

LATVENERGO CONSOLIDATED FINANCIAL STATEMENTS FOR 2022

19.04.2023, Riga

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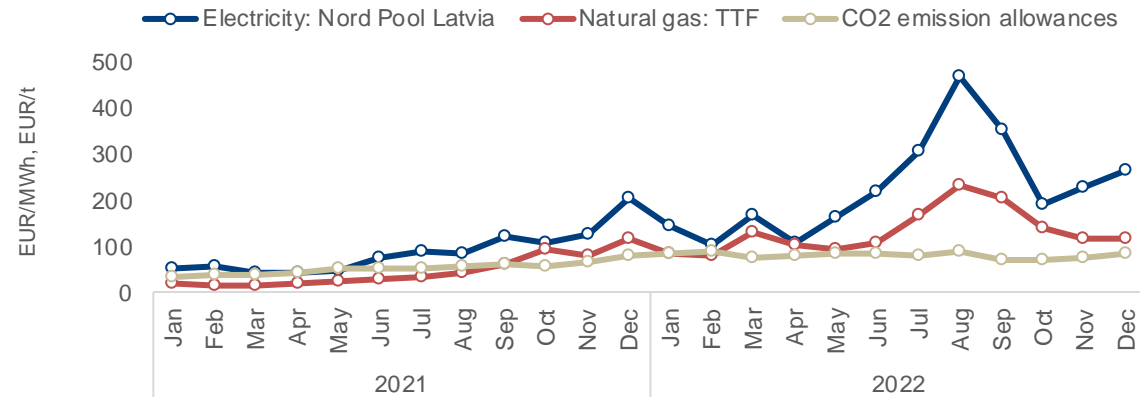
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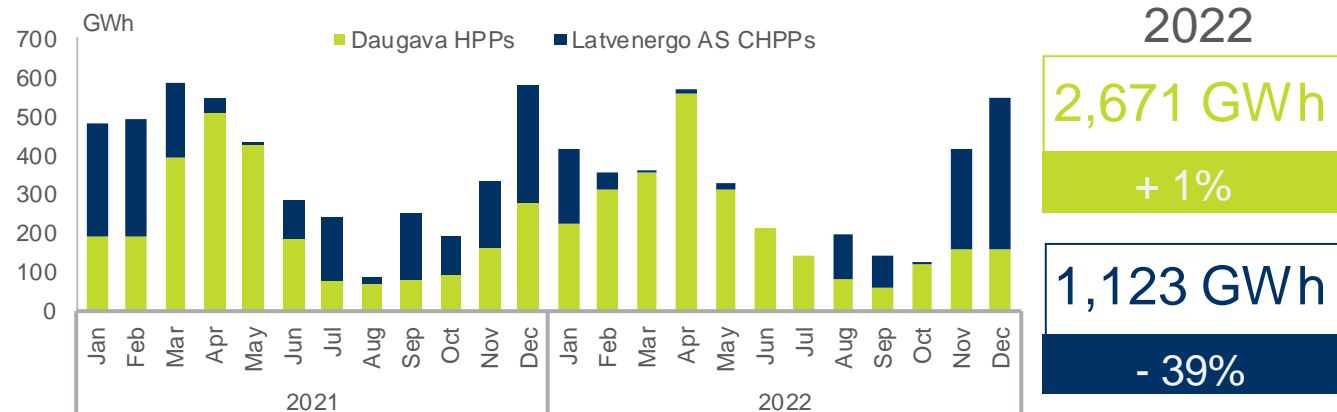
Record-high prices of electricity and energy resources

Main facts – 2022

- Electricity prices impacted by:
 - record-high prices of energy resources
 - lower generation of hydropower plants in the Nordics
- The price of natural gas at TTF virtual trading point (front month) almost 3x higher, reaching 132 EUR/MWh (2021: 47 EUR/ MWh)
- The average price of CO2 emission allowances (EUA DEC.22) 53% higher, exceeding 81 EUR/t (2021: 53 EUR/t)

