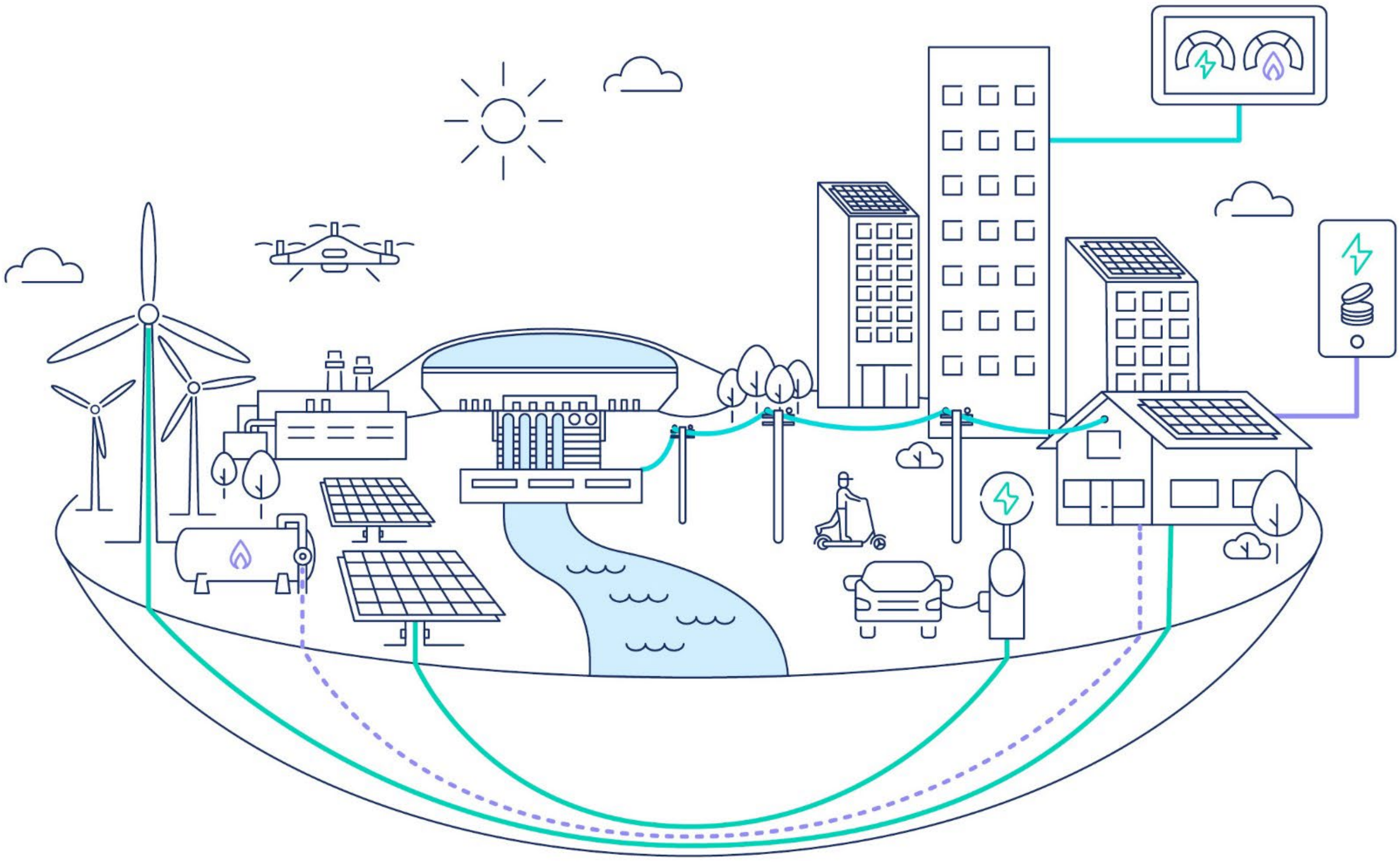
ignitis renewables

UAB VVP INVESTMENT

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 VVP INVESTMENT
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www.ignitisgrupe.lt
Company code: 300149876

ignitis grupė

Contents

1 Overview

1.1 Business Highlights

During the reporting period

January

– Mažeikiai wind farm (63 MW) supplied the first electricity to the grid.

August

– Mažeikiai wind farm begins its commercial activities.

December

– In December 2023, the Group concluded financing agreement for the project of Mažeikiai wind farm in the amount of EUR 64 million with EIB and NIB. It covers about 75% of the total investments in the project of Mažeikiai wind farm.

– Amendments to the Law on Energy from Renewable Sources regarding payment for generation were adopted. Payment for generation of electricity from renewable resources (hereinafter, payment for generation) is paid by the producers generating electricity in solar, wind and/or biogas plants.

After the reporting period

January

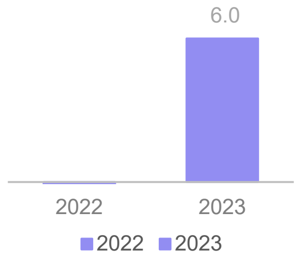
- The Government of the Republic of Lithuania adopted a resolution on approval of the description of the procedure for payment for generation of electricity from renewable resources and support to local communities and the appointment of the administrator of the payment for generation of electricity from renewable resources. Under this resolution, the Environmental Project Management Agency under the Ministry of Environment of the Republic of Lithuania is appointed to be the administrator of the payment for generation of electricity from renewable resources (hereinafter, payment for generation) and is authorised to ensure the functions of calculation, collection, administration and payment of the payment for generation as well as to ensure the function of administration of support.

March

The act of completion of the construction of Mažeikiai farm was obtained.

1.2 Performance Highlights

Financial

<table>
<tr>
<td>
EBITDA APM
in EUR


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<td>
Description.
In 2023, EBITDA amounted to EUR 5.956 million; in 2022, it was EUR -0.134 million The increase in EBITDA was mainly affected by the revenue received from electricity generation. In January, the park started producing electricity and selling in the market through UAB Ignitis. In June 2023, an agreement was signed under which the agreed amount was sold at the fixed price of EUR 81.75/MWh. The park started full operation in September 2023.
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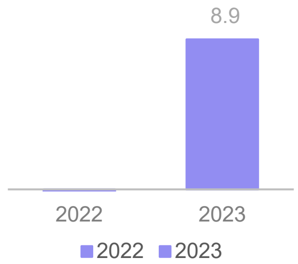
<td>
Net profit APM
in EUR


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<td>
Description.
In 2023, the net profit was EUR 9 million higher than in 2022 and amounted to EUR 8.880 million. The main impacts were: income of EUR 8 million, increase in costs to EUR - 2.1 million, depreciation of EUR -0.9 million, financial result of EUR - 0.9 million, corporate income tax relief of EUR 4.8 million.
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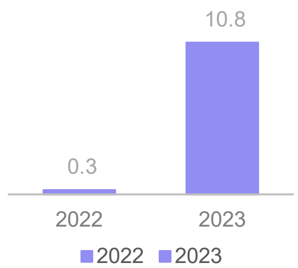
<tr>
<td>
ROE (LTM) APM
%


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<td>
Description.
In 2023, ROE increased up to 10.8% (change by 10.5 pp) due to higher net profit.
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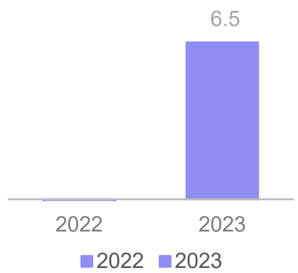
<td>
ROCE (LTM) APM
%


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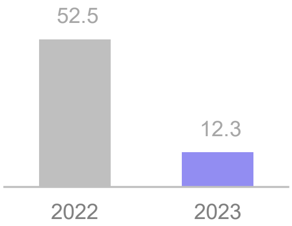
<td>
Description.
ROCE increased up to 6.5% (change of 6.9 pp). The main influence of the factors: increase of the net debt by EUR 9 million, increase of EBIT of the LTM by EUR 5.2 million, increase of equity by EUR 8.9 million.
</td>
</tr>
</table>

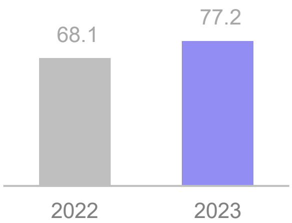
APM *Alternative performance measures are the adjusted figures presented in this report used for the internal evaluation of performance management. These measures are not defined by International Financial Reporting Standards (IFRS) and do not meet IFRS requirements. Definitions of alternative performance measures are provided on the Group's website (link).*

Investments APM
Eur million



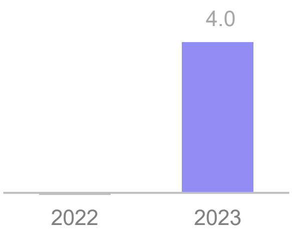
Description.
In 2022, the main investments in Mažeikiai wind farm were made. In 2023, the final environmental management works of the installation were conducted.

Net debt APM
%



Description.
In 2023, the net debt increased by 13% due to additional loans for financing of the wind park.

