 2022, approve the Company’s set of audited annual financial statements for 2022, distribute the Company’s profit (loss) for 2022, elect the audit firm to audit the Company’s financial statements for the period from 2023 to 2027, and determine the terms and conditions of payment for the audit services;
- adopt a decision to approve the decision of the Management Board of the Company on the setting of the Company’s internal borrowing and lending limits;
- approve a new version of the Articles of Association of the Company;
- elect the new Management Board of the Company.

4.2 Management Board

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 elects the chairman of the Management Board from among its members.

Information on selection criteria of the Management Board members

The selection to the Board shall be carried out in accordance with the Resolution of the Government of the Republic of Lithuania No 631 of 17 June 2015, based on the approved description of the selection of candidates to the collegiate supervisory or management body of a state-owned or municipally-owned enterprise, a state-owned or municipally-owned company or its subsidiary.

The Management Board shall be elected and dismissed by the General Meeting of Shareholders in accordance with the Company's Articles of Association and the legal acts. The Management Board is accountable to the General Meeting of Shareholders.

Each member of the Management Board is elected for a term of four years. The composition of the Company's Management Board shall be composed taking into consideration the fact that members of the Board shall have diverse competences. A member of the Supervisory Board of the Company or a parent company cannot be appointed as a member of the Management Board. In addition, neither a member of a legal entity, which is engaged in transmission or production of electricity and natural gas, or a member of a supervisory body, managerial body or administrative body of another legal entity, which is engaged in transmission or production of electricity and natural gas, nor an auditor or an employee of an audit firm, participating and (or) having participated in audit of the financial statements within a period of two years can be appointed as a member of the Management Board. The members of the Company's Management Board shall comply with general and specific criteria set out by 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 20 October 2023, the Company's sole shareholder approved the following composition of the Company's Management Board according to specific areas of competence, for a four-year term of office. The Management Board exercises the supervisory functions set out in Article 34(11) of the Law on Joint Stock Companies.

Competences of the Management Board

The main roles and responsibilities of the Management Board of the Company, within the framework of which the annual activities of the Management Board are planned, include the following competences to adopt decisions on:

- Company becoming a founder or participant of legal entities;
- the establishment and termination of branches and representative offices of the Company and the approval and amendment of their regulations;

- the approval of the nomination of candidates for the governing bodies of the Company's branches and representative offices and approval of the election and revocation of their directors;
- any transfer or encumbrance of the Company's shares or the rights conferred by them to other persons;
- the participation and voting at the general meetings of shareholders of the entities, in which the Company is a shareholder, and appointment of a person for implementation of the management Board‘s decision at a particular general meeting of shareholders, in which the Company is a shareholder;
- entering into certain contracts, initiating legal disputes and/or entering into amicable agreements, in accordance with the transaction procedures established by the parent company;
- making other decisions as provided for in the Company's Articles of Association;
- exercising the supervisory functions set out in Article 34(11) of the Law on Companies of the Republic of Lithuania.

In the cases provided for in the Company's Articles of Association, the Management Board shall obtain approval of the General Meeting of Shareholders prior to adopting decisions.

The Company’s Management Board elects and recalls the Company's Chief Executive Officer, determines his/her remuneration and other terms and conditions of his/her employment, and gives him/her incentives and penalties.

Activity during the reporting period

A total of 33 meetings of the Management Board of the Company were held in 2023. The table below provides an overview of the attendance at meetings

Overview of meeting attendance by the Management Board members

Name, surname	
Mantas Mikalajūnas (Chairman of the Management Board)	31 / 33
Jonas Rimavičius	31 / 33
Paul K. Dainora	32 / 33

** The figures indicate how many meetings of the total organised the members have attended in 2023.*

The Management Board of the Company has implemented all measures anticipated in the preliminary activity plan for 2023. Activities of the Board of the Company during the reporting period, covered the following key areas:

- Approval of the Company's Strategic Plan 2023-2025, operations planning documents;
- Decisions in respect of participation of the Company in a heat auction and determination of the proposal price;
- Conclusion of transactions necessary for the operation of the Company and the implementation of the project, and approval of the material terms of such transactions;
- approval of the Company’s annual report, annual financial statements and profit (loss) distribution project and provision to the General Meeting of Shareholders;
- Establishment of the Company’s borrowing and lending limits using the unified intercompany borrowing platform of AB Ignitis grupė;

- convening of the ordinary and extraordinary General Meeting the Extraordinary of Shareholders of the Company;
- Evaluation of the Company’s performance reports;
- Approval of the preliminary annual activity plan of the Management Board of the Company and evaluation of the performance of the Management Board of the Company;
- Performance of other supervisory functions as anticipated in the Law on Companies of the Republic of Lithuania.

Members of the Management Board

	Description	Experience	Education	Other currently held positions
	**Mantas Mikalajūnas** Member and Chairman Term of office: from 20-10-2023 to 19-10-2027	He started his career and worked for more than 10 years in various positions at Lietuvos Dujos, spent one and a half years as an intern at an energy concern in Germany, and later held positions of General Director of Lietuvos dujų tiekimas, General Director of Lietuvos energijos tiekimas, and Business Development Manager of Ignitis Group. From March 2023 - a Member of the Management Board of Ignitis Group, Head of Regulated Activities	Bachelor's degree in Communication and Information and Master's degree in Business Administration and Management from Vilnius University.	AB Ignitis grupė member of the Management Board, Head of Regulated Activities of the Group. Member of the Management Boards of Vilnius Cogeneration Power Plant UAB and Kaunas Cogeneration Power Plant UAB Member of the Management Board of UAB Ignitis
	**Paul K. Dainora** Independent member Term of office: from 20-10-2023 to 19-10-2027	He has more than 25 years of experience in the energy sector	He has studied mechanical engineering in Villanova University in the USA and has gained a Master's degree in Economics and Finance in West Chester University in the USA.	A Board member at UAB Vilkaviškio šilumos tinklai, a member of the organisations Global Lithuanian Leaders and American Society of Mechanical Engineers. thyssenkrupp nucera (Germany), Head of Green Hydrogen Development
	**Jonas Rimavičius** Member Term of office: from 20-10-2023 to 19-10-2027	UAB Ignitis grupė, Head of Finance and Investments; he has worked for the Group since 2016.	Bachelor's degree in Accounting and Finance, University of Warwick Master's degree in Business Administration, University of Cambridge	A Board member at AB Ignitis grupė and Board member and Chairman at UAB Ignitis renewables, Director of Finance at AB Ignitis Grupė

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.

Remuneration to CEO is established in accordance with the Remuneration Policy and its implemented legislation of AB Ignitis grupė. More information is disclosed in the Remuneration Policy (link).

Mantas Burokas is the CEO of the Company from 2 4February 2021 to 23 February 2026.

Profile

	Description	Experience	Education	Other currently held positions
	Mantas Burokas Chief Executive Officer Term of office: from 24-02-2021 to 23-02-2026.	M. Burokas has more than 10 years of experience in the energy sector; for seven years thereof he has held managing positions.	Mantas has gained a Master’s degree in Law at Mykolas Romeris University. He has completed training for professional board members at Baltic Institute of Corporate Governance. He has completed the modules of financial and management accounting at ISM.	Member of the Supervisory Board at AB Panevėžio specialusis autotransportas

4.3 People and remuneration

People and culture

Overview

Ignitis grupė, that the Company belongs to, is one of the largest employers in Lithuania. Good relationships with employees and contribution to engagement and well-being of employees are a huge responsibility, a challenge and, at the same time, an opportunity.

Ignitis grupė forms and seeks to maintain organisational culture which would foster a long-term employer-employee partnership based on values and the Code of Ethics, as well as on mutual understanding and the opportunity to create energy-smart future together.

The objective of the Group's Remuneration Policy is to attract and retain competent, fast-learning, technologically advanced, globally minded, and creative employees. It includes remuneration elements that support Ignitis Group. Within the Group it has been rapidly moving towards a sustainable performance management model, including management of human resources. Accordingly, the transformation of the energy sector requires new skills and competences and the continuous development of culture. In 2023, we further developed the Remuneration Policy in order to maintain the principles of transparency and clarity.

Employees, their diversity and representation

As at 31 December 2023, the Company employed 129 employees (102 employees as at 31 December 2022).

Both in the Company and in the entire Ignitis grupė, job opportunities do not depend on an employee's gender. The Company ensures diversity and equal opportunities for employees and does not tolerate direct or indirect discrimination in all their areas of activity. As at 31 December 2023, men accounted for 78% of all employees. Women comprised 22%. Male specialists accounted for 80%, and female - for 20%. Distribution of mid-level executives: men accounted for 82%, and women - for 18%.

The Company provides job opportunities to people of various ages. As at 31 December 2023, most employees of the Company belonged to the age group of 37-56 years (50%), and the lowest number of employees belonged to the age group of 17-24 years (3%). More than 80% of employees have gained higher education.

The Company promotes and maintains social dialogue with representatives of employees. Employees are represented by the Labour Council that consists of 3 members.

Remuneration within the Company

Overview

Remuneration structure of Ignitis grupė is based on two key documents: Remuneration Policy and Remuneration Guidelines. The Remuneration Policy defines the key principles and essential provisions on remuneration management and structure whereas Remuneration Guidelines, which is an internal document, is a supporting document detailing the provisions of Remuneration Policy (e.g., setting and evaluation of objectives, determination and payment of short-term incentives). Both documents are integrated and apply to all companies of the Group.

Remuneration policy

The remuneration policy is adopted in accordance with the provisions of the Labour Code of the Republic of Lithuania, the Code of Corporate Governance of Nasdaq Vilnius Listed Companies and the Law on Companies of the Republic of Lithuania. Ignitis Group must submit any amendments to the Remuneration Policy to the General Meeting of Shareholders for approval. Prior to this, the Remuneration and Nomination Committee of Ignitis Group shall provide comments and suggestions on changes to the Remuneration Policy. These matters are also subject to discussion with employee representatives of Ignitis Group and its companies and other stakeholders. The latest version of the Remuneration Policy is available on Ignitis Group website.

The **Remuneration Guidelines** are approved by the Management Board of the parent company.

The key objective of the Remuneration Policy is to support the Ignitis Group's pathway towards achievement of targets through 5 key principles detailed below.

Key principles of Group Remuneration Policy

Internal fairness	We ensure that similar- or same-value-creating work is compensated equally throughout the organisation.
External competitiveness	Employees are entitled to receive a competitive salary based on their function, market conditions and geography
Clarity	We aim that all employees are informed about how their performance, competences and qualification impact their remuneration package as well as on what basis it is set
Transparency	In line with the principle of transparency, staff are informed of the objective criteria for determining remuneration.
Equal opportunities and non-discrimination	Decisions on remuneration must be made in accordance with the provisions of the Remuneration Policy and Equal Opportunity and Diversity Policy.