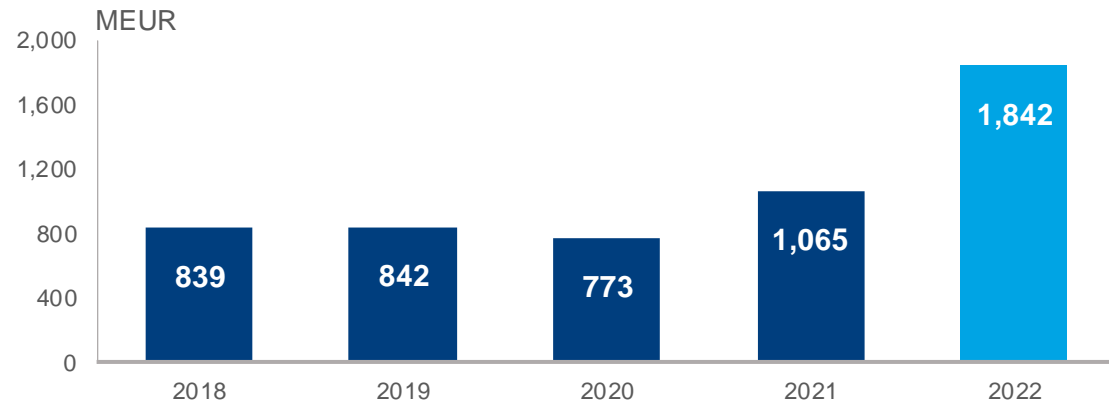


Electricity generation decreased by 15%

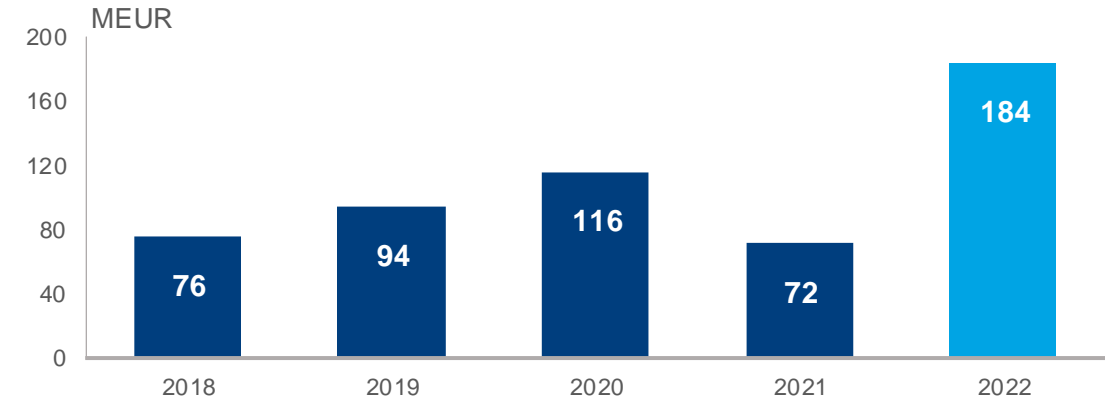


Key financial figures

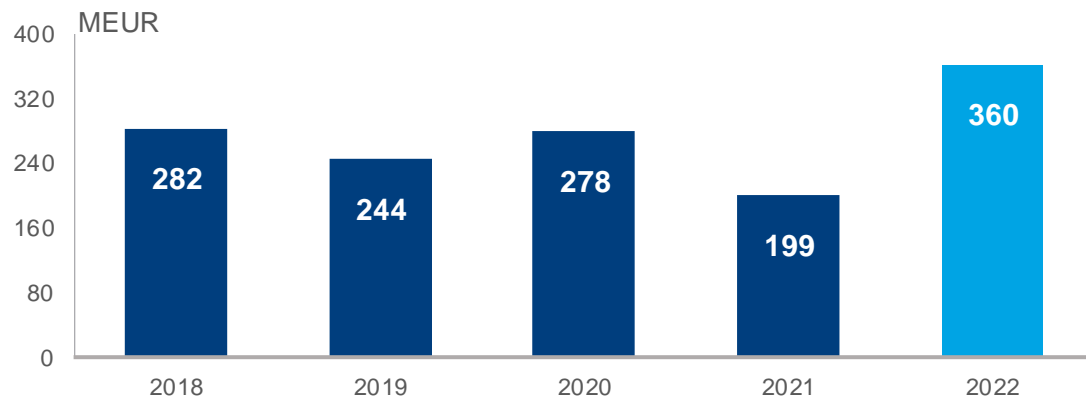
Revenue*



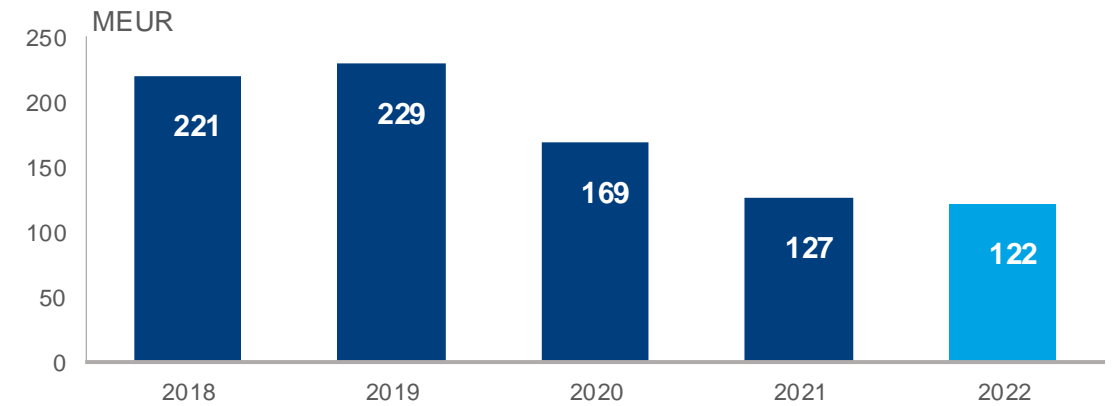
Net profit



