2021

TUULEENERGIA OÜ ANNUAL FINANCIAL STATEMENTS

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2021 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION, THE ANNUAL REPORT AND THE INDEPENDENT AUDITOR'S REPORT

www.ignitisgrupe.lt

Tuuleenergia osaühing
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ANNUAL FINANCIAL STATEMENTS	

The financial statements were approved on 14 April 2022 by Tuuleenergia OÜ Member of Management Board

Laurynas Jocys
Member of the Management Board
of Tuuleenergia OÜ

All amounts are presented in EUR thousand unless otherwise stated

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

Description of the Company's activities

In 2021 54.9 GWh of electricity was produced with a capacity utilisation factor of 34.42 % (61.8 GWh of electricity produced in 2020).

The Company has seasonal activity with winter being the high season of producing and selling electricity. The Company's financial performance could be impacted by energy price fluctuations as electricity is sold in the NordPool Spot power exchange.

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

Description of key risks and uncertainties faced by the Company

Financial risks

In performing its activities, the Company is exposed to credit risk, liquidity risk, interest rate risk, foreign exchange risk. By managing these risks, the Company seeks to mitigate the effects of factors that might have an adverse effect on the Company‘s financial performance.

Credit risk

The Company diversifies its free liquid funds held at banks and enters into transactions only with those financial institutions that have assigned to themselves or have been assigned by their controlling banks a long-term credit rating of not lower than ‘A3’ according to the rating agency Moody or equivalent rating of other rating agencies.

The Company has trade receivables from two parties which are involved in electricity sales process. The credit worthiness of which has been assessed by the Management. Assessment did not identify any significant risks that would indicate that credit losses should be recognized in the financial statements as of 31 December 2021.

Liquidity risk

The Company has a long term loan from ultimate parent AB „Ignitis grupė“. The Movement of the mentioned loan for year 2021 was following loan agreement and budget. Since the only financing instrument is a long term loan there is no liquidity risk applicable as of 31 December 2021.

Interest rate risk

As of the end of year 2020 for the AB “Ignitis grupė“ long term loan there is a fixed interest rate applied, therefore the risk related to possible interest rate deviation is considered as mitigated.

Foreign exchange risk

Purchase/sale contracts of the Company are denominated mostly in the euro, rarely in some other currencies. As a result, changes in exchange rates of foreign currencies do not have a significant impact on the Company's equity.

The table below provides main financial ratios of the Company.

Financial indicators	2021	2020
Total revenue	6 463	3 837
EBITDA*	5 675	3 245
Operating profit (Loss)	4 685	1 914
Net profit (Loss)	3 933	928

All amounts are presented in EUR thousand unless otherwise stated

Financial indicators	2021	2020
EBITDA margin (%)	87.8%	84.6%
Operating profit margin (%)	72.5%	49.9%
Net profit margin (%)	60.9%	24.2%
Current ratio	10,8	5.6
Debt ratio	0.8	0.9
ROE (%)	77.8%	45.2%
ROA (%)	13.3%	3.5%

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

Environmental and personnel related topics

The Company had 1 employee under employment contract during the reporting period, therefore average remuneration related expenses for full time equivalent are not disclosed.

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

References to or additional explanations of data reported in the annual financial statements

All financial data presented in this annual report is consistent with the Company's audited financial statements.

Information on own shares held or acquired by the Company, the number of own shares acquired or disposed of during the reporting period, their nominal value and percentage of issued capital they represent, and information on payment for own shares, provided they are acquired or disposed of in return for a consideration.

At the beginning of the reporting period, the Company had no own shares, nor acquired any during the reporting period.

Information on the Company's branches and representative offices

The Company does not any branches or representative offices.

Significant events occurred during and after the end of the reporting period

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

The coronavirus (Covid-19) began at the beginning of 2020 spreading worldwide, affecting companies and national economies, including the Baltic countries. The spread of the virus has continued in 2021 and 2022. Tuuleenergia OÜ has assessed the outbreak of the virus in the Company's operations and financial statements and finds that this event does not currently affect the Company's operations or financial results. The Company has a long-term fixed-price contract with an Estonian state-owned company operating electricity transmission networks. The electricity produced by the Company is traded on the NordPool power exchange, which is one of the largest exchanges of its kind in Europe, therefore the company sees no impact to sales volumes.

