SUPPLEMENT NO.1 DATED 20 SEPTEMBER 2022 TO THE BASE PROSPECTUS DATED 20 APRIL 2022

LATVENERGO AS

(incorporated in the Republic of Latvia as a public limited company with registration number 40003032949)

Third Programme for the Issuance of Notes in the Amount of EUR 200,000,000

This supplement (the "**Supplement**") is supplemental to, forms part of and must be read and construed in conjunction with, the Base Prospectus dated 20 April 2022 (the "**Base Prospectus**") prepared by Latvenergo AS (the "**Issuer**" or the "**Company**") with respect to its Third Programme for the Issuance of Notes in the Amount of EUR 200,000,000 and constitutes a supplement for the purposes of Article 23 of Regulation (EU) No. 2017/1129 (the "**Prospectus Regulation**").

Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the Financial and Capital Market Commission (in Latvian - *Finanšu un kapitāla tirgus komisija*) as competent authority under the Prospectus Regulation. The Financial and Capital Market Commission only approves the Base Prospectus, as supplemented by this Supplement, as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of the Base Prospectus.

The Issuer, represented by the members of its Management Board, accepts responsibility for the information contained in this Supplement and declares that, to the best of its knowledge, the information contained in this Supplement is in accordance with the facts and makes no omission likely to affect its import.

Save as disclosed in this Supplement, no other significant new factor, material mistake or material inaccuracy relating to information included in the Base Prospectus has arisen or been noted since the publication of the Base Prospectus.

AMENDMENTS TO THE BASE PROSPECTUS

With effect from the date of this Supplement, the information appearing in the Base Prospectus shall be amended and/or supplemented in the manner described below.

1. RISK FACTORS

1.1. The risk factor entitled "*Strategic decision risk*" on pages 18 - 19 of the Base Prospectus shall be deleted and replaced with the following:

"***Strategic decisions risk***

Strategic decisions risk is a possible source of loss that might arise from the pursuit of faulty strategic decisions when entering into new markets or new businesses.

Simultaneously with the opening of the electricity markets in the neighbouring countries: Estonia and Lithuania, the Group commenced its operations in these markets. There are risks and opportunities inherent to the further developments of these markets, such as an expected increase in the number of clients switching between electricity suppliers and possible changes in the legal environment, which could influence the Group's operations. The market share in the Baltic countries indicates the Group's current standing, but there is a risk that the market share could decrease or that the Group could be unable to attain its anticipated market share growth, thus causing adverse effects on its business and financial position. Furthermore, there is also a risk of exiting any of the current markets subject to various reasons, including economic and strategic, as well as suffering losses upon entering new markets. This could affect the Group's operations and financial position.

With increased competition in energy trading, the Group is ready to invest in new businesses and develop new products or services that complement traditional ones, promoting synergies with the existing businesses and customer base. After careful evaluation of the electricity market and entry barriers, the Group is ready to start power trading also in Poland, offering products already existing in the home market. In addition, the Group plans to grow significantly and diversify generation portfolio with wind and solar capacities. There is a plan in pipeline to launch solar and wind generation capacities in the Baltics. Besides, there is an upcoming line of new products related to microgeneration, electrification and energy efficiency to be introduced in the home market – in the Baltics. As part of electromobility activities, the Group is successfully expanding electric car charging points in the Baltics. The Group may also face risks related to failure to introduce new technology and new products, given the rapid evolution of the energy sector.

In order to guarantee the necessary volumes of natural gas and receive the gas on commercially favourable terms, the Group plans to enter into long-term contracts for liquefied natural gas (LNG) supplies. There is a risk, that the demand for natural gas in the region in the long term could fall, which could lead to a material adverse effect on the Group's financial position.

The Group's strategic risk is mitigated through business plans and analyses, as well as engaging experienced professionals from the energy sector. Furthermore, entries into new markets and businesses are preceded by an analysis and engaging experts in the particular field. However, despite the measures taken by the Group, the materialisation of strategic decision risk could have a material adverse effect on the Group's operations, financial condition and results of operations.

