



**SIA „RĪGAS ŪDENS”  
2022 ANNUAL ACCOUNTS**

The financial statement was prepared in accordance with  
the International Financial Reporting Standards approved by the European Union

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## About the Company

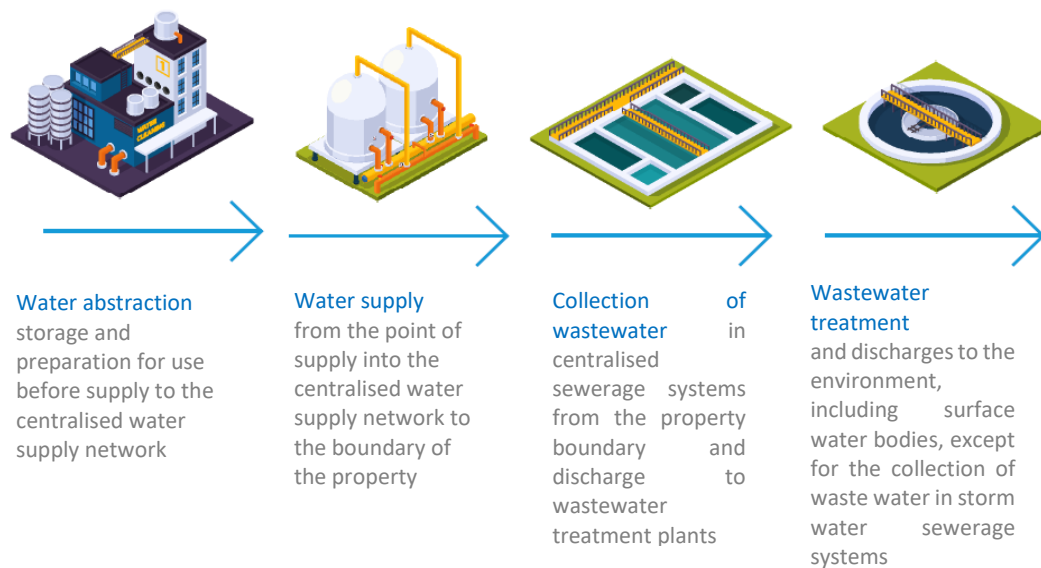
Company name	SIA Rīgas ūdens
Company legal status	Limited company
Registration number, place and date of registration	40103023035 Riga, 24 September 1991  Reregistration in the Commercial Register 12 January 2004, under uniform registration number 40103023035
Type of activity according to NACE classification	36.00 Water collection, treatment, and supply 37.00 Sewerage
Address	Zigfrida Annas Meierovica boulevard 1 Riga, LV-1495, Latvia
Sole shareholder	Riga City Council (100%). Ratslaukums 1, Riga, LV-1050, Latvia
Names, surnames, and positions of Supervisory board members	Māris Kleinbergs – member and acting chairman of the Supervisory Board till 22.03.2023. Dace Ljusa – member of the Supervisory Board, chairman of the Supervisory Board since 23.03.2023. Tālis Juhna – member of the Supervisory Board Term of office of the Supervisory Board members: 5 years
Names, surnames and positions held of board members	Dagnija Kalniņa - chairwoman of the Management Board until 12.01.2022. Krišjānis Krūmiņš - chairman of the Management Board since 13.01.2022., member of the Management Board till 12.01.2022. Normunds Zvaunis - member of the Management Board
Official in charge of accounting	Sandijs Māliņš – Head of Finance Department
Reporting period	1 January – 31 December 2022
Name and surname of the auditor and the sworn auditor in charge	KPMG Baltics SIA Company licence No 55 Vesetas iela 7 Riga, LV-1013 Latvia  Sworn auditor in charge: Armine Movsisjana sworn auditor certificate No 178

## SIA RĪGAS ŪDENS 2022. ANNUAL ACCOUNTS Management report

### Type of activity and characteristics of the operating environment

SIA "Rīgas ūdens" (hereinafter - the *Company*) was established on 24 September 1991. On 16 December 2003 the Riga City Council adopted a decision "On the reorganisation of the Riga City Municipal Company "Rīgas ūdens" into the Limited Liability Company " Rīgas ūdens ", establishing that the *Company* is the successor to the obligations and rights of the Municipal Company " Rīgas ūdens ". The *Company* was entered in the Commercial Register on 12 January 2004.

SIA "Rīgas ūdens" is a capital company owned by the Riga City Municipality, which operates in a strategically important sector, performing the municipal function in the field of water supply and sewerage services, providing public water management services in the administrative territory of the Riga City and in some municipalities of the Riga Region. On 24 July 2019, the Riga City Municipality and the *Company* concluded an agreement for the provision of the following public water management services in the administrative territory of Riga City for a period of 10 years (until 23 July 2029):



The *Company* is registered in the Register of Public Water Service Providers of the Public Utilities Commission.

The *Company* also provides centralised water supply services in some areas of the Riga Metropolitan Area: Adazi, Ropazi (Garkalne, Stopini Municipalities before the 2020 territorial division reform), Marupe and Kekava Municipalities. These customers include a number of water service providers that provide water services to their customers in the municipalities of the Riga Region.

In providing public water services, *the Company* shall ensure:

- compliance of services with certain quality and environmental requirements, technical regulations, standards and the terms of contracts with service users;
- the quality of drinking water and wastewater treatment in accordance with the laws and regulations of the Republic of Latvia and EU legislation;
- maintaining water quality and quantity in water bodies within its remit;
- addressing environmental protection and water efficiency within its remit;
- water monitoring in the cases and in the procedures provided for in permits and regulatory enactments;
- designing and implementing water management development projects within its remit, implementing relevant EU directives.

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The *Company's* corporate governance model is designed in accordance with good governance practices, legislation and corporate governance guidelines. SIA "Rīgas ūdens" is governed by Riga City Council, the meeting of its shareholders whose functions are city performed by a representative of the shareholder (the Executive Director of the City of Riga), the Supervisory Board and the Management Board of the *Company*. The roles, duties and responsibilities of the governance bodies are set out in external and internal documents, the main ones being the companies' statutes and the rules of procedure of the governance bodies.

The operational management of the *Company* is performed by the Management Board, which takes decisions on all matters pertaining to the operation of SIA "Rīgas ūdens", except for matters where decisions must be taken by the shareholder meeting and the Supervisory Board in accordance with the Law on Governance of Capital Shares of a Public Person and Capital Companies, the *Company's* Articles of Association, and Riga City Council 21 August 2020 "Procedures for the Management of Capital Shares and Capital Companies Owned by the Riga City Municipality" of 21 August 2020 shall be adopted by the Meeting of Members and the Council.

The main tasks of the Management Board are to ensure the day-to-day running of the *Company's* business, the implementation of its strategy, development plans, objectives and policies, and the preparation and execution of its budget. *Public* The day-to-day business of the Company in 2022 was managed by two members of the Board. To support the *Company's* operations and operational decision-making, the Management Board has approved the management areas of the Management Board members. In 2022, the Council was composed of three members, who, in addition to the competences laid down in the Law on Governance of Capital Shares of a Public Person and Capital Companies, have competence in internal control and risk management, approval of the internal audit plan, monitoring of the whistleblowing system and approval of policy documents.

### Activities and development of the Company during the reporting year

The highest decision-making body of a public entity determines the objectives that the public entities intends to achieve through its ownership of a company, derived from applicable legislation and policy planning documents.

On 7 July 2021, the Riga City Council adopted Decision No 720 "Evaluation of the Participation of the Riga City Municipality in SIA "Rīgas ūdens", which set the overarching objective of SIA "Rīgas ūdens" - "To provide high-quality and reliable water management services, to ensure sustainable and safe use of water resources and management of strategically important infrastructure in Riga, and to promote the public's involvement in the prevention of water pollution".



Since 2020, Riga City Municipality has defined a fundamentally new approach to the management of municipal capital companies, introducing the principles of good corporate governance to improve the efficiency of capital company operations and achieve long-term value growth. Riga City has not only revised and set a new overall strategic objective *for the Company*, but by the Riga City Council Decision No 938 of 06.10.2021 "On setting specific non-financial objectives of SIA "Rīgas ūdens" specific non-financial objectives of *the* Riga City Municipality for the implementation of the water management policy in the field of centralised water supply and sewerage have been set.

The non-financial objectives have been selected to ensure the overall achievement of the overall strategic objective *of the Company* - to provide quality and reliable water services, to ensure sustainable and safe

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use of Riga's important water resources and the management of its strategic infrastructure, and to promote the involvement of the general public in preventing water pollution.

Pursuant to the agreement between the Riga City Municipality and the *Company* for the provision of public water management services, the *Company's* task is to ensure water supply and sewage collection in the administrative territory of Riga City using the water supply and sewerage networks owned by *the Company*.

The water needed to supply the city of Riga is obtained from six urban water intake sites, which can be divided into two groups:

- waterworks using surface water as a water source - the Daugava water station;
- waterworks using underground water supplies - "Baltezers", "Baltezers-1", "Baltezers-2", "Zaķumuiža", "Remberģi".

The wastewater collected in the Riga sewer system is treated at the Daugavgrīva biological treatment plant in the north-western part of Riga.

During the reporting year, the Company ensured the provision of water management services achieving the quality specified in its public service contracts and took a number of measures to improve its infrastructure, technological development, customer service, and improvements and higher efficiency in the provision of its services.

### *Service amounts and financial performance*

In 2022, a total of 35,788 thousand m<sup>3</sup> of water was supplied, with 31,067 thousand m<sup>3</sup> of water services sold.

The volume of water supply services provided in the reporting year decreased by 2.6% compared to the previous reporting year and amounted to 31 067 thousand EUR. m<sup>3</sup>, including:

- 30 780 thousand m<sup>3</sup> in the administrative territory of Riga, which is a decrease of 2.6% compared to the previous reporting year;
- 287 thousand m<sup>3</sup> to public service providers in the Riga region, which increased by 3.1% compared to the previous reporting year, but overall represented a small share of total sales.

Of the total amount of water supply services provided within the administrative territory of Riga, 78.3% was consumed by residential clients. During the reporting year, the residential client consumption decreased by 5.2% compared to the previous reporting year. Consumption by non-residential clients accounted for 21.7% of water supply services, with an increase of 8.2% compared to the previous reporting year.

The amount of sewer services in the reporting year decreased by 0.9% compared to the previous reporting year and amounted to 36.558 thousand m<sup>3</sup>, including the sewer services provided to the municipalities of the Riga Metropolitan Area and the city of Jūrmala. The amount of services provided within the administrative territory of Riga was 33,509 thousand m<sup>3</sup>, the volume of storm water drained was 2021 thousand m<sup>3</sup>, an increase of 0.9% compared to the previous reporting year.

In 2022, the Company received wastewater for treatment from public service providers in the Riga Metropolitan Area amounting to 2051 thousand m<sup>3</sup>, which accounts for 5.6% of the total collected wastewater. Through the pipeline owned by the city of Jūrmala, the Company received 998 thousand m<sup>3</sup>, an increase of 150 thousand m<sup>3</sup> (17.7%) compared to the previous reporting year.

The volume of wastewater treated at the Daugavgrīva biological wastewater treatment plant in 2022 was 48 121 thousand m<sup>3</sup> (including wastewater from Jūrmala).

During the reporting year, net turnover increased by 17.7% year-on-year and amounted to 65 725 thousand EUR. The increase in net turnover was driven by changes in fees for water services due to the significant increase in energy costs in 2022.

Before 1 June 2022, the fees introduced by the Board of the Public Utilities Commission in its Decision 48 'On fees for the water supply services of the limited company SIA "Rīgas ūdens" on 26 April 2018 and

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approved on 1 June 2018, were still in effect, setting the fee for water supply services at EUR 0.85 per cubic metre and the fee for sewer services, at EUR 0.74 (these fees are shown without VAT).

On 1 June 2022, the following new fees for water services took effect:

Water supply services fee	EUR 1.02 per m <sup>3</sup>
Sewer services fee	EUR 0.91 per m <sup>3</sup>
Wastewater treatment services fee	EUR 0.42 per m <sup>3</sup>

Given the significant increase in energy costs, the Company submitted new draft water fees on 3 August 2022, and the following new water fees took effect on 1 October 2022:

Water supply services fee	EUR 1.20 per m <sup>3</sup>
Sewer services fee	EUR 1.21 per m <sup>3</sup>
Wastewater treatment services fee	EUR 0.63 per m <sup>3</sup>

The profit for the reporting year decreased by 6.4% compared to 2021, and amounted to 5 161 thousand EUR. The net profit margin also decreased compared to 2020 and amounted to 7.9%, but was still at an optimum level, and enabled the achievements of the Company's financial targets.

### *Water infrastructure and technology development*

Public water management infrastructure as of 31.12.2022:

- Drinking water treatment plants "Daugava" and "Baltezers";
- 17 pump stations for increasing water pressure;
- 6 water extraction stations;
- 1515 km of water supply lines;
- 5 water tanks;
- 85 sewer pumping stations;
- 1251 km of sewer lines.
- Daugavgrīva biological treatment plant.

In 2022, the Company took a number of measures to ensure the achievement of the objectives set in the strategy by improving the technical condition of the water management infrastructure and the quality of the water management services provided, renewing and modernising the water management infrastructure and pursuing technological improvements.

Key projects in 2022:

### *Cohesion Fund project 'Water management system in Riga, stage 5'*

On 1 August 2018, an agreement was signed with the Central Finance and Contracting Agency, on the implementation of the European Union Fund project No 5.3.1.0/18/l/002 'Water management system in Riga, stage 5'. The total project cost is EUR 26,006,448.27, including co-financing from the Cohesion Fund, in the amount of EUR 9,932,725.00. The project includes the construction of 34.60 km of new sewer pipelines and the reconstruction of 0.44 km of lines in Bergi, Imanta and Beberbeki, as well as the construction of 18 new sewer pumping stations. In addition, 24.74 km of new centralised outdoor water supply lines are to be built, and 0.42 km, reconstructed. The project will connect 2959 city residents to the centralised sewer system. Project activities will continue for a total of 66 months, until 31 December 2023.

The implementation deadline for the EU CF Stage 5 project is 31 December 2023. In 2022, centralised lines in the areas covered by the EU CF Stage 5 project (Imanta, Bergi, and Beberbeki) were fully built, and the construction of connections began in July.

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In the period from 1 July 2022 to 31 December 2022, households with 191 residents were connected to the centralised sewer system, achieving 6.5% of the target indicator.

In 2022, in order to achieve the target indicators, the Company began implementing a number block-level system construction projects in Bergi and Imanta, providing additional connections to households with 268 residents. The projects are expected to be completed in 2023.

### *Cohesion Fund project 'Water management system in Riga, stage 6'*

On 18 March 2021, an agreement was signed with the Central Finance and Contracting Agency, on the implementation of the European Union Fund project No 5.3.1.0/20/l/001 'Water management system in Riga, stage 6'. The total project cost is EUR 5,996,429.67, including co-financing from the Cohesion Fund, in the amount of EUR 1,620,000.00. The project includes the construction of 7.70 km of new sewer lines and five sewer pumping stations in Ziepniekkalns, Imanta, and Teika, as well as the construction of 2.70 km of new outdoor centralised water supply lines and the reconstruction of 2.00 km of existing ones. The project will connect 900 city residents to the centralised sewer system. Project activities will continue until 31 December 2023.

As part of the EU CF Stage 6, new utility lines are being constructed in parts of the Teika, Ziepniekkalns, and Imanta neighborhoods: as a result, an additional 900 residents will have access to the centralised sewer network. In 2022, centralised networks were built in Teika and the construction of networks in the Imanta lines began. At the time of the preparation of this report, the construction of centralised lines in the *Nīcas* and *Vārves* street areas had begun, and the construction of lines in Ziepniekkalns was planned to start in April 2023.

### *Other key 2022 projects:*

- Riga City Council Decision 1819 'On a different share of the profits of SIA "Rīgas ūdens" for 2021–2024 to be paid as dividends' of 24 August 2022 set a reduced dividends amount for the Company in order to make it possible to redirect financial resources to the implementation of the project for the development of the Mangalsala wastewater agglomeration water management system. The implementation of the Mangalsala wastewater agglomeration water management system development project began in 2022 with the announcement of a procurement for the design of the system. The design work began in early 2023. The project is planned to run until 2025;
- The reconstruction of sewer pumping station KSS-311 at *Daugavgrīvas 101* continued and the reconstruction of KSS-223 at *Brīvības gatve 433* was completed;
- The renovation of the Biological 2 primary settlers was completed, and the renovation of the secondary settler began;
- Renovation of 2.3 km of sewer lines in Bergi, Kengarags, Maskavas forštate, Imanta, and other neighborhoods, including the rebuilding of sewer lines and the increasing of the capacity of the sewer pumping stations at *Brīvības gatve 433* and *Roze prospect 37* (Ropazi Municipality);
- 4.6 km of water lines were renovated in Bergi, Brasa, Centrs, Imanta, Maskavas forštate, Mežaparks, Sarkandaugava, Vecmilgravis, Ziepniekkalns, and other neighborhoods, including *Muitas street*, *Jaunciema gate*. Work also continued at *Ģertrūdes street*, *Brasas street*, *Kokneses prospect*, etc.;
- Modernisation of the automatic control system (ACS) in 11 sewer pumping stations was completed at *Imantas 15 line 10*, started at *Paceplīšu 5*, *Palsas 39*, *Biķernieku 224A*, *Kalējgrāvja 5*, *Ulbrokas 13*, *Nautrēnu 14*, *Biķernieku 252*, *Mežmalas 12*, *Tvaika 23A*, *Mūkusalas 8*;
- Phase 2 of the SCADA and AVS upgrades of water supply pumping stations continues;
- Installation of the coarse fraction crusher at the sewage pumping station in *Ilzenes Street 1* completed.

Key non-financial indicators of the Company and the water sector are presented in the SIA "Rīgas ūdens" Sustainability Report for 2022.



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### **Management report**

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#### **Future development**

The Company has a medium-term operational strategy for 2022–2024 ('Strategy'), which is a planning document setting "Rīgas ūdens" medium-term operational priorities and a set of measures to achieve the Company's strategic goals. The Strategy is based on the Law on Governance of Capital Shares of a Public Person and Capital Companies, Riga City Council Decision 720 'Evaluation of Riga City Council's ownership of SIA "Rīgas ūdens"' of 7 November 2021, Riga City Council Decision 938 'On the setting of specific non-financial objectives for SIA "Rīgas ūdens"' of 6 October 2021, as well as the financial objectives set by the representative of the shareholder of "Rīgas ūdens".

