

**SIA
NESTE LATVIJA**

Annual Report

for 2023

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SIA NESTE LATVIJA
ANNUAL REPORT FOR 2023
REGISTRATION NUMBER: 40003132723
ADDRESS: BAUSKAS IELA 58A, RIGA, LV- 1004

Information on the Company

Name of the company	Neste Latvija
Legal status	Limited Liability Company
Number, place, and date of registration	40003132723 Riga, 07 June 1993
Address	Bauskas iela 58a Riga, LV-1004 Latvia
Shareholder	Neste Affiliate B.V. (100%) Mercuriusplein 1, 2132HA Hoofddorp, The Netherlands
Names of the Board members, their positions	Armands Beiziķis - Chairman of the Board Evija Sudraba - Member of the Board
Names of the Council members, their positions	Pentti Eero Kalervo Soikkeli - Chairman of the Council Iikka Samuli Krankkala - Member of the Council Risto Otsa Ilmari Karppinen – Member of the Council
Reporting year	1 January – 31 December 2023
Name and address of the certified auditor in charge	KPMG Baltics SIA License No 55 Roberta Hirša iela 1 Riga, LV-1045 Latvia Certified auditor in charge: Inna Talanova Certified Auditor Certificate No. 206

Management Report

SIA Neste Latvija (the Company) is a limited liability company registered in Latvia, which was established on 7 June 1993 under name SIA Neste Oil Latvia.

Line of business

The Company is engaged in whole and retail sales of oil products and car chemicals, and provides oil terminal services in Riga Free Port. At the end of 2023 the Company owned 76 automatic fuel filling stations. In 2024, the Company plans to continue expanding the network of filling stations.

The oil product terminal began operating in April 1998. During 2023, the terminal was used to support whole and retail sales of Neste group companies as it stored and transshipped the required oil products.

In addition to statutory requirements, the Company acts in compliance with international standards. There are certified integrated management systems in place at the Company in areas such as quality management, environmental management, and labour protection, as well as for information security management. The compliance of these systems with ISO 9001, ISO 14001, ISO 45001 and ISO 27001 is audited and attested by an accredited certification company.

Activities during the reporting year

During 2023, the Company continued successful operations across all lines of business. Total net sales in euro decreased by 14% due to the decrease in oil prices. In 2023, the Company is the largest fuel trader in the country.

Since 2018, in Latvia Neste has offered a new and unique retail product – 100% renewable diesel fuel Neste MY. This fuel is made of 100% renewable resources and does not contain a drop of oil. Renewable diesel is a sustainable and relatively easy way for responsible consumers to significantly reduce harmful emissions from motoring thus reducing their impact on the environment. Neste's renewable diesel is refined from food and animal fat processing residues through a hydrogenisation process to obtain colourless fuel of consistent quality without aromas and a chemical composition identical to that of fossil diesel. It can be used both 100% pure and as a component of fossil diesel in any quantity. Neste MY is currently the most environment and car friendly fuel in the world that may reduce greenhouse gas emissions of vehicles by 90% throughout the product life cycle. The Company is certified to sell renewable diesel according to ISCC EU. In Latvia, Neste MY is available from 3 filling stations in Riga and Liepaja.

Clients

The key priority for the Company is to provide high quality products and services. There is guidance in place and regular training of filling station staff, and consistent operational monitoring over filling stations that ensures drivers receive a safe and pleasant experience. Seeking to improve services the Company measures customer satisfaction (NPS-Net Promoter Score).

Personnel

The average number of staff is 67. 53% of the employees are women. The average age is 41 and the average duration of employment is 10 years.

Safety and occupational health

The vision of safety in Neste corporation is based on the belief that all accidents are preventable. The safety culture is consistently developed. The Company takes care of the safety of its staff, partners, suppliers, clients and neighbours.

Management Report (continued)

Activities during the reporting year (continued)

Safety and occupational health (continued)

In the course of its business, the Company is exposed to a number of security related risks with the largest risks being linked to transshipment and storage of products. Focussing on preventive safety at work, the Company implements initiatives in preventive safety, health and environment with involvement of various levels of management and specialists. The objective is to prevent potential accidents and traumas.

Safety ratios in 2023 were maintained high. No accidents at work have been reported. No occupational diseases in the Company's employees were detected.