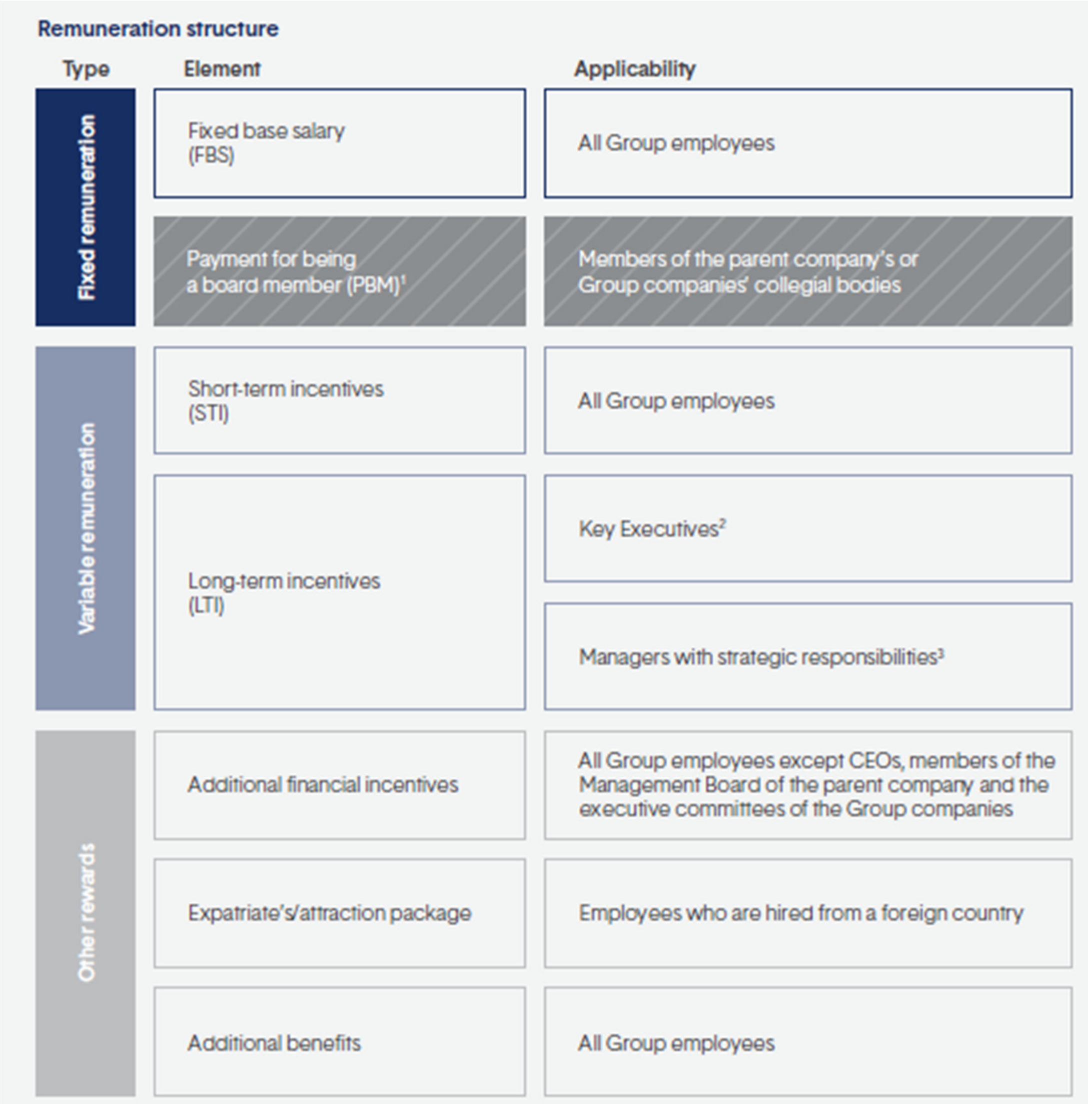
The Remuneration Policy defines the remuneration structure, the fixed base salary (FBS) review and determination process, the composition of the maximum variable remuneration, related guidelines, principles, etc. To be competitive in the market and to ensure internal fairness, we participate in annual remuneration market surveys. This way we obtain a fair view of market expectations and tendencies.

Overall, our Remuneration Policy is designed to attract, retain, and motivate employees to ensure the achievement of the Group's targets. Thus, we aim to pay the median of the market where the Ignitis Group's companies operate. Depending on the competitive environment in a certain country or the strategic objectives set for Ignitis Group company, a different remuneration ratio (higher or lower) than the median remuneration market may be set. In order to ensure the principle of external competitiveness, the FBS salary ranges may be determined and reviewed annually, considering the data of an independent national salary survey and the remuneration market trends. Salary scales are set for each level of post on the basis of the market median of remuneration.

It includes fixed and variable remuneration parts, which are described in detail in the following table. Additionally, further information on short-term incentives (STI) and long-term incentives (LTI) is provided separately in the following pages.

The complete Remuneration Policy and further information on human resources management are available on the Ignitis Group website (link).

Remuneration structure of Ignitis Group



Full version of the Remuneration Policy is available on the website of Ignitis grupė (link).

Remuneration of the Company's employees

The Company's salary fund in 2023 amounted to EUR 4.3 million compared to EUR 2.9 million in 2022. Average monthly salary (FBS and STI) for the period of 2022–2023 is provided in the following table.

Average monthly remuneration of the Company's employees, EUR (before taxes)

Position category	2023		2022	
	Number of employees	Average salary	Number of employees	Average salary
Chief Executive Officer	1	8,972	1	7,859
Top level executives	3	7,262	4	6,546
Mid-level executives	11	4,317	7	4,319
Experts / Specialists	92	3,043	90	2,751
Employees	21	2,125		
Total	**128****	**3,153**	**102**	**3,109**

*Distribution of employees by position category was changed in 2023

**There is one employee in one statistical category (trainees) and information on his/her remuneration can only be published with his/her consent.

Remuneration of the Company's Management Board and CEO

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 Group company operates. The remuneration structure for CEO corresponds to the remuneration structure for the Group's employees (except for a company's car). More detailed overview of the components of remuneration applicable to the Board and the Chief Executive Officer of the Company is presented in the *Remuneration structure* table above.

Remuneration of the Company's members of the Management Board in 2023 (before tax)

Name, surname (position)	FBS	STI	PBM	Total
Paul Kęstutis Dainora	-	-	15,575	15,575

Remuneration of the Company's members of the Management Board in 2022 (before tax)

Name, surname (position)	FBS	STI	PBM	Total
Paul Kęstutis Dainora	-	-	15,567	15,567

Remuneration of the Company's CEO in 2023, EUR (before taxes)

Name, surname	FBS	STI	PBM	Total
Mantas Burokas	107,668	16,902	-	124,570

Remuneration of the Company's CEO in 2022, EUR (before taxes)

Name, surname	FBS	STI	PBM	Total
Mantas Burokas	94,311	13,261	-	107,572

More information on remuneration establishment principles of Ignitis grupė is available in the Annual Report 2023 of Ignitis grupė.

Targets

Meeting the 2023 targets

Performance assessment criteria	Weight, %	Indicators	Implementation
Financial targets	30%	Adjusted EBITDA, EUR million* (30%)	90%
Strategic projects and key milestones	55%	First time production of thermal energy using biofuel*** Biofuel power plant COD (25 %)	86%
		Availability of the waste treatment plant (15%)	
		Regulatory impact on long-term EBITDA** (15%)	
Sustainability targets	15%	Increasing occupational safety (10 %)****	97%
		Ensuring of environmental protection requirements according to the permit of Integrated Pollution Prevention and Control (IPPC: the average daily IPPC emission values were exceeded during commercial operation (5%)	
		Total implemented	89%

*EBITDA calculated without taking into account the impact of regulation.
** The Management Board of the Company, after assessing the Company's efforts to mitigate the impact of potential regulation on the Company's results, may, by a separate resolution, approve the achievement of the target by 70%, irrespective of the Adjusted EBITDA achieved. The impact on EBITDA is assessed using a theoretical model based on the Company's long-term financial plan for 2022 based on 2024 assumptions. The assumptions of this model are assumed to be fixed, with the exception of the prices for the sale of heat and municipal waste ('prices'), which will be recalculated according to the methodologies of the regulated activities.
*** Both targets are assessed separately with equal weighting. If either target is met later than 2023, the overall achievement of the target is scored 0%.
**** Zero occupational deaths (workers and contractors), with a TRIR ≤ 6 for workers and a TRIR ≤ 9.4 for contractors. TRIR (Total Recordable Injury Rate) - number of accidents per million hours worked

Targets for 2024

Criteria	Weight, %	Indicators
Financial targets	30%	Adjusted EBITDA, EUR million
Strategic projects and key milestones	50%	Biofuel power plant TOC EU funding closed
		Ensured fuel (waste/biofuel)
		Availability of the waste to energy plant
		Availability of biofuel plant
Sustainability targets	20%	Occupational safety (10%): - 0 fatal accidents (employees and contractors) - TRIR* of employees - TRIR* of contractors
		Environmental requirements under the Integrated Pollution Prevention Control (IPPC) permit are ensured**

* TRIR - Total Recordable Injury Rate (number of recordable incidents x 1,000,000 / total hours worked per year). TRIR contractors - full scope.

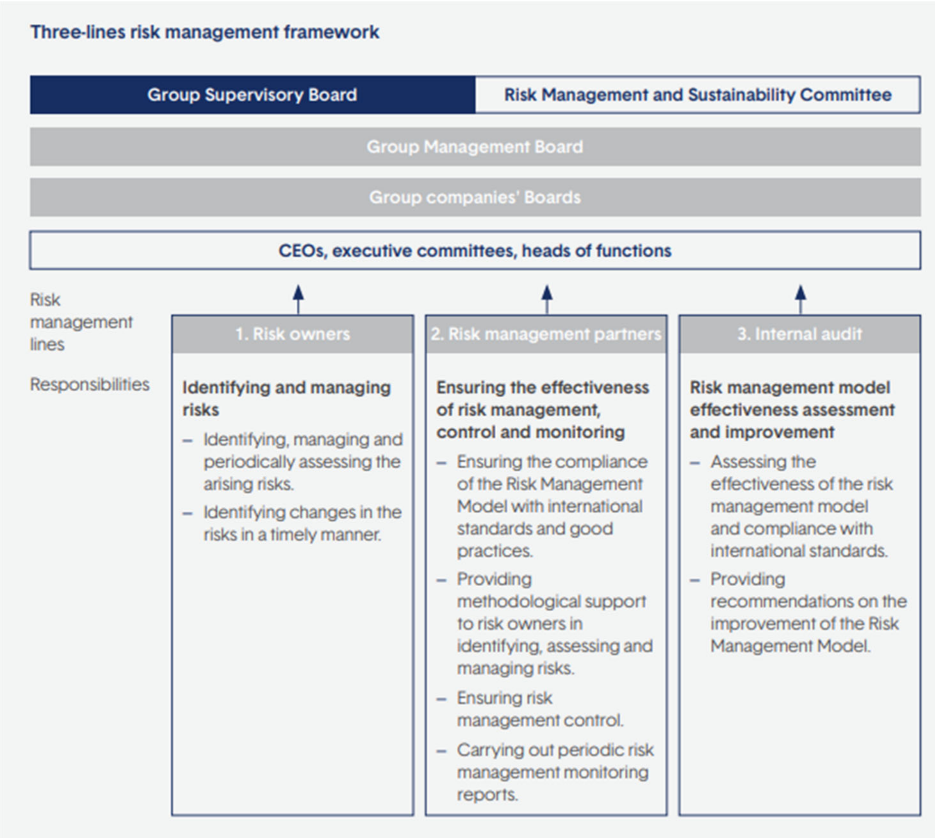
**Minor infringement as described in the ENVIRONMENTAL PROTECTION AND NATURAL RESOURCES CRITERIA FOR MINOR INFRINGEMENTS (link)

4.4 Risks and risk management

Risk management framework

The Company's business environment is subject to internal and external risks that affect the Company's operations and performance. In order to protect against and manage risks to an acceptable level, the Company and the Group apply uniform risk management principles reflecting good risk management practices, including the core principles of COSO (Committee of Sponsoring Organisations of the Treadway Commission) and AS/NZS ISO 31000:2018 Risk management – Principles and guidelines.

A clear division of responsibilities for risk management and control between management and supervisory bodies, business units and functions within the Company and across the Group is ensured by the Three-Lines Enterprise Risk Management Framework.



To ensure that the decisions taken by the Company's management reflect all changes in its operations, the Company and the Group have a single risk management process covering all areas of activity. For effective control of risk management, quarterly monitoring of risks is carried out, and risk management measures, key risk indicators and reporting is provided to the Company's Management Board with supervisory function.

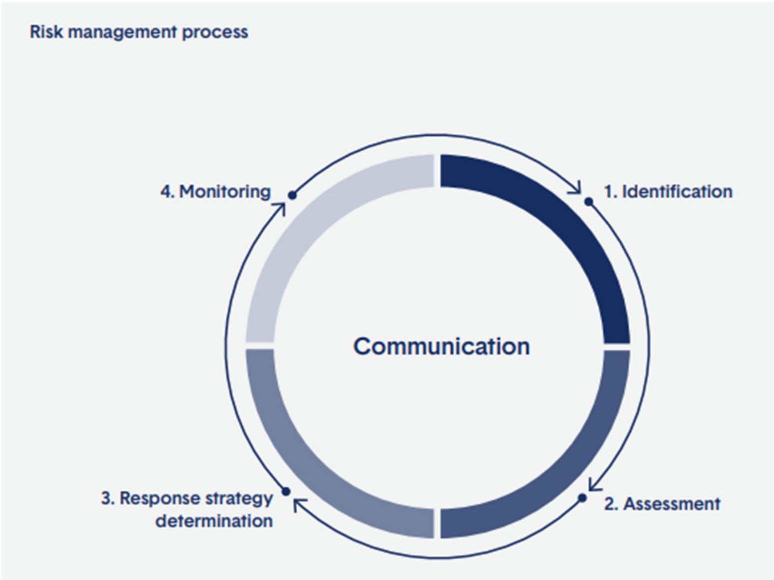
Risk management goals:

- To ensure that the Group's values of responsibility, partnership, openness and excellence are at the heart of decision-making to achieve the objectives;
- eliminate or minimise the impact of risks on objectives for different periods;
- protect the interests of customers, stakeholders and the public;
- ensure that accurate and timely information reaches decision-makers, shareholders and other stakeholders;
- protect the Group's reputation and ensure its credibility;
- to ensure the stability and sustainability of the Group's activities.

