

LATVENERGO CONSOLIDATED UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD
ENDING 30 JUNE 2022

31.08.2022, Riga

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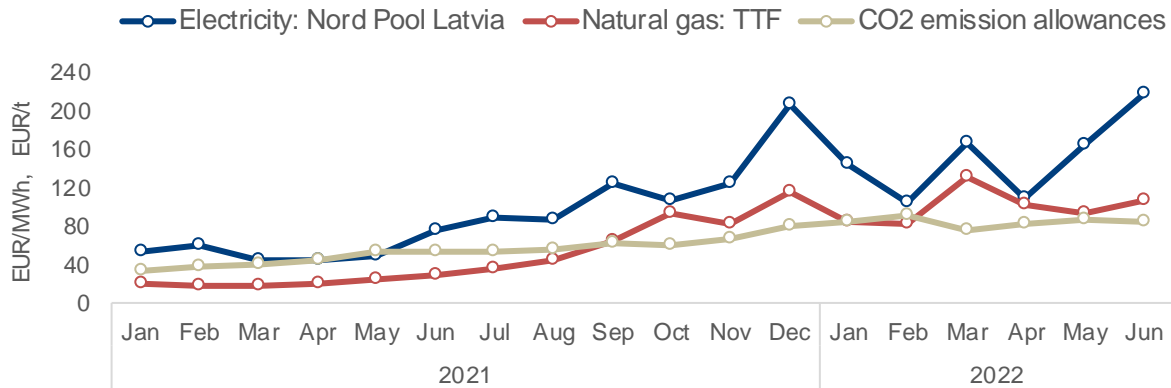
Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Annual Financial statements, see the section “Formulas”.

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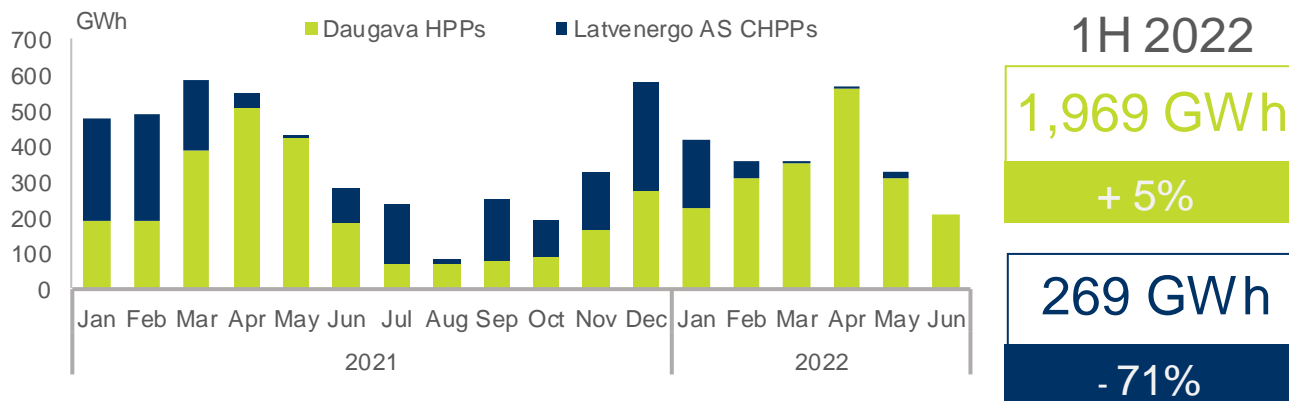
Record-high electricity and energy resource prices