In February 2022 war between Russian Federation and Ukraine has started. However, since Tuuleenergia OÜ wind farm is already built the war might impact rendering of services which related to operating and maintenance of the wind farm. The main service provider is Enercon GmbH which ensures maintenance of the farm thus it operates effectively. Based on discussions held with Enercon representatives' and the fact that there are other service providers in Estonia, management of the Company is of the opinion that war should not impact wind farms maintenance and operations. The Company has not lost any supplier due to sanctions. All Company's activities are in EUR, therefore there is no currency exchange risk.

All amounts are presented in EUR thousand unless otherwise stated

Information about the other current management positions of the Company Board members and the most important information about their main place of work

Name and surname	Ignitis group positions
Laurynas Jocys	Main employer – UAB „Ignitis renewables" (e. c.: 304988904, address: Laisvės per. 10, LT-08221 Vilnius, Lithuania) CFO. Other managerial positions: • Tuuleenergia OU (e.c.: 10470014, address: Keskus, Helmküla küla, Varbla vald, Pärnumaa, 88208, Estonia) CFO. • *Ignitis renewables Polska sp. z o.o.*(KRS: 0000871214; address: ul. PUŁAWSKA, nr 2, lok. BUDYNEK B, miejsc. Warsaw) member of the management Board. • *Ignitis RES DEV sp. z o.o*. (KRS: 0000873356; address: ul. PUŁAWSKA, nr 2, lok. BUDYNEK B, miejsc. Warsaw) member of the management Board. • *Altiplano elektrownie wiatrowe b1 sp. z o.o* (KRS: 0000871214; address: ul. Abrahama 1A, 80-307 Gdańsk Warsaw) member of the management Board. • *Pomerania Wind Farm sp. z o.o.* (KRS: 0000450928, address: ul. PUŁAWSKA, nr 2, lok. BUDYNEK B, miejsc. Warsaw) member of the management Board.

STATEMENT OF FINANCIAL POSITION

All amounts are presented in EUR thousand unless otherwise stated

	Notes	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	20 992	22 213
Right-of-use assets	6	337	356
Total non-current assets		**21 329**	**22 569**
Current assets			
Prepayments	7.1	267	282
Receivables from contracts with customers	7	1 273	294
Cash	8	6 706	3 539
Total current assets		**8 246**	**4 115**
TOTAL ASSETS		**29 575**	**26 684**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	499	499
Share premium	9	576	576
Legal reserve	9	50	50
Retained earnings		3 933	928
Total equity		**5058**	**2 053**
Non-current liabilities			
Borrowings	10	19 119	19 119
Lease liabilities	11	336	352
Grants and subsidies	12	4 298	4 422
Total non-current liabilities		**23 753**	**23 893**
Current liabilities			
Lease liabilities	13	15	15
Trade payables	13	329	306
Tax debts	13	171	44
Grants and subsidies	12	249	373
Total current liabilities		**764**	**738**
Total liabilities		**24 517**	**24 631**
TOTAL EQUITY AND LIABILITIES		**29 575**	**26 684**

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

STATEMENT OF COMPREHENSIVE INCOME

All amounts are presented in EUR thousand unless otherwise stated

	Notes	31.12.2021	31.12.2020
Revenue			
Revenue from contracts with customers	14	6 437	3 837
Other revenue		26	0
Total revenue		**6 463**	**3 837**
Operating expenses			
Electricity production balancing services	15	-156	-101
Depreciation and amortisation	5, 6, 12	-990	-1 330
Wages, salaries and related expenses		-1	-7
Other expenses	16	-631	-485
Total operating expenses		**-1 778**	**-1 923**
OPERATING PROFIT		4 685	**1 914**
Financial (expenses)	17	-595	-592
PROFIT BEFORE TAX		**4 090**	**1 322**
Income tax and deferred income tax expenses	19	-157	-394
NET PROFIT FOR THE PERIOD		**3 933**	**928**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3 933**	**928**

