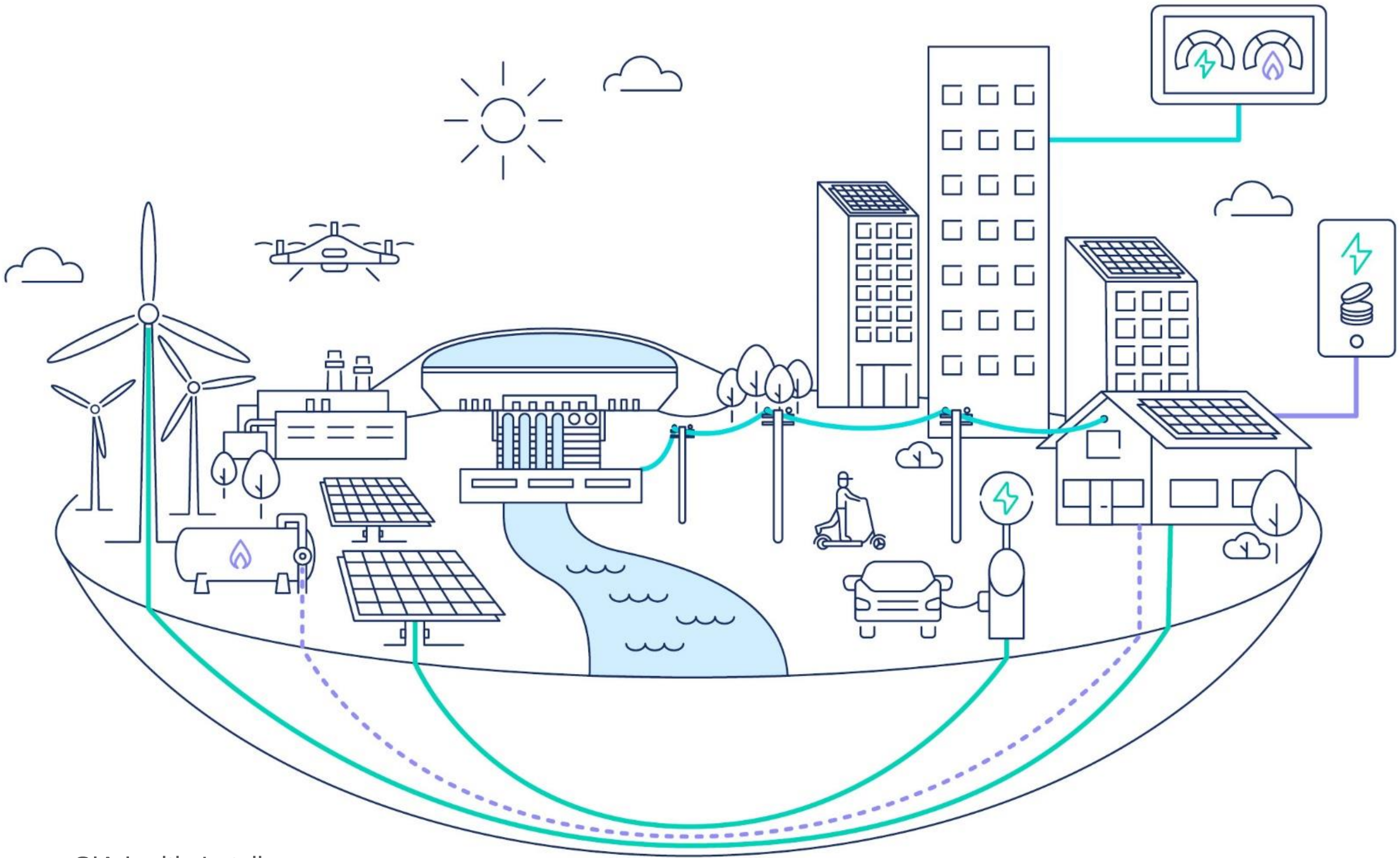
Limited liability company Ignitis Latvija Annual report 2023

Annual report for the year ended 31 December 2023 and the company's financial statements for the year ended 31 December 2023 prepared according to International Financial Reporting Standards, adopted by the European Union, and presented together with the independent auditor's report for the year ended 31 December 2023.



SIA Ignitis Latvija
Gustava Zemgala gatve 74A, LV-1039, Riga, Latvia
info@ignitis.lv
www.ignitis.lv
Legal entity code: 40103642991

Contents

Overview

1.1 Business highlights

During the reporting period

January
- First „Ignitis ON“ EV charging point started operating in Latvia, Riga.

March
- The Company moved into new office shared together with Ignitis Renewables Latvia to provide better work environment for increasing number of employees and customers.

May
- Contract signed with RIMI LATVIA for installation of 2 MWp solar power station on central office and distribution building.

July
- Ignitis Group announced its plans to invest up to EUR 115 million in the expansion of the EV charging network in the Baltics over 3–5 years.

September
- New and modern ignitis.lv website launched.

October
- First 2 „Ignitis ON“ EV DC fast charging stations launched in Latvia.

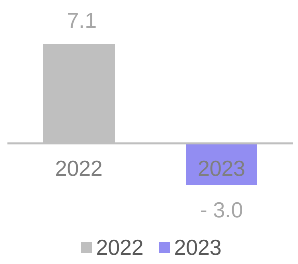
After the reporting period

February
- On February 6, 2024 the Cabinet of Ministers approved amendments to the "Regulations of Electricity Trade and Use", including the terms of the net settlement system and the universal net settlement system service. Starting from May 1, 2024 electricity traders are obliged to include the universal net settlement system service in their range of offers.

1.2 Performance highlights

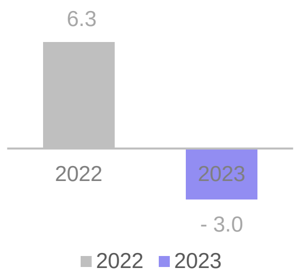
Financial

EBITDA APM
EURm



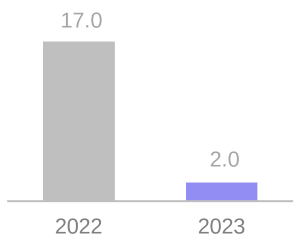
EBITDA of the Company has decreased significantly - by EUR 10.1 million. Main contributor was the change in mark-to-market of ineffective financial derivatives positions (EUR -10.5 million), for which hedge accounting is not applied. This is mostly a reversal of long-term accumulated fair value of the financial derivatives held by the Company and does not have significant impact on the cash flows.

Net profit
EURm



Net Profit decreased by EUR 9.3 million in 2023 (compared to 2022). Net profit was driven mainly by decrease in EBITDA (EUR -10.1 million).

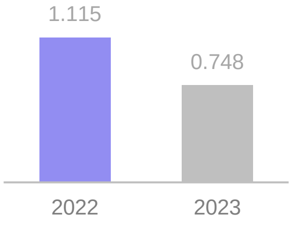
Net debt APM
EURm



Net debt continued to decrease during 2023 and has reached record lows for the Company – EUR 2 million (decrease of 88% compared to the same period of 2022). This is directly related to the decrease of raw material prices, resulting in decreased net working capital. Moreover, contributing to this is the increased volume of power bought directly from producers (~25% of total).

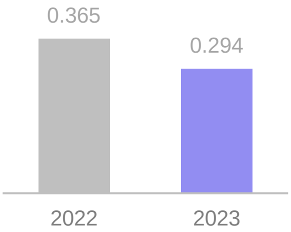
Business

Electricity sales
TWh



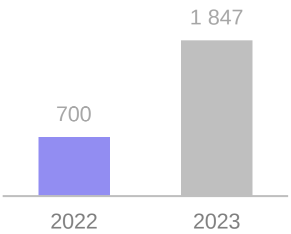
Electricity sales volume decreased by 33% in 2023. This is a result of a couple of large sales contracts ending in 2022 (-0.155 TWh impact), as well as relatively high prices of ongoing fixed price agreements and changing consumer habits led to an overall decrease in consumption.

Natural gas sales
TWh



Natural gas sales volume decreased by 19% in 2023 both as a result of overall decrease in consumption due to high prices in winter of 2022/2023 and the increasing switch to alternative fuels.

PV Solar stations installation sales
EUR thousand



Installation and sales of PV Solar stations for B2B customers continued to increase in 2023 with a switch to a lower number but larger projects. However, at the end of 2023 a noticeable decline in customers' activity and new projects is observed.

APM *Alternative Performance Measures - Adjusted figures used in this report refer to measures used for internal performance management. These indicators are not defined by International Financial Reporting Standards (IFRS) and do not comply with IFRS requirements. Definitions of alternative performance measures are available on the Ignitis Group website: https://ignitisgrupe.lt/sites/default/files/public/2024-02/Alternative%20Performance%20Measures_2024.pdf*

Business overview

2.1 Business profile

Description of the Company's activities and service market

Ignitis Latvija SIA (hereinafter – the Company) is an independent Lithuanian capital electricity and natural gas supplier in Latvian market. The Company's core line of business is the supply of electricity and natural gas, as well as sale of products aimed at increasing energy efficiency, provision of solar panel solutions and installation of electric car charging stations. The Company was established on 28th of February 2013. The Company supplies electricity to Latvian business entities since August 2013 and natural gas to Latvian business entities since July 2018. Since 2019, the Company has expanded the business and now offers energy efficiency and solar panel solutions to Latvian business entities. In the year 2023, the Company initiated the expansion of its fast-charging network for electric vehicles – Ignitis ON, the expansion of which was planned already at the end of 2022 as one of the Company's strategic areas of activity. This led to the establishment of dedicated positions and expansion of the Ignitis team.