The Strategy provides a rationale for the actions planned to enable the specific non-financial objectives set by Riga City Council and defines the performance indicators that describe the achievement of the objectives. The development of the Strategy took into account the laws and regulations governing the industry, the planning documents of the Republic of Latvia and the city of Riga, the requirements set in the contract of 24 July 2019 with the Riga City Council for the provision of public water management services, as well as the strategic areas of the Company's activities pursued in the previous planning period, thus enabling functional and structured continuity in the development of "Rīgas ūdens".

The implementation of the areas of activity and tasks included in the Strategy will enable the provision of strategic services in the public interest and in accordance with environmental safety, as well as the management of national and municipal water management infrastructure facilities in Riga, ensuring their security and development.

The need to uphold higher standards for the quality of drinking water and the environmental compatibility of treated wastewater discharged will be balanced against the cost of water services through a socially responsibility policy. It is planned to raise European Union funding for some of the infrastructure renewal projects planned for 'Rīgas ūdens' after 2024; however, the preparation of these projects will already take place during the implementation phase of the Strategy. The implementation of the tasks set in the Strategy will enable the efficient management of the Company through technologically and economically sound changes in its fees over the next few years, which is necessary for the efficient provision of its water management services.

In the area of water supply, Riga residents will be provided with high-quality drinking water as a priority, and measures will be taken to improve the quality of drinking water by intensifying the renovation of water supply pipelines and by flushing existing water supply systems. A sustainable model for the future development of the Riga waterworks and water supply system will be developed, and work will begin on its implementation.

To improve the sustainability of wastewater management, it is planned to increase wastewater treatment capacity and the climate resilience of the centralised sewer system by intensifying the renovation of sewer pipelines, as well as the rebuilding of the main sewer pumping station and other smaller stations on the left bank of the Daugava, combined with other measures to improve energy efficiency. 'Rīgas ūdens' plans to upgrade its sewer sludge treatment system.

Research and development, implementation of information technologies and digitisation are identified as an important area of activity for the planning period of the Strategy, seeking opportunities to implement modernisation solutions in the Company's technological and customer service processes. Digital telemetry services for the metering of drinking water will be developed for the clients and the range of client portal services will be expanded. 'Rīgas ūdens' clients and the public will be provided with information about water management, promoting green thinking and the benefits of tap water use, in order to raise public awareness about 'Rīgas ūdens' and about everyone's contribution to protecting water resources and the environment in general.

In order to improve the strategic planning process and to evaluate the achievement of the objectives in accordance with the requirements for the governance of companies defined by Riga City Council, the Company will develop an action plan for each calendar year of the period of the Strategy, regularly monitoring the progress of the objectives set in the Strategy and, taking into account the effect of internal and external factors, updating the Strategy in certain cases.

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#### **Measures taken by SIA "Rīgas ūdens" in 2022 to prevent the risk of corruption**

Detailed information on the measures taken to prevent corruption risks is provided in the 2022 Sustainability Report of SIA "Rīgas ūdens".

#### **Financial risks and financial risk management**

The Company operations are subject to various financial risks, including the credit risk, the market risk, the liquidity risk, and the interest rate risk. The management board of the company minimises the negative impact of potential financial risks on the financial standing of the company. For more information about financial risks and their management, see Annexes 10 and 36 to the financial statement. No derivative financial instruments are used.

#### **Corporate governance**

The Corporate Governance Report for 2022 of SIA Rīgas ūdens (hereinafter – Rīgas Ūdens, the Company) (hereinafter – the Report) has been prepared in compliance with the Corporate Governance Code (hereinafter – the Code) developed by the Corporate Governance Advisory Council acting under the supervision of the Ministry of Justice in 2020 and with the provisions of Section 58.1 of the Law on Management of Capital Shares and Capital Companies of Public Persons, and the Riga City Council Internal Regulation No. 4 of 21.08.2020 "Procedure for the Management of Capital Shares and Capital Companies Owned by the Riga City Local Government". Taking into account that the Company qualifies as a large capital company in accordance with laws and regulations and operates in a strategically important sector, performing a municipal function in the field of water supply and sewerage services, providing public water management services in the administrative territory of the City of Riga and in certain local governments of the Riga Region, the Company falls within the target audience of the Code.

This far, Rīgas Ūdens has conducted significant activities to implement and apply corporate governance principles in all areas of operation and all levels of the company's organisational structure. It was implemented in accordance with the principles (OECD Guidelines on Corporate Governance of State Owned Enterprises ) set out in the Guidelines on Corporate Governance of Public Limited Companies by Organisation for Economic Cooperation and Development and the Best Practice Recommendations "Principles of Corporate Governance and Recommendations on their Implementation" issued by Nasdaq Riga in 2010.

For each corporate governance principle set out in the Code, there are criteria to help assess whether the principle has been met. The principles are applied to the operations of Rīgas Ūdens, and in 2022 the company has fully or partially complied with all of them - a company has complied with a principle if it meets all the criteria set out in the principle. In accordance with the Code, Rīgas Ūdens has prepared its second Corporate Governance Report. In accordance with the "comply or explain" principle, the Report also provides information on those principles that the company partially complies with in its operations or which criteria are not directly applicable to the company, explaining the circumstances or the regulatory framework that justifies this.

In its activities, Rīgas Ūdens complies with principles of good corporate governance which as an aggregate of measures promotes achievement of operational objectives and operational supervision of the company, and it should be seen as a significant instrument of good governance which Rīgas Ūdens will continue to improve.

The Report is published simultaneously with the 2022 audited financial statements of SIA "Rīgas ūdens" as an integral part of the annual report and is available on Rīgas Ūdens website [www.rigasudens.lv](http://www.rigasudens.lv).

#### **Non-financial report**

The Company based on Law on Management of Capital Shares and Capital Companies of Public Persons Section 58.1 submit non-financial reports – Corporate Governance report for 2022, that provides information on the impact of the company's operations on each of the components characterizing aspects of sustainability (ESG) - on economic, environmental and social issues.

The sustainability report is prepared according to the internationally recognized GRI Standard guidelines and allows to identify and analyze the company's impact on the economy, society and environment in a

## **SIA RĪGAS ŪDENS 2022. ANNUAL ACCOUNTS**

### **Management report**

wider context over a longer period of time. The report also provides an insight into the economic activity and financial indicators of "Rīgas Ūdens", the implementation of the most important projects, as well as public activities.

The company has implemented several important company policies, including the Corporate Social Responsibility and Sustainability Policy, in which the defined principles are applied in the company's operations. SIA "Rīgas Ūdens" is committed to ensuring the disclosure of the most important financial, non-financial indicators and other information in accordance with the requirements of regulatory acts, as well as the availability and transparency of information as one of the values that form the relations of the municipality of the city of Riga and the company with interested parties and the society. The sustainability report complements the 2022 Financial report and is designed to provide all interested parties with comprehensive information about the company's operations.

The 2022 Sustainability Report is not audited. In its activities, the Company follows the principles of good corporate governance, which as a set of measures contribute to the achievement of the Company's goals and the monitoring of its activities, and is considered a very important instrument of good governance, which the Company will continue to improve in the future.

The Corporate Governance Report is published simultaneously with the 2022 audited financial statements of SIA "Rīgas ūdens" as an integral part of the annual report and is available on Rīgas Ūdens website [www.rigasudens.lv](http://www.rigasudens.lv).

### **Impact of environmental requirements, information about employees and R&D activities**

Detailed information about the impact of environmental requirements, and information about employees and R&D activities is provided in the 2022 Sustainability Report of SIA "Rīgas ūdens".

### **Information about the Company share capital**

The share capital of the Company as of 31 December 2022 was EUR 127 586 633 divided into 127 586 633 shares with a par value of EUR 1 each.

### **Circumstances and events after the end of the reporting year**

On 31 January 2023, the Company submitted a draft document setting the fee for the water services to the Public Utilities Commission. The draft document for the fees has been assessed by the Public Utilities Commission, and it is expected that the new fees for the water management services could take effect 1 June 2023, with the following rates:

Water supply services fee	EUR 1,16 per m <sup>3</sup>
Sewer services fee	EUR 0,94 per m <sup>3</sup>
Wastewater treatment services fee	EUR 0,40 per m <sup>3</sup>

On 14 March 2023, civil agreement No was signed with the Ministry of Environmental Protection and Regional Development and Riga City Council for the implementation of the large project 'Water management system development in Riga, stage 4', No 3DP/3.5.1.1.0/10/IPIA/VIDM/027 (CCI2012LV161PR001), extending the deadline of the objectives and results set in the project to 15 April 2024.

Taking into account that project realisation tenors are in short term according to signed agreement with Ministry of Environmental Protection and Regional Development about 'Water management system development in Riga, stage 4, 5 and 6', the Company started consultation with Ministry about potential tenor prolongation that is base to assume that agreements will be prolonged closed to existing maturity date.

During the period since the last day of the reporting year, no events that would considerably influence the financial status of the company occurred as of 31 December 2022, or that would require additional explanations in annexes to the financial statement.

### **Allocation of profit recommended by the management board**

During the reporting year, the Company made a profit of EUR 5 161 349 .

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Section 2 of Riga City Council Decision 691 'On dividends in companies in which Riga City Council has a decisive influence' of 16 June 2021 stipulates that the minimum foreseeable profit share that may be paid out in dividends is 40% of the company's profit for the reporting year, unless otherwise stated in the strategy. The share of profits paid as dividends includes a fee for the use of the municipality's capital and the enterprise income tax. Section 7 of the Riga City Council Decision states that if, when preparing a draft strategy, the company includes in it a proposal for a share of profit to be paid out in dividends that is lower than that specified in Section 2 of the Decision, the matter is examined by Riga City Council, which adopts a separate Riga City Council Decision on setting a different profit share to be paid out as dividends.

Riga City Council Decision 1819 'On a different share of the profits of SIA "Rīgas ūdens" for 2021–2024 to be paid as dividends' of 24 August 2022 set a reduced dividends amount for the Company in order to make it possible to redirect financial resources to the implementation of the project for the development of the Mangalsala wastewater agglomeration water management system. The implementation of the Mangalsala wastewater agglomeration water management system development project began in 2022 with the announcement of a procurement for the design of the system. The design work began in early 2023. The project is planned to run until 2025;

On August 24 2022 according to Riga City Council Decision Riga City Council Decision 1819 "On a different share of the profits of SIA "Rīgas ūdens" for 2021–2024 to be paid as dividends" was set a reduced dividends amount down to 10% of relevant reporting year profit for the Company in 2021, 2022, 2023, 2024 in order to make it possible to redirect financial resources equal to 30% of relevant reporting year profit to the implementation of the project for the development of the Mangalsala wastewater agglomeration water management system.

Based on Riga City Council Decision, The management board of the Company proposes to pay out in dividends 10% or EUR 516 135 from the company's reporting year profit and remaining part 90% of profit to keep in The Company for following purposes:

- 30% of the company's profit direct to realisation of waterwaste services system development project in Mangalsala agglomeration;
- 60% of the company's profit to be directed according to medium-term development strategy of SIA Rigas Ūdens 2022.-2024.

Decision on the payment of dividend decides in the meeting of Shareholders.

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Krišjānis Krūmiņš

Board chairman

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Normunds Zvaunis

Board member

Riga, 24 April 2023

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

### Separate comprehensive income statement for 2022

	Annex	2022 EUR	2021 EUR
Income	11	65 725 143	55 832 487
Expenses to achieve income	12	(58 120 014)	(48 951 505)
<b>Gross profit</b>		<b>7 605 129</b>	<b>6 880 982</b>
Sales costs	13	(2 282 882)	(1 985 810)
Administrative costs	14	(4 668 643)	(4 012 205)
Other operating income	15	5 251 041	5 088 946
Other operating expenses	16	(395 159)	(152 387)
<b>Operating results</b>		<b>5 509 486</b>	<b>5 819 526</b>
Financial income	17	357	2 459
Financial costs	18	(348 494)	(306 235)
<b>Profit for the reporting year</b>		<b>5 161 349</b>	<b>5 515 750</b>
Other comprehensive income			-
<b>Total comprehensive income</b>		<b>5 161 349</b>	<b>5 515 750</b>

The annexes on pages 18 to 58 are an integral part of this financial statement.

\_\_\_\_\_  
Krišjānis Krūmiņš  
Board chairman

\_\_\_\_\_  
Normunds Zvaunis  
Board member

\_\_\_\_\_  
Sandijs Māliņš  
Head of Finance Department

Riga, 24 April 2023

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**SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS  
 SEPARATE FINANCIAL STATEMENTS**

**Separate statement on the financial standing at 31 December 2022**

	<b>Annex</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>Asset</b>		<b>EUR</b>	<b>EUR</b>
<b>Long-term investments</b>			
Intangible investments	19 (a)	771 867	986 317
Fixed assets	19 (b)	302 730 007	286 082 769
Use right assets	19 (d)	761 364	643 240
Investment property	19 (e)	237 087	865 372
Ownership in a subsidiary		-	-
Other loans and long-term receivables	22	24 393	37 622
<b>Total long-term investments:</b>		<b>304 524 718</b>	<b>288 615 320</b>
<b>Current assets</b>			
Stock	20	1 842 348	1 820 908
Receivables from contracts with clients	21	9 950 109	6 785 443
Other receivables	22	430 648	295 610
Deferred expenses		665 233	379 578
Cash	23	26 883 001	15 783 502
<b>Total current assets before short-term assets held for sale:</b>		<b>39 771 339</b>	<b>25 065 041</b>
Short-term assets held for sale	24	531 245	145 200
<b>Total current assets</b>		<b>40 302 584</b>	<b>25 210 241</b>
<b>Total assets</b>		<b>344 827 302</b>	<b>313 825 561</b>

The annexes on pages 18 to 58 are an integral part of this financial statement.

**SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS  
 SEPARATE FINANCIAL STATEMENTS**

**Separate statement on the financial standing at 31 December 2022**

	<b>Annex</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
		<b>EUR</b>	<b>EUR</b>
<b><u>Liabilities</u></b>			
<b>Equity:</b>			
Share capital (fixed capital)	25	127 586 633	127 586 633
Profit retained in previous years		43 890 478	38 926 300
Profit for the reporting year		5 161 349	5 515 750
<b>Total equity:</b>		<b>176 638 460</b>	<b>172 028 683</b>
<b>Payables:</b>			
<b>Long-term payables:</b>			
Loans from credit institutions	26	46 111 111	16 222 222
Lease liabilities	29	567 979	469 757
Advance payments received	31	9 357 591	8 624 503
Trade payables		3 871 890	1 651 186
Deferred income	30	78 065 250	80 495 328
<b>Total long-term payables:</b>		<b>137 973 821</b>	<b>107 462 996</b>
<b>Short-term payables:</b>			
Loans from credit institutions	26	5 190 693	13 097 142
Lease liabilities	29	229 122	210 615
Advance payments from customers	31	2 486 742	1 945 434
Trade payables		3 937 252	2 670 074
Taxes and state social security contributions insurance contributions	35	1 851 850	1 446 660
Other payables	32	868 891	674 682
Deferred income	30	3 393 267	3 455 838
Dividends unpaid		-	-
Accrued liabilities	33	9 155 163	8 474 322
Accruals	34	3 102 041	2 359 115
<b>Total short-term payables:</b>		<b>30 215 021</b>	<b>34 333 882</b>
<b>Total creditors:</b>		<b>168 188 842</b>	<b>141 796 878</b>
<b><u>Total liabilities</u></b>		<b>344 827 302</b>	<b>313 825 561</b>

The annexes on pages 18 to 58 are an integral part of this financial statement.

\_\_\_\_\_  
 Krišjānis Krūmiņš  
 Board chairman

\_\_\_\_\_  
 Normunds Zvaunis  
 Board member

\_\_\_\_\_  
 Sandijs Māliņš  
 Head of Finance Department

Riga, 24 April 2023

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## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

### Separate statement on changes in equity for 2022

	Fixed capital	Retained profit	Equity
<b>31.12.2020</b>	<b>127 586 633</b>	- <b>38 926 300</b>	<b>166 512 933</b>
Profit for the reporting year	-	5 515 750	5 515 750
Total comprehensive income	-	5 515 750	5 515 750
<b>31.12.2021</b>	<b>127 586 633</b>	<b>44 442 050</b>	<b>172 028 683</b>
Dividends paid		(551 572)	(551 572)
Profit for the reporting year	-	5 161 349	5 161 349
Total comprehensive income	-	5 161 349	5 161 349
<b>31.12.2022.</b>	<b>127 586 633</b>	<b>49 051 827</b>	<b>176 638 460</b>

The annexes on pages 18 to 58 are an integral part of this financial statement.

\_\_\_\_\_  
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Board chairman

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Board member

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Head of Finance  
Department

Riga, 24 April 2023

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## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

### Separate cash flow statement

	Annex	2022 EUR	2021 EUR
<b>Cash flow from main business</b>			
<b>1. Profit before enterprise income tax</b>		<b>5 161 349</b>	<b>5 515 750</b>
Adjustments:			
a) Depreciation of intangible investments and fixed assets exclusion result	19 (a,b)	14 850 474	15 017 500
b) Depreciation of right-of-use assets	19 (d)	204 942	215 337
c) Fixed assets exclusion result	15	(424 709)	(534 352)
d) changes in accruals		742 926	1 074 501
e) other interest income and similar income	17	(357)	(2 459)
f) interest payments and similar costs	18	307 574	269 101
<b>2. Profit before adjustments for the effects of changes in the balances of short-term assets and liabilities</b>			
Adjustments:			
g) increase or reduction of the balance values of receivables		(3 562 192)	(566 367)
h) increase or reduction of the balance values of accruals		(21 440)	(74 846)
i) increase or reduction of the balance values of trade and other payables		899 412	4 056 552
<b>3. Gross cash flow from main business</b>		<b>18 157 979</b>	<b>24 970 717</b>
Interest payment costs	27	(298 740)	(271 670)
Enterprise income tax payments expenses		-	-
<b>Net cash flow from main business</b>		<b>17 859 239</b>	<b>24 699 047</b>
<b>II. Cash flow from investment activities</b>			
Acquisition of fixed assets and intangible assets		(29 393 167)	(28 305 900)
Income from the sale of fixed assets and intangible investments		741 234	813 894
Capitalised interest payments			(3 242)
Received interest	17	357	2 459
<b>Net cash flow from investment activities</b>		<b>(28 651 576)</b>	<b>(27 492 789)</b>
<b>III. Cash flow from financing activity</b>			
Received loans	27	35 000 000	-
Repayment of loans expenses	27	(13 083 334)	(5 166 667)
Cohesion Fund co-financing received		733 088	5 644 685
Lease payments	28	(206 346)	(219 502)
Dividends paid		(551 572)	-
<b>Net cash flow from financing activity</b>		<b>21 891 836</b>	<b>258 516</b>
<b>V. Net cash flow for the reporting year</b>		<b>11 099 499</b>	<b>(2 535 226)</b>
<b>VI. Cash and its equivalent balance at the beginning of the reporting year</b>		<b>15 783 502</b>	<b>18 318 728</b>
<b>VII. Cash and its equivalent balance at the end of the reporting year</b>	23	<b>26 883 001</b>	<b>15 783 502</b>

The annexes on pages 18 to 58 are an integral part of this financial statement.

