2019 TUULEENERGIA OÜ ANNUAL FINANCIAL STATEMENTS

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2019 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION, THE ANNUAL REPORT AND THE INDEPENDENT AUDITOR'S REPORT

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The financial statements were approved on 12 October 2020 by Tuuleenergia OU Member of Management Board and Head of Accounting Department acting under Order No IS-88-20 of 10/04/2020

Aleksandr Spiridonov
Member of the Management Board
of Tuuleenergia OU

Giedruolė Guobienė
Ignitis Grupės Paslaugų Centras UAB,
Head of Accounting Department acting
under Order No IS-88-20 of 10/04/2020

MANAGEMENT REPORT

All amounts are presented in EUR thousand unless otherwise stated

Tuuleenergia OÜ (hereinafter The Company) operates a windfarm of 6 wind turbines with an overall capacity of 18 MW (3 MW * 6 wind turbines), situated in 2 sites - Mali and Tamba, Estonia. 100 percent of Company's shares are owned by AB Ignitis Grupė.

In 2019 55.1 GWh of electricity was produced with a capacity factor of 35% (47.8 GWh of electricity produced in 2018).

The Company has seasonal activity with winter being the high season of producing and selling electricity.

The Company's financial performance could be impacted by energy price fluctuations as electricity is sold in the NordPool Spot power exchange.

The Company has no plans for additional investments in the coming financial year.

The Company has no plans for expenditures for research and development in the coming financial year.

The Company had 1 employee under employment contract during the reporting period.

All material events that have occurred during the reporting period have been recorded in the financial statements.

The table below provides main financial ratios of the Company.

Financial indicators	2019	2018
Total revenue	4 180	3 654
EBITDA*	3 675	3 114
Operating profit (Loss)	2 344	1 803
Net profit (Loss)	1 455	1 043
EBITDA margin (%)	87.9%	85,2%
Operating profit margin(%)	56.1%	49,3%
Net profit margin(%)	34.8%	28,5%
Current ratio	4.63	3,21
Debt ratio	0.90	0,92
ROE (%)	51.9%	46,3%
ROA (%)	5.2%	3,6%

Operating profit margin (%) = Operating profit / Sales revenue
EBITDA margin (%) = EBITDA / Sales revenue
Net profit margin (%) = Net profit / Sales revenue
Current ratio = Current assets / Current liabilities
Debt ratio = Total liabilities / Total assets
ROE (%) = Net profit / Equity x 100
ROA (%) = Net profit / Total assets x 100
*Earnings before tax + interest expenses - interest income + depreciation and amortisation + impairment of non-current and current asse

The coronavirus (Covid-19) began at the beginning of 2020 spreading worldwide, affecting companies and national economies, including the Baltic countries. Tuuleenergia OÜ has assessed the outbreak of the virus in the company's operations and financial statements and finds that this event does not currently affect the company's operations or financial results. The company has a long-term fixed-price contract with an Estonian state-owned company operating electricity transmission networks. In addition, the electricity produced by the company is traded on the NordPool power exchange, which is one of the largest exchanges of its kind in Europe, therefore the company sees no impact to sales volumes.

STATEMENT OF FINANCIAL POSITION

All amounts are presented in EUR thousand unless otherwise stated

	Notes	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Property, plant and equipment	5, 6	24 272	25 581
Total non-current assets		**24 272**	**25 581**
Current assets			
Prepayments	7.1	163	151
Receivables from contracts with customers	7	612	432
Cash and cash equivalents	8	2 831	2 776
Total current assets		**3 606**	**3 359**
TOTAL ASSETS		**27 878**	**28 940**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	499	499
Share premium	9	576	576
Legal reserve		50	35
Retained earnings		1 680	1 139
Total equity		**2 805**	**2 249**
Non-current liabilities			
Borrowings	10	19 119	20 446
Lease liabilities	10	366	-
Grants and subsidies	11	4 796	5 168
Other non-current payables and liabilities		-	29
Total non-current liabilities		24 281	25 643
Current liabilities			
Borrowings	10	-	300
Lease liabilities	12	14	-
Trade payables	12	405	375
Grants and subsidies	11	373	373
Total current liabilities		**792**	**1 048**
Total liabilities		**25 072**	**26 691**
TOTAL EQUITY AND LIABILITIES		**27 878**	**28 940**

The accompanying notes are an integral part of these annual financial statements.