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

STATEMENT OF CHANGES IN EQUITY

All amounts are presented in EUR thousand unless otherwise stated

	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
Balance as at 1 January 2020	**499**	**576**	**50**	**1 680**	**2 805**
Net profit for the reporting period	-	-	-	928	928
Total comprehensive income for the period	**-**	**-**	**-**	**928**	**928**
Dividends	-	-	-	-1 680	-1 680
Balance as at 31 December 2020	**499**	**576**	**50**	**928**	**2 053**
Balance as at 1 January 2021	**499**	**576**	**50**	**928**	**2 053**
Net profit for the reporting period	-	-	-	3 933	3 933
Total comprehensive income for the period	**-**	**-**	**-**	**3 933**	3 933
Dividends	-	-	-	-928	-928
Balance as at 31 December 2021	**499**	**576**	**50**	**3 005**	**5 058**

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

STATEMENT OF CASH FLOWS

All amounts are presented in EUR thousand unless otherwise stated

	Notes	31.12.2021	31.12.2020
Profit before tax		4 090	1 322
Reversal of non-cash expenses (income) and other adjustments:			
Depreciation and amortisation expenses	5, 6	1 239	1 703
Depreciation of grants	12	-249	-373
Interest expenses	17	595	593
Changes in working capital			
Changes in trade receivables and other receivables	7, 7.1	-963	199
Changes in payables and contract liabilities	13	150	-52
Income tax paid	19	-157	-394
Net cash flows from (to) operating activities		**4 705**	**2 998**
Cash flows from (to) financing activities			
Lease payments	11	-16	-26
Interests (paid)		-594	-584
Dividends (paid)	19	-928	-1 680
Net cash flows from (to) financing activities		**-1 538**	**-2 290**
Net increase (decrease) in cash	**8**	**3 167**	**708**
Cash at the beginning of the period	8	**3 539**	**2 831**
Cash at the end of the period	8	**6 706**	**3 539**

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

1 General information

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

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

2 Accounting policies

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

2.1 Basis of preparation of the annual financial information

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

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

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

The following new or revised standards and interpretations became effective from 1 January 2021:

- COVID-19-Related Rent Concessions (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession. Management has assessed that these changes will not significantly affect company's financial statements.

Standards, interpretations and amendments to published that are not yet effective

The following new standards, interpretations and amendments are effective for annual reporting periods beginning on January 1, 2022 with earlier application permitted. The Company has not early adopted these new or amended standards in this report. The new and amended standards are not expected to have a material impact on the Company's financial statement.

- Amendments to IAS 1 *Presentation of Financial Statements*
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgement*
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to IAS 12 *Income Taxes*
- Amendments to IFRS 3 *Business Combinations*
- Amendments to IAS 16 *Property, Plant and Equipment*

All amounts are presented in EUR thousand unless otherwise stated

- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
- Annual improvements to IFRS standards 2018-2020.

2.2 Property, plant and equipment

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

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

Land is not depreciated.

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

Category of property, plant and equipment	Average useful life (in years)
Wind turbines	30 years
Wind farm infrastructure	10-20 years
Other property, plant and equipment	2-3 years

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

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

Previously (until 31.12.2020) the useful lives of different categories of property, plant and equipment were determined as follows:

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

Comparison of depreciation after change in useful life:

Average useful life (in years	Depreciation expense
20 years	1 265
30 years	843
Difference	422

2.3 Financial assets

Company classification of financial assets is as follows:

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

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

Recognition and derecognition

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

Measurement

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

Debt instruments

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

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

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

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

Equity instruments

The Company does not have investments in equity instruments.

Impairment

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

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

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

2.4 Cash

Cash is recognized in the statement of financial and cash flow statement in cash, current account balances (excluding overdrafts) and deposits of up to 3 months. In the cash flow statement, cash consists of bank account deposits.

2.5 Financial liabilities

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

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

2.6 Taxation

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

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

In June 2020 IFRS Interpretation Committee issued an agenda decision clarifying that undistributed profits of a subsidiary give rise to a taxable temporary difference associated with the parent’s investment in the subsidiary. If the investor expects to recover the carrying amount of its investment through distributions of profits, deferred income tax from these taxable temporary differences should be recognized, except to the extent that:

a) the investor is able to control the timing of the reversal of the temporary difference; and
b) it is probable that the temporary difference will not reverse in the foreseeable future.

Such deferred tax liability is measured using the distributed tax rate and is recognized only in consolidated financial statements of the parent entity and not in the financial statements of the subsidiary.