FFO (LTM) / Net debt APM
%

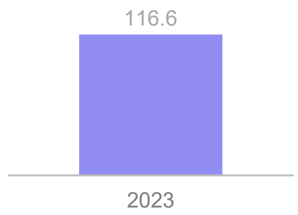


Description.
FFO/net debt ratio increased by 6 pp due to the increased EBITDA.

APM Alternative performance measures are the adjusted figures presented in this report used for the internal evaluation of performance management. ***These measures are not defined by International Financial Reporting Standards (IFRS) and do not meet IFRS requirements.*** *Definitions of alternative performance indicators are provided on the Group's website (link).*

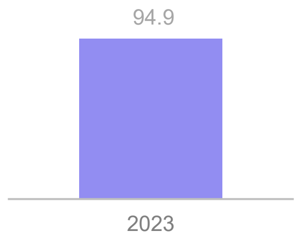
Operating performance

Produced electricity
GWh



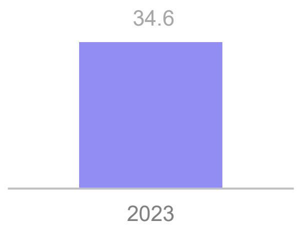
Description.
116,6 Mwh of electricity were generated in 2023. The park started operating in full only in September 2023.

Availability factor
%



Description.
In 2023, availability factor has been measured since September and amounted to 94.9%. The value of the factor is lower than the target value (98%) as a result of breakdowns related to park infrastructure (cables).

Load factor
%



Description.
In 2023, the load factor was 34.6% due to the lower availability factor and average wind speed which was 6.6 m/s.

2 Business overview

2.1 Business model

Activity

The main activities of the Company are generation and sale of electricity from renewable energy sources (wind). Electricity is generated by 14 wind turbines with the capacity of 63 MW.

Key customers and operating model

The produced electricity is sold to the Group's subsidiary company UAB Ignitis, which trades on the "Noord pool" exchange. A PPA electricity sales contract was signed with UAB Ignitis. According to the contract, the agreed amount of electricity is sold. If the park produces less electricity than the amount committed under the PPA contract, the difference is bought on the stock exchange and sold at the agreed price to UAB Ignitis.
On 14/11/2023, the certificate of the technical condition of the energy facilities of the National Energy Regulatory Council was received regarding the start-up and adjustment works which indicates that the facilities comply with the requirements of the project and legal acts and can be used for the purpose. The deadline for the start-up and adjustment works of the energy facilities is 14/06/2024. A permit for generation of electricity from renewable energy resources must be obtained by this date.

2.2 Strategy

Main purpose and integrated strategy

UAB VVP INVESTMENT 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)

Ignitis Group 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

UAB VVP INVESTMENT is a part of Ignitis Group and is included into the segment of green production.

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 PARTNERSHIPS OPENNESS

Strategic focus, targets and key performance indicators

The strategic objective to ensure a high level of technical accessibility of the park is set for Mažeikiai wind farm in operation. The planned indicator of technical availability must be ensured at >98%.

3 Governance report

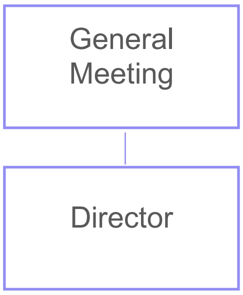
3.1 Governance Model

Company management model

The governing bodies of the Company are the general meeting of shareholders (hereinafter – the General Meeting) and the head of the Company – the Director of the Company (hereinafter – the Director)

The management structure of the Company consists of the Director, who is the sole management body of the Company and represents the Company in all matters and, together with the sole shareholder, is responsible for the management of the Company. The head of the Company manages the daily activities of the Company and solely represents the Company.

The sole shareholder is **UAB Ignitis renewables**, legal entity code 304988904, registered office address Laisvės pr. 10, Vilnius, Republic of Lithuania, represented by Thierry Aelens, General Director of UAB Ignitis renewables.



Shareholders, their rights and functions

The Company UAB VVP INVESTMENT belongs to a group of energy companies, which consists of legal entities directly and indirectly controlled by the ultimate shareholder – the parent company of the Group of Companies. The Group's parent company is responsible for the transparent management and coordination of the Group's activities, for efficiency in delivering competitive services to customers, and for the socially responsible increase of long-term value to shareholders.

The group of companies is not a legal entity. The Company is not responsible for the obligations of the Group of Companies, and the Group of Companies is not responsible for the obligations of the Company. In compliance with the requirements of the legislation, the parent company of the Company has the right to approve the Company’s operational guidelines, rules and policies of the Company’s areas of operation, the annual financial plan, the annual rate of return on assets and the maximum amount of debt obligations, as well as to determine other parameters of the Company’s operation, which the Company must not comply with.

100% of the Company’s shares belong to the parent company UAB Ignitis renewables, which is a part of the state-owned group of energy companies Ignitis Group.

The Company acquires rights, assumes obligations and exercises them through its management bodies. Management bodies of the Company is the General Meetings of the Shareholders and the head of the Company - the Director of the Company.

The General Meeting is the highest body of the Company. The competence of the general meeting, the procedure for convening it and making decisions are determined by laws, other legal acts and the Company’s Articles of Association. According to the Company’s Articles of Association, the competence of the General Meeting is to:

- Change the registered office of the Company; elect and remove directors;
- Select and cancel the audit company, determine the terms of payment for the audit;

- Determine the class of shares issued by the Company,
- The nominal value of the numbers and the minimum issue price;
- Make a decision to convert the Company's one-class shares,
- Approve the description of the share conversion procedure;
- Approve the set of annual financial statements and approve the annual report;
- Make a decision on profit (loss) distribution; make a decision on the determination of the share of profit allocated to the support by the Company and the distribution of the amount of unused support;
- Make a decision on the establishment, use, reduction and destruction of reserves;
- Approve a set of interim financial statements compiled in order to make a decision on the allocation of dividends for a period shorter than the financial year;
- Make a decision on the allocation of dividends for a period shorter than the financial year;
- Make a decision to issue bonds or convertible bonds;
- Make a decision to cancel all shareholders' pre-emptive right to purchase the Company's shares, bonds or convertible bonds of a specific issue;
- Make a decision to increase the authorized capital;
- Make a decision to reduce the authorized capital, except for the exceptions provided by law;
- Make a decision for the Company to purchase its own shares;
- Make a decision on the reorganization or separation of the Company and to approve the conditions of the reorganization or separation, except for the exceptions established by law;
- Make a decision to reorganize the Company;
- Make a decision to restructure the Company, except for the exceptions provided for by law; make a decision to liquidate the Company,
- Cancel the liquidation of the Company, except for the exceptions provided by law; appoint and recall the liquidator of the Company, except for the cases provided for by law;
- Make decisions regarding the conclusion of any transactions of the Company, the value of which is equal to or exceeding EUR 50,000.00 (fifty thousand Euros), except in cases where the transaction is concluded with the sole shareholder of the Company;
- Make decisions regarding the provision of support or charity by the Company in accordance with the procedure approved by the General Meeting

Make decisions regarding approval or disapproval of the following decisions of the Director:

- Regarding the Company becoming a founder, participant of other companies;
- Regarding approval or disapproval of the Company's annual or interim report;
- Regarding the approval of the annual budget of the Company's activities, the purchase or sale of the business of the Company (or its part), regardless of its value;
- Regarding the transfer of any stocks (parts, shares) held by the Company or the rights granted by them to other persons or restriction;
- Regarding the establishment of the Company's branches and representative offices; regarding the approval of candidatures of supervisory and management bodies of the Company's branches and representative offices of companies in which the Company is a shareholder;
- Regarding the operational guidelines and rules of subsidiaries, annual financial plans, annual rate of return on assets, maximum amounts of debt obligations, as well as other operational parameters of the Company's subsidiaries and issues of management, in compliance with the requirements set out in legal acts.

The General Meeting can make decisions and is considered to have taken place if it is attended by shareholders whose shares give more than ½ (one second) of the total number of votes.

The decision of the General Meeting is considered adopted when more shareholders' votes are received for it than against it, except in cases where legal acts or the Company's Articles of Association establish a qualified majority of votes for adopting decisions.

Activity during the reporting period

The most important decisions made in 2023:

- On 11 March, adoption of the decision on approval of the essential conditions of the contract. Approval on conclusion of electricity purchase contract (PPA) for a trial period between UAB VVP INVESTMENT and UAB Ignitis and approval of its essential conditions.
- On 21 April, adoption of the decision to elect the audit firm KPMG Baltics, UAB to audit the financial statements of UAB VVP INVESTMENT for 2023-2027.
- On 29 May, adoption of the decision on approval of the conclusion of electricity purchase contract between UAB VVP INVESTMENT and UAB Ignitis and approval of its essential conditions.
- On 14 December 2023, adoption of the decision to approve conclusion of financing contracts of UAB VVP Investment with EIB, NIB, Citibank and related parties and to approve the essential conditions of the following contracts: EIB financing contract, NIB loan contract, common terms agreement (CTA), intercreditor's deed (ICA) as being the essential conditions of the whole package of Financing Contracts (the Essential Conditions of the Financing Package) and confirming that all Financing Contracts may be concluded by the head of UAB VVP INVESTMENT at his/her sole discretion (subject to negotiation with the counterparties), without any further approval, in accordance with the essential conditions of the financing package.