Safety is one of the priorities in professional training programmes for employees. During 2023, employees and contractors received various online training and e-training courses, including topics such as labour protection, first aid, operating process safety, fire safety, and civil protection. Specific, customised training courses were organised for the staff of road transport service providers. In 2024, the Company plans to continue safety leadership and awareness promotion efforts with the help of new corporate training programmes.

The Company has proven compliance with the Payment Card Industry Data Security Standard or PCI DSS as it is able to store, process and transmit client card data in line with the highest security requirements.

Environmental management

Environmental management is an inseparable part of the Company's governance system. The Company is guided by Neste corporate sustainability policy and related HSEQ (health, safety, environment and quality) principles and guidelines.

The Company is committed to controlling and reducing its environmental impact, observing requirements and restrictions under issued environmental permits and to preventing potential leaks of oil products into soil and water and emissions into the atmosphere due to accidents. According to environmental permits, the Company monitors the levels of emissions into the atmosphere, the quality of waste water and groundwater, and registers the volume of waste generated in its business activities.

In order to reduce the consumption of natural resources, the Company has carried out an energy audit and developed a plan to improve energy efficiency. Since 2021, the Company has been using only 100% renewable electricity at its facilities – the petrol station network and the terminal.

The Company carefully monitors and registers all accidents and potential accidents that did or could occur in the terminal, fuel filling stations and during transshipment of product, as well as implements necessary improvements.

Financial risk management

In the course of operating activities, the Company is exposed to various financial risks that include credit risk, oil price risk and liquidity risk. The Company seeks to reduce the impact of financial risks on its financial performance.

The oil price risk arises in relation to purchases and sales of oil products as prices in such transactions are directly linked to fluctuations in oil prices on the global market.

Cash and trade receivables are the key financial assets that may give rise to a certain credit risk concentration. There is a credit policy in place at the Company under which goods are sold on a credit basis only to clients with positive credit histories and in compliance with individually set credit limits. As an additional security, receivables are insured. Trade receivables are disclosed at recoverable amount. The Company's partners in cash transactions are banks with appropriate credit history.

Liquidity risk is managed by the Company in a prudent manner by maintaining sufficient credit resources to be able to meet its liabilities as they fall due.

Management Report (continued)

Subsequent events

No significant subsequent events have occurred since the reporting date that would materially impact the Company's financial position as at 31 December 2023.

Future perspectives

In the future, the Company plans to continue developing retail and whole sales and provision of oil terminal services. The Company seeks to strengthen its position in the fuel retail market and provide the best fuel filling experience to its clients.

According to the corporate strategy, Neste intends to expand the network of automated filling stations in Latvia, to continue offering Neste-produced fuels to customers, and to introduce electric vehicle charging points at filling stations.

In April 2024, the Company opened the first 100% renewable electricity charging station, Neste's My Renewable Charge, at the Lucavsala 1 petrol station in Riga, offering four charging points with a total capacity of up to 300 kW. With the opening of the first charging station, the Company is starting the expansion of high-capacity and renewable electricity stations in the existing network of Neste petrol stations.

In terms of the environment and safety, the main objective is to continue improving processes and procedures, and to educate staff, partners, subcontractors and the public on matters pertaining to the environment, safety, and sustainability matters.

Based on estimates, the Company expects to generate profit in the next financial year.

Suggestions regarding profit distribution

The Board suggests that a portion of profit be distributed in dividends.

Armands Beizīkis
Chairman of the Board

Evija Sudraba
Member of the Board

29 April 2024

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SIA NESTE LATVIJA
ANNUAL REPORT FOR 2023
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Profit and Loss Statement for 2023

	Note	2023 EUR	2022 EUR
Net sales	1	485,651,188	566,846,509
Cost of goods sold	2	(456,677,990)	(535,581,502)
Gross profit		28,973,198	31,265,007
Selling expenses	3	(12,144,974)	(11,641,647)
Administrative expenses	4	(4,376,982)	(3,804,745)
Other operating income	5	1,173,639	1,161,980
Other operating expenses	6	(160,264)	(97,937)
Other interest and similar income	7	238,084	24,120
Interest and similar expenses	8	(17,434)	(18,440)
Profit before tax		13,685,267	16,888,338
Corporate income tax for the reporting year	9	(3,036,667)	(1,537,619)
Profit for the reporting year		10,648,600	15,350,719

