



**SIA „RĪGAS ŪDENS”
2023 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

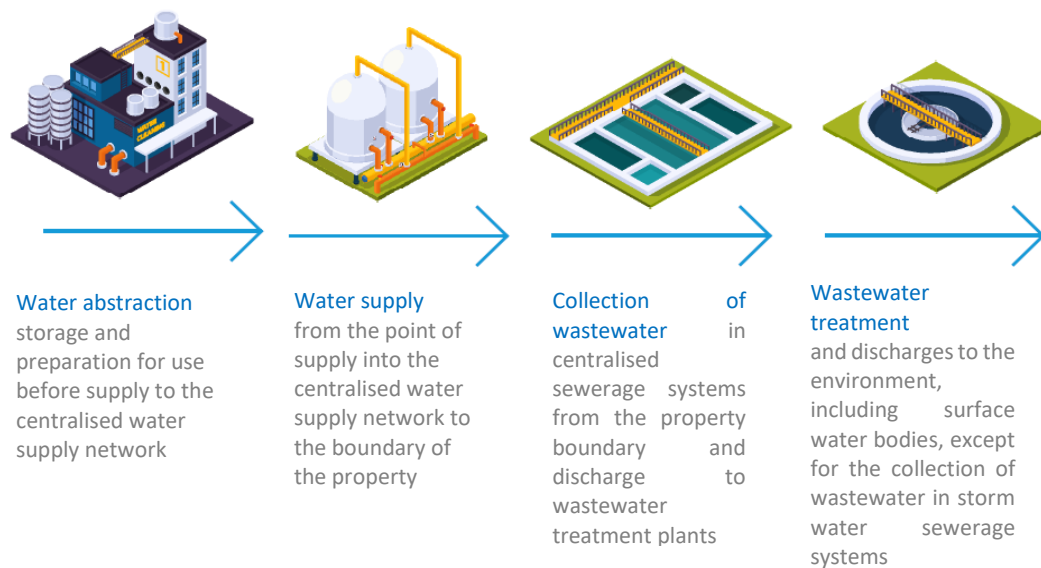
Company name	SIA Rīgas ūdens
Company legal status	Limited company
Registration number, place and date of registration	40103023035 Riga, 24 September 1991 Reregistration in the Commercial Register 12 January 2004, under uniform registration number 40103023035
Type of activity according to NACE classification	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 21.02.2023. Dace Ljusa – Member of the Supervisory Board until 21.02.2023, Chairperson of the Supervisory Board from 15.08.2023. 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	Krišjānis Krūmiņš - chairman of the Management Board Normunds Zvaunis - member of the Management Board Agnese Ozolkāja – member of the Management Board since 25.09.2023.
Official in charge of accounting	Sandijs Māliņš – Head of Finance Department
Reporting period	1 January – 31 December 2023
Name and surname of the auditor and the sworn auditor in charge	"POTAPOVIČA UN ANDERSONE" SIA Company licence No 99 Ūdens street 12-45, Riga, LV-1017 Latvia Sworn auditor in charge: Anna Temerova-Allena sworn auditor certificate No 154

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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 reorganization 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.

The *Company* 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.

The *Company's* corporate governance model is designed in accordance with good governance practices, legislation and corporate governance guidelines. LLC "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

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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. The day-to-day business of the *Company* in 2022 till 25 September 2023 was managed by two members of the Board and since 25 September 2023 three members of the Management 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 2023, 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 main 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.

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 *Company* ensures the fulfillment of strategic goals accordingly medium-term operational strategy for 2022–2024 ('Strategy') that is approved by Supervisory Board Decision in 02.09.2022.

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".

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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 2023, a total of 30 278 thousand m³ of water was supplied, with 35 507 thousand m³ of water services sold.

The volume of water supply services provided in the reporting year decreased by 2.5% compared to the previous reporting year and amounted to 30 278 thousand EUR. m³, including:

- 29 957 thousand m³ in the administrative territory of Riga, which is a decrease of 2,7% compared to the previous reporting year;
- 321 thousand m³ to public service providers in the Riga region, which increased by 12,2%, 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, 76.9% was consumed by residential clients. During the reporting year, the residential client consumption decreased by 3,3% compared to the previous reporting year. Consumption by non-residential clients accounted for 21.9% of water supply services, with an increase of 0,5% compared to the previous reporting year.

The amount of sewer services in the reporting year decreased by 0.6% compared to the previous reporting year and amounted to 36 351 thousand m³, 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 30 824 thousand m³, the volume of storm water drained was 2021 thousand m³, an increase of 0,5%. compared to the previous reporting year.

In 2023, the Company received wastewater for treatment from public service providers in the Riga Metropolitan Area amounting to 2211 thousand m³, which accounts for 6,0% of the total collected wastewater. Through the pipeline owned by the city of Jūrmala, the Company received 1 287 thousand m³, an increase of 289 thousand m³ or increase by 28,9% compared to the previous reporting year.

The volume of wastewater treated at the Daugavgrīva biological wastewater treatment plant in 2023 was 50 477thousand m³ (including wastewater from Jūrmala).

During the reporting year, net turnover increased by 16,6% year-on-year and amounted to 76 448 thousand EUR. The increase in net turnover was driven by changes in fees for watermanagement services that was related to the significant increase in energy costs in 2022 and first-half of 2023.

Before 1 June 2023, the tariffs (without value added tax) approved by the Council of the Public Utilities Regulatory Commission on 25 August 2022, Decision No 127 "On tariffs for watermanagement services of SIA "Rīgas ūdens"" were:

Water supply services fee	EUR 1.20 per m ³
Sewer services fee	EUR 1.21 per m ³
Wastewater treatment services fee	EUR 0.63 per m ³

In the second quarter of 2023, the Company concludes a new contract for electricity supply, achieving a significant reduction in electricity costs, as a result of which the Company submits to the Regulator a new draft tariff for water services, significantly reducing the tariffs for water services by 12.9%.

On 1 June 2023, the following tariffs (excluding value added tax) were approved by the Council of the Public Utilities Regulatory Commission in its Decision No.57 of 27 April 2023 :

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Water supply services fee	EUR 1.16 per m ³
Sewer services fee	EUR 0.94 per m ³
Wastewater treatment services fee	EUR 0.40 per m ³

Profit for the year under review increased by 42.8% compared to 2022 and amounted to EUR 7 533 thousand.

Water infrastructure and technology development

Public water management infrastructure as of 31.12.2023:

- Daugava and Baltezers drinking water treatment plants;
- 6 waterworks;
- -18 water pressure boosting pump stations;
- 1518 km of water supply networks;
- -5 water reservoirs;
- -102 sewage pumping stations;
- -1260 km of sewerage networks.
- Daugavgrīva biological treatment plant.

In 2023, the Company took several measures to ensure the achievement of the objectives set out in the Strategy by improving the technical condition of the water management infrastructure and the quality of the water management services provided, by renewing and modernizing the water management infrastructure and pursuing technological improvements.

In 2023, total investments in water infrastructure amounted to EUR 35.6 million.

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 26 687 636,54, including co-financing from the Cohesion Fund, in the amount of EUR 9 929 050,69.

The project includes the construction of 41,45 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, 29,99 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. Installation of the connections started in July 2022.

In the period from 1 July 2022 till 31 December 2023, there were connected households with 947 residents to the centralised sewer system, by achieving 32% of the target indicator.

The implementation deadline for the EU CF Stage 5 project is 31 December 2028.

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 7 742 813,05, including co-financing from the Cohesion Fund, in the amount of EUR 1 377 372,86. 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 centralized water supply lines and the reconstruction of 2.00 km of existing ones. The project will connect 900 city residents to the centralized sewer system.

In Teika centralized system construction is finalized and put in operations. The construction of the centralized networks in the Nīcas Street and Vārve Street area has been completed, still ongoing inspections, coordination of changes in construction projects, arranging documentation and

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commissioning are in place. Ongoing construction work in Imanta, according to contracts till 1 June 1 2024 construction work and defect prevention work must be ensured, the construction must be put into operation till 1 August 2024.

The contract for the construction of centralized networks in Ziepniekkalns is terminated. It is planned to divide the construction project into phases and make changes to the construction project to ensure that the first phase is commissioned by 31 October 2024. A new procurement process has been launched for the unfinished part of construction works.

As result there were connected to the centralized system households with 133 inhabitants, achieving 14.8% of target indicators.

The construction work deadline is 31 October 2024 and implementation indications should be achieved till 31 December 2028.

Other key 2023 projects:

- Investments in water production segment amounted to EUR 1.1 million.
- Investments in water supply projects amounted to EUR 10.2 million.

In 2023 continued renovation of water pipe at the Brasa bridge. The project includes the reconstruction of 661m of water pipe, the installation of water flow and pressure probes, including their external electricity supply.

To prevent emergency condition of sections in the existing water pipe network and to ensure extending new sections to ensuring continuity of water supply, in 2023 was started reconstruction in Maskavas Street from Kridnera Dam to Indrupes Street and from Ebreju Street to Kridener Dam. The project includes the reconstruction of the DN400 pipelines in Maskava Street under pavement and under the tram line.

In 2023 continued realisation of construction project to developed fthe low-pressure zone of the Jurmala Avenue with looping and continued the water pipe renovation in in Jūrmala Avenue. The project includes construction of 2301 m of new water pipe.

In 2023 finalized reconstruction of water pipe in Kokneses Prospect in area from Meža Prospect to Ķīšezera Street. The project includes reconstruction of 1 695 m of water pipe. The project is expected to reduce the number of water breakdowns per year and improve water quality.

In 2023 in cooperation with the Riga City Council Department of Transport, where renovated sections of the water pipe in A.Deglava Street under the city project "Traffic organisation improvement measures in the area close to Daugava Stadium".

In 2023 continued extension of water pipe networks in the Čiekurkalni district. The project includes the construction of 686 m of new water pipe.

- Investments in wastewater collection projects amounted to EUR 14.7 million.

In 2023, The reconstruction of largest sewer pumping station in Riga located in *Daugavgrivas 101*, finalized construction work of a new station that includes replacing 6kV pumps with 0.4kV pumps, as result there is improved operational safety and reduced operating costs, and have significant reduction in water self-consumption further.

In order to improve the safety of the sewerage system and the quality of sewerage services, in 2023 were renovated sewerage in sections of Maskavas Street, Radio Street, Dzirnavu Street, 11. novembra krastmala, Kurzemes prospect, Z.A.Meierovica boulevard, Bebru, Slokas, Bauskas, Lugažu, Mazā Bauskas streets using the lining (trenchless) method.