EBITDA*



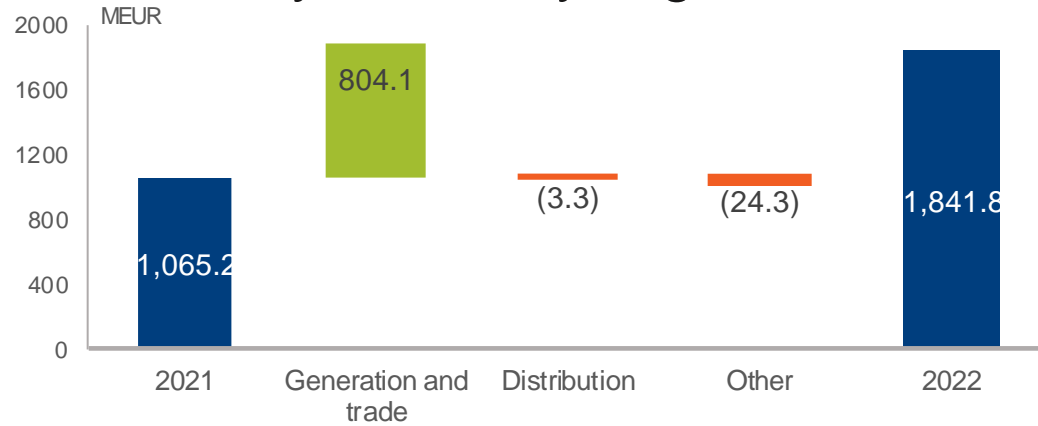
Investments



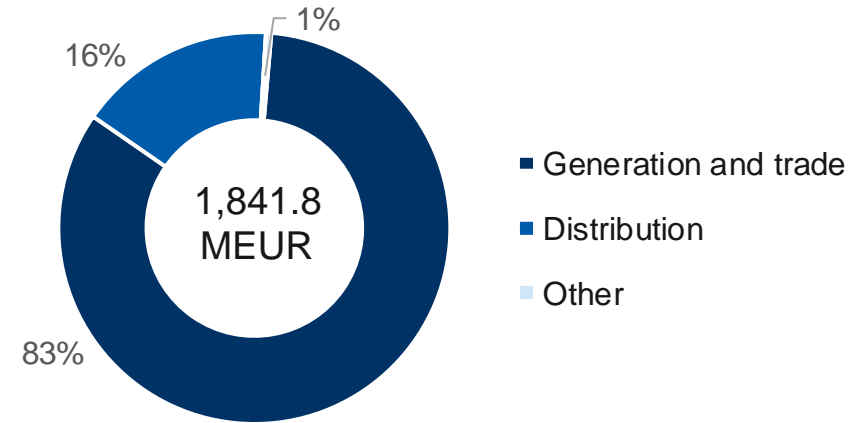
* Figures and ratios until 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership). For more details, please see the Group's annual report for 2020