STATEMENT OF COMPREHENSIVE INCOME

All amounts are presented in EUR thousand unless otherwise stated

	Notes	31/12/2019	31/12/2018
Revenue			
Revenue from contracts with customers	13	4 181	3 654
Total revenue		**4 181**	**3 654**
Operating expenses			
Electricity production balancing services	14	(102)	(117)
Depreciation and amortisation	5,11	(1 330)	(1 311)
Wages, salaries and related expenses		(5)	(13)
Other expenses	15	(399)	(410)
Total operating expenses		**(1 836)**	**(1 851)**
OPERATING PROFIT		**2 345**	**1 803**
Financial (expenses)	16	(665)	(760)
PROFIT BEFORE TAX		**1 680**	**1 043**
Income tax and deferred income tax expenses		(225)	-
NET PROFIT FOR THE PERIOD		**1 455**	**1 043**
Other comprehensive income (loss) that will not be reclassified to profit (loss)		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1 455**	**1 043**

The accompanying notes are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN EQUITY

All amounts are presented in EUR thousand unless otherwise stated

	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
Balance as at 1 January 2018	**499**	**576**	**0**	**131**	**1 206**
Net profit for the reporting period	-	-	-	1 043	1 043
Total comprehensive income for the period	**-**	**-**	**-**	**1 043**	**1 043**
Legal reserve	-	-	35	(35)	0
Balance as at 31 December 2018	**499**	**576**	**35**	**1 139**	**2 249**
Balance as at 1 January 2019	**499**	**576**	**35**	**1 139**	**2 249**
Net profit for the reporting period	-	-	-	1 455	1 455
Total comprehensive income for the period	**-**	**-**	**-**	**1 455**	**1 455**
Legal reserve	-	-	14	(14)	-
Dividends	-	-	-	(899)	(899)
Balance as at 31 December 2019	**499**	**576**	**50**	**1 680**	**2 805**

The accompanying notes are an integral part of these annual financial statements.

STATEMENT OF CASH FLOWS

All amounts are presented in EUR thousand unless otherwise stated

	Notes	31/12/2019	31/12/2018
Net profit		1 680	1 043
Reversal of non-cash expenses (income) and other adjustments:			
Depreciation and amortisation expenses	5	1 702	1 684
Depreciation of grants	11	(373)	(373)
Elimination of results of financing and investing activities:	16		
- Interest expenses		665	760
Changes in working capital			
(Increase) decrease in trade receivables and other receivables		(192)	25
Increase (decrease) in payables and contract liabilities		70	191
Income tax paid		**(225)**	**-**
Net cash flows from (to) operating activities		**3 327**	**3 330**
Cash flows from (to) financing activities			
Repaid borrowings	10	(1 627)	(3 300)
Lease payments		(26)	-
Interest (paid)		(720)	(731)
Dividends (paid)		(899)	-
Net cash flows from (to) financing activities		**(3 272)**	**(4 031)**
Net increase (decrease) in cash and cash equivalents		**55**	**(701)**
Cash and cash equivalents at the beginning of the period		**2 776**	**3 477**
Cash and cash equivalents at the end of the period		**2 831**	**2 776**

The accompanying notes are an integral part of these annual financial statements.

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NOTES TO THE FINANCIAL INFORMATION
All amounts are presented in EUR thousand unless otherwise stated

1 General information

Tuuleenergia OÜ (hereinafter: the Company) is a private limited liability company registered 24 September 1998 in the Republic of Estonia. The company has been established for an indefinite period. The legal address of the Company is Keskus, Helmküla küla, Varbla vald, Pärnu maakond, 88208, Estonia. The sole owner of the Company is AB Ignitis Grupė, Lithuanian state-owned energy group.

The company's main activity is the operation of 6 wind power plants in Mäli and Tamba wind farms, Varbla parish, western Estonia.

2 Accounting policies

2.1 Basis of preparation of the annual financial information

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Estonian regulatory legislation on accounting and financial reporting.

The financial statements have been prepared on a historical cost basis.

Adoption of new and (or) amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The following new or revised standards and interpretations became effective from 1 January 2019:

- **IFRS 16: Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The Company applied IFRS 16 "Leases" retrospectively as of 1 January 2019, but has not restated comparative information for 2018, as permitted by certain transitional provisions in the standard. Therefore, the comparative information for 2018 is presented in accordance with the previously valid IAS 17 and related interpretations. In addition, the disclosure requirements of IFRS 16 have not been applied to comparative information.

On initial recognition, an enterprise has recognized the asset that is the subject of the right of use for leases that were previously classified as operating leases in accordance with IAS 17. Upon application of the standard as of 01.01.2019, lease payments were discounted using the alternative loan interest rate. For companies, the loan interest rate of 3.05% was used.

In first-time adoption of IFRS 16, the Company has used the following simplifications permitted by the standard:
- the use of a single discount rate for leases with similar characteristics
- Recognition as a short-term lease if the remaining lease period on 1 January 2019 is less than 12 months
- the exclusion of the initial direct costs of measuring the right - of - use assets at the date of initial application; and
- Ex-post consideration when determining the lease term, if the contract includes options to extend or terminate the lease.

The Company recognizes as lease assets lease agreements related to building rights on plots of land based on wind farms for the next 20 years. Lease payments that were previously recognized as rental expenses in operating expenses are now recognized in operating expenses as depreciation and in finance expenses as interest expense. The lease liability is measured periodically on the basis of lease payments. Assets arising from the right of use are depreciated on a straight-line basis, while liabilities arising from leases are settled at the effective interest rate.