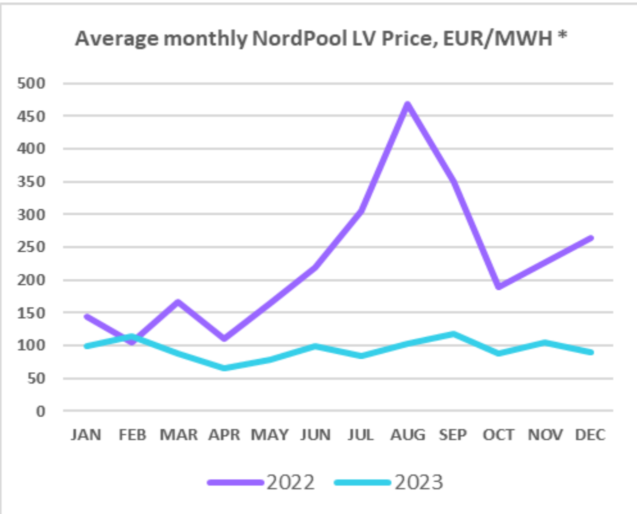
The Company‘s customer base has been increasing throughout the years. Through direct users or other energy supply companies, the amount of supplied power is almost 11% (according to Latvia's power transmission system operator Augstsprieguma Tīkls AS, the total consumed electricity amount in 2023 was 6.887 TWh) of Latvian electricity supply market. Aiming to retain the existing customers and attract new ones, alongside with the development and improvement of the customer service, the Company is focusing on the current and new supply related activities in the energy sector, enabling the Company to provide customers with a wide choice of added value solutions and creating a distinctive competitive position for the Company.

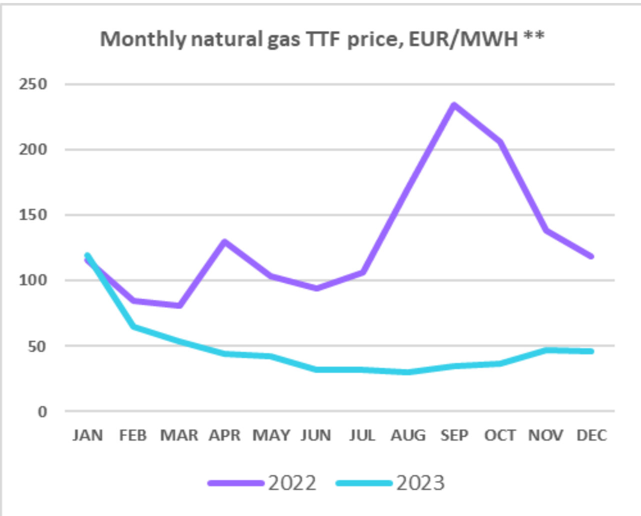
Objective overview of the Company's financial position, performance and development

In 2023, the Company continued the business expansion by increasing the customer base, expanding the sales channels and adding new services. The financial year was completed with a total of 24 employees.

In 2023, the supplied volume of electricity was 748 GWh and 294 GWh of natural gas.

Despite lower overall sales volumes and as a result of improved sales strategy the Company managed to continue to increase the number of customers. Due to significant decrease and stabilisation of electricity and natural gas prices in 2023 compared to 2022 (see charts below), turnover decreased from EUR 273.32 million to EUR 102.46 million.





* - source: https://data.nordpoolgroup.com
** - source: https://www.ice.com/report/282

In 2023, activities resulted in a net loss of EUR 2 999 thousand, compared to a net profit of EUR 6 295 thousand in 2022.

Financial indicators, in thousands EUR	2023	2022	Δ	Δ,%
Revenue	102 459	273 322	(170 863)	(62.51%)
Cost of Goods sold	(98 908)	(273 342)	(174 434)	(63.82%)
EBITDA APM	(2 961)	7 070	(10 031)	(141.88%)
Net profit	(2 999)	6 295	(9 294)	(147.64%)

APM *Alternative Performance Measures - Adjusted figures used in this report refer to measures used for internal performance management. These indicators are not defined by International Financial Reporting Standards (IFRS) and do not comply with IFRS requirements. Definitions of alternative performance measures are available on the Ignitis Group website: https://ignitisgrupe.lt/sites/default/files/public/2024-02/Alternative%20Performance%20Measures_2024.pdf*

EBITDA

In 2023, the EBITDA amounted to EUR -2 961 thousand and was lower by 141.9% or EUR 10 031 thousand than in the same period of 2022. In 2023, EBITDA margin was -2.9% (2.6% in the same period of 2022). The main reason behind the change in EBITDA was loss from change in mark-to-market of ineffective financial derivatives positions (EUR -10 543 thousand).

Statement of financial position

Assets

As at 31 December 2023, total assets reached EUR 25.4 million (EUR -47.8 million compared to 31 December 2022). The decline was mainly influenced by the decrease in outstanding amount of trade receivables (EUR -26.1 million) and fair value of derivative financial instruments (EUR -24.8 million) as at the year end. The common reason for the decline of the mentioned asset groups is the de-crease and stabilisation in market prices of commodities.

Equity capital

As at 31 December 2023, equity amounted to EUR 11.8 million (EUR -20.8 million compared to 31 December 2022). The change in equity was influenced by decrease in cash flow hedges reserve (EUR -17.8 million) and change in retained earnings (EUR -3.0 million).

Liabilities

As at 31 December 2023, liabilities amounted to EUR 13.7 million (EUR -26.9 million compared to 31 December 2022). The decrease was due to the repayment of loans (EUR -15.0 million repaid). The fall in commodity prices also led to a significant decrease in trade payables (EUR -11.9 million).

Statement of financial position, EUR thousand

	31/12/2023	31/12/2022	Δ	Δ, %
Non-current assets	5 134	3 681	*1 453*	*39.5%*
Current assets	20 306	69 402	*(49 096)*	*(70.7%)*
TOTAL ASSETS	**25 440**	**73 083**	***(47 643)***	***(65.2%)***
Equity capital	11 787	32 624	*(20 837)*	*(63.9%)*
Total liabilities	13 653	40 459	*(26 806)*	*(66.3%)*
Non-current liabilities	349	0	*349*	*(100.0%)*
Current liabilities	13 304	40 459	*(27 155)*	*(67.1%)*
TOTAL EQUITY AND LIABILITIES	**25 440**	**73 083**	***(47 643)***	***(65.2%)***
Turnover of assets APM	2.1	2.1	*0.0*	*(0.0%)*
Return on Assets (ROA) APM	(6.1%)	4.8%	*n/a*	*(10.9 pp)*
Current ratio APM	1.5	1.7	*(0.2)*	*(11.8%)*
Net Working capital/Revenue APM	6.5%	10.6%	*n/a*	*(4.1 pp)*

APM *Alternative Performance Measures - Adjusted figures used in this report refer to measures used for internal performance management. These indicators are not defined by International Financial Reporting Standards (IFRS) and do not comply with IFRS requirements. Definitions of alternative performance measures are available on the Ignitis Group website: https://ignitisgrupe.lt/sites/default/files/public/2024-02/Alternative%20Performance%20Measures_2024.pdf*

Other information

The Company's activities comply with the requirements stipulated by the relevant environmental laws.
The system on variable remuneration and performance assessment was used in the Company's activities in 2023. The remuneration of the Company's employees consists of fixed and variable components. The fixed component of the remuneration is established based on the position held and the competence of the employee. The variable component of the remuneration is paid for measurable performance results, i.e, with respect to each position for the achievement of set objectives.
On the 31st of December 2023, the Company employed twenty four employees. In comparison, on 31st of December 2022, the Company employed eighteen employees.
The Company did not hold its own shares at the beginning of the reporting period and did not acquire any of its own shares during the reporting period.
The Company had no branches or representative offices during the reporting period.
In 2023, the Company had no research and development activities.
During 2023, the Company has continued to use SWAP agreements with parent company Ignitis UAB with the purpose to use derivative financial instruments to manage the market risk related to electricity purchase price. In addition gas SWAP agreement was continued with parent company Ignitis UAB.

Significant events after the end of the reporting financial year and plans for future

On February 6, 2024, the Cabinet of Ministers approved amendments to the "Regulations of Electricity Trade and Use", including the terms of the net settlement system and the universal net settlement system service. Starting from May 1, 2024 electricity traders are obliged to include the universal net settlement system service in their range of offers.
In 2024, the Company plans to increase the sales of electricity by continuing to create new pricing products to be more flexible and satisfy customer demands, as well as maintain competitive price mark-up levels. The Company also plans to increase the portion of green energy (produced from renewable sources) in electricity sales portfolio. Natural gas sales will continue but at a limited volume. Also, the Company plans to continue investments and development of the „Ignitis ON“ EV charging network in Latvia.

2.2 Strategy

Our purpose and integrated strategy

Ignitis Latvija SIA is an important part of Ignitis Group integrated business model and strategy. Ignitis Group is a renewables-focused integrated utility and the largest energy group in the Baltics.

Our shared purpose is to create a 100% green and secure energy ecosystem for current and future generations. We are enhancing our contribution to the decarbonisation and energy security in our region by accelerating the green energy transition in the Baltics and creating a purely green energy system. The Group's purpose-driven priorities:

1. **Green** (growing green and flexible capacity)
2. **Flexible** (creating a flexible system that operates on 100% green energy in 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)

The Group is planning to deliver 4–5 GW of installed green and flexible capacities by 2030 and reach net zero emissions by 2040–2050 by developing a green generation portfolio with a focus on offshore wind, onshore hybrid, Power-to-X and storage technologies while leveraging our integrated business model.

Integrated utility 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

Ignitis Latvija SIA operates within Customers & Solutions segment, engaging in the following primary activities:

- Sales of Electricity and Natural Gas
- Construction and sale of solar energy stations, contributing to sustainable energy solutions.
- EV Charging Network Development – the Company plays a pivotal role in expanding the electric vehicle charging infrastructure in Latvia.

Sustainability and ESG priorities

We deliver our strategy by focusing on decarbonization based on the science-based targets, promoting safety at work with a focus on TRIR and zero fatal accidents, taking care of employee experience driven by well-being, learning and growth, equal pay, diversity, and inclusion initiatives, promoting diversity at top management level and creating sustainable value through our sustainable investments and returns.