Main facts – 1H 2022

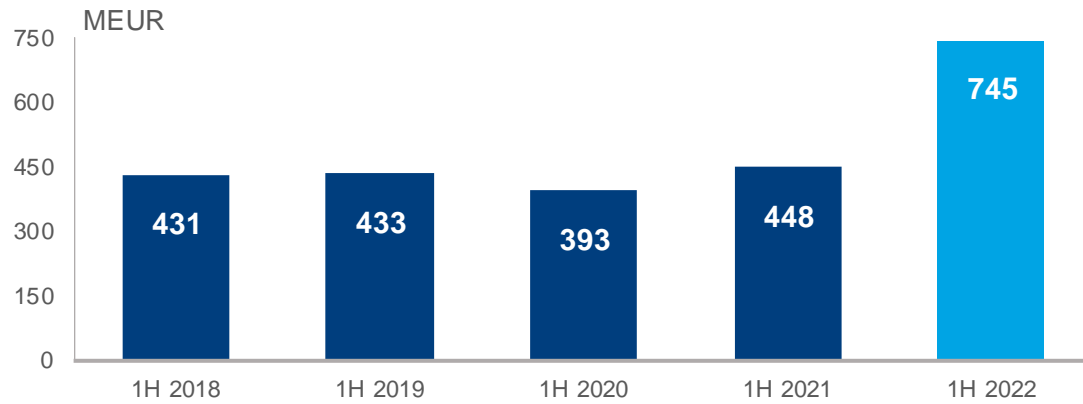
- Electricity prices impacted by:
 - record-high energy resource prices
 - lower generation of hydropower plants in the Nordics
- The price of natural gas at TTF virtual trading point (front month) almost 5x higher, reaching 100 EUR/MWh (1H 2021: 22 EUR/MWh)
- The average price of CO2 emission allowances (EUA DEC.22) almost 2x higher, reaching 84 EUR/t (1H 2021: 44 EUR/t)