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

2.7 Revenue recognition

Sales revenue from customer contracts

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

Sale of services - electricity

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

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

2.8 Leases

Leases are recognized in accordance with IFRS 16.

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

2.9 Offsetting

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

2.10 Government grants and subsidies

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

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

2.11 Contingent liabilities and assets

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

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

2.12 Related parties

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

2.13 Share capital and statutory reserve capital

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

2.14 Fair value

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

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

2.15 Events after the end of the reporting period

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

All amounts are presented in EUR thousand unless otherwise stated

3 Financial assets and financial liabilities risk management

As of 31 December 2021 and 2020, the Company's financial assets comprised trade and other receivables, cash and financial liabilities included trade payables for acquired renewable energy and services related to the renewable energy supply and for other goods and services, and other current amounts payable and liabilities.

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

Financial assets	Note	31.12.2021	31.12.2020
Trade and other receivables	7	1273	294
Cash	8	6 706	3 539
Total		**7 979**	**3 833**

Financial liabilities	Note	31.12.2021	31.12.2020
Trade and tax payables	13	500	350
Borrowings	10	19 119	19 119
Leases	11, 13	351	366
Total		**19 799**	**19 835**

Credit risk

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

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

Analysis of accounts receivable	Note	31.12.2021	31.12.2020
Accounts receivable from related parties	20	3	1
Accounts receivable from existing customers that are not overdue		1 079	287
Accounts receivable from Elering AS that are not overdue		191	6
Total		**1 273**	**294**

In 2021 and 2020 the Company did not write off any receivables.

The credit risk on the money in the bank account is limited as the Company conducts transactions with internationally highly rated banks. The company kept money in bank current accounts with a rating no lower than "A3" according to Moody's rating.

Bank	Moody	31.12.2021	31.12.2020
AS SEB Bank	A3	6 436	3 268
Luminor Bank AS	A3	270	271
Total		**6 706**	**3 539**

As of 31 December 2021, the Company has one key customer who has always paid at the agreed time. In the management's opinion, this will not change.

All amounts are presented in EUR thousand unless otherwise stated

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

	Note	31.12.2021	31.12.2020
Trade receivables	7	1273	294
Cash at banks	8	6 706	3 539
Total		**7 979**	**3 833**

For the measurement of the expected credit loss, the trade receivables are grouped according to the common characteristics of the credit risk and the period of expiry. The Expected credit loss rates are based on the last 12 months to 31 December 2021 or under 1 January 2021 the payment discipline and the historical credit losses that occurred during the respective periods. Historical losses have been adjusted to reflect current and future information regarding macroeconomic factors and the ability of purchasers to pay claims. The Company has assessed that GDP and unemployment rates in countries where the sale of its goods and services take place are the most appropriate indicators and adjusts according to historical loss rates, based on the expected change in these indicators.

Impairment losses on the basis of the principles described above were irrelevant as of 31 December 2021 and 31 December 2020.

Although cash and cash equivalents are also part of the expected credit loss model of IFRS 9, the decline in the observed value was negligible as of 31.December 2021 and 2020.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk arises from floating rate debt and involves the risk that financial expenses will increase as interest rates rise.

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

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

Liquidity risk

Liquidity risk refers to the inability of the company to perform its liabilities in a specified period. Liquidity risk is managed by management, forming an adequate cash reserve. The risk materializes if the Company does not have sufficient funds to service borrowings, meet working capital needs, make investments and/or pay declared dividends. Liquidity risk is managed by the management by establishing a sufficient cash reserve.

The total amount of liquidity risk exposed is as follows:

2021	Note	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 year	Total
Interest-bearing related party borrowings	10	-	-	-	19 119	19 119
Interest from related party borrowings	10	146	437	2 332	292	3 208
Trade and other payables	13	500	-	-	-	500
Land leases	11, 13	-	15	60	276	351
Total		**646**	**452**	**2 392**	**19 687**	**23 177**

2020	Note	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 year	Total
Interest-bearing related party borrowings	10	-	-	-	19 119	19 119
Interest from related party borrowings	10	146	437	2 332	876	3 791
Trade and other payables	13	350	-	-	-	350
Land leases	11, 13	-	15	60	291	366
Total		**496**	**452**	**2 392**	**20 286**	**23 626**

Foreign currency risk

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

Fair value of financial assets and financial liabilities

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

The value of the company's financial assets and liabilities coincided with their fair value as of 31 December 2021 and 2020. As the loan received from the parent company was taken on 04.12.2017, there will be no changes in such a short time, the loan has a fixed interest rate.