Latvenergo Group's EBITDA increased by 81%

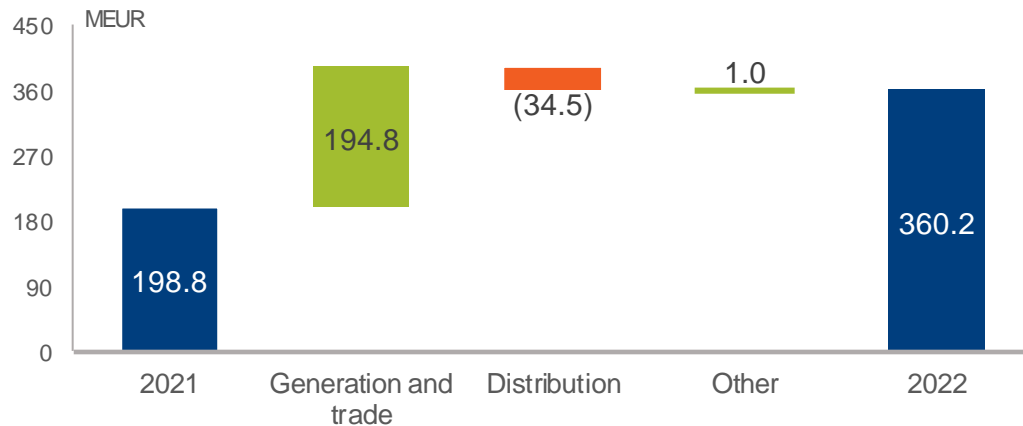
Revenue dynamics by segments



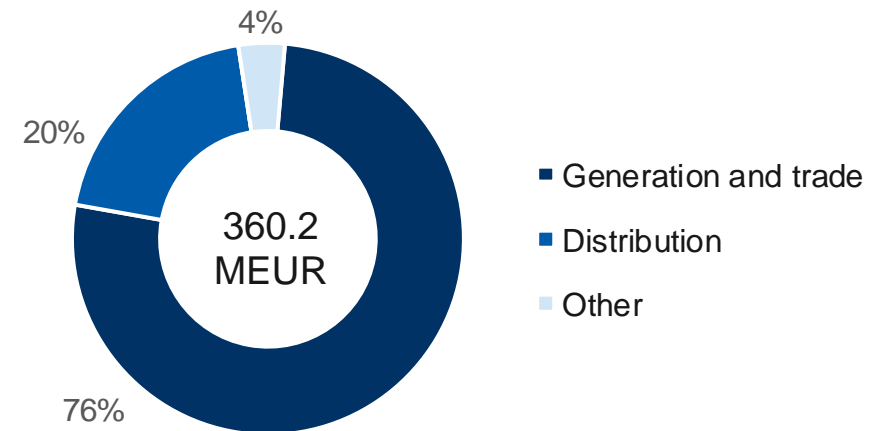
Revenue weight by segments



EBITDA dynamics by segments

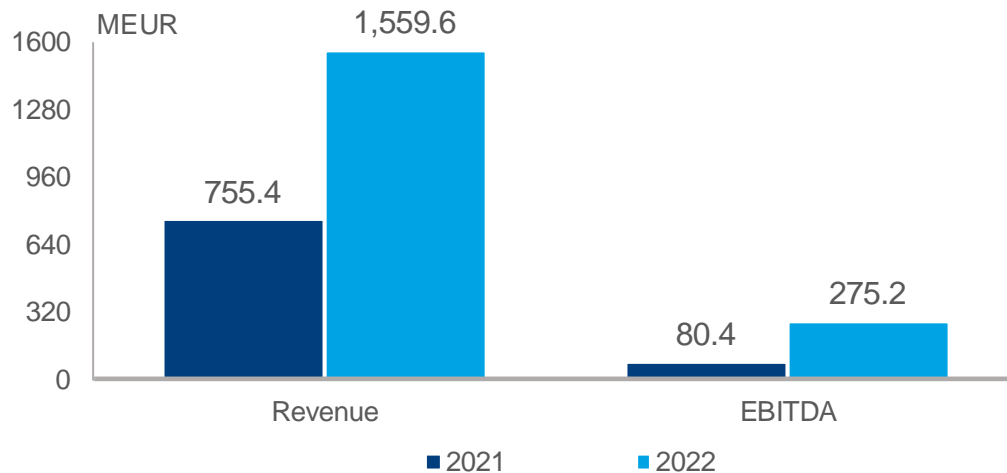


EBITDA weight by segments



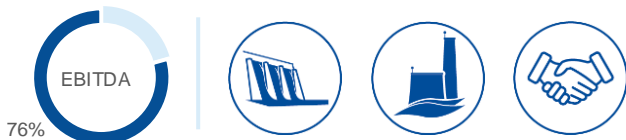
Generation and trade

Revenue and EBITDA



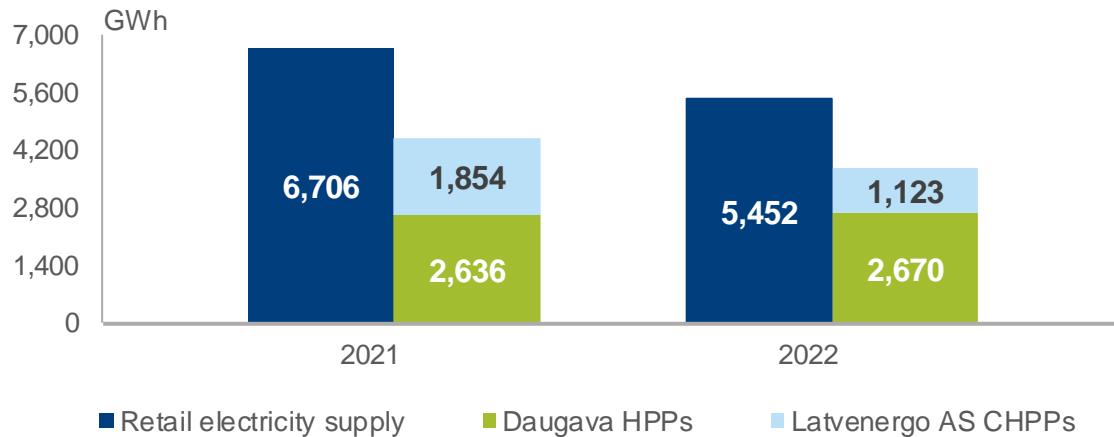
Main facts – 2022

- The segment’s revenue positively mainly impacted by higher energy sales revenues mainly due to higher electricity and natural gas market prices
- The segment’s EBITDA positively impacted by:
 - the adjustment of electricity sales prices to the market situation
 - successfully concluded derivative financial instruments, which partially limited the negative impact of the increase in costs due to the significant increase in the prices of energy resources in the market
- Latvenergo Group operates in all energy trade segments in Latvia, Lithuania and Estonia
- As of 1 September 2022, the average PSO fee is not applied