- **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management has assessed that this changes will not significantly affect company's financial statements.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning that would be expected to have a material impact to the Company:

- **IFRIC Interpretation 23: Uncertainty About Income Tax Recognition**

The Interpretation addresses the recognition of income taxes in cases where the uncertainty inherent in the method of taxation affects the application of IAS 12. The Interpretation provides guidance on recognizing uncertain tax treatment separately and together, controlling the tax authority, selecting the appropriate method to recognize uncertainty, and recognizing changes in circumstances. According to the management, the changes will not significantly affect the Company's financial statements

The remaining new or amended standards or interpretations that became effective for the first time on 1 January 2019 are not expected to have a material impact on the Company:

- **Amendments to IAS 28: Long-Term Interests in Associates and Joint Ventures**

The amendments address whether long-term interests in associates and joint ventures that are substantially part of the net investment in those associates or joint ventures should be measured (and recognized for impairment) in accordance with IFRS 9 or IAS 28 or applied in combination. The amendments clarify that in recognizing non-current non-equity investments, an entity first applies IFRS 9 and then IAS 28. Therefore, in applying IFRS 9, an entity does not account for the adjustment to the carrying amount of non-current investments that arises from applying IAS 28. According to the management, the changes will not significantly affect the Company's financial statements

- **Amendment to IAS 19: Modification, Reduction or Settlement of a Plan**

The amendments require companies to update actuarial assumptions to determine current service cost and net interest for the remainder of the reporting period after the plan has been changed, curtailed or settled. The amendments also specify how changes to the plan, curtailments or settlements will affect the application of the asset ceiling. According to the management, the changes will not significantly affect the Company's financial statements

The IASB has issued a series of amendments entitled "Annual Improvements to IFRSs 2015-2017". Management has estimated that the change in this standard will not have an impact on the company's financial statements:

- **IFRS 3 Business Combinations and IFRS 11 Joint Ventures**

The amendments to IFRS 3 specify that when an entity obtains control of a business that is classified as a joint operation, its past interest in that business must be revalued. The amendments to IFRS 11 specify that when an entity acquires a business that is classified as a joint operation through joint control, its past interest in that business is not revalued.

- **IAS 12 Income Taxes**

The amendments clarify that the income tax liability related to payments of financial instruments classified as equity must be recognized according to where the transactions or events that gave rise to the distributable profit in previous periods were recognized.

- **IAS 23 Borrowing Costs**

The amendments relate to paragraph 14 of the standard and specify that when a qualifying asset is ready for its intended use or sale but the related loan is not repaid in full, that loan amount should be included in the enterprise's general loan liabilities.

Standards issued but not yet effective and not early adopted

- **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. Management has assessed that this changes will not significantly affect company's financial statements

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that this changes will not significantly affect company's financial statements

- **Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has assessed that this changes will not significantly affect company's financial statements

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has assessed that this changes will not significantly affect company's financial statements

All amounts are presented in EUR thousand unless otherwise stated

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has assessed that this changes will not significantly affect company's financial statements

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management has assessed that this changes will not significantly affect company's financial statements

2.2 Property, plant and equipment

Property, plant and equipment are such items of assets, which are under the Company's ownership and control; which are reasonably expected to bring economic benefits in future periods; which are going to be used longer than one year; the acquisition cost of which can be reliably measured.

Property, plant and equipment is stated at acquisition (production) cost less accumulated depreciation and impairment losses, if any. Depreciation of property, plant and equipment is calculated on a straight-line basis over the entire useful life established for property, plant and equipment.

Land is not depreciated.

The Company recognizes as lease assets lease agreements related to building rights on plots of land based on wind farms for the next 20 years. Lease payments that were previously recognized as operating expenses in operating expenses are now recognized in operating expenses as depreciation expense. Assets arising from the right of use are depreciated on a straight-line basis over their useful lives.

The following useful lives are applied to different categories of property, plant and equipment:

Category of property, plant and equipment	Average useful life (in years)
Wind turbines	20 years
Wind farm infrastructure	10-20 years
Other property, plant and quipment	2-3 years

The expected useful lives of items of property, plant and equipment are reviewed annually when subsequent expenditures are recognised and in the case of significant changes in development plans. When the estimated useful life of an asset differs significantly from the previous estimate, it is treated as a change in the accounting estimate and the remaining useful life of the asset is changed, as a result of which the depreciation charge of the following periods also changes.

Gains and losses on disposals of property, plant and equipment are included in profit or loss of the year in which the assets were disposed.

2.3 Financial assets

Company classification of financial assets is as follows:

- Financial assets are classified and measured at fair value (through comprehensive income or through income statement);
- Financial assets are measured at amortised cost.

Classification is based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics.

Recognition and derecognition

Purchases and sales of financial assets under normal market conditions are recognised at the trade date, i.e. when the entity assumes the obligation to purchase or sell the asset. Financial assets are derecognised when the rights to the cash flows resulting from the transfer end, and when the enterprise transfers substantially all the risks and rewards.

Measurement

Financial assets are recognised at first recognition at fair value plus transaction costs that are directly related to the acquisition of a financial asset, except in the case of financial assets that are measured at fair value through changes in income statement. Transaction fees of financial assets at fair value are recognised as an expense in the income statement.