Krišjānis Krūmiņš  
 Board chairman

Normunds Zvaunis  
 Board member

Sandijs Māliņš  
 Head of Finance  
 Department

Rīga, 24 April 2023

## **SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS**

### **Annexes to the separate financial statement**

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#### **1. REPORTING COMPANY**

The Company is a company owned by Riga City Council, which operates in a strategically important sector, performing municipal functions in the field of water supply and sewer services (according to NACE Ver. 2 code 36 'Water collection, treatment and supply', and code 37 'Sewerage').

The capital of the Company is owned by Riga City Council. In matters not regulated by the articles of association, the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Commercial Law apply.

Legal information about the Company is included in a separate section on page 3 of this annual report.

#### **2. FINANCIAL REPORTING GUIDELINES AND REPORTING PERIOD**

This financial statement has been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, under the assumption of going concern.

The profit or loss account was prepared in accordance with the cost function method. Cash flow report has been prepared using the indirect method.

The reporting period is 12 months long, from 1 January 2022 to 31 December 2022.

#### **3. FUNCTIONAL AND ACCOUNTING CURRENCY**

The Company's functional and accounting currency is the euro.

#### **4. ESTIMATIONS AND JUDGEMENTS**

In order to prepare the financial statement, the management makes judgements, estimations and assumptions that affect the use of the accounting policy and the indicated amounts of assets and liabilities, income and expenses. Actual results may differ from these estimations.

Estimations and the assumptions associated with them are revised on a regular basis. Changes in accounting estimations are recognised for the period, in which the estimations in question are revised, and for the following periods.

The most important reasons for uncertainty in estimates pertain to the determination of the useful life of fixed assets and their depreciation, the determination of the amount of accruals, and the determination of the fair value of investment properties, in order to be able to disclose this information in the annexes. Information about the assumptions and estimates made in using the accounting policies that had the most significant effect on the amounts included in the financial statement is included in the notes:

- 7. Notes Section 7.3: Intangible investments and fixed assets — estimates for fixed assets, Section 7.13 (ii) Depreciation of non-financial assets and Note (19(a,b));
- 7. Notes Section 7.9: Accrued liabilities and accruals: key assumptions and Note 33 and 34.

#### **5. FAILURE TO PREPARE CONSOLIDATED FINANCIAL STATEMENTS**

This is the Company's separate financial statement. The Company does not prepare consolidated annual accounts using the exemption in Section 66 of the Law on Annual Statements and Consolidated Annual Statements because it had only one subsidiary, whose information was not significant, and which was being wound up as of 2<sup>nd</sup> December 2021.

## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

### Annexes to the separate financial statement

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#### 6. ASSESSMENT BASIS AND KEY ACCOUNTING PRINCIPLES

The financial statements are prepared on the basis of the initial cost of assets and liabilities. The items in the annual financial statement are assessed according to the following accounting principles:

- (i) Going concern is assumed.
- (ii) The same assessment methods were applied as in the previous reporting year.
- (iii) The assessment was carried out with due care:
  - only the profit gained until the balance date is included in the statement;
  - all expected risk amounts and losses occurring during the reporting year or in the previous years have been taken into account, even if they became known during the time between the balance sheet date and the date when the financial statement was prepared;
  - all the asset depreciation and wear amounts were calculated and taken into account, regardless of whether the reporting year ended with profits or losses;
- (iv) The annual accounts reflect all income and expenses related to the reporting year irrespective of the payment date and invoice receipt or issue date. The expenses are made to agree with the income for the reporting period.
- (v) Sub-items of assets and liabilities were evaluated separately.
- (vi) The opening balance sheet of the reporting year matches the closing balance sheet of the previous year, except in relation to the first-time adoption of IFRS, as indicated in Section 8 of this Annex.
- (vii) All items significantly affecting the assessments or decision-making of the users of this financial statement are specified, insignificant items are combined and details about them are provided in the Annex.
- (viii) Business transactions are shown in the financial statement, taking into consideration their economic content and essence, and not their legal form.

#### 7. KEY ACCOUNTING POLICIES

##### 7.1 Currency and conversion of foreign currencies into the euro

The Company's accounts are kept in euros. All transactions in foreign currencies are converted into euros using the accounting exchange rates effective at the beginning of the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the euro at the euro reference rate published by the European Central Bank. Profit or loss of foreign currency acquired as a result of payment transactions made in foreign currencies and recalculation of the value of monetary assets and liabilities nominated in foreign currencies are included in the profit or loss statement of the relevant period.

##### 7.2 Financial instruments

The Company does not hold or use derivative financial instruments.

The accounting policy for investments in subsidiaries is described in Section 7.7.

###### (i) Inclusion and classification

Financial assets and liabilities are included in the financial standing statement on the date when the contractual terms for the instrument in question become binding to the Company. Purchase of financial assets as part of ordinary transactions is recorded on the payment date.

Financial assets are initially included at fair value plus transaction costs. Receivables from contracts with clients are initially measured at the transaction price.

Financial liabilities, including borrowings, are initially included at the amount of money received, minus the costs of borrowing.

The classification and subsequent measurement of financial assets and liabilities depend on the business model used for managing the financial assets and liabilities and the contractual terms determining the cash flows. The Company does not change the classification of financial assets after initial inclusion, except when the Company's business model for managing financial assets changes.

## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

### Annexes to the separate financial statement

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The Company's financial assets held for collection as part of cash flows set up in contracts and those that generate cash flows in accordance with contracts, are classified as financial assets to be measured at depreciated cost. These financial assets include trade and other receivables, as well as cash and cash equivalents.

Cash and cash equivalents are cash balances and demand deposits with initial maturities of three months or less, starting from the date of acquisition, that are subject to an insignificant risk of changes in fair value and are used by the Company to settle short-term liabilities.

Financial liabilities, which include borrowings, amounts payable to suppliers, and other financial liabilities arising from the Company's operations, are classified as other liabilities measured at depreciated prime cost.

#### (ii) Evaluation

After the initial assessment, receivables are valued at depreciated cost using the effective interest rate method minus depreciation losses (see Section 7.13).

Financial liabilities are measured at depreciated cost using the effective interest method after initial inclusion. Interest expenses are included in the profit or loss statement.

The effective interest rate is the rate that discounts exactly the future cash flows from a financial instrument throughout its expected duration, or if possible a shorter period, to the net book value of the financial asset or liability. Premiums and discounts, including initial transaction costs, are included in the book value of the associated financial instrument and depreciated based on the effective interest rate of the financial instrument.

The Company has no financial assets and liabilities that are assessed at fair value with an impact on the profit or loss statement after their initial inclusion. See note 7.13 to the financial statement regarding depreciation.

#### (iii) Exclusion

A financial asset is excluded once the contractual rights for the cash flows from the financial instrument expire or once the Company transfers all the risks and rewards pertaining to the financial asset. Any rights or obligations created or maintained as a result of the transfer are included separately as assets or liabilities. Financial liabilities are excluded once settled.

The Company also excludes certain assets when it writes off balances relating to the assets considered irrecoverable. Each asset is assessed individually before the balances are written off.

#### (iv) Offsets

Financial assets and liabilities are offset against each other and the net amount is presented in the statement of financial standing only if there is a legal right to do so and there is an intention to make net settlements or to sell the asset and settle the liability simultaneously.

### 7.3 Intangible investments and fixed assets

#### *Intangible investments*

Intangible investments include licences and computer software booked at the cost of purchase minus accumulated depreciation and accumulated depreciation losses. Depreciation is calculated over the useful lives of these investments using the linear method. The Company has determined the following useful lives and respective depreciation rates for intangible investments:

	Years	% per year
Licences	5	20%
Software	3	33%
Specialised information systems	10	10%

If events or changes in circumstances indicate that the book value of an intangible asset may have been reduced, the value of that asset is revised. Losses resulting from value reduction are recorded, if the book value of the intangible assets exceeds their recoverable value.

## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

### Annexes to the separate financial statement

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#### **Fixed assets**

The initial cost of fixed assets consists of the purchase price, including import duties, fees and non-deductible acquisition taxes, as well as any directly attributable costs of bringing the asset to its working condition and of delivering it to its location for its intended use. After their acquisition, fixed assets are booked at initial cost minus accumulated depreciation and depreciation losses. Depreciation is calculated starting from the month following the date when the use of the fixed asset for its intended purpose begins.

Land is not subject to the calculation of depreciation. For any other assets, wear is calculated based the linear method, according to the duration of the productive use of the fixed assets, to write the purchase or revised value of the fixed asset off down to its remaining value at the end of the duration of its productive use.

If the useful life of individual components of a fixed asset differ, they are recorded as separate components (critical components) of the fixed asset.

Depreciation is calculated in accordance with the following useful life values determined by the management:

	<b>Average useful life of fixed assets (years)</b>
Buildings	20–40
Building structures	10–25
Water supply system:	
Water pipelines	15–50
Water pipeline equipment	5–15
Waste water system:	
Sewer lines	15–40
Sewer line equipment	5–15
Boreholes	5–20
Reservoirs:	
Water	15–30
Waste water	8–20
Production equipment and devices	2–20
Pumps and electrical gear	3–10
Laboratory equipment	3–5
Lifting gear	4–15
Office equipment	3–5
Furniture	3–8
Vehicles:	
Cars	5
Cargo	8

The initial book value of fixed assets acquired for no consideration, from donations, or as part of an EU Cohesion Fund project is depreciated gradually over their useful lives using the linear method. Simultaneously with the inclusion of such fixed assets, a certain amount of deferred income is included, which is gradually written off (depreciated) over the useful life of the asset and included in other income in the profit or loss statement.

The 'construction in progress' position shows the cost of setting up fixed assets and incomplete construction projects, taking into account their initial value. The initial value includes the cost of construction and other direct costs. No depreciation is calculated for construction in progress.

Interest on borrowings incurred in connection with construction in progress is capitalised in accordance with IAS 23 'Borrowing Costs' proportionally to the cost of creating the fixed assets for the construction in progress at the time the fixed assets are created, see Annex 19 (b) for capitalised interest.

## **SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS**

### **Annexes to the separate financial statement**

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For construction and/or reconstruction projects, the costs and liabilities associated with the the creation of fixed assets and construction in progress are included once the completed work is accepted and approved, with appropriate supporting documentation. Once the site is commissioned as intended, the cost of the project is included in the associated fixed assets. If construction in progress is completed during the reporting period, but the payment documents are approved after the end of the reporting year, the total amount of the work is shown as an accrued liability for construction in progress at the end of the reporting year.

If an investment project is carried out in accordance with the rules of FIDIC (International Federation of Consulting Engineers), the costs and liabilities for construction in progress are recorded once the engineer's approval of the milestone payment is received, accompanied by supporting documents for the completion of the work. The cost of that project is included in the relevant fixed assets after all the risks and rewards of ownership of the property or set of properties in question are taken over.

If any events or changes in circumstances indicate that the book value of fixed assets cannot be recovered, the value of such assets is recalculated, in order to represent the reduction in their value. If the balance sheet value of an asset is higher than its recoverable value, the value of that fixed asset is immediately written off, down to its recoverable value. The recoverable value is the highest from the fair value of the relevant intangible investment or fixed asset, less sales costs or value of use.

Further expenses are included in the book value of the asset or only recognised as a separate component of an asset when there is a high probability of future business benefits related to this item being incorporated into the Company, and the expenses for this item can then be credibly determined. Such costs are written off during the remaining period of service life of the relevant fixed asset. The cost of an installed spare part is added to the cost of the asset if it meets the criteria for recording as a fixed asset. When the value of an asset is increased by the cost of a spare part installed, it is simultaneously reduced by the remaining book value of the excluded part. If such data are not available, the depreciated replacement cost of the part or component is used, calculated by deducting from the book value of the new part or component the total estimated depreciation for the period over which the part or component was used.

Current repairs and maintenance of fixed assets are included in the profit or loss statement for the period when they were incurred. The cost of overhauling leased fixed assets is depreciated using a line method over the useful life of the capital improvements or the duration of the lease, whichever is the shortest.

Profit or loss from excluding fixed assets is calculated as the difference between the balance sheet value of the fixed asset and the revenue obtained as a result of selling it and included in the profit or loss statement for the period when they were incurred.

The following basic conditions are applied in the accounting of the Company's pipeline infrastructure assets (e.g. pipelines, gate valves, hydrants):

- (i) when pipe repairs take place, the costs associated with the repairs are included in the income statement at the time these costs are incurred, provided that the work carried out does not increase capacity, and the flow is only restored to 'day-one' levels and the service area is not expanded;
- (ii) when water and sewer pipeline repairs take place, the costs of the repairs are capitalised if the work increases capacity or expands the service area. The length of the repaired lines and its ratio to the assumed rated line length is an important indicator. For sewer pipes, the ratio is determined by the distance between manholes (gravity lines) or switching chambers (pressure lines), while for water pipes, by the street block;
- (iii) Repair costs are included as an asset if the sewer line is renovated for a single manhole section over a longer part of the line, and for water lines, if the renovations affect a section longer than a street block or if the block is greater than or equal to 50 m (50 m is the average length of a block in Riga). This condition also applies to repairs being done to prevent a potential emergency, and to cases where a sewer line is repaired without setting up a trench;
- (iv) branch lines are integrated components of the water line and sewer line system, and the cost of repairing them is recognised as an asset or included in the profit or loss statement, depending on how the cost of repairing the main lines is classified;

## **SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS**

### **Annexes to the separate financial statement**

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- (v) gate valves are separate components of an infrastructure asset and the useful life of gate valves is generally less than that of pipes. The value of an installed gate valve with a diameter of less than 200 mm (not inclusive) is added to profit or loss, while gate valves with a diameter of 200 mm or more are included as separate components of the corresponding asset;
- (vi) hydrants whose a cost, including installation costs, is equal to or greater than EUR 285 are included as separate components of the corresponding asset;
- (vii) the cost of laying asphalt is included as an asset if the cost of the repairs is capitalised in full as part of a single project or as part of the financing terms of special projects. Otherwise, the cost of laying asphalt is included in the profit or loss statement.

#### **7.4 Investment property**

Investment property is property held for the purpose of earning rent or appreciation of capital, or a combination of the two, but is not held for sale, for the production or delivery of goods or provision of services, or for any administrative purposes as part of the ordinary course of business.

Assets are reclassified as investment property only when their use changes, as evidenced by the fact that the Company ceases to use the asset itself, sets up an operating lease with another party or completes the construction or development of the asset. Assets are reclassified from investment property to fixed assets only when there is a change in their use, as evidenced by the fact that the Company itself begins to use the asset or developing it with a view to sell.

Investment property is excluded when it is sold or its use is permanently discontinued and no future economic benefits are expected from its sale.

For their initial inclusion, investment properties are measured at cost. The costs include expenses directly related to the acquisition of the investment property.

After the initial inclusion, with the first use of IFRS, the Company continues to assess investment properties for the statement of financial standing using the purchase cost method. See note 20(e) of the financial statement for information about the fair value of investment properties.

#### **7.5 Stock**

Stock is accounted at the prime cost or net sale value, whichever is lower. Chemicals and fuels are accounted at the cost of purchase using the FIFO method. Raw materials and consumables include materials for maintenance and cleaning. They are accounted on the basis of the actual costs invoiced, using the FIFO method.

Stock also includes components of infrastructure assets, such as hydrants, gate valves, before they are installed on site and before supporting documentation (e.g. work completion certificates) is prepared.

At the end of every reporting year, stock is reviewed to identify signs of obsolescence: stock that saw no turnover in the last 12 months. When obsolete or damaged stock is found, it is written off, down to its recoverable amount. In accordance with the adopted procedure, accruals are made for stock that has not been in circulation for the last 12 months, at 50% of its book value.

#### **7.6 Short-term assets held for sale**

Short-term assets held for sale are assets whose book value will be recovered through a sale transaction rather than through future use of the asset, and which meet both of the following classification criteria:

- the items are available for immediate sale in their present condition and are subject only to the normal conditions set for the sale of such items;
- their sale is likely (based on management's decision to sell, the sale process has been initiated and completion is certain within one year after the process begins).

## **SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS**

### **Annexes to the separate financial statement**

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Short-term assets held for sale are initially included at cost and subsequently measured at the lower of cost or net sale value. When circumstances or events show that the value of a short-term asset held for sale has been reduced, that asset is reviewed to determine its depreciation and investment depreciation losses, which are then included in the comprehensive income statement.

#### **7.7 Advance payments received**

Advance payments received by the Company are included once the money is received and are shown as a liability in payables in the balance sheet. Where advance payments are received through contracts with clients, they are accounted for as contract liabilities. If advance payments are received for the execution of projects in connection with the funding received, they are carried forward to deferred income for once the corresponding facilities are commissioned.

#### **7.8 Subsidies, donations, long-term investments received for no consideration**

For specific types of investments, subsidies received (after reclassification from long-term advance payments at the time of beginning to use the asset for its intended purpose), donations, and long-term investments received for no consideration, the value is accounted for as deferred income, which is gradually included/(depreciated) as income over the useful lives of the fixed assets received or acquired with the subsidy.

#### **7.9 Accrued liabilities and accruals**

Accrued liabilities and accruals are accounted to make it possible for costs to be included in the period in which they are incurred.

##### ***Accruals***

Accruals are created when, as a result of a past event, the Company has a present obligation to take certain actions for the benefit of another party within the next financial year ('obligation') that is based on a legal, contractual, or practise grounds, and it is probable that an outflow of resources constituting economic benefit will be required to settle the obligation, whereby the Company can reliably estimate the amount required to settle the obligation.

At the end of each reporting period, the Company assesses the sufficiency and the grounds for the accruals made. If accruals are no longer justified, they are deleted. Accruals are created by including the estimated amounts in the profit and loss statement as expenses within one reporting year, or gradually, over multiple reporting years (depending on the nature of the accruals in question). Cancellation of accruals is included as income in the profit or loss statement.

