

LATVENERGO CONSOLIDATED FINANCIAL STATEMENTS FOR 2020

14.04.2021, Riga

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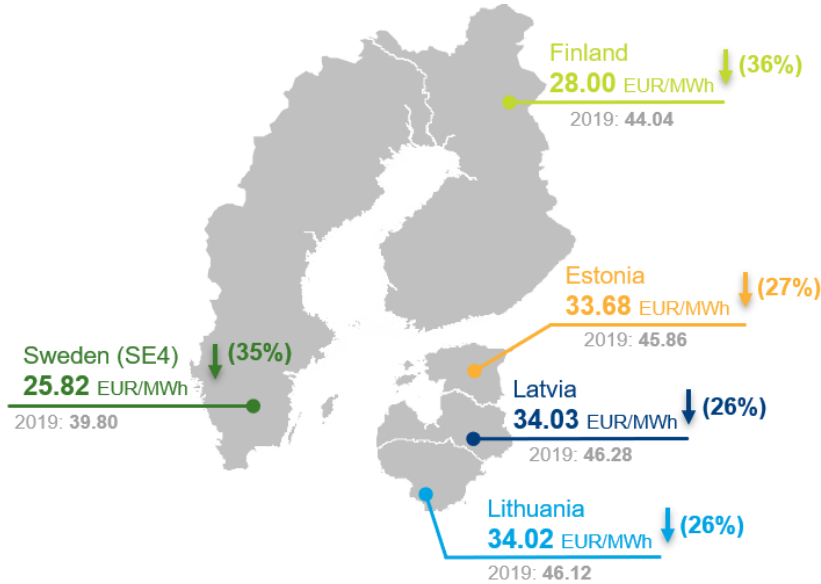
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Annual Financial statements, see the section “Formulas”.

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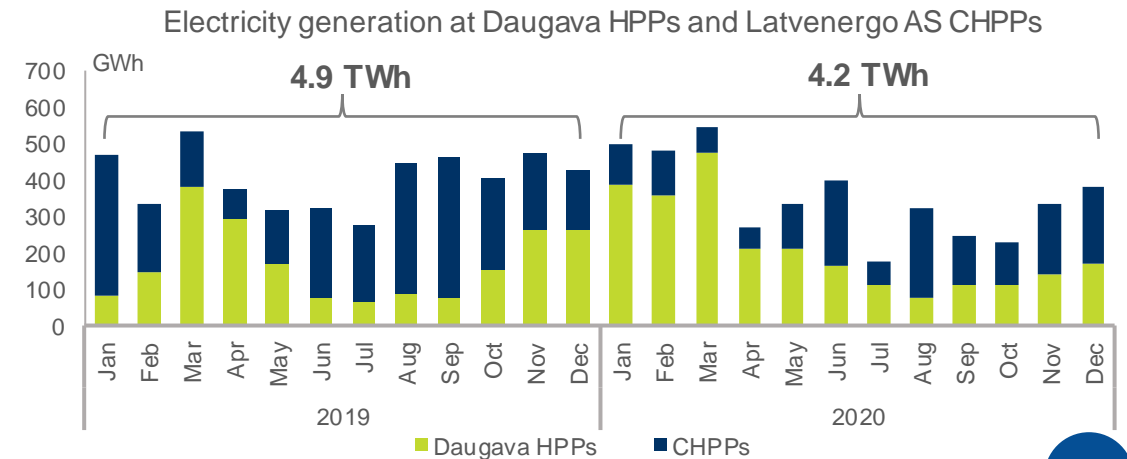
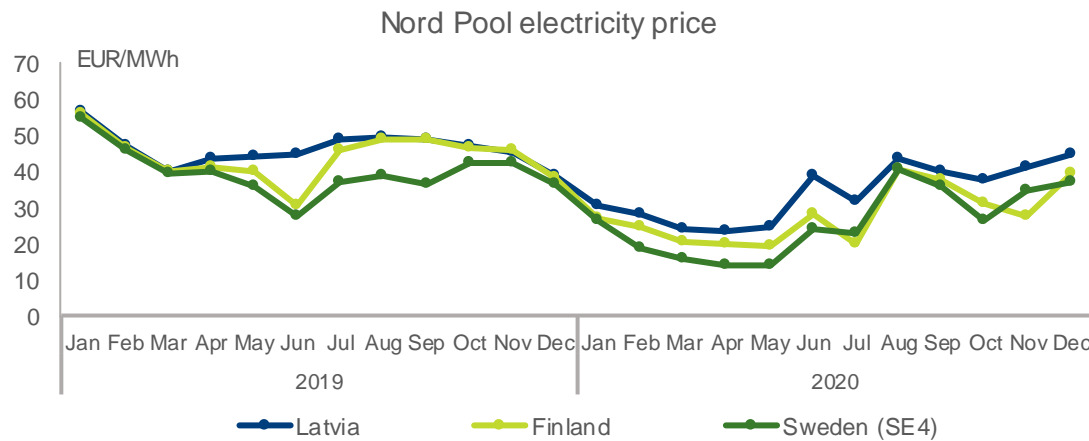
Lower electricity prices