Chief Executive Officer

- **Overview**
- The Director is the sole management body of the Company. The Director organizes the Company's activities, manages it, acts on behalf of the Company and concludes transactions on its own, except for the exceptions provided by the Articles of Association and legal acts. The Director's competence, election and recall procedure are determined by laws, other legal acts and the Company's Articles of Association.

- **Profile**

	Description	Experience	Education	Other currently held positions
	**Virginijus Jagela** Chief Executive Officer from 01/12/2023 Director	V. Jagela joined Ignitis Group in 2018. Before this, V.Jagela held the position of the senior engineer at VĮ Lietuvos oro uostai and engineer at UAB Fima.	Energy technology and economics. Kaunas University of Technology. Master Degree.	Head of Operation and Maintenance (land farms) of UAB Ignitis renewables (304988904). Director of UAB VĖJO GŪSIS (300149876); Director of UAB VĖJO VATAS (110860444). Director of UAB Eurakras (300576942)

3.2 People and Remuneration

People and Culture

Overview

Ignitis Group, of which the Company is a part, is one of the largest employers in Lithuania. Maintaining good employee relations and contributing to employee engagement and well-being is a huge responsibility, challenge, and opportunity at the same time.

Ignitis Group forms and seeks to support an organizational culture that would nurture a long-term employer-employee partnership based on values and the Code of Ethics, mutual understanding and the opportunity to create an energetically smart future together.

The following strategic directions in the area of People and Culture are named in the strategy of Ignitis Group: engaged people, flexible teams, learning everywhere and always. The people and culture policy of Ignitis Group establishes the principles and defines the main provisions that the Company follows in its activities, managing the potential of people, the area of culture and implementing strategic goals.

Based on the Group's People and Culture Policy, the Company aims to retain and attract the best employees who can professionally develop the existing activities of the organization and create new business opportunities and innovations, thus sustainably creating a traditional and at the same time innovative organization. The aim is for employees to support the organization's values: to be open, self-developing, responsible and fostering partnership.

Employees, their diversity and representation

As at 31 December 2023, the Company had 1 employee with 0.1 of employment.

Both in the Company and in the entire Ignitis Group, job opportunities do not depend on an employee's gender. The Company grants job opportunities for people of all ages.

Remuneration in the Company

Overview

Within Ignitis Group it has been rapidly moving towards a sustainable performance management model, including management of human resources. The ongoing transition requires new skills and competences as well as continuous development of the culture of Ignitis Group. Seeking for retaining a leading position in the market, the remuneration system was substantially revised in 2019 in order to reduce a gap between the salary market (fixed base salary) and the remuneration median of Ignitis Group by transferring part of the short-term incentives to the fixed base salary. In order to ensure external competitiveness, it is participated in remuneration market surveys on an annual basis. More information on personnel management and remuneration-related issues is available on the website of the parent company Ignitis Group at https://ignitisgrupe.lt/.

Remuneration Policy

The key objective of the Remuneration Policy, applicable to all companies of Ignitis Group, is to improve performance efficiency and to promote achievement of the strategic targets. Ignitis Group has defined 5 key Remuneration Policy principles: fairness, competitiveness, clarity, transparency, and flexibility.

Key principles of the Group's Remuneration Policy

Internal fairness	We ensure that similar- or same-value-creating work is compensated equally throughout the organisation.
Competitive externally	Employees are entitled to receive a competitive salary based on their function, market conditions and geography
Remuneration 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	We believe in transparency and share our objective remuneration criteria with our employees.
Flexibility	We are flexible to retain employees of strategic importance to the organisation or in critical positions, in line with the principles listed above.

Overall, the remuneration structure of Ignitis Group consists of two components: the fixed base salary (FBS) and the short-term incentive (percentage of FBS). Dependent on employees' position, short-term incentives (STIs) are paid on a quarterly basis, semi-annual basis or annually and are tied to performance results of an employee, a team and (or) a company / Ignitis Group. Specialised remuneration systems are applicable to positions in a highly competitive environment (e. g. heads of development of renewable energy projects, specialists and salespeople of wholesale trade in electricity and gas).

Full version of the Remuneration Policy is available on the website of Ignitis Group at https://ignitisgrupe.lt/.

Remuneration of the Company's employees

As of 31 December 2023, the Company had 1 employee with 0.1 full-time (as of 31 December 2022 – 1 employee with 0.1 full-time).
The employee works at UAB Ignitis renewables.
The Company's salary fund in 2023 amounted to EUR 1,169 million compared to EUR 937 million in 2022.

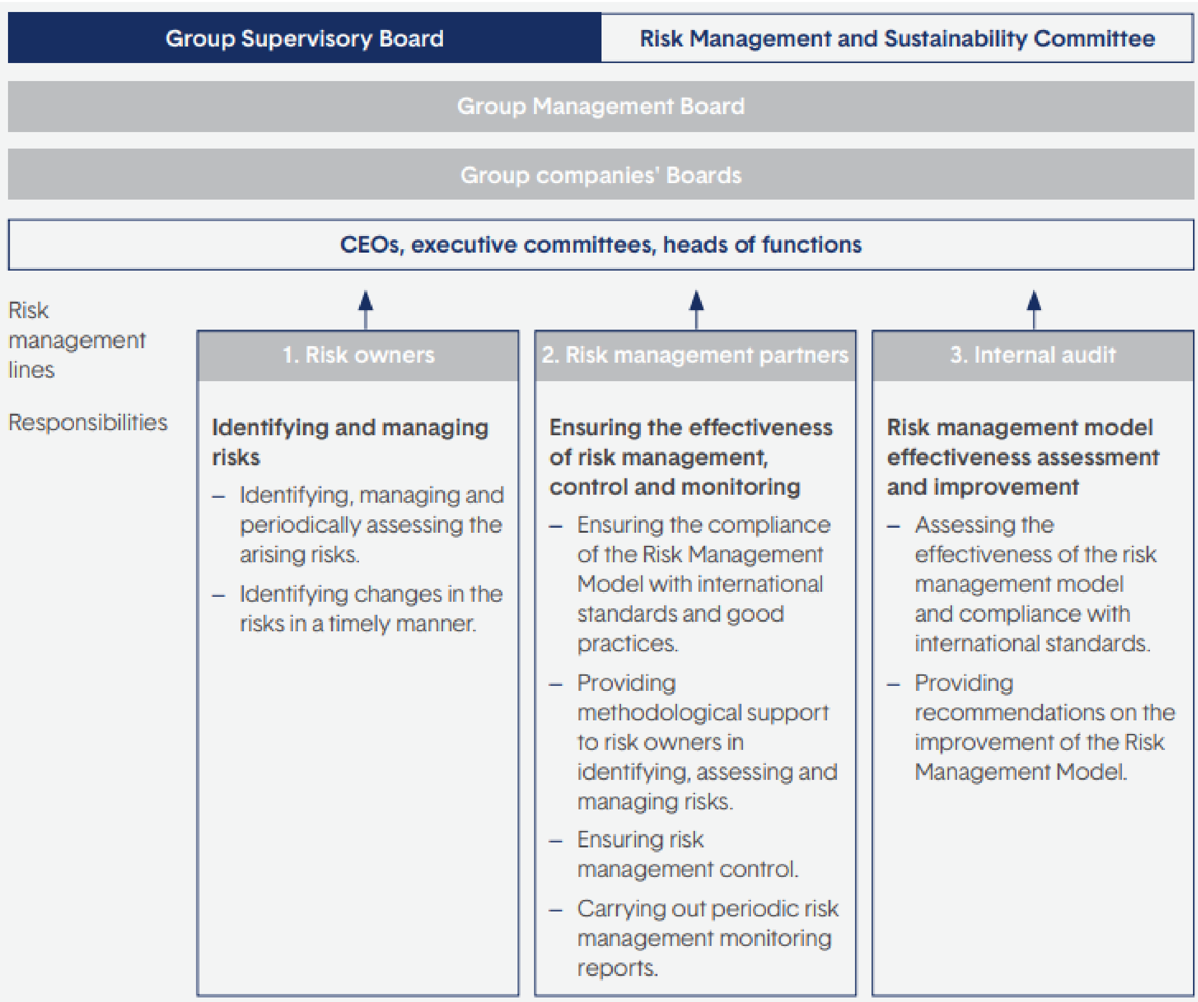
3.3 Risks and Risk Management

Risk management framework

Overview

In connection with the business activities, the Company is exposed to both internal and external risks that might affect its performance. In order to reduce the risks to an acceptable level, the Company applies uniform risk management principles based on the best market practices, including the main principles of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2018 (Risk management – Principles and guidelines). A clear segregation of risk management and control duties is controlled by applying the 'Three-lines enterprise risk management framework' in Ignitis Group (see figure below), where the duties are distributed between management and supervisory bodies, structural units, and functions. In order to ensure effective risk management control, we monitor risks, risk management measures, key risk indicators and prepare internal reports to the management (both at UAB Ignitis renewables level and at Ignitis Group level) on a quarterly basis. This section provides summarised information on the risk management model and the main parts of the risk management process in Ignitis Group. For more detailed information on risk management process and review of the main risks of Ignitis renewables in 2023 and the plan for risk management in 2024, see the activity report of UAB Ignitis renewables for 2023.