Our values

We are a diverse team of energy smart people united by a common purpose.

RESPONSIBILITY GROWTH PARTNERSHIP OPENNESS

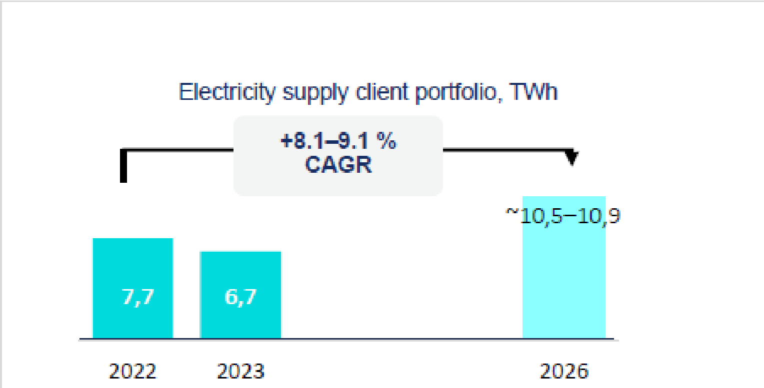
Strategic priorities, targets and key performance indicators

Strategic priorities

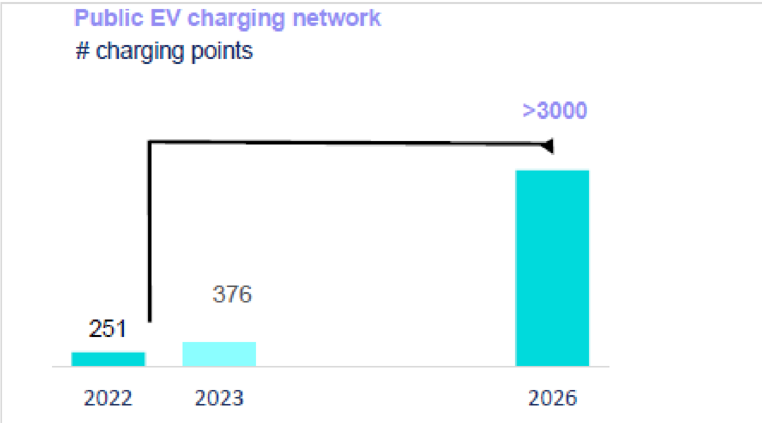
The Ignitis Group strategy for 2023 includes the following strategic priorities of Ignitis:

1. Utilising and further expanding customer portfolio to enable Green Generation build-out;
2. Building a leading EV public charging network in the Baltics;
3. Speeding up the transition from natural gas to electricity.

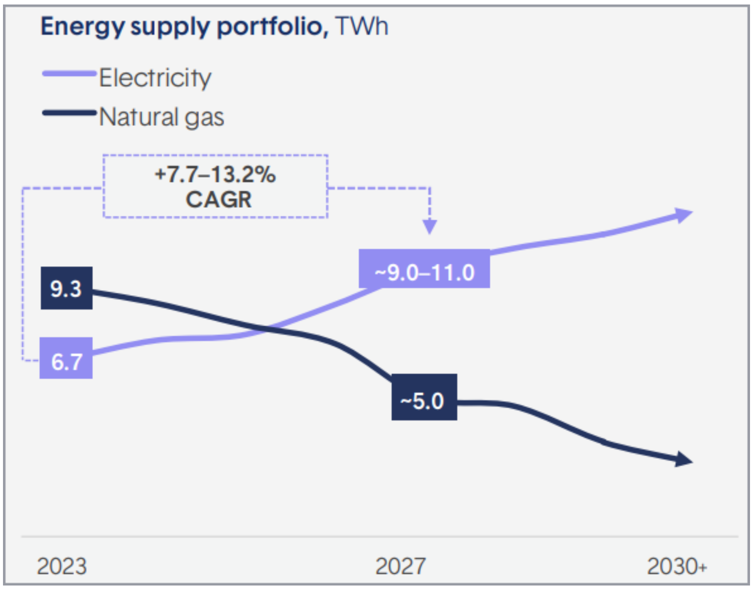
The first priority: Utilising and further expanding customer portfolio to enable Green Generation build-out. Expanding electricity supply portfolio to accelerate the green transformation of our customers.



The second priority: Building a leading EV public charging network in the Baltics. Targeting to reach about 50% market share of public EV charging infrastructure by 2026.



The third priority: Speeding up the transition from natural gas to electricity. We aim to optimize our retail gas supply portfolio to ~5.0 TWh in 2026 and committed to reduce further by securing supply levels required for the security of energy system during the energy transition period.


Energy supply portfolio, TWh
Electricity
Natural gas
+7.7–13.2%
CAGR
9.3
6.7
~9.0–11.0
~5.0
2023
2027
2030+

Governance

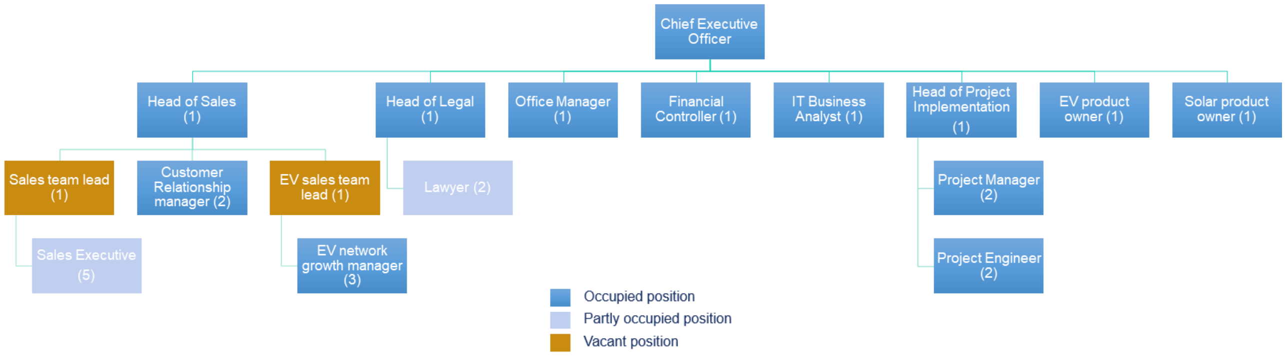
3.1 Governance framework

Governance model of the Company

In accordance with the Company's Articles of Association, the Company's management is carried out by the Management and Supervisory boards.

The Management Board is the executive institution of the Company, which manages and represents the Company. The Supervisory Board is the supervisory institution of the Company, which represents the interests of the shareholder – Parent Company during the time periods between the meetings of shareholder and supervises the activities of the Management Board within the scope specified in the Commercial Law and the Articles of Association. The competencies of the Management and Supervisory boards, the procedure of decision-making, election and removal of its members are established by the Commercial law and Articles of Association.

The organizational structure of the Company is represented in the following chart.



Shareholders

The Company belongs to Ignitis UAB, which is registered in Republic of Lithuania, and ultimately to the Lithuania state-owned energy-holding group of companies AB Ignitis grupė. The principal shareholder of the Company's ultimate parent company is the Ministry of Finance of the Republic of Lithuania (74.99%).

3.2 Management and Supervisory Board

Overview

The Company's Supervisory Board is a collegial supervisory body. The competence of the Supervisory Board, the procedures of decision-making, election and revocation of members are determined by the laws, other legal acts and the Company's Articles of Association. The Supervisory Board is a collegial body performing supervision of the activities of the Company.

The Supervisory Board of the Company is composed of 3 (three) members – natural persons. The Supervisory Board shall be appointed by the Shareholders' Meeting in the form of a resolution for 4 (four) years. The term of office of the Supervisory Board members shall expire on the day on which the Shareholders' Meeting is convened to approve financial statements for the last full financial year in which the members served on the Supervisory Board. The members of the Supervisory Board may be dismissed at any time by the resolution of the Shareholders Meeting.

Functions and responsibilities of the Supervisory Board

– approval of the Company's budget, business strategy, operational plan, and objectives (goals);

– assessment of the report of the Management Board on the Company's activities and the financial statement for the preceding financial year in terms of their compliance with the books and documents as well as with the factual circumstances;

– assessment of Management Board's draft decision on distribution of the Company's profit (loss);

– assessment of the draft decision on the allocation of dividend for the period shorter than the financial year;

– assessment of the set of financial statements drawn up for making a decision on the allocation of dividends for the period shorter than the financial year and the interim report;

– granting consent for decision on the Company's becoming a founder or a participant of other legal entities;

– supervising activities of the Management Board and the CEO.

The Management Board is a management body of the Company which manages and represents the Company. The Management Board shall report to the Supervisory Board and General Meeting. The Management Board consists of 1 (one) board member who represents the Company solely and is elected for the term of office of 4 (four) years. The competence of the Management Board, the procedure of adoption of decisions, election and recall of the Management Board members is laid down by laws, other legal acts, the present Articles of Association and the Rules of Procedure of the Management Board.