Risk management process and key principles

In order to achieve strategic goals and respond to a dynamic business environment, the Company pays great attention to proactive risk management. Therefore, on a quarterly basis, the Company reviews risk levels, plans risk management measures as needed, refines key risk indicators, and identifies new sources of risk or new risks. The ability to proactively react to changing risks is extremely important and helps to ensure that the management receives the most relevant information to make necessary decisions in a timely manner. In addition, the overall risk management process, applied to the Company and the Group as a whole, integrates the opportunities arising from ESG (Environmental, Social and Governance) risks and uncertainties.

The Company's risk management process consists of four phases: risk identification, assessment, response strategy definition and monitoring.



1. Identification stage. We constantly assess a potential impact of different sources of risks such as climate change, regulation changes, geopolitical and economic situation, raw materials/services/labour market trends, cultural and social issues that affect the achievement of the Company's and the Group's goals. All of the Company's employees are responsible for timely risk identification.

Based on the potential impact of risks on the Company's goals, all risks are assessed based on the periods of when they could potentially materialise and are categorised as follows:

- short-term (0–1 years), which can influence the annual goals of the Company;
- medium-term (2–4 years), which relate to the implementation of strategic goals defined in the Company's 4-year strategic plans;
- long-term (≥5), which can affect the implementation of the Company's strategy.

2. Assessment stage. Assessment stage is where risk levels are determined. Risk levels are defined from low to very high and are based on the ratio of probability of the risk occurrence to its potential impact. We also assign risks to a specific category, ESG type, the Group's strategic direction (which is affected) and establish key risk indicators.

We classify the risks arising from a Group's activities into 4 different types. A description of them is given below.

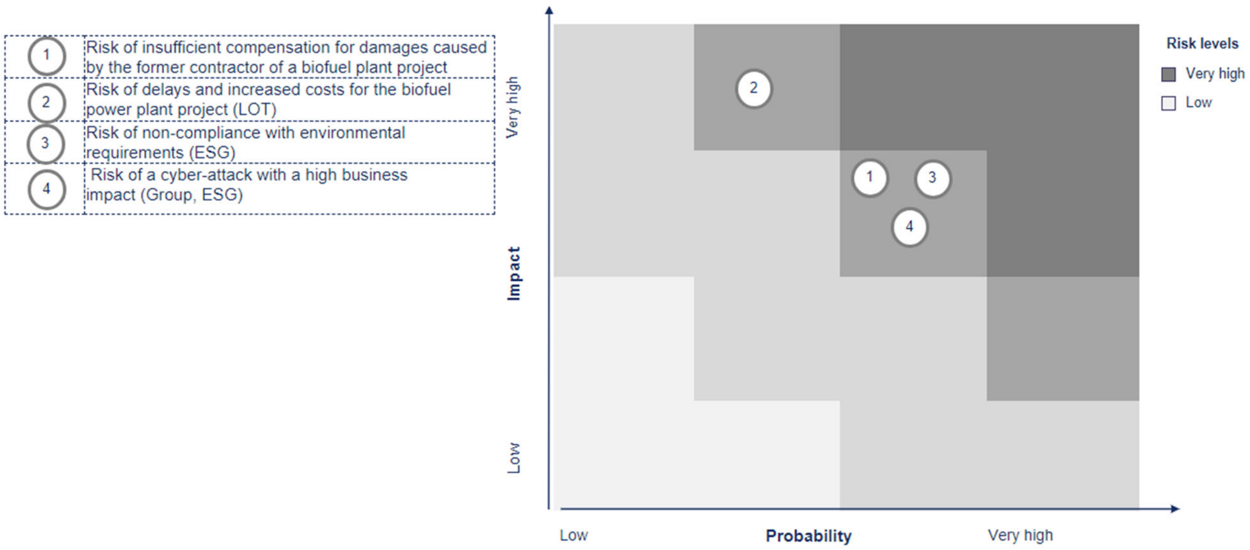
Strategic risks	Financial risks	Operational risks	External risks
Risks that may impact the strategic objectives of the Company. They can materialise due to unfavourable or erroneous business decisions, inadequate implementation of decisions or as a result of the external factors, e.g., political, legislative changes.	Risks from financial assets and/or obligations of the Company. This category includes the risks such as the credit risk, liquidity risk, insufficient capital risk, interest rate risk, currency exchange risk, risk related to fluctuation of shares and market prices, etc.	Risks that materialise due to inadequate or poorly organised internal processes, failed or ineffective internal control procedures, employee errors and/or improper/insufficient management of IT operations, etc.	Risks that materialise due to changes in market conditions, regulatory, and legislation changes, natural resources, natural disasters, etc.

3. Response strategy establishing stage. This stage involves choosing one of the risk management strategies (accept, reduce, avoid or transfer). The Company accepts only those risks that are consistent with the Company's core objectives, strategy and values. Risks above the Company's risk appetite, including high and very high level risks and risks with significant financial impact on the Company (>2% of the Company's Adjusted EBITDA) – must be managed. To manage these risks, a plan is drawn up to implement a risk mitigation strategy. Plan implementation control is carried out in the monitoring stage.

4. Monitoring stage. Each quarter, risk monitoring is carried out, and information on risk management measures, key risk indicators, and signals is provided to the management and collegial bodies. In this stage, the risk levels are re-assessed, new risks are registered, and the risks that are no longer relevant are eliminated.

Map of the Company's key risks

As the Company's risks were reassessed at the end of 2023, 4 high-level risks were identified, one of which - Risk of a cyber-attack with a high business impact - is relevant for the entire Ignitis Group and is therefore managed centrally. The Ignitis Group's high-level Accident risk (employees and contractors) is assessed as medium in the Company's activities and is not included in the Company's list of key risks.



ESG risks

As countries and international organisations increasingly focus on various aspects of sustainability, such as climate change prevention, anti-corruption, the promotion of transparency practices, and the application of good governance principles, we are contributing to the achievement of the sustainability goals. Therefore, the Company assesses whether each risk meets the ESG risks' criteria. An ESG type is assigned to the risk based on these criteria, for example "E" type is assigned to risks including climate-related physical, transitional, and other environmental risks, "S" to social responsibility, and "G" to governance related risks. The Company is carefully assessing the potential impacts of climate change and the associated economic and transitional changes on operations. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc. Climate change can be a negative factor in assessing the likelihood of materialisation of various risks and/or assessing the potential impact of risks on finance, reputation, compliance, people's health and safety.

ESG risk that meets environmental criteria:
- Risk of non-compliance with environmental requirements.

ESG risk that meets governance criteria:
- Risk of a cyber-attack with a high business impact.

Management plan of key risks

1 Risk of insufficient compensation for damages caused by the former contractor of a biofuel plant project

Main source of risk:

- The former contractor of a biofuel power plant project, with whom the contract was terminated, may not agree to compensate in full all losses of the project incurred at his fault.

Key risk indicators:

- Periodic reporting of risk signals to management

Impact on the strategic direction
Green generation

Primary potential impact
Financial

Risk level
High

Risk type
Financial

ESG risk type
Not related

Main risk management directions:

- Internal and external legal team in place;
- Cooperation with national institutions;
- Settlement agreement signed with the former contractor which was approved by Stockholm International Arbitration Court.

2 Risk of delays and increased costs for the biofuel power plant project (LOT)

Main source of risk:

- Uncertainty in prices and delivery times of raw materials and products;
- Identification of a large number of defects in work previously carried out by a former contractor as part of the commissioning and tuning works;
- Limited resources of contractors and subcontractors affect duration of the project.

Key risk indicators:

- Delay in implementation of biofuel power plant project, months;
- Monitoring of changes in the project budget.

Impact on the strategic direction
Green generation

Primary potential impact
Financial

Risk level
High

Risk type
Operational

ESG risk type
Not related

Main risk management directions:

- Active monitoring of contractors' and subcontractors' work schedules;
- Preparation of alternative solutions to remove/not remove defects, as well as to reduce the project budget and speed up the work;
- Continuous communication with the responsible authorities, presenting delay scenarios in the event of a risk, and planning measures.

Risk of a cyber-attack with a high business impact

3 Risk of non-compliance with environmental requirements

Main source of risk:

- Failure to ensure the conditions for the reception and storage of air, water pollution, noise, odours, waste in the Integrated Pollution Prevention and Control (IPPC) permit;
- Failure to prepare or submit environmental reports to regulatory authorities on time;
- Human errors in the calculation and declaration of environmental taxes

Key risk indicators:

- Exceeded average values of daily air emission;
- Operating time of the power plant in the event of a boiler malfunction;
- Excess of maximum allowable concentrations in surface industrial effluents;
- Failure to submit required reports on time;
- Errors in the calculation and declaration of environmental taxes.

Impact on the strategic direction
Green generation

Primary potential impact
Compliance

Risk level
High

Risk type
Operational

ESG risk type
Environmental

Main risk management directions:

- Installation of automatic continuous air emission monitoring systems, and periodic surveys of other sources of pollution;
- Preparation of reporting schedules and instructions for filling-in;
  Automated calculator to ensure correct calculation of environmental taxes;
- Ambient air monitoring in community residential areas, reports are available on the company's website;
- Installation of wastewater treatment equipment (sand and oil traps), control of industrial and surface wastewater;
- Installation of radiation measurement devices (radiation gates) at the entrances to the power plant;
- Staff trained to deal with emergencies.

4

Main source of risk:

- Cyber-attacks against the Group (including the Company) organised by third parties;
- Social engineering attacks, data theft;
- Known vulnerabilities in systems have been removed late or improperly.

Key risk indicators:

- Number of internal and external critical vulnerabilities;
- Average time to fix critical vulnerabilities.

Impact on the strategic direction
Organisation

Primary potential impact
Compliance/reputation

Risk level
High

Risk type
Operational

ESG risk type
Governance

Main risk management directions:

- digital security in AB Ignitis grupė is centrally managed, thus consolidating key competences, tools and best management practices;
- the staff of the Digital Security Operations Centre of AB Ignitis grupė improve their skills by participating in national and international cyber security exercises;
- improving the cyber-attack detection/prevention systems;
- cooperation with external organisations in the field of cyber security;
- continuous education and training of the Company's employees;
- measures in the business security functional area to prevent corruption and possible espionage;
- Internal audit;
- a 24-hour cyber security supervision provided by the Digital Security Operations Centre of AB Ignitis Grupė.

For more information on the risk management model, risk factors and their management by Ignitis Grupė, please refer to the Annual Report of Ignitis Grupė for 2023 (link).

Sustainability

5.1 Overview of sustainability

The sustainability performance and results of the Ignitis Grupė companies, including its subsidiary UAB Vilniaus Kogeneracinė Jėgainė, are summarised in the consolidated Annual Report 2023 of AB Ignitis Grupė, of which the Group's Sustainability (Social Responsibility) Report (hereinafter "the Group's Sustainability Report") is an integral part. This report is available on www.ignitisgrupe.lt under "For Investors" and "Sustainability".

Article 23^2 of the Law of the Republic of Lithuania on Financial Reporting by Undertakings effective as at the date of issue of these financial statements stipulates that a company which is a subsidiary is exempt from the obligation to prepare a Corporate Social Responsibility Report if the information of the company and of its subsidiaries is included in the parent company's consolidated annual report prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, or the legislation of another Member State, or in a separate report containing the information required in the Consolidated Social Responsibility Report. Since the Group prepares and publicly discloses such a report, which is integrated into the Group's annual report, the company Vilniaus kogeneracinė jėgainė does not prepare a separate corporate social responsibility report. The following provides a summarised overview of the sustainability information relevant for Vilniaus kogeneracinė jėgainė and where it can be found in the Group's Sustainability Report.
To meet the requirements of various stakeholders, the Group's Sustainability Report, which covers the period from 1 January to 31 December 2023, has been prepared in accordance with the regulatory requirements and recommendations of several reporting frameworks and standards.
Information in the Group's Sustainability Report is disclosed on a materiality basis and reflects the Group's progress in implementing the principles of the United Nations Global Compact (UNGC) and the Group's contribution to the United Nations Sustainable Development Goals (SDGs).
The Sustainability Report complies with the Global Reporting Initiative (GRI) standards.

The Group's Sustainability Report complies with the requirements for social responsibility reports, as provided for in Lithuanian legislation. In addition, the Group demonstrates in this report its compliance with the provisions and guidelines of the Corporate Sustainability Reporting Directive (CSRD). Part of the requirements and recommendations of the European Sustainability Reporting Standards (ESRS) developed by EFRAG have already been applied in preparing the Group's Sustainability Report. The Group understands that it will need to implement the remaining requirements into future reports. The Group will prepare the reports once the provisions of the CSRD have been transposed into national law.

The Sustainability Report also includes an assessment of the compliance with the EU Taxonomy Regulation.

Sustainability in the Group and Vilniaus kogeneracinė jėgainė

As part of the Group's strategy and ambition to create a 100% green and safe energy ecosystem for today's and future generations, we are focusing on our Environmental, Social and Governance (ESG) activities and accountability.
The Group's Sustainability Policy establishes shared sustainability principles of the Group and their implementation measures at the Group, which shape the culture and practice of responsible and sustainable business development. The Sustainability Policy discloses, among other things, the Group's commitment to the principles of the United Nations Global Compact and to aligning its strategic goals and activities with the Sustainable Development Goals, to contributing to the Paris Agreement in the fight against climate change, and to adhering to good governance practices.