Landowners and leases

The Company has a number of land leases with landowners providing rights to erect wind turbines, cable lines and other necessary infrastructure on the property of such landowners. The duration of land leases concluded with private and juridical persons is 33 years. At the end of 2021, there are 17 years left until the contracts expire. According to the land lease agreements the Company has a priority right to extend the agreements for 33 years after the land lease duration. If the utilisation period was to exceed the contracted duration of the land lease, there can be a risk that the Company would be unable to continue to operate in the leased location as the land lease would expire unless a new agreement on extension will be concluded with the landowner. Please also refer to Note 5. Operating leases are disclosed in accordance with the rules of IFRS 16, which is dealt with in Section 2.8 (2.8. "Leases").

Price risk of commodities

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

Capital risk management

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

According to the laws in Estonia, the minimum amount of equity of a private limited company must be 2 500 euros or, if the share capital is more than 5 000 euros, at least half of the share capital. As at 31 December of 2020 and 2021, the Company complied with these requirements.

When managing the capital risk in a long run, the Company seeks to maintain an optimal capital structure to ensure a consistent implementation of capital cost and risk minimization objectives. The Company forms it's capital structure in view of internal factors relating to operating activities, the expected capital expenditures and developments and in view of business strategy of the group companies, as well as based on external current or expected factors significant to operations relating to markets, regulation and local economic situation.

On 15 December 2020 the Board of the parent company AB Ignitis Grupė approved the updated dividend policy of companies owned by Ignitis Group. The provisions of the policy shall be followed when making decisions regarding the allocation of dividends by the subsidiaries. According to the updated Dividend Policy of Owned Companies, a subsidiary owned by the AB Ignitis Grupė shall allocate dividends for the financial year or a period shorter than the financial year using at least 80 percent of the net profit of the subsidiary received during the financial period for which the dividends are offered. Exclusions for paying dividends by subsidiaries may apply if certain conditions are met.

4 Significant accounting estimates and judgements

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

Assessment of useful lives of Property, plant and equipment

All amounts are presented in EUR thousand unless otherwise stated

The useful life of a tangible asset is determined on the basis of management's assessment of the effective period of use of the property. As at 31 December 2021 the net book value of property, plant and equipment owned by company was 21 329 thousand euros (as at 31 December 2020: 22 569 thousand euros). Depreciation accumulated during 2021 was 1 220 thousand euros (during 2020: 1 684 thousand euros) (Note 5).

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

5 Property, plant and equipment

	Land	Buildings	Other tangible fixed assets	Total
Period ended on 31 December 2020	100	**23 797**	-	**23 897**
Depreciation	-	-1 684	-	-1 684
Balance as at 31 December 2020	**100**	**22 113**	**-**	**22 213**
Acquisition cost	100	32 733	11	32 844
Accumulated depreciation	-	-10 620	-11	-10 631
Balance as at 31 December 2020	**100**	**22 113**	**-**	**22 213**
Period ended on 31 December 2021	100	**22 113**	-	**22 213**
Depreciation	-	-1 221	-	-1 221
Balance as at 31 December 2021	**100**	**20 892**	**-**	**20 992**
Acquisition cost	100	32 733	11	32 844
Accumulated depreciation	-	-11 841	-11	-11 852
Balance as at 31 December 2021	**100**	**20 892**	**-**	**20 992**

6 Right-of-use assets

	Land	Total
Period ended on 31 December 2020	**375**	**375**
Depreciation	**-19**	**-19**
Balance as at 31 December 2020	**356**	**356**
Acquisition cost	394	**394**
Accumulated depreciation	-38	-38
Balance as at 31 December 2020	**356**	**356**
Period ended on 31 December 2021	**356**	**356**
Depreciation	**-19**	**-19**
Balance as at 31 December 2021	**337**	**337**
Acquisition cost	394	**394**
Accumulated depreciation	(57)	(57)
Balance as at 31 December 2021	**337**	**337**