Functions and responsibilities of the Management Board

- ensure the implementation of the operating strategy of the Company;
- organise the Company's activities;
- be responsible for preparation of the statements on the financial position of the Company;
- be responsible for preparation of the statements on the Company's results of economic activities, income and cost estimates, stocktaking and other accounting data of changes in assets;
- be responsible for preparation of the set of annual financial statements of the Company, the set of interim financial statements of the Company prepared for the purpose of adoption of a decision on the allocation of extraordinary dividends for a period shorter

than the financial year, draft distribution of the Company's profit (loss) and draft decision on dividends for a period shorter than the financial year;

– approve the work regulations of the Company;
– employ and dismiss employees, conclude and terminate employment contracts with them, provide incentives and impose disciplinary actions;
– open and close accounts with banks and dispose the Company's funds held in such accounts;
– represent the Company before court, arbitration, other institutions and in relationships with third parties;
– issue powers of attorney and authorisations;
– guarantee the protection of the Company's assets, creation of the appropriate working conditions for the Company's employees, protection of commercial secrets and confidential information of the Company;
– publish the information specified by legal acts in accordance with the procedure laid down in these Articles of Association;
– ensure the submission of the Company's documents and data to the Enterprise Register;
– provide information to shareholders in the cases provided for by laws and these Articles of Association, or at their request;
– conclude an agreement with an sworn auditor (audit firm of sworn auditors) and ensure the submission of all documents of the Company required for the audit;
– undertake decisions on the Company's becoming a founder or a participant of other legal entities or transfer the shares or other rights granted by them that are owned by Company;
– open branches and representative offices of the Company;
– undertake decisions on the approval of the procedure of allocation of charity and sponsorship;
– undertake decision on the provision of charity and sponsorship or other disposal of assets without consideration in accordance with the procedure approved by the Supervisory Board;
– determine guidelines and regulations, annual financial plans, the annual rate of return on assets, maximum rates of debt liabilities of subsidiaries, and the determination of other operating parameters of the Company's subsidiaries in line with requirements of legal acts;
– participate and vote at General Meetings of Shareholders of companies in which the Company is a shareholder;
– other matters attributed to the competence of the Management Board by virtue of other legal acts, Articles of Association or by the General Meeting.

Members of the Supervisory Board

Name	Position	from	to
Artūras Bortkevičius	Chair of the Supervisory Board	2021-10-08	present
Andrius Kavaliauskas	Member of the Supervisory Board	2022-07-15	present
Darius Šimkus	Deputy chair of the Supervisory Board	2022-10-28	present

Members of the Management Board

Name	Position	from	to
Kristaps Muzikants	Member of the Management Board	2019-10-24	present

Members of the Supervisory Board

	Description	Experience	Education	Other current place of employment, position
	**Artūras Bortkevičius** Chair of the Supervisory Board Term of office: from 08 October 2021	Over past years, Artūras Bortkevičius held the position of the Head of Finance and Business Support at UAB Ignitis. Up until then he held the position of the Head of Finance for the Baltic States at the international pharmaceutical company Sandoz Pharmaceuticals. He also worked as a financial expert at the consulting company Frauditoriai, he held the postilion of the Head of Finance at the company Ceres S.P.A. of the Danish group Royal Unibrew. He was also gaining experience at the Kalnapilis - Taurus group and Sicor Biotech.	Bachelor's degree in applied accounting, Oxford Brookes University, the United Kingdom (2003 - 2005) 2002 – 2006 Certified Public Accountants Association 1995 – 2000 Bachelor's degree in business administration LCC international University, Lithuania	Main employer - UAB Ignitis, CEO, Member of the executive committee. Other managerial positions held: Ignitis Polska Sp. z o.o., Supervisory Board Member.
	**Darius Šimkus** Deputy chair of the Supervisory Board Term of office: from 28 October 2022	Darius Šimkus first began his activities in energy sector in 2018 when he joined the team of Finance and Risk Management of the company Energijos Tiekimas as Head of Risk Management; and since 2019 he has become Head of Risk Management and Compliance after the company was merged to Lietuvos Energijos Tiekimas. Before that, he was working in the field of audit for the company Deloitte and gained experience in the sector of finance at the commercial bank Swedbank.	2012 – 2014 Master's degree in financial mathematics, Uppsala University, Sweden. 2008 – 2012 Bachelor's degree in statistics, Vilnius University, Lithuania. 2010 – 2011 Mathematical Statistics (Erazmus programme), Lund University, Sweden.	Main employer - UAB Ignitis, Head of Finance and Business Support, Member of the executive committee. Other managerial positions held: Ignitis Suomi OY, Management Board member.
	**Andrius Kavaliauskas** Member of the Supervisory Board Term of office: from 15 July 2022	Andrius Kavaliauskas joined the group of Lietuvos Energija in 2018 and became Head for Private Customers and Service Development at Lietuvos Energijos Tiekimas. Before that, he worked for Franmax and has gained large scale experience in the field of telecommunications (he has worked for companies TEO, Omnitel, Telia Lietuva) and finance sector - he has worked for the investment management and private banking group Finasta for almost seven years.	2016 – 2018 Baltic Management Institute, Lithuania 2013-2014 IT/IP business development programme, KTH Royal Institute of Technology, Sweden Master's degree in international business finance, Vilnius University, Lithuania (2008-2010) 2004 – 2008 Bachelor's degree in economics, Vilnius University, Lithuania	Main employer - UAB Ignitis, Head of Private Customers, Member of the executive committee. Other managerial positions held: The Electronic Payments Agency, Chairman of the Management Board.

Members of the Management Board

	Description	Experience	Education	Other current place of employment, position
	**Kristaps Muzikants** Member of the Management Board, CEO Term of office: from 24 October 2019	Before joining the Company, Kristaps Muzikants has been working as Business unit manager in an IT company Exigen Services Latvia as well as an Executive of Sales and IT in Partner Broker – Insurance Brokers Company	2006 – 2008 Master's degree in Economics and business administration, RISEBA University 2012 – 2014 Master's degree in Business Informatics, Riga Technical University	Main employer - Ignitis Latvija SIA, Chief Executive officer, Management Board Member.

Financial statements

4.1 Company's financial statements

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

The Company's financial statements were prepared and signed by the management of SIA Ignitis Latvija on 3 September 2024:

Kristaps Muzikants	**Lilita Beķere**
Chief Executive Officer	SIA Numeri (provider of the accounting services) Member of the Board

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

EUR thousand	Notes	2023	2022 (restated)[1]
Revenue from contracts with customers	7	102,459	273,322
Other income	8	440	9,521
Total revenue and other income		**102,899**	**282,843**
Purchases of electricity, natural gas and other services	9	(98,908)	(273,342)
Salaries and related expenses		(1,050)	(672)
Depreciation and amortisation		(139)	(123)
Repair and maintenance expenses		(11)	(5)
Other expenses	10	(5,891)	(1,757)
Total expenses		**(105,999)**	**(275,899)**
Operating profit (loss)		**(3,100)**	**6,944**
Finance income	11	281	156
Finance expenses	11	(180)	(805)
Finance activity, net		**101**	**(649)**
Profit (loss) before tax		**(2,999)**	**6,295**
Income tax (expenses)/ benefit		-	-
Net profit (loss) for the year		**(2,999)**	**6,295**
Items that may be reclassified to profit or loss in subsequent periods (net of tax)			
Cash flow hedges – effective portion of change in fair value	22	(16,473)	31,703
Cash flow hedges – reclassified to profit or loss	22	(1,362)	(20,589)
Items that may be reclassified to profit or loss in subsequent periods, total		**(17,835)**	**11,114**
Total other comprehensive income (loss) for the year		**(17,835)**	11,114
Total comprehensive income (loss) for the year		**(20,834)**	**17,409**

[1] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2022 due to reclassifications. See more information disclosed in Note 6.*

Statement of financial position

As at 31 December 2023

EUR thousand	Notes	31 December 2023	31 December 2022 (restated)[1]
ASSETS			
Intangible assets		126	119
Property, plant and equipment	12	3,982	127
Right-of-use assets		260	-
Prepayments for non-current assets		695	-
Non-current receivables		71	34
Other non-current assets	22	-	3,401
Non-current assets		**5,134**	**3,681**
Inventories	13	1,986	1,909
Prepayments and deferred expenses		600	186
Trade receivables	14	6,375	16,335
Other receivables	15	9,510	25,523
Other current assets	22	411	21,739
Cash and cash equivalents	16	1,424	3,710
Current assets		**20,306**	**69,402**
TOTAL ASSETS		**25,440**	**73,083**
EQUITY AND LIABILITIES			
Share capital	17	11,500	11,500
Reserves	18	615	18,450
Retained earnings (deficit)		(328)	2,674
Equity		**11,787**	**32,624**
Non-current lease liabilities	20	250	-
Other non-current liabilities	22	99	-
Non-current liabilities		**349**	**-**
Loans	19	2,017	17,060
Lease liabilities	20	10	-
Trade payables		2,581	6 740
Advances received	7	725	474
Other current liabilities	21	7,971	16 185
Current liabilities		**13,304**	**40,459**
Total liabilities		**13,653**	**40,459**
TOTAL EQUITY AND LIABILITIES		**25,440**	**73,083**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2022 due to reclassifications. See more information disclosed in Note 6.

Statement of changes in equity

For the year ended 31 December 2023

EUR thousand	Notes	Share capital	Other reserves	Retained earnings (deficit)	Total
Balance as at 1 January 2022		**11,500**	**7,335**	**(3,621)**	**15,214**
Net profit (loss) for the year		-	-	6,295	**6,295**
Other comprehensive income (loss)					
Cash flow hedges	22.1	-	11,114	-	**11,114**
Total other comprehensive income (loss) for the year		**-**	**11,114**	**6,295**	**17,409**
Balance as at 31 December 2022		**11,500**	**18,450**	**2,674**	**32,624**
Balance as at 1 January 2023		**11,500**	**18,450**	**2,674**	**32,624**
Net profit (loss) for the year		-	-	(2,999)	**(2,999)**
Other comprehensive income (loss)					
Cash flow hedges	22.1	-	(17,835)	-	**(17,835)**
Total Other comprehensive income (loss) for the year		**-**	**(17,835)**	**(2,999)**	**(20,834)**
Balance as at 31 December 2023		**11,500**	**615**	**(328)**	**11,787**

Statement of cash flows

For the year ended 31 December 2023

EUR thousand	Notes	2023	2022 (restated)[1]
Net profit (loss) for the year		(2,999)	6,295
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses		139	123
Impairment/(reversal of impairment) of financial assets		(485)	(266)
Change in fair value of derivatives	22.1	6,993	(3,551)
Interest expenses	11	179	806
Other finance costs (income) of financing activities		(280)	(154)
Changes in working capital:			
(Increase)/decrease in trade receivables and other amounts receivable		28,636	1,767
(Increase)/decrease in inventories, prepayments and deferred expenses		(2,400)	(2,040)
Increase/(decrease) in trade payables, advances received and other current liabilities		(15,172)	17,001
Net cash flows from operating activities		**14,611**	**19,981**
Acquisition of property, plant and equipment and intangible assets		(1,674)	(64)
Net cash flows from investing activities		**(1,674)**	**(64)**
Credit line, net change	20	(15,000)	(18,600)
Interest paid	20	(222)	(797)
Net cash flows from financing activities		**(15,222)**	**(19,397)**
Increase/(decrease) in cash and cash equivalent		**(2,285)**	**521**
Cash and cash equivalents at the beginning of the year	16	3,709	3,189
Cash and cash equivalents at the end of the year	16	**1,424**	**3,710**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2022 due to reclassifications. See more information disclosed in Note 6.