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

Armands Beiziķis
Chairman of the Board

Evija Sudraba
Member of the Board

Inese Upmale
Chief Accountant

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SIA NESTE LATVIJA
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Balance Sheet as at 31 December 2023

Assets	Note	31.12.2023 EUR	31.12.2022 EUR
Long-term investments			
Intangible assets:			
Concessions, patents, licenses, trademarks, and similar rights		380,819	588,603
Total intangible assets:	10	380,819	588,603
Fixed assets:			
Land, buildings and engineering structures		16,719,207	17,281,311
Leasehold improvements		285,941	108,047
Equipment and machinery		5,066,870	5,446,440
Other fixed assets and inventory		229,000	464,379
Construction in progress		1,540,498	1,226,298
Total fixed assets:	11	23,841,516	24 526 475
Long term financial investments:			
Other long-term receivables	12	44,072	45,813
Total long term financial investments:		44,072	45,813
Total long term investments:		24,266,407	25,160,891
Current assets			
Stock:			
Raw materials		2,682	11,102
Goods for sale		6,751,288	6,647,822
Total stock:	13	6,753,970	6,658,924
Receivables:			
Trade receivables	14	19,062,033	21,257,244
Due from related parties	24 (c)	450,823	703,442
Prepaid expenses	15	119,623	177,456
Accrued income		-	862,160
Total receivables:		19,632,479	23,000,302
Cash:	16	28,402,961	30,773,261
Total current assets:		54,789,410	60,432,487
Total assets		79,055,817	85,593,378

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

Armands Beizikis
Chairman of the Board

Evija Sudraba
Member of the Board

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Balance Sheet as at 31 December 2023

	Note	31.12.2023 EUR	31.12.2022 EUR
<u>Equity and liabilities</u>			
Shareholder's equity:			
Share capital	17	15,029,784	15,029,784
Share premium		11,004,846	11,004,846
Other reserves		18	18
Retained earnings brought forward from previous years		9,193,081	5,842,362
Profit of the reporting year		10,648,600	15,350,719
Total shareholder's equity:		45,876,329	47,227,729
Provisions:			
Other provisions		1,262,871	351,368
Total provisions:	18	1,262,871	351,368
Liabilities:			
Long term liabilities:			
Deferred income		58,331	59,046
Total long term liabilities:		58,331	59,046
Short-term liabilities:			
Customer advances		3,657,132	3,865,433
Accounts payable to suppliers and contractors		1,842,428	2,484,502
Due to related parties	24(d)	7,233,333	12,973,175
Taxes and social contributions	19	18,402,810	17,983,353
Other liabilities		1,265	3,014
Deferred income		719	719
Accrued liabilities	20	720,599	645,039
Total short term liabilities:		31,858,286	37,955,235
Total liabilities:		31,916,617	38,014,281
<u>Total equity and liabilities</u>		<u>79,055,817</u>	<u>85,593,378</u>

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

Armands Beiziķis
Chairman of the Board

Evija Sudraba
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Statement of Changes to the Shareholder's Equity for 2023

	Share capital	Share premium	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Balance as at					
31 December 2021	15,029,784	11,004,846	18	11,842,362	37,877,010
Profit for the reporting year	-	-	-	15,350,719	15,350,719
Dividends	-	-	-	(6,000,000)	(6,000,000)
Balance as at					
31 December 2022	15,029,784	11,004,846	18	21,193,081	47,227,729
Profit for the reporting year	-	-	-	10,648,600	10,648,600
Dividends	-	-	-	(12,000,000)	(12,000,000)
Balance as at					
31 December 2023	15,029,784	11,004,846	18	19,841,681	45,876,329

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

Armands Beizikis
Chairman of the Board

Evija Sudraba
Member of the Board

Inese Upmale
Chief Accountant

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Statement of Cash Flows for 2023