Generation at the Daugavas HPPs increased by 5%

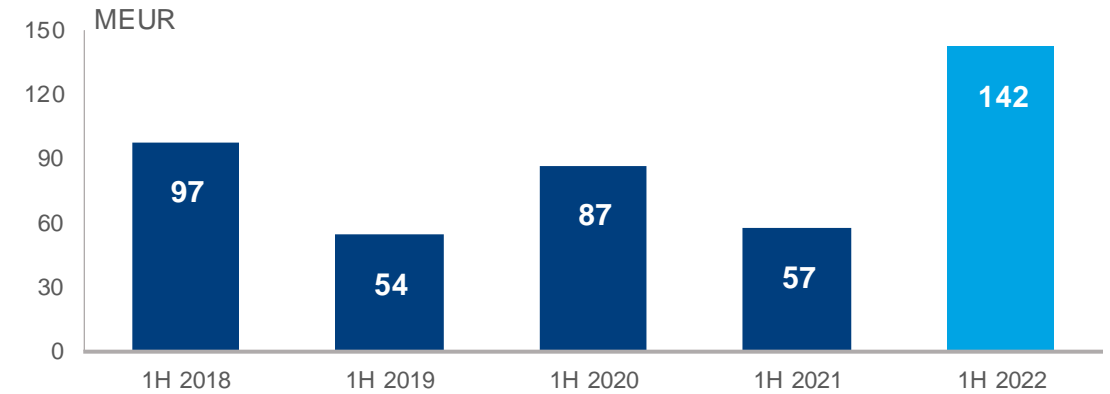


Key financial figures

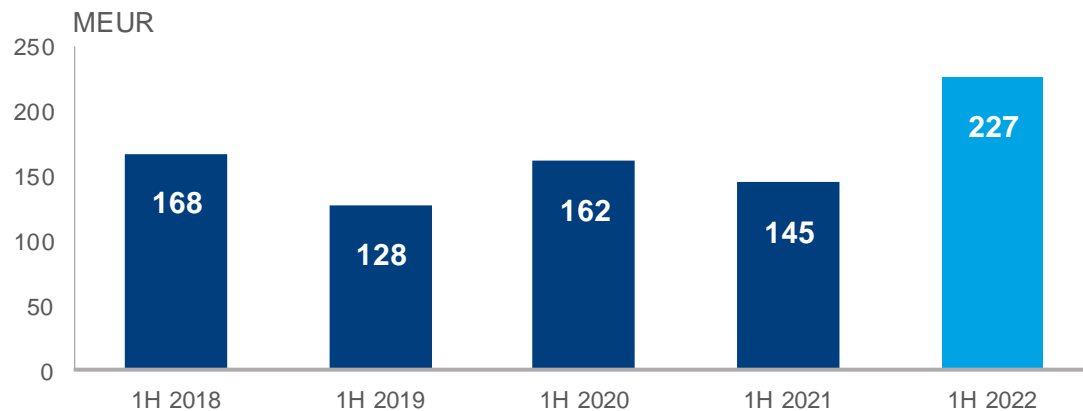
Revenue*



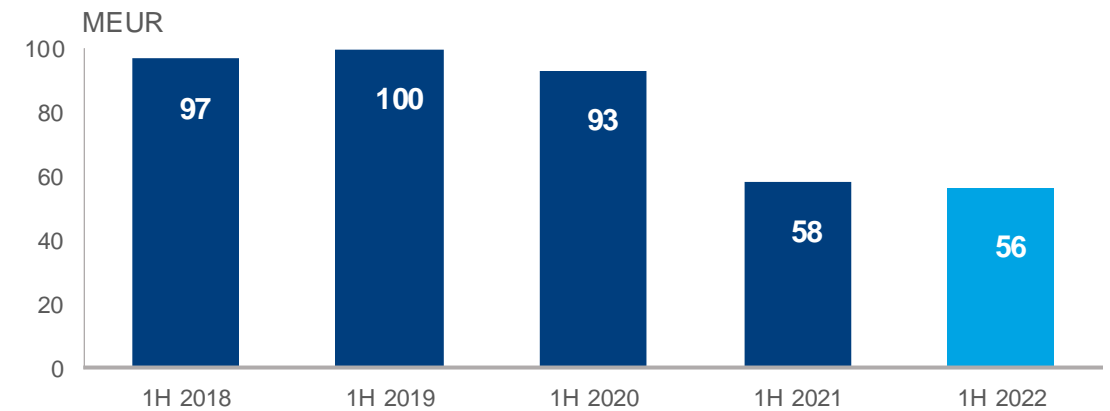
Net profit



EBITDA*

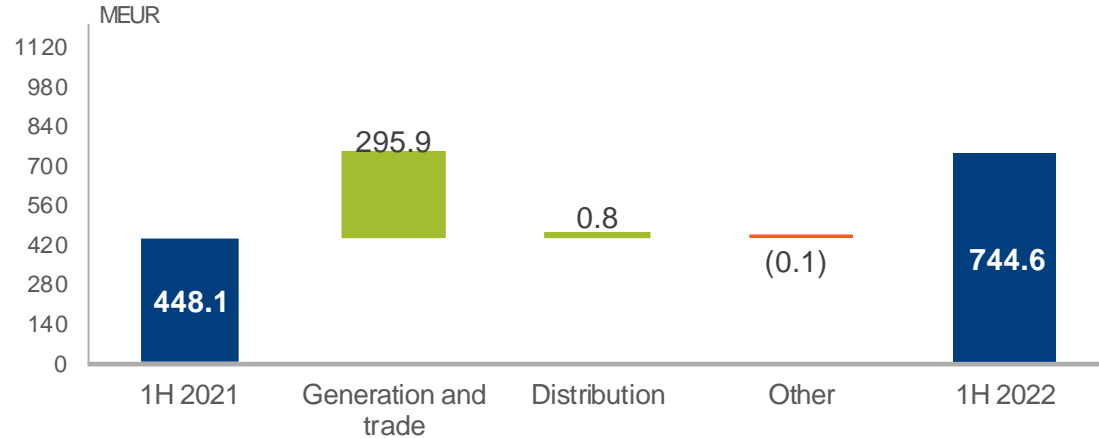


Investments

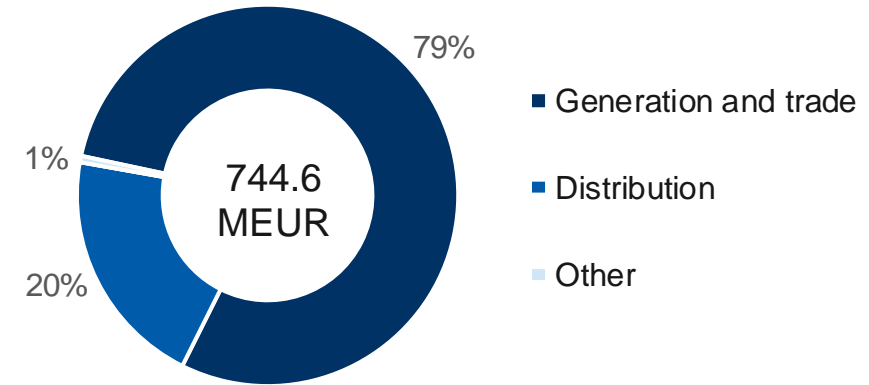


Latvenergo Group's EBITDA increased by 56%

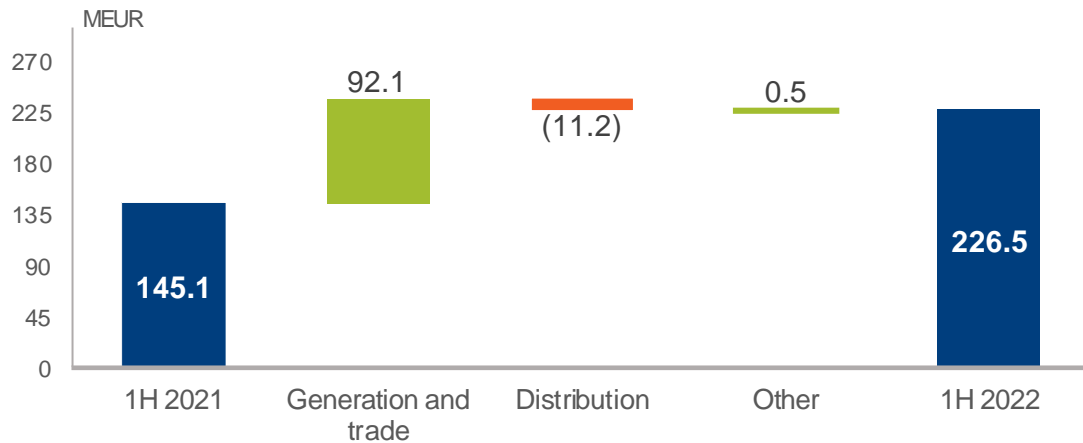
Revenue dynamics by segments



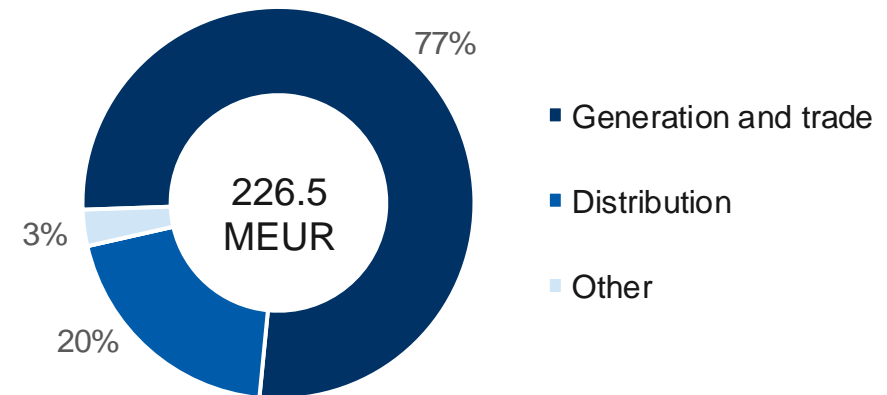
Revenue weight by segments



EBITDA dynamics by segments