Main facts – 2020

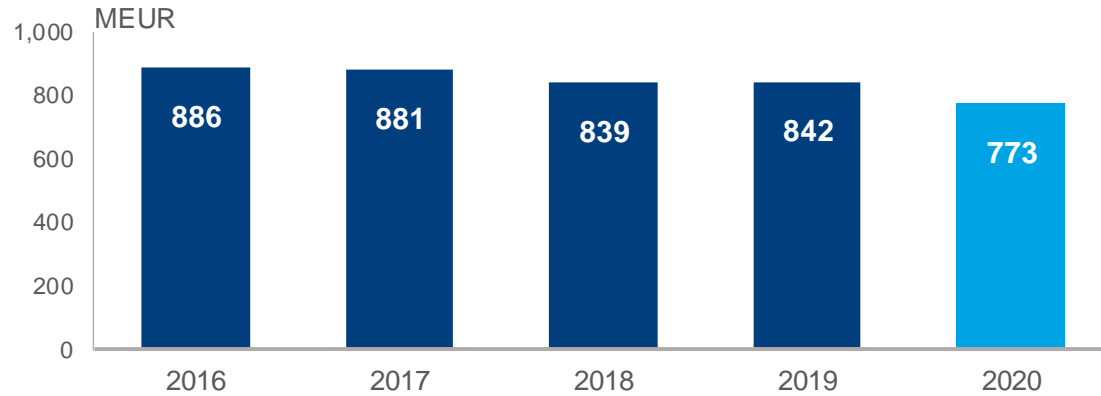
- Electricity prices were influenced by:
 - improvement of the Nordic hydrobalance
 - lower demand due to warmer weather and COVID-19
- The average natural gas price (Front Month) decreased by 35%, reaching 9.7 EUR/MWh at GASPOOL trading zone and 9.5 EUR/MWh at the TTF trading zone