Explanatory Notes

1 General information

Ignitis Latvija SIA (hereinafter referred to as 'the Company') is a limited liability company registered in the Republic of Latvia. The Company was registered on 28 February 2013 with the Commercial register of Republic of Latvia. The Company's registered office address is Gustava Zemgala gatve 74A, LV-1039, Riga, Latvia. Company code 40103642991, VAT identification code LV40103642991. The Company has been founded for an indefinite period. Reporting period is one year ended 31 December 2023.

The Company has received the electricity and gas trader's licences. The Company's core line of business is independent supply of electricity, including supply, scheduling, forecasting, balancing, purchasing and sales of balancing energy, trade intermediation, import, export of electricity, and other activities directly related thereto not prohibited by laws.

The Company's shareholders were:

	31 December 2023		31 December 2022	
	Number of shares held	%	Number of shares held	%
Ignitis UAB	11,500,000	100.00	11,500,000	100.00
Total	**11,500,000**		**11,500,000**	

The Company's parent company is UAB "Ignitis" (company code 303383884, registered address Laisvės Ave. 10, LT-04215 Vilnius, Lithuania), which owns 100% of shares of the Company as at 31 December 2023 and 2022. UAB "Ignitis" parent company is AB Ignitis grupė (company code 301844044, registered address Laisvės Ave. 10, LT-04215 Vilnius, Lithuania), which owns 100% shares as at 31 December 2023 and 2022. As at 31 December 2023 and 2022, the shareholders of AB Ignitis grupė were the Ministry of Finance of the Republic of Lithuania (74.99%) and retail and institutional investors (25.01%).

AB "Ignitis grupė" is the ultimate controlling company. The Group comprises AB Ignitis grupė and all of its subsidiaries (hereinafter collectively referred to as 'the Group').

The financial statements of the Company have been prepared and signed by the Company's management on 3 September 2024. The Company's shareholders have a statutory right to approve or not to approve these financial statements and to require the preparation of a new set of the financial statements.

2 Basis of preparation of the financial statements

2.1 Basis of accounting principles

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

The Company's financial statements as at and for the year ended 31 December 2023 have been prepared on a going concern basis applying measurement based on historical acquisition cost, except for certain financial instruments measured at fair value.

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. Some positions of statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows have been restated compared to 2022 for presentation purposes (Note 6)

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 in statement of profit or loss.

3 Summary of material accounting policies

3.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these financial statements are consistent with the accounting policies applied in the preparation of the Company's annual financial statements for the year ended 31 December 2022, with the exception of the new standards which entered into force during the year of 2023.

3.1.1 New standards, amendments and interpretations

Material accounting policy information

The Company has adopted 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 provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

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

The following are new standards and/or amendments to the standards that have been approved by IASB and endorsed in European Union during the year ended as at 31 December 2023.

Standards or amendments that came into force during the year of 2023
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS12)
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.

3.1.3 Standards issued but not yet effective and not early adopted

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

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

Other new standards or amendments	IASB Effective date	EU Endorsement status
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Endorsed
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 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 pattern of transfer to the customer. Promised goods or services represent separate performance obligation if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:

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

The Company's performance obligations set out in the agreements with customers are as follows:

- Sale of electricity (Note 3.2.1)
- Sale of natural gas (Note 3.2.2)
- Project-based services (Note 3.2.3)

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 Electricity related revenue

Revenue from the sale of electricity consists of sale of electricity to business customers (non-household customers). Revenue from the sale of electricity is recognized over time when electricity is delivered to and consumed by the customer and invoiced, generally, on a monthly basis for goods sold in the previous month, based on the calculated amount of electricity consumed multiplied by the agreed transaction price per measurement unit of electricity. Electricity consumption is calculated on the basis of the declared supplied electricity quantity meter readings provided by electricity distribution system operator.

3.2.2 Gas related revenue

Revenue from the sale of gas consists of natural gas sales to business customers (non-household customers). Revenue from the sale of natural gas to customers is recognised over time when gas is delivered to and consumed by the customer and invoiced, generally, on a monthly basis for goods sold in the previous month, based on the calculated amount of gas consumed multiplied by the agreed transaction price per measurement unit of gas. Gas consumption is calculated on the basis of the supplied gas quantity readings devices provided by and verified by the gas distribution system operator.

3.2.3 Revenue from project activities

Project-based activity comprise a number of interrelated works. Accordingly, the promise of the seller to render solar park, power saving, electric car charging and other installation services to the customer is identified as a performance obligation in the agreement concluded with the customer. The performance obligation under the agreement concluded with the customer is to be carried as soon as the object specified in the contract has been transferred to the customer. The progress of completion of the performance obligation is measured using the input method. The Group has determined that the input method, on the basis of costs incurred, provides an appropriate measure of progress towards complete satisfaction of the performance obligation.

After the completion of construction and contractual works, the seller grants a warranty period for these works and goods used. Pursuant to paragraph B31 of IFRS 15, whether the warranty is required by law, the warranty is aimed at protecting customers from the risk of purchasing defective products, therefore, it is not deemed a separate performance obligation of the seller.

The agreement concluded with the customer indicates the total price that the seller will recognise as revenue upon execution of the performance obligation over the validity period of the agreement. The seller and the customer may agree that the consideration for contractual works might increase due to additional works or other costs, but no variable consideration arises in the agreement concluded with the customer as a result of this condition.

Revenue under the agreement concluded is recognized at the point in time when the contractual obligations are finished and transfer – acceptance act is signed by both parties.

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 on a straight-line basis over the useful lives established for property, plant and equipment.

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

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

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

Depreciation periods (number of years):

Category of property, plant and equipment	Useful lives (number of years)
Other property, plant and equipment	2–5

3.4 Right-of-use assets

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

3.4.1 Initial measurement of right-of-use assets

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

3.4.2 Subsequent measurement of right-of-use assets

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

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

Depreciation of right-of-use assets is calculated on a straight-line basis, depreciation period is set according to the period of the agreement.

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

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

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 three categories:

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

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

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (hereinafter referred to as '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. Impairment loss is accounted for as the cost of receivables 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 have 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 is as follows:

3.5.1.1 Financial assets subsequently measured at FVOCI

The Company only has derivatives subsequently measured at FVOCI. More information is disclosed in Note 24.1.

3.5.1.2 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.

3.5.1.3 Financial assets at FVPL

Debt and equity instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at FVOCI are stated as financial assets to be measured at FVPL. The Company includes Derivatives in this category (see Note 24.1).

3.5.1.4 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 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, prepayment, 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).

3.5.1.5 Impairment of financial assets – expected credit losses (hereinafter referred to as 'ECL')

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.

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

ECL are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Lifetime expected credit losses are ECL that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it is used to assess changes in credit risk. Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable information, including forward-looking information.

The Company assesses impairment of amounts receivable collectively.

3.5.1.6 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event for more than 90 days;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or another financial;
(e) the disappearance of an active market for that financial asset because of financial;
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit.

The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

3.5.1.7 Derecognition of financial assets

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

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

3.5.1.8 Financial liabilities and equity instruments issued

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

3.5.1.9 Initial recognition and measurement of financial liabilities

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

3.5.1.10 Subsequent measurement

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

3.5.1.11 Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred principally for the purpose of repurchasing them in the near term. This category also includes derivatives entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gain or loss arising from financial liabilities held for trading is recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

3.5.1.12 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.

3.5.1.13 Derivative financial instruments and hedge accounting

The Company enters into derivative financial instruments transactions related to purchase and sale prices of electricity and natural gas.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

3.5.1.14 Presentation

Fair value of derivative financial instruments is presented in the statement of financial position as “Other non-current assets”, “Other current assets”, “Other non-current liabilities” and “Other current liabilities” (Note 24.1).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in statement of profit or loss and other comprehensive income either as “Other income” (Note 7), if result for a period of such derivatives is profit, or “Other expenses” if result of such derivatives for a period is loss (Note 9).

Changes in fair value and the result of financial instruments that have been settled and that are held for hedging and that qualify for hedge accounting are accounted for as follows:

3.5.1.15 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in the statement of financial position, in the hedging reserve, Ineffective portion is recognised immediately in the statement of profit or loss in “Other income” or “Other expenses”. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. For a derivative to be considered effective for hedge accounting purposes, the coverage of the value of the hedged item shall be at least 67% and not more than 150%.

When cash flow hedges are realised, gain or losses are transferred from equity and recognised in the statement of profit or loss as “Purchases of electricity, natural gas and other services”. Monetary change in fair value of effective hedging instruments is shown in the statement of cash flows under “(Increase) decrease in trade and other non-current and current receivables”; change in fair value of ineffective derivatives is shown in the statement of cash flows under “Change in the fair value of derivatives”.

3.6 Inventories

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

3.7 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. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

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

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

3.8 Employee benefits

The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan and tariffs specified by the local laws. A defined contribution is a 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. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses. Wages and salaries, contributions to the State Social Security Fund, paid annual leave, paid sickness leave are accumulated in the year, in which they are earned by the Company's employees.
The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

3.9 Fair value

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

– in the principal market for the asset or liability

or

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

– Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
– Level 2: fair value of assets is based on other observable market data, directly or indirectly;
– Level 3: fair value of assets is based on non-observable market data.