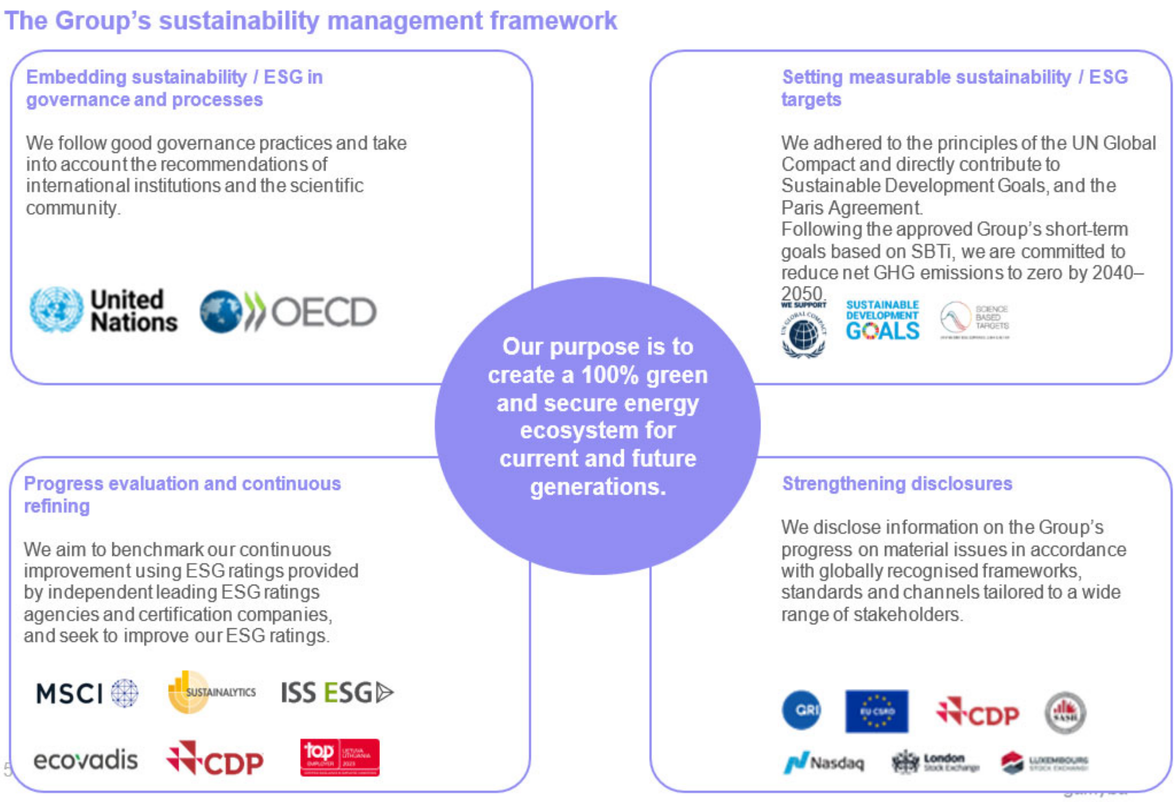
Information on other policies and sustainability management is publicly disclosed and presented in this report. Alongside detailed information on our sustainability management, we periodically publish a sustainability overview and ESG data in our interim and annual reports. This ensures that all our stakeholders receive the necessary information about the Group's sustainability objectives.

Sustainability activities in the Group companies are coordinated centrally through a separate Sustainability function reporting directly to the CEO of the parent company. The Management Board of the Group decides on the formulation, approval and updating of the organisation's sustainability strategic directions, policies and activities. Detailed description of the management of sustainable activities within the Group is available in the Group's Sustainability Report 2023 and in the "Sustainability" section on the website of the Group.

Sustainability goals of the Group and Vilnius combined heat and power plant are available on the Group's website www.ignitisgrupe.lt under 'Sustainability', and on the website of Vilnius combined heat and power plant.

Below is a general overview of the Group's sustainability management framework, showing how we are improving ESG performance.

The Group's sustainability management framework



Sustainability goals and target indicators

The ESG aspects of the Vilnius combined heat and power plant are of exceptional importance, key indicators of the ESG status have been identified and their values are continuously monitored.

Key ESG indicators monitored by Vilnius combined heat and power plant

Sustainability direction	Indicator	Measurement unit	2022	2023
Reducing impact on climate	GHG emissions	million t of CO2 eq.	0.184	0.328
	Coverage 1	million t of CO2 eq.	0.088	0.117
	Coverage 2	million t of CO2 eq.	0.001	0.001
	Coverage 3	million t of CO2 eq.	0.001	0.004
	Other emissions (of biological nature)	million t of CO2 eq.	0.094	0.206
	Water savings in production	thousand m^3	100.4	172.1
Protection of natural resources	Share of green procurement in public procurement	%	25	100
	Sorting accessibility as a share of total administrative premises	%	100	100
Staff ready for the future	Fatal accidents (total)	unit	0	0
	Employees	unit	0	0
	Contractors	unit	0	0
	TRIR (total work-related injury rate)	Indicator	0	0
	eNPS (Employee Satisfaction Indicator)	%	57.3	58.2
	Share of women in management positions	%	11.11	12.50
	Share of women in engineering and IT positions	%	21.74	33.33
	Proportion of employees who have participated at least once in volunteering initiatives	%	2.9	8.5
Robust organisation	No tolerance of corruption among employees	%	94.0	95.2
	Proportion of staff taking and passing the Code of Conduct and anti-corruption knowledge test	%	96.88	100

[1]The indicator is measured at Group level.

Stakeholder relations and assessment of ESG priorities

Stakeholder engagement is crucial to ensure that Group companies respond proactively to trends, emerging issues and opportunities. By applying the ESG principles in our relationships with stakeholders, as set out in the Sustainability Policy, we aim not only to effectively manage their expectations and interests, but also to look for opportunities where our collaboration can increase the positive impact of our activities.

Within the Group, we disclose sustainability-related information based on a comprehensive materiality assessment conducted in 2021. It identified and prioritised the key aspects of sustainability that are most relevant and material to the Group and its stakeholders.

With the new sustainability reporting requirements in place, the Group is currently undertaking a two-tier materiality assessment. The goal of this approach is to determine the extent to which sustainability aspects affect the company and the extent to which the company affects these aspects. The results of the Group's two-tier materiality assessment will be published on the Group's website and included in the 2024 Sustainability Report.

The expectations of stakeholders expressed during this process were aligned with existing goals and objectives of Vilnius combined heat and power plant which led to the identification of priority themes that are in line with both stakeholders' expectations and the stated operational objectives of Vilnius combined heat and power plant. The outcome of the materiality assessment provides the basis for further embedding of sustainable development in the Company's activities in a way that takes into account the overall impact of Vilnius combined heat and power plant on its stakeholders and aligns the expectations expressed by the stakeholders with the strategic objectives.

In 2021, the stakeholder engagement exercise identified and interviewed 3 main stakeholder groups:
- employees,
- contractors and suppliers,
- state, municipal and their subordinate institutions.

Key facts on Vilnius combined heat and power plant materiality assessment:
- We interviewed 47 stakeholder representatives;
- We identified 17 thematic aspects of the ESG that are most relevant to Vilnius combined heat and power plant and its stakeholders;
- Stakeholders shared their views on which aspects of the ESG should be relevant for the company;
- During the internal strategy sessions, the management of Vilnius combined heat and power plant clarified the links between stakeholders' expectations and the operational strategy.

Vilnius combined heat and power plant materiality assessment matrix for 2023

ESG risks and their management

The main ESG risks and the decisions taken to manage them are disclosed in more detail in the section "4.7 Report on risks and risk management" of the Group's report".

An overview of key effects of sustainability of Vilnius combined heat and power plant and implemented initiatives / measures in 2023

Environment protection

Main impacts of Vilnius combined heat and power plant	Impact management is described in this section of the Group's Sustainability Report
1. Climate change impact/GHG emissions - reduction of greenhouse gases (CO_2, etc.) from activities.	6.2 Environment – Climate change
2. Impact on soil, water and air quality - maintenance of soil, water and air quality, prevention of environmental pollution.	6.2 Environment – Pollution
3. Impact on biodiversity and ecosystems - protecting biodiversity, flora and fauna.	6.2 Environment – Biological diversity and ecosystems
4. Use of secondary raw materials and waste minimisation - use of secondary raw materials in the operation of the plant and minimisation of the waste generated by the operations.	6.2 Environment – Use of resources and circular economy
5. Diversion of waste from landfill, promotion of circular economy principles - energy recovery from unsortable waste.	6.2 Environment – Use of resources and circular economy
6. More sustainable self-consumption of energy - using green energy for own needs; reducing consumption for own needs.	6.2 Environment – Climate change

Social aspects

Main impacts of Vilnius combined heat and power plant	Impact management is described in this section of the Group's Sustainability Report
1. Occupational safety and health and contractor's safety and health - ensuring workplace safety and promoting the health of workers and contractors.	6.3 Social aspects - Our Employees - Occupational Health and Safety 6.3 Social aspects - Value chain employees
2. Competent employees now and in the future - professional and personal development of employees, building the competences needed for the energy sector;	6.3 Social aspects – Our employees – Competent employees
3. Employee welfare and cooperation with employees - fair remuneration, employee job satisfaction, freedom of association;	6.3 Social aspects - Our Employees - Employee welfare, fair pay and cooperation with employees
4. Local community welfare and relations - protection of natural environment and health of members of communities; listening to the needs of communities.	6.3 Social aspects - Affected communities
5. Diversity, equal opportunities and human rights - ensuring gender equality and equal opportunities, promoting diversity at work.	6.3 Social aspects - Our Employees - Diversity, inclusion and welfare
6. Involvement in community activities - participation in civic initiatives and NGOs; volunteering.	6.3 Social aspects - Our Employees - Diversity, inclusion and welfare

Management

Main impacts of Vilnius combined heat and power plant	Impact management is described in this section of the Group's Sustainability Report
1. Ethical business, anti-corruption and transparency - transparent corporate governance, anti-corruption, fair and ethical market conduct	6.4 Management – Prevention and identification of corruption
2. Ensuring security and uninterrupted operation of the energy system;	6.4 Management –
3. Ensuring access to energy - taking care that electricity and (or) heat is available to all customers	6.3 Social aspects - Consumers and end-users
4. Responsibility and sustainability in the company's supply chain - buying more environmentally friendly goods and services for self-use and reducing the negative impact of suppliers on the natural and social environment	6.2 Environment - Group and environment 6.4 Governance - Sustainable supply chain
5. Sustainable financial instruments - fund-raising for sustainability-encouraging projects	6.6 Disclosures under the EU Taxonomy Regulation

We encourage to report possible unethical behaviour of employees or representatives of the Group, cases of discrimination or corruption, as well as other breaches of the principles of sustainability or concerns to the Helpline by email pasitikejimolinija@ignitis.lt, by phone +370 640 88889 or by filling out an online form. These contacts are open to both employees and all stakeholders.

If you have any questions concerning the content of the Sustainability Report or sustainability activities of Vilnius combined heat and power plant, please contact sustainability@ignitis.lt.