All amounts are presented in EUR thousand unless otherwise stated

7 Trade and other receivables

	Note	31.12.2021	31.12.2020
Trade receivables	3	1 273	294
Total		**1 273**	**294**

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

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	1-3 days	31-60 days	61-100 days
At 31 December 2021	1 273	1 271	0	1	1
At 31 December 2020	294	288	6	0	0

7.1 Prepayments

	31.12.2021	31.12.2020
Prepayments for services	267	282
Total	**267**	**282**

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

8 Cash

	Note	31.12.2021	31.12.2020
Cash at bank	3	6 706	3 539
Total		**6 706**	**3 539**

9 Share capital

	31.12.2021	31.12.2020
Share capital	499	499
Share premium	576	576
Legal reserve	50	50
Total	**1 125**	**1 125**

Shareholders	31.12.2021	31.12.2020
AB Ignitis Grupė	100%	100%
Total	**100%**	**100%**

As at 31 December 2021, the share capital of the Company was 499 thousand Euros and consisted of one share with a nominal value of 499 thousand euros. The share capital has been paid in full. As more was paid for the share capital than the nominal value of the shares, a premium arose in the amount of 576 thousand euros. Compared to 2020, there are no changes.

All amounts are presented in EUR thousand unless otherwise stated

10 Borrowings

The Company's borrowings as at 31 December 2021 by maturities were as follows:

	Note	31.12.2021	31.12.2020
Non-current borrowings			
Long-term loan	3, 20	19 119	19 119
Total non-current borrowings		**19 119**	**19 119**

	Borrowings	Total
As at 1 January 2020	**19 119**	**19 119**
Loans repaid	0	0
Total borrowings as at 31 December 2020	**19 119**	**19 119**
As at 1 January 2021	**19 119**	**19 119**
Loans repaid	0	0
Total borrowings as at 31 December 2021	**19 119**	**19 119**

Long-term loan as of 31 December 2021	Loan balance as of 31 December 2020	Interest rate	Base currency	Last repayment
AB "Ignitis Grupė"	19 119	3,05% fixed	EUR	14.07.2027
Total	**19 119**			

Long-term loan as of 31 December 2020	Loan balance as of 31 December 2021	Interest rate	Base currency	Last repayment
AB "Ignitis Grupė"	19 119	3,05% fixed	EUR	14.07.2027
Total	**19 119**			

Interest rate risk is hedged by fixing the interest rate.

11 Other long term liabilities

Other long term liabilities	Note	31.12.2021	31.12.2020
Lease liabilities	3	336	351
Total		**336**	**351**

12 Grants and subsidies

Grants related to assets

Investment Support Agreement between KIK Environmental Investment Centre and the Company was concluded in July 2011 for the purpose of construction, development and other investments related to the Tamba Wind Park Project. The total amount of grant received according KIK Investment Support was 7 459 thousand euros. Amortisation of grants is accounted for under the line item "Depreciation and amortisation" in the statement of profit or loss and other comprehensive income. Depreciation charges of the related property, plant and equipment are reduced by the amount of amortisation of grants. The grant is classified as current and non-current liability in the statement of financial position, there the non-current liability is the unamortized part of the current financial period.

All amounts are presented in EUR thousand unless otherwise stated

	31.12.2021	31.12.2020
Balance at the beginning of the period	**4 795**	**5 169**
Amortization of grant	-249	-373
Balance at the end of the period	**4 546**	**4 796**
Grants long-term part	4 298	4 422
Grants short-term part	249	373

13 Trade and other payables

	Note	31.12.2021	31.12.2020
Trade payables		329	306
Tax debts		171	44
Lease liabilities		15	15
Total	3	515	**365**

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

14 Revenue

	2021	2020
Electricity related income		
Sale of electricity	4 507	1 861
Sale of GoOs*	9	11
Feed in-premium**	1 921	1 965
Total	**6 437**	**3 837**

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

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

Geographic areas	2021	2020
Estonia	6 428	3 826
Lithuania	9	11
Total	**6 437**	**3 837**

	2021	2020
Performance obligation settled during the period	6 437	3 837
Total	**6 437**	**3 837**

Contract balances:
The balances arising from agreements with customers as of the end of 2021 and 2020 were disclosed in Note 7 to these financial statements.