Latvenergo – largest green electricity producer in the Baltics

3,822 GWh of electricity generated



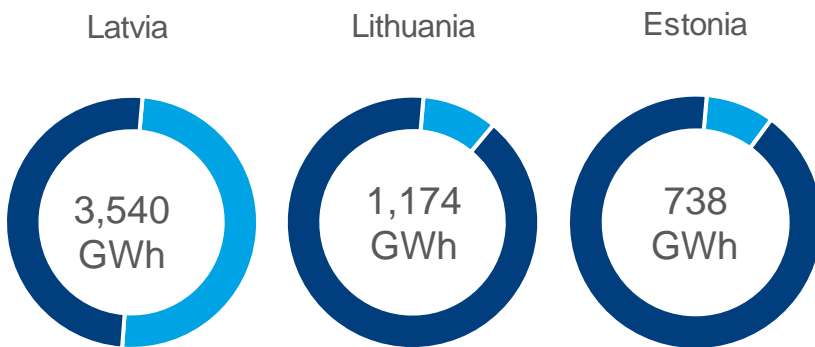
70% of electricity generated from renewable sources

- *Latvenergo* – produced 24% of the total electricity generated in the Baltics
- Electricity generated at *Latvenergo* corresponds to 70% of the amount of electricity sold in retail
- Power generation at the Latvenergo AS CHPPs decreased by 39% due to record-high prices of natural gas and CO2 emission allowances
- The amount of thermal energy generated decreased by 14% due to warmer weather conditions, reaching 1,777 GWh
- SIA Latvijas vēja parki, a joint venture of Latvenergo AS and Latvijas valsts meži AS was established for the development of wind energy in Latvia; a cooperation memorandum was signed with RWE

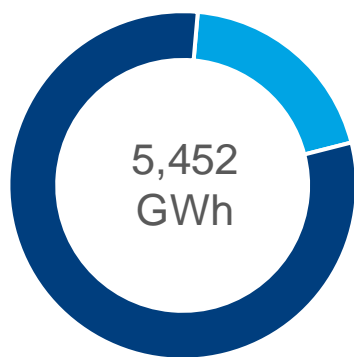


Trade

Retail electricity supply*





The Baltics





■ Latvenergo Group ■ other suppliers


The number of *Elektrum* customers increased by 8%

- 

The number of *Elektrum* customers outside Latvia increased almost 2x, exceeding 175,000.
- 