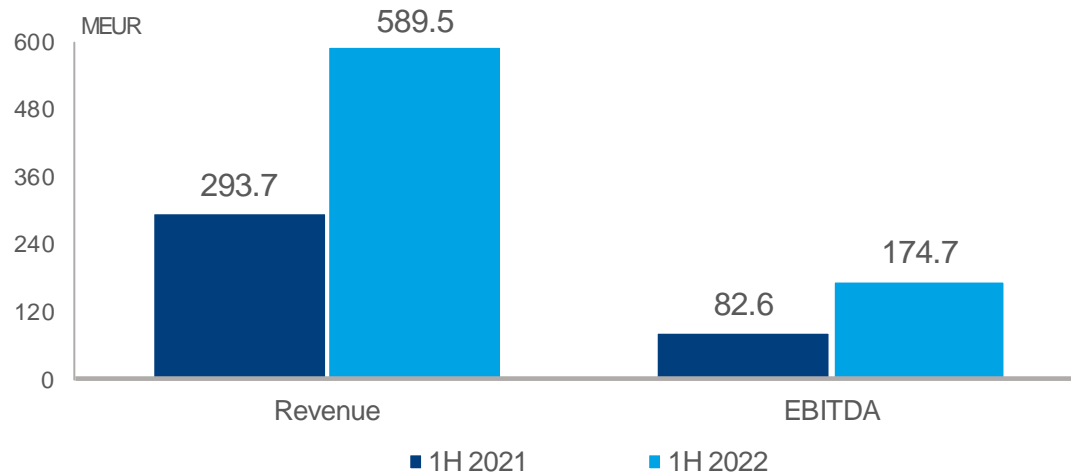


EBITDA weight by segments



Generation and trade

Revenue and EBITDA



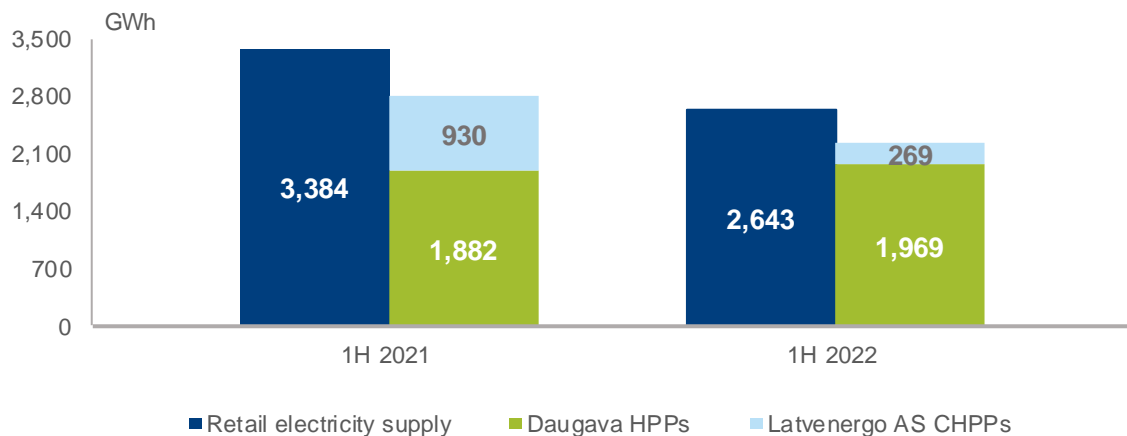
Main facts – 1H 2022

- The segment’s revenue positively mainly impacted by 273 MEUR 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
 - 5% greater output at the Daugava HPPs
 - 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 January 2022, the average PSO fee is reduced by 57% – 7.55 EUR/MWh



Latvenergo – largest green electricity producer in the Baltics

2,253 GWh of electricity generated