6 Financial statements

6.1 Company’s financial statements

For the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Union

The Company’s financial statements were prepared and signed by of UAB Vilniaus kogeneracinė jėgainė management on 29 March 2024:

Mantas Burokas	**Rūta Šaltmerytė**	**Jurgita Markevičienė**
Chief Executive Officer	Head of Finance and Administration	UAB Ignitis grupės paslaugų centras, Accounting expert, acting under Order No 24_GSC_SP_0004 of 10 January 2024

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

EUR thousand	Notes	2023	2022
Revenue from contracts with customers	6	61,744	42,283
Other income		26	-
Total revenue and other income		**61,770**	**42,283**
Purchases of electricity, natural gas and other services	7	(14,199)	(5,492)
Depreciation and amortisation		(5,218)	(5,051)
Salaries and related expenses		(4,295)	(2,938)
Other expenses	8	(5,616)	(10,267)
Total expenses		**(29,328)**	**(23,748)**
Operating profit		**32,442**	**18,535**
Finance income	9	86	21
Finance expenses	9	(3,849)	(1,450)
Finance activity result, net		**(3,763)**	**(1,429)**
Profit (loss) before tax		**28,679**	**17,106**
Income tax (expenses) income	10	(3,523)	(364)
Net profit for the year		**25,156**	**16,742**
Other comprehensive income (expenses)			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Change in actuarial assumptions		3	6
Total items that will not be reclassified to profit or loss in subsequent periods		**3**	**6**
Total other comprehensive income (expenses) for the year		**3**	**6**
Total comprehensive income (expenses) for the year		**25,159**	**16,748**

Statement of financial position

31 December 2023

EUR thousand	Notes	31 December 2023	31 December 2022
ASSETS			
Intangible assets	11	3,342	3,737
Property, plant and equipment	12	388,883	337,972
Right-of-use assets		292	316
Prepayments for non-current assets		-	4,768
Non-current receivables		100	379
Deferred tax assets	10.3	1,808	5,331
Non-current assets		**394,425**	**352,503**
Inventories	13	2,449	3,235
Prepayments and deferred expenses		476	157
Trade receivables	14	8,774	5,511
Other receivables	15	20,987	-
Cash and cash equivalents	16	25,208	6,709
Current assets		**57,894**	**15,612**
TOTAL ASSETS		**452,319**	**368,115**
EQUITY AND LIABILITIES			
Issued capital	17	52,300	52,300
Legal reserve	18	1,315	477
Retained earnings		48,384	24,063
Equity		**101,999**	**76,840**
Non-current loans	19	192,765	126,151
Non-current lease liabilities		296	283
Grants and subsidies	21	131,765	124,811
Provisions		4	3
Non-current liabilities		**324,830**	**251,248**
Loans	19	14,760	28,613
Lease liabilities		9	42
Trade payables		2,581	720
Prepayments received		3	3
Other current liabilities	22	8,137	10,649
Current liabilities		**25,490**	**40,027**
Total liabilities		**350,320**	**291,275**
TOTAL EQUITY AND LIABILITIES		**452,319**	**368,115**

Statement of changes in equity

For the year ended 31 December 2023

EUR thousand	Notes	Issued capital	Legal reserve	Retained earnings	Total
Balance as at 1 January 2022		**52,300**	**-**	**7,792**	**60,092**
Net profit for the year		-	-	16,742	**16,742**
Other comprehensive income (expenses)					
Result from change in actuarial assumptions		-	-	6	**6**
Total other comprehensive income (expenses) for the year				**6**	**6**
Total comprehensive income (expenses) for the year		**-**	**-**	**16,748**	**16,748**
Transferred to reserves and changes in reserves		**-**	477	(477)	-
Balance as at 31 December 2022		**52,300**	**477**	**24,063**	**76,840**
Balance as at 1 January 2023		**52,300**	**477**	**24,063**	**76,840**
Net profit for the year		-	-	25,156	**25,156**
Other comprehensive income (expenses)					
Result from change in actuarial assumptions		-	-	3	**3**
Total other comprehensive income (expenses) for the year		**-**	**-**	**3**	**3**
Total comprehensive income (expenses) for the year		**-**	**-**	**25,159**	**25,159**
Transferred to reserves and changes in reserves		**-**	838	(838)	**-**
Balance as at 31 December 2023		**52,300**	**1,315**	**48,384**	**101,999**

Statement of cash flows

For the year ended 31 December 2023

EUR thousand	Notes	2023	2022
Net profit for the year		25,156	16,742
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation	11, 12	7,708	7,375
Depreciation and amortisation of grants	21	(2,490)	(2,324)
Fair value changes of derivatives		-	(2,447)
Income tax expenses (income)	10	3,523	364
Interest income	9	(85)	(19)
Interest expenses	9	3,829	1,436
Other non-cash adjustments		35	17
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(4,074)	(3,337)
(Increase)/decrease in inventories, prepayments, deferred expenses, other current and non-current assets		467	(2,789)
Increase/(decrease) in trade payables, prepayments received, other current amounts payable and liabilities		4,274	2,251
Recovered corporate income tax	10.3	-	990
Cash flows used in investing activities		**38,343**	**18,259**
Acquisition of property, plant and equipment and intangible assets		(53,123)	(54,651)
Cash-pool		(19,888)	3,062
Grants received	21	9,444	15,116
Interest received		77	21
Net cash flows from / (used in) investing activities		**(63,490)**	**(36,452)**
Cash-pool	20	(19,112)	19,112
Loans received	20	211,099	-
Repayment of loans	20	(138,941)	(4,198)
Lease payments	20	(37)	(91)
Interest paid	20	(9,363)	(3,661)
Net cash flows from/(used in) financing activities		**43,646**	**11,162**
Increase (decrease) in cash and cash equivalents		**18,499**	**(7,031)**
Cash and cash equivalents at the beginning of the period	16	6,709	13,740
Cash and cash equivalents at the end of the year		**25,208**	**6,709**

Notes to the financial statements

1 General information

UAB Vilniaus kogeneracinė jėgainė (hereinafter “the Company”) is a private limited liability company registered in the Republic of Lithuania. O 26 February 2015, the Company was registered with the Register of Legal Entities managed by the public institution the State Enterprise Centre of Registers. The registered address of the Company is: Jočionių St. 13, LT-02300 Vilnius, Lithuania. The company code is 303782367, VAT payer’s code – LT100009225717. The Company has been founded for an indefinite period. The reporting period is one year ended 31 December 2023.

The Company is engaged in operation of high-capacity cogeneration power plant in Vilnius, production of local competitive electricity and heat from waste.

Shareholder of the Company:

	31 December 2023		31 December 2022	
	Number of shares held	Per cent	Number of shares held	Per cent
AB Ignitis grupė	52,300	100	52,300	100
Total	**52,300**	**100**	**52,300**	**100**

The Company’s parent company is AB Ignitis grupė (company code 301844044, registered address Laisvės pr. 10, LT-04215 Vilnius, Lithuania), which owned 100% of shares of the Company as at 31 December 2023 and 2022. As at 31 December 2023, the shareholders were the Ministry of Finance of the Republic of Lithuania (74.99%), retail and institutional investors (25.01%). As at 31 December 2022, the shareholders were the Ministry of Finance of the Republic of Lithuania (74.99%), and retail and institutional investors (25.01%).

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

As at 31 December 2023 and as at 31 December 2022, the Company did not have any subsidiaries.

These financial statements were signed by the management of UAB Vilniaus Kogeneracinė Jėgainė on 29 March 2024. 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

2.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards as approved by International Accounting Standards Board (hereinafter referred to as ‘IASB’) and adopted by the European Union (hereinafter referred to as ‘IFRS’).

The Company’s financial statements as at and for the year ended 31 December 2023 (hereinafter – the financial statements) have been prepared on a going concern basis applying measurement based on historical acquisition cost.

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. The Company’s financial statements provide comparative information in respect of the previous period.

The Company’s financial year coincides with a calendar year.

2.2 Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised under profit or loss in the Statement of Profit or Loss and other Comprehensive Income.

3 Summary of material accounting policies

3.1 Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022, with the exception of the new standards that became effective during 2023.

3.1.1 New standards, amendments and interpretations

3.1.1.1 Disclosure of material accounting policy information

The Company has adopted the amendments to Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice statement 2) from 1 January 2023. Although the amendments did not change the accounting policies, they had an impact on the accounting policy disclosures in the financial statements.

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments also state that information about accounting policy is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence the decisions that the primary users of those financial statements make.

3.1.1.2 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 2023 are stated below.

Standards or amendments that came into force during the year of 2023
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
Annual Improvements to IFRS Standards for the cycle 2018-2020
Reference to Conceptual Framework

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

3.1.1.3 Standards issued but not yet effective and not early adopted

While preparing the financial statements, the Company did not adopt new IFRS, International Accounting Standards (hereinafter – IAS), their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2023 and early adoption 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 material impact on the Company’s financial statements.

Other new standards and amendments	IASB Effective date	EU Endorsement status
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Endorsed
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Disclosures of Financial Instruments: Supplier Financing Arrangements	1 January 2024	Not yet endorsed
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025	Not yet endorsed

3.2 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.

3.2.1 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.

3.2.2 Revenue from distribution 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 of the seller, i.e. supply of heat energy. The customer receives and simultaneously consumes the benefits of the service relating to the supply of thermal energy at the same time the seller satisfies its performance obligation. The seller satisfies its performance obligation over the contract period. 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 fixed part comprises the customer’s payments for the actually delivered thermal energy.

3.2.3 Revenue from waste management

Based on contracts with customers, the seller is committed to provide waste disposal (incineration) services.

In the contract with customer, the consideration paid to the Company comprises the fixed consideration per waste unit. Fixed consideration comprises client payments for the actual quantity of waste accepted by the Company for disposal.

The Company recognises revenue by considering the actual delivered waste quantity at a price specified in the purchase and selling agreement.

3.3 Intangible assets

3.3.1 Patents, licences

Patents and licenses are measured initially at acquisition cost and are amortised on a straight-line basis over their estimated useful lives.

Amortisation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management. Amortisation is calculated using a straight-line basis over the estimated useful life of 4 years or a specific validity term of a license and/or patent, if any. Useful life is reviewed on year-by-year basis.

3.3.2 Computer software

Computer software is stated at cost, less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 to 13 years.

3.3.3 Other 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 4 years. Amortisation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management.

3.4 Property, plant and equipment

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 begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

For accounting of borrowing costs - see Note 3.6.2.5.

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.

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	5-45
Other property, plant and equipment	3-30

3.5 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.

3.5.1 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 incurred for these costs.

3.5.2 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.

The right-of-use assets depreciated by the Company under the depreciation requirements of IAS 16, Property, Plant and Equipment.

Depreciation of right-of-use assets is provided on a straight line basis:

Group of right-of-use assets	Depreciation period (in years)
Land	50-80
Buildings	2-3
Vehicles	2-5
Other property, plant and equipment	2-3

If, before the end of the lease term, ownership of the leased asset is transferred to the Company, or if the cost of the right-of-use asset indicates that the Company will exercise its option to purchase, the Company shall depreciate the right-of-use asset from the date of commencement to the end of the useful life of the leased asset. Otherwise, the Company shall depreciate 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.

3.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.6.1 Financial assets

The Company classifies its financial assets into the following three categories:

(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value recognising the change in fair value through other comprehensive income (hereinafter – "FVOCI"); and
(iii) financial assets subsequently measured at fair value recognising the change in fair value through profit or loss (hereinafter – "FVPL").

Transaction costs comprise all charges and commission that the Company would not have paid if it had not entered into an agreement on the financial instrument.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (hereinafter "SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in the statement of profit or loss and other comprehensive income. Impairment loss is accounted for as the cost of receivables and impairment of loans in the statement of profit or loss and other comprehensive income.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. The intentions of the Company's management regarding separate instruments has no effect on the applied business model. The Company may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets, except for financial assets subsequently measured at FVOCI or FVPL as the Company does not have this kind of assets, is as follows:

3.6.1.1 Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (herein after "EIR") method and are subject to impairment. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses.

Financial assets are recognised as current assets, except for maturities greater than 12 months after the date of the statement of financial position, in which case they are classified as non-current assets.

3.6.1.2 Effective interest rate method

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss of the statement of profit or loss and other comprehensive income over the relevant period.

EIR is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, advance payment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of EIR, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

3.6.1.3 Impairment of financial assets – expected credit losses (hereinafter "ECL")

The Company recognised ECL for all debt instruments not 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 actual 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.

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

3.6.1.4 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.

3.6.1.5 Derecognition of financial assets

Financial assets (or, where appropriate, part of financial assets or part of the group of similar financial assets) are derecognised when:

- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
  - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
  - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, control is not retained. In all other cases, control is retained.

3.6.2 Financial liabilities and equity instruments issued

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.
The Company has not issued any equity instruments, except for issued capital.

3.6.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL (change in fair value of which is accounted through profit or loss), loans, payables, or as derivatives designated as hedging instruments in an effective hedge. All financial liabilities are recognised initially at fair value and, in the case of loans, liabilities and payables, net of directly attributable transaction costs.

3.6.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL;
- Financial liabilities at amortised cost.

3.6.2.3 Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. The Company had only derivative liabilities, which are valued at FVPL.

3.6.2.4 Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and bonds are subsequently measured at amortised cost using the EIR method. Gain and loss is recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

3.6.2.5 Presentation and borrowing costs

Financial liabilities are classified as current unless the Group has an unconditional right to postpone repayment for at least 12 months after the end of the reporting period.

If a financing agreement concluded before the statement of financial position date proves that the liability was non-current by its nature as of the date of the statement of financial position, that financial liability is classified as non-current.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. Interest income related to investment of borrowings until they are utilised for acquisition of assets are deducted from cost of those assets.

3.6.2.6 Derecognition of financial liabilities

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 balances is recognised in the statement of profit or loss and other comprehensive income.

3.6.3 Derivative financial instruments

The Company enters into derivative financial instruments transactions related to purchase and sale prices of electricity. The Company enters into derivative transactions for hedging purposes, but does not document such transactions and does not apply hedge accounting.