23% higher electricity output at Daugava HPPs

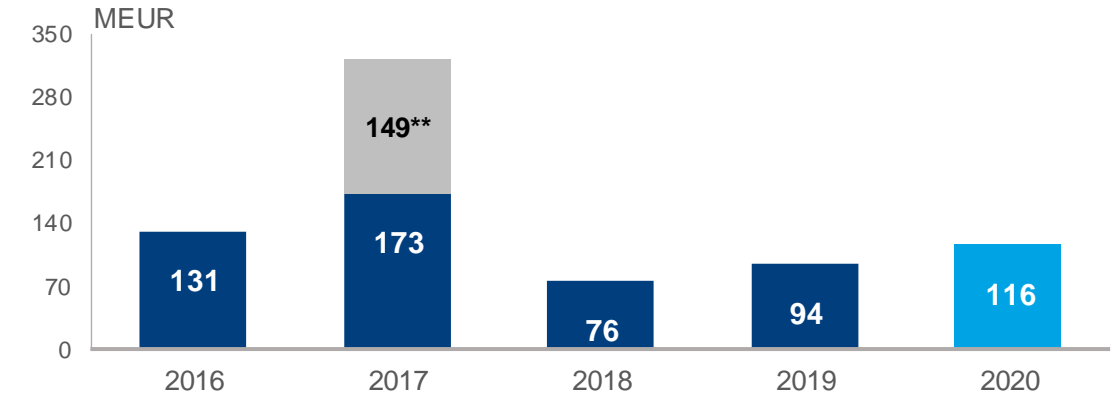


Key financial figures

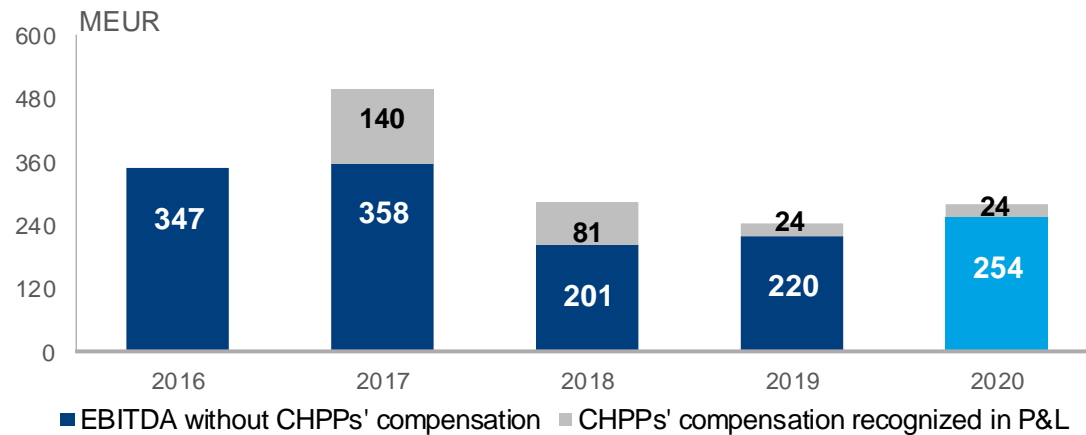
Revenue*



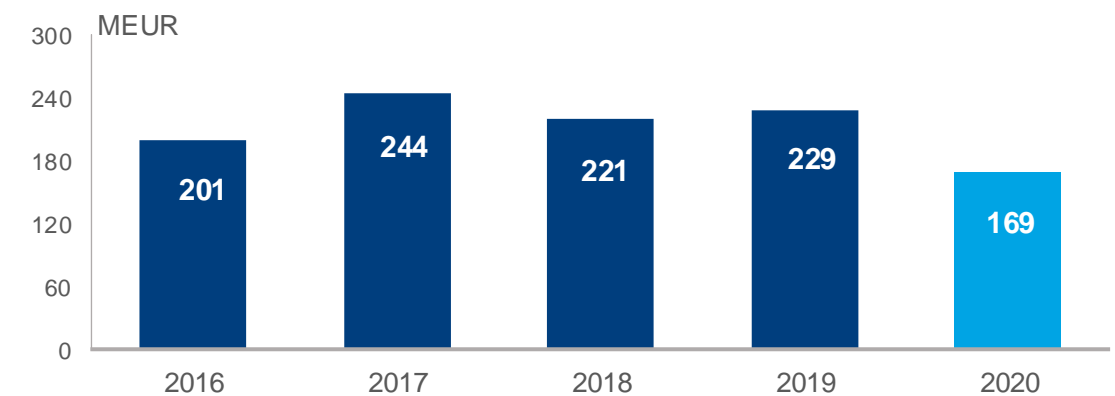
Net profit



EBITDA*



Investments

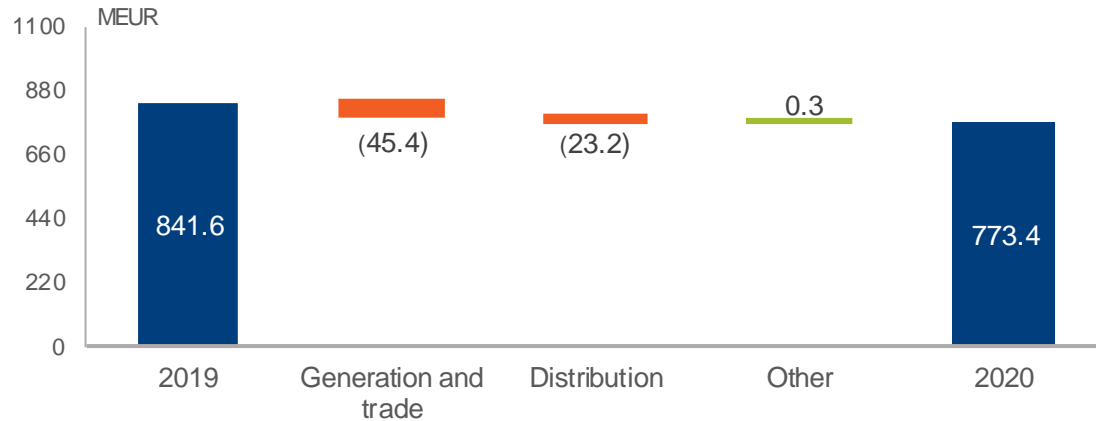


*Excluding discontinuing operations (unbundling transmission system asset ownership)— see Note 30 to the Latvenergo Group Consolidated and Latvenergo AS Annual Report for 2020

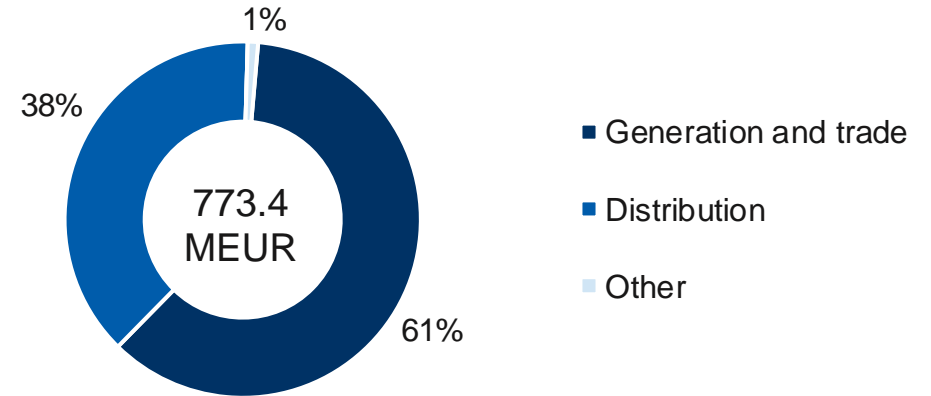
**In 2017, the net profit includes a deferred tax reversal in the amount of EUR 149.1 million as a result of the corporate income tax reform