Applied three-lines risk management framework in all Ignitis Group



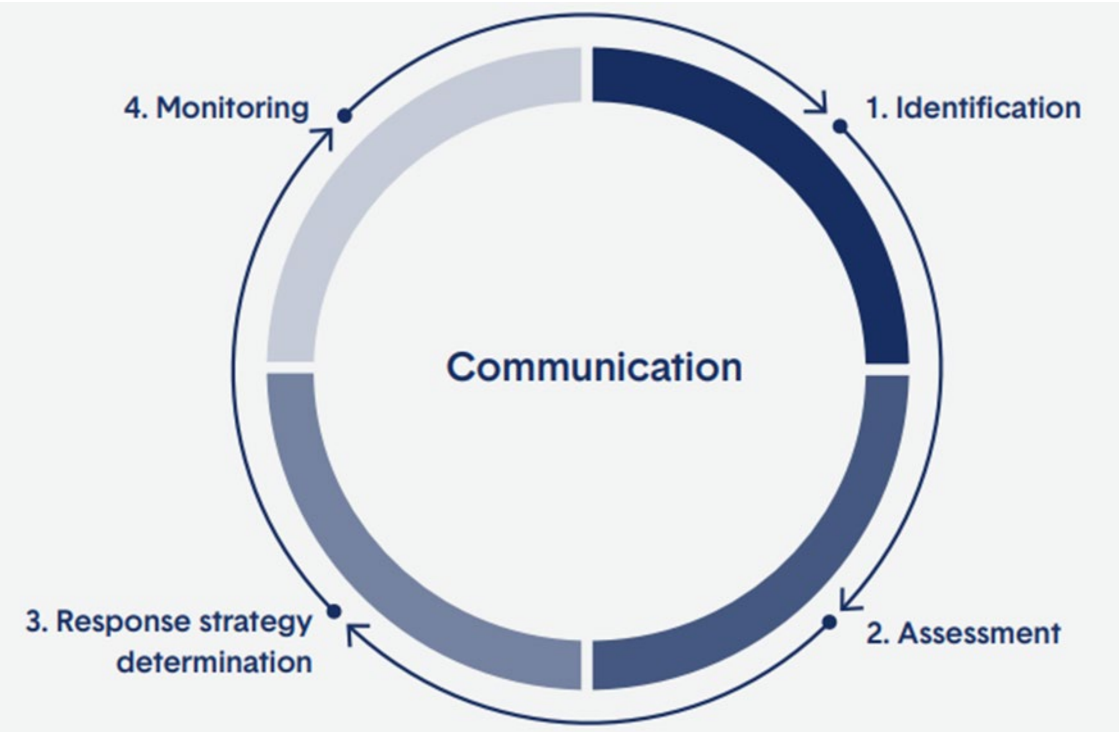
Risk management objectives:

- 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 environment of operation, the Group pays special attention to proactive risk management. Therefore, the Group reviews, on quarterly basis, risk levels, plans new risk management measures as needed, refines key risk indicators, identifies new sources of risk or new risks. The ability to proactively react to changing risks is extremely important and ensures that our management would receive the most relevant information and make necessary decisions in a timely manner. Environmental, social and governance (ESG) risks and opportunities are also an integral part of the Group's day-to-day business and are fully integrated into the applicable risk management process. Our risk management process comprises four parts: risk identification, assessment, establishing management strategy and monitoring.

Risk management process



More information on risk management process and key risks of Ignitis renewables Group please find in UAB Ignitis renewables annual report 2023.

4 Sustainability

4.1 Overview of Sustainability

The sustainability performance and results of the AB Ignitis Group companies (hereinafter - the Group), including its subsidiary UAB Ignitis renewables and its subsidiaries (including UAB VVP INVESTMENT), 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, Ignitis renewables and its subsidiaries (including UAB VVP INVESTMENT) does not prepare a separate corporate social responsibility report. For summarised information on sustainability which is relevant to Ignitis renewables and its subsidiaries, see the section Transparency on the website www.ignitisrenewables.com.

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 the European Sustainability Reporting Standards (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.

5 Financial statements

5.1 Company’s Financial Statements

Prepared for the year ended 31 December 2023 in accordance with International Financial Reporting Standards as adopted by the European Union

The Company’s financial statements were prepared and signed by the management of UAB VVP Investment on 16 April 2024:

Virginijus Jagela	**Giedrė Laurinavičienė**
Director	UAB Ignitis grupės paslaugų centras, Head of Accounting for REN companies, acting under Order No 24_GSC_SP_000 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	8,044	-
Other income		4	-
Total revenue and other income		**8,048**	**-**
Purchases of electricity, natural gas and other services		(835)	-
Depreciation and amortisation	10, 11	(943)	(31)
Repair and technical supervision expenses		(477)	
Other expenses	7	(775)	(134)
Total expenses		**(3,030)**	**(165)**
Operating profit (loss)		**5,018**	**(165)**
Finance income	8	10	-
Finance expenses	8	(925)	-
Finance activity, net		**(915)**	**-**
Profit (loss) before tax		**4,103**	**(165)**
Income tax (expense)/benefit	9	4,777	18
Net profit (loss) for the year		**8,880**	**(147)**
Total comprehensive income (expenses) for the year		**8,880**	**(147)**

Statement of financial position

31 December 2023

EUR thousand	Notes	31 December 2023	31 December 2022
ASSETS			
Property, plant and equipment	10	79,338	9,281
Right-of-use assets	11	3,158	1,553
Prepayments for non-current assets		-	58,694
Non-current receivables	13	340	340
Deferred tax assets	9	4,611	-
Non-current assets		**87,447**	**69,868**
Prepayments and deferred expenses		1,012	7
Current receivables	12	863	-
Other receivables	13	2,879	665
Cash and cash equivalents	14	1,710	639
Current assets		**6,464**	**1,311**
TOTAL ASSETS		**93,911**	**71,179**
EQUITY AND LIABILITIES			
Authorized capital	15	250	250
Retained earnings (loss)		8,620	(260)
Equity		**8,870**	**(10)**
Non-current loans	16	76,900	66,900
Non-current lease liabilities	18	1,741	1,686
Deferred tax liabilities	9	-	18
Provisions	19	1,583	-
Other non-current liabilities		340	-
Non-current liabilities		**80,564**	**68,604**
Loans	16	254	156
Lease liabilities	18	56	19
Trade payables		215	24
Other current liabilities	20	3,952	2,386
Current liabilities		**4,477**	**2,585**
Total liabilities		**85,041**	**71,189**
TOTAL EQUITY AND LIABILITIES		**93,911**	**71,179**

Statement of changes in equity

For the year ended 31 December 2023

EUR thousand	Notes	Authorized capital	Retained earnings (loss)	Total
Balance as of 1 January 2022		**250**	**(113)**	**137**
Net profit (loss) for the year		-	(147)	**(147)**
Balance as of 31 December 2022		**250**	**(260)**	**(10)**
Balance as of 1 January 2023		**250**	**(260)**	**(10)**
Net profit (loss) for the year		-	8,880	**8,880**
Balance as of 31 December 2023		**250**	**8,620**	**8,870**

Statement of cash flows

For the year ended 31 December 2023

EUR thousand	Notes	2023	2022
Net profit (loss) for the year		8,880	(147)
Adjustments:			
Depreciation and amortisation expenses	10, 11	943	31
Income tax expense (income)	9	(4,777)	(18)
Increase/(decrease) in provisions		40	
Interest income	8	(10)	-
Interest expenses	8	885	-
Other finance expenses	8	40	-
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(3,077)	(419)
(Increase)/decrease in prepayments, deferred expenses		(1,005)	(2)
Increase/(decrease) in trade payables and other current liabilities		1,236	228
Income tax recovered		148	132
Net cash flows from operating activities		**3,303**	**(195)**
Acquisitions of property, plant and equipment		(9,249)	(49,163)
Interest received		10	-
Net cash flows from investing activities		**(9,239)**	**(49,163)**
Received loans	17	10,000	50,600
Lease payment	17	(22)	(18)
Interest paid	17	(2,971)	(1,212)
Net cash flows from financing activities		**7,007**	**49,370**
Increase (decrease) in cash and cash equivalents		**1,071**	**12**
Cash and cash equivalents at the beginning of the year		639	627
Cash and cash equivalents at the end of the year		**1,710**	**639**

Explanatory notes

1 General information

UAB “VVP Investment” (hereinafter – the Company) is a private limited company registered in the Republic of Lithuania. On 30 August 2011, the Company was registered in the Register of Legal Entities, which is managed by the public institution the State Enterprise Centre of Registers. The registered address of the Company is: Laisvės pr. 10, LT-04215, Vilnius, Lithuania. Company code is 302661590, VAT payer code is LT100007781113. The Company has been founded for an indefinite period. The reporting period is one year which ended on 31 December 2023.

The main activity of the Company is generation and sale of electricity.

