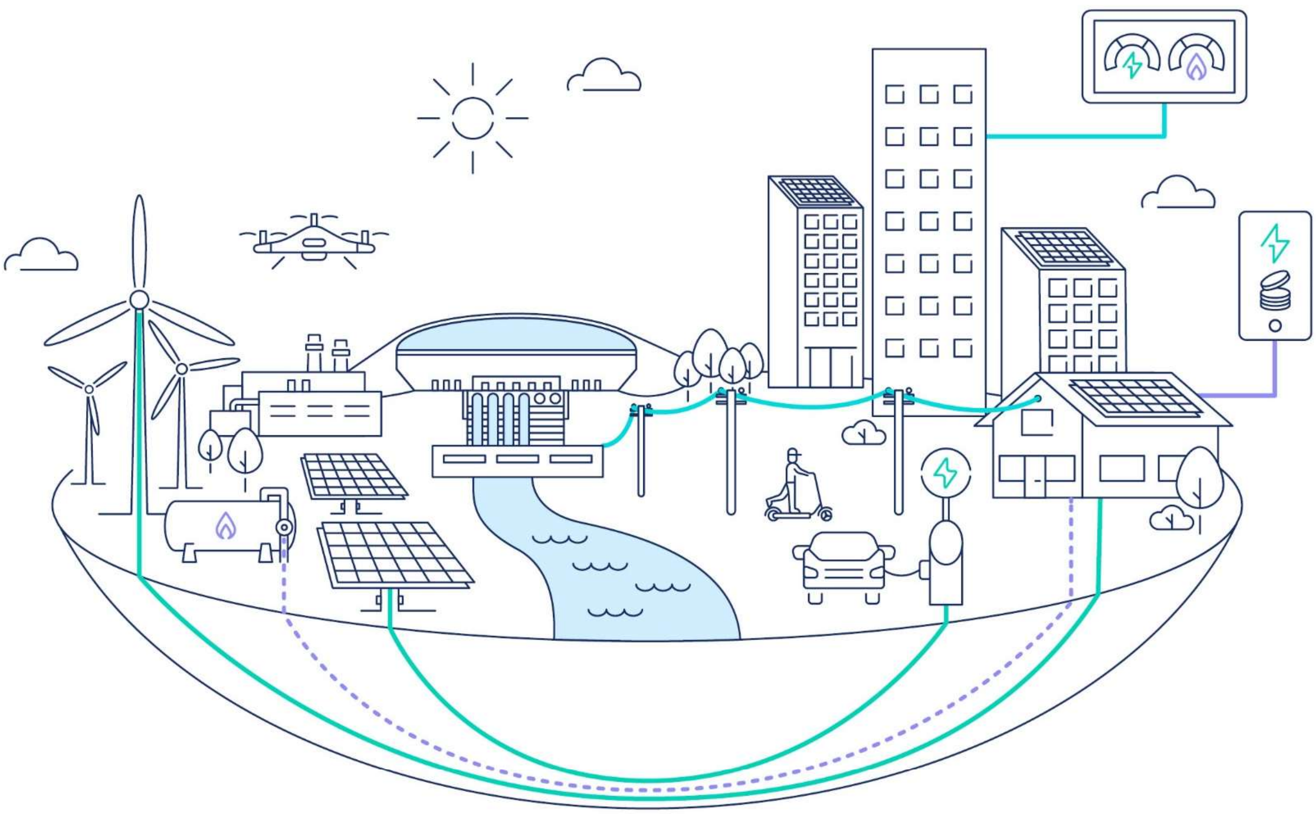
Limited liability company IGNITIS LATVIJA 2022 annual report

Annual report for the year ended 31 December 2022 and the company's financial statements for the year ended 31 December 2022 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 2022



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

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Overview

1.1 Business highlights

During the reporting period

January

- As a result of business development and diversification, first PV Solar station finished and sold to customer

February

- Military invasion of Russia into Ukraine has begun, which resulted in raw materials price increase, especially increasing the uncertainty of natural gas prices

April

- The company has began purchasing electricity directly from producers, as a result decreasing the net working capital and allowing the small and green producers to sell the power in a simple and efficient way
- The Baltic countries stopped importing electricity from Russia after the European Nord Pool electricity exchange stopped trading in Russian electricity

September

- An agreement was signed with Hesburger Latvija for installation of 22 EV charging statins

December

- Ignitis Latvija co-founded and joined the Solar energy for Latvia association

After the reporting period

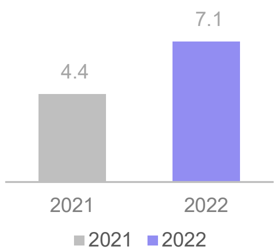
January

- First „Ignitis ON" EV charging point started operating in Latvia, Riga

1.2 Performance highlights

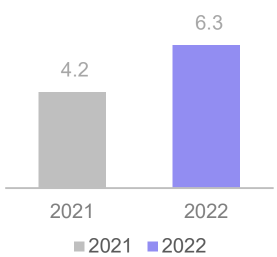
Financial

EBITDA
EURm



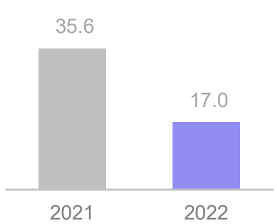
EBITDA of the company has improved and reached 7.1 EURm (+ 59%). Main contributors were increased sales volumes (+ 7 % power and + 101% gas sales) and business expansion (PV Solar stations installation).

Net profit
EURm



Net Profit increased to 6.3 EURm in 2022. Net profit was driven by increase in EBITDA, which was partly offset by higher interest expenses. Borrowing expense increased due to high electric energy prices and consequently a significant increase of net working capital during year 2022, especially during II and III quarter.

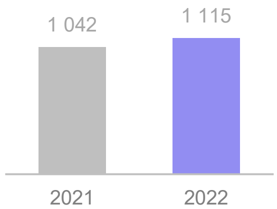
Net debt
EURm



Net debt reduced significantly during the 2022 (-59%). This is directly related to decrease of raw material prices at the end of 2022, resulting in decreased net working capital. Moreover, contributing to this is the increased volume of power bought directly from producers.

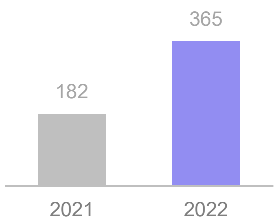
Business

Electricity sales
GWh



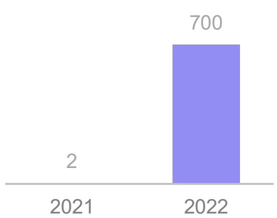
Electricity sales increased by 7% in 2022. This is a result of wider range of fixed, flexible and combined price products available for customers as well as successful effort of sales team to acquire new customers.

Natural gas sales
GWh



Natural gas sales volume doubled (+101%) in 2022 mostly as a result of new longer term deals with larger consumers.

PV Solar stations installation sales
EURk



Installation and sales of PV Solar stations for B2B customers actively started in 2022, majority of which was done in second half of the year due to high customers interest in investing in renewable source of electricity

Business overview

2.1 Business profile

Description of the Company's activities and service market

Ignitis Latvija SIA 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. Company was established on 28th of February 2013. 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.

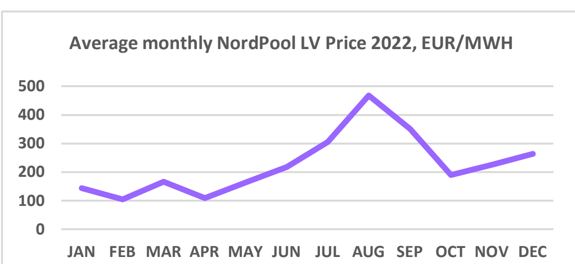
The Company's customer base has been increasing throughout the years. Through direct users or other energy supply companies, the amount of supplied power is almost 16 percent (according to AST info total consumed amount in 2022 consumption was 7 106 GWH) of Latvian electricity supply market. Aiming to 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 creates the distinctive competitive position for the Company.

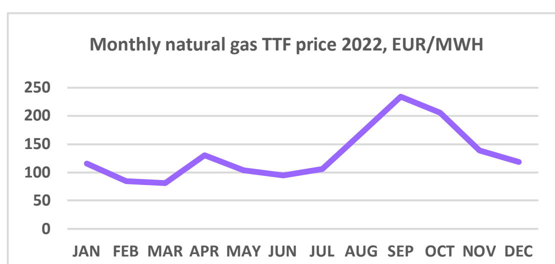
Objective overview of the Company's financial position, performance and development

In 2022 Ignitis Latvija SIA continued the business expansion of the Company by increasing the customer base, expanding the sales channels and adding new services. The financial year was completed with a total of 18 employees.