To ensure safe and environmentally compliant wastewater services through monitoring and control of sewage pumping stations in online mode, improvement of sewage accounting system and development of network modeling in different circumstances, in 2023 the company renewed the automation and control system, as result improved functionality and safety in six sewage pumping stations.

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In 2023 in cooperation with the Riga City Council Department of Transport, where also renovated sections of the sewerage pipe in A.Deglava Street under the city project "Traffic organisation improvement measures in the area close to Daugava Stadium".

In 2023 continued extension of sewer pipe networks in the Čiekurkalni district. The project includes the construction of 2821 m of new sewer pipe.

To prevent of risk related to safe operation and continuity of wastewater service in 2023 was renovated 72m section of sewer collector in Austuves street.

To provide uninterrupted watermanagement services in 2023 started to renovate sewerage pipes in Vienības gate. The project includes the reconstruction of 2000 m of sewage pipes.

In 2023, the reconstruction of the sewage pumping station at 433 Brīvības Avenue and construction of a sewage pipes at Brivibas Avenue area was finalized. The project ensures the connection of the newly built infrastructure to the existing water supply and sewerage networks as part of the Cohesion Fund co-financed project "Water Management Development in Riga, Phase 5".

- Investments in wastewater treatment projects amounted to EUR 3.3 million.

In 2023 continued the implementation of the wastewater treatment and sludge management optimization project. Completed 1 of the secondary settler renovation.

To ensure a stable and uninterrupted power supply to the technological equipment and to reduce the operation and maintenance costs of the power supply system, BAS "Daugavgrīva" has carried out reconstruction works of the medium voltage power supply system.

In 2023 were finalized replacement of worn-out air blowers based on depreciation and appropriate monitoring data about equipment condition with aim to ensure technological process.

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.

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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, 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.

Measures taken by SIA "Rīgas ūdens" in 2023 to prevent the risk of corruption

Detailed information on the measures taken to prevent corruption risks is provided in the 2023 Sustainability Report of SIA "Rīgas ūdens".

The Company complies with the guidelines and principles set out in the Anti-Corruption Strategy of Riga City Municipality for 2022-2025, the Company's "Conflict of Interest and Anti-Corruption Policy", as well as the binding regulatory enactments.

The Company ensures the following anti-corruption measures on a daily basis:

- corruption risk management, including the development, implementation and monitoring of an anti-corruption action plan, as well as the evaluation of the results of the planned actions;
- assessing the functions and positions of the company exposed to corruption risk;
- establish procedures to prevent conflicts of interest for the assessment of requests regarding concurrent engagements in secondary position for all employees;
- establish procedures to prevent conflicts of interest for the recognition of employees as Public Officials, including receiving the authorization of concurrent engagements in secondary position;
- provide training and a knowledge test on corruption risks and conflict of interest prevention at the start of their employment for new staff members exposed to the risk of corruption;
- regularly assess the need to update the Code of Conduct supplementing the basic principles of ethics and conduct;
- regularly ensure public availability of information on vacant positions on the Company's website and regular review of the recruitment process;
- to ensure actual information about vacant positions and requirements for applicants on the Company's website;
- to provide a convenient and publicly accessible whistleblowing form "Information for Whistleblowers" on the Company's website.

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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 minimizes 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 2023 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.

At the beginning of 2023, the Company received the recommendations within the audit "Corporate Governance Audit of SIA "Rīgas ūdens"" provide by the Baltic Corporate Governance Institute and based on that during this year review processes that improve the corporate governance principles. The Company revised the Corporate Governance Policy, defining more precisely the competences of the Management Board, Supervisory Board and the Meeting of Members, as well as supplemented it with information on the procedure for convening meetings of members. The section on the Company's commitment was updated with a classification of the Company's stakeholder groups and the basic principles of disclosure. Continued focus on improvements in the corporate governance resulted with rating as highest position among all state capital companies of Riga and companies in which the municipality holds shares. The Company was ranked 30th in Top 101 Most Valuable Companies in Latvia, published in autumn 2023 by Prudentia (a leading Baltic corporate finance company) and Nasdaq Riga. Among all the companies in the Top 101, was noticed activities related to good practice corporate governance principles and ensuring information disclosure.

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The company's performance in the field of sustainable management was evaluated by participating in the competition organised by the Bank of Latvia and the Corporate Governance Advisory Council – resulted with Latvian Sustainable Management Award in 2023 under the nomination "Stakeholder Management Practician".

This award confirms that the Company has clearly defined its stakeholders - owners, employees, suppliers, understood their needs and has actively communicated and cooperated with them in a qualitative manner, ensuring targeted measures for their involvement. In 2023, the Company has managed to significantly strengthen its relations with all stakeholders, ensuring a good reputation of the Company and contributing to its future growth.

In 2023 first time was approved the Environmental Policy of the Company based on requirements of the Environmental Management System Certification Audit, as result received a certificate of compliance with the ISO 14001:2015 standard in the field of drinking water production and supply, as well as wastewater collection and treatment.

Rīga Water Company also regularly prepares a Corporate Governance Report in accordance with the recommendations of the Code. The 2023 Report is currently under development and will be submitted to the Supervisory Board for review at the same time as the 2023 Non-Financial Report.

Non-financial report

The Company has defined in its Corporate Social Responsibility and Sustainability Policy the obligation to report regularly to stakeholders on its performance - to provide a clear and transparent overview of the Company's corporate responsibility performance in yearly report with key financial, environmental, and human resources indicators.

According to Rīga City Council Internal Regulation No.4 of 21.08.2020 "Procedure for the Management of Capital Shares and Capital Companies Owned by Rīga City Municipality" the Company should prepare a non-financial report (sustainability report) in accordance with the guidelines for sustainability reporting of the Global Reporting Initiative, a standardization organization.

Since 2020, the Company prepares Sustainability Reports - non-financial reports reporting on the Company's performance in terms of service performance (business), environmental and social impacts.

In 2023 was significant changes in future in the regulatory framework for sustainability reporting at EU level. Despite that new standard for the Company will be applicable only in 2026, the Company is starting to collect data and information, considering this transitional period as "learning process" and 2023 report will be produced based on new requirement according to the Corporate Sustainability Reporting Directive and standards.

The Corporate Sustainability Reporting Directive sets out several key principles for companies to follow when preparing their annual sustainability disclosures, including a "double materiality" approach - companies must analyze their sustainability impacts from two different perspectives: how their business impacts people and the planet, and how sustainability and climate change impact the company.

The Company made Double Materiality Assessment in 2023 and identified its material impacts, risks and opportunities in relation to environmental, social and governance issues that was a part of base for long-term strategy developing.

By evaluating Double Materiality Assessment result and the tasks under the delegation of the Rīga State Municipality in the field of public water management services, the Company is developing a Sustainable Development Strategy for the period until 2040.

A Sustainability Report for 2023 is currently under preparation, short summary in each of the sustainability areas is presented as follow:

Environment

Environmental sustainability has always been one of the Company's guiding principles by guaranteeing water quality for consumers and ensuring adequate wastewater treatment. The main challenge is to ensure responsible activity in relation to environment and society, meanwhile contributing economic growth. As

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indicated before, in 2023 the Company received ISO certification for environmental management, which is a confirmation to the good environmental management practices implemented by the Company.

Activities to receive this certificate demonstrates that the Company has considered all internal and external aspects that affect or may affect the environment and has implemented an effective environmental management system. It includes all aspects, risks, and activities to be taken to reduce or eliminate environmental impacts. This set of actions includes care of the environment in decisions about energy source use, technology use, waste management, communication solutions and compliance with stakeholder requirements. These elements are also directly linked to the Company's approach towards achieving its sustainability objectives since the Company's activities will contribute to Latvia's overall climate objectives, the reduction of environmental pollution and the sustainable use of resources.

Indicators of the Company's performance in climate change mitigation, energy efficiency and resource management will be included in the full Sustainability Report.

Social Area

In terms of social aspect the main priorities are the Company's employees, as well as all other stakeholders. In 2023 where realized several events focusing on employee engagement and stakeholder collaboration.

Company employees

The Company realize annual Employee Engagement and Satisfaction Survey, that provide employees' opinion on various issues related to the working environment and employee well-being. Based on result The Company looking for solution on weaknesses and focusing on overall activities that is important for employees. In 2022, the Company's employee satisfaction and engagement score was 86 (out of 100), and this score has remained at this level in 2023.

In autumn 2023, the Company implemented a new company's practice "Involvement of employees to develop strategic planning documents of SIA "Rīgas ūdens"". The format of the event was to involve employees as much as possible in several stages, which resulted in measurable proposals for future development. This model of involvement also gave employees the confidence that their opinion is important and is a good employee bonding exercise, fostering a sense of belonging to the company.

In 2023, the Company signed the Mission Zero Charter becoming the 80th member of the initiative, a voluntary commitment to introduce and be in line with business principles that focus on people, their health and safety. Mission Zero aims to make health and safety as a corporate priority, both in every aspect of its core business and in relation with society, by significantly reducing incidents in the workplace and introducing preventive activities to protect employees' health. Mission Zero's mission is "'0' incidents, that everyone can return to their home healthy and well".

The Company ensures a systematic training process for its employees. In accordance with the training plan, employees has available professional training in work safety and fire safety, and qualification upgrade training to develop necessary competences for their duties (including in-house training and informal training to increase motivation). In 2023 there was used 1.9 training sessions per 1 staff member. By ensuring the principle of "Learning and Teaching Others", in 2023 were realized two large-scale water management trainings at the Daugavgrīva Biological Treatment Plant and at the Daugava Water production unit (Daugava Water Station) with participant number of 166 employees.

The Company implemented certain mandatory training programs that covers ethical aspects in accordance with the provisions of the Company's Code of Conduct, corruption and conflict of interest issues in accordance with the Conflict of Interest and Prevention of Corruption Policy and the procedure "Management of Anti-Corruption Measures". After the seminar on corruption risks, all the Company's employee's knowledge was confirmed by test.

Stakeholders

Engagement with external stakeholders is largely based on their involvement. In 2021 was first time when The Company defined classification of stakeholder. In 2023 the Company reviewed its Corporate Governance Policy by supplementing this classification of stakeholder groups.