All amounts are presented in EUR thousand unless otherwise stated

15 Purchase of electricity and related services

	2021	2020
Electricity transaction fees	149	97
Costs related to wind farm development	1	0
Purchased energy cost	6	4
Total	**156**	**101**

16 Other expenses

	2021	2020
Repair and maintenance	526	403
Insurance expenses	34	34
Consulting and legal services	31	22
Accounting and auditing expenses	15	17
Other expenses	25	9
Total	**631**	**485**

17 Finance costs

	Note	2021	2020
Interest on borrowings	20	583	583
Interest on lease liabilities		12	9
Total		**595**	**592**

18 Commitments and contingencies

Legal disputes

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

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

In October 2017, the same person filed a complaint against the Varbla rural municipality government with the aim of revoking the temporary use permit.

On 14 December 2020, in case no. 3-18-1300, the Tallinn Circuit Court decided to dismiss the appeal. January 18, 2021, the losing parties appealed the negative decisions to the Supreme Court. On 30 March 2021, the Estonian Supreme Court refused to accept the applicants' cassation appeal, therefore it is considered that dispute is closed and there is no risk of losing generation license in relation to this dispute.

In 2019, lawsuit over the violation of the share purchase agreement begun. On 11 October 2019, the plaintiffs Tuuleenergia Osaühing and AB Ignitis grupė filed an action with the Harju County Court against the defendants OÜ

E.L.TERMINAL, OÜ Track Consult and BaltCap Private Equity Fund L.P. Tuuleenergia Osaühing has submitted a claim in the amount of 47 683 euros. As of 31 December 2021 the case has been settled on mutual agreement.

19 Paid and possible dividends

AB “Ignitis” Grupe			
Paid dividends	**Income tax rate**	**2021**	**2020**
Net Dividend		**928**	**1 680**
Income tax	20/80	17	344
Income tax reduced rate	14/86	140	49
Total		**1 085**	**2 073**

AB “Ignitis” Grupe		
Possible dividends	**Income tax rate**	**2022**
Net Dividend		**3 228**
Income tax	20/80	**516**
Income tax reduced rate	14/86	**190**
Total		**3 933**

20 Transactions with related parties

The Company’s transactions with related parties for the period from January to December of 2021 and the balances arising on these transactions as at 31 December 2021 were as follows:

Related parties	**Note**	**Borrowings*** **31.12.2021**	**Amounts receivable** **31.12.2021**	**Interest expenses** **2021**	**Sales** **2021**
AB “Ignitis”		-	3	-	9
Parent company AB “Ignitis Grupė“	3, 17	19 119	-	583	-
Total		**19 119**	**3**	**583**	**9**

*Amount includes accrued interest.

The Company’s transactions with related parties for the period from January to December of 2019 and the balances arising on these transactions as at 31 December 2021 were as follows:

Related parties	**Note**	**Borrowings*** **31.12.2020**	**Amounts receivable** **31.12.2020**	**Interest expenses** **2020**	**Sales** **2020**
AB “Ignitis”		-	1	-	11
Parent company AB “Ignitis Grupė“	3, 17	19 119	-	583	-
Total		**19 119**	**1**	**583**	**11**

*Amount includes accrued interest.

21 Compensation to key management personnel

	2021	**2020**
Wages, salaries and other benefit to key management personnel	-	**-**
Whereof: other significant payments to key management personnel (EUR thousand)	-	**-**
Number of key management personnel	1	**1**

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

Receivables from related parties have not been written down in 2021 (also in 2020). Receivables from related parties are non-interest bearing

22 Subsequent events

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

In February 2022 war between Russian Federation and Ukraine has started. That brings significant uncertainties for different business segments. However, since Tuuleerngia OU wind farm is already built the war might impact rendering of services which related to operating and maintenance of the wind farm. The main service provider is Enercon GmbH which ensures maintenance of the farm thus it operates effectively. Based on discussions held with Enercon representatives' and the fact that there are other service providers in Estonia, management of the Company is of the opinion that war should not impact wind farms maintenance and operations. The Company has not lost any supplier due to sanctions. All Company's activities are in EUR, therefore there is no currency exchange risk.