In 2022, supplied volume of electricity increased up to 1 115 GWh and up to 365 GWh of natural gas.

As a result of improved sales strategy and natural gas supply planning, the Company managed to significantly increase the number of customers, as well as increase supplied volume of electricity and natural gas supplied to end customers. Due to significant increase in electricity and natural gas prices (see charts below), turnover increased from 106.21 million euros to 280.57 million euros.





Activities generated EUR 6 295 thousand in net profit in 2022 (2021: net profit of EUR 4 228 thousand).

Financial indicators, in thousands EUR	2022	2021	Change	
Sales	273 322	104 007	169 315	162,79%
Net profit	6 295	4 228	2 067	48,89%
Assets	73 083	57 262	15 821	27,63%
Shareholders' equity	32 624	15 214	17 410	114,43%
Liabilities	40 459	42 048	(1 589)	(3,78%)
Of which borrowings	17 060	35 652	(18 592)	(52,15%)

Other information

The Company's activities comply with the requirements stipulated by the relevant environmental laws.

The system on a variable remuneration and performance assessment was used in the Company’s activities in 2022. The remuneration of the Company's employees consists of a fixed and variable components. A fixed component of the remuneration is established based on the position held and the competence of the employee. A 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 2022, the Company employed eighteen employees. In comparison, on 31st of December 2021, the Company employed thirteen 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 2022, the Company had no research and development activities

During 2022, 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 in 2022 gas SWAP agreement was concluded with parent company Ignitis UAB.

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

On April 12, 2023, the Company changed its legal address from Cēsu iela 31 k-3, Rīga, Latvia, LV-1012 to Gustava Zemgala gatve 74A, Rīga, Latvia, LV-1039 (building “Henrihs”, 11th floor).

In 2023, the Company plans to increase activities related with energy efficiency and solar power plant solutions, as well as increase of the sales of electricity. Also company plans to invest in and develop the EV charging network in Latvia.

2.2 Strategy

Overview

The Company is a part of Ignitis Group and performs its activities with the aim to ensure the implementation of Ignitis Group's strategy updated in 2020, which is applicable to all Group companies.

Sustainability is at the core of our strategy. At Ignitis Group, we are accelerating changes that will contribute towards reduction of greenhouse gas emissions worldwide, transforming its business models by developing and implementing smart energy solutions, expanding in the region, and exploring new opportunities in the markets undergoing energy transition.

In Ignitis Group's strategy, we focus on four key strategic priorities. First, we are creating a sustainable future. ESG criteria are an integral part of our strategic goals with strong commitment to a more sustainable future. At the Group, our business targets align with the United Nations' Sustainable Development Goals and Ignitis Group is committed to reducing net carbon dioxide emissions to zero by 2050. We also strives to align our businesses with science-based targets to a 1.5°C-compliant business model. Second, we are ensuring resilience and flexibility of the energy system, as well as enabling energy transition and evolution. Third, we are growing renewables to meet regional energy commitments. We target to reach 4 GW of installed green generation capacity by 2030. Fourth, we are capturing growth opportunities and developing innovative solutions to make life easier for the energy smart.

As a Group, our focus is on the home market – the Baltic countries, Poland, and Finland. We also explore new opportunities in countries on the energy transition path.

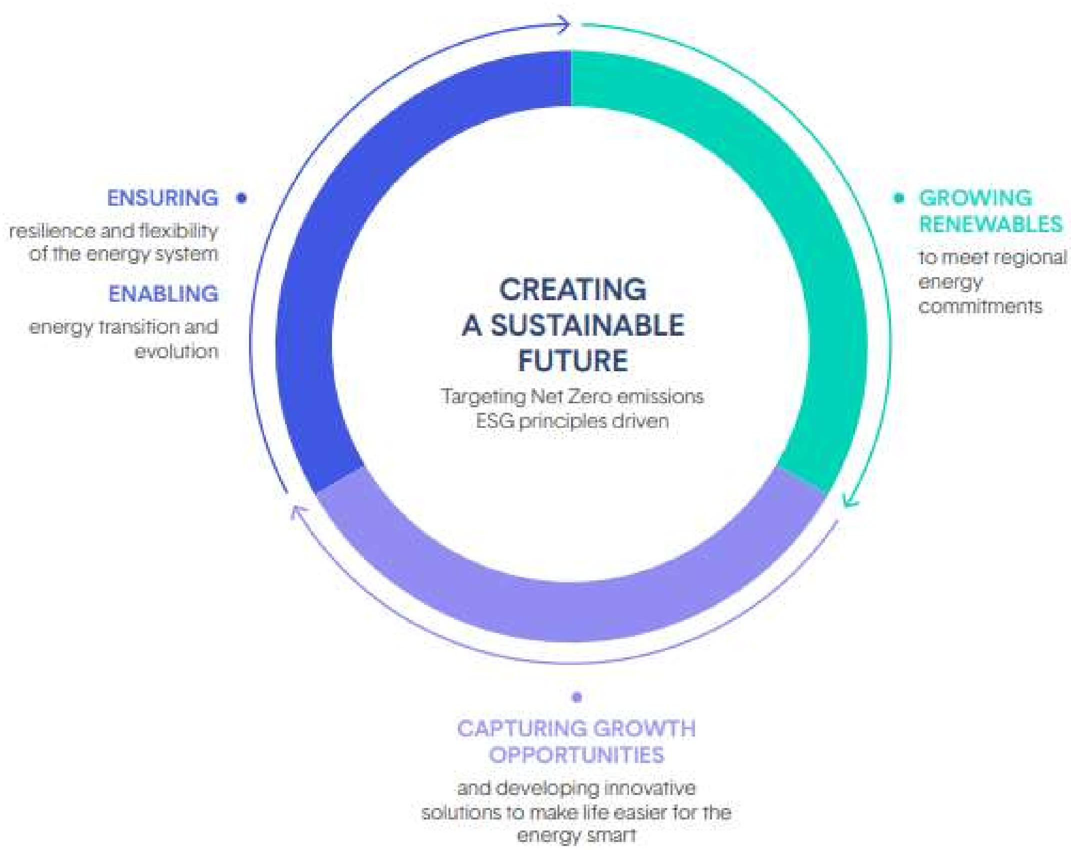
We pursue our strategic priorities with a strong focus on financial discipline. Our engaged people, agile teams, learning culture, organisation with strong governance model and digital approach are the integral parts of our strategy at Ignitis Group.

To ensure strategy implementation on an annual basis, we, at Ignitis Group, publish a strategic plan with targets and KPIs set for the next 4-year period, which all the subsidiaries of the Group follow and are responsible for their implementation.

Our values

RESPONSIBILITY	PARTNERSHIPS	OPENNESS	GROWTH
Care. Do. For Earth. Starting with myself.	Diverse. Strong. Together.	See. Understand. Share. Open to the world.	Curious. Bold. Everyday.

In our **vision**, we transform for **a more sustainable world**.



In everything we do, we are united by the **mission** to make the world more **energy smart.**

Governance

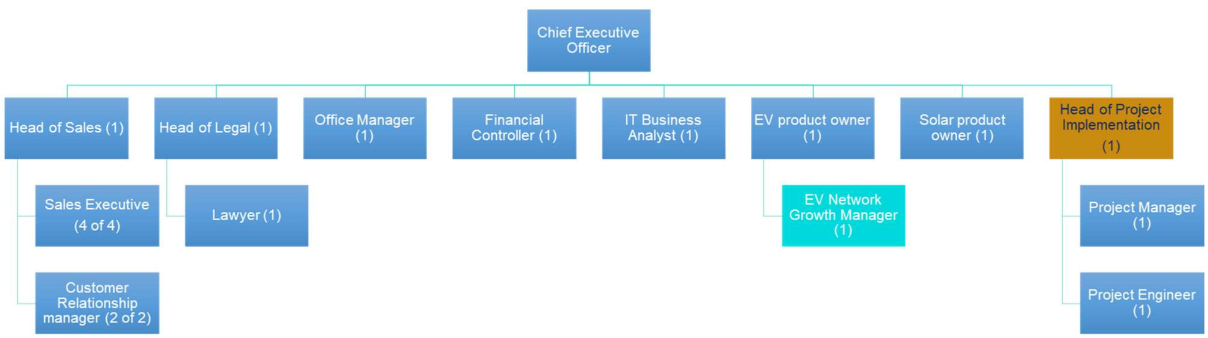
3.1 Governance framework

Governance model of the Company

In accordance with the Company's Articles of Association, 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 State 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 budget of the Company, business strategy of the Company, operational plan and objectives (goals) of the Company;