Shareholder of the Company:

	31 December 2023		31 December 2022	
	Number of shares held	Ownership interest, %	Number of shares held	Ownership interest, %
UAB Ignitis renewables	8,640	100	8,640	100

The Company’s parent company is UAB Ignitis renewables (company code 301844044, Laisvės pr. 10, LT-04215 Vilnius), which owns 100% of the Company’s shares as of 31 December 2023 and 2022. As of 31 December 2023 and 2022, all shares of UAB Ignitis renewables belong to AB Ignitis grupė (company code 301844044, Laisvės pr. 10, LT-04215 Vilnius). As of 31 December 2023, the shareholders structure of AB Ignitis Grupė consisted of the Ministry of Finance of the Republic of Lithuania (74.99 per cent owned), retail and institutional investors (25.01 per cent owned).

AB Ignitis grupė is an ultimate parent company. The Group consists of AB Ignitis grupė and all its subsidiaries (hereinafter – the Group).

These financial statements were signed by the management of UAB VVP Investment on 16 April 2024. The Company‘s shareholder has the right to approve or disapprove these financial statements and demand the preparation of new financial statements.

2 Basis of preparation

2.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – IFRS), approved by the International Accounting Standards Board (hereinafter – IASB) and endorsed for application in the European Union.

The Company's financial statements for the year ended on 31 December 2023 (hereinafter – the financial statements) have been prepared based on a going concern basis and are measured at 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 the 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 policies and disclosures

The accounting policy applied in the preparation of these financial statements is consistent with the accounting principles that were followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except for the new standards that came into force in 2023.

3.1.1 New standards, amendments and interpretations

3.1.1.1 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has adopted the Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, adjustments are applied after the beginning of the earliest period presented.

The Company previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Company has recognised a separate deferred tax asset in relation to its lease liabilities and deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances were qualified for offset under paragraph 74 of IAS 12. There was no impact on the opening retained earnings as at 1 January 2023 as a result of the change. The key impact for the Company relates to the disclosure of the recognised deferred tax assets and the liabilities (Note 9).

3.1.1.2 Material accounting policy information

The Company has adopted the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed 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.

3.1.1.3 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following are other new standards and/or amendments to standards approved by the IASB and adopted for application in the European Union for the year ended 31 December 2023.

Standards or amendments that came into force during the year of 2023
International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
Definition of Accounting Estimates (Amendments to IAS 8)
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)

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

3.1.1.4 Standards issued but not yet effective and not early adopted

In preparation of these financial statements, the Company did not apply new IFRS issued by IASB, International Accounting Standards (hereinafter referred to as 'IAS'), amendments and interpretations, the effective date of which is later than 31 December 2023 and early adoption whereof is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Other standards

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

Other new standards and amendments	Date of entry into force of the IASB	Status of approval to apply in the EU
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 Financial Instruments: Disclosures: Supplier Finance 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 pat-tern 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 and the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

(ii)

The Company's main legal performance obligations set out in contracts with customers are as follows: sale of electricity and the provision of services of public interest (hereinafter referred to as "SPI").

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 sale of produced electricity

The Company carries out the activity of electricity generation in wind power plants, which is subject to measures to promote the use of renewable energy resources, including a fixed tariff and the purchase of electricity generated and supplied into the grid, in accordance with the procedure and under the conditions laid down by law.

The Group trades all of its electricity purchases on the day-ahead electricity exchange Nord Pool. Trading on the exchange is carried out by a Group company. When a trade executed by a Group company is confirmed on the exchange, the exchange system sends the Company a confirmation of the concluded electricity sale transaction. Under this transaction, the Company fulfils its performance obligations by supplying the amount of electricity specified in the transaction notification to the electricity transmission grid. The performance obligations are fulfilled during the period in which the supply of the quantity of electricity to the grid takes place. The progress of the performance obligation is measured by the readings of the electricity metering devices. The Company has no contractual obligations.

Revenue from the sale of electricity is recognised at the end of each current month. The VAT invoices issued show the amount of electricity supplied into the electricity grid in the current month and the price of electricity per MWh. The weighted average price of electricity (i.e. the market price) calculated and declared to the Company by the Group company on the basis of the sale transactions of purchased electricity on the exchange during the previous month. The payment period is 30 days from the issue date of the VAT invoice. The seller's total remuneration amount is fixed. Once a confirmation of the conclusion of the electricity sale transaction has been received, the transaction prices do not change.

3.3 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 using the directly proportional (straight-line) depreciation method over the entire useful life of the property, plant and equipment. Depreciation of the asset begins to be calculated when the asset is ready for use, i.e. when it is in place and in such condition that it can be used in the manner intended by management.

The acquisition cost includes the costs of replacing parts of property, plant and equipment when incurred, if these costs meet the asset recognition criteria. The carrying amount of the replaced part is derecognised. Repair costs are added to the Carrying amount of the asset if it is probable that the Company will receive economic benefits from these costs in the future and if they can be reliably estimated. All other repair and maintenance costs are recognized in the profit (loss) section of the statement of profit (loss) and other comprehensive income in the financial period in which they are incurred.

The residual values and useful lives of the assets are reviewed at least annually and adjusted, if necessary.

When an asset is written off or otherwise disposed of, its acquisition cost and related accumulated depreciation are no longer recorded in the financial statements, and the related profit or loss is recorded in the profit (loss) section of the statement of profit (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. After the sale of the revalued asset, the corresponding part of the revaluation reserve is transferred to retained profit.

Gains or losses on disposal of property, plant and equipment are determined as proceeds received on disposal less the carrying amount of assets disposed.

Depreciation periods (number of years):

Group of property, plant and equipment	Useful lives (number of years)
Wind power plants and their installations	30
Other property, plant and equipment	4

3.4 Right-of-use assets

Right-of-use assets are assets that represent the Company's right to use the leased asset during the lease period. The Company recognizes right-of-use assets for all types of leases, including the lease of right-of-use assets in the case of sublease, except for leases of intangible assets, current leases and leases of low-value assets.

3.4.1 Initial measurement of the right-of-use assets

On the lease commencement date, the Company measures the right-of-use assets at cost. The cost of the right-of-use assets consists of: the amount of the initial valuation of the lease liability, any lease payments on or before the commencement 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 removing the leased property, maintaining its location or restoring the leased property to such condition as required by the terms of the lease, unless those costs are incurred to produce inventory. The Company accepts the liability related to these costs on the start date or after using the leased property for a certain specified period. The Company recognizes these costs as part of the cost of the right-of-use asset when the liability for these costs is incurred.

3.4.2 Subsequent measurement of the 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 calculated according to the directly proportional (straight-line) method:

Group of right-of-use assets	Depreciation period (in years)
Land	28 – 92
Other property, plant and equipment	31

If ownership of the leased asset is transferred to the Company before the end of the lease period or if the right-of-use asset indicates that the Company will exercise the option to purchase, the Company calculates the depreciation of the right-of-use asset from the start date to the end of the useful life of the leased asset. Otherwise, the Company calculates the depreciation of the right-of-use asset from the start date to the earlier of the following dates: the end of the useful life of the right-of-use asset or the end of the lease period.

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

3.5 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.

3.5.1 Financial assets

The Company classifies its financial assets into the following 3 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 other comprehensive income (hereinafter – "FVOCI"); and

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:

3.5.2 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.

3.5.3 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).

3.5.3.1 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. ECL incurred by the Company are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

ECL of other receivables and contract assets are estimated based on individual valuation.

3.5.3.2 Credit-impaired financial assets

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

3.5.3.3 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 right to receive cash flows from the asset have expired;
- the right 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 right 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 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.

3.5.4 Financial liabilities and equity instruments issued

Debt or equity instruments are classified as financial liabilities or equity according to the substance of the arrangement.
The Company has not issued equity instruments except for issued capital.

3.5.4.1 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 and borrowings, 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.

3.5.4.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities assessed at FVPL;
- Financial liabilities at amortised cost.

3.5.4.3 Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities at initial recognition at FVPL. The Company has no financial liabilities at FVPL.

3.5.4.4 Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings 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.

3.5.4.5 Classification 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.

3.5.4.6 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 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 Carrying amount 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.

3.6.1 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.

3.7 Employee benefits

3.7.1 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 included in payroll expenses.

3.7.2 Termination benefits

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

3.8 Fair value

The Company has no financial instruments and non-financial assets that are measured at fair value. The Company discloses the fair value of financial instruments valued at amortized cost in Note 18. The determination of fair value is based on the assumption that the sale of assets or the transfer of liabilities takes place or:

– either in the main market for the asset or liability

or

– if there is no main market, in the most favourable market for the asset or liability.

The fair value of the asset or liability is determined using the assumptions that market participants would use to determine the price of the asset or liability, assuming that market participants have their best economic interests.

The Company uses valuation methodologies that are appropriate in the circumstances and for which sufficient data are available to determine fair value, using as much relevant observable data as possible and as little unobservable data as possible.