The Company creates the following accruals (See Annex 34 to the financial statement):

- Accruals for the estimated costs of repairs and clean-up of water and sewer main line failures are created in full at the end of the reporting period if the failure occurred and was identified during the reporting period. The cost of cleaning up these failures and repairing the pipelines is determined by preparing cost estimates for the work to be carried out, based on prior experience and knowledge.
- Accruals for industrial waste disposal are made according to the remaining stock of sewage sludge at the end of the reporting year, estimating the cost of sludge disposal;
- Accruals for litigation are created in accordance with management's estimates of the expected scope of the corresponding outflow of economic benefit;
- Special accruals are made for foreseeable liabilities for damage to third parties caused by failures, based on an assessment of the consequences and damage caused by the failure in question. If necessary, accruals for foreseeable liabilities for damage to third parties arising from failures may be adjusted once additional information is obtained about the extent of the consequences and damage caused by the failure in question.



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#### Accrued liabilities

The 'Accrued liabilities' balance sheet item shows:

- clearly known amounts of trade liabilities for the goods or services received during the reporting year, for which the relevant supporting payment document (invoice) has not yet been received on the balance sheet date due to the conditions of the supply, purchase or agreement or due to other reasons. These amounts of liability are calculated based on the prices specified in the corresponding agreements and the documents confirming the actual receipt of goods or services, and include expenses in various areas (see Annex 33 to the financial statement).
- The accrued liabilities for expected staff costs consist of the accrued liability for unused holiday leave and the liability for bonuses under remuneration policies. The accrued cost of unused vacations is determined by multiplying the average daily salary of employees for the last six months of the reporting period with the accrued number of days of holidays unused at the end of the reporting period. The accrued cost of unused holiday leave is included in the accrued liabilities (See Annex 33 to the financial statement).

#### 7.10 Lease transactions

The Company primarily acts a lessee in its leasing transactions. The Company has no other leases in which it is the lessor, except for certain insignificant leases of immovable property and insignificant subleases of certain premises.

##### Company as a lessee

When entering into a contract, the Company assesses whether the contract constitutes a lease or includes a lease. A contract constitutes or contains a lease if the contract provides the right to control the use of an identified asset for a specific period in exchange for payment.

To assess whether a contract provides the right to control the use of an identified asset for a specific period, the Company assesses whether it has both of the following rights throughout the duration of the use of the asset: (a) the right to obtain essentially all the economic benefit from the use of the identified asset during the duration of use; and (b) the right to determine the use of the identified asset.

When a lease begins or is modified, the Company allocates the remuneration stated in the contract to each component of the lease, based on the proportion of that lease component.

The Company includes a right-of-use asset and a lease liability once the lease begins.

##### *Use right assets*

Right-of-use assets are initially included at cost, which includes the initial assessed amount of the lease liability plus the initial direct costs incurred by the Company and an estimate of the costs that the lessee will incur to demolish and dispose of the leased asset (if such activities are to take place), and the lease payments made on or before the initial date, discounting any lease incentive payments received.

Right-of-use assets are further estimated using the cost model, i.e. subtracting accumulated depreciation and accumulated depreciation losses. The Company amortises a right-of-use asset over the period until the end of the right-of-use asset's useful life or the duration of the lease, whichever is earliest.

##### *Lease liabilities*

On the initial date of the lease, the lease liability is measured at the present value of the lease payments remaining at that date. Lease payments are discounted using the interest rate included in the lease, if this can be readily determined. If this rate cannot be readily determined, the Company uses the interest rate used in comparable borrowings. The comparable borrowing rate has been predominantly used in calculating the lease liabilities on the Company's balance sheet.

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Lease liabilities initially include the following payments:

- a) fixed lease payments (including essentially fixed lease payments), minus lease incentives;
- b) variable lease payments that depend on an index or rate and were originally calculated using the index or rate value on the initial date of the lease;
- c) any residual value guarantees given to the lessor by the Company, by a party affiliated with the Company, or a third party not affiliated with the lessor that is financially capable of fulfilling its obligations under the guarantee;
- d) the exercise of the right to buy if there are reasonable grounds to believe that the Company will exercise this right;
- e) fines for the early termination of the lease, unless there are reasonable grounds to believe that the Company will not exercise its right to terminate the lease;
- f) lease payments for lease extension periods if there are reasonable grounds to believe that the Company will exercise the right to extend the lease.

The Company's management assesses whether there are reasonable grounds to believe that the Company will exercise the right to extend the lease, the right to purchase, or the right to terminate the lease.

From there on, lease liabilities are measured at depreciated cost using the effective interest rate. Lease liabilities are reassessed if there is a change in the lease payments tied to indices or rates, or in the expected payment related to the residual value guarantee, or a change in the Company management's assessment whether there are reasonable grounds to believe that the Company will exercise the right to extend the lease, the right to purchase, or the right to terminate the lease.

The Company does not recognise right-of-use assets and lease liabilities for leases with a lease duration (at the initial date of the lease) of 12 months or less and for leases with low-value assets involved (the new asset value is less than EUR 5000). The Company recognises payments related to such contracts as an expense using a linear method over the duration of the lease.

Lease liabilities are included as any other liability, with a distinction between long-term and short-term liabilities.

The key estimates pertain to determining lease durations, and the management considers all facts and circumstances that provide an economic incentive to exercise the right to extend a lease or not to exercise the right to terminate a lease. The possibility of extending the lease (or inclusion of periods after the lease expires) are included in the duration of the lease if there is a reasonable certainty that the lease will be extended (or not terminated). The valuation is revised if a significant event or significant a change in circumstances takes place affecting the valuation and is within the lessee's control.

#### **Company as a lessor**

At the beginning of a lease, the Company assesses whether the lease is a finance lease or an operating lease by determining whether the lease transfers to the Company all the risks and rewards of ownership of the leased asset.

Leases of assets in which all the essential risks and rewards of ownership are not transferred to the lessee are classified as operating leases.

The Company, in its role as the main lessor, has only operating leases. Lease income arising from operating leases for real property is included over the duration of the lease using a linear method.

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#### **Sublease agreements**

The Company has classified as finance leases subleases that sublease a part of the assets that it itself leases from the lessor and that have a duration equal to the duration of the contracts through which the Company itself leases the corresponding properties from the lessor.

#### **7.11 Enterprise income tax**

##### *Payable tax*

In the Republic of Latvia, the Enterprise Income Tax Law, which took effect of 1 January 2018, states that the rate of the tax is 20% of the taxable base, which is determined by dividing the value of the amount subject to the enterprise income tax by a factor of 0.8 and includes:

- distributed profit (calculated dividends, dividend-like expenses, contingent dividends), and
- attributable distributed profit (e.g. non-operating expenses and other specific cases provided for by the law).

The new tax procedure does not apply to the distribution of retained profits generated before 31 December 2017 and subject to the enterprise income tax under the previous legislation. As of 31 December 2022, the balance of retained profits generated before 31 December 2017 amounted to EUR 16 463 393.

##### *Deferred tax*

According to the principles of IAS 12 'Income Taxes', deferred tax assets and liabilities must be included using the rate that is expected to be applied to retained profits.

The Enterprise Income Tax Law, effective since 1 January 2018, applies the 20% rate only to distributed profits, and the 0% rate to retained profits. Accordingly, deferred tax assets and liabilities are included at a value of zero.

#### **7.12 Cash and cash equivalents**

Cash and cash equivalents comprises the current bank account balances.

The cash flow statement is prepared using the indirect method, with adjustments made to reconcile operating profit with cash flows from operating activities, investment activities, and financing.

#### **7.13 Depreciation**

Loss due to depreciation is recognised whenever the amount of an asset or its cash-generating part exceeds its recoverable amount. Losses due to depreciation are specified in the profit or loss statement.

##### *Financial assets and investments in subsidiaries*

At the end date of every reporting period, the Company assesses evidence of depreciation of receivables from contracts with clients and other receivables, at an individual and collective level.

Depreciation losses for assets shown at depreciated prime cost are measured as the difference between the book value of the financial asset and the current value of estimated future cash flows, discounted at the asset's original effective interest rate.

The Company measures depreciation by assessing the expected credit losses (ECL) for financial assets valued at depreciated cost in accordance with paragraph IFRS 9 .

The Company uses a simplified model for the depreciation of its receivables portfolio, grouping receivables from the Company's core business of water supply and sewer services and other receivables by similar credit loss risk characteristics, using the days the receivables are overdue as the primary risk parameter.

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In the simplified model the financial asset's deductions for such losses are equal to the expected credit losses over the life of the financial asset; using the accruals matrix, the Company includes ECL for receivables based on historical information about the amounts lost due to default, and taking into account factors affecting ECL in the future.

The Company applies a simplified approach to measure ECL for individually significant receivables and includes ECL based on a percentage ratio of default to recovery.

In the statement of comprehensive income, Losses are included in the profit or loss statement and presented as accruals for assets that reduce receivables. Interest on a depreciated asset continues to be included, without the discount. If, as a result of an event occurring after the inclusion of the loss, the depreciation loss decreases, the decrease is reversed through the profit or loss statement.

Based on the credit ratings of the relevant credit institutions, the Company considers the risk of credit losses for its cash and cash equivalent balances to be low.

Losses from the depreciation on an investment in a subsidiary are measured by comparing the recoverable amount of the investment with its book value in accordance with IAS 36. Losses due to depreciation are included in the profit or loss statement, but are removed if there are changes in the estimates used to determine the recoverable amount.

#### ***(i) Non-financial assets***

At the end of every reporting period, the Company assesses whether there is any indication that the value of non-financial assets other than stock may have been reduced. If it is determined that such indications exist, the recoverable amount of the asset is estimated. Loss due to depreciation is recognised whenever the amount of an asset or its cash-generating part exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generate cash flows and that are independent of other assets and groups of assets. Depreciation losses are included in the profit or loss statement of the comprehensive income statement. Depreciation losses included with respect to cash-generating units are initially included to reduce the book value of the corporate assets attributable to them and, subsequently, to accordingly reduce the book value of the other assets in the unit (group of units).

The recoverable amount of an asset or cash-generating unit is its operating value or its fair value minus sales costs, whichever is higher. In assessing the operating value, estimated future cash flows are discounted to their present value using a pre-tax discount rate that represents the current market assessments of the time value of money and the risks associated with the asset or cash-generating unit.

Depreciation losses included in the previous reporting period are reviewed at the end date of every reporting period to determine whether there is any evidence that the loss has decreased or no longer exists. Losses due to depreciation are removed if there are changes in the estimates used to determine the recoverable amount. Depreciation losses are removed only to the extent that the book value of the asset does not exceed the book value, minus depreciation, that would have been calculated if the depreciation loss had not been included.

#### **7.14 Affiliated parties**

According to the definition used in IAS 24 'Related Party Disclosures', related (affiliated) parties include legal entities and private individuals that are related to the Company in the following ways:

- a) A person or a close family member of that person is affiliated with the reporting company, if:
  - i) this party has control or joint control over the reporting company;
  - ii) this person has significant influence over the reporting company, or
  - iii) this person is a representative of the senior management of the reporting company or its parent company.
- b) A company is related to the reporting company, if it meets the following conditions:

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- i) the company and the reporting company belong to the same group of companies (which means that the parent company, subsidiary and sister companies are related parties to each other);
- ii) the company is an associated company or joint venture of the other company (or an associated company or joint venture of the parent company that owns the other enterprise);
- iii) the two companies are joint ventures for the same third party;
- iv) one company is a joint venture of a third party and the other company is an associate of the same third party;
- v) the company has a post-employment benefit plan for employees of the reporting company, or the company's employees are affiliated with the reporting company. If the reporting company itself has such a benefit plan, the sponsoring employers are also affiliated parties;
- vi) the company is controlled or jointly controlled by the party identified in paragraph (a);
- vii) the party identified in section (a)(i) has significant influence over the company or is a member of the senior management of the company (or its parent company);
- viii) the company, or any member of the group to which the company belongs, provides management staff services to the company or the company's parent company.

The related parties of the Company are its subsidiary, Riga City Council (which has significant control over the Company), as well as the building managers of the housing stock whose owner is the sole owner of the Company (Riga City Council), members of the management board, heads of the Company's departments, their close family members, and companies in which these parties have control or significant influence.

All transactions of the Company with the companies owned by the Riga City Council took place in the ordinary course of business of the Company.

#### 7.15 Inclusion of income, net turnover, and income from contractual fines

The net turnover is the total of the value of products sold and services provided during the year, minus any discounts and value-added tax.

Income from contracts with clients, according to the criteria of IFRS 15, includes the goods sold and services provided in the ordinary course of main business. The Company uses the following criteria to identify contracts with clients:

- the parties to the contract have accepted the contract (in writing, verbally or in accordance with other customary business practice) and have undertaken to fulfil their respective obligations;
- one can determine each party's rights pertaining to the goods or services to be provided;
- one can determine the payment terms for the goods or services to be provided;
- the contract is commercial in nature (i.e. the risk, timing, or amount of the Company's future cash flows is expected to change as a result of the contract);
- the Company is likely to collect the consideration due in exchange for the goods or services provided to the client.

The main types of income and their characteristics are as follows:

#### *Income from water supply and sewer services*

Income is included in accordance with the fees approved by the Public Utilities Commission at the end of each month or quarter. In accordance with Riga City Council Binding Regulation 4 'On the provisions of the public water management services contract, its conclusion, amendment, and termination' of 18 October 2017, water

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consumption is determined according to the meter readings reported by the clients (building owners and building managers) who have a contract with the Company. In locations where there is no meter, consumption is determined (until a meter is installed) according to the level of development of the apartment and the respective consumption standards for water supply and/or sewer services. See below for information about fees.

#### *Income from ancillary sewer services*

Income is generated in accordance with Section 6 of Cabinet Regulation 174 'Regulations on the provision and use of public water management services' of 22 March 2016 and is booked at the end of every month, with the amount determined on the basis of the meter readings reported by the client. See below for information about fees.

#### *Fees*

In 2022, the following fees for water management services were in effect:

	01.01.2022. – 31.05.2022.	01.06.2022. – 30.09.2022.	01.10.2022. – 31.12.2022.
Water supply fee	0,85 EUR/m <sup>3</sup>	1,02 EUR/m <sup>3</sup>	1,20 EUR/m <sup>3</sup>
Sewer services fee	0,74 EUR/m <sup>3</sup>	0,91 EUR/m <sup>3</sup>	1,21 EUR/m <sup>3</sup>
Wastewater treatment services fee	0,33 EUR/m <sup>3</sup>	0,42 EUR/m <sup>3</sup>	0,63 EUR/m <sup>3</sup>

As a precautionary measure, contractual fines for the non-payment of invoices for water supply and sewer services are included as income only once received, under 'Other operating income'

On 13 October 2021, the Company's management board adopted a decision, stating that starting from 1 October 2021, no interest on late payment would be charged in relation to the water management services provided by SIA 'Rīgas ūdens'. Decision was valid till 30 June 2022.

On 21 September 2022 based on social responsibility and significant energy price increase The Company's management board adopted a new decision, stating that starting from 1 September 2022, no interest on late payment would be charged in relation to the water management services provided by SIA 'Rīgas ūdens', decision is valid until cancelation or amendment. At the time of the preparation of this statement, this management board decision was in in effect.

#### *Income from branch line design and construction services*

The duration of these services is short and the income per project is low. These projects are most often completed within a week, but the service provision period can in rare cases be a few months. This income is included not over time, but once the client accepts the work actually performed.

#### *Income from water infrastructure relocation fees*

This income is earned in accordance with Section 49 of Riga City Council Regulation 'Binding regulations for the operation, use, and protection of the centralised water supply and sewer system of the city of Riga' of 15 December 2017, and is booked as income once the service is provided to the client.

#### *Other non-recurring commercial services based on contracts with clients*

Income is booked once the service is provided.

### **7.16 Contract assets and contract liabilities**

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Contract assets include rights to consideration for services provided, whereby the Company has fulfilled its obligations, but has not yet issued invoices as of the reporting date. Contract assets are reclassified to trade receivables when the right to receive consideration becomes an unconditional right, which is usually once the client is invoiced. This right is included as trade receivables balances.

Given the nature of the Company's contracts with clients, the Company does not have significant contract assets.

Contractual liabilities consist mainly of advance payments received from clients for services provided by the Company and prepayments for which income is booked over time.

See Annex 31 for information about the amounts recognised during the reporting period as income from contractual liabilities that had been reported at the beginning of the year.

#### **7.17 Events after the balance sheet date**

The financial statement includes events after the end of the reporting year that provide additional information about the financial position of the company at the balance sheet date (correcting events). If the events after the end of the reporting year do not cause any adjustments, they must be shown in the annex to the financial statement, but only if significant.

#### **7.18 Possible liabilities and assets**

Possible assets and possible liabilities are not included in the balance sheet. If any exist as of the balance sheet date, explanatory information about them is presented in the annexes.

#### **7.19 Other operating income**

Water services income from previous periods

If it is found that water management services were provided during previous reporting periods, including in the cases specified in Section 53 of Cabinet Regulation 174 'Regulations regarding the provision and use of public water management services' of 22 March 2016, this income is included in the reporting period as other income, at the time when this use of water management services is found.

Income from compensation for exceeding the maximum allowed concentration of pollutants in wastewater, and from contractual fines

In accordance with the precautionary principle, compensation for exceeding the standard concentration of pollutants in wastewater discharged into the centralised sewer system, as well as fines for non-compliance with contractual terms and payment deadlines, are included as income when receiving these amounts is reasonably foreseeable, i.e. on a cash-flow basis: once the payment is credited to the Company's bank account.

#### **7.20 Employee benefits**

Short-term employee benefits, including salaries, bonuses, and leave benefits, are valued without discounting and included in net operating expenses on an accruals basis. The Company contributes the amount specified to the state social insurance fund for every employee throughout the period of their employment in accordance with the requirements of laws and regulations. The Company has no obligation to make further contributions with respect to the services provided by retired employees. The Company does not participate in specific long-term pension schemes and does not provide long-term employee benefits.

### **8. INTRODUCTION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS**

#### **8.1 Standards effective since 1 January 2022**

A number of new standards (or amendments to them) that did not have a significant impact on the Company's financial statements took effect on 1 January 2022.