Debt instruments

The future recognition of debt instruments depends on the Company's business model for managing financial assets and the contractual cash flows of financial assets. All debt instruments of the Company are classified under the amortised cost measurement category.

Assets held for the collection of contractual cash flows and the cash flows of which are only interest calculated on the principal and the unpaid part are recorded at amortised cost. Interest income on these assets is recognised in financial income using the effective interest rate method.

The effective interest rate method is used to calculate the cost of financial assets and to allocate interest income in the corresponding period. The effective interest rate discounts the expected future cash flow through the carrying amount of the financial asset's expected life (or a shorter period of time).

Upon derecognition, the resulting gain or loss is recognised in other income/expense. Foreign exchange gains and losses and credit loss are recognised in the income statement on separate lines.

Equity instruments

The Company does not have investments in equity instruments.

Impairment

The Company assesses the expected credit losses of the debt instruments at amortised cost and at fair value in the comprehensive income statement on the basis of future information. The applicable impairment methodology depends on the significant increase in credit risk.

Measurement of expected credit losses takes into account: (i) an impartial and probability weighted amount, which is determined by estimating a number of possible different results, (ii) The time value of the money and (iii) at the end of the reporting period without excessive costs or effortlessly available reasonable and substantiated information on past events, current conditions and forecasts of future economic conditions.

For trade receivables and contractual assets where there is no qualifying financing component, the Company applies a simplified approach permitted by IFRS 9 and takes into account the impairment of receivables at the initial recognition. The Company uses a discount matrix, where the discount is calculated according to the requirements of different aging periods.

2.4 Cash and cash equivalents

Cash includes cash at the Company's bank accounts. Cash equivalents are short-term (with the maturity of three months or less from the contract date) investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For the purpose of the statement of cash flows, cash and cash equivalents comprise deposits in current bank accounts and other highly liquid short-term investments.

2.5 Financial liabilities

Financial Liabilities are initially recognised at cost, which is the fair value of the consideration received for the financial liability. Thereafter, financial liabilities are measured at their amortised cost using the effective interest rate. Transaction Costs are taken into account when calculating the effective interest rate and are expensed over the lifetime of the financial commitment. Interest expenses on Financial Liabilities are recognised on an accruals basis as a period expense, except for credit costs related to the financing of the property, plant and equipment under construction. The recognition of a Financial Liability is terminated when the obligation has been paid, cancelled or expired.

An obligation is classified as short-term if the due date is less than 12 months after the balance sheet date or if the company does not have an unconditional right to postpone the payment of the obligation more than 12 months after the balance sheet date. Loan liabilities with a repayment term of 12 months after the balance sheet date but which are refinanced as long-term after the balance sheet date but before the approval of the annual report are recognised as short-term. The loan liabilities that the lender was entitled to recall at the balance sheet date as a result of a breach of the conditions set out in the loan agreements are also recognised.

2.6 Taxation

Under the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. From 1 January 2015, the tax rate on the net dividends paid out of retained earnings is 20/80. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The income tax liability is due on the 10th day of the month following the payment of dividends.

Starting from 2019. It is possible to apply a tax rate of 14/86 to dividend distributions. This more favourable tax rate can be used for dividend payments extending to the average dividend payment of up to three previous financial years, taxed at 20/80. For the purposes of calculating the average dividend payment for the preceding three financial years, considering the first year of 2018.

Due to the nature of the taxation system, the entities registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. A contingent income tax liability which would arise upon the payment of dividends is not recognised in the statement of financial position.

Tax authorities have the right to check the company's tax records for up to 5 years after the filing date of the tax declaration and upon finding errors, impose additional taxes, interest and fines. The company's management estimates that there are no circumstances which would lead the tax authority to impose significant additional taxes on the company.

2.7 Revenue recognition

Sales revenue from customer contracts

Revenue is the income generated by the company's normal business activities. Revenue is recorded in the transaction price. The transaction price is the total fee that a company is entitled to receive for the transfer of promised goods or services to a customer, less any amounts collected on behalf of third parties. The company recognises the revenue when control of the goods or services is transferred to the customer.

Sale of services - electricity

The company provides electricity sales services under contracts at fixed and variable prices. Revenue from the provision of services is recognised during the period when services are provided. For fixed-price contracts, revenue is recognised according to the services actually rendered at the end of the reporting period, as the customer benefits from the service at the same time as it is provided. Revenue is calculated on the basis of actual units delivered.

If there is a variable fee in the contract, it will be recognised as revenue only if it is very likely that it will not be cancelled at a later date.

2.8 Leases

Leases are recognized in accordance with IFRS 16.

The Company applied IFRS 16 “Leases” retrospectively as of 1 January 2019, but has not restated comparative information for 2018, as permitted by certain transitional provisions in the standard. Therefore, the comparative information for 2018 is presented in accordance with the previously valid IAS 17 and related interpretations. In addition, the disclosure requirements of IFRS 16 have not been applied to comparative information.