SIA RĪGAS ŪDENS 2023. ANNUAL ACCOUNTS

Management report

In 2023 was organized first Development Conference 2023 by Rīgas Ūdens attended by the Company's experts, Riga Municipality officials, the management of the Latvian Water Supply and Sewerage Companies Association (LŪKA), representatives of construction companies and suppliers, as well as other stakeholders and representatives of non-governmental organizations. The target of the conference was both to introduce the company to the stakeholders and to discuss the future challenges of water management in the Capital City of Latvia. The conference also included panel discussions on the company's investment projects up to 2027, highlighting the priorities and expected the quality standards in cooperation from business partners. One of the conference panels was organised as an external stakeholder discussion and the results have been used to develop the Riga Water Company's Sustainable Development Strategy to 2040.

In its relations with business partners, the Company emphasize an ethical and responsible business environment and fair business practice, as well as strict opinion to exclude potential fraudulent and corrupt activities in cooperation and within the Company operations. It is important for the Company to avoid from unreliable business partners or partners with doubtful reputation, as well as to make responsible decisions about whether or not to enter into business transactions. The Company has a detailed regulated procurement process and, the Company is more cautious in term of procurement thresholds which are lower compare to regulated, the Company's internal framework provides transparent process and ensure internal controls for each outsourcing contract. To improve the procurement process, the Company publishes not only a list of contracts and counterparties, but also the contract amounts, thus making the process more transparent and encouraging companies to participate in the Company's procurement.

In its relations with its customers - users of water management services, the Company pursues a responsible, professional and fair policy, promotes customer confidence in the water management services provided and increase involvement of citizens in water resource protection and prevention of water pollution.

The Company has developed an internal framework aimed at establishing a common understanding among employees of the basic principles of customer service, building a positive relationship between the Company and its Customers, as well as the Company's reputation. The Employee shall comply with the basic principles of customer service set out in the procedure Customer Service Standard in his communication with the Customer.

The Society has also participated in working groups of the Ministry of Environmental Protection and Regional Development (MoEPRD) to address water management issues, as well as been involved in the development of sector policy:

- developing a national position on the draft EU legislation on urban wastewater treatment;
- preparing a position paper on the strategy for sewage sludge management in Latvia;
- preparing a opinion about the implementation of the Drinking Water Quality Directive in Latvian legislation; reviewing and providing views on various issues related to EU legislation and policy planning documents in the water sector and their implementation in Latvia, as well as the development of the Latvian water sector.

In 2023, Riga Water Company organised public awareness-raising events "Mission: My Water". The aim of the events was also to raise public awareness about the water sector and the sustainable use of water resources.

Governance

Summary and actualities in governance are presented in this report. A detailed decsription of corporate culture, anti-corruption measures, internal controls, conflict of interest management and other indicators will be presented in the Corporate Sustainability Reporting 2023 according to core level requirements of the GRI Standards guidelines.

SIA RĪGAS ŪDENS 2023. ANNUAL ACCOUNTS Management report

Information about the Company share capital

The share capital of the Company as of 31 December 2023 was EUR 127 588 333 divided into 127 588 333 shares with a par value of EUR 1 each.

Circumstances and events after the end of the reporting year

In accordance with the shareholder's resolution of 23 March 2023, the share capital of the Company was increased to EUR 127 686 123. The changes in the share capital were registered in the Register of Enterprises of the Republic of Latvia on 15 January 2024.

On 25 January 2024, the Regulatory Board adopted Decision No.2 "On tariffs for water management services of SIA "Rīgas ūdens", whereby the following tariffs for water management services (without value added tax) were approved as of 1 March 2024:

- | | |
|-------------------------------------|-----------------|
| • Water supply services fee | EUR 1,17 per m3 |
| • Sewer services fee | EUR 0,97 per m3 |
| • Wastewater treatment services fee | EUR 0,41 per m3 |

On 31 January 2024, the Company submitted a new draft tariff for water services to the Regulator. It is expected that the new tariffs for water services could enter into force from 1 June 2024.

Projected tariffs for water services from 1 June 2024:

- water supply services tariff of EUR 1.29 per m3;
- for sewerage services: EUR 1.06 per m3;
- waste water treatment service tariff 0,42 EUR per m3.

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 7 533 305.

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: 10% from the company's reporting year profit for period 2021-2024 should be paid out and 30% of the company's yearly profit will be direct to this project realisation.

SIA RĪGAS ŪDENS 2023. ANNUAL ACCOUNTS
Management report

Based on Riga City Council Decision, The management board of the Company proposes to pay out in dividends 10% or 753 331 EUR 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 or 2 259 992 EUR direct to realisation of waterwaste services system development project in Mangalsala agglomeration;
- 60% of the company's profit or 4 519 983 EUR 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.

Krišjānis Krūmiņš
Board Chairman

Normunds Zvaunis
Board Member

Agnese Ozolkāja
Board Member

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**SIA RĪGAS ŪDENS 2023 ANNUAL ACCOUNTS
SEPARATE FINANCIAL STATEMENTS**

Separate comprehensive income statement for 2023

	Annex	2023 EUR	2022 EUR
Income	11	76 447 839	65 725 143
Expenses to achieve income	12	(64 084 749)	(58 120 014)
Gross profit		12 363 090	7 605 129
Sales costs	13	(2 586 320)	(2 282 882)
Administrative costs	14	(5 474 810)	(4 668 643)
Other operating income	15	5 314 953	5 251 041
Other operating expenses	16	(804 847)	(395 159)
Operating results		8 812 066	5 509 486
Financial income	17	57 889	357
Financial costs	18	(1 336 650)	(348 494)
Profit for the reporting year		7 533 305	5 161 349
Other comprehensive income			-
Total comprehensive income		7 533 305	5 161 349

The annexes on pages 22 to 62 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 2023 ANNUAL ACCOUNTS
 SEPARATE FINANCIAL STATEMENTS**

Separate statement on the financial standing at 31 December 2023

	Annex	31.12.2023	31.12.2022
Asset		EUR	EUR
Long-term investments			
Intangible investments	19 (a)	786 464	771 867
Fixed assets	19 (b)	324 621 897	302 730 007
Use right assets	19 (d)	541 372	761 364
Investment property	19 (e)	-	237 087
Other loans and long-term receivables	22	366	24 393
Total long-term investments:		325 950 099	304 524 718
Current assets			
Stock	20	3 097 974	1 842 348
Receivables from contracts with clients	21	9 950 109	9 950 109
Other receivables	22	1 509 253	430 648
Deferred expenses		823 123	665 233
Deposit	23	12 101 435	-
Cash	23	6 823 004	26 883 001
Total current assets before short-term assets held for sale:		33 345 412	39 771 339
Short-term assets held for sale	24	531 245	531 245
Total current assets		33 876 657	40 302 584
Total assets		359 826 756	344 827 302

The annexes on pages 22 to 62 are an integral part of this financial statement.

**SIA RĪGAS ŪDENS 2023 ANNUAL ACCOUNTS
 SEPARATE FINANCIAL STATEMENTS**

Separate statement on the financial standing at 31 December 2023

	Annex	31.12.2023	31.12.2022
		EUR	EUR
Liabilities			
Equity:			
Share capital (fixed capital)	25	127 588 333	127 586 633
Profit retained in previous years		48 535 692	43 890 478
Profit for the reporting year		7 533 305	5 161 349
Total equity:		183 657 330	176 638 460
Payables:			
Long-term payables:			
Loans from credit institutions	26	50 136 201	46 111 111
Lease liabilities	29	358 902	567 979
Advance payments received	31	803 481	9 357 591
Trade payables		2 247 666	3 871 890
Accruals	34	1 046 740	847 641
Deferred income	30	86 273 887	78 065 250
Total long-term payables:		140 866 877	138 821 462
Short-term payables:			
Loans from credit institutions	26	4 600 945	5 190 693
Lease liabilities	29	234 064	229 122
Advance payments from customers	31	4 038 122	2 486 742
Trade payables		5 250 925	3 937 252
Taxes and state social security contributions insurance contributions	35	1 867 232	1 851 850
Other payables	32	1 037 842	868 891
Deferred income	30	3 728 018	3 393 267
Accrued liabilities	33	11 954 923	9 344 490
Accruals	34	2 590 478	2 065 073
Total short-term payables:		35 302 549	29 367 380
Total creditors:		176 169 426	168 188 842
Total liabilities		359 826 756	344 827 302

The annexes on pages 22 to 62 are an integral part of this financial statement.

Krišjānis Krūmiņš
 Board Chairman

Normunds Zvaunis
 Board Member

Agnese Ozolkāja
 Board Member

Sandijs Māliņš
 Head of Finance Department

**SIA RĪGAS ŪDENS 2023 ANNUAL ACCOUNTS
SEPARATE FINANCIAL STATEMENTS**

Separate statement on changes in equity for 2023

	Fixed capital EUR	Retained profit EUR	Equity EUR
31.12.2021	127 586 633	44 442 050	172 028 683
Dividends		(5 51572)	(551572)
Profit for the reporting year	-	5 161 349	5 161 349
<i>Total comprehensive income</i>	-	5 161 349	5 161 349
31.12.2022	127 586 633	49 051 827	176 638 460
Capital investment	1 700		1 700
Dividends		(516 135)	(551 572)
Profit for the reporting year	-	7 533 305	5 161 349
<i>Total comprehensive income</i>	-	7 533 305	7 533 305
31.12.2023.	127 588 333	56 068 997	183 657 330

The annexes on pages 22 to 62 are an integral part of this financial statement.