Latvenergo Group's EBITDA increased by 14%

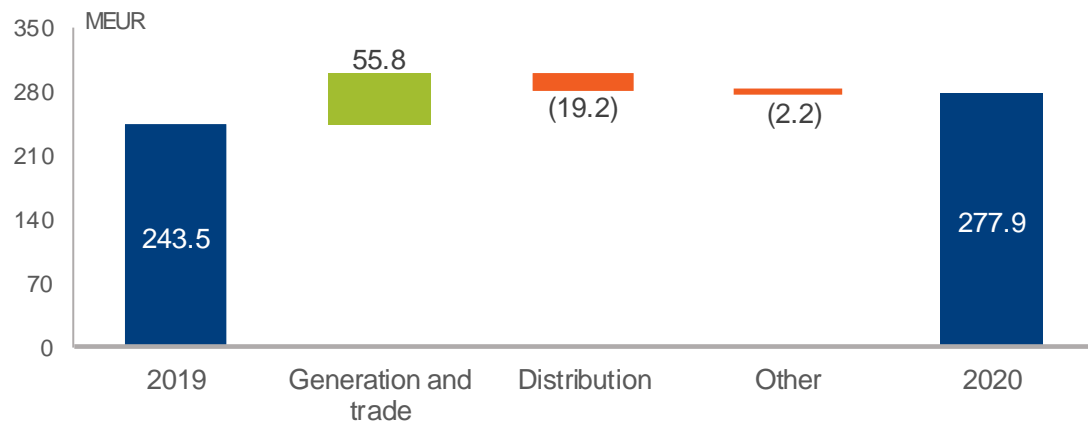
Revenue dynamics by segments



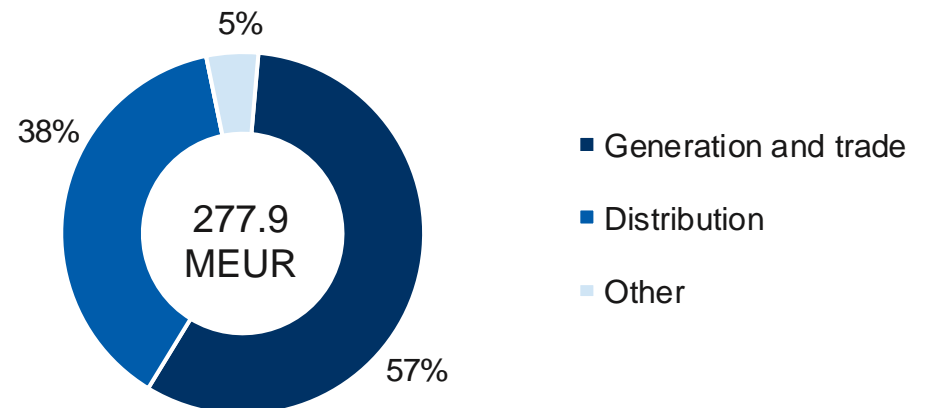
Revenue weight by segments



EBITDA dynamics by segments

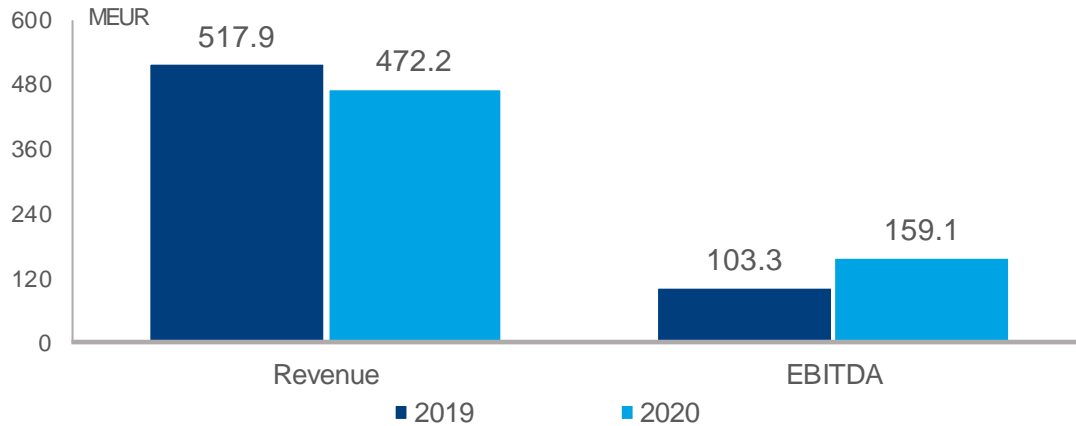


EBITDA weight by segments



Generation and trade

Revenue and EBITDA



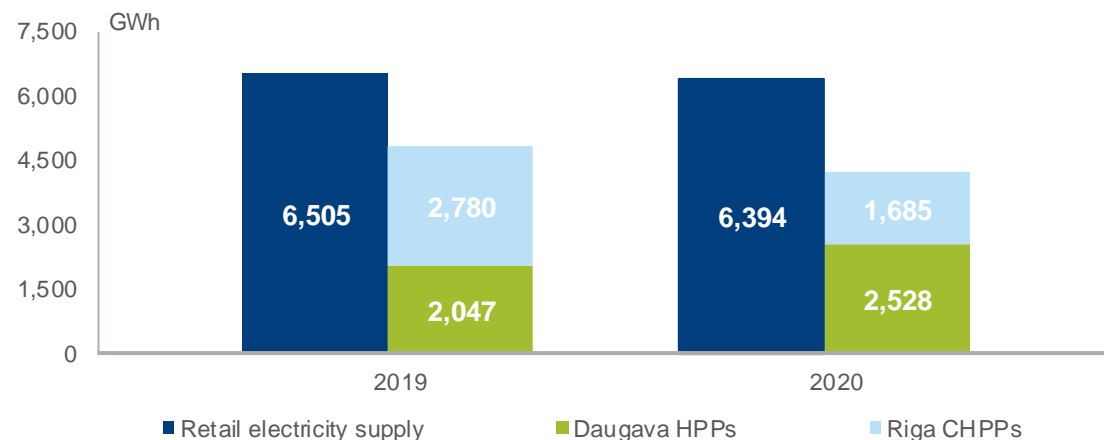
Main facts – 2020

- The segment’s revenue was negatively impacted by:
 - lower electricity market prices
 - 13 % lower electricity generation
 - 2.4% lower electricity consumption in the Baltics due to warmer weather and COVID-19
 - 8% lower heat output due to warmer weather and lower electricity market prices
- The segment’s EBITDA was positively impacted by:
 - lower electricity purchase prices
 - 23% higher electricity output at the Daugava HPPs
- Latvenergo Group operates in all energy trade segments in Latvia, Lithuania and Estonia
- As of 1 January 2021, the average PSO fee is reduced by 23% – 17,51 EUR/MWh



Energy generation

4,249 GWh of electricity generated



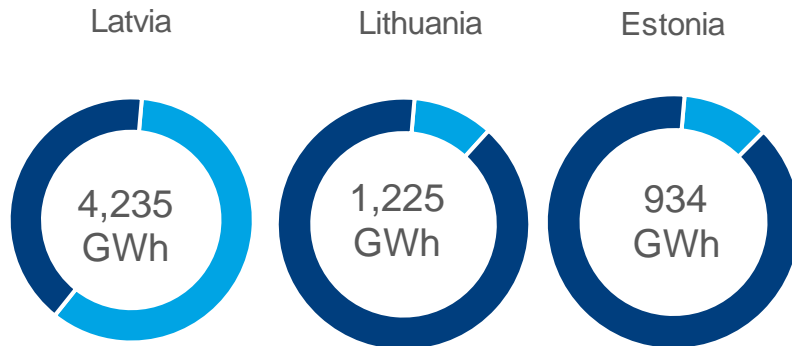
Main facts – 2020

- *Latvenergo* – the largest electricity producer in the Baltics, producing 29% of the total electricity generated in the Baltics. 60% produced from renewable energy sources