More detailed implementation is described in Section 2.1 of IFRS 16 Leases.

2.9 Offsetting

For the purpose of the financial statements, assets and liabilities, income and expenses are not offset, unless such offsetting is required by IFRS.

2.10 Government grants and subsidies

Government grants for assets

Grants received for the acquisition of property, plant and equipment in accordance with paragraphs 24, 26-27 of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance are recognized as grants.

Assets acquired through government grants are recorded in the balance sheet at their acquisition cost and the amount received to finance the acquisition of assets is recognized in the balance sheet as a liability. In the statement of comprehensive income, the depreciation expense of the fixed assets related to the grant is reduced by the depreciation of the government grant.

2.11 Government grants and subsidies

Contingent liabilities are not recognised in the financial statements. They are disclosed in the financial statements, save for the cases when probability of resources generating economic benefits will be lost is very low.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of income or economic benefits is probable.

2.12 Related parties

All amounts are presented in EUR thousand unless otherwise stated

Related parties are defined as shareholders, Board members, their close family members and companies that directly or indirectly (through the intermediary) control the Company or are controlled by, or are under common control with the Company, provided such relationship empowers one of the parties to exercise control or significant influence over the other party in making financial and operating decisions.

2.13 Share capital and statutory reserve capital

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

2.14 Fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels in the fair value hierarchy:

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.

2.15 Events after the end of the reporting period

Events after the reporting period that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

3 Financial assets and financial liabilities risk management

As at 31 December 2019 and 2018, the Company's financial assets comprised trade and other receivables, cash and cash equivalents and financial liabilities included trade payables for acquired renewable energy and services related to the renewable energy supply and for other goods and services, and other current amounts payable and liabilities.

The table below provides division of Company's financial instruments.

Financial assets	Note	At 31 December 2019	At 31 December 2018
Trade and other receivables	7	612	432
Cash and cash equivalents	8	2 831	2 776
Total		**3 443**	**3 208**

All amounts are presented in EUR thousand unless otherwise stated

Financial liabilities	Note	At 31 December 2019	At 31 December 2018
Trade and tax payables	12	405	375
Borrowings	10	19 119	20 746
Leases	10,12	380	-
Total		**19 904**	**21 121**

* Including accrued interest

Credit risk

Credit risk arises from the deposit of money in banks and other credit institutions on the one hand, as well as the possibility that clients will not be able to meet the agreed payment obligations to the company arising from their claims.

The Company's accounts receivables exposed to credit risk as of balance days were as follows:

Analysis of accounts receivable	Note	At 31 December 2019	At 31 December 2018
Accounts receivable from related parties	18	1	1
Accounts receivable from existing customers (over 12 month relationship) that are not overdue		308	256
Accounts receivable from Elering AS that are not overdue		302	175
Total		**612**	**432**

In 2019 and 2018 the Company did not write off any receivables.

Company has only one key client which historically pays within agreed periods. No delays have been detected so far.

Bank	Fitch	At 31 December 2019	At 31 December 2018
AS SEB Bank	AA-	2 560	2 505
Luminor Bank AS	AA-	271	271
Total		**2 831**	**2 776**

As of 31.12.2019, the Company has one key customer who has always paid at the agreed time. In the management's opinion, this will not change.

The maximum amount exposed to the credit risk as at the balance sheet date was at follows:

	Note	At 31 December 2019	At 31 December 2018
Trade receivables	7	612	432
Cash at banks	8	2 831	2 776
Total		**3 443**	**3 208**

For the measurement of the expected credit loss, the trade receivables and the contract assets are grouped according to the common characteristics of the credit risk and the period of expiry. The Expected credit loss rates are based on the last 12 months to 31 December. December 2019 or under 1. January 2019 the payment discipline and the historical credit losses that occurred during the respective periods. Historical losses have been adjusted to reflect current and future information regarding macroeconomic factors and the ability of purchasers to pay claims. The Company has assessed that GDP and unemployment rates in countries where the sale of its goods and services take place are the most appropriate indicators and adjusts according to historical loss rates, based on the expected change in these indicators.

Impairment losses on the basis of the principles described above 31. December 2019 and 31. December 2018 was irrelevant.

Although cash and cash equivalents are also part of the expected credit loss model of IFRS 9, the decline in the observed value was negligible 31.December 2019 and 31. December 2018

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. Cash flow interest rate risk arises from floating rate debt and involves the risk that financial expenses will increase as interest rates rise.

All of the Company's financial liabilities are carried at a fixed interest rate and do not expose the Company to cash flow interest rate risk, although they may affect the fair value of debt liabilities.

Loan is provided from the Parent Company, therefore Tuulenergia OÜ does not expect any risks related changes of Loan Fair value, interest rates, FX rates, or other market conditions.

All amounts are presented in EUR thousand unless otherwise stated

Liquidity risk

Liquidity risk refers to the inability of the company to perform its liabilities in a specified period. Liquidity risk is managed by management, forming an adequate cash reserve.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on undiscounted contractual payments.