	2023	2022
	EUR	EUR
Cash flows from operating activities		
Earnings Before Tax	13,685,267	16,888,338
<u>Adjustments for:</u>		
a) amortisation of fixed assets	2,315,841	2,360,796
b) amortisation of intangible assets	279,084	241,541
c) provisions	911,503	9,186
d) interest and similar income	(238,084)	(24,120)
e) interest and similar expenses	17,434	18,440
	16,971,045	19,494,181
<u>Adjustments for:</u>		
a) decrease/(increase) in trade receivables	3,369,564	(5,407,545)
b) increase in stock	(95,046)	(1,937,805)
c) (decrease)/increase in accounts payable to suppliers and other liabilities	(6,093,171)	9,295,985
Gross cash flows from operating activities	14,152,392	21,444,816
Interest paid	(17,434)	(18,440)
Corporate income tax payments	(3,041,160)	(1,530,331)
Net cash flows from operating activities	11,093,798	19,896,045
Cash flows from (used in) investing activities		
Purchase of fixed and intangible assets	(1,720,425)	(1,979,795)
Income from disposal of fixed and intangible assets	18,243	118,522
Interest received	238,084	24,120
Net cash flows used in investing activities	(1,464,098)	(1,837,153)
Cash flows used in financing activities		
Dividends paid	(12,000,000)	(6,000,000)
Net cash flows used in financing activities	(12,000,000)	(6,000,000)
Net (decrease)/ increase of cash and cash equivalents in the reporting year	(2,370,300)	12,058,892
Cash and cash equivalents at the beginning of the year	30,773,261	18,714,369
Cash and cash equivalents at the end of the year	28,402,961	30,773,261

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

Armands Beizikis
Chairman of the Board

Evija Sudraba
Member of the Board

Inese Upmale
Chief Accountant

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Notes to the financial statements
Accounting policies

(a) Information on the Company

The legal address of SIA Neste Latvija is Bauskas iela 58a, Rīga. The Company was registered with the Commercial Register under the common registration number 40003132723. The sole shareholder is parent company Neste Affiliate B.V. (The Netherlands), which holds 100% of share capital of the Company and whose registered address is Mercuriusplein 1, 2132HA Hoofddorp, The Netherlands. The Group parent company is Neste Oy (Finland), registered address is Keilaranta 21, Espoo, Finland. The consolidated financial statements of the Group for 2023 are available from Neste Oy, registered address Keilaranta 21, Espoo, Finland, and on website: <https://www.neste.com/investors/financials/annual-report>

Members of the Board are Armands Beizīkis (Chairman) and Evija Sudraba (Member).

(b) Basis of preparation

The financial statements of the Company were prepared in accordance with the 'Accounting Law' and 'Annual Reports and Consolidated Annual Reports Law' effective in the Republic of Latvia, on a going concern basis. As at 31 December 2023 the Company meets the definition of a large company.

The financial statements were prepared in accordance with the following policies:

- a) Going concern assumption that the Company will continue as a going concern;
- b) Consistent valuation principles with those used in the prior year;
- c) Items were valued in accordance with the principle of prudence:
 - The financial statements reflect only the profit generated to the balance sheet date;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements;
 - all amounts of impairment and depreciation have been taken into consideration and calculated irrespective of whether the financial result was a loss or profit;
- d) income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received; Expenses were matched with revenue for the reporting period.
- e) Assets and liabilities have been valued separately.
- f) The opening balance agrees with the prior year closing balance.
- g) All material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes.
- h) Business transactions are recorded taking into account their economic contents and substance, not the legal form.

(c) Revenue recognition and net sales

Net sales for the year represent goods and services sold net of discounts and value added tax. Revenue from the sale of goods is recognised when the client has accepted the goods according to delivery provisions. Revenue from services is recognized only when services are provided.

(d) Currency unit and revaluation of foreign currency

All amounts in these financial statements are expressed in the official currency of Latvia – euro (EUR).

Foreign currency transactions are translated into EUR according to currency exchange rates effective at the date of transaction and determined by reconciliation of the system of the European Central Bank and other central banks and which is published on the website of the European Central Bank.

As at the reporting date, all monetary assets and liabilities are translated into EUR according to exchange rates published on the website of the European Central bank.

	31.12.2023	31.12.2022
	1 EUR	1 EUR
USD	1.1050	1.0666

Notes to the financial statements (continued)
Accounting policy (continued)

Gain or loss resulting from payments under transactions executed in foreign currencies and the translation of monetary assets and liabilities denominated in foreign currencies is reflected in the profit and loss statement of the respective period.

(e) Intangible assets and fixed assets

All intangible assets and fixed assets are carried at cost net of accumulated depreciation and accumulated impairment. Cost represents expenses related to acquisition of an intangible asset or fixed asset. The cost of software licences includes the expenses incurred to acquire the licences and the cost of software implementation.