- Power generation at the Daugavas HPPs was 23% higher due to atypically low water inflow in 2019
- Total amount of electricity generated at *Latvenergo* power plants corresponds to 66% of the amount of electricity sold to retail customers (2019: 75%)
- Power generation at the Latvenergo AS CHPPs decreased by 39%, adjusting their operation to the conditions of the electricity market and heat demand
- The amount of thermal energy generated decreased by 8% due to warmer weather conditions and lower electricity market prices, reaching 1,702 GWh

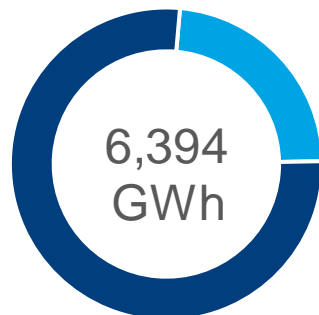


Trade of electricity and natural gas

Retail electricity supply*



The Baltics



■ Latvenergo Group ■ other suppliers



Main facts – 2020



6.4 TWh of electricity sold to retail customers



The amount of natural gas used for both operating consumption and trade reached 5.1 TWh



600 contracts were concluded for the installation of solar panels.



At the end of December, the total number of *Elektrum* Insured customers reached almost 100,000



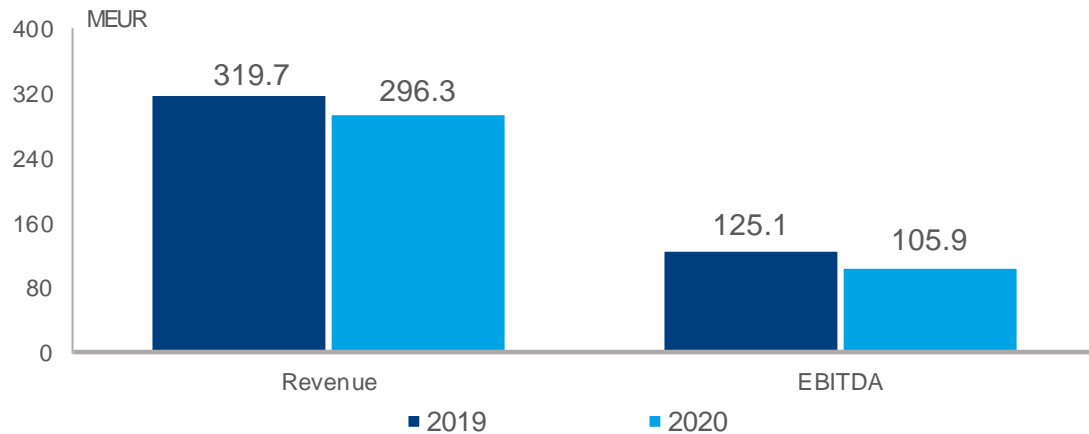
6,000 units sold in the *Elektrume*-shop