– 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;
- organize 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 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	Chairperson of the Supervisory Board	2021-10-08	present
Agnė Daukšienė	Deputy Chairperson of the Supervisory Board	2021-10-08	2022-07-15
Mantas Mikalajūnas	Member of the Supervisory Board	2021-10-08	2022-07-15
Andrius Kavaliauskas	Member of the Supervisory Board	2022-07-15	present
Darius Šimkus	Member of the Supervisory Board	2022-07-15	2022-10-27
Darius Šimkus	Deputy chairperson 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** Chairperson 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 (company code 303383884, address: Laisvės ave. 10, LT-04215 Vilnius) CEO, Management Board member Other managerial positions held: Ignitis Polska Sp. z o.o. (Company code 0000681577, address: Puławska 2, Building B, Warsaw, 02-566, Poland) Supervisory Board member.
	**Darius Šimkus** Deputy chairperson 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 (company code 303383884, address: Laisvės ave. 10, LT-04215 Vilnius) Head of Finance and Business Support, 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 (company code 303383884, address: Laisvės ave. 10, LT-04215 Vilnius) Head of Private Customers, Management Board membe

Members of the Management Board

	Description	Experience	Education	Other current place of employment, position
	**Kristaps Muzikants** Member of the Management Board, Chief Executive officer 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 (company code 40103642991, address: Gustava Zemgala gatve 74A, LV-1039, Riga, Latvia Chief Executive officer, Management Board member

3.3 Risk and risk management

Ignitis Group Risk management framework

Since the Company is part of Ignitis Group, it shares risks and consequently risk management to those of the whole group.

In connection with the business activities, Ignitis Group is exposed to internal and external risks that might affect the performance. To ensure their mitigation to an acceptable level, Ignitis Group applies uniform risk management principles for all subsidiaries, including the Company. Risk management principles are based on the best market practices, including the guidance of the *Committee of Sponsoring Organizations of the Treadway Commission (COSO*) and *AS/NZS ISO 31000:2009*.

The main risk management objectives of Ignitis Group are the following:

- to achieve Ignitis Group's performance objectives with controllable, yet, in principle, acceptable deviations from these objectives;
- to ensure a timely provision of information of the highest possible accuracy to decision-makers, shareholders and other stakeholders;
- to protect Ignitis Group's reputation and ensure reliability;
- to protect the interests of shareholders, employees, customers, stakeholders and the public;
- ensure the stability (including financial) and sustainability of Ignitis Group's activities.

In order to effectively manage and control risks arising from its activities, Ignitis Group applies the "three lines of defence" principle by establishing a clear distribution of responsibilities for risk management and control between the management and supervisory bodies, structural units or functions of Ignitis Group.

Ignitis Group Risk assessment and control

Each year, Ignitis Group carries out the risk assessment identifying key risks and its management strategies for the upcoming year. To ensure that risks and their mitigation strategies correspond to recent developments and changes in both the business environment and the activities of Ignitis Group, we review the relevance of the existing and new risk factors on a quarterly basis and define additional actions to manage risks, if needed.

More information about risk management model, risk factors and risk management of Ignitis Group is available on Ignitis Group Annual report 2022.

Description of the Company's exposure to key risks and contingencies

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 profit or loss of SPLOCI. In the ordinary course of its operations, the Company is exposed to commodity risks on electricity products. The source of exposure lies with cost cash flows incurred to procure fixed price electricity for sales contracts. Majority of this type of exposure is based on changes of respective commodity price in the market that the Company operates. Parent company is ultimately responsible for acquiring necessary hedges in the market to cover commodity risk exposure.

Commodity risk arises primarily from the following activities:

– Fixed price commodity sales contracts (electricity) business customers.

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.

For electricity related hedges, the Company uses price component based hedges in over-the-counter contracts (OTC), that are equivalent to derivatives market (NASDAQ commodities).

Assessment of economic relationship and hedge effectiveness is performed by dollar offset method. The two separate components that are being used as a hedged item for electricity related hedges are SYS price and price component equivalent or similar to difference between Latvia price area and SYS price. Their economic relationship is determined separately for each component.

– SYS price (average price of Nordpool power market, of which Latvia is a member);
– Price component equivalent or similar to difference between Latvia price area and SYS price (commonly referred as EPAD in NASDAQ commodities market).

Source of hedge ineffectiveness is mainly related to limited supply of financial derivatives for Latvia electricity price area in the market. Therefore, commodity risk is partly hedged in similar price area‘s (Estonian, Finland and other), which results in partial ineffectiveness. The designated risk component of SYS historically covered 100% of the changes in hedged item, while designated price component equivalent or similar to difference between Latvia price and SYS price historically covered variety of percentages (depending on hedge timing and hedged price area). However, value coverage of hedged item should be at least 67% and not exceed 150% in order for financial derivative to be classified as effective for hedge accounting purposes.

Commodity risk related to hedge ineffectiveness is managed through an “Success fee” clause in portfolio management agreement with parent company. Meaning, that any loss arising from hedge ineffectiveness (or profit arising from effectiveness) is split by both parties on pre-agreed ratio. This ultimately leads to the Company having secured fixed electricity acquisition price from Nordpool via hedges or success fee for the whole supply portfolio, minimising commodity market risk to the maximum.

Overview of the Company’s derivatives positions:

	31.12.2022		31.12.2021	
	Contractual nominal value	Market value	Contractual nominal value	Market value
Over the counter (OTC) derivatives - Electricity	15 826 438	25 140 364	15 641 698	10 474 634
Total	15 826 438	25 140 364	15 641 698	10 474 634

Nominal amounts (quantities in MW) hedged:

	2023	2024	2025	2026
Over the counter (OTC) derivatives – Electricity	274 596	75 542	122 640	-
Total	**336 635**	**75 542**	**122 640**	**-**

Market risk

Market risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices.

Contracts for the sale and purchase for the Company are concluded both for fixed and variable price. Risk is mainly characteristic to contracts concluded for sale of fixed price products.

Aiming to reduce market price fluctuation impact on electricity purchase the Company starting from 2019 has concluded a SWAP agreement with Ignitis UAB with the purpose to use derivative financial instruments to manage the market risk. Starting from 2021, the Company has entered into agreement with Ignitis UAB on the provision of fixed price electricity products portfolio management services to transfer the risks caused by price volatility to the parent company Ignitis UAB. For more information regarding commodity price/market risk management please refer to paragraph above "commodity risk".

Credit risk

The Company's exposure to credit risk arises from both operating activities (trade receivables and other amounts receivables) and financing activities (cash and cash equivalents).

The Company manages its trade receivable risk in accordance with the Company's policies. Before signing an agreement, credit ability of a potential customer is evaluated.

The Company monitors its trade receivable balances on a regular basis to minimise amount of doubtful debts. The potential impairment of debts is analysed on a regular basis.

Liquidity risk

Liquidity risk refers to the Company's inability to meet its short-term financial obligations in defined term.

The Company's management manages the liquidity risk, by making sufficient cash reserves and providing appropriate financing, using credit line, as well as monitors forecasted and actual cash flows and coordinates the term structure of financial assets and liabilities.

The Company performs long-term cash flow forecasting for a year. By this the Company maintains appropriate amount of recourses to provide financing of operating expenses, to settle Company's liabilities and to make necessary investments.

Interest rate risk

The interest rate risk is risk to suffer losses from changes in interest rates applied to the Company's assets and liabilities. The Company is exposed to interest rate risk mainly from its short-term borrowing being at variable interest rate.

As the credit line has been provided by the Parent Company, the Company does not use derivative financial instruments to manage the interest rate risk.

Foreign exchange risk

Purchase/sale contracts of the Company are denominated in the euro currency; therefore the Company is not exposed to foreign exchange risk.