Land is not subject to depreciation. For other assets, depreciation and amortization is calculated on a straight-line basis over the entire useful life of the respective intangible asset and fixed asset in order to write their value to the estimated book value at the end of the useful life based on the following rates:

Intangible assets	3-10 years
Buildings, structures	10-40 years
Equipment, machinery	5-15 years

The historical cost of work in progress is increased during the period by borrowing costs and other direct costs incurred to finance the object during the time required to prepare it for the intended use. The historical cost of a fixed asset is not increased by borrowing costs in the periods when the object of work in progress is not in active development.

In the event that the carrying amount of an intangible asset or fixed asset is higher than its recoverable amount, the value of the respective intangible asset or fixed asset is immediately written down to its recoverable amount. The recoverable amount is the highest of the fair value less selling expenses or value in use.

Subsequent expenses are added to the book value of the asset or recognized as a separate asset only where it is highly probable that future benefits related to this item would flow into the company and expenses of this item can be estimated reliably. Such expenses are written off over the entire useful life of the respective asset. When capitalizing the costs of installed spare parts, the book value of the spare parts is written off in the profit and loss statement.

Current maintenance and repair costs of fixed assets are recognized in the profit and loss statement as incurred.

Capital repair costs of leased fixed assets are written off on a straight line basis during the shortest of the useful life of the capital repairs and the period of lease.

Profit or loss from disposal of fixed assets is calculated as the difference between the carrying amount of the fixed asset and income generated from sale, and charged to the profit and loss statement as incurred.

(f) Stock

Stock is stated at the lower of cost or net realizable value. The cost has been measured according to the FIFO method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to complete the stock and the sale. When net realisable value of stock is lower than cost, provisions are recognized to write down the value of such stock to its net realisable value.

(g) Accounts receivable

Receivables are disclosed at amortised cost net of impairment allowances. Impairment allowances are recognized when objective evidence exists that the Company will not be able to recover the full amount of receivables according to the previously agreed repayment terms.

Notes to the financial statements (continued)

Accounting policy (continued)

The amount of allowance represents the difference between the carrying and recoverable amount of receivables. The allowance is charged to the profit and loss statement.

(h) Operating lease– the Company as a lessee

Lease in which a significant portion of the risks and rewards of ownership is retained by the lessor is classified as operating lease. Lease payments and prepayments for lease (less financial incentives received by the lessor) are charged to the profit and loss statement on a straight-line basis over the period of lease.

(i) Taxes

Corporate income tax expenses are disclosed in the financial statements based on calculations performed in line with the Latvian legislation.

Corporate income tax is calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders)). Corporate income tax on distributed profit is recognized when the shareholders of the Company make the decision to distribute profit.

The Company calculates and pays corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, accrued doubtful debt amounts and loans to related parties if they meet the criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the profit or loss statement in the year for which it is assessed. Corporate income tax for distributed profit and that for conditionally distributed profit is included in the profit and loss statement line item “Corporate income tax for the reporting year” and disclosed by components in the notes to the financial statements.

(j) Estimates and judgements

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is highly probable that an outflow of economic benefits will be required to settle the obligation, and the amount of obligation can be measured reasonably.

Provisions for potential environmental commitments. The Company’s business activities give rise to environmental costs and contingent liabilities. The risk arises from storage, transshipment and sale of products that are considered polluting if they are spilled into the environment. The provision for potential environmental protection obligations is based primarily on future costs that the Company will incur to dismantle filling stations and/or the terminal. The provision is made using the following factors: the length of the lease contracts for stations and terminals, the present value of future demolition costs, inflation, and risk-free rates. The liability is calculated and adjusted once every reporting year. Changes in provisions are charged to the profit and loss statement.

Receivables are measured using a simple approach without tracing changes in credit risk and instead requires to recognise expected credit losses. ECL are estimated using a provisioning matrix based on a combination of forward-looking information and historical default ratios. Receivables are grouped into segments with similar loss patterns – maturities. Changes in ECLs may be impacted by for instance the global economy, oil industry, renewables markets or other instances related to the risk of client default. Any depreciation or appreciation is charged to the profit and loss statement under other expenses.

The provision for unused vacations is calculated by multiplying the average daily salary of employees during the last six months of the reporting year and the number of accrued vacation days at the reporting date.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash, hand and current account balances.

Notes to the financial statements (continued)

Accounting policy (continued)

(I) Related parties

Related parties represent both legal entities and private individuals related to the company in accordance with the following rules.