	Note	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 year	Total
Interest-bearing short-term borrowings	10	-	-	19 119		19 119
Interest-bearing bank loans	10	145	439	2 917	895	4 396
Trade and other payables	12	405	-	-		405
Short-term leases	12	-	14	-		14
Leases	10	-	-	366		366
Balance as at 31 December 2019		**550**	**453**	**22 402**	**895**	**24 300**

	Note	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 year	Total
Interest-bearing short-term borrowings	10	-	300	20 475		20 775
Interest-bearing bank loans	10	181	474	2 924	1 478	4 980
Trade and other payables	12	375	-	-		375
Balance as at 31 December 2019		**556**	**774**	**23 399**	**1 478**	**26 130**

Foreign currency risk

The activities of the Company are aimed at the market of the Republic of Estonia and all transactions are denominated in EUR. Thus, no significant foreign currency risk exists.

Fair value of financial assets and financial liabilities

The Company's derivative financial instruments (Level 1) are measured at fair value. All other financial assets and liabilities are recognised initially at cost and subsequently measured at amortised cost, less impairment loss.

The value of the company's financial assets and liabilities coincided with their fair value as of 31.12.2019 and 31.12.2018. As the loan received from the parent company was taken on 04.12.2017, there will be no changes in such a short time, the loan has a fixed interest rate.

Landowners and leases

The Company has a number of land leases with landowners providing rights to erect wind turbines, cable lines and other necessary infrastructure on the property of such landowners. The duration of land leases concluded with private and juridical persons is 33 years. According to the land lease agreements the Company has a priority right to extend the agreements for 33 years after the land lease duration. If the utilisation period was to exceed the contracted duration of the land lease, there can be a risk that the Company would be unable to continue to operate in the leased location as the land lease would expire unless a new agreement on extension will be concluded with the landowner. Please also refer to Note 5.

Operating leases are disclosed in accordance with the rules of IFRS 16, which is dealt with in Section 2.1 (2.1. * IFRS 16 "Leases").

Price risk of commodities

Volatility of electricity market price is relevant, however company knows and accepts this risk without applying any specific financial instruments.

4 Critical accounting estimates and judgements

The reports have been prepared using a number of accounting estimates and assumptions that affect the assets and liabilities recognised in the report and the financial statements of off-balance sheet assets and contingent liabilities. Although these estimates have been made according to management's best knowledge, they may not coincide with a subsequent actual result. Changes in management's estimates are recognised in the income statement of the change period.

Assessment of useful lives of Property, plant and equipment

The useful life of a tangible asset is determined on the basis of management's assessment of the effective period of use of the property. As at 31 December 2019 company had property, plant and equipment net book value was 24 272 thousand euros (as at 31 December 2018 : 25 581 thousand). Depreciation accumulated during 2019 was 1 684 thousand euros (during 2018 1 684 thousand euros).(Note 5). If depreciation rates would change 10%, annual depreciation expense changes 168 thousand euros (2018 168 thousand euros).

The maturity of land leases recognized in accordance with IFRS 16 is in 2039. Under the lease agreements, the right to erect wind turbines, cable lines and other objects necessary for the infrastructure. According to the lease agreements, the Company has the priority right to extend the land lease agreements for another 33 years upon their expiration. Liabilities arising from leases are amortized at an internal rate of 3.05% per annum based on management's estimates.

All amounts are presented in EUR thousand unless otherwise stated

5 Property, plant and equipment

As at 31 December 2019 and 2018, the movement of the Company's property, plant and equipment was as follows:

	Land	Buildings	Other tangible fixed assets	Total
Balance as at 1 January 2018	100	27 166	-	27 266
Depreciation	-	(1 684)	-	(1 684)
Balance as at 31 December 2018	100	25 482	-	25 582
As at 31 December 2018				
Acquisition cost	100	32 733	11	32 844
Accumulated depreciation	-	(7 251)	(11)	(7 262)
Balance as at 31 December 2018	**100**	**25 482**	**-**	**25 582**
Period ended on 31 December 2019				
Balance at the beginning of the period	100	25 482	-	25 582
Depreciation	-	(1 684)	-	(1 684)
Balance as at 31 December 2019	**100**	**23 798**	**-**	**23 898**
As at 31 December 2019				
Acquisition cost	100	32 733	11	32 844
Accumulated depreciation	**-**	(8 936)	(11)	(8 947)
Balance as at 31 December 2019	**100**	**23 797**	**-**	**23 897**

All amounts are presented in EUR thousand unless otherwise stated

6 Right-of-use assets

As at 31 December 2019, movement of the Company's right-of-use assets was as follows:

	Land	Total
Period ended on 31 December 2019		
Balance as at the beginning of the period	-	**-**
Impact of application of IFRS 16 – recognition of right-of-use assets	394	**394**
Depreciation	(19)	**(19)**
Balance as at 31 December 2019	**375**	**375**
As at 31 December 2019		
Acquisition cost	394	**394**
Accumulated depreciation	(19)	**(19)**
Balance as at 31 December 2019	**375**	**375**

All amounts are presented in EUR thousand unless otherwise stated

7 Trade and other receivables

	At 31 December 2019	At 31 December 2018
Trade receivables	612	432
Total	**612**	**432**

Trade receivables are non-interest bearing and are generally with terms up to 30 days.