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#### **8.2 Other standards**

There was no retroactive application of the following new and amended standards that were effective during the reporting periods beginning after 1 January 2022. The management is still considering the potential impact, but does not expect it to have a significant effect on the Company's financial statements in the future:

- IFRS 17 Insurance Contracts and Amendments IFRS 17 Insurance contracts
- Classification of liabilities as short-term or long-term (amendments to IAS 1 );
- Definition of accounting estimates (amendments to IAS 8 );
- Accounting policy disclosures (amendments to IAS 1 and IFRS 2 practice statement);
- Deferred tax pertaining to the assets and liabilities arising from a separate transaction (amendments to IAS 12).

#### **9. DETERMINATION OF FAIR VALUE**

Fair value is the price that would be received for selling an asset or paid to transfer a liability in an ordinary transaction between market participants in their main market at the date valuation or, if no market exists, in the most beneficial market that the Company has access at that date. The fair value of liabilities takes into account the risk of default.

In accordance with the Company's accounting policies and disclosure requirements, fair value is to be determined for financial and certain non-financial assets and liabilities.

In estimating the fair value of an asset or liability, the Company uses observable market data as much as possible. Fair value is classified into different levels within the fair value hierarchy based on the data used in the assessment methods:

- Level 1: quoted market prices (unadjusted) of identical assets or liabilities;
- Level 2: input data other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: input data for an asset or liability that are not based on observable market data (unobservable data).

If the input data used in the fair value measurement for an asset or liability can be assigned to the different levels of the fair value hierarchy, the fair value measurement is generally assigned to the level of the fair value hierarchy that includes the lowest level of input data that are significant to the entire measurement.

Reclassifications between levels of the fair value hierarchy are recorded by the Company at the end of the reporting period in which they occur.

For valuation and disclosure purposes, fair value was determined using the methods specified below. Where appropriate, more information about the assumptions made in determining the fair value is disclosed in the notes to the financial statements covering that asset or liability.

Level 1 includes cash and cash equivalents. Cash and cash equivalents are financial assets with a maturity of 3 months or less. The Company considers the fair value of these financial assets to be consistent with their initial nominal value and book value at any subsequent date.

The Company has no financial assets and liabilities that are included in Level 2.

Level 3 includes:

- Borrowings from credit institutions and lease liabilities;
- Accounts payable and receivable;
- Investment properties.



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#### **9.1. Borrowings from credit institutions and lease liabilities**

Non-derivative financial liabilities are assessed at fair value on initial booking and, for disclosure purposes, at the end of each reporting period. For the purposes of presenting information, the fair value of financial liabilities with maturities of more than 6 months is calculated based on the present value of the future principal amount and the interest cash flows discounted at the market interest rate on the date of the valuation. The Company's borrowings include fixed and variable interest rate components and it assesses changes in the fixed portion of the bank loan late rate every year, in line with market conditions. The borrowing interest rate is assumed to be close to the market rate at all the balance sheet dates shown.

For lease liabilities, the market interest rate is determined using the interest rate on comparable borrowings. For financial liabilities with a shorter maturity, their fair value at initial booking and their subsequent book value is assumed as the approximate fair value of these liabilities, because the effect of discounting is considered not to be significant.

#### **9.2. Accounts payable and receivable**

Trade and other receivables, receivables from affiliates, other receivables, other financial assets, trade payables, payables to affiliates, and other financial liabilities generally have maturities of less than six months, and the Company considers the fair values of these financial assets and liabilities to be consistent with their initial nominal value and their book value at any subsequent date.

#### **9.3. Investment property**

Every year, the Company's investment property is valued by an external, independent, certified valuation company with recognised professional qualifications and recent experience in valuing properties in the appropriate category and location. If possible, fair value is based on market value, which is the estimated amount of money that the property could be exchanged for at the valuation date in an arm's length transaction between a willing buyer and a willing seller, with due advertisement, with both the parties acting with due knowledge.

If no current prices are available on the active market, the valuation is done using the income method. The gross property valuation for investment properties is done by using a market margin to the estimated lease value. If the actual rent differs significantly from the estimate, adjustments are made to take into account the actual rent.

See note 19(e) to the financial statement concerning the fair value of the investment properties included in the balance sheet using the purchase method, minus accumulated depreciation and wear.

### **10. FINANCIAL RISK MANAGEMENT**

The Company is exposed to the following financial risks pertaining to the use of financial instruments:

- credit risk;
- interest rate risk;
- liquidity risk;
- market risk;

This note contains information about the Company's exposure to each of the above risks, the Company's objectives, policies, and processes for assessing and managing the risks, and the Company's principles for managing financial risk and capital. Further quantitative information is included later in these financial statements.

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#### **Risk management structure**

The Company's management is responsible for setting up and monitoring the Company's risk management structure. In order to achieve the Company's risk management objectives, risk management is integrated into the Company's core business and governance. Risk management is the process of identifying, assessing, and managing the risks inherent in the Company, the occurrence of which could impede or jeopardise the achievement of its goals.

The Company is improving its risk management processes, including its Risk Management Policy, other internal regulations, as well as their practical application, in order to be more successful in a shifting business environment and to ensure a secure provision of its services. The purpose of the Company's risk management is to identify and manage the Company's most significant risks in a timely manner, in order to enable the achievement of strategic goals and to minimise potential losses and other harm.

The most significant financial instruments of the Company are its financial assets: trade and other receivables, and financial liabilities, i.e. borrowings, lease liabilities, trade and other payables. The Company operations are subject to various financial risks, including the credit risk, the liquidity risk, and the interest rate risk. The management board of the company minimises the negative impact of potential financial risks on the financial standing of the company.

#### *Credit risk*

Credit risk is the risk that the Company will incur in financial loss if a client or other party to a financial instrument fails to meet its contractual obligations.

Financial assets that potentially expose the Company to a certain credit risk concentration degree are mostly cash and trade receivables. One client takes up a significant share of the net turnover, accounting for up to 33% of sales. The management board of the Company minimises the negative impact of potential financial risks on the financial standing of the Company by taking a combination of control and analysis measures. The Company has developed an internal procedure for the monitoring of receivables, for determining individualised receivables monitoring measures based on client group, which includes taking into account the risk of concentration of credit risk.

The Company's receivables are properly monitored. Trade receivables are presented according to the recoverable value, and the Company regularly inspects the payment discipline of its receivables. The basic services provided by the Company are largely essential services for its clients, and if there is non-payment, the Company has the option not to provide the service.

Partners of the Company in cash transactions are financial institutions with appropriate credit history.

Since 1 October 2015, the applicable laws and regulations allow owners of apartment buildings to pay for the water services provided to their homes without the intermediation of a building manager, paying directly to the service provider. The Company must allow such direct payments for services. In 2021, direct payments were used by clients in 28 apartments (one site).

#### *Liquidity risk*

Liquidity risk is the risk of the Company not being able to fulfil its financial obligations in due time. The Company's management analyses the maturity structure of assets and liabilities to address liquidity risk. The Company's management monitors liquidity risk by ensuring the timely availability of funds.

On 8 February 2019, a long-term loan agreement was signed with OP Corporate Bank Plc Branch Latvia for EUR 24,000 thousand. The maturity date of the loan is 1 February 2024. The balance of the loan as of 31 December 2022 was EUR 16 222 thousand.

On 6 April 2022, a long-term loan agreement was signed with AS Swedbank for EUR 15,000 thousand. The maturity date of the loan is 6 April 2027. The balance of the loan as of 31 December 2021 was EUR 15,000 thousand.

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On 27 June 2022, a long-term loan agreement was signed with European Investment Bank for EUR 60,000 thousand. The loan can be disbursed by parts and repayment date set individually. On December 2022 was first loan draw in amount of EUR 20,000 thousand with maturity date 5 December 2037. The balance of the loan as of 31 December 2022 was EUR 20,000 thousand.

On 31 February 2022 liquidity ratio stand at 1,3 that confirms the Company's liquidity is kept at an adequate level, ensuring its ability to settle liabilities within the set deadlines, and there is no risk to the Company's financial stability and sustainable development.

#### *Interest rate risk*

The Company's interest rate risk arises from borrowings that bear interest at a fixed floating rate based on 3 or 6-month EURIBOR, with the risk that the cost of financing rises significantly if EURIBOR increases. The Company mitigates interest rate risk by regularly analysing the interest rate on the market, assessing the usefulness of refinancing its borrowings, borrowing at a fixed interest rate, or using other financial instruments to mitigate risks in the event of a EURIBOR increase.

#### **Capital management**

The Company considers it necessary to maintain a stable capital base in order to uphold the confidence of its creditors in the Company and to ensure the continued development of the Company. The management monitors the return on capital as well as the amount of dividends paid to shareholders.

The Company's medium-term operational strategy includes capital structure and return on capital ratios as financial targets.

The equity ratio at the end of the reporting period is 51,2%, significantly above the minimum financial target of 35%. The Company was profitable during the reporting period, delivering a return on assets and meeting its financial targets.

#### **11. INCOME**

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Income from water supply services	30 757 414	27 101 210
Income from sewer services	32 743 137	26 956 236
Income from construction services	370 856	332 565
Other income from contracts with clients	1 853 736	1 442 476
	<b>65 725 143</b>	<b>55 832 487</b>

All of the Company's income from contracts with clients is generated in Latvia.

Income from construction services consists of income from the construction of water main lines and sewer branch lines in areas of Riga where water management infrastructure had been constructed with the co-financing of the Cohesion Fund.

#### **Assets and liabilities from contracts with clients**

This table shows contract balances, including receivables and contract liabilities:

	31.12.2022.	31.12.2021.
	EUR	EUR
Receivables (gross) reported under 'Receivables from contracts with clients (Note 21)	10 467 346	7 319 587
Contractual obligations (Note 31)	<u>(2 486 742)</u>	<u>(1 945 434)</u>
	<u>7 980 604</u>	<u>5 374 153</u>

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#### 12. EXPENSES TO ACHIEVE INCOME

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Depreciation of fixed assets and intangible investments	14 370 152	14 536 061
Remuneration for work	12 148 510	10 689 600
Electricity expenses	9 065 236	4 099 085
Water and sewer pipeline repairs	7 139 906	5 837 142
Mandatory state social insurance contributions	2 818 187	2 476 612
Equipment repairs and maintenance	1 856 676	1 760 031
Chemicals costs	1 739 602	1 861 943
Materials and spare parts	1 360 682	1 140 048
Sludge disposal costs	1 255 261	1 000 173
Natural gas costs	1 211 793	222 637
Natural resource tax	1 084 257	1 099 899
Cost of security services	764 358	788 701
Real estate maintenance costs	591 749	809 892
Heating energy costs	537 541	434 093
Vehicle maintenance	469 073	428 932
Fuel	464 097	342 897
Information technology expenses	358 491	322 859
Staff health insurance and medical examinations	236 834	250 979
Real estate tax	160 495	157 634
Low-value equipment	88 717	245 085
Communication and postal costs	72 031	70 560
Depreciation of right-of-use assets	65 142	73 396
Riga strategic water supply and sewer system development expenses and other production consulting	6 723	32 700
Other production costs	254 501	270 546
	<b>58 120 014</b>	<b>48 951 505</b>

#### 13. SALES COSTS

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration for work	1 345 104	1 183 600
Mandatory state social insurance contributions	316 519	276 644
Meter replacement and verification	165 719	114 883
Depreciation of fixed assets and intangible investments	101 310	99 526
Information technology expenses	92 226	81 287
Communication and postal costs	83 976	78 665
Consulting expenses	27 796	10 820
Staff health insurance and medical examinations	26 307	27 577
Real estate maintenance costs	25 934	17 559
Depreciation of right-of-use assets	17 018	17 034
Materials and spare parts	12 487	13 606
Fuel	12 289	8 301
Real estate tax	9 263	8 483
Low-value equipment	7 831	17 640
Other costs	39 103	30 186
	<b>2 282 882</b>	<b>1 985 811</b>

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#### 14. ADMINISTRATIVE COSTS

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration for work	2 760 586	2 309 047
Mandatory state social insurance contributions	649 018	542 040
Depreciation of fixed assets and intangible investments	379 012	376 922
Depreciation of right-of-use assets	122 782	124 907
Information technology expenses	117 527	92 913
Operating and real property maintenance costs	109 675	76 818
State public services regulator fee	108 098	113 541
Management consulting expenses	91 837	92 015
Staff health insurance and medical examinations	37 139	37 974
Telecoms and postal expenses	35 587	29 784
Real estate tax	29 574	28 258
Professional service costs	29 295	27 450
Training costs	24 193	16 535
Materials and spare parts	22 555	24 583
Representation costs	19 612	186
Transportation costs	15 250	17 605
Stationery and utility costs	12 475	16 721
Fuel	11 549	12 468
Legal services	4 901	3 996
Other administrative costs	87 978	68 442
	<b>4 668 643</b>	<b>4 012 205</b>

#### 15. OTHER OPERATING INCOME

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Income from Cohesion Fund project funding (Annex 30)	2 971 574	2 976 059
High sewer wastewater pollution fee	663 096	605 643
Net profit from the sale of long-term investments held for sale	424 709	534 352
Income from donations received (Annex 30)	291 319	295 730
Income from investment projects (Annex 30)	176 358	169 152
Rent income	92 795	100 547
Contractual fines received	80 857	46 724
Deferred income from water services	62 775	85 211
Decrease in accruals for legal proceedings and expected liabilities for damage caused to third parties	27 585	78 629
Decrease in accruals for doubtful account receivable	17 108	32 305
Decrease in accruals for pipeline repairs	180 066	3 725
Decrease in accruals for removal of production waste	43 921	-
Other income	218 878	160 869
	<b>5 251 041</b>	<b>5 088 946</b>

The net profit from the sale of long-term investments held for sale consists of income in the amount of EUR 741 234 (2021: 787 231) minus the residual value of the assets sold, EUR 316 525 (2021: 252 879)

Under other operating income includes adjustment of accruals for following cost positions:

- "Water and sewer pipeline repairs costs" under accruals for pipeline repairs;
- "Sludge disposal costs" under accrual for removal of production waste.

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#### 16. OTHER OPERATING EXPENSES

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Changes in the accruals for doubtful receivables and write-offs receivables	164 234	16 761
Staff benefits	58 028	64 041
Operating activity costs	60 548	9 260
Accruals for stock	42 221	-
Other costs	70 128	62 325
	<b>395 159</b>	<b>152 387</b>

#### 17. FINANCIAL INCOME

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Interest income from a claim	-	2 019
Interest income from a LTA sublease	357	440
	<b>357</b>	<b>2 459</b>

#### 18. FINANCIAL costs

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Interest payments to credit institutions	297 621	262 820
Banking service fees	40 763	37 126
Interest costs for lease liabilities	9 953	6 281
Exchange rate losses	157	8
	<b>348 494</b>	<b>306 235</b>

#### 19. INTANGIBLE investments, fixed assets, and investment property

##### (a) Intangible investments

Intangible investments movement report for 2022, EUR: Concessions, patents, licences, trade marks and similar rights

<b>Initial value</b>	
<b>31.12.2021</b>	<b>4 322 719</b>
Purchased	45 249
Moved from depreciation	(59 167)
<b>31.12.2022</b>	<b>4 308 801</b>
<b>Depreciation</b>	
<b>31.12.2021</b>	<b>3 336 402</b>
Estimated depreciation	259 699
Reduction in value	(59 167)
<b>31.12.2022</b>	<b>3 536 934</b>
<b>Balance sheet value on 31.12.2021</b>	<b>986 317</b>
<b>Balance sheet value on 31.12.2022</b>	<b>771 867</b>

As of 31 December 2021, the Company used fully amortised intangible investments with an initial acquisition cost of EUR 1 831 140 (31.12.2021: EUR 1 886 713). Intangible investments are excluded only when they are no longer used or when they are sold.

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#### Intangible investments movement report for 2021, EUR:

<b>Initial value</b>	
<b>31.12.2020</b>	<b>4 067 163</b>
Purchased	<b>255 556</b>
<b>31.12.2021</b>	<b>4 322 719</b>
<b>Depreciation</b>	
<b>31.12.2020</b>	<b>3 097 804</b>
Estimated depreciation	<b>238 598</b>
<b>31.12.2021</b>	<b>3 336 402</b>
<b>Balance sheet value on 31.12.2020</b>	<b>969 359</b>
<b>Balance sheet value on 31.12.2021</b>	<b>986 317</b>

#### (b) Fixed assets

#### Fixed assets movement report for 2022, EUR:

	Land	Buildings and structures	Investments in leased fixed assets	Production equipment and devices	Other fixed assets	Creation of fixed assets/construction in progress	Advance payments for fixed assets	TOTAL
<b>Initial value:</b>								
<b>31.12.2021</b>	<b>18 177 368</b>	<b>444 745 928</b>	<b>1 114 082</b>	<b>38 980 698</b>	<b>10 822 553</b>	<b>23 175 887</b>	<b>4 773 482</b>	<b>541 789 998</b>
Purchased	-	1 722 380	-	1 124 886	872 057	24 118 505	3 427 237	<b>31 265 065</b>
Capitalised loan interest	-	-	-	-	-	56 940	-	<b>56 940</b>
Excluded	(856 419)	(1 048 260)	-	(672 505)	(197 918)	(20 571)	(10 502)	<b>(2 806 175)</b>
Reclassified from creation of fixed assets	-	2 736 034	-	123 028	52 530	(2 911 592)	-	-
Reclassified from advance payments	-	30 394	-	-	2 906	3 949 462	(3 982 762)	-
Moved to/from	141 433	-	-	-	-	-	-	<b>141 433</b>
<b>31.12.2022</b>	<b>17 462 382</b>	<b>448 186 476</b>	<b>1 114 082</b>	<b>39 556 107</b>	<b>11 552 128</b>	<b>48 368 631</b>	<b>4 207 455</b>	<b>570 447 261</b>
<b>Depreciation and wear:</b>								
<i>Accrued depreciation</i>	-	216 457 924	461 393	30 317 289	6 821 137	-	-	<b>254 057 743</b>
<i>Accrued depreciation</i>	1 018 093	562 013	-	-	-	69 380	-	<b>1 649 486</b>
<b>Total 31.12.2021</b>	<b>1 018 093</b>	<b>217 019 937</b>	<b>461 393</b>	<b>30 317 289</b>	<b>6 821 137</b>	<b>69 380</b>	<b>-</b>	<b>255 707 229</b>
Estimated depreciation	-	11 149 529	167 490	2 131 593	1 142 163	-	-	<b>14 590 775</b>
Depreciation for removed assets	-	(859 500)	-	(668 299)	(176 145)	-	-	<b>(1 703 944)</b>
Moved to/from long-term assets held for sale:	(621 185)	(186 782)	-	-	-	(19 319)	-	<b>(827 286)</b>
Depreciation reclassified to long-term assets held for sale	-	(49 520)	-	-	-	-	-	<b>(49 520)</b>
<b>31.12.2022</b>	<b>396 908</b>	<b>227 073 664</b>	<b>628 883</b>	<b>31 780 583</b>	<b>7 787 155</b>	<b>50 061</b>	<b>-</b>	<b>267 717 254</b>

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**Including:**

<i>Accrued depreciation</i>	-	226 801 806	628 883	31 780 583	7 787 155	-	-	266 998 427
<i>Reduction in value</i>	396 908	271 858	-	-	-	50 061	-	718 827

**Balance sheet value:**

<b>31.12.2021</b>	<b>17 159 275</b>	<b>227 725 991</b>	<b>652 689</b>	<b>8 663 409</b>	<b>4 001 416</b>	<b>23 106 507</b>	<b>4 773 482</b>	<b>286 082 769</b>
<b>31.12.2022</b>	<b>17 065 474</b>	<b>221 112 812</b>	<b>485 199</b>	<b>7 775 524</b>	<b>3 764 973</b>	<b>48 318 570</b>	<b>4 207 455</b>	<b>302 730 007</b>

As of 31 December 2022, the Company used fully amortised fixed assets with an initial acquisition cost of EUR 110 650 114 (31.12.2021: EUR 107 597 751). Fixed assets are excluded only when they are no longer used and liquidated, or when they are sold. If no future economic benefit is expected from the continued use of an asset, accruals are made for the entire residual value of the asset.