- a) A person or a close member of that person's family is related to a reporting entity if that person:
- has control or joint control over the reporting entity;
 - has a significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - Both entities are joint ventures of the same third party;
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled, or jointly controlled by a person identified in (a).
 - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - The entity or any member of the group to which the entity belongs provides management personnel services to the entity or the parent company of the entity.

Related party transaction – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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Notes to the financial statements (continued)

(1) Net sales

	2023	2022
	EUR	EUR
Fuel (NACE 4730, 4671)	482,697,519	563,267,942
Terminal services (NACE 5210)	2,032,119	2,621,574
Other income	921,550	956,993
	<u>485,651,188</u>	<u>566,846,509</u>

Income by geographic market:

Income from sales of products and provision of services in:		
Latvia	483,559,829	561,030,350
Finland	2,041,216	2,590,577
Lithuania	35,056	3,216,593
Estonia	11,013	6,174
Other member states of the EU	4,074	2,815
	<u>485,651,188</u>	<u>566,846,509</u>

(2) Cost of goods sold

Fuel	455,124,859	533,854,124
Terminal services	531,828	621,440
Other expenses	1,021,303	1,105,938
	<u>456,677,990</u>	<u>535,581,502</u>

The cost of fuel includes excise tax and the service fee for security reserves.

(3) Selling expenses

Amortisation and depreciation	2,539,011	2,619,108
Repairs and maintenance	2,202,810	1,546,135
Real estate maintenance costs	1,833,749	1,784,371
Remuneration	1,337,138	1,240,325
Lease costs	1,133,732	1,173,778
Environment protection measures	630,835	627,518
Marketing and advertisements	620,301	692,241
Automatic data processing costs	442,408	576,856
Compulsory State Social Security Contributions	321,442	297,390
Other	1,083,549	1,083,925
	<u>12,144,974</u>	<u>11,641,647</u>

(4) Administrative expenses

Other outsourced services	1,379,307	1,322,290
Automatic data processing costs	1,514,368	1,128,450
Remuneration	920,839	802,764
Compulsory State Social Security Contributions	203,413	192,911
Lease costs	64,302	65,026
Audit of the annual report	26,950	24,500
Amortisation and depreciation	13,920	7,099
Other administrative costs	253,883	261,705
	<u>4,376,982</u>	<u>3,804,745</u>

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Notes to the financial statements (continued)

(5) Other operating income

	2023	2022
	EUR	EUR
Income from rent	676,224	626,344
Gain on disposal of property and equipment	-	23,869
Other income	497,415	511,767
	<u>1,173,639</u>	<u>1,161,980</u>

(6) Other operating expenses

Allowances for bad and doubtful receivables	42,563	23,566
Loss from sale of fixed assets	41,995	-
Bank charges	9,091	66,015
Fines	505	950
Other	66,110	7,406
	<u>160,264</u>	<u>97,937</u>

(7) Other interest and similar income

Interest from deposits	203,960	-
Interest income on delays	34,124	24,120
	<u>238,084</u>	<u>24,120</u>

(8) Interest and similar expenses

Guarantees and provisions	17,330	18,337
Net loss from the fluctuation of currency exchange rates	104	103
	<u>17,434</u>	<u>18,440</u>

(9) Corporate income tax for the reporting year

Corporate income tax on dividends	3,000,000	1,500,000
Corporate income tax for conditionally distributed profit	36,667	37,619
	<u>3,036,667</u>	<u>1,537,619</u>

Notes to the financial statements (continued)

(10) Intangible assets

	Concessions, patents, licenses, trademarks, and similar rights EUR	Total EUR
Historical cost		
31.12.2022	2,193,922	2,193,922
Additions	70,981	70,981
Reclassified	319	319
31.12.2023	2,265,222	2,265,222
Depreciation		
31.12.2022	1,605,319	1,605,319
Calculated for 2023	279,084	279,084
31.12.2023	1,884,403	1,884,403
Balance as at 31.12.2022	588,603	588,603
Balance as at 31.12.2023	380,819	380,819