Krišjānis Krūmiņš
Board Chairman

Normunds Zvaunis
Board Member

Agnese Ozolkāja
Board Member

Sandijs Māliņš
Head of Finance
Department

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SIA RĪGAS ŪDENS 2023 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Separate cash flow statement

	Annex	2023 EUR	2022 EUR
Cash flow from main business			
1. Profit before enterprise income tax		7 533 305	5 161 349
Adjustments:			
a) depreciation of intangible investments and fixed assets exclusion result	19 (a,b)	15 104 827	14 850 474
b) depreciation of right-of-use assets	19 (d)	275 790	204 942
c) fixed assets exclusion result	15	-	(424 709)
d) amortization of co-financing		(3 534 153)	(3 439 251)
e) changes in accruals		724 504	742 926
f) other interest income and similar income	17	(57 889)	(357)
g) interest payments and similar costs	18	1 294 185	307 574
2. Profit before adjustments for the effects of changes in the balances of short-term assets and liabilities		21 340 569	17 402 948
Adjustments:			
a) increase or reduction of the balance values of receivables		739 923	(3 562 192)
b) increase or reduction of the balance values of accruals/stock		(1 255 979)	(21 440)
c) increase or reduction of the balance values of trade and other payables		4 035 595	4 338 663
3. Gross cash flow from main business		24 860 108	18 157 979
Interest payment costs	27	(1 192 176)	(298 740)
Net cash flow from main business		23 667 932	17 859 239
II. Cash flow from investment activities			
Acquisition of fixed assets and intangible assets		(35 129 673)	(29 393 167)
Income from the sale of fixed assets and intangible investments		139 008	741 234
Received interest	17	57 889	357
Net cash flow from investment activities		(34 932 776)	(28 651 576)
III. Cash flow from financing activity			
Received loans	27	22 000 000	35 000 000
Repayment of loans expenses	27	(18 666 667)	(13 083 334)
Cohesion Fund co-financing received		749 017	733 088
Lease payments	28	(259 933)	(206 346)
Dividends paid		(516 135)	(551 572)
Net cash flow from financing activity		3 306 282	21 891 836
V. Net cash flow for the reporting year		(7 958 562)	11 099 499
VI. Cash and its equivalent balance at the beginning of the reporting year		26 883 001	15 783 502
VII. Cash and its equivalent balance at the end of the reporting year	23	18 924 439	26 883 001

The annexes on pages 22 to 62 are an integral part of this financial statement.

Krišjānis Krūmiņš
 Valdes priekšsēdētājs

Normunds Zvaunīs
 Valdes loceklis

Agnese Ozolkāja
 Valdes locekle

Sandijs Māliņš
 Head of Finance
 Department

SIA RĪGAS ŪDENS 2023 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

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, from 1 January 2023 to 31 December 2023.

3. FUNCTIONAL AND ACCOUNTING CURRENCY

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

4. ESTIMATIONS AND JUDGEMENTS

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 recognized 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 2nd December 2021.

SIA RĪGAS ŪDENS 2023 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

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.

(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.

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.

SIA RĪGAS ŪDENS 2023 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

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 and Software	5	20%
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.

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.

SIA RĪGAS ŪDENS 2023 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

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:

	Average useful life of fixed assets (years)
Buildings	15–150
Building structures	10–25
Water supply system:	
Water pipelines	30–50
Water pipeline equipment	5–15
Waste water system:	
Sewer lines	30-50
Sewer line equipment	5–15
Boreholes	20–25
Reservoirs:	20-40
Production equipment and devices	5–40
Pumps and electrical gear	5–10
Laboratory equipment	5
Lifting gear	5
Office equipment	3–5
Furniture	10
Vehicles:	
Cars	7
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.

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.

SIA RĪGAS ŪDENS 2023 ANNUAL ACCOUNTS SEPARATE FINANCIAL STATEMENTS

Annexes to the separate financial statement

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 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 costs of pipeline repair works are also capitalized if the repair works are carried out preventively to prevent the occurrence of a possible emergency situation, as well as in cases where the sewer line is repaired using the trenchless method;
- ii. 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;
- iii. the value of an installed gate valve with a diameter of less than 100 mm (not inclusive) is added to profit or loss, while gate valves with a diameter of 100 mm or more are included as separate components of the corresponding asset;
- iv. hydrants are included as separate components of the corresponding asset;
- v. when incident pipe repairs take place (both water pipe and sewer pipe), the costs associated with the repairs are included in the income statement at the time these costs are incurred, unless works do not correspond to renovation works, the costs of which are capitalized in the composition of assets;
- vi. 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.

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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).

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,

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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.

Accrued liabilities

The 'Accrued liabilities' balance sheet item shows (see Annex to the financial statements No 33.):

- 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.

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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.

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.

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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.

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 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 2023, the balance of retained profits generated before 31 December 2017 amounted to EUR 15 875 389.

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.

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

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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.

(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:
 - 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;

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- 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 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.

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Fees

In 2023, the following fees for water management services were in effect:

	01.01.2023. – 31.05.2023.	01.06.2023. – 31.12.2023.
Water supply fee	1,20 EUR/m ³	1,16 EUR/m ³
Sewer services fee	1,21 EUR/m ³	0,94 EUR/m ³
Wastewater treatment services fee	0,63 EUR/m ³	0,40 EUR/m ³

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'

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

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.

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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 and amendments effective since 1 January 2023 (or later in 2023)

Amendments to IAS 1 and IFRS 2 Statement of Practice: Disclosure of Accounting Policies

IAS 1 was amended to require entities to disclose material accounting policies rather than significant accounting policies. The amendments provided a definition of "significant" accounting policies. The amendments also clarified that accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendment provides illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. In addition, the amendments to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. In addition amended IFRS Practice Statement 2, *Making Materiality Judgements*, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

As a result of the amendments, the Company has clarified the Accounting Policies section of the notes to the financial statements by deleting certain sections that are not considered to be significant accounting policies.

Other amendments

The following changes, effective for periods beginning on or after 1 January 2023, have no material impact on the Company's financial statements:

- Amendments to IAS 8: Definition of Accounting Estimates;
- Deferred tax relating to assets and liabilities arising from a single transaction - Amendments to IAS 12;
- Amendments to IAS 12: Income Taxes: International Tax Reform - Pillar 2 Model Provisions;
- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and IFRS 4 and the Transition Option for Insurers applying IFRS 17 - Amendments to IFRS 17.

8.2 Other standards and amendments that are effective for the first time for annual periods beginning on or after 1 January 2024 or that are not endorsed for use in the EU

The Company expects that the amendments listed below will not have a material impact on the Company's financial statements:

(a) effective for annual periods beginning on or after 1 January 2024:

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1;
- Amendments to IFRS 16 - Leases: Lease Obligations in Sale and Leaseback Transactions.

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(b) effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: information disclosures: Supplier Finance Arrangements
- Amendments to IAS 21 Lack of Exchangeability

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.

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.

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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 several financial risks including market risk, interest rate risk, credit risk and liquidity risk. The Company's management minimizes the negative impact of potential financial risks on the Company's financial performance.

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.

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 jeopardize 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

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 28% 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

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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 2023, 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 to realize investment plan. In order to fulfill liabilities and compensate fluctuations in cash flow, on regular basis is monitored project implementation deadlines, current expenses, available credit limits and cash balances .

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. In November 2023, the Company made full repayment of the loan.

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 13 889 thousand.

On 16 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. On November 2023 was received second tranche of the loan in amount of EUR 10,000 thousand and in December 2023 3rd tranche in amount of EUR 12,000 thousand. Both part of loan received in 2023 maturity date is January 2039 and interest rate was fixed for 5 year period.

The balance of the loan from EIB as of 31 December 2023 was EUR 40 667 thousand.

The liquidity ratio at 31 December 2023, taking into account available and undrawn credit facilities, was 1.5, ensuring the ability to settle liabilities on the due dates.

Cash balances at 31 December 2023 (cash and short-term deposits up to one month) amounted to EUR 18 924 thousand. In order to balance financial asset the company starting from Q4 2023 started to use short-term deposits with aim to receive interest income for cash balances and diversifying their account balances in different commercial banks.

Interest rate risk

To prevent interest rate fluctuation risk, the company part of liabilities agreed on fixed rate.

At the end of December 2023 60% from outstanding loan liabilities is with floating rate that consist from base rate and 6-month EURIBOR, meanwhile 40% is with fixed interest rate. Fixed interest rate is for 5 years period.

Market risk

The risk of price changes may negatively affect the Company's financial results, as a result on regular basis is evaluated necessity of tariff changes based on the price increases of raw materials/services. Contracts for the purchase of services and goods contain indexation. The cost of electricity has a significant impact that is fixed once a year.

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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

	2023	2022
	EUR	EUR
Income from water supply services	35 627 554	30 757 414
Income from sewer services	37 514 272	32 743 137
Income from construction services	731 935	370 856
Other income from contracts with clients	2 574 078	1 853 736
	<u>76 447 839</u>	<u>65 725 143</u>

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:

	31.12.2023.	31.12.2022.
	EUR	EUR
Receivables (gross) reported under 'Receivables from contracts with clients (Note 21)	9 569 530	10 467 346
Contractual obligations (Note 31)	<u>(4 038 122)</u>	<u>(2 486 742)</u>
	<u>5 531 408</u>	<u>7 980 604</u>

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12. EXPENSES TO ACHIEVE INCOME

	2023	2022
	EUR	EUR
Depreciation of fixed assets and intangible investments	14 249 076	14 370 152
Remuneration for work	14 052 412	12 148 510
Electricity expenses	7 959 235	9 065 236
Water and sewer pipeline repairs	9 851 946	7 139 906
Mandatory state social insurance contributions	3 265 114	2 818 187
Equipment repairs and maintenance	2 007 721	1 856 676
Chemicals costs	2 213 311	1 739 602
Materials and spare parts	1 633 721	1 360 682
Sludge disposal costs	1 613 864	1 255 261
Natural gas costs	990 016	1 211 793
Natural resource tax	1 025 580	1 084 257
Cost of security services	877 765	764 358
Real estate maintenance costs	996 781	591 749
Heating energy costs	568 929	537 541
Vehicle maintenance	678 531	469 073
Fuel	484 342	464 097
Information technology expenses	400 375	358 491
Staff health insurance and medical examinations	313 611	236 834
Real estate tax	143 011	160 495
Low-value equipment	223 055	88 717
Communication and postal costs	66 412	72 031
Depreciation of right-of-use assets	72 275	65 142
Strategic development expenses and other production consulting	68 617	6 723
Other production costs	329 049	254 501
	64 084 749	58 120 014

13. SALES COSTS

	2023	2022
	EUR	EUR
Remuneration for work	1 538 099	1 345 104
Mandatory state social insurance contributions	361 921	316 519
Meter replacement and verification	252 219	165 719
Depreciation of fixed assets and intangible investments	61 447	101 310
Information technology expenses	101 124	92 226
Communication and postal costs	90 088	83 976
Consulting expenses	2 770	27 796
Staff health insurance and medical examinations	36 725	26 307
Real estate maintenance costs	28 161	25 934
Depreciation of right-of-use assets	8 484	17 018
Materials and spare parts	13 382	12 487
Fuel	11 973	12 289
Real estate tax	9 273	9 263
Low-value equipment	20 268	7 831
Other costs	50 386	39 103
	2 586 320	2 282 882