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	30-60 days
At 31 December 2019	612	612	-
At 31 December 2018	432	432	-

7.1 Prepayments

	At 31 December 2019	At 31 December 2018
Prepayments for services	163	151
Total	**163**	**151**

Trade receivables and other current receivables are carried at amortized cost in the ordinary course of business or consist of prepayments to wind farm operators and wind farm insurance and accrued expenses, tax prepayments or prepayments to employees and suppliers.

8 Cash and cash equivalents

	At 31 December 2019	At 31 December 2018
Cash at bank	2 831	2 776
Total	**2 831**	**2 776**

9 Share capital

	At 31 December 2019	At 31 December 2018
Share capital	499	499
Share premium	576	576
Total	**1 075**	**1 075**

As at 31 December 2019, the retained earnings of the Company were EUR 1 680 thousand, compared EUR 1 139 thousand as at 31 December 2018.

Shareholders	At 31 December 2019	At 31 December 2018
AB Ignitis Grupė	100%	100%
Total	**100%**	**100%**

As at 31 December 2019, the share capital of the Company was 499 thousand and consisted of one share with a nominal value of 499 thousand euros. The share capital has been paid in full. As more was paid for the share capital than the nominal value of the shares, a premium arose in the amount of 576 thousand euros. Compared to 2018, there are no changes..

10 Borrowings

The Company's borrowings by maturities were as follows:

	At 31 December 2019	At 31 December 2018
Non-current borrowings		
Long-term bank loan received from Parent Company, to be repaid by 14 July 2027	19 119	20 446
Total non-current borrowings	**19 119**	**20 446**
Current borrowings and current portion of non-current borrowings		
Long-term bank loan received from Parent Company, to be repaid by 14 July 2027	-	300
Total current borrowings and current portion of non-current borrowings	**-**	**300**

Long-term loan from the Parent Company has a fixed interest rate of 3,05%.

All amounts are presented in EUR thousand unless otherwise stated

Reconciliation of borrowings balance and cash flows from financing activities of 2019 and 2018:

	Borrowings	Total
As at 1 January 2018	**24 046**	**24 046**
Loans repaid	(3 300)	(3 300)
As at 31 December 2018	**20 746**	**20 746**
As at 1 January 2019	**20 746**	**20 746**
Loans repaid	(1 627)	(1 627)
Total borrowings as at 31 December 2019	**19 119**	**19 119**

Other long term liabilities	At 31 December 2019	At 31 December 2018
Lease liabilities	366	-
Total	**366**	**-**

11 Grants and subsidies

Grants related to assets
Investment Support Agreement between KIK Environmental Investment Centre and the Company was concluded in July 2011 for the purpose of construction, development and other investments related to the Tamba Wind Park Project. The total amount of grant received according KIK Investment Support was EUR 7.459 thousand. Amortisation of grants is accounted for under the line item “Depreciation and amortisation” in the statement of profit or loss and other comprehensive income. Depreciation charges of the related property, plant and equipment are reduced by the amount of amortisation of grants. The grant is classified as current and non-current liability in the statement of financial position, there the non-current liability is the unamortized part of the current financial period.

	At 31 December 2019	At 31 December 2018
Balance at the beginning of the period	**5 541**	**5 914**
Amortization of grant	(373)	(373)
Balance at the end of the period	**5 169**	**5 541**
Grants long-term part	4 796	5 168
Grants short-term part	373	373

12 Trade and other payables

	Note	At 31 December 2019	At 31 December 2018
Trade payables		307	305
Tax payable	12.1	98	70
Lease liabilities		14	-
Total		**405**	**375**

12.1 Current tax liabilities

	Note	At 31 December 2019	At 31 December 2018
Value added tax		97	69
Other taxes		1	1
Total	**12**	**98**	**70**

According to the Taxation Act of Estonia tax authority can request for information and documents related to transactions and payments relevant for taxation purposes for at least five years as of 1 January of the year following the preparation or receipt of the document.

13 Revenue

	2019	2018
Electricity related income		
Sale of electricity	2 320	2 074
Sale of GoOs*	9	8
Other income		
Feed in-premium**	1 852	1 572
Total	**4 181**	**3 654**

All amounts are presented in EUR thousand unless otherwise stated

Geographic areas	2019	2018
Estonia	4 172	3 646
Lithuania	9	8
Total	**4 181**	**3 654**

*GoOs - Guarantees of Origin for electricity from renewable energy sources. GoOs are certificates that prove that one MWh of electricity was produced using renewable energy sources.

**Elering AS (Estonian Interconnected System Operator) pays support for electricity produced by operating wind farms and directed to the networks in accordance with § 59 and § 108 (3) of the Electricity Market Act.