The Group's estimate for the strategic decisions risk profile is medium."

1.2. The risk factor entitled "*Risk of resource supply disruption*" on pages 20 - 21 of the Base Prospectus shall be deleted and replaced with the following:

"***Risk of resource supply disruption***

The Group's operations depend on consistent and commercially adequate resource supplies of natural gas required for the operation of the CHPPs and supply of electricity.

Russia's invasion of Ukraine has led to EU sanctions on Russian-affiliated companies. As a result, any decision by the Russian authorities to lower energy supplies to gain political leverage or in response to EU sanctions would have major implications for EU energy supplies. Damage to physical infrastructure is another risk because most of the EU's gas supplies from Russia transit through pipelines running via Ukraine. Disruption to natural gas in particular would significantly but temporarily weaken the EU economy because it is a critical fuel in Europe's electricity generation and a key heating fuel for households.

The power system of the Baltic States is currently technically part of the Integrated Power System/Unified Power System (IPS/UPS) of Russia. The frequency, which is the most important parameter of a power system, is currently controlled by Russia. Taking into account the planned desynchronization of the Baltic power system by the end of 2025, Russia has finalised reinforcement of the Russian internal transmission network (incl. the Kaliningrad region), considering the scenario of the desynchronization of the Baltic power system from the IPS/UPS system. As the Baltic States are still part of the IPS/UPS system, there is a risk, that Russia may desynchronize the Baltic States power system from the IPS/UPS system before the planned time. If such scenario materialises then it could lead to additional gas consumption and costs related to the need of different operation regime by the CHPPs.

The government of Lithuania has decided to stop importing Russia's gas from April 2022 and the government of Estonia and Latvia - by the end of 2022. Lithuania will continue receiving gas through the floating liquefied natural gas (LNG) terminal at the port of Klaipeda. Estonia and Finland have announced, that they are planning to establish a new LNG terminal in Paldiski or in Inkoo port. The possible construction of LNG terminal in the territory of Latvia is also being discussed. Latvia used to be wholly dependent on Russia for its imports of gas, but there have been made significant efforts to bolster the Baltics' energy security in the last decade. Latvia has reasonable levels of gas storage and continues using opportunities to diversify its potential sources of supply from LNG terminal at the port of Klaipeda and planned LNG terminal at the port of Paldiski / Inkoo. The Baltics have also established fixed power links to Finland, Sweden, Poland and natural gas pipeline connections to Poland and Finland.

The risk that required gas supplies might not be available in the region, not ensuring the needs of the Company's CHPPs and other consumers in Latvia during district heating season, or might only be available for high price, would affect the CHPPs operation regime and the Group's profitability, as well as might lead to limited supplies, price fixings, restrictions in consumption, imposed by the State, which could adversely affect the Group's business and financial position.

To mitigate the risk of resource supply disruption, the Group has replenished its gas reserves in the Incukalns Underground Gas Storage in a timely manner. Additional LNG deliveries through the Klaipeda terminal or the new Estonia/Finland terminal in 2023 are planned as well.

The Group's estimate for the resources supply risk profile is high."

1.3. The risk factor entitled "*Energy market price fluctuation risk*" on pages 21 - 22 of the Base Prospectus shall be deleted and replaced with the following:

"Energy market price fluctuation risk

The Company operates a vertically integrated power portfolio. At the first instance the generation assets are used to cover the open retail fixed price commitments. Where the market price risk is covered by the production of the CHPPs, the natural gas procurement costs and carbon emission costs are hedged forward. About 80 per-cent of the Group's electricity generation portfolio is used for covering the retail segment fixed price commitments. Group's generation portfolio does not fully cover the needs of the electricity supply portfolio due to deviations in production and retail consumption profiles, thus throughout the year approximately 20 per-cent of the Group's annual electricity supply to the retail sector is subject to market price risk. The Group monitors power portfolio's risk metrics and uses financial derivative contracts to partially mitigate electricity market price risk for the remaining part of its supply portfolio without generation asset coverage and for fixing of natural gas procurement costs.