The Company owns a total of 71 real properties consisting of land and buildings, of which 47 are single real properties comprising buildings and land, 7 are undeveloped plots of land, and 17 are building (structure) properties.

### Fixed assets movement report for 2021, EUR:

	Land	Buildings and structures	Investments in leased fixed assets	Production equipment and devices	Other fixed assets	Creation of fixed assets/construction in progress	Advance payments for fixed assets	TOTAL
<b>Initial value:</b>								
<b>31.12.2020</b>	<b>18 502 922</b>	<b>438 389 906</b>	<b>1 096 081</b>	<b>36 873 223</b>	<b>10 578 212</b>	<b>4 581 853</b>	<b>5 139 417</b>	<b>515 161 614</b>
Purchased	-	905 688	18 001	1 233 965	238 409	22 140 702	3 492 697	<b>28 029 462</b>
Capitalised loan interest	-	-	-	-	-	3 242	-	<b>3 242</b>
Excluded	-	(397 060)	-	(369 474)	(123 268)	(8 000)	-	<b>(897 802)</b>
Reclassified from creation of fixed assets	-	6 015 063	-	1 226 737	126 782	(7 368 582)	-	-
Reclassified from advance payments	-	20 319	-	9 223	2 418	3 826 672	(3 858 632)	-
Moved to/from	(325 554)	(187 988)	-	7 024	-	-	-	<b>(506 518)</b>
<b>31.12.2021</b>	<b>18 177 368</b>	<b>444 745 928</b>	<b>1 114 082</b>	<b>38 980 698</b>	<b>10 822 553</b>	<b>23 175 887</b>	<b>4 773 482</b>	<b>541 789 998</b>
<b>Depreciation and wear:</b>								
<i>Accrued depreciation</i>	-	205 583 024	295 177	28 492 160	5 847 400	-	-	<b>240 217 761</b>
<b>Depreciation and wear:</b>	<b>1 204 760</b>	<b>676 097</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69 380</b>	<b>-</b>	<b>1 950 237</b>
<b>Total 31.12.2020</b>	<b>1 204 760</b>	<b>206 259 121</b>	<b>295 177</b>	<b>28 492 160</b>	<b>5 847 400</b>	<b>69 380</b>	<b>-</b>	<b>242 167 998</b>
Estimated depreciation	-	11 325 969	166 216	2 189 788	1 091 937	-	-	<b>14 773 910</b>
Depreciation for removed assets	-	(383 288)	-	(364 659)	(118 200)	-	-	<b>(866 147)</b>
Moved to/from long-term assets held for sale:	-	(67 781)	-	-	-	-	-	<b>(67 781)</b>
Depreciation reclassified to long-term assets held for sale	(186 667)	(114 084)	-	-	-	-	-	<b>(300 751)</b>
<b>31.12.2021</b>	<b>1 018 093</b>	<b>217 019 937</b>	<b>461 393</b>	<b>30 317 289</b>	<b>6 821 137</b>	<b>69 380</b>	<b>-</b>	<b>255 707 229</b>
<b>Including:</b>								
<i>Accrued depreciation</i>	-	216 457 924	461 393	30 317 289	6 821 137	-	-	<b>254 057 743</b>
<i>Reduction in value</i>	1 018 093	562 013	-	-	-	69 380	-	<b>1 649 486</b>
<b>Balance sheet value:</b>								
<b>31.12.2020</b>	<b>17 298 162</b>	<b>232 130 785</b>	<b>800 904</b>	<b>8 381 063</b>	<b>4 730 812</b>	<b>4 512 473</b>	<b>5 139 417</b>	<b>272 993 616</b>
<b>31.12.2021</b>	<b>17 159 275</b>	<b>227 725 991</b>	<b>652 689</b>	<b>8 663 409</b>	<b>4 001 416</b>	<b>23 106 507</b>	<b>4 773 482</b>	<b>286 082 769</b>



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#### (c) Depreciation and wear

Breakdown of estimated depreciation and wear costs:	2022 EUR	2021 EUR
Included in the production cost of products sold	14 370 152	14 536 061
Included in the sale cost of products sold	101 310	99 526
Included in administrative costs	379 012	376 921
	<b>14 850 474</b>	<b>15 012 508</b>
Including wear pertaining to received Cohesion Fund financing (see Annexes 15 and 30)	2 971 574	2 976 059

#### (d) Right-of-use assets

Movement of right-of-use assets in 2022:

		Right to use land	Right to use buildings	Right to use other assets	TOTAL
<b>Initial value:</b>					
	<b>31.12.2021</b>	<b>481 793</b>	<b>300 117</b>	<b>244 777</b>	<b>1 026 687</b>
Purchased in 2022		870	84 843	237 584	323 297
Excluded in 2022		(8 373)	-	(205 912)	(214 285)
	<b>31.12.2022</b>	<b>474 290</b>	<b>384 960</b>	<b>276 449</b>	<b>1 135 699</b>
<b>Accrued depreciation:</b>					
	<b>31.12.2021</b>	<b>118 711</b>	<b>119 523</b>	<b>145 213</b>	<b>383 447</b>
Estimated depreciation in 2022		56 145	60 555	88 242	204 942
Excluded in 2022		(8 142)	-	(205 912)	(214 054)
	<b>31.12.2022</b>	<b>166 714</b>	<b>180 078</b>	<b>27 543</b>	<b>374 335</b>
<b>Balance sheet value:</b>					
	<b>31.12.2021</b>	<b>363 082</b>	<b>180 594</b>	<b>99 564</b>	<b>643 240</b>
	<b>31.12.2022</b>	<b>307 576</b>	<b>204 882</b>	<b>248 906</b>	<b>761 364</b>

Movement of right-of-use assets in 2021:

		Right to use land	Right to use buildings	Right to use other assets	TOTAL
<b>Initial value:</b>					
	<b>31.12.2020</b>	<b>484 103</b>	<b>297 057</b>	<b>276 917</b>	<b>1 058 077</b>
Purchased in 2021		-	4 707	16 175	20 882
Excluded in 2021		(2 310)	(1 647)	(48 315)	(52 272)
	<b>31.12.2021</b>	<b>481 793</b>	<b>300 117</b>	<b>244 777</b>	<b>1 026 687</b>
<b>Accrued depreciation:</b>					
	<b>31.12.2020</b>	<b>61 285</b>	<b>60 587</b>	<b>98 510</b>	<b>220 382</b>
Estimated depreciation in 2021		59 736	60 583	95 018	215 337
Excluded in 2021		(2 310)	(1 647)	(48 315)	(52 272)
	<b>31.12.2021</b>	<b>118 711</b>	<b>119 523</b>	<b>145 213</b>	<b>383 447</b>

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#### Balance sheet value:

<b>31.12.2020</b>	<b>422 818</b>	<b>236 470</b>	<b>178 407</b>	<b>837 695</b>
<b>31.12.2021</b>	<b>363 082</b>	<b>180 594</b>	<b>99 564</b>	<b>643 240</b>

#### (e) Investment property

##### Movement of investment property in 2022

		<b>Investment property (land and buildings)</b>
<b>Initial value:</b>		
	<b>31.12.2021</b>	<b>2 029 446</b>
Reclassified from/to Fixed asset -land		(141 433)
Reclassified from/to Fixed asset -asset for sale		(543 919)
	<b>31.12.2022</b>	<b>1 344 094</b>
<b>Depreciation and wear:</b>		
	<b>31.12.2021</b>	<b>1 164 074</b>
Reclassified from/to Fixed asset for sale - depreciation		(35 983)
Reclassified from/to Fixed asset for sale - Reduction in value		(21 084)
	<b>31.12.2022</b>	<b>1 107 007</b>
<b>Including:</b>		
<i>Accrued depreciation</i>		<i>1 073 990</i>
<i>Reduction in value</i>		<i>33 017</i>
<b>Balance sheet value:</b>		
	<b>31.12.2021</b>	<b>865 372</b>
	<b>31.12.2022</b>	<b>237 087</b>

The investment properties are measured in the balance sheet at acquisition cost minus accrued depreciation. The fair value of the investment properties as of 31 December 2022, according to valuations by certified appraisers, was 730 760 EUR (31.12.2021: 1 167 010 EUR).

The table shows the valuation method used to measure the fair value of the property, as well as key unobservable data:

Type	Evaluation method	Significant unobservable input data	Connection between significant unobservable input data and assessment of the operating value
of the investment property, land and buildings, of which there are a total of 5 sites located in Riga	Two methods were used to determine fair value: comparable transaction or market method and income/land lease capitalisation method	0% annual lease income growth Maintenance and capital expenditure increase: 0% per year Occupancy 35–90% Capitalisation rate 7.15 -8.65%	The estimated operating value would increase (decrease) if: - Lease income increase were higher (lower) - The cash flow projection period would be longer (shorter), the capitalisation rate would be higher (lower)

The Company classifies as investment property 1 plot of land with a total area of 2604 m<sup>2</sup>, as well as 5 956 m<sup>2</sup> of buildings located in Riga, the use rights for which were transferred by the Company to third parties.

For information about rental income, see note 28 of the Annex to the financial statement.

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The Company does not incur in maintenance costs in relation to the investment property. Immovable property tax expenses in 2022: EUR 13 902 (2021: EUR 12 497); these are compensated by the lessee.

#### Movement of investment property in 2021:

	Investment property (land and buildings)	
<b>Initial value:</b>		
	31.12.2020	2 029 446
	31.12.2021	2 029 446
<b>Depreciation and wear:</b>		
	31.12.2020	1 164 074
	31.12.2021	1 164 074
<b>Including:</b>		
<i>Accrued depreciation</i>		1 109 973
<i>Reduction in value</i>		54 101
<b>Balance sheet value:</b>		
	31.12.2020	865 372
	31.12.2021	865 372

#### 20. STOCK

	31.12.2022.	31.12.2021.
	EUR	EUR
<b><i>Raw materials, basic materials, and auxiliary materials</i></b>	1 257 702	1 319 955
Raw materials and auxiliary materials	280 739	319 964
Chemicals	578 512	422 159
Replacement parts	30 403	21 617
Fuel	-	-
Other stock	(305 008)	(262 787)
	<b>1 842 348</b>	<b>1 820 908</b>

In 2022, stock valued at EUR 3 591 920 (2021: 3 381 026 EUR) was used for the main business of the company and included under 'Expenses to achieve income' (Annex 12), 'Sales expenses' (Annex 13), and 'Administrative expenses' (Annex 14).

The depreciation of accrued stock is mainly due to accruals made by assessing the stock turnover rates for specific infrastructure elements and spare parts.

#### 21. RECEIVABLES FROM CONTRACTS WITH CLIENTS

	31.12.2022.	31.12.2021.
	EUR	EUR
Accounting value of trade receivables	10 467 346	7 319 587
Portfolio accruals for bad and doubtful trade receivables	(517 237)	(534 144)
	<b>9 950 109</b>	<b>6 785 443</b>

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<b>Movement of accruals:</b>	<b>2022</b>	<b>2021</b>
<b>Accruals at the beginning of the year</b>	<b>534 144</b>	<b>563 731</b>
Additional accruals created	317 234	-
Cancelled because recovered	(270 880)	(13 514)
Written off as irrecoverable	(63 261)	(16 073)
<b>Accruals at the end of the year</b>	<b>517 237</b>	<b>534 144</b>

Depreciation losses are shown in the income statement under 'Other operating expenses', Annex 16.

#### Depreciation analysis as of 31 December 2022 for main business (including receivables from affiliated companies)

Trade receivables	Receivables as of 31.12.2022	ECL rate	General accruals	Net receivables
Not overdue	8 000 088	0.19%	15 568	7 984 520
1–30 days overdue	1 743 711	2.58%	45 035	1 698 676
31–60 days overdue	178 340	9.07%	16 183	162 157
61–90 days overdue	42 203	17.99%	7 591	34 612
91–120 days overdue	23 755	29.26%	6 952	16 803
121–150 days overdue	21 344	39.60%	8 452	12 892
151–180 days overdue	16 247	48.67%	7 908	8 339
181–210 days overdue	45 793	56.07%	25 677	20 116
211–240 days overdue	15 615	65.37%	10 208	5 407
241–270 days overdue	14 179	73.14%	10 370	3 809
271–300 days overdue	14 066	83.84%	11 794	2 272
301–330 days overdue	8 870	94.30%	8 364	506
Overdue > 331 days	343 135	100%	343 135	-
<b>TOTAL</b>	<b>10 467 346</b>		<b>517 237</b>	<b>9 950 109</b>

#### Depreciation analysis as of 31 December 2021 for main business (including receivables from affiliated companies)

Trade receivables	Receivables as of 31.12.2021	ECL rate	General accruals	Net receivables
Not overdue	5 596 491	0.27%	15 337	5 581 154
1–30 days overdue	988 462	3.21%	31 691	956 771
31–60 days overdue	116 360	7.09%	8 255	108 105
61–90 days overdue	52 196	15.17%	7 916	44 280
91–120 days overdue	29 466	22.56%	6 648	22 818
121–150 days overdue	24 712	26.55%	6 562	18 150
151–180 days overdue	17 654	31.90%	5 632	12 022
181–210 days overdue	22 384	33.81%	7 568	14 816
211–240 days overdue	15 183	41.88%	6 358	8 825
241–270 days overdue	15 040	42.82%	6 440	8 600
271–300 days overdue	15 830	46.30%	7 330	8 501
301–330 days overdue	10 378	86.52%	8 979	1 399
Overdue > 331 days	415 429	100%	415 429	-
<b>TOTAL</b>	<b>7 319 585</b>		<b>534 145</b>	<b>6 785 441</b>

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#### 22. OTHER RECEIVABLES

	<b>31.12.2022.</b>	<b>31.12.2021.</b>
	<b>EUR</b>	<b>EUR</b>
Receivables from sublease agreements	24 393	37 622
<b>Long-term part</b>	<b>24 393</b>	<b>37 622</b>
Other receivables	709 600	574 763
Receivables from sublease agreements	13 587	13 587
Accruals for other doubtful receivables	(292 539)	(292 740)
<b>Short-term part</b>	<b>430 648</b>	<b>295 610</b>
	<b>455 041</b>	<b>333 232</b>
<b>Movement of accruals:</b>	<b>2022</b>	<b>2021</b>
Accruals at the beginning of the year	292 740	295 458
Cancelled because recovered	(201)	(2 361)
Written off as irrecoverable	-	(357)
<b>Accruals at the end of the year</b>	<b>292 539</b>	<b>292 740</b>

Depreciation losses are shown in the income statement under 'Other operating expenses', Annex 16

#### Depreciation analysis as of 31 December 2022 for other operations

Other receivables	Receivables as of 31.12.2022	ECL rate	General accruals	Net receivables
Not overdue	326 137	0.09%	278	325 859
1–30 days overdue	12 638	4.12%	521	12 117
31–60 days overdue	776	6.77%	53	723
61–240 days overdue	2 529	12.62%	319	2 210
241–270 days overdue	133	29.11%	39	94
271–300 days overdue	291 329	100.00%	291 329	-
<b>TOTAL</b>	<b>633 542</b>		<b>292 539</b>	<b>341 003</b>

#### Depreciation analysis as of 31 December 2021 for other operations

Other receivables	Receivables as of 31.12.2021	ECL rate	General accruals	Net receivables
Not overdue	227 433	0.15%	330	227 103
1–30 days overdue	3 258	4.38%	143	3 115
31–60 days overdue	232	5.66%	13	219
61–240 days overdue	82	10.23%	8	74
241–270 days overdue	661	30.78%	204	458
271–300 days overdue	547	31.32%	171	376
Not overdue	542	31.95%	173	369
1–30 days overdue	291 697	100%	291 697	-
<b>TOTAL</b>	<b>524 452</b>		<b>292 739</b>	<b>231 714</b>

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#### 23. CASH AND CASH EQUIVALENTS

	<b>31.12.2022.</b>	<b>31.12.2021.</b>
	<b>EUR</b>	<b>EUR</b>
Cash in bank accounts. EUR*	26 500 647	12 144 022
Cash in the national Treasury account For Cohesion stage 6**	382 354	3 639 480
<b>TOTAL</b>	<b><u>26 883 001</u></b>	<b><u>15 783 502</u></b>

\* On 5 December 2022 was received first part of loan in amount of EUR 20,000 thousand from European Investment Bank. The loan can be used for financing investment program.

\*\* In accordance with the Company's internal procedures, the funds in the Treasury account are to be used only for the settlement of the transactions for the projects co-financed by the Cohesion Fund in the amount of the eligible costs.