3.6.3.1 Presentation

Fair value of derivative financial instruments is presented In the statement of financial position as “Other current amounts liabilities” (Note 22).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in the statement of profit or loss and other comprehensive income either as “Other income”, if result for a period of such derivatives is profit, or “Other expenses” if result of such derivatives for a period is loss (Note 8).

3.7 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.

3.8 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 borrowing 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.

3.8.1 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.

3.9 Employee benefits

3.9.1 State plans

The Company participates only in the State plans. State plans are established by legislation covering all entities and are managed by national or local government or another body (for example, in the case of the Company, the National Social Insurance Fund). State plans are a defined contribution plan, under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as expenses on an accrual basis and are attributed to payroll expenses.

3.9.2 Severance payments

As a general rule, severance payments to employees 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 using the market rate of interest.

3.9.3 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.

3.10 Fair value

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.

4 Risk management

4.1 Overview

Risk is a natural and inherent part of doing business and the risk profile is constantly changing. The Company 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.

4.2 Financial risk factors

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

4.2.1 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.

4.2.1.1 Currency risk

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

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

4.2.1.2 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 2023, the Company has loans at variable interest rates and is, therefore, exposed to interest rate risk.

When entering into debt commitments, the objective is to have a fixed interest rate on long-term liabilities. If, for objective reasons, an interest rate fixation is not possible and the commitment amounts to a significant amount, interest rate derivatives would be used for interest management purposes (the Company did not use interest rate derivatives in 2023 and 2022). The aim should be to have at least 50% of the Company's long-term loan portfolio in long-term fixed rate loans. The use of any interest rate derivative product requires that its maturity date is the same as the maturity date of the debt obligations.

Loans with variable interest rate, received as at 31 December 2023, amounted to EUR 207,432 thousand. As at 31 December 2022, the Company had no loans with variable interest rates.

Interest rate risk is assessed by reference to the Company's sensitivity to changes in interest rates. This assessment is presented in the table below.

	Increase/decrease in percentage points	Increase/(decrease) in profit
2023	1.0/(1.0)	(2.074)/2.074

As at 31 December 2023, the loans granted by the Company under the cash-pool agreement were at a fixed interest rate. As the interest rate was fixed, no sensitivity analysis to changes in the interest rate on the loans is presented. As at 31 December 2022, the Company had not granted any loans.

4.2.2 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 credit risk arises from its operating activities (trade and other receivables) and its financing activities (loans granted).

The majority of the Company's receivables are held by two companies – a Group company, from which receivables account for 28% of total receivables, and an external customer, from whom receivables account for 61%. 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 credit risk is equal to the carrying amount of the financial asset.

EUR thousand	Note	31 December 2023	31 December 2022
Financial assets measured at amortised cost:			
Non-current receivables		100	379
Trade receivables	14	8,774	5,511
Other receivables	15	19,919	-
Cash and cash equivalents	16	25,208	6,709
Total		**54,001**	**12,599**

4.2.3 Liquidity risk

The liquidity risk is managed by planning future cash flows of the entities 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 2023, the Company's current liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 2.27 and 2.18 respectively (31 December 2022: 0.39 and 0.31, respectively).

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

EUR thousand	Note	31 December 2023	31 December 2022
Amounts payable stated at amortised cost			
Loans	19	207,525	154,764
Lease liabilities		305	325
Trade payables		2,581	720
Other current liabilities	22	3,546	9,257
Total		**213,957**	**165,066**

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	2023				Total
	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	
Loans	6,802	19,869	97,578	159,293	**283,542**
Lease liabilities	5	15	62	662	**744**
Trade payables	2,581	-	-	-	**2,581**
Other payables	3,518	28	-	-	**3,546**
31 December 2023	**12,906**	**19,912**	**97,640**	**159,955**	**290,413**

EUR thousand	2022				Total
	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	
Loans	20,705	9,077	44,505	90,074	**164,361**
Lease liabilities	24	29	47	673	**773**
Trade payables	720	-	-	-	**720**
Other payables	8,716	541	-	-	**9,257**
Derivative financial instruments	-	-	-	-	**-**
31 December 2022	**30,165**	**9,647**	**44,552**	**90,747**	**175,111**

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on the Company's financial statements in the future.

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.

5.1 Provision for plant dismantling and closure works

At each reporting date, the Company assesses potential provision for dismantling and closure works. In the management's opinion, no basis exists for recognising provision 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.

6 Revenue from contracts with customers

6.1 Revenue from contracts with customers by types

EUR thousand	2023	2022
Revenue from the sale of electricity	32,244	21,948
Revenue from distribution of thermal energy	22,471	14,838
Revenue from waste management	7,029	5,497
Total	**61,744**	**42,283**

6.2 Rights to returned goods and payable amounts

The Company has no material contracts in place that set out the customer rights to return goods.

7 Purchases of electricity, natural gas and other services

EUR thousand	2023	2022
Biofuel expenses	5,899	-
Operating costs of cogeneration plants	3,674	2,575
Electricity, balancing services and purchases of related services	3,420	2,705
Purchases of gas and related services	1,206	212
Total	**14,199**	**5,492**

8 Other expenses

EUR thousand	2023	2022
Repair and maintenance	2,283	1,184
Asset management and administration	571	300
Telecommunications and IT services	504	405
Taxes (other than income tax)	447	118
People and culture	356	233
Finance and accounting	263	143
Utilities	143	97
Legal services	117	359
Derivative financial instruments	-	6,702
Other	932	726
Total	**5,616**	**10,267**

[1] *In 2023, the Company classified the service costs under other headings "Property management and administration costs", "Legal services", "Finance and accounting", "People and culture", "Other", therefore, the comparative figures for 2022 have been changed accordingly by reclassifying the amount of EUR 666 thousand from the lines "Consulting services" and "Staff training and administration costs".*

The result of realised and unrealised derivatives is presented in the profit and loss part in the statement of profit or loss and other comprehensive income (Note 3.6.3.1). The result of derivatives in the statement of profit or loss and other comprehensive income is presented on a net basis, taking into account the final result for the period. The result of these financial instruments can be presented as follows:

EUR thousand	2023	2022
Profit (loss) from realised derivative financial instruments	-	(9,149)
Profit (loss) from unrealised derivative financial instruments	-	2,447
Total profit (loss)	**-**	**(6,702)**

9 Finance activity

EUR thousand	2023	2022
Interest income recognised at the effective interest rate	85	19
Other finance income	1	2
Total finance income	**86**	**21**
Interest expenses	3,817	1,427
Interest and discount expense on lease liabilities	12	9
Other finance expenses	20	14
Total finance expenses	**3,849**	**1,450**
Total finance activity	**(3,763)**	**(1,429)**

9.1 The Company's interest income

In 2023, the Company received interest inflows in cash of EUR 77 thousand (2022: EUR 21 thousand), which is shown under "Interest received" in the statement of cash flows.

10 Income taxes

10.1 Recognised under profit or loss

EUR thousand	2023	2022
Deferred tax expenses (benefit)	3,523	322
Result from sale of tax losses	-	42
Total	**3,523**	**364**

10.2 Reconciliation of effective tax rate

Income 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:

EUR thousand	2023	2023	2022	2022
Profit (loss) before tax		28,679		17,106
Income tax expenses (benefit) at tax rate of 15%	15.00%	4,302	15.00%	2,566
Expenses not deductible for tax purposes	0.29%	84	0.55%	94
Incentive on investment project	(3.01)%	(863)	(13.67)%	(2,338)
Tax losses sold	0.00%	-	0.25%	42
Income tax expenses (benefit)	**12.28%**	**3,523**	**2.12%**	**364**

10.3 Deferred tax

EUR thousand	2021 2022	Recognised in profit or loss	Impact of tax losses sold	Recognised in other comprehensive income	2022 2022	Recognised in profit or loss	2023 2022
Deferred tax assets							
Accrued expenses	56	7	-	-	63	62	125
Incentive on investment project	6,096	292	-	-	6,388	(2,909)	3,479
Tax losses carried forward	1,062	(30)	(1,032)	-	-	-	-
Derivative financial instruments	367	(367)	-	-	-	-	-
Right-of-use assets	62	(13)	-	-	49	(3)	46
Other	2	48	-	(1)	49	73	122
Deferred tax assets	**7,645**	**(63)**	**(1,032)**	**(1)**	**6,549**	**(2,777)**	**3,772**
Deferred tax Liabilities							
Difference between the financial and tax values	2	-	-	-	2	1	3
Right-of-use assets	59	(11)	-	-	48	(4)	44
Capitalised interest	899	269	-	-	1,168	749	1,917
Deferred tax liabilities	960	**258**	**-**	**-**	**1,218**	**746**	**1,964**
Deferred tax, net	**6,685**	**(321)**	**(1,032)**	**(1)**	**5,331**	**(3,523)**	**1,808**

On 14 June 2022, the Company signed a tripartite agreement under which AB Ignitis Gamyba transferred tax losses of EUR 6,882 thousand (deferred tax assets amount to EUR 1,032 thousand) and received consideration of EUR 990 thousand.

11 Intangible assets

EUR thousand	Patents and licences	Computer software	Other intangible assets	Total
Acquisition cost at 1 January 2023	**84**	**4,083**	**331**	**4,498**
Additions	-	8	13	**21**
Acquisition cost at 31 December 2023	**84**	**4,091**	**344**	**4,519**
Accumulated amortisation at 1 January 2023	**(67)**	**(502)**	**(192)**	**(761)**
Amortisation charge	(17)	(316)	(83)	(416)
Accumulated amortisation at 31 December 2023	**(84)**	**(818)**	**(275)**	**(1,177)**
Carrying amounts as at 31 December 2023	**-**	**3,273**	**69**	**3,342**
Acquisition cost at 1 January 2022	**84**	**3,999**	**328**	**4,411**
Additions	-	8	3	**11**
Reclassified (to) / from property, plant and equipment	-	76	-	76
Acquisition cost at 31 December 2022	**84**	**4,083**	**331**	**4,498**
Accumulated amortisation at 1 January 2022	**(46)**	**(182)**	**(109)**	**(337)**
Amortisation charge	(21)	(315)	(83)	**(419)**
Reclassified (to) / from property, plant and equipment	-	(5)	-	**(5)**
Accumulated amortisation at 31 December 2022	**(67)**	**(502)**	**(192)**	**(761)**
Carrying amounts as at 31 December 2022	**17**	**3,581**	**139**	**3,737**

11.1 Fully amortised intangible assets

As at 31 December 2023 and 2022, the Company had no fully amortised intangible assets used in operations:

EUR thousand	31 December 2023	31 December 2022
Patents and licences	83	-
Computer software	1	-
Total acquisition cost of fully amortised assets	**84**	**-**

11.2 Acquisition commitments

Acquisitions of intangible non-current assets in 2023 amounted to EUR 21 thousand and were related to other activities. Acquisitions of intangible non-current assets in 2022 amounted to EUR 11 thousand and were related to other activities.

As at 31 December 2023 and 2022, the Company had no material acquisition commitments of intangible assets, which have to be fulfilled during the subsequent year.

11.3 Pledged assets

As at 31 December 2023 and 2022, the Company did not have any pledged non-current intangible assets.

12 Property, plant and equipment

12.1 Company's property, plant and equipment

EUR thousand	Cogeneration plants	Other property, plant and equipment	Construction in progress	Total
Acquisition cost at 1 January 2023	**131,616**	**26,692**	**190,360**	**348,668**
Additions	8	182	57,984	**58,174**
Write-offs	-	(69)	-	**(69)**
Acquisition cost at 31 December 2023	**131,624**	**26,805**	**248,344**	**406,773**
Accumulated depreciation at 1 January 2023	**(8,491)**	**(2,205)**	**-**	**(10,696)**
Depreciation charge	(5,514)	(1,737)	-	**(7,251)**
Write-offs	-	57	-	**57**
ccumulated depreciation at 31 December 2023	**(14,005)**	**(3,885)**	**-**	**(17,890)**
Carrying amounts as at 31 December 2023	**117,619**	**22,920**	**248,344**	**388,883**
Acquisition cost at 1 January 2022	**125,908**	**24,429**	**139,483**	**289,820**
Additions	37	431	58,555	**59,023**
Write-offs	-	(10)	-	**(10)**
Reclassifications between categories	5,744	1,833	(7,577)	**-**
Reclassified (to)/from intangible assets		25	(101)	**(76)**
Reclassified (to)/from inventories	(73)	(16)	-	**(89)**
Acquisition cost at 31 December 2022	**131,616**	**26,692**	**190,360**	**348,668**
Accumulated depreciation at 1 January 2022	**(3,185)**	**(659)**	**-**	**(3,844)**
Depreciation charge	(5,307)	(1,553)	-	**(6,860)**
Write-offs	-	3	-	**3**
Reclassifications between categories	1	(1)	-	**-**
Reclassified (to)/from intangible assets	-	5	-	**5**
Accumulated amortisation at 31 December 2022	**(8,491)**	**(2,205)**	**-**	**(10,696)**
Carrying amounts as at 31 December 2022	**123,125**	**24,487**	**190,360**	**337,972**

12.2 Acquisitions of property, plant and equipment

In 2023, acquisitions of property, plant and equipment amounted to EUR 58,174 thousand, of which EUR 57,985 thousand related to the operation of the biomass power plant, and EUR 189 thousand to other activities.
In 2022, acquisitions of property, plant and equipment amounted to EUR 59,023 thousand, of which EUR 52,881 thousand related to the operation of the biomass power plant, EUR 5,676 thousand to the operation of the biomass site and EUR 466 thousand to other activities.