In Europe, an unprecedented rise in energy prices was observed in 2021. Electricity spot prices in the Baltics were two and a half times higher than in 2020. Such a rise in prices is related to various factors: multiple increases in gas prices and CO_2 emission allowances, 5 per-cent higher demand for electricity, and lower generation of wind power plants in Europe. In 2021, the Group's revenue increased by 38 per-cent as result of higher energy sales revenue due to higher electricity market prices and 5 per-cent increase in retail sales volume. Yet, the Group's profit was negatively impacted mainly by significantly higher electricity purchase prices that at the same time coincided with the seasonally reduced electricity generation at the Company's power plants. Customers' final prices are gradually adjusting to the current level of costs. In 2022, energy price increase has continued as Russia's invasion of Ukraine has shaken the world and affected energy markets accordingly. As Russia's invasion of Ukraine continues, uncertainty remains in Europe about future supplies of natural gas and other energy resources. This contributes to a significant increase in the energy market prices.

Hedging is an efficient way to protect the Group against unfavourable changes in energy market prices. Nord Pool Latvian bidding area price derivatives are primarily used to hedge price risk in addition to own generation hedge. However, currently the available volume of hedging instruments in the Baltic countries' markets is limited due to low liquidity in the electricity derivatives' market, and for that reason hedging costs might be high. In recent years Nordic-Baltic market interconnectivity has increased with the opening and stabilisation of operations of new transmission capacities between Lithuania and Sweden. Currently the pricing of natural gas physical deliveries are based on Dutch TTF Month ahead indices and Dutch TTF swap contracts are used for fixing the price for major part of the planned natural gas procurement.

Currently about 70 per-cent of business customers portfolio of 3 TWh and about 80-85 per-cent of mass segment customers portfolio of 2,3 TWh that includes households and small business customers in terms of volume are with fixed price contracts. Contracts for most part of mass segment customers is open-ended with clause in the contract that allows to change the price not more often than twice a year notifying customer 30 days before. The Company uses generation assets and derivative financial instruments to hedge the market price risk for sales with fixed price contracts. Usually, the Group has hedged the market price risk for about 80 per-cent of its electricity sales portfolio.

Notwithstanding this, there is a risk that hedging will not provide the required efficiency. This could have a material adverse effect on the Group's financial position.

The Group's estimate for the energy market price fluctuation risk profile is medium."

1.4. The risk factor entitled "*The cancellation of mandatory procurement and capacity payment support scheme Risk of resource supply disruption*" on pages 24 - 25 of the Base Prospectus shall be deleted and replaced with the following:

"***The cancellation of mandatory procurement and capacity payment support scheme***

Legislative acts of the Republic of Latvia currently entitle the Company's subsidiary Enerģijas publiskais tirgotājs SIA to act as an agent in the mandatory procurement administration process.

With the political objective of reducing the amount of the mandatory procurement component, there is a risk that the cost of mandatory procurement could be reduced at the expense of the Group by stopping the CHPPs capacity support, which has already been reduced by 75 per-cent. The interruption of the payment of capacity support to the CHPPs and a stipulated obligation to repay the State compensation (for more details on the compensation, please see Note 14 d (I) in the Group's Annual Report 2021) of 75 per-cent of the CHPP capacity support could potentially lead to a material adverse effect on the financial position of the Group and consequently reduce the dividend potential of the Group.

On 6 September 2022, amendments to the legal acts were adopted and also the order of the Cabinet of Ministers of the Republic of Latvia was approved, that both together envisage that the mandatory procurement component will not be charged in the bills for customers in the period from 1 September 2022 until 31 December 2025. According to the mentioned legal acts the costs of mandatory procurement, if they exceed the value of received electricity under mandatory procurement scheme from supported generators, will be compensated by the State budget to the Company's subsidiary Enerģijas publiskais tirgotājs SIA. There is a risk that the necessary funds for compensation could be sourced through higher dividend payments received from the Company.

The amendments in the regulation of the mandatory procurement resulting in changes of the mandatory procurement administration process or in incurred mandatory procurement costs not being recoverable to their full amount could have a material adverse effect on the Group's financial position.