The Company cash balances in banks with following bank's credit ratings assigned by Moody's agency:

Credit rating	<b>31.12.2022.</b>	<b>31.12.2021.</b>
	<b>EUR</b>	<b>EUR</b>
A3	1 212 578	3 846 751
Aa2	182 967	716 565
Aa3	24 631 014	10 441 506
Baa2	856 442	778 680
	<b><u>26 883 001</u></b>	<b><u>15 783 502</u></b>

#### 24. SHORT-TERM ASSETS HELD FOR SALE:

	<b>31.12.2022.</b>	<b>31.12.2021.</b>
	<b>EUR</b>	<b>EUR</b>
Long-term investments held for sale	666 413	445 951
Accruals for long-term investments held for sale *	<u>(135 168)</u>	<u>(300 751)</u>
	<b><u>531 245</u></b>	<b><u>145 200</u></b>

The long-term investments held for sale include land and buildings. Information about the movement and depreciation of long-term investments held for sale is as follows:

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Book value at the beginning of the period	445 951	437 777
Accrued depreciation losses at the beginning of the period	<u>(300 751)</u>	<u>(177 684)</u>
<b>Net value at the beginning of the period</b>	<b><u>145 200</u></b>	<b><u>260 093</u></b>
Sold during the period, net	(100 807)	(252 879)
Moved from fixed assets to residual value	507 936	438 737
Moved from fixed assets depreciation	(21 084)	(300 751)
Recognised depreciation	-	-
Book value at the end of the period	<u>666 413</u>	<u>445 951</u>
Accrued depreciation losses at the end of the period	<u>(135 168)</u>	<u>(300 751)</u>
<b>Net value at the end of the period</b>	<b><u>531 245</u></b>	<b><u>145 200</u></b>

The effect of the sale of long-term assets held for sale on the separate comprehensive income statement is profits in the amount of 424 709 EUR (2021: 534 352 EUR).

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#### 25. FIXED CAPITAL

The registered and fully paid share capital of the Company as of 31 December 2022 was EUR 127,586,633 divided into 127,586,633 shares with a par value of EUR 1 each.

	Number of shares	Value of shares, EUR
31 December 2020	127 586 633	127 586 633
Changes in share capital in 2021	-	-
31 December 2021	127 586 633	127 586 633
Changes in share capital in 2022	-	-
31 December 2022	127 586 633	127 586 633

#### 26. LOANS FROM CREDIT INSTITUTIONS

	31.12.2022. EUR	31.12.2021. EUR
Loan from EIB with a repayment period of 2–5 years *	5 333 333	-
Loan from EIB with a repayment period >5 years *	13 333 334	-
Loan from Swedbank AS with a repayment period of 2–5 years **	13 888 889	-
Loan from OP Corporate Bank Plc branch in Latvia with repayment period 2–5 years ***	13 555 555	16 222 222
<b>Long-term part</b>	<b>46 111 111</b>	<b>16 222 222</b>
Loan from EIB — short-term part *	1 333 333	-
Loan from Swedbank AS — short-term part **	1 111 111	10 416 667
OP Corporate Bank Plc branch in Latvia ***	2 666 667	2 666 667
Accrued interest	79 582	13 808
<b>Short-term part</b>	<b>5 190 693</b>	<b>13 097 142</b>
	<b>51 301 804</b>	<b>29 319 364</b>

\* On 27 June 2022, a long-term loan agreement was signed with European Investment Bank for EUR 60,000 thousand. The loan can be disbursed by parts and repayment date and interest rate us set individually for each part. On December 2022 was first loan draw in amount of EUR 20,000 thousand with maturity date 5 December 2037. The balance of the loan as of 31 December 2022 was EUR 20,000 thousand. The loan bears interest at three-month EURIBOR plus 0.36% per annum.

\*\* On 6 April 2022, a long-term loan agreement was signed with AS Swedbank for EUR 15,000 thousand, maturing on 6 April 2027. The purpose of the loan is to refinance existing borrowings and to make investments in the renovation and development of infrastructure for the provision of public water services. The loan is to be repaid based on a schedule starting from the thirteenth month after the conclusion of the loan agreement; the schedule is based on a 10-year amortisation method. The remaining loan amount under the schedule is to be repaid on the maturity date, 6 April 2027. The interest rate on the loan is a three-month EURIBOR that is not less than zero, plus 0.5% per annum.

\*\*\*On 8 February 2019, a long-term loan agreement was signed with the OP Corporate Bank Plc branch in Latvia. The loan of EUR 24,000,000 was granted to cover obligations under a credit line agreement that expired in 2019, and to finance investments in the renovation and development of the infrastructure for the provision of public water services. The loan repayment deadline is 7 February 2024. The loan must be repaid in equal monthly instalments, starting from 1 January 2020, with EUR 2,444,444 to be repaid every year, and the remaining loan amount to be repaid with the final instalment at the maturity date of the loan. The loan bears interest at three-month EURIBOR plus 0.899% per annum. No security is provided.

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#### 27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities can be shown as follows:

in 2022	Loans	Lease liabilities	Total liabilities arising from financing activities
	EUR	EUR	EUR
<b>Liabilities from financing activities as of 01.01.2022</b>	<b>29 319 364</b>	<b>680 372</b>	<b>29 999 736</b>
Cash flow	(13 083 334)	(206 567)	(13 289 901)
Influence of new lease agreements*	35 000 000	323 296	35 323 296
Estimated interest expenses (incl. capitalized)	354 561	9 953	364 514
Interest paid	(288 787)	(9 953)	(298 740)
<b>Liabilities from financing activities as of 31.12.2022</b>	<b>51 301 804</b>	<b>797 101</b>	<b>52 098 905</b>
Including:			
Up to one year	5 190 693	229 122	5 419 815
2 to 5 years	32 777 778	402 390	34 513 501
More than 5 years	13 333 333	165 589	12 165 589
in 2021	Loans	Lease liabilities	Total liabilities arising from financing activities
	EUR	EUR	EUR
<b>Liabilities from financing activities as of 01.01.2021</b>	<b>34 488 599</b>	<b>878 992</b>	<b>35 367 591</b>
Cash flow	(5 166 667)	(219 502)	(5 386 169)
Influence of new lease agreements*	-	20 882	20 882
Estimated interest expenses (incl. capitalized)	262 820	6 281	269 101
Interest paid	(265 388)	(6 281)	(271 669)
<b>Liabilities from financing activities as of 31.12.2021</b>	<b>29 319 364</b>	<b>680 372</b>	<b>29 999 736</b>
Including:			
Up to one year	13 097 142	190 360	13 309 916
2 to 5 years	16 222 222	319 615	16 519 423
More than 5 years	-	170 397	170 397

#### 28. LEASE AGREEMENTS

Lease-related costs recorded in the comprehensive income statement:	2022	2021
	EUR	EUR
Interest payments	9 953	6 281
Short-term lease costs exempt from inclusion in assets and liabilities	22 208	7 607
Total cash flow from lease transactions	2022	2021
	EUR	EUR
Lease principal amount	(206 346)	(219 502)
Lease agreement changes	(221)	-
Percentages	(9 953)	(6 281)
<b>Total cash flow from lease transactions</b>	<b>(216 520)</b>	<b>(225 783)</b>



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#### Analysis of the maturity of undiscounted lease payments:

	<u>31.12.2022.</u>	<u>31.12.2021.</u>
Year 1	220 699	205 620
Year 2	219 792	120 579
Year 3	189 870	119 672
Year 4	28 567	93 055
Year 5	23 244	10 344
More than 5 years	148 233	157 518
	<u><b>830 405</b></u>	<u><b>706 788</b></u>

The Company has recognised lease liabilities over a total of 26 lease contracts, including:

- 2 premises lease agreements with durations remaining of 1 to 5 years; discount rate applied: 0.698% prolonged 1 premises lease agreement up to 5 years, discounting rate applied 1,748%;
- 16 land lease agreements with durations remaining from 1 to 40 years; discount rate applied: 0.698% prolonged 1 land lease agreement up to 5 years, discounting rate applied 1,748%;
- 3 vehicle lease agreements with durations remaining of 1 to 3 years; discount rate applied: 0.698%; 3 vehicle lease agreements with durations remaining up to 4 years; discount rate applied: 1,748%;

The Company, acting as a lessor, entered into 2 sublease agreements for its leased assets. Future undiscounted lease fees receivable under lease agreements signed as of 31.12.2022:

	<u>31.12.2022.</u>	<u>31.12.2021.</u>
Year 1	13 587	13 587
Year 2	13 587	13 587
Year 3	11 322	13 587
Year 4	-	11 321
Year 5	-	-
More than 5 years	-	-
	<u><b>38 496</b></u>	<u><b>52 082</b></u>

#### 29. LEASE LIABILITIES

	<u>31.12.2022.</u>	<u>31.12.2021.</u>
	<u>EUR</u>	<u>EUR</u>
Lease liabilities, incl.		
lease of premises and land	406 270	450 420
car rental	161 709	19 337
<b>Long-term part</b>	<u><b>567 979</b></u>	<u><b>469 757</b></u>
Lease liabilities, incl.		
lease of premises and land	136 067	129 774
car rental	93 055	80 841
<b>Short-term part</b>	<u><b>229 122</b></u>	<u><b>210 615</b></u>
	<u><b>797 101</b></u>	<u><b>680 372</b></u>

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#### 30. DEFERRED INCOME

	Balance 31.12.2022.	Received in 2022	Reclassified deferred income In 2022	Included as income in 2022 (Annex 15)	Balance 31.12.2021.
Co-financing from Cohesion Fund *	66 616 726	-	-	(2 971 574)	69 588 300
Value of fixed assets received from Latvian parties without compensation **	6 489 398	-	-	(263 000)	6 752 398
Fixed assets received from abroad without compensation	915	-	-	(28 319)	29 234
Other deferred income ***	8 351 478	962 366	(15 764)	(176 358)	7 581 234
	<b>81 458 517</b>	<b>962 366</b>	<b>(15 764)</b>	<b>(3 439 251)</b>	<b>83 951 166</b>
<b>Including:</b>					
- short-term part	3 393 267				3 455 838
- long-term part	78 065 250				80 495 328

Comparative information for the previous year:

	Balance 31.12.2021.	Received in 2021	Included as income in 2021 (Annex 15)	Balance 31.12.2020.
Co-financing from Cohesion Fund *	69 588 300	-	(2 976 059)	72 564 359
Value of fixed assets received from Latvian parties without compensation **	6 752 398	-	(265 311)	7 017 709
Fixed assets received from abroad without compensation	29 234	-	(30 419)	59 653
Other deferred income ***	7 581 234	550 197	(169 152)	7 200 189
	<b>83 951 166</b>	<b>550 197</b>	<b>(3 440 941)</b>	<b>86 841 910</b>
<b>Including:</b>				
- short-term part	3 455 838			3 433 720
- long-term part	80 495 328			83 408 190

\* Information on Cohesion Fund funding received:

Purpose of the funding	Funding period	Amount received	Year of meeting the conditions	Balance sheet amount 31.12.2022
1) Cohesion Fund co-financing round 2 (ISPA)	2004-2006	20 702 530	2012	10 772 208
2) Cohesion Fund co-financing round 3	2007-2010	58 838 450	2015	38 736 905
3) Cohesion Fund co-financing round 4	2011-2016	20 620 150	2023	17 107 613
				<b>66 616 726</b>

On 14 March 2023, civil agreement No was signed with the Ministry of Environmental Protection and Regional Development and Riga City Council for the implementation of the large project 'Water management system development in Riga, stage 4', No 3DP/3.5.1.1.0/10/IPIA/VIDM/027 (CCI2012LV161PR001), extending the deadline of the objectives and results set in the project to 15 April 2024. The management of the Company believes that there are no significant risks of default on contracts in relation to the funding received.

Taking into account that project realisation tenors are in short term according to signed agreement with Ministry of Environmental Protection and Regional Development about 'Water management system development in Riga, stage 4, 5 and 6', the Company started consultation with Ministry about potential tenor prolongation that is base to assume that agreements will be prolonged closed to existing maturity date.

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\*\* Water and/or sewer connections built by Latvian parties (households) accepted free of charge.

\*\*\* Other deferred income represents payments for connecting to the Company's water and/or sewer lines that were reclassified from advance payments. This connection service fee is included as deferred income and is gradually transferred to income in the period in which the service is provided, i.e. over the useful life of the fixed assets constructed by the Company to provide the service.

#### 31. ADVANCE PAYMENTS FROM CUSTOMERS

	<b>31.12.2022.</b>	<b>31.12.2021.</b>
	<b>EUR</b>	<b>EUR</b>
Advance payment received from the Cohesion Fund *	9 357 591	8 624 503
<b>Long-term part of advance payments received</b>	<b>9 357 591</b>	<b>8 624 503</b>
Other advance payments received **	2 486 742	1 945 434
<b>Short-term part of advance payments received</b>	<b>2 486 742</b>	<b>1 945 434</b>

\* In accordance with the 1 August 2018 agreement signed with the Central Finance and Contracting Agency, on the implementation of the European Union Fund project No 5.3.1.0/18/l/002, 'Rīgas ūdens' received an advance payment from the Cohesion Fund. The total project cost is EUR 26,006,448, including co-financing from the Cohesion Fund, in the amount of EUR 9,932,725.

\*\* Advance payments received from clients are contractual obligations with clients and consist mainly of advance payments for water and sewer connection services. The Company expects to provide the services within one year and classifies the advance payments received as short-term. After the connections are built, the service advance payments received are deferred and allocated to income gradually over the useful life of the assets constructed by the Company and necessary to provide the service.

Consequently, contractual obligations that had been included in the balance sheet at the beginning of the year, on 1 January 2022, were reclassified as deferred income in the current year, in the amount of EUR 968 442 (2021: 498 128 EUR) and were included as income in the amount of EUR 179 987 (2021: 166 547 EUR).

#### 32. OTHER PAYABLES

	<b>31.12.2022.</b>	<b>31.12.2021.</b>
	<b>EUR</b>	<b>EUR</b>
Salaries	830 128	636 598
Other payables	38 763	38 084
	<b>868 891</b>	<b>674 682</b>

#### 33. ACCRUED LIABILITIES

	<b>31.12.2022.</b>	<b>31.12.2021.</b>
	<b>EUR</b>	<b>EUR</b>
Accrued liabilities for services received for creating long-term investments	4 300 292	5 007 583
Accrued liabilities for pipeline repairs invoiced after the end of the year	1 461 551	1 384 140
Accrued liabilities for estimated employee and management costs	1 400 283	772 428
Accrued cost for unused holidays	774 187	692 454
Accrued liabilities for real estate maintenance payments	530 547	64 190
Accrued MSSIC for expected employee and management	502 119	339 434
Accrued liabilities for other production costs	94 134	160 497
Other accrued liabilities	92 050	53 596

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	<u>9 155 163</u>	<u>8 474 322</u>
Including:		
Financial liabilities	6 471 686	6 664 116
Non-financial liabilities	2 683 477	1 810 206

### 34. ACCRUALS

	<b>31.12.2022.</b>	<b>31.12.2021.</b>
	<b>EUR</b>	<b>EUR</b>
Accruals for cleaning up pipeline repair sites	1 898 348	1 456 675
Accruals for the cost of industrial waste removal	1 119 546	709 519
Accruals for litigation and foreseeable liabilities for damage to third parties caused by technical emergencies	84 147	192 921
	<u><b>3 102 041</b></u>	<u><b>2 359 115</b></u>

Information about accruals movements is as follows:

	Accruals for cleaning up pipeline repair sites	Accruals for the cost of industrial waste removal	Accruals for litigation for damage to third parties caused by technical emergencies	TOTAL
	EUR	EUR	EUR	EUR
<b>31.12.2021</b>	<u><b>1 456 675</b></u>	<u><b>709 519</b></u>	<u><b>192 921</b></u>	<u><b>2 359 115</b></u>
Used	1 087 282	171 306	81 321	1 339 909
Cancelled	180 066	43 921	61 450	285 437
Newly created	1 709 021	625 254	33 997	2 368 272
<b>31.12.2022</b>	<u><b>1 898 348</b></u>	<u><b>1 119 546</b></u>	<u><b>84 147</b></u>	<u><b>3 102 041</b></u>

The exact estimated time to settle the liabilities is not known, but it is expected that most of them will be covered within one year.

In relation to the 'Accruals for the cost of industrial waste (sludge) removal' item, there was an increase in the accruals in previous years, and the liabilities were essentially not settled within one year as originally foreseen. This is due to the optimisation of the cost of sludge disposal. However, the Company includes accruals in short-term liabilities because a longer period for the accruals is not reliably foreseeable.

#### *Accruals for cleaning up pipeline repair sites (asphalting)*

The amount of the accruals for restoring the street surface after pipeline repairs is based on the number of sites that require such restoration, using the average cost per site. But at the time of the estimates, there are a number of unknown factors that may have a significant impact on the actual cost of street surface restoration, including the actual street renovation plan of Riga City Council's Traffic Department that have significant effect on costs.

### 35. TAXES AND MANDATORY STATE SOCIAL SECURITY CONTRIBUTIONS

	Arrears as of 31.12.2022.	Calculated for 2022	Paid in 2022	Arrears as of 31.12.2021.
	EUR	EUR	EUR	EUR
Value-added tax	909 327	9 297 816	(8 999 214)	610 725
Real estate tax	(224)	215 504	(215 728)	-
Natural resource tax	232 561	1 084 256	(1 102 886)	251 191

## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

### Annexes to the separate financial statement

MSSSC	463 625	5 282 994	(5 199 149)	379 780
Business risk fee	275	3 256	(3 248)	267
Personal income tax	246 286	2 780 497	(2 738 908)	204 697
	<u>1 851 850</u>	<u>18 664 323</u>	<u>(18 259 133)</u>	<u>1 446 660</u>

Comparative information for the previous year:

	<b>Arrears as of 31.12.2021.</b>	<b>Calculated for 2021</b>	<b>Paid in 2021</b>	<b>Arrears as of 31.12.2020.</b>
	EUR	EUR	EUR	EUR
Value-added tax	610 725	8 668 659	(8 664 240)	606 306
Real estate tax	-	209 705	(209 705)	-
Natural resource tax	251 191	1 099 900	(1 118 987)	270 278
MSSSC	379 780	4 791 746	(4 817 174)	405 208
Business risk fee	267	3 240	(3 245)	272
Personal income tax	204 697	2 502 840	(2 503 850)	205 707
	<u>1 446 660</u>	<u>17 276 090</u>	<u>(17 317 201)</u>	<u>1 487 771</u>

### 36. FAIR VALUE AND FINANCIAL RISKS OF FINANCIAL INSTRUMENTS

#### (a) Fair value

As disclosed in Note 9 'Determination of fair value' in the annex to the financial statement, the Company's management believes that the fair value of cash and cash equivalents of level 1 of the fair value hierarchy and short-term financial assets and financial liabilities included in level 3 of the fair value hierarchy are consistent with their initial nominal values and book values at any future date, because the collection and payment periods of these assets and liabilities are less than 6 months. The exception is liabilities to suppliers for construction services received, which include a warranty period, and for which payment is due after the warranty period. The Company's management believes that, given the nature of the transactions, a risk-free rate close to zero should be used to determine fair value.