Extended electric vehicle charging network of up to 36 ports. Since the opening of the electric vehicle charging network, customers of the mobile application *Elektrum* made more than 8,000 charges

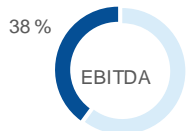
Distribution

Revenue and EBITDA



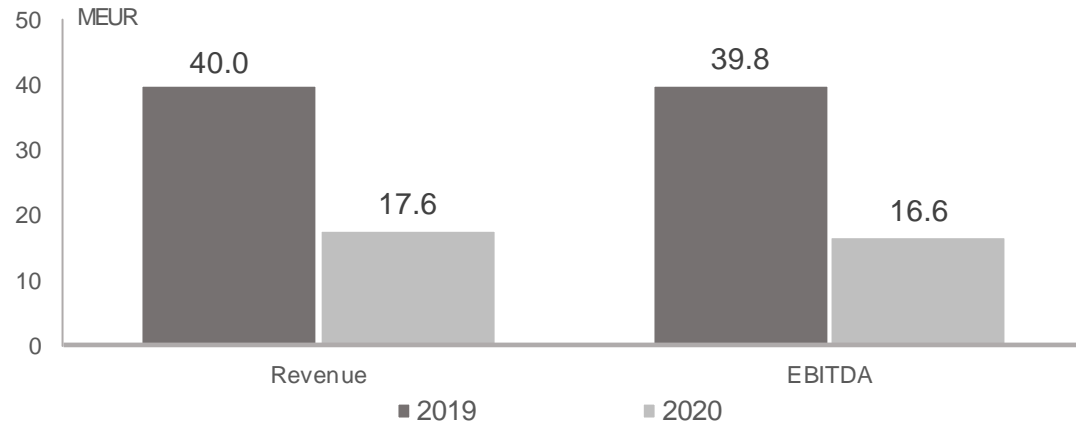
Main facts – 2020

- Sadales tīkls AS is an example of good practice for customer service solutions in Europe.
- The efficiency programme contributed to a 5.5% reduction in the average distribution system service tariff as of 1 January 2020:
 - Within the framework of the efficiency programme, the number of employees at Sadales tīkls AS will be reduced by around 800 (31.12.2020: ~650)
 - Smart electricity meters installed in the company exceeded 850 thousand, which is approximately 3/4 of the total electricity meters
- Electricity distributed: 6,286 GWh (2019: 6,532 GWh)
- Results of the segment were impacted by:
 - 4% lower amount of distributed electricity due to warmer weather conditions and COVID-19
 - reduction of the average electricity distribution service tariff
- Investments in distribution assets: 87.4 MEUR (2019: 95.1 MEUR)
- The value of distribution assets is 1,795.0 MEUR (31.12.2019: 1,681.4 MEUR)



Transmission system asset leasing

Revenue and EBITDA



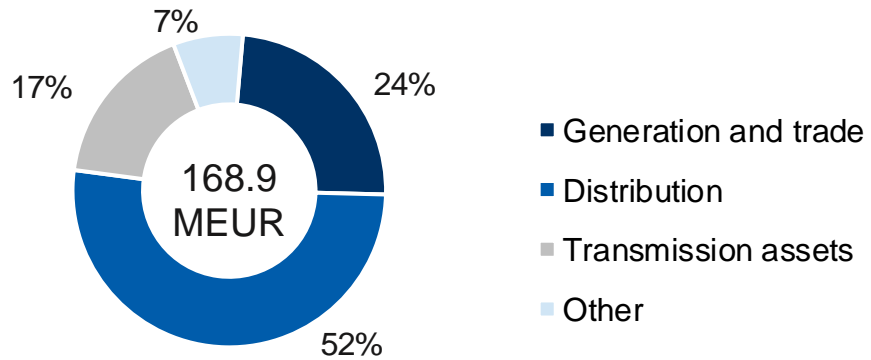
Main facts – 2020

- As of 10 June 2020, transmission system assets (694.3 MEUR) were separated from the Latvenergo Group:
 - All the shares of LET (222.7 MEUR) were transferred to the Ministry of Economics
 - All LET liabilities were also transferred, incl. loans of 225 MEUR
 - On 9 July 2020, it was decided to increase the share capital of Latvenergo AS by EUR 178.1 million by investing retained earnings from previous years
 - The operations of the transmission segment are reported as discontinuing operations
- Investments in transmission system assets: 28.8 MEUR (2019: 87.4 MEUR)
- Segment's revenue was calculated in accordance with the methodology approved by the Public Utilities Commission