Financial statements

4.1 Company's financial statements

For the year ended 31 December 2022 prepared according to International Financial Reporting Standards, adopted by the European Union

The Company's financial statements were prepared and signed by the management of SIA Ignitis Latvija on 28 April 2023:

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

Statement of financial position

	Note	At 31 December 2022	At 31 December 2021
Non-current assets			
Property, plant and equipment	4	**245 690**	**344 440**
Other loans and receivables		**34 117**	**87 121**
Derivate financial instruments (non-current part)	9	**3 401 106**	**1 196 504**
Total non-current assets		**3 680 913**	**1 628 065**
Current assets			
Inventories	5	**1 909 143**	**-**
Trade and other receivables	6	**42 044 046**	**43 167 174**
Derivate financial instruments (current part)	9	**21 739 258**	**9 278 131**
Cash and cash equivalents	7	**3 709 522**	**3 188 797**
Total current assets		**69 401 969**	**55 634 102**
TOTAL ASSETS		**73 082 882**	**57 262 167**
Equity			
Share capital	8	**11 500 000**	**11 500 000**
Cash flow hedges reserve	9	**18 449 751**	**7 335 259**
Retained earnings / (accumulated loss)		**2 674 081**	**(3 620 832)**
Total equity		**32 623 832**	**15 214 427**
Liabilities			
Current liabilities			
Borrowings	10	**17 059 891**	**35 651 937**
Trade and other payables	11	**23 399 159**	**6 395 803**
Total current liabilities		**40 459 050**	**42 047 740**
Total liabilities		**40 459 050**	**42 047 740**
TOTAL EQUITY AND LIABILITIES		**73 082 882**	**57 262 167**

The accompanying notes on pages 26 to 47 form an integral part of these financial statements

Statement of profit or loss and comprehensive income

	Note	2022	2021
Revenue and other income			
Revenue from contracts with customers	12	273 322 492	104 006 534
Other income from derivative financial instruments		9 263 188	5 055 237
Gross profit		**282 585 680**	**109 061 771**
Operating expenses			
Purchases of electricity, gas and related services	13	(273 341 618)	(103 762 753)
Selling expenses	14	(792 463)	(550 754)
Administrative expenses	15	(524 900)	(401 146)
Other operating income		413 737	118 699
Other operating expenses		(1 240 970)	(42 751)
Total operating expenses		**(275 486 214)**	**(104 638 705)**
Operating profit/ (loss)		**7 099 466**	**4 423 066**
Finance costs	16	**(804 553)**	**(195 211)**
Profit/ (loss) before income tax		**6 294 913**	**4 227 855**
Corporate income tax		-	-
Net profit/ (loss) for the year		**6 294 913**	**4 227 855**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value	9	31 703 149	17 494 230
Cash flow hedges – reclassified to profit or loss	9	(20 588 657)	(10 158 971)
Other comprehensive income for the year		**11 114 492**	**7 335 259**
Total comprehensive income/(loss) for the year		**17 409 405**	**11 563 114**

The accompanying notes on pages 26 to 47 form an integral part of these financial statements

Statement of changes in equity

	Note	Share capital	Retained earnings / (Accumulated loss)	Cash flow hedge reserve	Total
Balance at 1 January 2021		**11 500 000**	**(7 848 687)**	**-**	**3 651 313**
Total comprehensive income for the period					
Profit for the year		-	4 227 855	-	4 227 855
Other comprehensive income for the year		-	-	7 335 259	7 335 259
Total comprehensive income for the period		**-**	**4 227 855**	**7 335 259**	**11 563 114**
Balance at 31 December 2021		**11 500 000**	**(3 620 832)**	**7 335 259**	**15 214 427**
Balance at 1 January 2022		**11 500 000**	**(3 620 832)**	**7 335 259**	**15 214 427**
Total comprehensive income for the period					
Profit for the year		-	6 294 913	-	6 294 913
Other comprehensive income for the year	9	-	-	11 114 492	11 114 492
Total comprehensive income for the period		**-**	**6 294 913**	**11 114 492**	**17 409 405**
Balance at 31 December 2022		**11 500 000**	**2 674 081**	**18 449 751**	**32 623 832**

The accompanying notes on pages 26 to 47 form an integral part of these financial statements

Statement of cash flows

	Note	2022	2021
Cash flows from operating activities			
Profit before tax		6 294 913	4 227 855
Depreciation of property, plant and equipment	4	123 024	65 325
Interest expenses	16	804 553	195 211
Total		**7 222 490**	**4 488 391**
Change in operating assets and liabilities:			
Increase in receivables		(2 375178)	(38 632 085)
Increase in inventories		(1 869 426)	-
Increase in payables		17 003 429	3 651 446
Total		**12 758 825**	**(34 980 639)**
Net cash inflow / (outflow) from operating activities and change in assets and liabilities		**19 981 315**	**(30 492 248)**
Cash flows from investing activities			
Acquisition for property, plant and equipment	4	(63 991)	(311 236)
Net cash inflow / (outflow) from investing activities		**(63 991)**	**(311 236)**
Cash flows from financing activities			
Net change in credit line balance	10	(18 600 000)	31 600 000
Interest paid	10	(796 599)	(143 274)
Net cash inflow / (outflow) from financing activities		**(19 396 599)**	**31 456 726**
Net (decrease)/increase in cash and cash equivalents		**520 725**	**653 242**
Cash and cash equivalents at the beginning of the financial year		3 188 797	2 535 555
Cash and cash equivalents at end of year	7	**3 709 522**	**3 188 797**

The accompanying notes on pages 26 to 47 form an integral part of these financial statements

Notes to the financial statements

1 General information

Company name:	Ignitis Latvija SIA
Legal form:	Limited liability company
Registered capital:	EUR 11 500 000
Date of registration:	28 February 2013
Place of registration:	Commercial register
Company code:	40103642991
Address of the registered office:	Gustava Zemgala gatve 74A, LV-1039, Riga, Latvia
Address for correspondence:	Gustava Zemgala gatve 74A, LV-1039, Riga, Latvia
Company's register:	The Register of Enterprises of the Republic of Latvia
Telephone:	+371 2 000 50 95
E-mail:	info@ignitis.lv
Website:	http://www.ignitis.lv/

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 started to supply electrical power in August 2013 and natural gas to Latvian business entities since July 2018, first energy efficiency projects have been completed in 2019. The Company also provides solar panel solutions to Latvian business entities.

The Company's parent Company is Ignitis UAB, a limited liability company incorporated in the Republic of Lithuania, with the registered address Laisvės pr. 10, LT-04215, Vilnius, Lithuania. The Company's ultimate parent company is Ignitis grupė AB, a public limited company incorporated in the Republic of Lithuania, with the registered address Laisvės pr. 10, LT-04215, Vilnius, Lithuania. The principal shareholder of the Company's ultimate shareholder is the State of the Republic of Lithuania (74,99%).

The Company's financial year coincides with the calendar year. The shareholders of the Company have a statutory right to approve these financial statements or not to approve and to require the preparation of a new set of the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and they are based on the historical cost convention, except as disclosed in the accounting policies below. Such accounting policies are constantly used for all periods in the report unless otherwise marked. Statement of cash flows has been prepared by presenting operating cash flows using the indirect method. Statement of profit or loss is being presenting showing analysis of expenses by function.

The financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has completed the reporting year with a net profit, however due to the high electricity and natural gas prices the Company has significant borrowings from its parent company to finance the working capital needs. This is also reflected in high cost of interest in 2022. During the year 2022 Company has managed to decrease the borrowings amount. This was partly as a result of decrease of energy prices towards the year end and also as a result of increasing amounts of purchase of electrical energy directly from producers. The management believes that the current situation is temporary and electricity and gas prices will continue to drop towards previous levels, thus enabling the Company to decrease its indebtedness further.

These financial statements are presented in the official currency of Republic of Latvia - the euro (EUR), which is the Company's functional and presentation currency.

Financial Statements cover the reporting period from 1 January 2022 to 31 December 2022 and comparative information for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year. There have been no new IFRSs with material impact, which have been adopted by Ignitis Latvija, SIA as of 1 January 2022.

2.2 Significant events during and after the end of the reporting year

Impact of war in Ukraine

In February 2022 the Russian Federation invaded Ukraine. The military action has affected not only the economies of Ukraine, Russia or Belarus, but also the European Union and the world. The situation in Ukraine with respect to the preparation of these financial statements and, in particular, its impact on the European energy (electricity, gas) markets has been significant. Energy prices have experienced sharp changes during the year 2022, resulting in increased cash turnover, revenue, net working capital and consequently interest payments. At the beginning of 2023, the energy prices have decreased and stabilized. However, the situation is still volatile and uncertain, and the management of the Company believes that currently there is no possibility to reliably measure the possible financial impact.

At the time of preparation of the financial statements for the reporting year, there are no other significant changes in the cash flows from the income of the main business types other than decrease related to overall price decrease. Customers' views on the current situation have been assessed, and no indications of a significant decline in sold volumes have been identified to date. Uncertainty still stands about the future development of the situation, which may have a significant impact on the Company, including the Company's ability to generate revenue.

The effect of future events on the Company's future operations may differ from management's current assessment. In the period from the last day of the reporting year to the signing of this report there have been no other events that should be reflected in these financial statements or that would result in any adjustments. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

The management of the Company will continue to monitor the situation closely and will assess the need for additional measures in case the period of disruption becomes prolonged.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except as stated in the next paragraph. There have been no new IFRSs with material impact, which have been adopted by Ignitis Latvija, SIA as of 1 January 2022.