5.5 TWh of electricity sold to Baltic retail customers.
- 

0.9 TWh of natural gas sold to Baltic retail customers. The number of customers increased by 15%.
- 

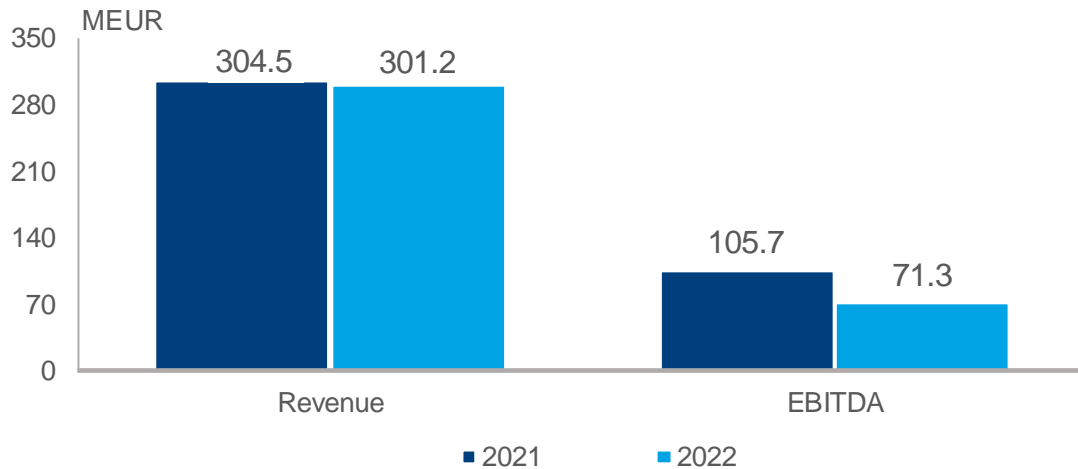
More than 6,200 contracts were concluded for the installation of solar panels. Installed solar capacity in the Baltics comprised 38 MW.
- 

More than 24,000 electric vehicle charges were made at the *Elektrum Drive* electric car charging stations.

* including operational consumption

Distribution

Revenue and EBITDA



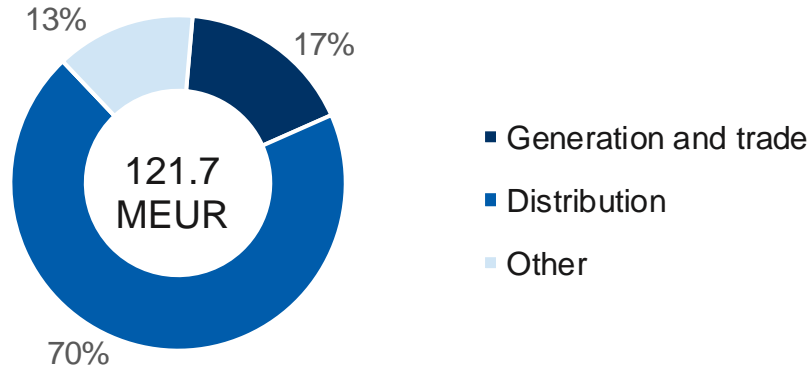
Main facts – 2022

- Electricity distributed decreased by 4%, reaching 6.2 TWh (2021: 6.5 TWh)
- Financial performance was negatively impacted by:
 - higher electricity loss costs with the electricity market price in Latvia increasing 2.5x
 - lower consumption due to higher price of electricity and warmer winter
- Capital expenditure in distribution assets reached 84.6 MEUR (2021: 84.8 MEUR)
- Considering the increase in costs, Sadales tīkls AS developed and submitted a new tariff project for PUC evaluation in November