The Company has no financial assets and liabilities that are included at level 2.

The Company's borrowings are at variable interest rates. The Company's management regularly negotiates with the credit institution on changes in the fixed components of the interest rates. The Company's management believes that the recalculated fair value of the borrowings at the end of the year is not significantly different from depreciated prime cost.

In respect of lease liabilities, the Company's management believes that the discount rate to be applied is very low given the nature of the parties in these transactions. The rates used to discount the lease liabilities are shown in Annex 28. The effect of possible changes in market rates on the fair value of the lease liability is not significant. As a result, as of 31 December 2022, the fair value of these balance sheet items is equal to their book value.

Differences in the book values and fair values of financial assets, accrued income and financial liabilities are presented below:

## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

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#### 31 December 2022:

	Uzskaites vērtība	Patiesā vērtība
Trade receivables	9 950 109	9 950 109
Other receivables	455 041	455 041
Cash and its equivalents	26 883 001	26 883 001
<b>Total financial assets</b>	<b>37 288 151</b>	<b>37 288 151</b>
Loans	51 301 804	51 301 804
Lease liabilities	797 101	797 101
Trade and other payables	7 809 142	7 809 142
Other financial liabilities	6 505 091	6 505 091
<b>Total liabilities</b>	<b>66 413 138</b>	<b>66 413 138</b>

#### 31 December 2021:

	Uzskaites vērtība	Patiesā vērtība
Trade receivables	6 785 443	6 785 443
Other receivables	333 232	333 232
Cash and its equivalents	15 783 502	15 783 502
<b>Total financial assets</b>	<b>22 902 177</b>	<b>22 902 177</b>
Loans	29 319 364	29 319 364
Lease liabilities	680 372	680 372
Trade and other payables	4 321 260	4 321 260
Other financial liabilities	6 696 031	6 696 031
<b>Total liabilities</b>	<b>41 017 027</b>	<b>41 017 027</b>

The table below shows the valuation techniques used to measure level 3 fair value, as well as key unobservable data:

The table below shows the valuation techniques used to measure level 3 fair value, as well as key unobservable data:

Type	Evaluation method	Key unobservable data
Trade and other receivables	Discounted cash flows	Discount rate
Borrowings and lease liabilities	Discounted cash flows	Discount rates
Other financial liabilities	Discounted cash flows	Discount rates

There were no changes in the fair value hierarchy levels in 2022.

#### (b) Credit risk

All of the Company's funds are held in a number of third-party credit institutions registered in the Republic of Latvia and in the national Treasury. The concentration of the Company's credit risk related to its clients and other financial assets has to do with payments receivable that are not considered by the Company's management to be high credit risk assets. As of 31 December 2022, 10 biggest receivables in Latvia accounted for 46% of the total value of receivables (31.12.2021: 46%).

The maximum credit risk related to receivables and other financial assets is reflected in their book values.

All of the Company's receivables and other financial assets are located in the Republic of Latvia.

## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

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Based on an analysis of the historical payment discipline and the credit risk of its clients, the management believes that the amounts whose value has not decreased but are more than 30 days overdue are still recoverable in full. For changes in the accruals for depreciation losses on receivables and other receivables during the year, see notes 21 and 22 in the annex to the financial statement.

As of 31 December 2022, the Company has not issued any financial guarantees.

#### *(c) Liquidity risk*

The Company follows the principle of prudence in liquidity risk management and maintains a sufficient cash balance accordingly. Cash flow forecasts are updated regularly during the year to enable cash flow planning, and other measures are taken to provide the necessary level of liquidity. The Company's liquidity ratio at the end of the reporting year was 1,32 and the quick liquidity ratio was 1,26.

For information on undiscounted contractual cash flows payable (liquidity analysis), see the tables below.

The remaining contractual maturities for financial liabilities, including estimated interest payments and excluding offsets, at the end of the reporting period are as follows:

<b>31 December 2022</b>	<b>Book value</b>	<b>Contract cash flows</b>	<b>3 months or less</b>	<b>3–12 months</b>	<b>Up to 5 years</b>	<b>More than 5 years</b>
<b>Non-derived financial obligations</b>						
Loans	<b>51 301 804</b>	57 560 816	926 760	5 658 775	35 679 406	15 295 875
Lease liabilities	<b>797 101</b>	830 415	59 406	178 215	415 191	177 603
Trade payables	<b>7 809 142</b>	7 809 142	3 537 521	399 731	3 871 890	-
Other financial liabilities	<b>6 505 091</b>	6 505 091	6 505 091	-	-	-
	<b>66 413 138</b>	72 705 464	11 028 778	6 236 721	39 966 487	15 473 478

<b>31 December 2021</b>	<b>Book value</b>	<b>Contract cash flows</b>	<b>3 months or less</b>	<b>3–12 months</b>	<b>Up to 5 years</b>	<b>More than 5 years</b>
<b>Non-derived financial obligations</b>						
Loans	29 319 364	29 425 127	11 130 451	2 036 431	16 258 245	-
Lease liabilities	680 372	706 788	51 405	154 215	343 650	157 518
Trade payables	4 321 260	4 321 260	2 445 933	224 141	1 651 186	-
Other financial liabilities	6 696 031	6 696 031	6 696 031	-	-	-
	<b>41 017 027</b>	<b>41 149 206</b>	<b>20 323 820</b>	<b>2 414 787</b>	<b>18 253 081</b>	<b>157 518</b>

The cash flows included in the maturity analysis are not expected to occur significantly earlier or in a significantly different amount.

#### *(d) interest rate risk*

The Company is exposed to interest rate risk mainly in relation to its long-term borrowings, as the interest rate on the Company's borrowings has a variable component.

One percentage point change in interest rates would have a total impact on the Company's 2022 profit or loss and comprehensive income statements of EUR 400 thousand.

In 2021 a 0.1 percentage point change in interest rates would have a total impact on the Company's 2021 profit or loss and comprehensive income statements of EUR 32 thousand.

## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

### Annexes to the separate financial statement

#### 37. STAFF COSTS AND NUMBER OF EMPLOYEES

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration for work	16 254 200	14 182 247
Mandatory state social insurance contributions	3 783 724	3 295 296
	<b>20 037 924</b>	<b>17 477 543</b>
<i>Including:</i>		
Remuneration for work included in:		
- manufacture cost of products sold	12 148 510	10 689 600
- sales costs	1 345 104	1 183 600
- administrative costs	2 760 586	2 309 047
Mandatory state social insurance contributions included in:		
- manufacture cost of products sold	2 818 187	2 476 612
- sales costs	316 519	276 644
- administrative costs	649 018	542 040
	<b>20 037 924</b>	<b>17 477 543</b>
	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration of management board members included in staff costs:		
- remuneration for work	174 441	223 418
- mandatory state social insurance contributions	41 152	52 771
	<b>215 593</b>	<b>276 189</b>
Remuneration of supervisory board members included in staff costs:		
- remuneration for work	100 800	99 029
- mandatory state social insurance contributions	23 816	23 399
	<b>124 616</b>	<b>122 428</b>
Average number of persons employed in the Company during the reporting period:		
- supervisory board members	3	3
- management board members	2	3
- other employees	746	745
	<b>751</b>	<b>751</b>

#### 38. SWORN AUDITOR FIRM REMUNERATION

	<b>2022</b>	<b>2021</b>
	<b>EUR</b>	<b>EUR</b>
Annual accounts audit	29 295	27 450
	<b>29 295</b>	<b>27 450</b>

#### 39. CONTINGENT LIABILITIES

In certain cases, objective circumstances make it impossible to observe the minimum distances between utility lines established in laws and regulations during the construction of water and sewer pipelines, the Company issues a guarantee to the owners of utility lines for compensation in cases where other utility lines are damaged. According to the management's assessment, the maximum amount expected to be paid for such contingent liabilities is not significant.



## **SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS**

### **Annexes to the separate financial statement**

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#### **40. AMOUNT OF CONTRACTUAL UNDERTAKINGS TO IMPLEMENT PROJECTS**

By the end of the financial year, contracts had been concluded for the further acquisition and development of fixed assets which are not shown as liabilities in the balance sheet. Under these agreements, the Company undertook to further acquire and construct fixed assets for EUR 28 567 thousand (2021: 24 668 thousand).

This includes the agreement signed on 18 March 2021 with the Central Finance and Contracting Agency, on the implementation of the European Union Fund project No 5.3.1.0/20/l/001 'Water management system in Riga, stage 6'. The total project cost is EUR 5,996,430, including co-financing from the Cohesion Fund, in the amount of EUR 1,620,000. The project includes the construction of 7.70 km of new sewer lines and five sewer pumping stations in Ziepniekkalns, Imanta, and Teika, as well as the construction of 2.70 km of new outdoor centralised water supply lines and the reconstruction of 2.00 km of existing ones. The project will connect 900 city residents to the centralised sewer system. Project activities will run continue until 31 December 2023.

In 2022, no new contracts were concluded for the implementation of projects with Cohesion Fund co-financing.

#### **41. TRANSACTIONS WITH AFFILIATED PARTIES**

##### *Riga City Council companies and institutions that are affiliated parties*

In 2022, the Company invoiced other Riga City Council companies for services provided:

- the residential building management company, for the amount of EUR 20 257 thousand (2021: EUR 18 997 thousand);
- other companies and institutions, for the amount of EUR 2 712 thousand (2021: EUR 1 981 thousand).

As of 31 December 2022, the Company's receivables from the municipality's companies and institutions was EUR 3 905 thousand, including receivables from the residential building management company, amounting to EUR 3 487 thousand (31.12.2021.: EUR 2 816 thousand, including EUR 2 600 thousand owed by the building management company).

In 2022, the Company paid invoices for services received from Riga municipal companies and institutions for a total amount of EUR 1 084 thousand (incl. VAT) (2021: EUR 737 thousand).

As of 31 December 2022, the Company's debts to municipal companies and institutions amounted to EUR 210 thousand. (31.12.2021.: EUR 139 thousand).

#### **42. DISTRIBUTION OF PROFITS PROPOSED BY THE MANAGEMENT BOARD**

The management board of the Company proposes to pay out in dividends 10% or EUR 516 135 from the company's reporting year profit and remaining part 90% of profit to keep in The Company for following purposes:

- 30% of the company's profit direct to realisation of waterwaste services system development project in Mangalsala agglomeration;
- 60% of the company's profit to be directed according to medium-term development strategy of SIA Rīgas Ūdens 2022.-2024.

Decision on the payment of dividend decides in the meeting of Shareholders.

#### **43. SUBSEQUENT EVENTS**

On 31 January 2022, the Company submitted a draft document setting the fee for the water services to the Public Utilities Commission. The draft document for the fees has been assessed by the Public Utilities Commission, and it is expected that the new fees for the water management services could take effect 1 June 2023, with the following rates:

## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

### Annexes to the separate financial statement

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Water management service fees since 1 June 2023:

Water supply services fee	1,16 EUR/m <sup>3</sup>
Sewer services fee	0,94 EUR/m <sup>3</sup>
Wastewater treatment services fee	0,40 EUR/m <sup>3</sup>

On 14 March 2023 was signed amendment in the agreement with the Ministry of Environmental Protection and Regional Development and Riga City Council for the implementation of the large project 'Water management system development in Riga, stage 4', No 3DP/3.5.1.1.0/10/IPIA/VIDM/027 (CCI2012LV161PR001) about extending the deadline of the objectives and results set in the project to 15 April 2024.

During the period since the last day of the reporting year, no events that would considerably influence the financial status of the company occurred as of 31 December 2022, or that would require additional explanations in annexes to the financial statement.

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Krišjānis Krūmiņš  
Board chairman

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Normunds Zvaunis  
Board member

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Sandijs Māliņš  
Head of Finance Department

Riga, 24 April 2023

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

## SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

### Annexes to the separate financial statement

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Latvia

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[kpmg@kpmg.lv](mailto:kpmg@kpmg.lv)

### **Independent auditor report for the shareholder of SIA 'Rīgas ūdens'**

#### **Report on the audit of the financial statement**

##### *Our report on the financial statement*

We have carried out an audit of the financial statement of SIA 'Rīgas ūdens' ('Company') included on pages 13—58 of the separate financial statements of the Company. The financial statements enclosed include:

- a separate statement on the financial standing at 31 December 2022
  - a separate comprehensive income statement for the year that ended on 31 December 2022;
  - the separate equity change statement for the year that ended on 31 December 2022;
  - a separate cash flow statement for the year that ended on 31 December 2022;
- an annex to the separate financial statement that includes a summary of the significant accounting principles and other explanatory information.

In our opinion, the financial statements enclosed give a true and fair view of the financial standing of SIA 'Rīgas ūdens' on 31 December 2022, as well as of its financial performance and its cash flows for the year that ended on 31 December 2022, in accordance with the International Financial Reporting Standards (IFRS) adopted in the European Union.

#### **Expert review rationale**

In accordance with the Law on Audit Services of the Republic of Latvia, we conducted our audit in accordance with the International Standards on Auditing (ISA). Our duties specified in these standards are described below, in the '*Responsibility of the auditor for the audit of the financial statement*' section of this report.

We are independent from the Company in accordance with the requirements of the International Code of Ethics for Professional Accountants developed by the International Ethics Standards Board for Accountants (IESBA Code), as well as the independence requirements specified in the Latvian Law on Audit Services applicable to the auditing of financial statement we carried out in the Republic of Latvia. We have observed all the other professional ethics principles and objectivity requirements stipulated in the IESBA Code and the Latvian Law on Audit Services.

We believe that the evidence found during the audit provides a sufficient and appropriate justification for our expert report.

#### *Providing other information*

The Company management board is responsible for providing other information. Other information includes:

- the information about the Company provided on page 3 of the annual accounts,
- the management board report provided on pages 4 through 12 of the annual accounts enclosed;

KPMG Baltics SIA, a limited company registered in Latvia  
accountability and a member firm of the global organisation of KPMG independent member firms affiliated  
with KPMG International Limited, a private company limited by guarantee and registered in the United  
Kingdom.

## **SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS**

### **Annexes to the separate financial statement**

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Our report about the financial statement does not cover any other information included in the annual accounts, and we do not acknowledge it in any way, except for what is specified in the 'Other reporting requirements pertaining to other information set by the law of the Republic of Latvia' section of this report.

In relation to the audit of the financial statement, our duty is to review such other information and assess if there are any significant discrepancies between such other information and the information provided in the financial statement, or our knowledge that we obtained during the audit, or if there any other significant deficiencies.

If based on the work completed and the information and understanding of the Company and its business environment gained during the audit, we conclude that there are significant deficiencies in such other information, or duty is to report them. No such reportable deficiencies have come to our attention.

*Other reporting requirements pertaining to other information set by the law of the Republic of Latvia*

Furthermore, in accordance with the Latvian Law on Audit Services, our duty is to provide an opinion if the Board report has been prepared in accordance with the legal regulatory document that governs its, the Law on the Annual Financial Statements and Consolidated Financial Statements.

Based exclusively on the procedures completed during our audit, we are of the opinion that in key aspects:

- The information specified in the management report about the reporting year, for which the financial statement has been issued, complies with the financial statements,
- The management report was prepared in accordance with the Law on the Annual Statements and Consolidated Annual Statements.

#### **Responsibility of the management board, and the persons in charge of supervising the company, for the financial statement**

The management board is responsible for preparing a financial statement that provides a true and clear understanding of the matters covered in it, in accordance with the IFRS adopted in the EU; furthermore, the management board is responsible for maintaining an internal control system, which in the opinion of the Board is necessary to make it possible to prepare the financial statement without any deficiencies caused by fraud or error.

In preparing the financial statement, the management board has the duty to assess the ability of the Company to continue its business, and if necessary, to provide information about the circumstances pertaining to the ability of the Company to continue its business and the applicability of the going concern principle, unless the management board plans to shut the Company down, or to terminate its business activities, or there are no alternative to the company being shut down, or its business being terminated.

The persons in charge of supervising the company are responsible for supervising the preparation of the financial statement.

#### *Responsibility of the auditor for the audit of the financial statement*

Our goal is to ensure with sufficient confidence that as a whole, the financial statement does not contain significant deficiencies caused by error or fraud, and to issue an audit report with our expert opinion in it. Sufficient confidence is a high level of confidence, which, however, does not guarantee that audits (carried out in accordance with the ISA) can always detect significant deficiencies, if any. Deficiencies may be caused by error or fraud, and are considered significant, if it can be reasonably believed that they, individually or as a whole, could affect business decisions based on this financial statement.

## **SIA RĪGAS ŪDENS 2022 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS**

### **Annexes to the separate financial statement**

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In carrying out the audit in accordance with the ISA, and throughout the entire audit procedure, we issued professional opinions and maintained professional scepticism. We also:

- Identified and assessed the risks of the financial statement potentially containing significant deficiencies caused by fraud or error; we prepared and carried out audit procedures to minimise such risk, and obtained auditing evidence that provides a sufficient and appropriate basis for our report. The risk of not detecting significant deficiencies due to fraud is higher than the risk of such deficiencies caused by error, because fraud can include secret negotiations, wilful failure to report, false representation of information, or breaches of internal control;
- Gained an understanding of the internal control necessary to carry out the audit, in order to prepare specific auditing procedures appropriate for the circumstances in question, but not to express an opinion about the efficiency of the internal control of the Company;
- Assessed the suitability of the accounting policies used, as well as the justification for the accounting estimates and the corresponding information specified by the Board;
- Made conclusions about the applicability of the going concern principle used by the Board, and based on the audit evidence obtained, we made conclusions about if there is significant uncertainty as to the events or circumstances that could raise significant doubts as to the ability of the Company to continue its business. If we conclude that such significant uncertainty exists, the audit report will include the information about such circumstances provided in the financial statement, or if no such information is provided, we will issue a modified report. Our conclusions are based on the audit evidence gained as of the day of the audit report. However, the Company may suspend its business activities due to future events or circumstances;
- Assessed the overall structure and contents of the financial statement, including any information and explanations found in the annex to it; furthermore, we assessed if the financial statement correctly represented the transactions and events, which the financial statement is based on.

KPMG Baltics SIA  
Licence No 55

Armine Movsisjana  
Board chairman  
Sworn auditor  
Certificate No 178  
Riga, Latvia  
24 April 2023

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STAMP