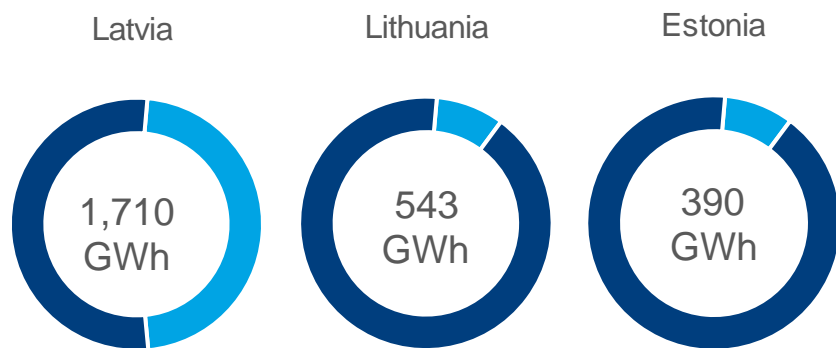
88% of electricity generated from renewable sources

- *Latvenergo* – produced 27% of the total electricity generated in the Baltics
- Electricity generated at *Latvenergo* corresponds to 85% of the amount of electricity sold in retail
- Power generation at the Daugavas HPPs increased by 5%
- Power generation at the Latvenergo AS CHPPs decreased by 71% due to record-high prices of natural gas and CO2 emission allowances
- The amount of thermal energy generated decreased by 13% due to warmer weather conditions, reaching 1,092 GWh