From 1 July 2021, the Company started application of the hedge accounting policy to derivative financial instruments – electricity purchase contracts. Accordingly, effective portion of gain or loss of such contracts is recognized through OCI. Fair value change up to 30 June 2021 and ineffective portion of such contracts is recognized in Other income of SPLOCI.

Standards issued but not yet effective, not yet endorsed by the EU and not early adopted with a possible material impact

The management of the Company does not believe that new and amended standards and their interpretations which the Company is required to apply for annual periods beginning after 1 January 2022 or that are not yet effective, not yet endorsed by the EU and not early adopted will have a material effect on financial statements of the Company.

2.4 Foreign currency translation

The Company's functional currency is euro which is also considered as the presentation currency for the purpose of these financial statements; all other currencies are considered as foreign currencies. The financial statements have been prepared in euro (EUR).

Foreign currency transactions are recorded in euros, according to the reference foreign currency exchange rates published by European Central Bank prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into euros based on the reference foreign currency exchange rates published by European Central Bank prevailing at the transaction date. Gains and losses from translation of monetary assets and liabilities related to operating activities and from translation of monetary assets and liabilities related to investing and financing activities are recorded in the statement of income in the line "Financial income / financial costs".

2.5 Property, plant and equipment

Property, plant and equipment items are recorded at historical cost net of accumulated depreciation and accumulated impairment losses, if such are deemed necessary.

Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets. The costs of self-constructed fixed assets consist of purchase price and other direct expenditures, as well as all ancillary charges related to its implementation in use, costs incurred in demolishing or rearranging existing assets and modernization of assets' location place. The costs of software licences that are inseparable from the equipment and ensure its proper functioning are capitalized as part of equipment.

If fixed assets are comprised of major components having different useful lives, they are accounted for as separate items of fixed assets. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are charged to the income statements in the period in which they are incurred.

Where the carrying amount of fixed asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation

Depreciation of fixed assets is calculated using the straight-line method. Depreciation is charged to the income statement. Depreciation is calculated for each class of assets using their residual values by applying the depreciation rates specified for each asset category:

Asset category	Depreciation rate
Other fixed assets	6 – 33.33 %

2.6 Inventories and work in progress

Inventories are stated at the cost 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.

Work in progress is stated at the cost value and consist of labour of external subcontractors. These costs are subsequently transferred to the cost of sales at the same time as finished product is sold to a customer and recognized as revenue.

2.7 Financial assets

The Company recognises a financial asset in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised using trade date accounting.

Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of a financial asset.

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.

Following the adoption of IFRS 9 *Financial instruments* from 1 January 2018, the Company classifies its financial assets into the following three categories:

1) financial assets subsequently measured at amortised cost;
2) financial assets subsequently measured at fair value through other comprehensive income;
3) financial assets subsequently measured at fair value through profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. The intentions of the Company's management regarding separate instruments has no effect on the applied business model. The Company may apply more than one business model to manage its financial assets.

In view of the business model applied for managing the group of financial assets, the accounting for financial assets is as follows:

Financial assets measured at amortised cost

Assets held in order to collect contractual cash flows that represent solely payments of principal and interest (SPPI) are carried at amortized cost. Interest income calculated on these financial assets is recognized as finance income and amortized using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognized in the statement of profit or loss and other comprehensive income. Impairment losses are accounted for as impairment and write-off expenses in the statement of profit or loss and other comprehensive income.

Amounts receivable, and cash and cash equivalents are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows. These assets are stated at amortised cost using the effective interest method. 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. Effective interest rate method is a method applied to allocate interest income over the relevant period so as to achieve a constant periodic rate of interest (effective interest) on the carrying amount. The effective interest rate exactly discounts estimated future cash inflows or outflows (excluding future expected credit losses) to gross carrying amount of the financial instrument over the expected life of the financial instrument or a shorter period, if necessary.

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

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 2.7 and Note 2.19.

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 (FVTPL).

Effective interest 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 over the relevant period.

The effective interest rate 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 the effective interest rate, 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 the effective interest rate, 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).

Impairment of financial assets – expected credit losses

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost regardless of whether there are any impairment indicators.

Credit losses incurred by the Company are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses 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 the expected credit losses 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 must be 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 historical information, including future-oriented information.

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.

The Company assesses all material amounts receivable individually, and all immaterial amounts collectively.

The Company calculates the allowance for expected credit losses by assessing the debtor portfolio using the following model:

- By using historical data of credit loss during last 3 years;
- Expected credit loss matrix is calculated;
- Each receivables ageing group has corresponding probability of default and loss given default;
- Provision is calculated by multiplying the outstanding receivable balance (exposure at default) with corresponding default probability.

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(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties;

f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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.

The lifetime expected credit losses of loans receivable and trade receivables is recognised in profit or loss through the contrary account of doubtful receivables.

Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is 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.

The Company derecognises loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

2.8 Derivative financial instruments

The Company enters into derivative transactions related to the purchase and sale prices of electricity for hedging purposes, and applies efficiency requirements to such transactions.

The fair value of derivative financial instruments is presented in the statement of financial position as "Derivate financial instruments (non-current part)" and "Derivate financial instruments (current part)".

Changes in the fair value and realized gains on derivatives that are not subject to hedging policies are recognized as "Other income" if the result for a period of such derivatives is profit, or as "Other expenses" if the result for the period of such derivatives is a loss.

The effective portion of a realized hedging instrument that is related to electricity prices is recognised in the statement of profit or loss and other comprehensive income (SPLOCI) as "Purchases of electricity, gas and other services", while any ineffective portion is recognized immediately in profit or loss part in SPLOCI in "Other income" or "Other expenses".

The effective portion of the MtM (Mark-to-Market) gain or loss on the hedging instrument is recognized in other comprehensive income and accumulated in cash flow hedges reserve until realization of the instrument, while any ineffective portion is recognized immediately in profit or loss part in SPLOCI in "Other income" or "Other expenses".

2.9 Cash and cash equivalents

Cash and cash equivalents include bank account balances and 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.

2.10 Financial liabilities and equity instruments issued

Recognition of instruments as debt or equity instruments

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

Financial liabilities

Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings and bonds issued at the moment of initial recognition, are recognised at fair value, less transaction costs.

In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest method.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

Derecognition of financial liabilities

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

Trade and other payables

Trade and other payables are initially recognised at fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate. If maturity term of liabilities is less than a year, they are classified as short-term creditors. If maturity exceeds one year, liabilities are classified as long-term.

Borrowings

Borrowings are initially recognized as fair value, net of transaction costs. Borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the income statement when the borrowings are derecognised as well as through the effective interest rate method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The amortisation is included in finance cost in the income statement. Borrowings are classified as short-term liabilities, except, if the Company has the inalienable right to defer settlement for at least 12 months after the balance sheet date. The financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Borrowing costs are expensed in profit or loss as incurred since the Company is not engaged in creation of qualifying assets to which borrowing costs could be attributed.

2.11 Accruals for unused annual leave

Amount of accruals for unused annual leave is determined by multiplying the average daily wage of employees for the last six months of the reporting year by the amount of accrued but unused annual leave at the end of the reporting year.

2.12 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the most accurate recent assessments. When the impact of time value of money is significant, the amount of provision represents the present value of costs expected to be incurred for the settlement of the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

2.13 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements the Company in the period in which the dividends are approved by the Company's shareholders.

2.14 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.

2.15 Revenue accounting

Revenue is income arising in the course of the Company's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

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 obligations if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:

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

The Company's major legal performance obligations identified in the contracts with customers are: sale of electricity and gas.

Revenue from contracts with customers is recognised at a point in time 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.

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 at a point in time when electricity is delivered to 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 meter readings provided by electricity distribution system operator.

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 at a point in time when gas is delivered to 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 distribution system operator.

The Company collects transmission and distribution fees from consumers and transfers them to transmission/distribution system operator. Because the Company has no control over transmission and distribution service obligations provided, the Company treats itself as an agent in the provision of such services: (i) electricity transfer and (ii) gas transmission and distribution, and, thus, presents them in the financial statements on a net basis.

Other income

Other income includes the changes in the fair value and realized gains on derivatives that are not subject to hedging policies and the ineffective portion of realized and MtM fair value gain of hedging instruments. See also Note 2.7.

2.16 Cost accounting

Recognition of costs

Costs are recognized in the accounting of the company on an accrual basis in the reporting period in which the related income is earned, regardless of the time of disbursement.