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14. ADMINISTRATIVE COSTS

	2023	2022
	EUR	EUR
Remuneration for work	3 265 897	2 760 586
Mandatory state social insurance contributions	768 938	649 018
Depreciation of fixed assets and intangible investments	358 573	379 012
Depreciation of right-of-use assets	120 623	122 782
Information technology expenses	125 732	117 527
Operating and real property maintenance costs	168 656	109 675
State public services regulator fee	108 115	108 098
Management consulting expenses	92 208	91 837
Staff health insurance and medical examinations	54 175	37 139
Telecoms and postal expenses	27 297	35 587
Real estate tax	30 996	29 574
Professional service costs	25 000	29 295
Training costs	40 450	24 193
Materials and spare parts	71 468	22 555
Representation costs	26 289	19 612
Transportation costs	9 019	15 250
Stationery and utility costs	15 847	12 475
Fuel	15 115	11 549
Legal services	168	4 901
Other administrative costs	150 244	87 978
	5 474 810	4 668 643

15. OTHER OPERATING INCOME

	2023	2022
	EUR	EUR
Income from Cohesion Fund project funding (Annex 30)	3 116 630	2 971 574
High sewer wastewater pollution fee	779 384	663 096
Net profit from the sale of long-term investments held for sale	29 640	424 709
Income from donations received (Annex 30)	216 284	291 319
Income from investment projects (Annex 30)	198 661	176 358
Rent income	116 377	92 795
Contractual fines received	221 568	80 857
Deferred income from water services	47 894	62 775
Decrease in accruals for legal proceedings and expected liabilities for damage caused to third parties	-	27 585
Decrease in accruals for doubtful account receivable	-	17 108
Decrease in accruals for pipeline repairs	82 037	180 066
Decrease in accruals for removal of production waste	114 592	43 921
Other income	391 886	218 878
	5 314 953	5 251 041

The net profit from the sale of long-term investments held for sale consists of income in the amount of EUR 139 008 (2022: 741 234) minus the residual value of the assets sold, EUR 109 368 (2022: EUR 316 525).

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16. OTHER OPERATING EXPENSES

	2023	2022
	EUR	EUR
Provisions for recovery costs of advances paid	356 543	-
Bad debt write-off costs	67 556	164 234
Staff allowances	70 462	58 028
Economic organizational measures	79 730	60 548
Provisions for inventories	11 633	42 221
Provisions for doubtful accounts	69 259	-
Changes in provisions for litigation and foreseeable liabilities for damage to third parties as a result of accidents	4 107	-
Changes in right-of-use asset contracts	52 915	231
Other costs	92 642	69 897
	804 847	395 159

17. FINANCIAL INCOME

	2023	2022
	EUR	EUR
Interest income from a claim	57 645	-
Interest income from a LTA sublease	244	357
	57 889	357

18. FINANCIAL costs

	2023	2022
	EUR	EUR
Interest payments to credit institutions	1 282 283	297 621
Banking service fees	42 319	40 763
Interest costs for lease liabilities	11 902	9 953
Exchange rate losses	146	157
	1 336 650	348 494

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**19. INTANGIBLE investments, fixed assets, and investment property
 (a) Intangible investments**

Intangible investments movement report for 2023, EUR:

	Concessions, patents, licenses, trade marks and similar rights
Initial value	
31.12.2022	4 308 801
Purchased	231 709
Moved from depreciation	20 475
31.12.2023	4 560 985
Depreciation	
31.12.2022	3 536 934
Estimated depreciation	237 587
31.12.2023	3 774 521
Balance sheet value on 31.12.2022	771 867
Balance sheet value on 31.12.2023	786 464

As of 31 December 2023, the Company used fully amortised intangible investments with an initial acquisition cost of EUR 1 837 546 (31.12.2022: EUR 1 831 140). Intangible investments are excluded only when they are no longer used or when they are sold.

Intangible investments movement report for 2022, EUR:

	Concessions, patents, licenses, trade marks and similar rights
Initial value	
31.12.2021	4 322 719
Purchased	45 249
Disabled	(59 167)
31.12.2022	4 308 801
Depreciation	
31.12.2021	3 336 402
Estimated depreciation	259 699
Amortisation of assets excluded	(59 167)
31.12.2022	3 536 934
Balance sheet value 31.12.2021	986 317
Balance sheet value 31.12.2022	771 867

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(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
Initial value:								
31.12.2022	17 462 382	448 186 476	1 114 082	39 556 107	11 552 128	48 368 631	4 207 455	570 447 261
Purchased	1 700	1 303 040	-	1 810 173	2 909 341	26 060 275	4 036 115	36 120 644
Capitalised loan interest	-	-	-	-	-	560 529	-	560 529
Excluded	(9 879)	(448 152)	-	(916 510)	(534 480)	-	(465 504)	(2 374 525)
Reclassified from creation of fixed assets	-	55 535 469	-	8 544 390	7 227	(64 107 561)	-	(20 475)
Reclassified from advance payments	-	75 950	-	31 431	-	5 216 353	(5 323 734)	-
Reclassified from/to investment property	-	416 457	-	-	927 637	-	-	1 344 094
Reclassified from advance payments	-	962	-	-	-	-	-	962
31.12.2023	17 454 203	505 070 202	1 114 082	49 025 591	14 861 853	16 098 227	2 454 332	606 078 490
Depreciation and wear:								
<i>Accrued depreciation</i>	-	226 801 806	628 883	31 780 583	7 787 155	-	-	266 998 427
<i>Accumulated impairment</i>	396 908	271 858	-	-	-	50 061	-	718 827
Total 31.12.2022	396 908	227 073 664	628 883	31 780 583	7 787 155	50 061	-	267 717 254
Estimated depreciation	-	10 660 126	170 783	2 406 074	1 194 527	-	-	14 431 510
Depreciation for removed assets	-	(402 703)	-	(891 789)	(504 530)	-	-	(1 799 022)
Moved to/from long-term assets held for sale	-	609	-	-	-	-	-	609
Depreciation reclassified to long-term assets held for sale	-	304 850	-	-	769 141	-	-	1 073 991
Transfers of stocks	-	-	-	-	32 251	-	-	32 251
31.12.2023	396 908	237 636 546	799 666	33 294 868	9 278 544	50 061	-	281 456 593
Including:								
<i>Accrued depreciation</i>	-	237 364 688	799 666	33 294 868	9 246 293	-	-	280 705 515
<i>Reduction in value</i>	396 908	271 858	-	-	32 251	50 061	-	751 078
Balance sheet value:								
31.12.2022	17 065 474	221 112 812	485 199	7 775 524	3 764 973	48 318 570	4 207 455	302 730 007
31.12.2023	17 057 295	267 433 656	314 416	15 730 723	5 583 309	16 048 166	2 454 332	324 621 897

As of 31 December 2023, the Company used fully amortised fixed assets with an initial acquisition cost of EUR 11 371 435 (31.12.2022: EUR 110 650 114). 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 70 real properties consisting of land and buildings, of which 47 are single real properties comprising buildings and land, 6 are undeveloped plots of land, and 17 are building (structure) properties.

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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
Initial value:								
31.12.2021	18 177 368	444 745 928	1 114 082	38 980 698	10 822 553	23 175 887	4 773 482	541 789 998
Purchased	-	1 722 380	-	1 124 886	872 057	24 118 505	3 427 237	31 265 065
Capitalised loan interest	-	-	-	-	-	56 940	-	56 940
Excluded	(856 419)	(1 048 260)	-	(672 505)	(197 918)	(20 571)	(10 502)	(2 806 175)
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	-	-	-	-	-	-	141 433
31.12.2021	18 177 368	444 745 928	1 114 082	38 980 698	10 822 553	23 175 887	4 773 482	541 789 998
Depreciation and wear:								
<i>Accrued depreciation</i>	-	205 583 024	295 177	28 492 160	5 847 400	-	-	240 217 761
Depreciation and wear:	1 204 760	676 097	-	-	-	69 380	-	1 950 237
Total 31.12.2022	17 462 382	448 186 476	1 114 082	39 556 107	11 552 128	48 368 631	4 207 455	570 447 261
Depreciation and impairment:								
<i>Accumulated depreciation</i>	-	216 457 924	461 393	30 317 289	6 821 137	-	-	254 057 743
<i>Accumulated impairment</i>	1 018 093	562 013	-	-	-	69 380	-	1 649 486
Total 31.12.2021	1 018 093	217 019 937	461 393	30 317 289	6 821 137	69 380	-	255 707 229
Estimated depreciation	-	11 149 529	167 490	2 131 593	1 142 163	-	-	14 590 775
Depreciation of fixed assets excluded	-	(859 500)	-	(668 299)	(176 145)	-	-	(1 703 944)
Depreciation of fixed assets	(621 185)	(186 782)	-	-	-	(19 319)	-	(827 286)
Depreciation	-	(49 520)	-	-	-	-	-	(49 520)
31.12.2022	396 908	227 073 664	628 883	31 780 583	7 787 155	50 061	-	267 717 254
These include:								
<i>Accumulated depreciation</i>	-	226 801 806	628 883	31 780 583	7 787 155	-	-	266 998 427
<i>Decrease in value</i>	396 908	271 858	-	-	-	50 061	-	718 827
Balance sheet value:								
31.12.2021	17 159 275	227 725 991	652 689	8 663 409	4 001 416	23 106 507	4 773 482	286 082 769
31.12.2022	17 065 474	221 112 812	485 199	7 775 524	3 764 973	48 318 570	4 207 455	302 730 007

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(c) Depreciation and wear

Breakdown of estimated depreciation and wear costs:	2023 EUR	2022 EUR
Included in the production cost of products sold	14 249 076	14 370 152
Included in the sale cost of products sold	61 447	101 310
Included in administrative costs	358 573	379 012
	14 669 096	14 850 474
Including wear pertaining to received Cohesion Fund financing (see Annexes 15 and 30)	3 116 631	2 971 574

(d) Right-of-use assets

Movement of right-of-use assets in 2023:

		Right to use land	Right to use buildings	Right to use other assets	TOTAL
Initial value:					
	31.12.2022	474 290	384 960	276 449	1 135 699
Purchased		43 515	-	12 283	55 798
Excluded		-	(77 612)	-	(77 612)
	31.12.2023	517 805	307 348	288 732	1 113 885
Accrued depreciation:		166 714	180 078	27 543	374 335
	31.12.2022	59 931	54 120	87 332	201 383
Estimated depreciation		-	(3 205)	-	(3 205)
Excluded		226 645	230 993	114 875	572 513
	31.12.2023				
Balance sheet value:					
	31.12.2022	307 576	204 882	248 906	761 364
	31.12.2023	291 160	76 355	173 857	541 372

Movement of right-of-use assets in 2022:

		Right to use land	Right to use buildings	Right to use other assets	TOTAL
Initial value:					
	31.12.2021	481 793	300 117	244 777	1 026 687
Purchased in 2021		870	84 843	237 584	323 297
Excluded in 2021		(8 373)	-	(205 912)	(214 285)
	31.12.2022	474 290	384 960	276 449	1 135 699
Accrued depreciation:					
	31.12.2021	118 711	119 523	145 213	383 447
Estimated depreciation in 2021		56 145	60 555	88 242	204 942
Excluded in 2021		(8 142)	-	(205 912)	(214 054)
	31.12.2022	166 714	180 078	27 543	374 335
Balance sheet value:					
	31.12.2021	363 082	180 594	99 564	643 240
	31.12.2022	307 576	204 882	248 906	761 364

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(e) Investment property

Movement of investment property in 2023

		Investment property (land and buildings)
Initial value:		
	31.12.2022	1 344 094
Reclassified from/to Fixed asset -land		(927 637)
Reclassified from/to Fixed asset -asset for sale		(416 457)
	31.12.2023	-
Depreciation and wear:		
	31.12.2022	1 107 007
Reclassified from/to Fixed asset for sale - depreciation		(769 141)
Reclassified from/to Fixed asset for sale - Reduction in value		(304 850)
	31.12.2023	(32 251)
Including:		(765)
<i>Accrued depreciation</i>		-
<i>Reduction in value</i>		
Balance sheet value:		
	31.12.2022	237 087
	31.12.2023	

Movement of investment properties in 2022, EUR:

		Investment properties (land and buildings)
Initial value:		
	31.12.2022	2 029 446
Moved to/from Fixed assets - land		(141 433)
Transferred to/from Non-current assets held for sale		(543 919)
	31.12.2023	1 344 094
Depreciation and impairment:		
	31.12.2022	1 164 074
Transferred to/from Non-current assets held for sale - depreciation		(35 983)
Transferred to/from Non-current assets held for sale - impairment		(21 084)
	31.12.2023	1 107 007
Including:		
<i>Accumulated depreciation</i>		1 073 990
<i>Decrease in value</i>		33 017
Balance sheet value:		
	31.12.2022	865 372
	31.12.2023	237 087

The Company's management believes that the carrying amount of the investment properties approximates their fair value at 31.12.2022.

The Company does not classify any immovable property as investment property as at 31.12.2023.

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20. STOCK

	31.12.2023.	31.12.2022.
	EUR	EUR
Raw materials, basic materials, and auxiliary materials	1 799 993	1 257 702
Raw materials and auxiliary materials	797 694	280 739
Chemicals	775 357	578 512
Replacement parts	30 593	30 403
Fuel	(305 663)	(305 008)
Other stock		
	3 097 974	1 842 348

In 2023, stock valued at EUR 4 443 312 (2022: 3 623 261 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

	31.12.2023.	31.12.2022.
	EUR	EUR
Accounting value of trade receivables	9 569 530	10 467 346
Portfolio accruals for bad and doubtful trade receivables	(578 907)	(517 237)
	8 990 623	9 950 109
Movement of accruals:	2023	2022
Accruals at the beginning of the year	517 237	534 144
Additional accruals created	378 249	317 234
Cancelled because recovered	(276 263)	(270 880)
Written off as irrecoverable	(40 316)	(63 261)
Accruals at the end of the year	578 907	517 237

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

Depreciation analysis as of 31 December 2023 for main business (including receivables from affiliated companies)

Trade receivables	Receivables as of 31.12.2023	ECL rate	General accruals	Net receivables
Not overdue	6 894 573	0.20%	13 746	6 880 827
1–30 days overdue	1 640 894	0.95%	15 605	1 625 289
31–60 days overdue	305 260	7.45%	22 756	282 504
61–90 days overdue	131 669	18.87%	24 843	106 826
91–120 days overdue	61 937	32.68%	20 243	41 694
121–150 days overdue	35 107	43.32%	15 209	19 898
151–180 days overdue	24 442	51.03%	12 473	11 969
181–210 days overdue	18 827	58.89%	11 087	7 740
211–240 days overdue	15 583	69.81%	10 879	4 704
241–270 days overdue	12 985	77.44%	10 056	2 929
271–300 days overdue	16 931	84.45%	14 298	2 633
301–330 days overdue	37 638	90.41%	34 028	3 610
Overdue > 331 days	373 684	100%	373 684	-
TOTAL	9 569 530		578 907	8 990 623

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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	-
TOTAL	10 467 346		517 237	9 950 109

22. OTHER RECEIVABLES

	31.12.2023. EUR	31.12.2022. EUR
Receivables from sublease agreements	366	24 393
Long-term part	366	24 393
Other receivables	816 037	709 600
Cohesion Fund co-financing *	992 905	-
Receivables from sublease agreements	438	13 587
Accruals for other doubtful receivables	(300 127)	(292 539)
Short-term part	1 509 253	430 648
	1 509 619	455 041

*Final payment within the framework of Project No 5.3.1.0/18/l/002 "Development of water Management in Riga, Round 5" co-financed by the Cohesion Fund

Movement of accruals:	2023 EUR	2022 EUR
Accruals at the beginning of the year	292 539	292 740
Additional accruals created	10 626	-
Cancelled because recovered	(5)	(201)
Written off as irrecoverable	(3 033)	-
Accruals at the end of the year	300 127	292 539

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

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Depreciation analysis as of 31 December 2023 for other operations

Other receivables	Receivables as of 31.12.2023	ECL rate	General accruals	Net receivables
Not overdue	428 480	0.24%	1 028	427 452
1-30 days overdue	23 949	4.62%	1 105	22 844
31-60 days overdue	21 634	6.74%	1 457	20 177
61-120 days overdue	20 403	7.31%	1 492	18 911
121-210 days overdue	468	7.31%	34	434
211-240 days overdue	35	7.31%	3	32
241-270 days overdue	1 895	7.31%	139	1 756
271-360 days overdue	168	7.31%	12	156
Overdue > 361 dienas	294 857	100.00%	294 857	-
TOTAL	791 889		300 127	491 762

Depreciation analysis as of 31 December 2022 for other operations

Citi debitori	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
61-120 days overdue	2 529	12.62%	319	2 210
121-360 days overdue	133	29.11%	39	94
Overdue > 361	291 329	100.00%	291 329	-
TOTAL	633 542		292 539	341 003

23. CASH AND CASH EQUIVALENTS

	31.12.2023. EUR	31.12.2022. EUR
Overnight deposits *	12 101 435	-
Cash in bank accounts, EUR	6 716 707	26 500 647
Cash in the national Treasury account For Cohesion stage 6**	106 297	382 354
TOTAL	18 924 439	26 883 001

* Deposits of deposits consist of cash balances placed in short-term overnight deposits starting from Q4, 2023.

** 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	31.12.2023. EUR	31.12.2022. EUR
A3	1 902 642	1 212 578
Aa2	-	182 967
Aa3	16 025 182	24 631 014
Baa2	996 615	856 442
	18 924 439	26 883 001

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24. LONG-TERM ASSETS HELD FOR SALE:

	31.12.2023	31.12.2022.
	EUR	EUR
Long-term investments held for sale	666 413	666 413
Accruals for long-term investments held for sale	(135 168)	(135 168)
	531 245	531 245

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:

	2023	2022
	EUR	EUR
Book value at the beginning of the period	666 413	445 951
Accrued depreciation losses at the beginning of the period	(135 168)	(300 751)
Net value at the beginning of the period	531 245	145 200
Sold during the period, net	-	(100 807)
Moved from fixed assets to residual value	-	507 936
Moved from fixed assets depreciation	-	(21 084)
Book value at the end of the period	666 413	666 413
Accrued depreciation losses at the end of the period	(135 168)	(135 168)
Net value at the end of the period	531 245	531 245

The effect of the sale of long-term assets held for sale on the separate comprehensive income statement is profits in the amount of 0 EUR (2022: 424 709 EUR).

25. FIXED CAPITAL

The registered and fully paid share capital of the Company as of 31 December 2023 was EUR 127 588 333 divided into 127 588 333 shares with a par value of EUR 1 each.

	Number of shares	Value of shares, EUR
31 December 2021	127 586 633	127 586 633
Changes in share capital in 2022	-	-
31 December 2022	127 586 633	127 586 633
Changes in share capital in 2023	1 700	1 700
31 December 2023	127 588 333	127 588 333

In 2023, the share capital of the Company was increased by a pecuniary contribution.

According to the decision No 6-12/2542 of the Register of Entrepreneurs of the Republic of Latvia dated 15 January 2024, the increase of the Company's share capital was registered up to EUR 127 686 123. The increase of the share capital was made through property investment.

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26. LOANS FROM CREDIT INSTITUTIONS

	31.12.2023.	31.12.2022.
	EUR	EUR
Loan from EIB with a repayment period of 2–5 years *	11 010 753	5 333 333
Loan from EIB with a repayment period >5 years *	26 903 226	13 333 334
Loan from Swedbank AS with a repayment period of 2–5 years **	12 222 222	13 888 889
Loan from OP Corporate Bank Plc branch in Latvia with repayment period 2–5 years ***	-	13 555 555
Long-term part	50 136 201	46 111 111
Loan from EIB — short-term part *	2 752 688	1 333 333
Loan from Swedbank AS — short-term part **	1 666 667	1 111 111
OP Corporate Bank Plc branch in Latvia ***	-	2 666 667
Accrued interest	181 590	79 582
Short-term part	4 600 945	5 190 693
	54 737 146	51 301 804

* On 16 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 as well as interest rate set individually. On December 2022 was first loan draw in amount of EUR 20,000 thousand with maturity date 5 December 2037. The interest rate on this tranche is 6-month EURIBOR with base rate 0.359% p.a. On November 2023 was received second tranche of the loan in amount of EUR 10,000 thousand. On second tranche maturity date is 31 January 2039 with fixed interest rate 3,775% p.a. for five years. In December 2023 was 3rd tranche in amount of EUR 12,000 thousand. The maturity date of this tranche is 31 January 2039 with fixed interest rate 3,367% p.a. for five years. No collateral is provided, following restrictions is subject to the prior written consent from the European Investment Bank:

- distribution of profits if they exceed 50% of the profit for the year;
- no repayment or redemption of the share capital and issue of additional share capital by entity other than the City of Riga;
- material adverse changes effect core business;
- acquisition or other participation in, establishment of, or involvement in, mergers, demergers, formation and holding of companies or parts of companies, shares, securities;
- pledging of assets and current assets;

During the performance of the Contract, the Company shall be in line with following financial ratios:

- Net debt to EBITDA ratio not exceeding 3.5. The ratio as at 31 December 2023 was 2.0;
- Interest coverage ratio shall not be less than 15. At 31 December 2023 was 18,1%.
- Equity ratio not be less than 40%. At 31 December 2023 was 51%.