All assets and liabilities whose fair value is determined or disclosed in the financial statements are classified according to the fair value hierarchy described below, which is based on the lowest-level significant inputs used to determine fair value:

– Level 1 includes the fair value of the asset units, which is determined based on the quoted (unadjusted) prices of identical assets in active markets.
– Level 2 includes the fair value of the asset units, which is determined on the basis of other directly or indirectly observable indicators.
– Level 3 includes the fair value of the asset units determined on the basis of unobservable indicators.

Assets and liabilities that are recognized repeatedly in the financial statements, the Company, by reassessing the distribution, decides whether the transferred amounts occurred between the levels of the hierarchy (according to the lowest level data that are significant in determining the fair value in general) at the end of each reporting period.

4 Risk Management

4.1 Overview

Risk is a natural and integral part of doing business, and the risk profile is constantly changing. The Company aims to reduce its risks and reduce them to an acceptable level by applying risk management. This section describes only the management of the main financial risks. The management of other risks is presented in the Management Report.

4.2 Financial risk factors

In managing its activities, the Company faces various financial risks: market risk (including foreign currency risk, cash flow interest rate risk), credit risk and liquidity risk. By managing these risks, the Company aims to reduce the influence of factors that may negatively affect financial performance.

4.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk includes two types of risk, interest rate risk and currency risk.

4.2.2 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a position will fluctuate due to changes in foreign exchange rates.

The company makes purchase and sale transactions mainly in Euros. Accordingly, the risk of exchange rate fluctuations is insignificant.

4.2.3 Interest rate risk

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

The Company has concluded a long-term loan agreement with a fixed interest rate (Note 16). Since the interest rate is fixed, no sensitivity analysis to interest rate changes is provided.

The Company's income and cash flows from core activities are not significantly dependent on changes in market interest rates.

4.2.4 Credit risk

Credit risk is the risk that a counterparty will not fulfil its liabilities under a financial instrument or contract with a customer and will incur financial losses as a result.

The Company's risk related to cash is limited, as the Company keeps cash balances only in reliable financial institutions.

As the Company has no significant receivables, issued loans or other receivables, the Company's credit risk is insignificant.

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 amortized cost:			
Non-current receivables	13	340	340
Trade receivables	12	863	-
Other receivables	13	2,879	-
Cash and cash equivalents	14	1,710	639
Total		**5,792**	**979**

4.2.5 Liquidity risk

Liquidity risk is managed by planning the Company's future cash flows and ensuring that the Company always has sufficient funds, signed credit agreements and account surpluses to ensure the Company's normal operations. Current financing (lines of credit) through both financial institutions and shareholders can be used to manage current mismatches in cash flows (receipts and payments). In order to secure the necessary funds for the development of the project, on 1 December 2020, the Company signed a periodic loan agreement with UAB Ignitis renewables, the maximum amount of which is EUR 83,000 thousand. The repayment deadline of the loan is 10 July 2028.

As of 31 December 2023, the Company's total liquidity ratio (current assets/current liabilities) was 1.44 (as of 31 December 2022 – 0.51, respectively). The Company has a reserve of EUR 6,100 thousand (31 December 2022: EUR 16,100 thousand) of unused borrowing capacity.

The table below provides information on the Company's financial liabilities by groups:

EUR thousand	Note	31 December 2023	31 December 2022
Amounts payable measured at amortized cost			
Loans	16	77,154	67,056
Lease liabilities	18	1,797	1,705
Trade payables		215	24
Other current liabilities	20	3,705	2,375
Total		**82,871**	**71,160**

The table below contains information on the terms of repayment of the Company's financial obligations according to the contracts (taking into account financial liabilities for which interest is calculated, undiscounted cash flows, and the Carrying amount of other financial liabilities):

EUR thousand	2023				
	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	After 5 years	Total
Loans	559	1,640	84,466	-	**86,665**
Lease liabilities	46	19	261	3,626	**3,952**
Trade payables	215	-	-	-	**215**
Other payables	3,705	-	340	-	**4,045**
31 December 2023	**4,525**	**1,659**	**85,067**	**3,626**	**94,877**

EUR thousand	2022				
	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	After 5 years	Total
Loans	403	1,208	71,561	-	**73,172**
Lease liabilities	15	46	248	3,381	**3,690**
Trade payables	24	-	-	-	**24**
Other payables	2,375	-	-	-	**2,375**
31 December 2022	**2,817**	**1,254**	**71,809**	**3,381**	**79,261**

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

In preparing the financial statements, management has made certain assumptions and estimates about the future, including the climate-related risks and possibilities, which have affected the reported amounts of assets, liabilities, income and expenses and the disclosure of contingencies. Changes in assumptions and judgements in the future could have a material impact on these financial statements.

Assessments and judgements with underlying assumptions are kept under constant review and are consistent with the Company's risk management and climate-related commitments. Assessments and judgements are recognised prospectively.

This note describes only the significant accounting estimates and judgments used in the preparation of the financial statements. Other accounting estimates and judgments used are presented in other notes to these financial statements.

5.1 Determination of whether the servitudes established by the transaction are leases

After analysing whether the requirements of IFRS 16 “Lease” are applicable to servitudes established by the transaction, the Company concluded that they are not, because the servitudes established by law and the transaction are not subject to time limits and the Company can use them for an unlimited period. An open-ended transaction does not have the essential characteristics of a lease, i.e. does not meet the definition of a lease because it does not give the right to use the leased property for the specified period of time.

For servitudes that have a definite term or whose term is regularly renewed, IFRS 16 applies if all the other criteria set out in IFRS 16 are met.

5.2 Determining the value of the provision for dismantling wind power plants

The provision for dismantling is calculated based on the following key assumptions:

(i) the provisioning period corresponds to the useful life of the wind power plants, i.e. 30 years,
(ii) the expected decommissioning costs are discounted using a discount rate,
(iii) the expected decommissioning costs are adjusted for inflation.

As at 31 December 2023, the Company has assessed a provision for dismantling:

- using a discount rate of 5.09% per annum for the period until the end of the useful life of the wind power plants;
- using an inflation index:

Useful life of an asset	Annual inflation rate applied for calculation of provisions
	31 December 2023
2023	9.20%
2024	2.20%
2025	2.00%
2026	2.00%
2027	2.00%
>2028	2.00%

6 Revenue from contracts with customers

6.1 Revenue from contracts with customers by type

EUR thousand	2023	2022
Revenue from sale of electricity	8,044	-
Total	**8,044**	**-**

6.2 Rights to returned goods and payable liabilities

The Company does not have any significant contracts with the customers' right to return purchased electricity.

7 Other expenses

EUR thousand	2023	2022
Finance and accounting	534	90
Asset management and administration	38	9
Tax (other than income tax) expenses	21	-
Telecommunications and IT services	14	6
Other	168	26
Total	**775**	**134**

[1]In 2023, the Company classified the service costs in "Finance and accounting", "Asset management and administration", "Other" and therefore the comparative figures for 2022 have been changed accordingly by reclassifying an amount of EUR 99 thousand from the lines "Consultancy services" and "Other".

8 Financing activity

EUR thousand	2023	2022
Interest income recognised applying the effective interest rate	10	-
Total finance income	**10**	**-**
Interest expenses	867	-
Interest and discount expense on lease liabilities	18	-
Other finance expenses	40	-
Total finance expenses	**925**	**-**
Total financing activity	**915**	**-**

8.1 The Company's interest income

The Company's interest income as at 31 December 2023 consists of interest earned on cash balances in bank accounts. Interest inflows in cash are presented under the item *Interest received* in the statement of cash flows.

9 Income taxes

9.1 Recognised in profit or loss

EUR thousand	2023	2022
Deferred tax expenses (benefit	(4,629)	114
Consideration for tax losses transferred	(148)	(132)
Total	**(4,777)**	**(18)**

9.2 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		4,103		(165)
Income tax expenses (benefit) at tax rate of 15%	15.00%	615	15.00%	(25)
Non-taxable income and expenses not deductible for tax purposes	(8.90%)	(365)	(2.42%)	4
Incentive on investment project	(123.45%)	(5,065)	-	-
Tax losses transferred	0.78%	32	(3.03%)	5
Other	0.15%	6	1.21%	2
Income tax expense (income)	**(116.43%)**	**(4.777)**	**10.76%**	**(18)**

The incentive on investment project includes projects, on which an incentive was applied in 2023.

9.3 Deferred tax

EUR thousand	31 December 2021	Recognised in profit or loss	31 December 2022	Recognised in profit or loss	Reclassification	31 December 2023
Deferred tax assets					-	
Incentive on investment project	-	-	-	4,848	-	4,848
Lease liabilities (IFRS 16)	258	(2)	256	13	-	269
Accrued expenses	-	1	1	21	-	22
Tax losses carried forward	138	50	188	(187)	-	1
Provision for dismantling	-	-	-	237	-	237
Deferred tax assets, net	**396**	**49**	**445**	**4,932**	**-**	**5,377**
Deferred tax liability					-	
Differences of financial and tax value	-	-	-	(4)	230	226
Right-of-use assets (IFRS 16)	237	(4)	233	14	-	247
Provision for dismantling	-	-	-	227	-	227
Capitalised interest	63	167	230	-	(230)	-
Other	-	-	-	66	-	66
Deferred income tax liability, net	**300**	**163**	**463**	**303**	**-**	**766**
Net deferred tax	**96**	**(114)**	**(18)**	**4,629**	**-**	**4,611**

On 23 May 2023, the Company signed a tripartite agreement under which it transferred tax losses of EUR 1,208 thousand to a Group company.