Costs are recognized only to the extent of costs incurred in prior and current periods that relate to revenue earned during the current period. Costs that are not related to the earning of income in the current period, but are intended to earn income in future periods, are recorded in the accounts and presented as an asset in the statement of financial position.

Where costs incurred during the reference period cannot be directly related to the earning of specific revenue and those costs will not generate revenue in future reporting periods, such expenses are recognized as costs in the Company for the same period as they were incurred.

Costs of providing services are recognized, accounted for and presented in the financial statements in the same reporting period in which the revenue from the fulfilled performance obligations was recognized.

Expenses are recognised in SPLOCI as incurred applying accrual basis of accounting.

Payments are usually made in cash or cash equivalents, so the amount of costs is measured at the amount of cash or cash equivalents paid or payable (excluding recoverable value added tax).

The costs of providing services include raw materials, supplies, components and other current assets used in the provision of services, labor costs, depreciation (amortization) costs of fixed assets used, services provided by third parties and similar costs.

Other operating costs include: write-offs of fixed assets, customer service, staff development, business trips, medical services, consulting services, public relations and marketing, stationery, subscriptions, insurance, inventory services, impairment, taxes and other services.

Expenses are presented in SPLOCI according to their function.

2.17 Corporate income tax

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

From January 1, 2018, the corporate income tax is levied on profit that arose after 31.12.2017 if it is distributed or conditionally distributed profit arises.

From taxation year 2018, corporate income tax will be calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders). Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

Due to the nature of the taxation system, the entities registered in Latvia 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 distribution of dividends is not recognised in the statement of financial position. As at 31 December 2022 the Company has retained earning in total amount 2 674 080 EUR. If Company makes decision of distribution profit, Corporate income tax liabilities would be 668 520 EUR.

The Company calculates and pays corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the profit or loss statement in the year for which it is calculated. Corporate income tax for the conditionally distributed profit is included in the profit and loss statement line item "Other operating expenses" since it is not based on the taxable profit as per meaning of IAS 12, but rather levied on the gross amount of specified taxable transactions, and, therefore, not in scope of IAS 12.

2.18 Related parties

Related parties are defined as shareholders, employees, members of the Board, their close relatives 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 the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

2.19 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.

2.20 Significant accounting judgments, estimates and assumptions

Judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

In the process of applying the Companies' accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Hedge accounting

The Company enters into derivative financial instruments transactions related to purchase price of electricity.

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.

Cash flow hedges

For the purpose of hedge accounting, the Company only concludes cash flow hedges.

The effective portion of the MtM (Mark-to-Market) gain or loss on the hedging instrument is recognised in other comprehensive income part of SPLOCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss part of SPLOCI in other income or expenses (accounting method is similar to derivative financial instruments that do not meet the hedge criteria – Note 2.7). 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.

When cash flow hedges are realised, gain or losses are transferred from equity and recognised in SPLOCI as "Purchases of electricity, gas and other services".

Swap contracts – estimating the fair value of derivate financial instruments

The Company accounts for financial derivative assets and liabilities at fair value. Derivatives acquired directly from other market participants (OTC contracts) are estimated based on the prices of similar contracts on the NASDAQ Commodities exchange. All assets and liabilities measured at market value are measured on a recurring basis.

3 Financial risk management

The Company is exposed to a variety of financial risks in its operations: market risk (which includes interest rate risk in relation to fair value and cash flows and price risk), credit risk and liquidity risk. In managing these risks the Company seeks to mitigate the effect of factors which could make a negative effect on the financial performance of the Company.
The Company manages financial risk following the policies established at the level of Ignitis UAB Group. Risk management is carried out by the Board of the Company.

The Company's financial instruments can be presented as follows:

Financial assets	31.12.2022	31.12.2021
Trade and other receivables (Note 6)	42 044 046	43 167 174
Derivate financial instruments (non-current part)	3 401 106	1 196 504
Derivate financial instruments (current part)	21 739 258	9 278 131
Cash and cash equivalents (Note 7)	3 709 522	3 188 797
Total financial assets	**70 893 932**	**56 830 606**

Financial assets	31.12.2022	31.12.2021
Financial liabilities	**31.12.2022**	**31.12.2021**
Borrowings (Note 10)	17 059 891	35 651 937
Trade and other payables (Note 11)	19 193 272	3 109 724
Total financial liabilities	**36 253 163**	**38 761 661**

Market risk

Price risk

Market risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices.

The Company's activities expose it to the risk of change in electricity and gas price (market risk). Contracts for the sale and purchase of electricity and gas for the Company are concluded both for fixed and variable price. Risk is mainly characteristic to contracts concluded for sale of fixed price electricity products.

Aiming to reduce market price fluctuation impact on electricity purchase costs the Company starting from 2019 has concluded a SWAP agreement with Ignitis UAB with the purpose to use derivative financial instruments to manage the market risk. Starting from 2021, the Company has entered into agreement with Ignitis UAB on the provision of fixed price electricity products portfolio management services to transfer the risks caused by price volatility to the parent company Ignitis UAB.

Interest rate risk

The interest rate risk is risk to suffer losses from changes in interest rates applied to the Company's assets and liabilities. The Company is exposed to interest rate risk mainly from its short-term borrowing being at variable interest rate. As the credit line has been provided by the Parent company, the Company does not use derivative financial instruments to manage the interest rate risk.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	31 December 2022	31 December 2021
Borrowings	(17 059 891)	(35 651 937)

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any financial liabilities at fair value through profit or loss, and the Company does not use derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting dates would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

The Company monitors the sensitivity of its interest-bearing borrowings to changes in interest rates and the effect of such changes on the Company's profit or loss and equity. A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss and Equity	
	100 bp increase	100 bp decrease*
Year ended 31 December 2021	(46 832)	-
Year ended 31 December 2022	(219 017)	66 044

*There is no estimated effect from the decrease in 2021 as the variable interest rate applied was nil in 2021 (if the variable rate is negative, the interest rate floor of 0% is applied as specified in the Company's borrowings contracts).

Foreign exchange risk
The Company is not exposed to foreign exchange risk since it has not entered into transactions denominated in foreign currencies.

Credit risk

The Company's exposure to credit risk arises from both operating activities (trade and other receivables) and financing activities (cash and cash equivalents). The Company manages its trade receivable risk in accordance with the Company's policies. Before signing an agreement, credit ability of a potential customer is evaluated.

The Company monitors its trade receivable balances on a regular basis to minimise amount of doubtful debts. The potential impairment of debts is analysed on a regular basis. The Company has not received any pledges for customer debts. The Company evaluates its credit risk concentration as being moderate. The Company assesses the risk using its internal credit rating system for evaluation of trade receivables.

At the end of each reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. If any objective evidence exists that an impairment loss has been incurred, the carrying amount of the financial asset is being reduced through the use of an allowance account.
The credit risk relating to cash balances at bank is limited because the Company conducts transactions with banks that have high credit ratings assigned by international credit rating agencies. The Company holds cash balances at banks which are part of the financial groups assigned with credit ratings not lower than A-2 under the classification of Standard & Poor's short-term credit ratings.

The table below summarises the Company's maximum exposure to credit risk at the end of reporting period:

	31.12.2022	31.12.2021
Cash and cash equivalents (Note 7)	3 709 522	3 188 797
Trade and other receivables (Note 6)	42 044 046	43 167 174
Total	**45 753 568**	**46 355 971**

The Company has the following assets that are subject to expected credit loss model: trade receivables and contract assets – accrued revenues related to sales of electricity and gas and related services. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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, including from the related parties. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and probability of default.

The Company's top 2 credit risk exposures from contracts with customers make up 53% of the total balance of Trade receivables and Accrued income as at 31 December 2022.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables and contract assets from debtors assessed collectively as at 31 December 2022.

31 December 2022	Range of loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit impaired
Current (not past due)	0.21%	42 023 575	(86 650)	41 936 925	No
Past due 1-30 days	1.11%	85 011	(948)	84 063	No
Past due 31-60 days	29.59%	1 524	(451)	1 073	No
Past due 61-90 days	59.06%	8 310	(4 908)	3 402	No
Past due 91-120 days	64.34%	52 109	(33 526)	18 583	Yes
Past due more than 120 days	100.00%	1 171 172	(1 171 172)	-	Yes
Total		**43 341 701**	**(1 297 655)**	**42 044 046**	

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables and contract assets from debtors assessed collectively as at 31 December 2021.