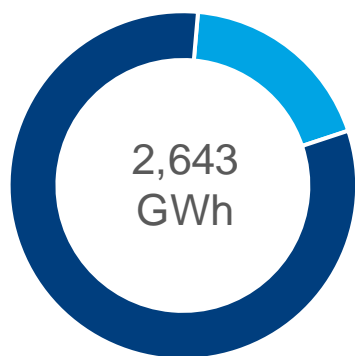


Trade

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 more than 2x, exceeding 140,000
- 

2,643 GWh of electricity sold to Baltic retail customers
- 

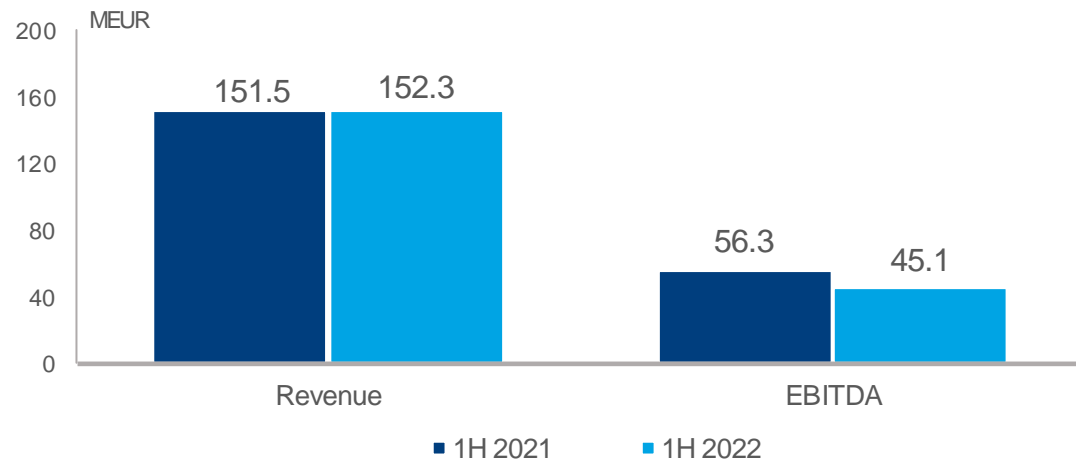
518 GWh of natural gas sold to Baltic retail customers
- 

More than 3,400 contracts were concluded for the installation of solar panels
- 

More than 9,100 electric vehicle charges were made at the *Elektrum Drive* electric car charging stations

Distribution

Revenue and EBITDA



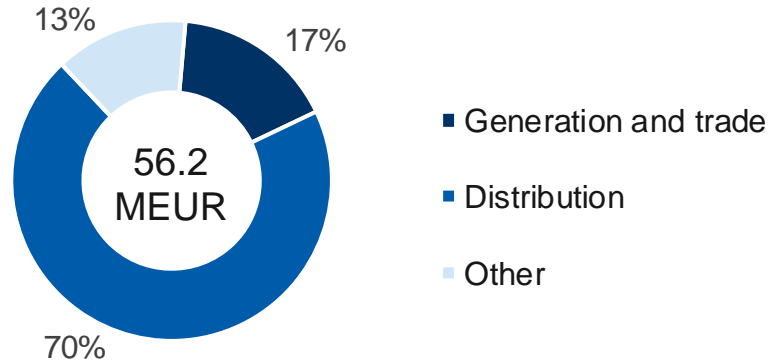
Main facts – 1H 2022

- Electricity distributed decreased by 1%, reaching 3,181 GWh (1H 2021: 3,212 GWh)
- Financial performance was negatively impacted by higher electricity loss costs with the electricity market price in Latvia increasing almost 3x
- Capital expenditure in distribution assets reached 39.3 MEUR (1H 2021: 42.2 MEUR)