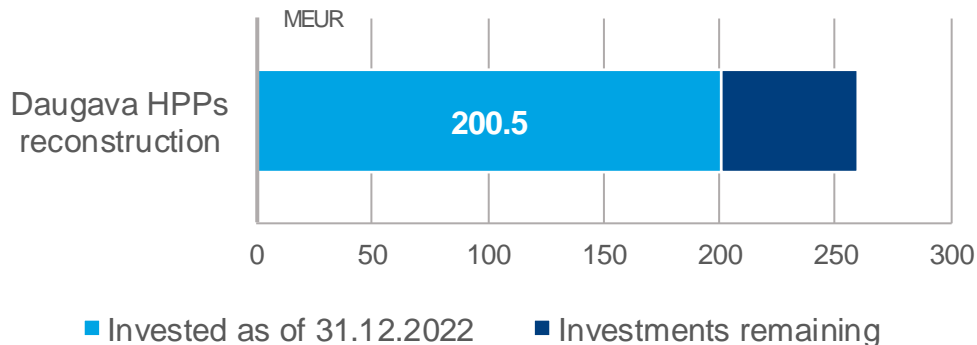
Investments

Investment in distribution network assets – 2/3 of the total



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

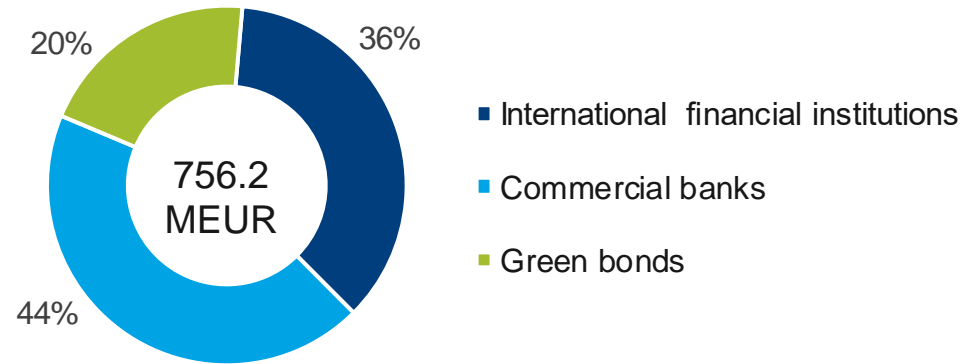
Major investment project



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

Investment funding

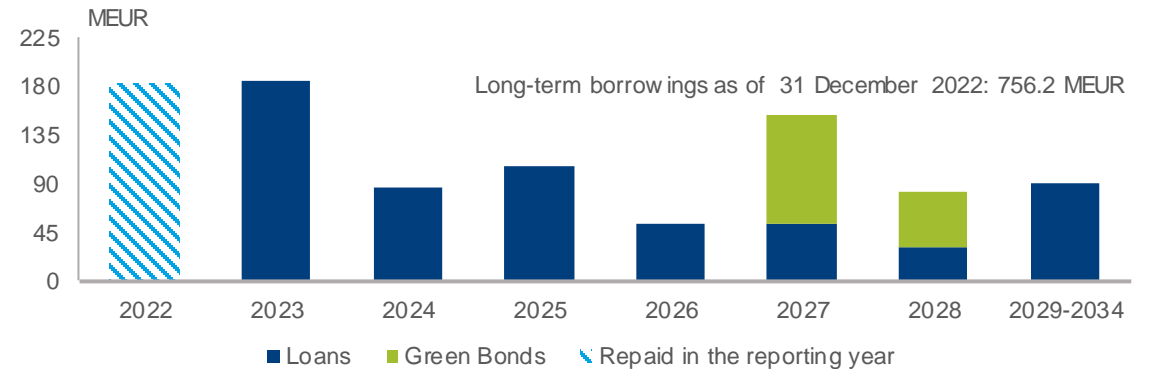
Diversified long-term funding



Main facts – 2022

- In May, Latvenergo AS issued five-year green bonds in the total nominal value of EUR 100 million; in February, 2023, six-year green bonds in the total nominal value of EUR 50 million were issued
- In October and November, Latvenergo AS attracted new long-term loans from commercial banks in the amount of EUR 200 million
- In January 2022, Moody’s published an updated Credit Opinion of Latvenergo AS: Baa2 (stable)

Long-term debt repayment schedule



Main figures of the long-term debt portfolio

| | 31.12.2022 |
|---|------------|
| Share of fixed interest rate* | 36% |
| Average Fixed Interest Rate Period* | 1.8 years |
| Effective weighted average interest rate* | 1.2% |

* 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

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

WPP – Wind power plant

Consolidated Statement of Profit or Loss*

| | EUR'000 | |
|---|----------------|----------------|
| | 2022 | 2021 |
| Revenue | 1,841,801 | 1,065,219 |
| Other income | 31,174 | 29,428 |
| Raw materials and consumables | (1,333,708) | (740,127) |
| Personnel expenses | (116,993) | (105,623) |
| Other operating expenses | (62,065) | (50,084) |
| EBITDA | 360,209 | 198,813 |
| Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right-of-use assets | (166,248) | (116,923) |
| Operating profit | 193,961 | 81,890 |
| Finance income | 1,414 | 2,110 |
| Finance costs | (10,830) | (9,070) |
| Profit before tax | 184,545 | 74,930 |
| Income tax | (671) | (3,307) |
| Profit for the reporting year | 183,874 | 71,623 |
| Profit attributable to: | | |
| - <i>Equity holder of the Parent Company</i> | 183,443 | 70,675 |
| - <i>Non-controlling interests</i> | 431 | 948 |