On 14 June 2022, the Company signed a tripartite agreement under which it transferred tax losses of EUR 915 thousand to a Group company.

As at 31 December 2023, the Company has not recognised a deferred tax asset of EUR 6.6 million related to the investment project incentive as it is uncertain whether future taxable profits will be available for utilisation.

10 Property, plant and equipment

10.1 Company's property, plant and equipment

EUR thousand	Wind power plants and their installations	Other property, plant and equipment	Construction in progress	Total
Acquisition cost as at 1 January 2023	**-**	**-**	**9,281**	**9,281**
Acquisitions	-	-	70,942	**70,942**
Reclassification (to) from construction in progress	80,213	10	(80,223)	-
Acquisition cost as at 31 December 2023	**80,213**	**10**	**-**	**80,223**
Accumulated depreciation as at 1 January 2023	**-**	**-**	**-**	**-**
Depreciation	(884)	(1)	-	**885**
Accumulated depreciation as at 31 December 2023	**(884)**	**(1)**	**-**	**(885)**
Carrying amount as at 31 December 2023	**79,329**	**9**	**-**	**79,338**
Acquisition cost as at 1 January 2022	**-**	**-**	**5,419**	**5,419**
Acquisitions	-	**-**	**3,862**	**3,862**
Acquisition cost as at 31 December 2022	**-**	**-**	**9,281**	**9,281**
Accumulated depreciation as at 1 January 2022	**-**	**-**	**-**	**-**
Accumulated depreciation as at 31 December 2022	**-**	**-**	**-**	**-**
Carrying amount as at 31 December 2022	**-**	**-**	**9,281**	**9,281**

As at 31 December 2023 and 2022, the Company did not have any fully depreciated property, plant and equipment in use.

10.2 Acquisitions of property, plant and equipment

The Company has significant liabilities for the acquisition of property, plant and equipment that must be fulfilled in subsequent years. As of 31 December 2023, the Company's liabilities to suppliers due to concluded but unfulfilled contracts amounted to EUR 3,021 thousand (31 December 2022 – EUR 13,244 thousand).

In 2023, the Company capitalised EUR 1,664 thousand of interest on loans and right-of-use assets (in 2022 – EUR 1,106 thousand). The average capitalised interest rate was 2.89% in 2023 and 2.89% in 2022.

10.3 Pledged property, plant and equipment

As at 31 December 2023 and 2022, the Company had no pledged property, plant and equipment.

11 Right-of-use assets

11.1.The Company's right-of-use assets

EUR thousand	Land	Other property, plant and equipment	Total
1 January 2022			
Acquisition cost	1,676	-	**1,676**
Accumulated depreciation	(92)	-	**(92)**
Carrying amount	**1,584**	**-**	**1,584**
Carrying amount as of 1 January 2022			
Acquisitions	-	-	**-**
Depreciation	(31)	-	**(31)**
Carrying amount as of 31 December 2022	**1,553**	**-**	**1,553**
31 December 2022			
Acquisition cost	1,676	-	**1,676**
Accumulated depreciation	(123)	-	**(123)**
Carrying amount	**1,553**	**-**	**1,553**
Carrying amount as of 1 January 2023			
Acquisitions	41	1,543	**1,584**
Depreciation	(32)	(26)	**(58)**
Remeasurement of the right-of-use assets	79	-	**79**
Carrying amount as at 31 December 2023	**1,641**	**1,517**	**3,158**
31 December 2023			
Acquisition cost	1,796	1,543	**3,339**
Accumulated depreciation	(155)	(26)	**(181)**
Carrying amount	**1,641**	**1,517**	**3,158**

On 31 December 2023 and 2022, the interest rates for on the lease of land were 2.43 – 4.18%. The land lease contracts valid as at 31 December 2023 expire during the period 2047 – 2112. The balances of obligations under land lease contracts are presented in Note 18. The land is leased from individuals, and a wind farm is built on the leased land. Other property, plant and equipment include the provision for dismantling (Note 19).

11.2 Costs and expenses related to lease contracts

EUR thousand	2023	2022
Depreciation expenses	58	31
Interest expenses	18	-
Capitalised interest	28	43
Other expenses	5	-
Total	**109**	**74**

12 Trade receivables

EUR thousand	31 December 2022	31 December 2021
Receivables under contracts with customers		
Amounts receivable for electricity	863	-
Total	**863**	**-**
Less: loss allowance	-	-
Carrying amount	**863**	**-**

As at 31 December 2023, the Company has not pledged any claim rights to trade receivables.

Trade receivables do not bear interest and have a normal settlement period of 30 days.

Provision for losses on receivables (expected lifetime credit losses)

As at 31 December 2023, receivables under the contracts with customers are not past due. No provision for credit losses has been established during the reporting period by applying an individual valuation to estimate the expected credit losses.

13 Non-current receivables and other receivables

EUR thousand	31 December 2023	31 December 2022
Non-current receivables		
Cash reserved for guarantees	340	340
Current receivables		
Value-added tax	-	665
Other receivables	2,879	-
Total	**3,219**	**1,005**
Less: provision for loss	-	-
Carrying amount	**3,219**	**1,005**

The financial assets at 31 December 2023 consist of cash reserved for guarantees amounting to EUR 340 thousand (the guarantee maturing on 20 February 2025), and a receivable of EUR 2,879 thousand for default penalty (as at 31 December 2022 - cash of EUR 340 thousand reserved for guarantees).

14 Cash and cash equivalents

EUR thousand	31 December 2023	31 December 2022
Cash balances in bank accounts	1,710	639
Carrying amount	**1,710**	**639**

15 Equity

15.1 Capital management

Management uses 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 authorized capital of a closed joint stock company must be at least EUR 2.5 thousand. Equity must make at least 50% of the Company's authorised capital. As of 31 December 2023, the Company complied with the capital requirements (2022 – it did not meet the capital requirements).

15.2 Authorised capital

EUR thousand	31 December 2023	31 December 2022
Authorised capital		
Ordinary registered shares	250	250
Ordinary registered shares issued and fully paid	**250**	**250**

As of 31 December 2023 and 2022, the Company's authorised capital was equal to EUR 250 thousand and was divided into 8,640 ordinary registered shares, each of which had a nominal value of EUR 28.96. As at 31 December 2023 and 2022, all the shares were fully paid.

15.3 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.

The Company's legal reserve was not formed as of 31 December 2023 and 2022.

16 Loans

EUR thousand	31 December 2023	31 December 2022
Non-current		
Parent company loan	76,900	66,900
Current		
Accrued interest	254	156
Total	**77,154**	**67,056**

All the Company's loans are denominated in Euros.

16.1 Performance of obligations and unused balances

Loan agreements do not provide for an obligation to comply with financial or non-financial indicators. No assets are pledged to secure repayment of loans. The unused balance of the loan on 31 December 2023 was EUR 6,100 thousand (31 December 2022 – EUR 16,100 thousand).

17 Net debt

Net debt is a non-IFRS liquidity indicator that is used to determine the ratio of debt to highly liquid assets under management of the Company. In implementing the risk management strategy, the management monitors the net debt ratio.

This note presents net debt, which is a non-IFRS measure for the purposes of these financial statements and is defined by management as follows.

Debt owed to the parent company and related interest payable and lease obligations are included in the calculation of net debt.

Net debt balances:

EUR thousand	31 December 2023	31 December 2022
Cash and cash equivalents	(1,710)	(639)
Non-current loans	76,900	66,900
Current loans	254	156
Lease liabilities	1,797	1,705
Net debt	**77,241**	**68,122**

Reconciliation of the Company's net debt balances to cash flows from financing activities:

	Assets	Lease liabilities		Loans		
EUR thousand	Cash	Non-current	Current	Non-current loans	Current loans	Total
Net debt as of 1 January 2022	**627**	**1,705**	**18**	**16,300**	**39**	**17,435**
Cash changes						
Increase (decrease) in cash and cash equivalents	(12)	-	-	-	-	**(12)**
Received loans	-	-	-	50,600	-	**50,600**
Lease payment	-	-	(18)	-	-	**(18)**
Interest paid[1]	-	-	(43)	-	(1,169)	**(1,212)**
Non-cash changes						
Accrued payable interest	-	-	43	-	1,063	**1,106**
Reclassifications between items	-	(19)	19	-	-	**-**
VAT on payable interest	-	-	-	-	223	**223**
Net debt as of 31 December 2022	**(639)**	**1,686**	**19**	**66,900**	**156**	**68,122**
Net debt as of 1 January 2023						
Cash changes						
Increase (decrease) in cash and cash equivalents	(1,071)	-	-	-	-	**(1,071)**
Received loans	-	-	-	10,000	-	**10,000**
Lease payment	-	-	(22)	-	-	**(22)**
Interest paid	-	-	(46)	-	(2,925)	**(2,971)**
Non-cash changes						
Lease contracts concluded	-	37	4	-	-	**41**
Accrued payable interest	-	-	46	-	2,503	**2,549**
Reclassifications between items	-	(55)	55	-	-	**-**
VAT on payable interest	-	-	-	-	520	**520**
Remeasurement of lease liabilities		73	-	-	-	**73**
Net debt as of 31 December 2023	**(1,710)**	**1,741**	**56**	**76,900**	**254**	**77,241**

[1]*Interest paid during the period includes also VAT from the interest amount.*

18 Lease liabilities

EUR thousand	31 December 2023	31 December 2022
Minimum payments		
During the first year	65	62
From two to five years	261	249
After five years	3,626	3,379
Total	**3,952**	**3,690**
Future financial costs		
During the first year	(9)	(43)
From two to five years	(178)	(167)
After five years	(1,968)	(1,775)
Total	**(2,155)**	**(1,985)**
Carrying amount	**1,797**	**1,705**

All of the Company's lease liabilities as of 31 December 2023 and 2022 are related to land lease agreements (see Note 11).