The Group's estimate for the mandatory procurement risk is high."

1.5. The risk factor entitled "*Changes in legislation*" on page 25 of the Base Prospectus shall be deleted and replaced with the following:

"***Changes in legislation***

The Group is dependent on the legislative environment in the markets where it operates, and on political and social decisions in these markets, as well as in the European Union (EU). One of such initiatives is the European Green Deal, aimed at transforming the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. This exposes the Group to additional costs and commitments that might negatively impact the Group's financial situation.

On 31 March 2022, the Ministry of Economics submitted to Saeima (the Parliament) for the second reading the amendments to the Energy Law which provide that, in case the incumbent supplier fails proposed obligation to fulfil the necessary winter gas consumption in underground gas storage, then the Group as second largest gas supplier in Latvia will be obliged to provide natural gas supplies to domestic household users at tariffs set by the Public Utilities Commission. The risk that required additional gas supplies to domestic household users might not be available in the market at short notice creates a risk of non-compliance with the regulatory enactments. Also, the risk that the tariffs set by the Public Utilities Commission to provide natural gas supplies to domestic household users do not cover costs to source natural gas in the market creates a risk that subsequent losses might accumulate which might not be recovered immediately or at all.

Given the high electricity prices in the region and electricity generation companies' profits associated with that, there is a risk that a windfall tax or some other similar initiative could be introduced, which could limit the Company's profit, thus negatively impacting the Group's financial situation.

The Group's estimate for pertaining to changes in legislation risk is high."

1.6. The risk factor entitled "*Liquidity risk*" on page 29 of the Base Prospectus shall be deleted and replaced with the following:

"***Liquidity risk***

The Group is exposed to liquidity risk resulting from mismatches between available funds and the Group's capital requirements to meet its payment obligations as they fall due or to fund its capital investments. The Group's future capital requirements and level of costs will depend on numerous factors, including, weather conditions, the amount of cash generated from its operations and general industry and economic conditions. Currently, the gas and electricity markets have experienced huge price changes, with the prices increasing several times during the year. The habit of purchasing gas has also changed, i.e., gas is purchased from different sources with different settlement conditions than previously and kept in gas storage, thus freezing large amount of cash for a longer time.

An inability to cover funding costs through revenue streams could have a material adverse effect on the Group's business, financial condition, and results of operations or prospects, which could impact the ability of the Company to meet its payment obligations under the Notes.

The Group has a Financial Risk Management Policy in place to address the liquidity risk. The Group's policy is, among other things, to maintain sufficient reserves of cash and cash equivalents and the availability of long and short term funding through an adequate amount of committed credit facilities to meet its payment commitments according to its strategic plans and to balance fluctuations in the cash flows.

The Group's estimate for the liquidity risk profile is medium."

1.7. The following text shall be inserted as a new risk factor in the section entitled "*Foreign exchange risk*" on page 29 of the Base Prospectus immediately after the risk factor entitled "*Interest rate risk*":

"***Foreign exchange risk***

As of the date of this Base Prospectus the Group is not exposed to significant foreign exchange risk, but it could be exposed to foreign exchange risk, if the significant part of the expenses (financial expenses, payment for imported natural gas, payment for capital expenditures) is in other currency than Group's functional currency (in euro). Any unfavourable fluctuations in euro exchange rate due to exchange rate policies in the future could have material adverse impact on the Group's operations, prospects and financial results.

The Group has a Financial Risk Management Policy in place to address foreign exchange risk. To manage the Group's foreign exchange risk, the Financial Risk Management Policy foresees to use forward contracts.

The Group's estimate for the foreign exchange risk profile is low."