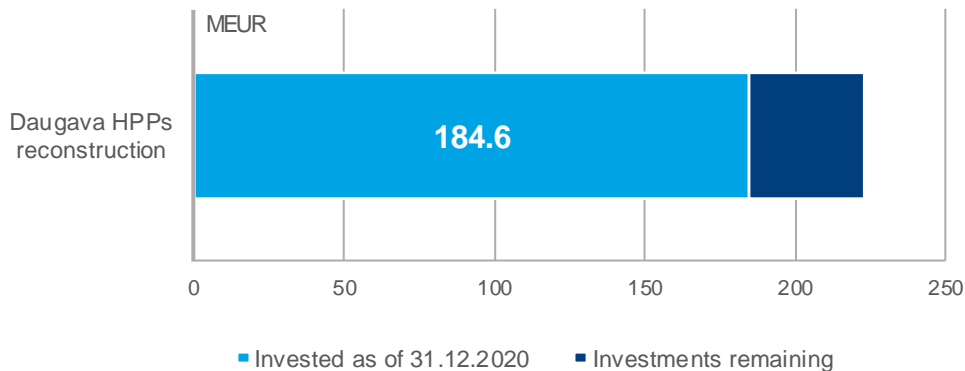
Investments

Investment in network assets – 2/3 of the total



- Investments in network assets allows to improve the quality of the power network services and technical parameters

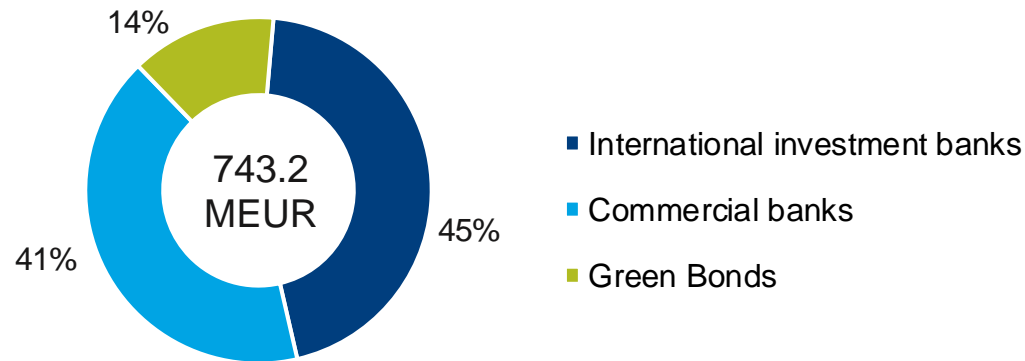
Major investment project



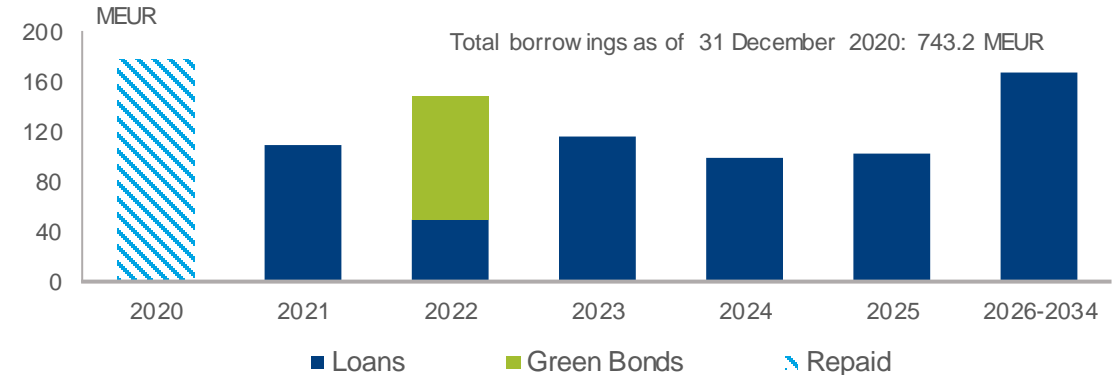
The reconstruction will provide for further 40-year operation of hydropower units

Funding and Liquidity

Diversified sources of funding



Debt repayment schedule



Main facts – 2020

- Latvenergo group again receives the award for Best Investor Relations on the Bond Market
- On 11 February 2021 Moody's completed a periodic review of the credit rating of Latvenergo AS: Baa2 (stable)
- Latvenergo AS plans to issue green bonds up to 200 MEUR
- The outstanding amount of green bonds amounts to 100 MEUR as at 31.12.2020

Main figures

	31.12.2020.
Share of fixed interest rate*	38%
Duration*	1.6 years
Effective weighted average interest rate*	1.4 %

* with interest rate swaps

Thank you!

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Daugava HPPs – Daugava hydropower plants

EBITDA – Earnings before interest, corporate income tax, share of profit or loss of associates, depreciation and amortization, and impairment of intangible and fixed assets

EU – European Union

IFRS – International Financial Reporting Standards

LET – Latvijas elektriskie tīkli AS

MEUR – Million euros

MWh – Megawatt hour (1,000,000 MWh = 1,000 GWh = 1 TWh)

PSO fee – Public service obligation fee

CHPPs – Latvenergo AS combined heat and power plants

SAIDI – System Average Interruption Duration Index

SAIFI – System Average Interruption Frequency Index

Consolidated Statement of Profit or Loss*

	EUR'000	
	2020	2019
Revenue	773,391	841,636
Other income	28,732	25,863
Raw materials and consumables	(369,261)	(477,660)
Personnel expenses	(105,971)	(101,349)
Other operating expenses	(48,997)	(44,964)
EBITDA	277,894	243,526
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment and right-of-use assets	(156,544)	(143,161)
Operating profit	121,350	100,365
Finance income	2,125	1,187
Finance costs	(10,776)	(9,480)
Profit before tax	112,699	92,072
Income tax	(6,234)	(7,945)
Profit for the year from continuing operations	106,465	84,127
Profit for the year from discontinued operation	9,844	10,232
Profit for the year	116,309	94,359
Profit attributable to:		
- <i>Equity holder of the Parent Company</i>	114,513	92,660
- <i>Non-controlling interests</i>	1,796	1,699