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

4 Risk management

4.1 Overview

Risks are a natural and integral part of business activities, and risk profile changes continuously. The Company aims to mitigate its risks and reduce them to an acceptable level through risk management. This part describes only the management of the main financial risks. Other risks management are presented in the Governance report.

4.2 Financial risk factors

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

4.2.1 Market risk

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

4.2.1.1 Interest rate risk

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

The Company's cash flows are affected by fluctuations in market interest rates. As at 31 December 2023, the Company had payable loan with a variable interest rate; therefore, it is exposed to interest rate risk.

Assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. If the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount, interest rate derivatives would be used for the purpose of interest management. The aim is that non-current loans with fixed interest rates comprised no less than 50% of the Company's non-current loans portfolio. The usage of any of the interest rate derivatives requires the expiry date of the derivative to correspond to the maturity date of the debt obligation.

The risk of adverse changes in the interest rate of the investment is not actively insured. Risk management measures are applied only when the market has obvious indications that the interest rate might significantly decrease, resulting in negative investment returns.

As at 31 December 2023, loans received with variable interest rate amounted to EUR 2,017 thousand (EUR 17,060 thousand as at 31 December 2022).

Interest rate risk is assessed in relation to sensitivity of the Company's profit to potential shift in interest rates. This assessment is given in the table below.

	Increase/decrease, percentage points	(Decrease)/increase in profit, EUR thousand
2023	1,0/(1,0)	(35)35
2022	1,0/(1,0)	(219)/66

As at 31 December 2023, the Company had no active interest rate swaps.

4.2.1.2 Energy and commodity risk

Commodity risk is the risk that changes in market prices (i.e. commodity prices) will affect the Company's results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company uses derivatives to manage the commodity risk. All such transactions are carried out according to Group's risk management policy. Generally, the Company seeks to apply hedge accounting to manage volatility in the statement of profit or loss.

In the ordinary course of its operations, the Company is exposed to commodity risks on natural gas and electricity products. The source of exposure lies with cash flows from sales of natural gas and electricity or cost cash flows incurred to procure fixed price electricity/natural gas power for sales contracts. Majority of this type of exposure is based on changes of respective commodity price in the market that the Company operates.

Commodity risk arises primarily from the following activities:

– fixed price commodity sales contracts (electricity and natural gas);
– fixed price natural gas purchases contracts.

In order to manage commodity risk, the Company enters into financial derivatives contracts (cash flow hedges). This is performed in order to secure a fixed acquisition price of the above mentioned commodities, so that optimum profit margins could be obtained from contracted or expected fixed price sales.

Overview of the Company's derivatives positions:

EUR thousand	31 December 2023		31 December 2022	
	Contractual nominal value*	Market value	Contractual nominal value*	Market value
Over the counter (OTC) derivatives – Electricity	6,577	312	15,826	22,621
Gas price derivatives	-	-	-	2,519
Total	**6,577**	**312**	**15,826**	**25,140**

*- calculated as: (Contract quantity (MWh)) multiplied by (Total Hours over the contract period) multiplied by (Contract Price (EUR per MWh))

Nominal amounts (quantities in GWh) hedged:

	31 December 2023		
GWh	2024	2025	2026
Electricity hedges	106	152	-
Total	**106**	**152**	**-**

Nominal values hedged:

	31 December 2023		
EUR thousand	2024	2025	2026
Electricity hedges	2,854	3,723	-
Total	**2,854**	**3,723**	**-**

Negative amount indicates that there are more "sell" positions than "buy" positions.

4.2.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's exposure to credit risk arises from operating activities (trade and other amounts receivable) and from other activities (derivatives). The Company's risk related to cash is limited, as the Company keeps cash balances only in reliable financial institutions.

The Company is not exposed to significant credit risk concentration related to trade and other amounts receivable.

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

The maximum exposure to credit risk is equal to the carrying amount of financial assets.

EUR thousand	Note	31 December 2023	31 December 2022
Financial assets measured at amortised cost:			
Trade receivables	14	6,375	16,335
Cash and cash equivalents	16	1,424	3,709
Financial assets measured at FVPL or FVOCI			
Derivatives	22.1	312	25,140
		8,111	**45,184**

4.2.3 Liquidity risk

The liquidity risk is managed by planning future cash flows of the Company and ensuring sufficient cash and availability of funding through credit line to support the Company's ordinary activities. The refinancing risk is managed by ensuring that loans over a certain period were repaid from available cash, from cash flows expected from operating activities of the Company over that period.

As at 31 December 2023, the Company's current liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 1.53 and 1.38 respectively (31 December 2022: 1.72 and 1.67 respectively). As at 31 December 2023, the Company's balance of credit and overdraft facilities not withdrawn amounted to EUR 18,000 thousand (31 December 2022: EUR 44,000 thousand).

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

EUR thousand	Note	31 December 2023	31 December 2022
Amounts payable measured at amortised cost			
Loans	19	2,017	17,060
Lease liabilities		260	-
Trade payables		2,581	6,674
Other current liabilities	21	3,704	60
Total		**8,562**	**23,734**

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

	2023				
EUR thousand	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	Total
Loans	-	2,052	-	-	**2,052**
Lease liabilities	2	8	55	195	**260**
Trade payables	2,581	-	-	-	**2,581**
Other current liabilities	3,704	-	-	-	**3,704**
As at 31 December 2023	**6,287**	**2,060**	**55**	**195**	**8,597**

	2022				
EUR thousand	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	Total
Loans	-	17,472	-	-	**17,472**
Trade payables	6,674	-	-	-	**6,674**
Other current liabilities	60	-	-	-	**60**
As at 31 December 2022	**6,734**	**17,472**	**-**	**-**	**24,206**

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

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

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

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

5.1 Determining whether the Company acts as a Principal or an Agent in relation to electricity transfer, which includes both transmission and distribution, gas distribution services and gas transmission services

5.1.1 Electricity transmission and distribution services

In providing electricity transfer service, which includes transmission and distribution services, to end-users, the Company in Latvia acquires electricity transmission services from transmission grid operator, and in Latvia acquires electricity distribution services from distribution grid operator which is not a part of the Group. Management of the Company analysed related contracts with electricity transmission and distribution grid operators and contracts with customers, also evaluated applicable regulatory environment for the conclusion whether the Company is acting as a Principal or as an Agent in relation of electricity transfer (includes both transmission and distribution) services in Latvia, and the management has concluded that the Company acts as an Agent in relation to electricity transmission and distribution services acquired from the Latvian operator of electricity transfer system.

5.1.2 Gas distribution services

In providing gas distribution services to customers in Latvia – the Company acquires these services from the company which is not a part of the Group. Management of the Company analysed related contracts with the Latvian gas distribution grid operator and contracts with customers, also evaluated applicable regulatory environment and for the conclusion whether the Company is acting as a Principal or as an Agent in relation to gas distribution services in Latvia have considered arguments provided further:
- for gas distribution services the Company is not ultimately responsible, since according to the laws and regulations and agreements with customers the owner of the distribution grid takes full responsibility;
- the Company also does not bear inventory risk since price of distribution services is determined based on meter readings – i.e. distribution fee is charged to the Company only to the amount of gas consumed by the end-customer;
- the price of distribution component is determined by the grid operator, which is not a part of the Company, and approved by regulator.

Following the arguments presented above the Management has applied a significant judgement and concluded that the Company acts as an Agent in relation to gas distribution services acquired from the Latvian operator of gas distribution system.

5.2 Expected credit losses of trade receivables and other receivables

The Company's uses a provision matrix to calculate expected credit losses for trade receivables. The Company accounts for expected credit losses (hereinafter referred to as 'ECL') assessing amounts receivable on a collective basis applying provision matrixes adopted by the Company companies in respect of their clients.

For short-term 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.

5.2.1 Collective assessment of ECL applying provision matrix

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets – accrued revenues. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and probability of default.

The assessment of the correlation between historical observed default rates and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances. The Company's historical credit loss experience may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade receivables is disclosed in Note 13.

6 Restatement of comparative figures due to reclassifications

In 2023, the Company changed the presentation of Statement of profit or loss and other comprehensive income from expenses by function to expenses by nature in order to give more reliable information for the users of the financial statements. The Company presents below the restatement of statement of profit or loss and other comprehensive income for 2022, statement of financial position as of 31 December 2022 and statement of cash flows for 2022.