31 December 2021	Range of loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit impaired
Current (not past due)	0.83%	43 324 676	(358 463)	42 966 213	No
Past due 1-30 days	1.62%	53 483	(868)	52 615	No
Past due 31-60 days	0.88%	149 562	(1 313)	148 249	No
Past due 61-90 days	-	-	-	-	No
Past due 91-120 days	-	-	-	-	Yes
Past due more than 120 days	99.99%	1 203 393	(1 203 296)	97	Yes
Total		**44 731 114**	**(1 563 940)**	**43 167 174**	

Liquidity risk

Liquidity risk refers to the Company's inability to meet its obligations in defined term due to insufficient cash inflows. The Company's management manages the liquidity risk, by making sufficient cash reserves and providing appropriate financing, using credit line, as well as monitors forecasted and actual cash flows and coordinates the term structure of financial assets and liabilities.

The Company performs long-term cash flow forecasting for a year. By this the Company maintains appropriate amount of resources to provide financing of operating expenses, to settle Company's liabilities and to make necessary investments. Company's liquidity risk is managed in cooperation with the parent company. The table below provides the analysis of Company's liability term structure, based on undiscounted cash flows and including interest payments in accordance with agreements:

31 December 2022	Less than 3 months	3 to 12 months	Total undiscounted cash flow	Carrying amount
Trade payables and other payables (Note 11)	19 193 272	-	19 193 272	19 193 272
Borrowings (Note 10)*	-	17 472 260	17 472 260	17 059 891
Total	**19 193 272**	**17 472 260**	**36 665 532**	**36 253 163**

*- interest expenses have been estimated on the basis of interest rates prevailing on 31 December 2022.

31 December 2021	Less than 3 months	3 to 12 months	Total undiscounted cash flow	Carrying amount
Trade payables and other payables (Note 11)	3 109 724	-	3 109 724	3 109 724
Borrowings (Note 10)*	-	36 097 157	36 097 157	35 651 937
Total	**3 109 724**	**36 097 157**	**39 206 881**	**38 761 661**

*- interest expenses have been estimated on the basis of interest rates prevailing on 31 December 2021.

Capital management

Capital consists of the equity capital disclosed in the statement of financial position. The goal of capital management is to ensure Company's ability to continue on a going concern basis and provide appropriate profitability level to the Company's shareholder. Ignitis UAB, as sole shareholder, has rights to make decision about Company's capital changes, dividends to be paid or investments in the Company's development.

In light of capital management, the Company evaluates proportion of borrowed capital to its total capital. The risk management policy of the Company does not define the level of this ratio.

The proportion of the Company's borrowed capital to its total capital at the end of reporting period was as follows:

	31.12.2022	31.12.2021
Borrowings (from the parent company)	17 059 891	35 651 937
Other liabilities (Trade and other payables)	23 399 159	6 395 803
Total liabilities	**40 459 050**	**42 047 740**
Equity	32 623 832	15 214 427
Total liabilities and equity	**73 082 882**	**57 262 167**
Borrowed capital to total capital	0.52	2.34
Equity to total liabilities	0.81	0.36

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.

Fair value is the amount for which an asset would be sold, or a liability disposed, at active market conditions (or on an arm's length basis), regardless of whether such price is directly observable or estimated by applying valuation technique.

Financial instruments not measured at fair value

The Company estimates that the fair values of assets and liabilities reported at amortised cost in the statement of financial position as at 31 December 2022 and 31 December 2021 (Other loans and receivables, Trade and other receivables, Cash and cash equivalents, Borrowings (from the parent company) and Trade and other payables) do not materially differ from the carrying amounts reported in the financial statements.

Financial instruments measured at fair value

As at 31 December 2022 and 2021, the Company has accounted for assets and liabilities arising from financial derivatives. The Company accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 2.19. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All assets and liabilities measured at market value are measured on a recurring basis. The Company attributes to Level 2 of the fair value hierarchy derivative financial instruments linked with the Lithuanian and Finnish electricity price areas. The fair value of derivatives acquired directly from other market participants (OTC contracts) is estimated based on the prices of similar financial instruments on the NASDAQ Commodities exchange.

	Carrying value		Fair value	
	Total	1 level	2 level	3 level
Fair value as at 31 December 2021				
Financial instruments measured at fair value through profit (loss) or other comprehensive income				
Financial assets				
Derivatives	10 474 635	-	10 474 635	-
Fair value as at 31 December 2022				
Financial instruments measured at fair value through profit (loss) or other comprehensive income				
Financial assets				
Derivatives	25 140 364	-	25 140 364	-

4 Property, plant and equipment

	Other fixed assets	Total
Cost 31.12.2020	**156 653**	**156 653**
Acquired during 2021	311 236	311 236
Cost 31.12.2021	**467 889**	**467 889**
Depreciation 31.12.2020	**58 124**	**58 124**
Charge for 2021	65 325	65 325
Depreciation 31.12.2021	**123 449**	**123 449**
Net book value 31.12.2020	**98 529**	**98 529**
Net book value 31.12.2021	**344 440**	**344 440**
Cost 31.12.2021	**467 889**	**467 889**
Acquired during 2022	63 991	63 991
Reclassification to another FS caption	(39 717)	(39 717)
Cost 31.12.2022	**492 163**	**492 163**
Depreciation 31.12.2021	**123 449**	**123 449**
Charge for 2022	123 024	123 024
Depreciation 31.12.2022	**246 473**	**246 473**
Net book value 31.12.2021	**344 440**	**344 440**
Net book value 31.12.2022	**245 690**	**245 690**

5 Inventories

	31.12.2022	31.12.2021
Materials in warehouse	266 189	-
Construction in progress	1 463 365	-
Work in progress	179 589	-
Total	**1 909 143**	**-**

6 Trade and other receivables

	31.12.2022	31.12.2021
Contract assets – Accrued revenues	25 578 974	27 847 555
Trade receivables	15 532 408	12 128 323
Allowances for impairment of Trade receivables and Accrued revenues	(1 297 655)	(1 563 940)
Receivable from related parties	2 043 780	4 738 566
Other debtors	186 539	16 670
Total	**42 044 046**	**43 167 174**

Trade receivables are amounts due from customers for goods and services performed in the ordinary course of business. They are generally due for settlement within 15-30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in Note 2.3 and Note 3.

Contract assets – Accrued revenues include amounts related to invoices issued in January 2023 for the goods and services provided in December 2022.

Movements in the allowance for impairment in respect of trade and other receivables and contract assets

The movement in the allowance for impairment in respect of trade and other receivables and contract assets during the reporting period was as follows:

	EUR
Balance as at 31 December 2020	**1 540 632**
Amounts written off	(1 683)
Net remeasurement of loss allowance	24 991
Balance as at 31 December 2021	**1 563 940**
Amounts written off	-
Net remeasurement of loss allowance	(266 285)
Balance as at 31 December 2022	**1 297 655**

7 Cash and cash equivalents

	31.12.2022	31.12.2021
Cash in the bank	3 709 522	3 188 797

Credit risk on cash and cash equivalents is assessed as limited because the counterparty is a bank that is a part of an international banking group with a high credit rating.

8 Share capital

The Company's registered share capital as at 31.12.2022 is EUR 11 500 000 and consists of 11 500 000 shares with nominal value of EUR 1 each.

Company's shareholder	At 31 December 2022		At 31 December 2021	
	Share capital (EUR)	Number of shares held, %	Share capital (EUR)	Number of shares held, %
Ignitis UAB	11 500 000	100	11 500 000	100

9 Derivatives and Cash flow hedges reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the 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.