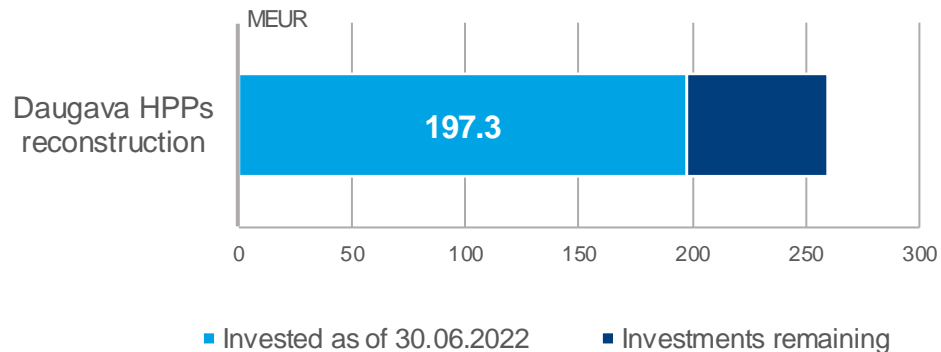
Investments

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

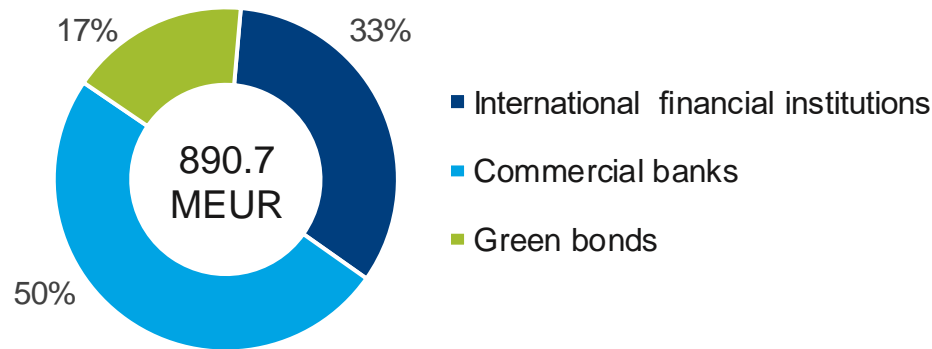
Major investment project



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

Funding and Liquidity

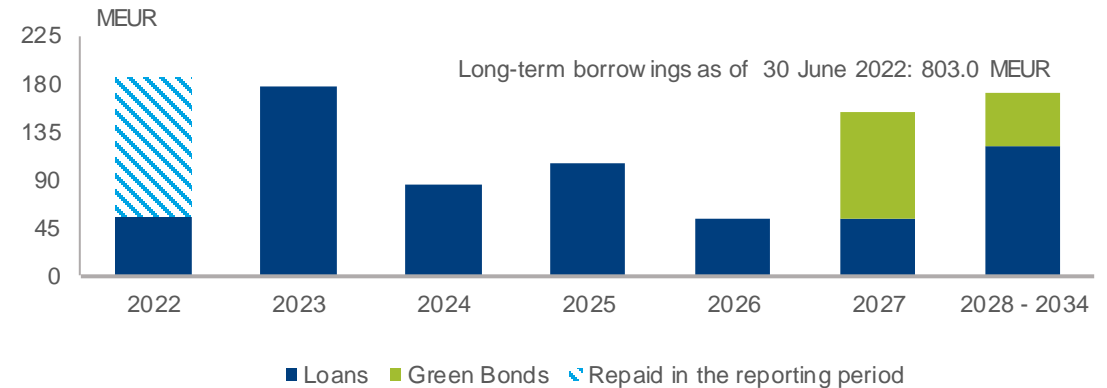
Diversified sources of funding



Main facts – 1H 2022

- In January 2022, Moody’s published an updated Credit Opinion of Latvenergo AS.: Baa2 (stable)
- On 5 May, Latvenergo AS issued five-year green bonds in the total nominal value of EUR 100 million

Long-term debt repayment schedule



Main figures of the long-term debt portfolio

	30.06.2022
Share of fixed interest rate*	36%
Average Fixed Interest Rate Period*	1.9 years
Effective weighted average interest rate*	1.0%

* 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	
	01/01- 30/06/2022	01/01- 30/06/2021
Revenue	744,582	448,052
Other income	14,694	13,600
Raw materials and consumables	(442,093)	(237,486)
Personnel expenses	(60,105)	(56,915)
Other operating expenses	(30,575)	(22,130)
EBITDA	226,503	145,121
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right-of-use assets	(80,973)	(83,448)
Operating profit	145,530	61,673
Finance income	759	1,403
Finance costs	(4,426)	(4,695)
Profit before tax	141,863	58,381
Income tax	42	(1,268)
Profit for the reporting period	141,905	57,113
Profit attributable to:		
- <i>Equity holder of the Parent Company</i>	142,042	56,012
- <i>Non-controlling interests</i>	(137)	1,101