(11) Fixed assets

	Land, buildings and engineering structures EUR	Long term leasehold improvements EUR	Equipment and devices EUR	Other fixed assets and inventory EUR	Construction in progress EUR	Total EUR
Historical or revalued cost						
31.12.2022	50,758,071	1,326,354	17,479,302	3,839,965	1,226,298	74,629,990
Additions		-	122,666	23,096	1,503,682	1,649,444
Disposals	(1)	-	(193,161)	(23,957)	319	(216,800)
Reclassified	439,528	219,494	477,915	52,545	(1,189,801)	(319)
31.12.2023	51,197,598	1,545,848	17,886,722	3,891,649	1,540,498	76,062,315
Depreciation						
31.12.2022	33,476,760	1,218,307	12,032,862	3,375,586	-	50,103,515
Calculated for 2023	1,001,632	41,600	926,363	304,251	-	2,273,846
Disposals	(1)	-	(139,373)	(17,188)	-	(156,562)
31.12.2023	34,478,391	1,259,907	12,819,852	3,662,649	-	52,220,799
Balance as at 31.12.2022	17,281,311	108,047	5,446,440	464,379	1,226,298	24,526,475
31.12.2023	16,719,207	285,941	5,066,870	229,000	1,540,498	23,841,516

Total depreciation costs were disclosed in the profit and loss statement under selling and administrative expenses.

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Notes to the financial statements (continued)

(12) Other long-term receivables

	31.12.2023	31.12.2022
	EUR	EUR
Prepayments for rent	21,601	28,056
Security deposit	15,299	17,757
Other	7,172	-
	<u>44,072</u>	<u>45,813</u>

(13) Stock

Fuel, oil, car chemicals	6,751,288	6,647,822
Auxiliary materials	2,682	11,102
	<u>6,753,970</u>	<u>6,658,924</u>

(14) Trade receivables

Trade receivables	19,535,965	21,720,364
Allowances for doubtful debts	(473,932)	(463,120)
	<u>19,062,033</u>	<u>21,257,244</u>

(15) Prepaid expenses

Prepayments for the lease of land	60,820	44,578
Prepayment for insurance	17,123	85,599
Other prepayments	40,863	45,974
Prepayments to suppliers	817	1,305
	<u>119,623</u>	<u>177,456</u>

(16) Cash

Cash in bank and on hand	28,071,766	30,511,831
Money in transit	331,195	261,430
	<u>28,402,961</u>	<u>30,773,261</u>

(17) Share capital

31 December 2023, the registered and fully paid share capital consists of 168 ordinary shares with nominal value of EUR 89,463, and amount to EUR 15,029,784.

(18) Provisions

	Provisions for potential environmental commitments	Total
	EUR	EUR
31 December 2022	351,368	351,368
Increase	911,503	911,503
31 December 2023	<u>1,262,871</u>	<u>1,262,871</u>

The Company has recognised provisions for potential environmental commitments and stations/terminal dismantling costs that may arise as the property lease expires. The increase is largely driven by the alignment of calculation assumptions to Neste Group methodology.

Notes to the financial statements (continued)

(19) Taxes and compulsory state social security contributions

	31.12.2023	31.12.2022
	EUR	EUR
Excise tax	13,267,066	13,998,577
Value added tax	3,274,004	3,330,390
Storage duty for oil products	1,756,425	559,207
Compulsory State Social Security Contributions	61,184	51,747
Personal Income Tax	32,269	27,079
Corporate income tax	11,837	16,330
Business Risk State Duty	25	23
	<u>18,402,810</u>	<u>17,983,353</u>

(20) Accrued liabilities

Other accrued expenses	420,155	376,473
Accrued expenses for unused vacations	300,444	268,566
	<u>720,599</u>	<u>645,039</u>

(21) Personnel expenses and number of staff

Remuneration	2,257,977	2,043,089
Compulsory State Social Security Contributions	524,855	490,301
	<u>2,782,832</u>	<u>2,533,390</u>
Members of the Board	2	2
Other employees	65	61
	<u>67</u>	<u>63</u>

In 2022 and 2023, members of the Board of the Company did not receive remuneration for their work on the Board.