2. INFORMATION ABOUT THE GROUP'S BUSINESS OPERATIONS

2.1. The section entitled "*Mandatory procurement*" on page 59 of the Base Prospectus shall be deleted and replaced with the following:

"***Mandatory procurement***

Electricity mandatory procurement is a state-regulated support mechanism for electricity generators in Latvia. It is implemented as electricity procurement or guaranteed payments for the capacity installed at power plants. The right to sell electricity generated within mandatory procurement or receive guaranteed payments for the installed capacity at power plants is granted to generators who generate electricity in efficient cogeneration or from renewable energy sources. Cogeneration plants with installed capacity above 4 MW receive support in the form of a payment for the guaranteed capacity. The right to receive support in the form of mandatory procurement is granted by the Ministry of Economics; however, the issuance of new permits has been suspended since 2012. The provisions for electricity generation, the mandatory procurement pricing and the amount of guaranteed capacity payments are governed by regulations of the Cabinet of Ministers. The amount of the mandatory procurement support depends on the type of energy source used (wind, water, biomass, biogas or natural gas), the installed capacity, and, for natural gas cogeneration plants, the cost of natural gas.

In accordance with the Electricity Market Law (in Latvian – *Elektroenerģijas tirgus likums*), as of 1 April 2014, the functions of public trader (administration of mandatory procurement in Latvia) are performed by the Company's subsidiary Enerģijas publiskais tirgotājs SIA.

The public trader is compensated for mandatory procurement net expenditures through the mandatory procurement public service obligation fee (the "PSO Fee") paid by the end-users in Latvia and the State budget grants. The amount of the PSO Fee is determined based on actual expenditures in the preceding year as approved by the Public Utilities Commission. PSO Fee in end users' accounts consists of a variable part and a fixed part. The variable part is calculated in proportion to the electricity consumption and the fixed part (the capacity component) depends on the type of system service used. The amount of the PSO Fee is set on the basis of the mandatory procurement costs of the preceding year and is approved by the Public Utilities Commission.

Since 2017, support through the reduced PSO Fee for energy-intensive processing industry companies has also been provided. The Ministry of Economics decides on the reduction of the PSO Fee payments for energy-intensive companies. The PSO Fee reduction is financed by the State budget grants.

On 6 September 2022, amendments to the legal acts were adopted and also the order of the Cabinet of Ministers of the Republic of Latvia was approved, that both together envisage that the mandatory procurement component will not be charged in the bills for customers in the period from 1 September 2022 until 31 December 2025. According to the mentioned legal acts the costs of mandatory procurement, if they exceed the value of received electricity under mandatory procurement scheme from supported generators, will be compensated by the State budget to the Company's subsidiary Enerģijas publiskais tirgotājs SIA."

3. FINANCIAL AND TREND INFORMATION

3.1. Section entitled "*Pricing commitment with the Competition Council of Latvia*" on page 72 of the Base Prospectus shall be deleted and replaced with the following:

"***Pricing commitment with the Competition Council of Latvia***

On 20 November 2009, the Competition Council of the Republic of Latvia passed a decision closing the investigation against the Company regarding alleged exclusionary pricing practices in the thermal energy market in Riga City and accepting a written commitment (pricing commitment) from the Company. In 2019, the Company and the Competition Council started discussions aimed at updating the written commitment to reflect the current situation in the thermal energy market in Riga City. On

29 July 2021, the Competition Council of the Republic of Latvia passed a decision accepting new (updated) written commitment (pricing commitment) from the Company."

3.2. Paragraph 1 under the section entitled "*Trend information*" on page 72 of the Base Prospectus shall be deleted and replaced with the following:

"On 6 September 2022, amendments to the legal acts were adopted and also the order of the Cabinet of Ministers of the Republic of Latvia was approved, that both together envisage that the mandatory procurement component will not be charged in the bills for customers in the period from 1 September 2022 until 31 December 2025. According to the mentioned legal acts the costs of mandatory procurement, if they exceed the value of received electricity under mandatory procurement scheme from supported generators, will be compensated by the State budget to the Company's subsidiary Enerģijas publiskais tirgotājs SIA. Thus, there is a risk that necessary funds for compensation could be sourced through higher dividend payments received from the Company."

Management Board of Latvenergo AS:

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Chairman of the Management Board
Mārtiņš Čakste

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Member of the Management Board
Guntars Baļčūns

This document is signed electronically with secure electronic signatures containing the time stamps.