Consolidated Statement of Financial Position*

| | EUR'000 | |
|---|------------------|------------------|
| | 31/12/2022 | 31/12/2021 |
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | 51,789 | 53,557 |
| Property, plant, and equipment | 3,005,370 | 2,826,654 |
| Right-of-use assets | 10,526 | 8,312 |
| Investment property | 2,297 | 3,316 |
| Non-current financial investments | 40 | 40 |
| Other non-current receivables | 482 | 2,544 |
| Deferred income tax assets | - | 79 |
| Derivative financial instruments | 8,131 | - |
| Total non-current assets | 3,078,635 | 2,894,502 |
| Current assets | | |
| Inventories | 295,638 | 192,132 |
| Current intangible assets | 31,664 | 24,266 |
| Receivables from contracts with customers | 314,109 | 181,136 |
| Other current receivables | 17,521 | 59,740 |
| Deferred expenses | 2,408 | 1,235 |
| Prepayment for income tax | - | 65 |
| Derivative financial instruments | 2,598 | 25,735 |
| Cash and cash equivalents | 112,757 | 97,079 |
| Total current assets | 776,695 | 581,388 |
| TOTAL ASSETS | 3,855,330 | 3,475,890 |
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Share capital | 790,368 | 790,368 |
| Reserves | 1,282,683 | 1,175,355 |
| Retained earnings | 276,242 | 151,430 |
| Equity attributable to equity holder of the Parent Company | 2,349,293 | 2,117,153 |
| Non-controlling interests | 7,126 | 6,295 |
| Total equity | 2,356,419 | 2,123,448 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Borrowings | 574,754 | 614,075 |
| Lease liabilities | 8,648 | 6,540 |
| Deferred income tax liabilities | 667 | 2,955 |
| Provisions | 15,566 | 15,421 |
| Derivative financial instruments | - | 2,332 |
| Deferred income from contracts with customers | 133,116 | 137,019 |
| Other deferred income | 121,180 | 146,115 |
| Other non-current liabilities | 265 | - |
| Total non-current liabilities | 854,196 | 924,457 |
| Current liabilities | | |
| Borrowings | 301,164 | 180,954 |
| Lease liabilities | 2,027 | 1,888 |
| Trade and other payables | 165,274 | 189,018 |
| Deferred income from contracts with customers | 29,330 | 15,031 |
| Other deferred income | 24,901 | 24,906 |
| Derivative financial instruments | 122,019 | 16,188 |
| Total current liabilities | 644,715 | 427,985 |
| Total liabilities | 1,498,911 | 1,352,442 |
| TOTAL EQUITY AND LIABILITIES | 3,855,330 | 3,475,890 |

* The Latvenergo Consolidated Financial Statements for 2022 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Cash Flows*

| | EUR'000 | |
|--|------------------|-----------------|
| | 2022 | 2021 |
| Cash flows from operating activities | | |
| Profit before tax | 184,545 | 74,930 |
| Adjustments: | | |
| – Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right-of-use assets, and loss from disposal of non-current assets | 209,477 | 164,560 |
| – Net financial adjustments | 19,488 | 20,376 |
| – Other adjustments | 509 | (2,364) |
| Interest paid | (9,186) | (9,543) |
| Interest received | 27 | 2,432 |
| Paid corporate income tax | (2,648) | (6,867) |
| Funds from operations (FFO) | 402,212 | 243,524 |
| Increase in current assets | (193,373) | (173,920) |
| (Decrease) / increase in trade and other liabilities | (35,696) | 62,145 |
| Net cash flows generated from operating activities | 173,143 | 131,749 |
| Cash flows from investing activities | | |
| Repayment of loans to related parties | – | 86,672 |
| Purchase of intangible assets and property, plant and equipment | (164,854) | (189,749) |
| Proceeds from redemption of other financial investments | – | 16,836 |
| Net cash flows used in investing activities | (164,854) | (86,241) |
| Cash flows from financing activities | | |
| Repayment of issued debt securities (bonds) | (100,000) | – |
| Proceeds on issued debt securities (bonds) | 100,000 | 50,000 |
| Proceeds on borrowings from financial institutions | 207,846 | 79,997 |
| Repayment of borrowings from financial institutions | (129,118) | (77,928) |
| Received financing from European Union | 4 | 748 |
| Lease payments | (1,583) | (1,195) |
| Proceeds from non-controlling interests' contributions to share capital | 400 | – |
| Dividends paid to non-controlling interests | – | (2,508) |
| Dividends paid to equity holder of the Parent Company | (70,160) | (98,246) |
| Net cash flows generated from / (used in) financing activities | 7,389 | (49,132) |
| Net increase / (decrease) in cash and cash equivalents | 15,678 | (3,624) |
| Cash and cash equivalents at the beginning of the year | 97,079 | 100,703 |
| Cash and cash equivalents at the end of the year | 112,757 | 97,079 |