Consolidated Statement of Financial Position*

	EUR'000	
	30/06/2022	31/12/2021
ASSETS		
Non-current assets		
Intangible assets	51,660	53,557
Property, plant, and equipment	3,029,682	2,826,654
Right-of-use assets	7,714	8,312
Investment property	3,142	3,316
Non-current financial investments	40	40
Other non-current receivables	4,175	2,544
Deferred income tax assets	147	79
Derivative financial instruments	5,755	–
Total non-current assets	3,102,315	2,894,502
Current assets		
Inventories	482,284	192,132
Current intangible assets	37,940	24,266
Receivables from contracts with customers	135,405	181,136
Other current receivables	43,585	59,740
Deferred expenses	3,326	1,235
Prepayment for income tax	75	65
Derivative financial instruments	80,795	25,735
Cash and cash equivalents	61,633	97,079
Total current assets	845,043	581,388
TOTAL ASSETS	3,947,358	3,475,890
EQUITY AND LIABILITIES		
EQUITY		
Share capital	790,368	790,368
Reserves	1,456,310	1,175,355
Retained earnings	299,771	151,430
Equity attributable to equity holder of the Parent Company	2,546,449	2,117,153
Non-controlling interests	6,158	6,295
Total equity	2,552,607	2,123,448
LIABILITIES		
Non-current liabilities		
Borrowings	696,286	614,075
Lease liabilities	6,030	6,540
Deferred income tax liabilities	348	2,955
Provisions	16,051	15,421
Derivative financial instruments	2,091	2,332
Deferred income from contracts with customers	134,486	137,019
Other deferred income	133,647	146,115
Other non-current liabilities	5,490	–
Total non-current liabilities	994,429	924,457
Current liabilities		
Borrowings	194,382	180,954
Lease liabilities	1,813	1,888
Trade and other payables	163,330	189,018
Deferred income from contracts with customers	15,266	15,031
Other deferred income	24,902	24,906
Derivative financial instruments	629	16,188
Total current liabilities	400,322	427,985
Total liabilities	1,394,751	1,352,442
TOTAL EQUITY AND LIABILITIES	3,947,358	3,475,890

* The Latvenergo Consolidated Unaudited Condensed Interim Financial Statements for the 6-month period ending 30 June 2022 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Cash Flows*

	EUR'000	
	01/01- 30/06/2022	01/01- 30/06/2021
Cash flows from operating activities		
Profit before tax	141,863	58,381
Adjustments:		
– Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment (PPE) and right-of-use assets and loss from disposal of non-current assets	95,847	102,482
– Net financial adjustments	(12,858)	9,883
– Other adjustments	484	(731)
Interest paid	(5,455)	(5,671)
Interest received	–	1,927
Paid corporate income tax	(2,641)	(6,852)
Funds from operations (FFO)	217,240	159,419
(Increase) / decrease in current assets	(231,994)	1,925
Decrease in trade and other liabilities	(30,834)	(18,449)
Net cash flows (used in) / generated from operating activities	(45,588)	142,895
Cash flows from investing activities		
Repayment of loans to related parties	–	46,672
Purchase of intangible assets and property, plant and equipment	(85,782)	(88,619)
Proceeds from redemption of other financial investments	–	14,153
Net cash flows used in investing activities	(85,782)	(27,794)
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	124,678	1,500
Repayment of borrowings from financial institutions	(28,239)	(43,214)
Received financing from European Union	–	207
Lease payments	(515)	(448)
Dividends paid to non-controlling interests	–	(2,508)
Dividends paid to equity holder of the Parent Company	–	(98,246)
Net cash flows generated from / (used in) financing activities	95,924	(92,709)
Net (decrease) / increase in cash and cash equivalents	(35,446)	22,392
Cash and cash equivalents at the beginning of the period	97,079	100,703
Cash and cash equivalents at the end of the period	61,633	123,095