19 Provisions

EUR thousand	31 December 2023	31 December 2022
Non-current	1,583	-
Total	**1,583**	**-**

The provision for dismantling and decommissioning of wind power plants relates to the obligation under the land lease agreements to dismantle the wind power plants at the end of their useful lives. The useful life of the wing power plants is 30 years.

During 2023, the Company has recognised a provision of EUR 1 583 thousand for costs that the Company will incur in the future to dismantle the wind power plants (see note 5.2). The Company recognised the provision as the right-of-use asset at the acquisition cost recognised at the time of initial measurement of the lease liability.

20 Other current amounts payable and liabilities

EUR thousand	31 December 2023	31 December 2022
Taxes, other than income tax	100	-
Amounts payable for property, plant and equipment	3,705	2,375
Accrued expenses	147	11
Carrying amount	**3,952**	**2,386**

Financial liabilities amount to EUR 3,705 thousand (31 December 2022 – EUR 2,375 thousand). Accrued expenses and taxes are not financial liabilities.

21 Contingent liabilities and commitments

21.1 Legal disputes

In 2023 and 2022, the Company was not involved in any legal proceedings that, in the opinion of management, would have a material effect on the financial statements.

22 Related-party transactions

Related parties, EUR thousand	Amounts receivable 31 December 2023	Amounts payable 31 December 2023	Received loans 31 December 2023	Sales 2023	Purchases 2023	Finance income (expenses) 2023
Parent company	25	68	77,131	-	495	(2,469)
Ultimate parent company	-	-	1	-	-	(12)
Other companies of the Group	863	14	-	8,156	915	-
State-controlled UAB “EPSO-G” group companies	-	-	-	(112)	1	-
Total	**888**	**82**	**77,132**	**8,044**	**1,411**	**(2,481)**

Related parties, EUR thousand	Amounts receivable 31 December 2022	Amounts payable 31 December 2022	Received loans 31 December 2022	Sales 2022	Purchases 2022	Finance income (expenses) 2022
Parent company	-	18	67,052	-	47	(1,028)
Ultimate parent company	-	-	4	-	-	(35)
Other companies of the Group	-	6	-	-	41	-
State-controlled UAB “EPSO-G” group companies	-	7	-	-	19	-
Total	**-**	**31**	**67,056**	**-**	**107**	**(1,063)**

The Company purchases management services from the parent company, and from Group companies it purchases services related to information technology and telecommunications, public procurement organization and execution, accounting and personnel administration services.

Also, in 2023 and 2022, the Company received a loan from the parent company (Note 16).

22.1 Terms of transactions with related parties

The payment terms set range from 15 to 90 days. The balances of receivables at the end of the year are not secured by pledges, no interest is calculated on them, and settlements are made in cash. No guarantees have been given or obtained to cover amounts receivable or payable from related parties.

22.2 Remuneration to key management personnel

EUR thousand	2023	2022
Wages and salaries and other short-term benefits to key management personnel	1	1
Whereof:		
Short-term benefits	1	1
Number of key management personnel	1	1

In 2023 and 2022, the chief executive officer in the Company was the director. For more information on key management bodies, see the “Governance Report” section of the Annual Report.

23 Fair values of financial instruments

23.1 Financial instruments of which fair value is disclosed

The fair value of the Company's borrowings from Group companies is calculated by discounting the future cash flows at a rate of interest observable in the market. As at 31 December 2023, the cash flows were discounted using the weighted average discount rate of 6.42% (31 December 2022 - 4.80%). The measurement of debt-related financial liabilities is assigned to 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 Prices quoted in active markets	Level 2 Other directly or indirectly monitored data	Level 3 Not observed data	Total
Financial instruments for which fair value is disclosed						
Liabilities						
Parent company loan		**77,154**	-	77,128	-	**77,128**

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 Prices quoted in active markets	Level 2 Other directly or indirectly monitored data	Level 3 Not observed data	Total
Financial instruments for which fair value is disclosed						
Liabilities						
Parent company loan		**67,056**	-	60,978	-	**60,978**

24 Events after the reporting period

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

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Independent Auditor's Report

To the Shareholders of UAB VVP Investment

Opinion

We have audited the financial statements of UAB VVP Investment ("the Company"). The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 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 3-21), 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: 2024.04.16 19:59:17 +03'00'

Rokas Kasperavičius
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
16 April 2024

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 45 to 47 of this document.

5.3 Information about the auditor

Overview

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

It is worth noting that all tenders for the independent auditor are carried out in accordance with 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 main criterion for the implementation of public tenders is to ensure competitiveness, so the only specific audit selection criterion that can be included is experience in auditing companies in the energy sector. Finally, the Audit Committee oversees the entire audit selection process and the independent auditor is appointed by a decision of the parent company's General Meeting of Shareholders, and subsequently by a decision of the General Meeting of Shareholders of each group company..

Independent auditors and financial period during which audit services were provided

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

Services and fees

During 2022–2023, the following services have been provided to the Company by the independent auditor and its international partners

Independent auditor's services and fees

EUR thousand	2023	2022
Audit services of annual financial statements under contracts	11	11
Total	**11**	**11**

In accordance with the Group's policy, our statutory auditor's annual fee for non-audit services 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.

6 Additional Information

6.1 Other statutory information

The Annual Report provides information to the shareholders, creditors and other stakeholders of UAB VVP Investment (the Company) about the Company's and its controlled companies', if any, operations for 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 The Company's securities are not listed or traded on a regulated market. The Articles of Association of the Company do not impose any requirements on the content of the Company's annual report beyond those provided for in the above-mentioned laws.

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 (Laisvės pr. 10, 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 VVP Investment
2. Legal form: limited liability company
3. Share capital: EUR 250,214.60
4. Registration date and place: 30 August 2011, Debreceno St. 58 A-29, LT-93279, Klaipėda
5. Company code: 302661590
6. Company address: Laisvės pr. 10, LT-04215
7. Company register: Laisvės pr. 10, LT-04215
8. Telephone no: +370 696 38942
9. Telefax: none
10. E-mail address: info@vvpinvestment.lt
11. Website: www.ignitisgrupe.lt

Legal disclaimers

1. There were no significant events after the end of the financial year.
2. The Company has not used financial and hedging instruments subject to hedge accounting that would be significant in assessing the Company's assets, equity, liabilities, financial position and performance.
3. The Company had no own shares at the beginning of the period and did not acquire any own shares during the period.
4. The Company has no branches or representative offices.
5. The Company envisages further sustainable development of its existing operations to ensure higher profitability and asset efficiency in the long term. Research will be carried out as and when required.
6. The Company's operations are in compliance with the requirements of environmental protection legislation.

Significant transactions

There are no material agreements to which the Company is a party that would come into force, change or terminate upon a change of control of the Company.
During the period under review, the Company did not enter into any detrimental transactions (inconsistent with the objectives of the parent company, current normal market conditions, violating the interests of shareholders or other groups of persons, etc.) that have had, or are likely in the future to have, an adverse effect on the Company's business and/or performance, or that have been entered into in the context of a conflict of interest between the Company's management, controlling shareholders', or other related party's duties for the Company, and their personal interests and/or other duties.
There are no agreements concluded between the company, the members of the governing 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.

Key features of 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. All financial data presented in the Annual Report are calculated in accordance with IFRS and are consistent with the audited financial statements of the Company.

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

Alternative performance measures

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

Language disclaimer

In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

7 Certification Statement

16 April 2024

We, Virginijus Jagela, Director of UAB VVP investment, and Giedrė Laurinavičienė, Head of Accounting for REN companies, acting under Order No 24_GSC_SP_0004 of 10 January 2024, hereby confirm that, to the best of our knowledge, the financial statements of UAB VVP investment for 2023, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial condition, profit or loss and cash flows of UAB VVP investment, 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 VVP investment together with the description of the main risks and uncertainties it faces.

Virginijus Jagela	Giedrė Laurinavičienė
Director	Head of Accounting for REN companies of UAB Ignitis grupės paslaugų centras, acting under Order No 24_GSC_SP_0004 of 10 January 2024

UAB VVP Investment
Laisvės pr. 10, LT-04215,
Vilnius, Lithuania

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VAT payer code
LT100007781113