The Company has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. Acquisition commitments in respect of property, plant and equipment amounted to EUR 8,104 thousand as at 31 December 2023 (31 December 2022: EUR 56,599 thousand).

In 2023, the Company capitalised EUR 5,031 thousand of interest on loans intended to finance the development of non-current assets (2022: EUR 1,859 thousand). The average capitalised interest rate was 5.36% in 2023 and 1.22% in 2022.

12.3 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 2023	31 December 2022
Other property, plant and equipment	5	9
Total	**5**	**9**

12.4 Pledged property, plant and equipment

As at 31 December 2023, the Company has pledged to banks property, plant and equipment with a carrying amount of EUR 58,174 thousand. As at 31 December 2022, the Company had no pledged property, plant and equipment.

13 Inventories

EUR thousand	31 December 2023	31 December 2022
Biomass	1,815	2,685
Consumables, raw materials and spare parts	531	437
Other	103	113
Carrying amount	**2,449**	**3,235**

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

EUR thousand	2023	2022
Biomass	5,899	-
Natural gas	1,206	212
Consumables, raw materials and spare parts	152	124
Other inventories	948	661
Total	**8,205**	**997**

As at 31 December 2023, the Company has pledged to banks the inventories with a carrying amount of EUR 1,815 thousand.

14 Trade receivables

EUR thousand	31 December 2023	31 December 2022
Amounts receivable from contracts with customers		
Receivables for distribution of electricity	2,462	2,453
Receivables for distribution of heat	5,330	2,269
Receivables for waste management	982	789
Total	**8,774**	**5,511**
Less: impairment of trade receivables	-	-
Carrying amount	**8,774**	**5,511**

As at 31 December 2023 and 2022, 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.

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

	31 December 2023		31 December 2022	
EUR thousand	Trade receivables	Provision for Impairment	Trade receivables	Provision for Impairment
Not past due	8,492	-	5,417	-
Up to 30 days	282	-	85	-
30-60 days	-	-	5	-
60-90 days	-	-	-	-
90-120 days	-	-	-	-
More than 120 days	-	-	4	-
Carrying amount	**8,774**	**-**	**5,511**	**-**

15 Other receivables

EUR thousand	31 December 2023	31 December 2022
Loans under the cash-pool agreement	19,896	-
Accrued revenue from the sale of electricity	1,068	-
Other receivables	23	-
Total	**20,987**	**-**
Less: impairment allowance	-	-
Carrying amount	**20,987**	**-**

16 Cash and cash equivalents

EUR thousand	31 December 2023	31 December 2022
Cash at bank	25,208	6,709
Total	**25,208**	**6,709**

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 2023 amounted to EUR 14,464 thousand (31 December 2022: EUR 6,013 thousand).

17 Equity

17.1 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 private joint-stock company must be at least EUR 2.5 thousand. The equity must be at least 50% of the company's issued capital. As at 31 December 2023 and 2022, the Company complied with the capital regulatory requirements.

17.2 Issued capital

EUR thousand	31 December 2023	31 December 2022
Issued capital		
Ordinary shares, EUR	52,300,000	52,300,000
Ordinary shares issued and fully paid, EUR	**52,300,000**	**52,300,000**

As at 31 December 2023 and 2022, the Company's issued capital comprised EUR 52,300,000 and was divided in to 180,344,828 registered ordinary shares with par value of EUR 0.29 of each.

18 Reserves

18.1 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 2023 and 2022, the Company's legal reserve was not fully formed.

19 Loans

EUR thousand	31 December 2023	31 December 2022
Non-current		
Bank loan	192,765	126,151
Current		
Current part of the non-current loan	14,760	9,476
Cash-pool platform	-	19,137
Total	**207,525**	**154,764**

Loans by maturity:

EUR thousand	31 December 2023	31 December 2022
Up to 1 year	14,760	28,613
From 1 to 2 years	14,647	9,798
From 2 to 5 years	43,970	29,436
After 5 years	134,148	86,917
Total	**207,525**	**154,764**

19.1 Covenants and unwithdrawn balances

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 2023 and 2022.

As at 31 December 2023, the balance of the Company's unused loans on the Group's cash-pool platform was EUR 20,000 thousand (31 December 2022: EUR 50,888 thousand).

As at 31 December 2023, the unused loan balance from Swedbank amounts to EUR 9 million. The loan matures on 9 March 2033. The loan bears a variable interest rate.

20 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, which is defined by management as presented below.

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

Net debt balances:

EUR thousand	31 December 2023	31 December 2022
Cash and cash equivalents	(25,208)	(6,709)
Long-term loans	192,765	126,151
Short-term loans - cash-pool platform	-	19,137
Short-term loans	14,760	9,476
Lease liabilities	305	325
Net debt	**182,622**	**148,380**

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 2022	**(13,740)**	**324**	**85**	**135,261**	**4,571**	**126,501**
Cash changes						
(Increase) decrease in cash and cash equivalents	7,031	-	-	-	-	**7,031**
Cash-pool platform	-	-	-	-	19,112	**19,112**
Repayment of loans	-	-	-	-	(4,198)	**(4,198)**
Lease payments	-	-	(91)	-	-	**(91)**
Interest paid	-	-	(9)	-	(3,652)	**(3,661)**
Non-cash changes						
Accrual of interest payable	-	-	9	-	3,286	**3,295**
Lease contracts concluded	-	7	21	-	-	**28**
Write-off of lease liabilities	-	-	(21)	-	-	**(21)**
Reclassifications between items	-	(48)	48	(9,110)	9,110	**-**
VAT on payable interest	-	-	-	-	384	**384**
Net debt as at 31 December 2022	**(6,709)**	**283**	**42**	**126,151**	**28,613**	**148,380**
Net debt as at 1 January 2023						
Cash changes						
(Increase) decrease in cash and cash equivalents	(18,499)	-	-	-	-	**(18,499)**
Loans received	-	-	-	211,099	-	**211,099**
Cash-pool platform	-	-	-	-	(19,112)	**(19,112)**
Repayment of loans	-	-	-	(125,450)	(13,491)	**(138,941)**
Lease payments	-	-	(37)	-	-	**(37)**
Interest paid	-	-	(12)	-	(9,351)	**(9,363)**
Non-cash changes						
Accrual of interest payable	-	-	12	-	8,848	**8,860**
Lease contracts concluded	-	17	7	-	-	**24**
Write-off of lease liabilities	-	-	(7)	-	-	**(7)**
Reclassifications between items	-	(4)	4	(19,035)	19,035	**-**
VAT on payable interest	-	-	-	-	218	**218**
Net debt as at 31 December 2023	**(25,208)**	**296**	**9**	**192,765**	**14,760**	**182,622**

21 Grants and subsidies

The balance of grants and subsidies comprises grants to finance acquisition of property, plant and equipment. Movements on the account of grants were as follows:

EUR thousand	Projects of the Company related to waste and biomass plants and biomass sites
Carrying amounts as at 1 January 2022	**112,019**
Depreciation and amortisation	(2,324)
Grants received	15,116
Carrying amounts as at 31 December 2022	**124,811**
Carrying amounts as at 01 January 2022	
Depreciation and amortisation	(2,490)
Grants received	9,444
Carrying amounts as at 31 December 2023	**131,765**

Amortisation of grants, charged to depreciation and amortisation item in the statement of profit or loss and other comprehensive income, reduces the depreciation charge of the related property, plant and equipment.

22 Other current liabilities

EUR thousand	31 December 2023	31 December 2022
Amounts payable for property, plant and equipment	3,536	9,256
Taxes (other than income tax)	2,751	662
Accrued expenses	1,065	105
Employment related liabilities	775	625
Other amounts payable and liabilities	10	1
Carrying amount	**8,137**	**10,649**

Financial liabilities amount to EUR 3,546 thousand (31 December 2021: EUR 9,257 thousand). Accrued expenses, taxes (other than income tax), and employment related liabilities are not financial liabilities.

23 Contingent liabilities and commitments

23.1 Litigations

In 2023, the Company was not involved in any legal procedures which, in the opinion of Management, could have material influence on the financial statements.

24 Related-party transactions

Related parties, EUR thousand	Amounts receivable	Loans issued	Amounts payable	Loans received	Sales	Purchases	Finance income (expenses)
	31 December 2023	31 December 2023	31 December 2023	31 December 2023	2023	2023	2023
Parent company AB Ignitis grupė	-	-	97	-	-	61	(1,036)
Other Group companies	2,433	19,896	262	-	27,939	1,722	(20)
State-controlled UAB EPSO-G group companies	1,168	-	97	-	1,684	734	-
Total	**3,601**	**19,896**	**456**	**-**	**29,623**	**2,517**	**(1,056)**

Related parties, EUR thousand	Amounts receivable	Loans issued	Amounts payable	Loans received	Sales	Purchases	Finance income (expenses)
	31 December 2022	31 December 2022	31 December 2022	31 December 2022	2022	2022	2022
Parent company AB Ignitis grupė	-	-	199	18,577	-	47	(1,863)
Other Group companies	2,452	-	215	559	4,409	8,215	20
State-controlled UAB EPSO-G group companies	250	-	58	-	579	261	-
Total	**2,702**	**-**	**472**	**19,316**	**4,988**	**8,523**	**(1,843)**

The Company purchases management services from the parent company, and from Group companies - purchases services related to lease of assets, information technology and telecommunications, organisation and execution of public procurement, accounting and personnel administration services.

During 2023 and 2022, the Company used the Group's cash-pool platform. In 2023, the borrowed funds were repaid and additional funds granted. In 2022, the granted funds were recovered and additional funds were drawn (Note 19).

24.1 Terms and conditions of transactions with related parties

Settlement terms are set at 15-90 days. Receivable balances at year-end are not secured by collateral, they are interest-free 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	2023	2022
Wages and salaries and other current benefits to key management	143	126
Whereof:		
Current benefits: salaries and other payments	143	126
Severance payments	-	-
Number of key management personnel	4	4

In 2023 and 2022, the key management personnel of the Company were the Chief Executive Officer and members of the Management Board. Further information on key management personnel is provided in the "Governance report" section in the Annual Report.

25 Fair values of financial instruments

25.1 Financial instruments for which fair value is disclosed

The fair value of the Company's loans from commercial banks and Group companies is calculated by discounting the future cash flows at a market observable interest rate. As at 31 December 2023, the cash flows were discounted using a weighted average discount rate of 6.42% (31 December 2022: 4.80%). The valuation of financial liabilities related to debts is classified within Level 2 of the fair value hierarchy.

The fair value of the Company's loans issued to Group companies is determined by discounting the cash flows based on a market observable interest rate. As at 31 December 2023, the cash flows were discounted using a weighted average discount rate of 6.71%. The valuation of financial liabilities related to debts is classified within Level 2 of the fair value hierarchy.

The table below presents allocation between the fair value 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 for which fair value is disclosed						
Assets						
Loans issued	15	**19,896**	-	19,896	-	**19,896**
Liabilities						
Loans received	19	**207,525**	-	198,990	-	**198,990**
Cash-pool platform	19	**-**	-	-	-	**-**

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 31 December 2022:

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 for which fair value is disclosed						
Assets						
Loans issued		**-**	-	-	-	**-**
Liabilities						
Loans received	19	**135,627**	-	75,536	-	**75,536**
Cash-pool platform	19	**19,137**	-	19,137	-	**19,137**

26 Subsequent events

There were no other significant events after the reporting period until the issue of these financial statements.

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

+370 5 2102600
vilnius@kpmg.lt
home.kpmg/lt

Independent Auditor's Report

To the Shareholders of UAB Vilniaus kogeneracinė jėgainė

Opinion

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

- the statement of profit or loss and other comprehensive income as at 31 December 2023,
- the statement of financial position 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 2023, 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 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 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 annual management report (on pages 3-38), 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 annual management report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual 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 annual management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual management report has been prepared in accordance with the requirements of the Law on Financial Reporting by 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

ROKAS KASPERAVIČIUS

Digitally signed by ROKAS KASPERAVIČIUS
Date: 2024.03.29 12:40:56 +02'00'

Rokas Kasperavičius
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
29 March 2024

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 71 to 73 of this document

6.3 Information on 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 according to the best practices. Additionally, as public procurement law requirements are applicable to the parent company, all audit tenders are carried out in accordance to them. The key criteria of implementing public tenders is to ensure competitiveness and accordingly the only special audit selection criteria eligible to be included is an experience in auditing energy sector companies. 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 the financial period, during which audit services were provided

2021 – 2023
KPMG Baltics, UAB Lvivo St. 101 LT-08104 Vilnius, Lithuania

Services and fees

During the period 2022-2023, 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	2023	2022
Audit of the annual financial statements as to agreements	31	31
Total	**31**	**31**

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.