** 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.

No collateral is provided, agreement could be terminated by Swedbank side if:

- no written information has been provided to the bank on the adoption of a decision on reorganisation, liquidation or reduction of share capital;
- ownership changed in case of the Riga City Municipality is no longer the owner of 100% of the Company's shares;
- decrease of sales more than 30% in compare to previous year sales and DSCR is less than 1.1;

During the performance of the Contract, the Company shall be in line with following financial ratios:

- Equity ratio not be less than 35%. At 31 December 2023 was 51%.

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- Net debt to EBITDA ratio on quarterly basis can not exceeding 3.5, taking into account the total of long-term and short-term liabilities as at the date of unaudited report and the EBITDA on 12 month rolling basis. The ratio as at 31 December 2023 was 2.0;

***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 collateral was provided. The loan maturity date was 7 February 2024, but the Company made an early repayment of the loan in November 2023.

27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Loans	Lease liabilities	Total liabilities arising from financing activities
in 2023			
Liabilities from financing activities as of 01.01.2022	51 301 804	797 101	52 098 905
Cash flow	(18 666 667)	(259 933)	(18 926 600)
Influence of new lease agreements*	22 000 000	55 798	22 055 798
Estimated interest expenses (incl. capitalized)	1 842 813	11 901	1 854 713
Interest paid	(1 740 804)	(11 901)	(1 752 705)
Liabilities from financing activities as of 31.12.2022	54 737 146	592 966	55 330 112
Including:			
Up to one year	4 600 945	234 064	4 835 009
2 to 5 years	23 232 975	201 331	23 433 872
More than 5 years	26 903 226	157 571	27 061 231
in 2022			
	EUR	EUR	EUR
Liabilities from financing activities as of 01.01.2021	29 319 364	680 372	29 999 736
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)
Liabilities from financing activities as of 31.12.2021	51 301 804	797 101	52 098 905
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

28. LEASE AGREEMENTS

Lease-related costs recorded in the comprehensive income statement:	2023	2022
	EUR	EUR
Interest payments	11 901	9 953
Short-term lease costs exempt from inclusion in assets and liabilities	19 609	22 208
	2023	2022
	EUR	EUR
Total cash flow from lease transaction		
Lease principal amount	(231 406)	(206 346)
Lease agreement changes	(28 527)	(221)
Percentages	(11 901)	(9 953)
Total cash flow from lease transactions	(271 834)	(216 520)

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Analysis of the maturity of undiscounted lease payments:

	<u>31.12.2023.</u>	<u>31.12.2022.</u>
Year 1	225 974	220 699
Year 2	195 518	219 792
Year 3	28 352	189 870
Year 4	24 363	28 567
Year 5	10 304	23 244
More than 5 years	144 710	148 233
	<u>629 221</u>	<u>830 405</u>

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

- 2 lease agreements with a remaining term of 1 to 5 years, discount rate applied 0.698%, agreement on amendments to the floor area and rent for 1 lease agreement up to 5 years, discount rate applied 4.112%;
- 12 land lease agreements with a term of 1 to 40 years, discount rate applied 0.698%; 1 land lease agreement up to 5 years, discount rate applied 1.748%, concluded:
 1 land lease agreement over 5 years, discount rate applied 2.754%,
 3 land lease agreements up to 5 years, discount rate 4.112% applied;
 1 land lease agreement up to 40 years, discount rate 4.112% applied;
- 1 car lease contract with a remaining term of up to one year, discount rate applied 0.698%; 3 car lease contracts with a remaining term of up to 2 years, discount rate applied 1.748%; 1 car lease contract with a remaining term of up to 2 years, discount rate applied 4.483%.

The Company, as lessor, has entered into 1 sublease agreement for leased assets and has terminated 1 lease agreement. The undiscounted future rentals receivable under the lease agreements concluded as at 31.12.2023:

	<u>31.12.2023.</u>	<u>31.12.2022.</u>
Year 1	444	13 587
Year 2	370	13 587
Year 3	-	11 322
Year 4	-	-
Year 5	-	-
More than 5 years	-	-
	<u>814</u>	<u>38 496</u>

29. LEASE LIABILITIES

	<u>31.12.2023.</u>	<u>31.12.2022.</u>
	EUR	EUR
Lease liabilities, incl.		
lease of premises and land	279 884	406 270
car rental	79 018	161 709
Long-term part	<u>358 902</u>	<u>567 979</u>
Lease liabilities, incl.		
lease of premises and land	134 842	136 067
car rental	99 222	93 055
Short-term part	<u>234 064</u>	<u>229 122</u>
	<u>592 966</u>	<u>797 101</u>

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30. DEFERRED INCOME

	Balance 31.12.2023.	Received in 2023	Included as income in 2023 (Annex 15)	Balance 31.12.2022.
Co-financing from Cohesion Fund *	73 796 127	10 296 032	(3 116 631)	66 616 726
Value of fixed assets received from Latvian parties without compensation **	6 274 030	-	(215 368)	6 489 398
Fixed assets received from abroad without compensation	-	-	915	915
Other deferred income ***	9 931 748	1 781 509	(201 239)	8 351 478
	90 001 905	12 077 541	(3 534 153)	81 458 517
Including:				
- short-term part	3 728 018			3 393 267
- long-term part	86 273 887			78 065 250

Comparative information for the previous year:

	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
	81 458 517	962 366	(15 764)	(3 439 251)	83 951 166
Including:					
- short-term part	3 393 267				3 455 838
- long-term part	78 065 250				80 495 328

* Information on Cohesion Fund funding received:

Purpose of the funding	Funding period	Amount received	Year of meeting the conditions	Balance sheet amount 31.12.2023
1) Cohesion Fund co-financing round 2 (ISPA)	2004-2006	20 702 530	2012	10 338 381
2) Cohesion Fund co-financing round 3	2007-2010	58 838 450	2015	36 678 670
3) Cohesion Fund co-financing round 4	2011-2016	20 620 150	2024	16 642 172
4) Cohesion Fund co-financing Round 5	2020-2023	9 929 051	2028	9 770 584
5) Cohesion Fund co-financing Round 6	2022-2023	366 981	2028	366 320
				73 796 127

On 14 March 2023, Agreement No.5 within the framework of civil contract on implementation of the large project "Water Management Development in Riga, 4th stage" No.3DP/3.5.1.1.0/10/IPIA/VIDM/027 (CCI2012LV161PR001) was signed with the Ministry of Environmental Protection and Regional Development and Riga City Council, extending the achievement of objectives and results set in the project until 15 April 2024. The management of the Company considers that there are no material risks of non-performance of the contracts in relation to the funding received.

Taking into account that the contracts concluded with the Ministry of Environmental Protection and Regional Development for the implementation of the Water Management Development in Riga, Phase 4 project have relatively short deadlines, the Company has timely initiated verbal consultations with the Ministry of

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Environmental Protection and Regional Development on the extension of the contractual deadlines and it is reasonable to assume that the parties will conclude the necessary agreements on the extension of the contractual deadlines as the contractual deadlines approach. Furthermore, the Company has received a letter from the MoEPRD dated 6 March 2024 stating that negotiations are ongoing to extend the deadline and no reason have been identified that the deadline may not be extended.

On 18 January 2024, the Central Finance and Contracting Agency and the Contract No.5.3.1.0/18/I/002 were signed AMENDMENT No.2 to the Contract No.5 "Water Management Development in Riga, Phase 5" dated 1 August 2018. .3.1.0/18/I/002, by adding clause 7.1 to the contract, as follows: "7. 1. The beneficiary shall achieve the value of the contractual outcome indicator "Increase in the population served by improved wastewater treatment systems" in accordance with the procedure laid down in the Guidelines on the calculation of reimbursable assistance or shall achieve the proportion of the population provided with connections to centralised wastewater management services that meet the requirements of the regulatory enactments, while complying with the requirement to ensure the value of the outcome indicator at least 65 percent of the value planned in the project during the post-implementation period of the project, but no later than by 31 December 2028."

On 18 January 2024, AMENDMENT No.1 to Contract No.5.3.1.0/20/I/001 was concluded with the Central Finance and Contracting Agency, amending Contract No.5 "Water Management Development in Riga, 6th Phase" dated 18 March 2021. .3.1.0/20/I/001: (i) by replacing Clause 1 with the following wording: "The implementation period of the project activities after the conclusion of the contract shall be 44 months, but no longer than until 31.10.2024. The implementation of the project activities shall commence on the date of entry into force of the contract", (ii) by supplementing the contract with Clause 7.1 with the following wording: "7. 1. The beneficiary shall achieve the value of the contractual outcome indicator "Increase in the population served by improved wastewater treatment systems" in accordance with the procedure set out in the Guidelines on the calculation of reimbursable assistance or shall achieve the proportion of the population with connections to centralised wastewater management services compliant with the requirements of regulatory enactments, while complying with the requirement to ensure the value of the outcome indicator at least 65 per cent of the value planned in the project during the post-monitoring period, but no later than by 31 December 2028."

Taking account contractual amendments, the Company considers that there is no risk of non-performance of the contracts in relation to the funding received.

