

## Latvenergo Group publishes audited results and the Sustainability Report for 2020

Today, on 14 April, the consolidated audited financial results of Latvenergo Group and the financial results of Latvenergo AS for 2020 are published. They were approved by the Management Board of Latvenergo AS on 13 April. The Sustainability Report prepared in accordance with GRI Standards and the Corporate Governance Report of Latvenergo AS for 2020 are published together with the reports.

In 2020, energy sector, like the rest of the world economy, was affected by the COVID-19 pandemic. Nevertheless, Latvenergo Group's timely and purposeful action to provide safe working conditions ensured stable and continuous energy generation, trade and electricity distribution. During this time, the Group started operating in the Lithuanian household electricity market and extended its operations in the field of electric mobility.

In accordance with <https://top101.lv/baltic-top-10>, Latvenergo Group was recognised as the most valuable energy company in the Baltics. In 2020, the revenue of the Group, in accordance with audited financial results, comprised EUR 773.4 million. EBITDA\* increased by 14% to EUR 277.9 million. The profit of the Group comprised EUR 116.3 million. The Group generated 4,249 gigawatt-hours (GWh) of electricity, and sold 6,394 GWh of electricity and 516 GWh of natural gas in the retail trade.

Latvenergo Group's operations in 2020 have been affected by a number of regional and global events. The electricity price in the Nord Pool region decreased, mainly affected by both higher share of renewable energy generation and lower demand due to warmer weather and COVID-19. Due to these factors, in 2020, the electricity consumption in the Baltic states decreased by 2.4% compared to the year 2019. Accordingly, due to low electricity prices and falling demand, electricity generation in the Baltics also decreased by 6%.

On 10 June 2020, transmission system assets were separated from Latvenergo Group by transferring the shares of Latvijas elektriskie tīkli AS in the amount of EUR 222.7 million to the Ministry of Economics. In 2020, there were also changes in the management of the Group – a new company Supervisory Board was appointed; Guntars Baļčūns, Member of the Management Board and Chief Financial Officer, was appointed as acting Chairman of the Management Board until the establishment of the permanent composition of the Management Board.

Latvenergo Group was the largest electricity generator in the Baltics, generating 29% of the total electricity output in the Baltic states. The share of electricity generated from renewable energy sources comprised 60%, which was 18 percentage points more than in 2019. The total amount of power generated by Latvenergo Group's power plants comprised 4,249 GWh of electricity and 1,702 GWh of thermal energy. The amount of power generated at the Daugava HPPs was 23% higher compared to the year 2019, reaching 2,528 GWh. It is important to emphasise that the Daugava HPP cascade operatively ensured the energy supply of Latvia and neighbouring countries in June 2020, when the accident in the transmission network temporarily left a large part of Riga and its surroundings without electricity.

In the reporting year, the amount generated at the Latvenergo AS CHPPs reached 1,685 GWh, which was 39% less than in 2019. The operation of the CHPPs is adjusted to the conditions of the electricity market and thermal energy demand. The amount of thermal energy generated in 2020 decreased by 8% compared to the year 2019, which was mainly impacted by warmer weather conditions.

In 2020, Latvenergo operated in all energy trade segments in Latvia, Lithuania and Estonia, also continuing to actively expand into new business segments by launching operations in the Lithuanian household electricity market. In the reporting year, Latvenergo Group supplied a total of 6.4 TWh of electricity to its customers in the Baltics, of which 4.2 TWh in Latvia, 1.2 TWh in Lithuania and 0.9 TWh in Estonia. The total number of Latvenergo customers exceeds 740 thousand, of which 49 thousand customers are located outside Latvia. Since the opening of the Lithuanian household electricity market, Latvenergo has already concluded more than 13 thousand contracts by the end of 2020. In the reporting year, Latvenergo Group's natural gas sales to retail customers were 70% higher than in the previous year, reaching 516 GWh. The number of natural gas customers in the Baltics is 13.5 thousand, of which 12.1 are households.

The year was particularly successful in the sale of solar panels – more than 600 contracts were concluded for the installation of solar panels in the Baltics; thus, the number of concluded contracts almost doubled compared to the year 2019. To extend this segment, *Elektrum* launched a solar panel park in Lithuania and is developing a project in Estonia with a total capacity of 1.75 MW.

In the electric mobility market segment launched in 2019, the network of electric vehicle charging stations expanded to 36 charging points by the end of 2020. *Elektrum* mobile app customers made more than 8,000 charges at *Elektrum* public charging stations. At the same time, other electric mobility services and products are being developed – both for legal entities by setting up charging stations and for households by selling home chargers.

In the reporting year, Latvenergo Group revenue reached EUR 773.4 million, which was by EUR 68.2 million or 8% less than in 2019. This was mainly impacted by lower revenues from electricity trade segment due to lower electricity prices and generated electricity, lower revenues from the distribution segment due to lower volumes of distributed electricity and lower distribution system service tariff, and lower revenues from thermal energy sales due to warmer weather conditions. EBITDA reached EUR 277.9 million, which was by 14% or EUR 34.4 million more than in 2019, which was positively influenced mainly by lower energy purchase prices and higher electricity output at the Daugava HPPs. In the reporting year, the profit of the Group reached EUR 116.3 million.

In 2020, the total amount of investment of Latvenergo Group comprised EUR 168.9 million, which was EUR 60.6 million or 26% less than in 2019 due to lower investments in transmission system assets. EUR 18.5 million were invested in the Daugava HPPs' hydropower unit reconstruction. A significant amount was invested in the modernization of the power networks – 69% of total investment, which make it possible to ensure high-quality power network service, technical parameters and operational safety.

Latvenergo AS plans to pay EUR 98.2 million in dividends meeting the dividend target set in the Group's strategy (more than 80% of the profit) and the amount of dividends planned in the state budget. Latvenergo Group's capital structure ratios are sufficient to proceed with the dividend payout. As of 31 December 2020, the Group's asset value reached EUR 3.4 billion and its equity exceeds EUR 2.1 billion.

Latvenergo AS dividends are used as a source of funding for the state budget program *Electricity User Support*, which includes financing for the reduction of the mandatory procurement public service obligation fee by an average of 23% as of 1 January 2021.

On 11 February 2021, Moody's performed a periodic review of the credit rating of Latvenergo AS. The Baa2 rating has been consistently stable for the sixth year in a row, confirming Latvenergo Group's stability and financial reliability.

The Latvenergo Group Sustainability Report for 2020 has been prepared in accordance with the requirements of GRI Standards. The report contains extensive information about the Group, its governance and operating segments. The document also provides information on the key economic, social and environmental aspects of the Group's operations. The Sustainability Report for 2020 has been audited by PricewaterhouseCoopers SIA.

The Latvenergo AS Corporate Governance Report 2020 was also published along with the financial results of Latvenergo Group. The Corporate Governance Report shows that the Latvenergo Group respects all the principles of good corporate governance that apply to its operations in all essential aspects. The Corporate Governance Report was first prepared in 2012 with the launch of the bond issuance programme and listing of issued bonds on Nasdaq Riga. The report has been prepared in line with the Financial Instruments Market Law and the *Principles of Corporate Governance and Recommendations on their Implementation* issued by Nasdaq Riga AS in 2010. The reports are available in the section [Investors/Reports](#).

\* *earnings before interest, corporate income tax, share of profit or loss of associated companies, depreciation and amortisation, and impairment of intangible and fixed assets*