Retrospective corrections of statement of profit or loss and other comprehensive income for 2022:

EUR thousand	2022 before restatement	Restatement	2022 after restatement
Revenue from contracts with customers	273,322	-	273,322
Other income	9,263	258	9,521
Total revenue and other income	**282,586**	**258**	**282,843**
Purchase of electricity, natural gas and other services	(273,342)	-	(273,342)
Salaries and related expenses	-	(672)	(672)
Depreciation and amortisation	-	(123)	(123)
Repair and maintenance expenses	-	(5)	(5)
Other expenses	-	(1,757)	(1,757)
Selling expenses	(792)	792	-
Administrative expenses	(525)	525	-
Other operating income	414	(414)	-
Other operating expenses	(1,241)	1,241	-
Total expenses	**(275,486)**	**(413)**	**(275,899)**
Operating profit (loss)	**7,099**	**(155)**	**6,944**
Finance income	-	156	156
Finance expenses	(805)	-	(805)
Finance activity, net	**(805)**	**156**	**(649)**
Profit (loss) before tax	**6,295**	**-**	**6,295**
Income tax (expenses)/ benefit	**-**		**-**
Net profit (loss) for the year	**6,295**	**-**	**6,295**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss in subsequent periods (net of tax)			
Cash flow hedges – effective portion of change in fair value	31,703	-	31,703
Cash flow hedges – reclassified to profit or loss	(20,589)	-	(20,589)
Items that may be reclassified to profit or loss in subsequent periods, total	**11,114**	**-**	**11,114**
Total other comprehensive income (loss) for the year	**11,114**	-	11,114
Total comprehensive income (loss) for the year	**17,409**	**-**	**17,409**

Retrospective corrections of statement of financial position for 31 December 2022:

EUR thousand	31 December 2022	Restatement	31 December 2022 after restatement
ASSETS			
Intangible assets	-	119	119
Property, plant and equipment	246	(119)	127
Non-current receivables	34	-	34
Other non-current assets	3,401	-	3,401
Non-current assets	**3,681**	**-**	**3,681**
Inventories	1,909	-	1,909
Prepayments and deferred expenses	-	186	186
Trade receivables	-	16,335	16,335
Other receivables	-	25,523	25,523
Other current assets	-	21,739	21,739
Cash and cash equivalents	3,710	-	3,710
Trade and other receivables	42,044	(42,044)	-
Derivative financial instruments (current part)	21,739	(21,739)	-
Current assets	**69,402**	**-**	**69,402**
TOTAL ASSETS	**73,083**	**-**	**73,083**
EQUITY AND LIABILITIES			
Equity	**32,624**	**-**	**32,624**
Loans	17,060	-	17,060
Trade payables	-	6,740	6,740
Advances received	-	474	474
Other current liabilities	-	16,185	16,185
Trade and other payables	23,399	(23,399)	-
Current liabilities	**40,459**	**-**	**40,459**
Total liabilities	**40,459**	**-**	**40,459**
TOTAL EQUITY AND LIABILITIES	**73,083**	**-**	**73,083**

Retrospective corrections of statement of cash flows for 2022:

EUR thousand	2022	Restatement	2022 after restatement
Net profit (loss) for the year	6,295	-	6,295
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses	123	-	123
Impairment/(reversal of impairment) of financial assets	-	(266)	(266)
Change in fair value of derivatives	-	(3,551)	(3,551)
Interest expenses	806	-	806
Other finance costs (income) of financing activities	-	(154)	(154)
Changes in working capital:			
(Increase)/decrease in trade receivables and other amounts receivable	(2,375)	4,142	1,767
(Increase)/decrease in inventories and prepayments	(1,871)	(169)	(2,040)
Increase/(decrease) in trade payables	17,003	(2)	17,001
Net cash flows from operating activities	**19,981**	**-**	**19,981**
Acquisition of property, plant and equipment and intangible assets	(64)	-	(64)
Net cash flows used in investing activities	**(64)**	**-**	**(64)**
Interest paid	(797)	-	(797)
Credit line, net change	(18,600)	-	(18,600)
Net cash flows from financing activities	**(19,397)**	**-**	**(19,397)**
Increase/(decrease) in cash and cash equivalent	**521**	**-**	**521**
Cash and cash equivalents at the beginning of the year	3,189	-	3,189
Cash and cash equivalents at the end of the year	**3,710**	**-**	**3,710**

7 Revenue from contracts with customers

7.1 Revenue from contracts with customers by type

EUR thousand	2023	2022
Electricity related revenue		
Revenue from the sale of electricity	78,401	235,602
Gas related revenue		
Revenue from gas sales	22,183	37,018
Other revenue		
Revenue from sale of Solar stations	1,875	700
Other revenue from contracts with customers	-	2
Total	**102,459**	**273,322**

The Company's revenue based on the timing of transfer of goods or services:

EUR thousand	2023	2022
Performance obligation settled over time	100,584	272,620
Performance obligation settled at a point in time	1,875	702
Total	**102,459**	**273,322**

7.2 Contract balances

EUR thousand	Notes	2023	2022
Trade receivables	14	**6,375**	**16,335**
Contract assets		**9,510**	**25,523**
Accrued revenue from electricity related sales	15	7,712	18,443
Accrued revenue from gas sales	15	1,798	7,080
Contract liabilities		**725**	**474**
Advances received		725	474

7.2.1 Contract assets

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under the contracts. Recognised expected credit losses (if any) are disclosed in the Note 13.

7.2.2 Contract liabilities

EUR thousand	31 December 2023	31 December 2022
Current	725	473

7.3 Rights to returned goods assets and refund liabilities

The Company does not have contracts with the customers' right to return goods.

8 Other income

EUR thousand	2023	2022 (restated) [1]
Contract termination penalties	440	258
Ineffective hedging result	-	9,263
Total	**440**	**9,521**

[1] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2022 due to representation. See more information disclosed in Note 6.*

9 Purchases of electricity, natural gas and other services

EUR thousand	2023	2022
Purchases of electricity and related services	74,863	236,872
Purchases of natural gas and related services	22,507	35,899
Purchases of sub-contractual services	1,538	571
Total	**98,908**	**273,342**

10 Other expenses

EUR thousand	2023	2022 (restated) [1]
Ineffective hedging result	5,085	-
Customer service	151	122
Telecommunications and IT services	154	125
Asset management and administration	118	67
Other	383	1,443
Total	**5 891**	**1 757**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2022 due to representation. See more information disclosed in Note 6.

11 Finance activity

EUR thousand	2023	2022 (restated) [1]
Penalties and fines received	281	154
Total finance income	**281**	**154**
Interest expenses	(180)	(806)
Total financial expenses	**(180)**	**(806)**
Finance activity, net	**101**	**(652)**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2022 due to representation. See more information disclosed in Note 6.

12 Property, plant and equipment

12.1 Company's property, plant and equipment

EUR thousand	Other property, plant and equipment	Construction in progress	In total
Acquisition cost amount at 1 January 2023	**172**	**-**	**172**
Additions	4	3,882	3,886
Reclassified from (to) inventories	**-**	-	-
Acquisition cost amount at 31 December 2023	**176**	**3,882**	**4,058**
Accumulated depreciation at 1 January 2023	**(45)**	**-**	**(45)**
Depreciation	(31)	-	(31)
Accumulated depreciation at 31 December 2023	**(76)**	**-**	**(76)**
Carrying amount at 31 December 2023	**100**	**3,882**	**3,982**
Acquisition cost at 1 January 2022	**205**	**-**	**205**
Additions	6	-	6
Reclassification to another FS caption	(39)	-	(39)
Acquisition cost at 31 December 2022	**172**	**-**	**172**
Accumulated depreciation at 1 January 2022	**(16)**	**-**	**(16)**
Depreciation	(29)	-	(29)
Accumulated depreciation at 31 December 2022	**(45)**	**-**	**(45)**
Carrying amount at 31 December 2022	**127**	**-**	**127**

12.2 Acquisitions of property, plant and equipment

In 2023 and 2022, the Company did not have significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years.

12.3 Fully depreciated property, plant and equipment

As at 31 December 2023 and 2022, the Company had no significant value of fully depreciated property, plant and equipment used in operations.

12.4 Pledged property, plant and equipment

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

13 Inventories

EUR thousand	31 December 2023	31 December 2022
Materials in warehouse	1,233	266
Work in progress	736	180
Construction in progress	17	1,463
Carrying amount	**1,986**	**1,909**

The amount of inventories recognized as an expense during the year 2023 was EUR 23,683 thousand (during 2022: EUR 35,867 thousand).

14 Trade receivables

EUR thousand	31 December 2023	31 December 2022 (restated) [1]
Amounts receivable under contracts with customers		
Receivables from electricity related sales	5,929	13,124
Receivables from gas related sales	550	2,180
Other trade receivables	687	2,273
In total	**7,166**	**17,577**
Less: loss allowance	(791)	(1,242)
Carrying amount	**6,375**	**16,335**

[1] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2022 due to representation. See more information disclosed in Note 6.*

As at 31 December 2023 and 2022, the Company had not pledged the claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is between 5 and 60 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Company didn't identify any financing components. For terms and conditions on settlement between related parties see Note 24.

Loss allowance of amounts receivable (lifetime expected credit losses)

The table below presents information on the Company's trade receivables under contracts with customers as at 31 December 2023 that are assessed on a collective basis using the loss ratio matrix:

EUR thousand	Loss ratio, %	Trade receivables	Loss allowance
Not past due	0.23	6,041	14
Up to 30 days	1.05	294	3
30–60 days	19.19	70	13
60-90 days	52.73	-	-
90-120 days	56.42	-	-
More than 120 days	100.00	761	761
As at 31 December 2023	**11.05**	**7,166**	**791**

The Company's trade receivables from contracts with customers as at 31 December 2022 that are assessed on a collective basis using the loss ratio matrix:

EUR thousand	Loss ratio, %	Trade receivables	Loss allowance
Not past due	0.19	16,259	31
Up to 30 days	1.11	85	1
30–60 days	29.59	2	-
60-90 days	59.06	8	5
90-120 days	64.34	52	34
More than 120 days	100.00	1,171	1,171
As at 31 December 2022	**7.07**	**17,577**	**1,242**

Movements in the account of loss allowance of trade receivables during the year 2023 and 2022 were as follows:

EUR thousand	2023	2022
Carrying amount as at 1 January	**1,242**	**1,564**
Loss allowance during the year	227	442
Reversal of loss allowance	(678)	(764)
Carrying amount as at 31 December	**791**	**1,242**

15 Other receivables

EUR thousand	31 December 2023	31 December 2022 (re-stated) [1]
Accrued revenue from electricity sales	7,729	18,483
Accrued revenue from natural gas sales	1,802	7,095
In total	**9,531**	**25,578**
Less: loss allowance	(21)	(55)
Carrying amount	**9,510**	**25,523**

[1] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2022 due to representation. See more information disclosed in Note 6.*

Loss allowance of Other receivables is stated in profit or loss of the statement of profit or loss and is calculated using loss ratio of 0.23% (accrued revenue – considered as receivables not past due).