Consolidated Statement of Financial Position*

	EUR'000	
	31/12/2020	31/12/2019
ASSETS		
Non-current assets		
Intangible assets	50,028	22,587
Property, plant and equipment	2,827,326	2,752,945
Right-of-use assets	8,253	5,522
Investment property	512	301
Non-current financial investments	40	39
Non-current loans to related parties	86,620	–
Other non-current receivables	429	433
Derivative financial instruments	291	–
Other financial investments	2,693	16,885
Total non-current assets	2,976,192	2,798,712
Current assets		
Inventories	68,754	104,927
Current intangible assets	3,157	–
Receivables from contracts with customers	108,178	111,530
Other current receivables	85,316	77,085
Deferred expenses	1,083	3,015
Prepayment for income tax	43	140
Derivative financial instruments	1,266	6,717
Other financial investments	14,143	–
Cash and cash equivalents	100,703	122,422
Current assets excluding assets held for distribution	382,643	425,836
Assets held for distribution	–	640,393
Total current assets	382,643	1,066,229
TOTAL ASSETS	3,358,835	3,864,941
EQUITY AND LIABILITIES		
EQUITY		
Share capital	790,348	834,883
Reserves	1,154,367	1,075,235
Retained earnings	165,672	318,555
Reserves of disposal group classified as held for distribution	–	28,936
Equity attributable to equity holder of the Parent Company	2,110,387	2,257,609
Non-controlling interests	7,855	7,878
Total equity	2,118,242	2,265,487
LIABILITIES		
Non-current liabilities		
Borrowings	634,077	702,129
Lease liabilities	6,783	4,349
Deferred income tax liabilities	6,401	8,327
Provisions	17,317	18,491
Derivative financial instruments	9,672	6,149
Deferred income from contracts with customers	139,613	143,330
Other deferred income	170,413	194,033
Total non-current liabilities	984,276	1,076,808
Current liabilities		
Borrowings	109,122	180,542
Lease liabilities	1,561	1,216
Trade and other payables	100,912	115,708
Deferred income from contracts with customers	15,091	13,764
Other deferred income	24,799	24,857
Derivative financial instruments	4,832	6,983
Current liabilities excluding liabilities held for distribution	256,317	343,070
Liabilities directly associated with the assets held for distribution	–	179,576
Total current liabilities	256,317	522,646
Total liabilities	1,240,593	1,599,454
TOTAL EQUITY AND LIABILITIES	3,358,835	3,864,941

* The Latvenergo Consolidated Financial Statements for 2020 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Cash Flows*

	EUR'000	
	2020	2019
Cash flows from operating activities		
Profit before tax	112,699	92,072
Profit before tax from discontinued operation	9,946	12,667
Profit before tax, total	122,645	104,739
Adjustments:		
– Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right-of-use assets	168,146	167,918
– Loss from disposal of non-current assets	22,284	26,980
– Interest expense	10,355	9,346
– Interest income	(2,137)	(1,034)
– Fair value (income) / loss on derivative financial instruments	(1,242)	293
– Decrease in provisions	(1,434)	(3,691)
– Unrealised loss / (income) on currency translation differences	105	(54)
– Gain from distribution of assets / non-current financial investment of Parent Company	(5,001)	–
Operating profit before working capital adjustments	313,721	304,497
Decrease / (increase) in inventories	36,205	(32,990)
(Increase) / decrease in receivables from contracts with customers and other receivables	(31,821)	41,083
(Decrease) / increase in trade and other liabilities	(6,659)	11,757
Cash generated from operating activities	311,446	324,347
Interest paid	(11,517)	(9,483)
Interest paid on leases	(87)	(54)
Interest received	2,118	1,084
Paid corporate income tax	(10,766)	(461)
Net cash flows from operating activities	291,194	315,433
Cash flows from investing activities		
Repayment of loans to related parties	138,560	–
Purchase of intangible assets and PPE	(184,748)	(254,947)
Proceeds from redemption of other financial investments	50	49
Net cash flows used in investing activities	(46,138)	(254,898)
Cash flows from financing activities		
Repayment of issued debt securities (bonds)	(35,000)	–
Proceeds on borrowings from financial institutions	39,500	180,291
Repayment of borrowings	(143,176)	(112,102)
Received financing from European Union	1,515	579
Lease payments	(1,024)	(821)
Dividends paid to non-controlling interests	(1,819)	(2,279)
Dividends paid to equity holder of the Parent Company	(127,071)	(132,936)
Net cash flows used in financing activities	(267,075)	(67,268)
Net decrease in cash and cash equivalents	(22,019)	(6,733)
Cash and cash equivalents at the beginning of the year	122,722	129,455
Cash and cash equivalents at the end of the year	100,703	122,722

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