** Water and/or sewerage connections built by Latvian persons (households) accepted free of charge.

*** Other deferred income represents payments for connection to the Company's water and/or sewerage networks reclassified from prepayments. These connection service charges are recognised as deferred revenue and are gradually allocated to revenue over 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

	31.12.2023.	31.12.2022.
	EUR	EUR
Advance payment received from the Cohesion Fund *	803 481	9 357 591
Long-term part of advance payments received	803 481	9 357 591
Other advance payments received **	4 038 122	2 486 742
Short-term part of advance payments received	4 038 122	2 486 742

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

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** Advances received from customers are contractual obligations with customers and consist mainly of advance payments for water and sewerage connection services. The Company expects to provide the services within one year and classifies the advances received as current. After the service connections are constructed, the advances received are deferred and allocated to revenue ratably over the useful lives of the assets constructed by the Company to provide the service.

Consequently, the contractual obligations that were recorded in the balance sheet at the beginning of the year, 1 January 2023, were reclassified to deferred revenue in the year under review in the amount of EUR 1 774 677 (2022: EUR 968 442) and recognised in revenue in the amount of EUR 197 680 (2022: EUR 179 987).

32. OTHER PAYABLES

	31.12.2023.	31.12.2022.
	EUR	EUR
Salaries	989 719	830 128
Other payables	48 123	38 763
	<u>1 037 842</u>	<u>868 891</u>

33. ACCRUED LIABILITIES

	31.12.2023.	31.12.2022.
	EUR	EUR
Accrued liabilities for services received for creating long-term investments	3 768 178	4 300 292
Accrued liabilities for pipeline repairs invoiced after the end of the year	3 537 945	1 650 878
Accrued liabilities for estimated employee and management costs	1 680 568	1 400 283
Accrued cost for unused holidays	922 955	774 187
Accrued liabilities for real estate maintenance payments	949 524	530 547
Accrued MSSIC for expected employee and management	611 773	502 119
Accrued liabilities for other production costs	309 603	94 134
Other accrued liabilities	174 377	92 050
	<u>11 954 923</u>	<u>9 344 490</u>
	31.12.2023.	31.12.2022.
Including:		
Financial liabilities	8 733 663	6 661 012
Non-financial liabilities	3 221 260	2 683 478

34. ACCRUALS

	31.12.2023.	31.12.2022.
	EUR	EUR
Provision for industrial waste removal costs	<u>1 046 740</u>	<u>847 641</u>
Long term part	1 046 740	847 641
Provisions for cleaning up network repair sites	1 751 279	1 709 021
Provision for industrial waste removal costs	754 246	271 905
Provisions for litigation and foreseeable liabilities for damage to third parties because of accidents	84 953	84 147
Short term part	<u>2 590 478</u>	<u>2 065 073</u>
	<u>3 637 218</u>	<u>2 912 714</u>

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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
31.12.2022	1 709 021	1 119 546	84 147	2 912 714
Used	(1 564 688)	(300 903)	(3 300)	(1 868 891)
Cancelled	(82 037)	(114 592)	(19 156)	(215 785)
Newly created	391 043	1 096 935	23 262	2 809 180
31.12.2023	1 751 279	1 800 986	84 953	3 637 218

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 31.12.2023.	Calculated for 2023	Paid in 2023	Arrears as of 31.12.2022.
	EUR	EUR	EUR	EUR
Value-added tax	777 070	11 386 131	(11 518 388)	909 327
Real estate tax	3 921	198 593	(194 448)	(224)
Natural resource tax	258 126	1 025 580	(1 000 015)	232 561
MSSSC	535 809	6 233 085	(6 160 901)	463 625
Business risk fee	275	3 326	(3 326)	275
Personal income tax	292 031	3 346 426	(3 300 681)	246 286
	1 867 232	22 193 141	(22 177 759)	1 851 850

Comparative information for the previous year:

	Arrears as of 31.12.2021.	Calculated for 2021	Paid in 2021	Arrears as of 31.12.2020.
	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
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
	1 851 850	18 664 323	(18 259 133)	1 446 660

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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 2023, 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:

	Book value	True value
31 December 2023:		
Trade receivables	8 990 623	8 990 623
Other receivables	1 509 620	1 509 620
Cash and its equivalents	18 924 439	18 924 439
Total financial assets	29 424 682	29 424 682
Loans	54 737 146	54 737 146
Lease liabilities	592 966	592 966
Trade and other payables	7 498 591	7 498 591
Other financial liabilities	8 775 252	8 775 252
Total liabilities	71 603 955	71 603 955
31 December 2022:		
Trade receivables	9 950 109	9 950 109
Other receivables	455 041	455 041
Cash and its equivalents	26 883 001	26 883 001
Total financial assets	37 288 151	37 288 151
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	6 694 418	6 694 418
Total liabilities	66 602 465	66 602 465

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 2023.

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(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 2023, 10 biggest receivables in Latvia accounted for 47% of the total value of receivables (31.12.2022: 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.

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 2023, the Company has not issued any financial guarantees.

(c) 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 to realize investment plan. In order to fulfill liabilities and compensate fluctuations in cash flow, on regular basis is monitored project implementation deadlines, current expenses, available credit limits and cash balances.

In accordance with the precautionary principle in liquidity risk management the Company keeps 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 1,0 and the quick liquidity ratio was 1,5.

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:

31 December 2023	Book value	Contract cash flows	3 months or less	3–12 months	Up to 5 years	More than 5 years
Non-derived financial obligations						
Loans	54 737 146	68 470 310	708 067	5 885 946	29 545 861	32 330 436
Lease liabilities	592 966	629 225	60 691	182 072	215 176	171 285
Trade payables	7 498 591	7 498 591	4 106 459	1 144 467	2 247 666	-
Other financial liabilities	8 775 252	8 775 253	8 775 252	-	-	-
	71 603 955	85 373 379	13 650 469	7 212 485	32 008 703	32 501 721

31 December 2022	Book value	Contract cash flows	3 months or less	3–12 months	Up to 5 years	More than 5 years
Non-derived financial obligations						
Loans	797 101	830 415	59 406	178 215	415 191	177 603
Lease liabilities	7 809 142	7 809 142	3 537 521	399 731	3 871 890	-
Trade payables	6 694 418	6 694 418	6 694 418	-	-	-
Other financial liabilities	66 602 465	72 894 791	11 218 105	6 236 721	39 966 487	15 473 478

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

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(d) interest rate risk

The Company is exposed to interest rate risk mainly in relation to its long-term borrowings, as the Company has 60% of borrowings with variable component.

One percentage point change in interest rates would have a total impact on the Company's 2023 profit or loss and comprehensive income statements of EUR 538 thousand.

In 2022 One percentage point change in interest rates a total impact on the Company's profit or loss and comprehensive income statements was assumed in amount of EUR 538 thousand.

37. STAFF COSTS AND NUMBER OF EMPLOYEES

	2023 EUR	2022 EUR
Remuneration for work	18 856 408	16 254 200
Mandatory state social insurance contributions	4 395 973	3 783 724
	23 252 381	20 037 924
<i>Including:</i>		
Remuneration for work included in:		
- manufacture cost of products sold	14 052 412	12 148 510
- sales costs	1 538 099	1 345 104
- administrative costs	3 265 897	2 760 586
Mandatory state social insurance contributions included in:		
- manufacture cost of products sold	3 265 114	2 818 187
- sales costs	361 921	316 519
- administrative costs	768 938	649 018
	23 252 381	20 037 924
	2023 EUR	2022 EUR
Remuneration of management board members included in staff costs:		
- remuneration for work	217 143	174 441
- mandatory state social insurance contributions	51 259	41 152
	268 402	215 593
Remuneration of supervisory board members included in staff costs:		
- remuneration for work	84 044	100 800
- mandatory state social insurance contributions	19 841	23 816
	103 885	124 616
Average number of persons employed in the Company during the reporting period:		
- supervisory board members	3	3
- management board members	2	2
- other employees	763	746
	768	751

SWORN AUDITOR FIRM REMUNERATION

	2023 EUR	2022 EUR
Annual accounts audit	25 000	29 295
	25 000	29 295

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38. 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.

39. 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 20 945 thousand (31.12.2022.: EUR 28 567).

40. TRANSACTIONS WITH AFFILIATED PARTIES

Riga City Council companies and institutions that are affiliated parties

In 2023, the Company invoiced other Riga City Council owned companies for services provided:

- the residential building management company, for the amount of EUR 21 665 thousand (2022: EUR 20 257 thousand);
- other companies and institutions, for the amount of EUR 3 912 thousand (2022: EUR 2 712 thousand).

As of 31 December 2023, the Company's receivables from the municipality's companies and institutions was EUR 3 659 thousand, including receivables from the residential building management company, amounting to 3 268 thousand (31.12.2022.: EUR 3 905 thousand, including EUR 3 487 thousand owed by the building management company).

In 2023, the Company paid invoices for services received from Riga municipal owned companies and institutions for a total amount of EUR 1 422 thousand (incl. VAT) (2022: EUR 1 084 thousand).

As of 31 December 2022, the Company's debts to municipal companies and institutions amounted to EUR 160 thousand. (31.12.2022.: EUR 210 thousand).

41. DISTRIBUTION OF PROFITS PROPOSED BY THE MANAGEMENT BOARD

The management board of the Company proposes to pay out in dividends 10% or EUR 753 331 from the company's reporting year profit and remaining part 90% of profit to keep in The Company for following purposes:

- 30% or EUR 2 259 992 of the company's profit direct to realisation of waterwaste services system development project in Mangalsala agglomeration;
- 60% or EUR 4 519 983 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.

42. RESEARCH AND DEVELOPMENT COSTS

In the reporting year, the Company's research and development costs amounted to EUR 1,002 thousand.

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43. SUBSEQUENT EVENTS

On 25 January 2024, 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 March 2024, with the following rates:

Water supply services fee	1,17 EUR/m ³
Sewer services fee	0,97 EUR/m ³
Wastewater treatment services fee	0,41 EUR/m ³

On 31 January 2024, the Company submitted a new draft tariff for water services to the Regulator. It is expected that the new tariffs for water services could enter into force from 1 June 2024.
Water management service fees since 1 June 2024:

Water supply services fee	1,29 EUR/m ³
Sewer services fee	1,06 EUR/m ³
Wastewater treatment services fee	0,42 EUR/m ³

On 15 January 2024, the Register of Entrepreneurs of the Republic of Latvia registered the increase of the Company's share capital (Annex 25).

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 2023, or that would require additional explanations in annexes to the financial statement.

Krišjānis Krūmiņš
Board Chairman

Normunds Zvaunis
Board Member

Agnese Ozolkāja
Board Member

Sandijs Māliņš
Head of Finance Department

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