Total staff costs are included in the following profit and loss statement items:

Selling expenses	1,658,580	1,537,715
Administrative expenses	1,124,252	995,675
	<u>2,782,832</u>	<u>2,533,390</u>

Notes to the financial statements (continued)

(22) Contingent liabilities

Corporate income tax for distributable profit

	31.12.2023	31.12.2022
	EUR	EUR
Retained earnings at the end of the year	19,841,681	21,193,081
Including, maximum potential dividends from undistributed profit generated after 31.12.2017 which will give rise to CIT liabilities upon distribution	19,841,681	21,193,081
CIT on maximum potential dividends (20/80 of net amount distributed to the shareholder in relation to distribution of profit generated after 31.12.2017)	4,960,420	5,298,270

As retained earnings generated after 31.12.2017 are distributed as dividends the Company will calculate corporate income tax at the rate of 20/80 of the net amount to be distributed to the shareholders. The table presents the amount of income tax that would have been calculated had all profit for the period from 01.01.2018 to 31.12.2023 been distributed as dividends. The calculation uses the tax rate in effect as at 31 December 2023.

(23) Operating lease agreements

The Company has signed a number of lease agreements (on land and a motor vehicle) in the capacity of a lessee.

	2023	2022
	EUR	EUR
Total lease expenses	1,198,034	1,238,804

As at 31 December 2023 the total minimum lease payments in accordance with operating lease agreements are as follows:

	31.12.2023	31.12.2022
	EUR	EUR
Less than one year	1,186,734	1,210,580
1 – 5 years	4,170,633	4,283,378
Over 5 years	7,686,203	1,780,973
	<u>13,043,570</u>	<u>7,274,931</u>

Notes to the financial statements (continued)

(24) Related party transactions

The Company performed the following transactions with related parties:

(a) Sales of goods and provision of services

	2023	2022
	EUR	EUR
Neste Oy (Finland)	2,318,496	3,067,333
Neste Marketing Oy (Finland)	256,648	181,140
Neste Eesti AS (Estonia)	111,881	134,893
Neste Lietuva UAB (Lithuania)	109,636	124,581
	<u>2,796,661</u>	<u>3,507,947</u>

(b) Purchase of goods and receipt of services

Neste Oy (Finland)	274,729,135	366,271,419
Neste Marketing Oy (Finland)	784,651	749,268
Neste Lietuva UAB (Lithuania)	67,470	86,445
Neste Eesti AS (Estonia)	15,152	31,052
	<u>275,596,408</u>	<u>367,138,184</u>

(c) Due from related parties*

Neste Oy (Finland)	186,587	196,951
Neste Eesti AS (Estonia)	124,329	329,518
Neste Lietuva UAB (Lithuania)	89,238	134,991
Neste Marketing Oy (Finland)	50,669	41,982
	<u>450,823</u>	<u>703,442</u>

(d) Due to related parties*

Neste Oy (Finland)	6,594,063	12,425,987
Neste Lietuva UAB (Lithuania)	339,000	268,544
Neste Eesti AS (Estonia)	184,665	63,101
Neste Marketing Oy (Finland)	115,605	215,543
	<u>7,233,333</u>	<u>12,973,175</u>

* Amounts due from and to related parties reflect settlements between Neste companies for client purchases made using Neste cards issued in other countries.

(25) Financial risk management

The key financial instruments represent cash and short term deposits. These financial instruments are held primarily for the purposes of financing the business activities. The Company is involved in a number of other financial instruments such as trade receivables and other receivables, amounts payable to suppliers and contracts and other liabilities arising directly from the business activities.

The key financial risks related to the Company's financial instruments are liquidity risk and credit risk.

Notes to the financial statements (continued)

Financial risk management (continued)

Liquidity risk

The Company manages liquidity risk by maintaining appropriate amounts of cash and cash equivalents.

Credit risk

The Company is exposed to credit risk in relation to its trade receivables and cash and cash equivalents. Credit risk is controlled by regular assessment of customer debt history and setting individual lending terms for each customer. In addition, the Company performs continuous monitoring of receivables to reduce the likelihood of incurring bad debts. As an additional measure, the Company has obtained an insurance cover for receivables.

(26) Remuneration to the certified auditor

	2023	2022
	EUR	EUR
Audit of the financial statements	26,950	24,500
Other audit engagements	1,485	1,461
	<u>28,435</u>	<u>25,961</u>

(27) Subsequent events

No significant subsequent events have occurred since the reporting date that would materially impact the Company's financial position as at 31 December 2023.

The Annual Report was prepared by Chief Accountant Inese Upmale.

The financial statements of the Company for 2023 set out on pages 7 to 23 were signed on 29 April 2024 by:

Armands Beiziķis	Evija Sudraba
Chairman of the Board	Member of the Board

Inese Upmale
Chief Accountant

This document is signed with a secure electronic signature and contains a timestamp.