Changes in Hedging reserve:

	2022	2021
Total as at 1 January	**7 335 259**	**-**
Cash flow hedges – effective portion of changes in fair value	31 703 149	17 494 230
Cash flow hedges – reclassified to profit or loss	(20 588 657)	(10 158 971)
Total as at 31 December	**18 449 751**	**7 335 259**

Derivative financial instruments included in the statement of financial position

Movement of assets and liabilities related to the Company's derivative financial instruments contracts were as follows:

	2022	2021
Total as at 1 January	**10 474 635**	**-**
Fair value change of the hedging instruments recognised in Other income, net	3 551 237	3 139 376
Fair value change of the hedging instruments recognised in OCI, net	11 114 492	7 335 259
Total fair value change	**25 140 364**	**10 474 635**
Derivate financial instruments (non-current part)	3 401 106	1 196 504
Derivate financial instruments (current part), gas	2 518 783	-
Derivate financial instruments (current part), electricity	19 220 475	9 278 131
Total as at 31 December	**25 140 364**	**10 474 635**

Derivative financial instruments included in SPLOCI

Derivative financial instruments included in SPLOCI were as follows:

	2022	2021
Fair value change of non-hedging instruments recognised in Other income from derivative financial instruments, net	5 711 951	1 915 861
Hedge ineffectiveness recognised in Other income from derivative financial instruments, net	3 551 237	3 139 376
Effective hedges reclassified from Hedging reserve to profit or loss recognised in Purchases of electricity, gas and related services	20 588 657	10 158 971
Total recognized in Profit or Loss	**29 851 845**	**15 214 208**
Cash flow hedges – effective portion of changes in fair value	31 703 149	17 494 230
Cash flow hedges – reclassified to profit or loss	(20 588 657)	(10 158 971)
Total recognized in Other comprehensive income	**11 114 492**	**7 335 259**
Total recognized in SPLOCI	**40 966 337**	**22 549 467**

10 Borrowings

	Interest rate 31.12.2022	Balance 31.12.2022	Balance 31.12.2021
Credit line from Ignitis UAB Agreement Nr. S-LV-2021-26	4.097%	11 059	-
Credit line from Ignitis UAB Agreement Nr. S-LV-2021-84		-	28 006 935
Short term loan from Ignitis UAB (dated 02.08.2022.)	4.257%	17 048 832	-
Credit line from Ignitis UAB Agreement Nr. S-LV-2020-22		-	7 645 002
Total		**17 059 891**	**35 651 937**

	31.12.2022	31.12.2021
Balance at the beginning of the year	**35 651 937**	**4 000 000**
Credit line received	63 000 000	63 700 000
Credit line repaid	(98 600 000)	(32 100 000)
Short term loan received	28 000 000	-
Short term loan repaid	(11 000 000)	-
Total changes from financing cash flows	**(18 600 000)**	**31 600 000**
Interest expense	804 553	195 211
Interest paid	(796 599)	(143 274)
Total liability-related other changes	**7 954**	**51 937**
Balance at the end of the year	**17 059 891**	**35 651 937**

Parent company Ignitis UAB has granted two credit lines to the Company for the operating needs. One of the credit lines expired in 2022, and instead a short term loan agreement was placed. Interest rate for the borrowing is EONIA (if EONIA is a negative number, it is assumed EONIA to be 0 (zero)) plus 2.19% as at 31 December 2022 for credit line and 2.35% for short term loan. Credit line agreement is concluded for one calendar year with current term till 30.04.2023. and short term loan agreement till 27.07.2023. Each year principal amounts and interest rates are reviewed with other significant conditions, if any. Accrued interest for credit line as at 31.12.2022 is 11 059 EUR and 48 832 EUR for short term loan respectively.

11 Trade and other payables

	31.12.2022	31.12.2021
Financial payables within trade and other payables:		
Trade payables to third parties	1 429 346	248 002
Trade payables to related parties (Note 19)	5 311 324	19 963
Accrued liabilities	12 452 602	2 841 759
Total financial payables within trade and other payables (Note 3)	**19 193 272**	**3 109 724**
Non-financial payables within trade and other payables:		
Payables to employees	40 454	25 791
Other tax payables	3 698 655	3 163 229
Prepayments	466 778	97 059
Total non-financial payables within trade and other payables	**4 205 887**	**3 286 079**
Total	**23 399 159**	**6 395 803**

12 Revenue

	2022	2021
Sale of electricity	235 602 311	98 735 473
Sale of gas	37 018 185	5 266 901
Sale of Solar projects	699 957	1 941
Other revenue from contracts with customers	2 039	2 219
Total	**273 322 492**	**104 006 534**

Disaggregation of revenues from contracts with customers by major product lines is disclosed in the table above. All contracts are concluded with business customers (non-household customers) in Latvia. All revenues from contracts with customers are recognized at a point in time.

13 Purchases of electricity, gas and related services

	2022	2021
Purchase of electricity	236 872 056	98 266 171
Purchase of gas	35 898 721	5 496 582
Costs of sales of solar projects	570 841	-
Total	**273 341 618**	**103 762 753**

14 Selling expenses

	2022	2021
Salaries	322 593	198 837
IT costs	241 414	144 161
Regulatory fee	79 950	84 220
Marketing costs	31 079	27 865
Social insurance contributions	75 144	48 139
Office rent and utilities	22 798	23 847
Other selling costs	19 485	23 685
Total	**792 463**	**550 754**

15 Administrative expenses

	2022	2021
Salaries	219 695	159 969
Social insurance contributions	55 076	36 436
Accounting services	34 660	27 620
Legal services	5 749	21 803
Depreciation of fixed assets	123 023	65 326
Other administrative costs	86 697	89 992
Total	**524 900**	**401 146**

16 Finance costs

	2022	2021
Interest costs on current credit line and short term loan	804 553	195 211
Total	**804 553**	**195 211**

17 Contingent liabilities

The tax institutions have rights to examine Company's accounting records at any time during three years after reporting year and during five years with respect to transfer pricing (relevant for Corporate Income Tax) and may calculate additional tax liabilities and penalties.

The Company's management is not aware of any events that could result in significant potential liabilities, including tax-related liabilities, in the future. The Company is not involved in any existing or threatened litigation.

18 Number of employees

	2022	2021
Average number of employees in the reporting year	18	13

19 Transactions with related parties

Related parties are the sole shareholder of the Company, its ultimate parent company, the key management members of those companies and their close family members as well as companies which are controlled by those persons or companies or which have significant influence over them.

The Company's transactions with related parties conducted during the period from 1 January to 31 December 2021 and balances arising on these transactions as at 31 December 2021 are presented below:

	Payables and obligations	Receivables	Costs of purchase and interest	Income of sales and interest
Parent company:				
Ignitis UAB – SWAP transactions (realized)	-	4 069 956	-	2 112 507
Ignitis UAB – borrowings	35 651 937	-	195 211	-
Ignitis UAB	-	668 610	6 661 151	12 979 266
Total:	**35 651 937**	**4 738 566**	**6 856 362**	**15 091 773**
Other related parties:				
Ignitis grupes paslaugu centras UAB	19 963	-	102 465	-
Total:	**19 963**	**-**	**102 465**	**-**
Total:	**35 671 900**	**4 738 566**	**6 958 827**	**15 091 773**

The Company's transactions with related parties conducted during the period from 1 January to 31 December 2022 and balances arising on these transactions as at 31 December 2022 are presented below:

	Payables and obligations	Receivables	Costs of purchase and interest	Income of sales and interest
Parent company:				
Ignitis UAB – SWAP transactions (realized)	-	2 043 780	-	9 263 188
Ignitis UAB – borrowings	17 059 891	-	804 553	-
Ignitis UAB	5 301 064	-	30 713 495	20 588 657
Total:	**22 360 955**	**2 043 780**	**31 518 048**	**29 851 845**
Other related parties:				
Ignitis grupes paslaugu centras UAB	10 260	-	87 593	-
Total:	**10 260**	**-**	**87 593**	**-**
Total:	**22 371 215**	**2 043 780**	**31 605 641**	**29 851 845**

There were no guarantees or pledges given or received in respect of the related party payables and receivables. Related-party payables and receivables are expected to be settled in cash or by set-off against payables/receivables to/from a respective related party.

20 Subsequent events

During the period between the last day of the financial year and the date of signing of this report there have been no significant events that would have a material effect on the year end results.

On April 12, 2023, the Company changed its legal address from Cēsu iela 31 k-3, Rīga, Latvia, LV-1012 to Gustava Zemgala gatve 74A, Rīga, Latvia, LV-1039 (building “Henrihs”, 11th floor)

4.2 Information about the auditor

There were no changes in the Company‘s independent auditor during 2022. 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. Before KPMG, the independent auditor of the Group was ERNST & YOUNG BALTIC SIA which audited the Company‘s financial statements for the period over 2019–2020.

Independent auditors

From 2021 to 2022	From 2019 to 2020
KPMG Baltics SIA Roberta Hirša 1 Riga, Latvia, LV-1045 License No. 55	ERNST & YOUNG BALTIC SIA Muitas iela 1A Riga, Latvia, LV-1010 License No. 17

Glossary

#	Number
%	In percent
'000	Thousand
B2B	Business to business
EBITDA	Earnings before interest, tax, depreciation and amortisation
EU	European Union
Group	The group of companies UAB Ignitis Group
KWH	kilowatts
MWH	megawatts
GWH	gigawatts
Ignitis Group	The group of companies AB Ignitis Group
Ignitis Latvija	Ignitis Latvija SIA

Certification statement

28 April 2023

I, Kristaps Muzikants, Chief Executive Officer at SIA Ignitis Latvija hereby confirm that, to the best of my knowledge, SIA Ignitis Latvija 2022 financial statements are prepared according to International Financial Reporting 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 2022 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	**Lilita Beķere**
Chief Executive Officer	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