Movements in the account of loss allowance of other receivables during the year 2023 and 2022 were as follows:

EUR thousand	2023	2022
Carrying amount as at 1 January	**55**	**-**
Loss allowance during the year	7	55
Reversal of loss allowance	(41)	-
Carrying amount as at 31 December	**21**	**55**

16 Cash and cash equivalents

EUR thousand	31 December 2023	31 December 2022
Cash balances in bank accounts	1,424	3,710
Carrying amount	**1,424**	**3,710**

17 Equity

17.1 Capital management

For the purpose of capital management, the management uses equity as reported in the statement of financial position.

Pursuant to the Commercial Law of Republic of Latvia, the issued capital of a private limited liability company must be not less than EUR 2.8 thousand. As at 31 December 2023 as well as at 31 December 2022 the Company met requirements of capital regulation.

17.2 Share capital:

EUR thousand	31 December 2023	31 December 2022
Issued capital		
Ordinary shares	11,500	11,500
Ordinary shares issued and fully paid	**11,500**	**11,500**

As at 31 December 2023 and 2022, the Company's share capital comprised EUR 11,500 thousand and was divided in to 11,500,000 registered ordinary shares with par value is EUR 1.00 of each.

17.3 Dividends

The Company did not pay dividends in both 2023 and 2022.

18 Reserves

18.1 Hedging reserve

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

19 Loans

EUR thousand	31 December 2023	31 December 2022
Current		
Credit line 1	2,017	11
Credit line 2	-	17,049
In total	**2,017**	**17,060**

All loans of the Company are denominated in euros. As at 31 December 2023, the balance of the Company's unwithdrawn credit lines is 18,000 thousand (31 December 2022: EUR 44,000 thousand).

20 Net debt

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

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

Credit lines from Group companies and related interest payables and lease liabilities are included in the net debt calculation.

Net debt balances:

EUR thousand	31 December 2023	31 December 2022
Cash and cash equivalents	(1,424)	(3,710)
Current loans	2,017	17,060
Lease liabilities	260	-
Net debt	**853**	**13,350**

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

	Assets	Lease liabilities		Loans		
EUR thousand	**Cash**	**Non-current**	**Current**	**Non-current**	**Current**	**Total**
Net debt as at 1 January 2022	**(3,189)**	**-**	**-**	**-**	**35,652**	**32,463**
Cash changes						
(Increase) decrease in cash and cash equivalents	(521)	-	-	-	-	**(521)**
Loans received	-	-	-	-	91,000	**91,000**
Repayment of loans	-	-	-	-	(109,600)	**(109,600)**
Interest paid	-	-	-	-	(797)	**(797)**
Non-cash changes						
Accrual of interest payable	-	-	-	-	805	**805**
Net debt as at 31 December 2022	**(3,710)**	**-**	**-**	**-**	**17,060**	**13,350**
Net debt as at 1 January 2023	**(3,710)**	**-**	**-**	**-**	**17,060**	**13,350**
Cash changes						
(Increase) decrease in cash and cash equivalents	2,286	-	-	-	-	**2,286**
Loans received	-	-	-	-	14,000	**14,000**
Repayment of loans	-	-	-	-	(29,000)	**(29,000)**
Interest paid	-	-	-	-	(222)	**(222)**
Non-cash changes						
Accrual of interest payable	-	-	-	-	179	**179**
Lease contracts concluded	-	250	10	-	-	**260**
Net debt as at 31 December 2023	**(1,424)**	**250**	**10**	**-**	**2,017**	**853**

21 Other current liabilities

EUR thousand	31 December 2023	31 December 2022 (restated) [1]
Payable amounts for property, plant and equipment	3,687	-
Accrued expenses	3,261	12,360
Taxes (other than income tax)	690	3,595
Payroll related liabilities	234	145
Other current liabilities	99	85
Carrying amount	**7,971**	**16,185**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2022 due to representation. See more information disclosed in Note 6.

Financial liabilities comprise EUR 3,704 thousand (31 December 2022: EUR 60 thousand). Accrued expenses, taxes (other than income tax) and payroll related liabilities are not financial liabilities.

22 Derivatives

22.1 Derivatives financial instruments included in the Statement of financial position

EUR thousand	31 December 2023	31 December 2022
Other current assets	411	21,739
Other non-current assets	-	3,401
Other non-current liabilities	(99)	-
Carrying amount	**312**	**25,140**

Movement of derivative financial instruments were as follows:

EUR thousand	2023	2022
Carrying amount as at 1 January	**25,140**	**10,475**
Fair value change of OTC recognised in 'Other income'/ ('Other expenses')	(6,993)	3,551
Total Unrealised gain (loss)	**(6,993)**	**3,551**
Fair value change of OTC effectiveness	(17,835)	11,114
Unrealised gain (loss) in 'Other comprehensive income'	**(17,835)**	**11,114**
Carrying amount	**312**	**25,140**

22.2 Derivatives included in Statement of profit or loss

EUR thousand	2023	2022
Realised gains (loss) on OTC	1,908	5,712
Unrealised gains (loss) on OTC	(6,993)	3,551
Total in profit or loss – ineffective energy hedging result (see also Notes 8 and 10)	**(5,085)**	**9,263**
Effective hedging instruments reclassified from hedging reserve to the statement of profit or loss	1,362	20,589
Total effective hedging result in the statement of profit or loss	**1,362**	**20,589**
Total recognised in 'Statement of profit or loss'	**(3,723)**	**29,852**

23 Related-party transactions

Related parties, EUR thousand	Amounts receivable	Loans granted	Amounts payable	Loans received	Sales	Purchases	Finance income (costs)
	31 December 2023	31 December 2023	31 December 2023	31 December 2023	2023	2023	2023
Parent company Ignitis UAB	561	-	5,866	2,017	-	21,510	(179)
Parent company Ignitis UAB SWAP	411	-	99	-	2,617	25,535	-
Other related parties	-	-	6	-	-	189	-
Total	**972**	**-**	**5,971**	**2,017**	**2,617**	**47,234**	**(179)**

Related parties, in EUR thousand	Amounts receivable	Loans granted	Amounts payable	Loans received	Sales	Purchases	Finance income (costs)
	31 December 2022	31 December 2022	31 December 2022	31 December 2022	2022	2022	2022
Parent company Ignitis UAB	-	-	5,301	17,060	20,589	30,713	(805)
Parent company Ignitis UAB SWAP	2,044	-	-	-	9,263	-	-
Other related parties	-	-	10	-	-	88	-
Total	**2,044**	**-**	**5,311**	**17,060**	**29,852**	**30,801**	**(805)**

The Company purchased gas, accounting, procurement, customer service, and other services from related parties.

23.1 Terms of transactions with related parties

The payment terms set range from 15 to 30 days. Closing receivable balances are not secured by pledges, they do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party payables and receivables.

24 Fair values of financial instruments

24.1 Financial instruments measured at fair value

Financial assets at fair value through other comprehensive income: The Company only has derivate financial instruments that are subject to hedging policies stated as financial assets to be measured at fair value through other comprehensive income (FVOCI). For detailed information see Note 3.5.1.

Financial assets at fair value through profit or loss: Debt instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at fair value through other comprehensive income (FVOCI), including derivate financial instruments not subject to hedging policies, are stated as financial assets to be measured at fair value through profit or loss (FVPL).

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

EUR thousand	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Financial instruments at FVPL or FVOCI						
Assets						
Derivatives	22	**411**	-	411	-	**411**
Financial instruments for which fair value is disclosed						
Liabilities						
Derivatives	22	**99**	-	99		**99**
Loans received	19	**2,017**	-	2,017	-	**2,017**

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

EUR thousand	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Financial instruments at FVPL or FVOCI						
Assets						
Derivatives	22	**25,140**	-	25,140	-	**25,140**
Financial instruments for which fair value is disclosed						
Liabilities						
Loans received	19	**17,060**	-	17,060	-	**17,060**

25 Contingent and committed liabilities

The table below summarises the Company's future lease expenses related to lease agreements:

EUR thousand	31 December 2023	31 December 2022
Future cash outflow for leases not recognised due to termination option	3,786	-

26 Events after the reporting period

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

4.2 Independent Auditor's Report

.

4.3 Information about the auditor

Overview

There were no changes in the Company's independent auditor during 2023. Since the appointment by the parent company's Annual General Meeting of Shareholders on 27 September 2021, the Company's independent auditor was KPMG Baltics SIA (KPMG). Based on the concluded agreement, KPMG audited the Company's financial statements for the years of 2021 and 2022. On 20 October 2023, the Company and KPMG signed a new contract for audit of financial statements for the years 2023 to 2027.

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

2021 – 2023
KPMG Baltics SIA Roberta Hirša 1 Riga, Latvia, LV-1045 License No. 55

Services and fees

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

Independent auditor's services and fees

EUR thousand	2023	2022
Audit of the annual financial statements under the agreements	35	22
Total	**35**	**22**

Abbreviations

#	Number
%	In percent
'000	Thousand
Company	Ignitis Latvija SIA
B2B	Business to business
EBITDA	Earnings before interest, tax, depreciation and amortisation
EU	European Union
Group	The group of companies UAB Ignitis grupė
GWh	Gigawatt hour
MWh	Megawatt hour
ROA	Return on Assets
TWh	Terawatt-hour

Certification statement

3 September 2024

I, Kristaps Muzikants, Chief Executive Officer at SIA Ignitis Latvija, hereby confirm that, to the best of my knowledge, SIA Ignitis Latvija 2023 financial statements are prepared according to Standards adopted by the European Union, give a true and fair view of SIA Ignitis Latvija assets, liabilities, financial position, profit or loss for the period and cash flows, and the 2023 annual report includes a fair review of the development and performance of the SIA Ignitis Latvija together with the description of the principle risks and uncertainties it faces.

Kristaps Muzikants

Chief Executive Officer

Lilita Beķere

SIA Numeri (provider of the accounting services) Member of the Board

SIA Ignitis Latvija
Gustava Zemgala gatve 74A LV-1039
Riga, Latvia

+371 2 000 50 95
info@ignitis.lv
www.ignitis.lv

Legal entity code 40103642991
VAT identification number LV40103642991