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

	2019	2018
Performance obligation settled during the period	4 181	3 654
Total	**4 181**	**3 654**

14 Purchase of electricity and related services

	2019	2018
Electricity transaction fees	87	75
Costs related to wind farm development	11	-
Costs to the usage rights	-	25
Purchased energy cost	4	6
Subscription fee	-	10
Environmental noise measurement	-	1
Total	**102**	**117**

15 Other expenses

	2019	2018
Repair and maintenance	322	328
Insurance expenses	33	34
Accounting and auditing expenses	16	15
Consulting and legal services	16	16
Other expenses	12	17
Total	**399**	**410**

16 Finance costs

	Note	2019	2018
Interest on borrowings	19	655	760
Total		**655**	**760**

17 Commitments and contingencies

Legal disputes

In 2006, the Varbla Parish Government issued a permit to the Company to erect two Tamba wind turbines. In 2013, an appeal was filed with the Tallinn Administrative Court to revoke the operating permit issued by the Varbla Parish Government on the grounds that the erected wind turbines do not comply with the detailed space plan and the noise generated by the wind turbines does not meet satisfactory conditions. The Tallinn Administrative Court did not satisfy the appeal, nor did the Tallinn Circuit Court in 2015. The appeal in cassation was satisfied by the Supreme Court in 2016. As a result, the licenses were revoked. In July 2017, the Varbla Parish Government issued new temporary operating permits to Tuuleenergia.

On 3 July 2017 the applicant filed a complaint with the Tallinn Administrative Court with the following claims: 1) to establish the illegality of the delay of the Varbla Parish Government in processing the applicant's application of 23 December 2016 and to oblige the respondent to resolve the application within 30 days from the entry into force of the court decision; 2) establish the illegality of the procedure for issuing operating licenses for Tamba wind turbines initiated by the Varbla Parish Government and prohibit the continuation of this procedure; 3) to establish the illegality of the inaction of the Varbla Parish Government, which consists in non-compliance with the Supreme Court Decision No. 3-3-1-15-16, which has entered into force, and to order the non-proprietary damage caused by the delay at the discretion of the court. At the end of 2017 the applicant withdrew from the case.

In October 2017, the same person filed a complaint against the Varbla rural municipality government with the aim of revoking the temporary use permit.
On 19 December 2019 a hearing was scheduled for case no. 3-18-1300, but it was adjourned due to the illness of the applicant's (Albergi's) lawyer. No new hearing date has been set, but we expect a first instance decision on this matter by the summer.
Given that losing parties are likely to appeal negative decisions to the Court of Appeal and then to the Supreme Court, it is unlikely that we will receive a final decision in 2020.
At the beginning of 2020, the law firm is unable to assess the financial impact of the case.
The year 2019 has begun a new lawsuit over the violation of the share purchase agreement. The plaintiffs Tuuleenergia Osaühing and AB Ignitis grupė filed an action with the defendants OÜ E.L.TERMINAL, OÜ Track Consult and BaltCap Private Equity Fund L.P. on 11 October 2019 in Harju County Court.mits.
Tuuleenergia Osaühing has submitted a claim in the amount of 18,431.5 euros. In addition, interest and procedural costs, the amount of which has not yet been determined.

18 Transactions with related parties

The Company's transactions with related parties for the period from January to December of 2019 and the balances arising on these transactions as at 31 December 2019 were as follows:

Related parties	Borrowings*	Amounts receivable	Interest expenses	Sales
	31/12/2019	31/12/2019	2019	2019
AB "Ignitis"	-	1	-	9
Parent company AB "Ignitis Grupė"	19 119	-	655	-
Total	**19 119**	**1**	**655**	**9**

*Amount includes accrued interest.

Receivables from related parties have not been written down in 2019 (also in 2018). Receivables from related parties are non-interest bearing.

The Company's transactions with related parties for the period from January to December of 2018 and the balances arising on these transactions as at 31 December 2018 were as follows:

Related parties	Borrowings*	Amounts receivable	Interest expenses	Sales
	31/12/2018	31/12/2018	2018	2018
AB "Ignitis"	-	1	-	8
Parent company AB "Ignitis Grupė"	20 746	-	760	-
Total	**20 746**	**1**	**760**	**8**

*Amount includes accrued interest.

19 Compensation to key management personnel

	2019	2018
Wages, salaries and other benefit to key management personnel	-	-
Whereof: other significant payments to key management personnel (EUR thousand)	-	-
Number of key management personnel	2	2

The Management does not receive any potential compensation at the termination of the Management Board member contract.

20 Subsequent events

At the beginning of 2020, the existence of a new coronavirus (COVID-19) was confirmed and by now it has spread all over the world, including Estonia, causing a declaration of a state of emergency (12.03.2020-17.05.2020) and problems for companies and economic activities. The Company considers this outbreak and emergency to be an event after the reporting date.

The company has a long-term fixed-price contract with an Estonian state-owned company operating electricity transmission networks. In addition, the electricity produced by the company is traded on the NordPool power exchange, which is one of the largest exchanges of its kind in Europe, therefore the company sees no reason to decrease sales volumes.

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