7. Additional information

7.1 Other important statutory information

The Annual report provides information to the shareholders, creditors and other stakeholders of UAB Vilniaus Kogeneracinė Jėgainė (hereinafter – the Company) about the Company and the entities under its control, if any, and operations during the period of January–December 2023.

The Annual report has been prepared by the Company's administration in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Law on Consolidated Financial Reporting by 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. Securities of the Company are not included in and are not traded on the regulated market. Articles of Association of the Company do not anticipate 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 (Jočionių St. 13, Vilnius) 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 Vilniaus kogeneracinė jėgainė
2. Legal form: Private limited liability company
3. Share capital: EUR 52,300,000.12
4. Registration date and place: 26 February 2015, Vilnius
5. Company code: 303782367
6. Company address: Jočionių St. 13, Vilnius
7. Company's register: SE Centre of Registers Register of Legal Entities
8. Telephone no: +37062065856
9. Fax No: -
10. E-mail address: vkj@ignitis.lt
11. Website: www.kkj.lt

1. No significant events, except for those specified as the most important events, occurred after the end of the financial year
2. The Company did not use any 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.

Alternative performance measures

Alternative performance measures (further in the text and also - APM) – are the adjusted figures presented in this report used for the internal assessment of performance management. These indicators are not defined by International Financial Reporting Standards (IFRS) and do not comply with IFRS requirements. Definitions of alternative performance indicators are available on the website (link) of AB Ignitis Grupė

Internal control and risk management systems relevant to the preparation of financial statements

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 are monitored and managed based on the legal acts governing the preparation of financial statements.

Information on agreements concluded between the company, the members of the management and supervisory bodies or employees, that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the company (official offer)

There are no agreements concluded between the company, the members of the management and supervisory bodies or employees that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the company.

Information on restrictions on the transfer of securities of the company imposed by law, articles of association or shareholders' agreements

There are no restrictions on the transfer of securities of the company imposed by law, articles of association or shareholders' agreements.

Information on the company's branches and representative offices and research and development activities

The company has no branches and representative offices and does not carry out research and development activities.

Notice on the language

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

7.2 Information on compliance with the Guidelines on Transparency in State-Owned Companies

Information on compliance with the Guidelines for Ensuring the Transparency of State-Controlled enterprises

Point in the description of the Guidelines on Transparency in State-Owned Companies (version as at 30 April 2021)	Disclosure	Explanation
Chapter II. Disclosure of information by a State-owned enterprise		
5. The following data and information must be announced in the internet website of a state-owned enterprise:		
5.1. name;	Yes	
5.2. the code and register in which the company's data is collected and stored;	Yes	
5.3. registered office (address);	Yes	
5.4. the legal status if the state-owned entity is being restructured, reorganised (indicating the type of reorganisation), liquidated, bankrupt or insolvent;	Yes	
5.5. the name of the authority representing the State and a link to its website;	Yes	
5.6. operational objectives, vision and mission;	Yes	
5.7. structure;	Yes	
5.8. data about the head of the company;	Yes	
5.9. data about the chairman and members of the management board, if the management board established under the articles of association;	Yes	
5.10. data about the chairman and members of the Supervisory Board, if the Supervisory Board is established under the articles of association;	Yes	Information available on www.ignitisgrupe.lt
5.11. names of committees, data about their chairmen and members, if committees are established under the articles of association;	Yes	
5.12. the sum of the nominal values of the shares owned by the State (to the nearest euro cent) and the share (as a percentage) in the authorised capital of the State-owned company;	Yes	
5.13. special obligations shall be carried out in accordance with the guidelines approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations shall be specified, the state budget allocations for their execution in the current calendar year and the legal acts by which the state-owned companies is entrusted with the execution of the special obligation shall be indicated, the terms and conditions of the execution of the special obligation shall be set and/or the pricing shall be regulated;	Not applicable	
5.14. information on social responsibility initiatives and measures, major investment projects under-way or planned.	Yes	
6. In order to ensure publicity regarding the professionalism of the members of the management and supervisory bodies and committees of State-owned companies, the following data shall be published for the persons referred to in sub-paragraphs 5.8 to 5.11 of the Description: name, surname, date of commencement of the current position, other manage-rial positions held in other legal entities, education, qualifications, professional experience. If the person referred to in points 5.9 to 5.11 of the Description is elected or appointed as an independent member, this shall be indicated in addition to his details.	Yes	Information available on www.ignitisgrupe.lt
7. The following documents shall be announced in the website of a State-owned enterprise:	Yes	
7.1. Articles of Association;	Yes	
7.2. statement from the representative body of the State on the definition of the State's objectives and expectations in a State-owned enterprise;	Yes	
7.3. the business strategy or a summary thereof where the business strategy contains confidential information or information considered to be a commercial/industrial secret;	Yes	Information available on www.ignitisgrupe.lt
7.4. a document setting out the remuneration policy covering the remuneration of the chief executive of a State-owned enterprise and the remuneration of the members of the collegiate bodies and committees of a State-owned enterprise, as detailed in the Corporate Governance Code;	Yes	
7.5. annual and interim reports of a State-owned enterprise, and annual and interim activity reports of a State-owned enterprise for a period of at least 5 years;	Yes	

7.6. sets of annual and interim financial statements for a period of at least 5 years and auditor's reports on the annual financial statements.	Yes	
8. If a State-owned company is the parent company, its website shall publish the structure of the group of companies, as well as the particulars referred to in points 5.1 to 5.3 of the Description concerning the subsidiaries and entities of subsequent rows, the website ad-dresses, the percentage of the parent company's shareholding in their share capital as well as the annual consolidated financial statements and the consolidated annual reports.	Yes	Information available on www.ignitisgrupe.lt
9. If a State-owned company is a participant in legal entities other than those referred to in point 8 of the Description, the data and website addresses of those legal entities referred to in points 5.1 to 5.3 of the Description shall be published on its website.	Yes	Information available on www.ignitisgrupe.lt
9^1. If the entity is a subsidiary or an entity of a subsequent row of the State-owned company, the website shall contain the parent company's data referred to in points 5.1 to 5.3 of the Description and a link to the website of the parent company	Yes	The following information shall be published on the websites of the parent company's subsidiaries and successor subsidiaries (if any)
10. Any change or publication of incorrect data, information and documents referred to in points 5 and 6, 7.1 to 7.4, 8, 9 and 91 of the Schedule shall be promptly amended and published on the website.	Yes	Information and documents that have changed are updated immediately
11. The set of annual financial statements of the State-owned company, the annual report of the State-owned company, the annual activity report of the State-owned company, as well as the auditor's report on the annual financial statements of the State-owned company, must be published on the website of the State-owned company within 10 working days from the date of the approval of the annual financial statements of the State-owned company.	Yes	Documents are published on the website within a set time limit
12. The sets of interim financial statements of the State-owned company, the interim reports of the State-owned company and the interim activity reports of the State-owned company must be published on the website of the State-owned company at the latest 2 months after the end of the reporting period.	Yes	Documents are published on the website within a set time limit
13. The documents referred to in point 7 of the Description shall be published in PDF format and shall be technically printable.	Yes	Documents are published in the PDF format
Chapter III. Preparation of financial statements, reports and activity reports		
14. State-owned companies shall maintain their accounting in such a way as to ensure the preparation of financial statements in accordance with international accounting standards.	Yes	The Company‘s accounting is in accordance with IFRS
15. In addition to the annual financial statements, a State-owned company prepares a set of 6-month interim financial statements, and a state enterprise prepares sets of 3-month, 6-month and 9-month interim financial statements.	Not applicable	
16. A State-owned company classified as a public interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania prepares a 6-month interim report in addition to the annual report. A State-owned enterprise classified as a public-interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania shall, in addition to the annual activity report, prepare a 6-month interim activity report.	Not applicable	
17. The annual report of a State-owned company or the annual activity report of a State-owned company shall, in addition to the content requirements set out in the Law on Financial Reporting of Enterprises of the Republic of Lithuania or the Law on State and Municipal Enterprises of the Republic of Lithuania, contain:	Yes	The Company presents information in the annual report
17.1. a brief description of the business model of the State-owned company;	Yes	
17.2. information on significant events that occurred during and after the financial year (prior to the preparation of the annual report or the annual activity report) that had a material impact on the activities of the State-owned enterprise;	Yes	
17.3. the results of the achievement of the objectives set out in the State-owned company's operational strategy;	Yes	
17.4. profitability, liquidity, asset turnover, debt ratios;	Yes	
17.5. fulfilment of specific obligations;	Not applicable	
17.6. Implementation of the investment policy, ongoing and planned investment projects and Investments during the year under review;	Yes	
17.7. implementation of the risk management policy in a State-owned company;	Yes	

17.8. implementation of dividend policy in State-owned companies;	Yes	
17.9. implementation of remuneration policy;	Yes	
17.10. the total annual payroll fund, the average monthly salary by position and/or department;	Yes	
17.11. information on compliance with the provisions of Chapters II and III of the Description: how they are being implemented, which provisions are not being complied with and an explanation of why.	Yes	
18. State-owned companies and state enterprises that are not required to prepare a corporate social responsibility report are recommended to include in their annual report or annual activity report, as appropriate, information on environmental, social and human resources, human rights, anti-corruption and anti-bribery issues.	Not applicable	The Company prepares a Social Responsibility Report (integrated into the annual report)
19. If the information referred to in point 17 of the Description is considered to be a commercial (industrial) secret or confidential information of the State-owned company, the State-owned company may not disclose such information, but state in the annual report of the State-owned company or the annual activity report of the State-owned company, as the case may be, that the information is not to be disclosed and under what reason.	Not applicable	The Company presents information in the annual report
20. The annual report of the State-owned company or the annual activity report of the State enterprise may also contain other information not specified in the Description.	Yes	The annual report also contains other information
21. A State-owned company which is the parent company shall disclose in its consolidated annual report or, if it is not required by law to prepare a consolidated annual report, in its annual report, the structure of the group of companies, as well as the data referred to in points 5.1 to 5.3, for each of its subsidiaries and subsequent-row subsidiaries, the share-holding (in percentage of share capital) in the authorised capital of the subsidiary and the financial and non-financial results of its operations for the financial year. Where a State-owned company which is the parent company prepares a consolidated annual report, the requirements of point 17 of the Description shall apply mutatis mutandis to it.	Yes	The Company presents information in the annual report
22. The interim report of a State-owned enterprise or the interim performance report of a State-owned enterprise shall include a brief description of the business model of the State-owned enterprise, an analysis of its financial performance for the period under review, information on significant events that occurred during the period under review, as well as the indicators of profitability, liquidity, turnover, assets and debt, and the changes of these indicators as compared to the corresponding period of the previous year.	Yes	The Company presents information in the interim report

8. Abbreviations

#	Number
%	Per cent
'000 / thousand	Thousand
12 months	Previous 12-month period
AB	Joint Stock Company
RE	Renewable energy
Company	UAB Vilniaus kogeneracinė jėgainė
Ignitis Group	AB Ignitis Grupė and its controlled companies
Parent company	AB Ignitis grupė

9 Certification statement

29 March 2024

We, Mantas Burokas, Chief Executive Officer, Rūta Šaltmerytė, Director of Finance and Administration of UAB Vilnius kogeneracinė Jėgainė, and Jurgita Markevičienė, Accounting Expert at UAB Ignitis grupės paslaugų centras, acting in accordance with the Order No 24_GSC_SP_0004 of 10 January 2024, hereby confirm that, to the best of our knowledge, the financial statements of UAB Vilnius Kogeneracinė Jėgainė for the year 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of UAB Vilnius Kogeneracinė Jėgainė assets, liabilities, financial position, profit or loss and cash flows for the period, and the Annual Report for 2023 includes a fair review of the development and performance of the business as well as the condition of UAB Vilnius Kogeneracinė Jėgainė together with the description of the principle risks and uncertainties it faces.

Mantas Burokas	Rūta Šaltmerytė	Jurgita Markevičienė
Chief Executive Officer	Director of Finance and Administration	Accounting Expert of UAB Ignitis grupės paslaugų centras, acting under Order No 24_GSC_SP_0004 of 10 January 2024

UAB Vilniaus kogeneracinė jėgainė
Jočionių St. 13, LT-02300, Vilnius Lithuania

+37062065856 vkj@ignitis.lt
www.vkj.lt

Company code 303782367
VAT payer's code LT100009225717